

PORT IS

WHAT WE DO



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About **9,000** 
sea vessels in a year


43 km
of quay walls


156,000
 jobs, directly
 and indirectly,
in the Hamburg metropolitan area*




Nearly 135 railway companies are operating on the port railway network – that is a **World Record**


200 freight trains with
5,000 wagons daily



Headquarters/Subsidiary
 of 15 of the 20 largest
 shipping lines in the world*


7,105
 in size
 which equates to almost
 10,000 football pitches'



Europe's
 biggest railway port with approx.
 300 km of railway tracks



Third biggest
 european seaport

118 
 bridges



12 km
 of beach



47 vessels
 including pilot vessels, icebreakers
 and launches

road network of
142 km



REPORTS

Supervisory Board's Report

Total trade in the Port of Hamburg achieved 138.2 million tonnes and was 0.3 % higher than in the previous year. Import and export showed a contrary development: With 79.1 million tonnes a plus of 2.5 % was achieved on the import side. This increase compensated for the reduction on the export side (-2.6 % to 59.1 million tonnes).

Regarding the market shares of the four largest North Range ports, it can be seen that after a significant decline in 2015, the Port of Hamburg largely maintained its position in the current year despite continuing weak demand within the North Range and an increasingly difficult market environment. At the end of 2016 as in the previous year, Hamburg's share of the total North Range trade was 15.6 %. In 2016, the market share of the Port of Hamburg in container trade achieved 24.2 % and thus almost the level of the prior year.

In 2016, a total of 8,592 seagoing vessels generating trade called in the Port of Hamburg. This corresponds to a slight decrease of -0.3 % compared to 2015. The share of container ships was about 47 %. For bulk carriers (incl. tankers) it was 24 % and for general cargo ships 21 %. The rest amounting to approximately 8 % is spread across RoRo ships, passenger vessels and different special purpose vessels. The number of calls at the port regarding container ships of the classes from 4,000 to 13,999 TEU declined without exception. The biggest decrease with about -71 % were ships with a loading capacity of 6,000 to 7,999 TEU; in this class there were 61 calls at port less than in 2015. In the class 10,000 to 13,999 TEU calls declined about 10 %. In absolute numbers, the decrease of 51 ships was similarly high. However, the number of calls at port of ships with a minimum capacity of 14,000 TEU increased significantly. In this class, 240 ships called at the Port of Hamburg in 2016. This corresponds to an increase in 90 ships respectively 60 % compared to 2015. Thus, the trend of the previous year continued.

In the Directors' Report, the management board of the HPA adequately presented the situation of the Port of Hamburg.

A dialogue based on trust

Four supervisory board meetings were held in the year under review. The collaboration between the supervisory board and the management board was marked by transparency and mutual trust. The management board regularly informed the supervisory board in detail about the economic development of the Hamburg Port Authority AöR, including the risk situation and the risk and opportunity management at the institution. The supervisory board and the management board discussed crucial corporate-policy and strategic issues that concerned the Hamburg Port Authority AöR. Based on written and oral reports delivered by the management board at regular intervals, the supervisory board continually and carefully monitored the management and commercial development of the Hamburg Port Authority AöR. The finance and staff committee held three meetings to review in detail financially relevant and staff-related issues raised by the management board and presented the results and recommendations at the supervisory board meetings.

Annual financial statements

Ebner Stolz GmbH & Co. KG, the Hamburg-based auditors appointed at the supervisory board meeting on 7 July 2016, audited the directors' report and the annual financial statements of the HPA for the year ended 31 December 2016. The auditors confirmed that both the directors' report and the annual financial statements are in compliance with the laws and the articles of association and expressed their full approval in their auditors' opinion. At the meeting on 7 July 2016, the supervisory board reviewed and verified in detail the annual financial statements, the directors' report and the proposal on the allocation of the result for the year. The auditors attended the meeting of the supervisory board on 13 July 2017, explained in detail the main findings of their audit and provided additional information as requested.

Management members

Wolfgang Hurtienne resigned from his management activities at the HPA and retired on 11 January 2017. There were no changes in the composition of the supervisory board in the 2016 financial year.

Thank you

On behalf of the supervisory board I would like to thank the members of the management board and all employees of the Hamburg Port Authority for their enormous commitment in the past year. We have paved the way for important changes, some of which have already been initiated, and thanks to the dedication of each and every employee, the Hamburg Port Authority is well equipped to face the challenges ahead.

Hamburg, 13 July 2017

Frank Horch
Chairman of the Supervisory Board

REPORTS

Directors' Report

Directors' Report of the Hamburg Port Authority Anstalt des öffentlichen Rechts (Institution under Public Law), Hamburg

1. BUSINESS MODEL

Since 2005, the Hamburg Port Authority AöR (HPA) has been providing future-oriented port management services offering one face to the customer and is active in all areas regarding safety and efficiency of the infrastructure in the Port of Hamburg. The HPA meets the port's constantly changing conditions with intelligent and innovative solutions. Furthermore, the HPA has created the framework conditions for the successful development of the cruise business in Hamburg by establishing its affiliate company Cruise Gate Hamburg (CGH). The HPA is responsible for efficient, resource-saving and sustainable planning and implementation of infrastructure projects in the port. It is the contact point for all kinds of questions concerning the waterside and landside infrastructure, the navigational ease and safety of vessel traffic, port railway facilities, port property management and business conditions in the port. The HPA ensures the provision of land as required, carries out the statutory duties placed on it and provides port industry services. It markets port-specific technical knowledge and represents the interests of the Port of Hamburg at a national and international level.

2. GOALS AND STRATEGIES

The HPA is port manager, service provider and partner in the Port of Hamburg. It is continuously developing as an organisation and has a sustainable business model, which is constantly adjusted to the changing tasks and conditions. The HPA ensures the economic efficiency and financial transparency of its actions and works efficiently, ecologically and in the interest of social sustainability. It acts in a resource-saving manner and thus fulfils its responsibility to the port in the city. The HPA assumes its social responsibility in society and aims as an attractive employer to always have highly motivated employees.

Based on a functioning infrastructure, the HPA develops the sustainable and intelligent port. In order to ensure competitiveness, it derives the port's strategic direction from customers' demands as well as economic and political conditions. It deploys its high level of expertise and new business areas for increasing profitability. The HPA utilises digitisation as an opportunity as well as a necessity to meet the challenges of a port in the city and, together with its stakeholders, develops the Port of Hamburg to one of the most intelligent ports in the world. As a driver of digitisation, the HPA develops IT applications along the value chain, which can be transferred to Hamburg and other cities, promotes standards for ports and fosters the networking of ports and along the logistic chain. The HPA further shapes the preparation and marketing of attractive commercial premises and commercially usable infrastructure and develops the port to one of Europe's leading cruise locations. For the future planning and constructing of its infrastructure projects by means of modern digital methods, the HPA becomes a know-how carrier of method Building Information Modeling (BIM).

As a service provider the HPA tends to as-needed provision, operations, and continuous optimisation of the public infrastructure, including the seaside connection, at the order of the Free and Hanseatic City of Hamburg and in the national interest. In addition, the HPA strives to optimize the traffic flows by means of a non-discriminatory provision of information and services. The HPA continuously improves the interface to the port's hinterland connection and creates the framework conditions for further increase in modal split shares of port railway and inland waterway vessels by supporting port internal processes.

As a partner, the HPA is in constant dialogue with the actors involved in the port and in politics in order to effectively form and foster higher-level development trends such as digitisation, Industry 4.0 and sustainability. In cooperation with the federal Government and the neighbouring federal states, it ensures and develops the port's landside and waterside connection. In the interest of the Hamburg metropolitan region and together with the stakeholders, the HPA guarantees a sustainable port development to strengthen the competitive position of the Port of Hamburg. In doing so, the HPA consolidates the supra-regional significance of the Port of Hamburg on a national and international level.

3. ECONOMIC CONDITIONS

Trade stabilisation

Total trade in the Port of Hamburg achieved 138.2 million tonnes and was 0.3 % higher than in the previous year. Import and export showed a contrary development: With 79.1 million tonnes a plus of 2.5 % was achieved on the import side. This increase compensated for the reduction on the export side (-2.6 % to 59.1 million tonnes).

Regarding the market shares of the four largest North Range ports, it can be seen that after a significant decline in 2015, the Port of Hamburg largely maintained its position in the current year despite continuing weak demand within the North Range and an increasingly difficult market environment (see Forecast Report). At the end of 2016 as in the previous year, Hamburg's share of the total North Range trade was 15.6 %. In 2016, the market share of the Port of Hamburg in container trade achieved 24.2 % and thus almost the level of the prior year. Not least because of diversion of trade from Zeebrugge, again in 2016, the Port of Antwerp was the winner in container trade and the only one among the major North Range ports to increase its market share.

After a difficult start at the beginning of the year, from April 2016 container trade mostly showed positive growth rates. Thus, the trade volume of the Port of Hamburg amounted to 8.9 million TEU at the end of the year 2016 and achieved a slight increase of 1.0 % compared to 2015. The tonnage share of containers increased to 91.7 million tonnes of the total. After a strong growth in 2015, the trade of bulk goods achieved 44.9 million tonnes at the end of 2016 and was -1.3 % below the previous year's level.

The breakdown of the container trade in the different navigated areas of the Port of Hamburg presents a mixed picture in 2016: In container traffic with the largest trade partner China there is a growth rate of 1.6 %, with Russia an increase of 4.5 %. However, in container traffic with the USA, the Baltic states, Great Britain and Taiwan very high growth rates were achieved. A strong growth was achieved with ports in western South America as well as in the Middle and Near East; trade figures for Central America and Finland increased modestly. On the other hand, there is strong to very strong decline in container traffic with South Korea (-12.9 %), Sweden, Poland and Japan (each about -10.0 %) as well as a significant to strong decline for North Africa, Brazil, Canada and Singapore. At first, in the volatile transshipment segment the decrease in container handling continued in 2016. For the first time since August 2014, a positive monthly growth rate in container transshipment was achieved in June. Until the end of the year growth rates compared to the months of the previous year remained steady and thus in 2016 trade in this segment achieved an increase of 1.5 % compared to 2015.

In 2016, a total of 8,592 seagoing vessels generating trade called at the Port of Hamburg. This corresponds to a slight decrease of -0.3 % compared to 2015. The share of container ships was about 47 %. For bulk carriers (incl. tankers) it was 24 % and for general cargo ships 21 %. The rest amounting to approximately 8 % is spread across RoRo ships, passenger vessels and different special purpose vessels. The number of calls at the port regarding container ships of the classes from 4,000 to 13,999 TEU declined without exception. The biggest decrease with about -71 % were ships with a loading capacity of 6,000 to 7,999 TEU; in this class there were 61 calls at port less than in 2015. In the class 10,000 to 13,999 TEU calls declined about 10 %. In absolute numbers, the decrease of 51 ships was similarly high. However, the number of calls at port of ships with a minimum capacity of 14,000 TEU increased significantly. In this class, 240 ships called at the Port of Hamburg in 2016. This corresponds to an increase in 90 ships respectively 60 % compared to 2015. Thus, the trend of the previous year continued.

In 2016, with regard to the hinterland, a plus of 0.7 % in container trade was achieved. The stable development of the hinterland traffic confirmed the traditional strengths of the Port of Hamburg in this segment. Still going against the general trend in trade development, also in 2016 the hinterland rail transports showed positive growth. With TEU and the total loading capacity of all goods transported in wagonload and container traffic new all-time highs were reached with almost 2.4 million TEU respectively 46.4 million tonnes. This corresponds to an increase of 2.4 % in TEU and of 1.5 % in loading capacity. The number of trains (59,729) and wagons (1,603,411) reached the pre-crisis level of 2007. This is clear evidence for significant increase in efficiency as the increase in amount of transported goods was achieved without corresponding increase in trains and wagons. In 2016, the average utilisation of the container trains with about 71 TEU per train remained at the high level of the previous year.

The cruise business with a total of 171 calls at port and more than 722,000 passengers generated new records in the Port of Hamburg in 2016. Thus, Hamburg emphasized its position as the most important cruise port in Germany. The essential basis for this success was the Cruise Gate GmbH (CGH) established by the HPA.

4. COURSE OF BUSINESS

Strengthening the competitive position of the Port of Hamburg through target-oriented development and digitisation of the port's infrastructure

The HPA focused on the efficient realisation of important expansion projects and advanced the modernisation of process control. Given the geographic location of the Port of Hamburg, the focus must be on efficient traffic flow management and, in particular, on accommodating all ship sizes adequately. Regarding these challenges, special efforts (EUR 271 million) were made to upgrade and expand all modes of transport (waterways, road and rail). Simultaneously, the gradual development of port sites with the location of various industries was carried out successfully.

Land development

The intensive utilisation of the limited port sites is still an important topic of HPA's business policy for the development of the universal port Hamburg. As in the years before, the realisation of this goal was continued in 2016 on different scales.

Especially larger areas in proximity to existing container terminals are currently not available. In order to meet such land demands, the focus is on the area "Altenwerder West" located south of the aluminium plant. With the development of the area "Altenwerder West", profitable settlement projects could be decided in favour of the port location Hamburg and thus, the competitive position of the Port of Hamburg would be maintained and further strengthened. Based on the Senate decision of 3 May 2016, this area was transferred from the port extension area to the port usage area. Due to a complaint following this legal implementation, the next steps are slowed

down. Nevertheless, in order to prepare possible usage concepts, the HPA has made a feasibility study, which takes into account mainly technical studies carried out in the past, to which legal, nature conservation and property management aspects were added.

In the course of Hamburg's planned bid to host the Olympic and Paralympic Games in 2024, several future-oriented ideas and approaches for the further development of port sites were created. One element is the new development of the areas in the central port location called "Steinwerder Süd". The step-by-step development and modernisation of the area started with the preparation of a market consultation process.

A rapid increase in ship sizes, steadily growing passenger numbers and calls at port are the current challenges in the cruise business. Thus, the HPA checks different locations in the port with regard to nautical, technical and organisational aspects in order to create further passenger handling capacities in the Port of Hamburg in the short and medium term. Urban planning in the port environment are continuously and intensively accompanied by the HPA to ensure that the particular demands of the "maritime industrial area" port, the port operations and the HPA as the site owner are recognized at an early stage and taken into account during the planning phase.

Investments programme realised

In 2016, the HPA invested a total of EUR 216.6 million in the infrastructure of the Port of Hamburg. The investment programme is predominantly fuelled by projects under way, such as Upgrading Transport Access to Burchardkai, New Kattwyk Railway Bridge, Widening of the Vorhafen and Rethe Bascule Bridge. The project Widening of the Vorhafen was accomplished at the beginning of 2017 and considerably improved the waterside access of the Mittlerer Hafen. Also the new build of the Rethe Bascule Bridge has proceeded in 2016 to the point that the road bascule section could be opened for road traffic. The still necessary technical adjustments and approval steps according to railway law of the railway bascule section will be terminated in 2017, hence, the complete bascule bridge can subsequently be put into operation. Regarding the project New Kattwyk Railway Bridge, the construction services for landside development, the construction of the railway lift bridge and the related operations buildings as well as first track construction works were contracted and are in the execution phase. This corresponds to 75 % of the entire construction services. Already in September 2016, a new 600-metre long road bridge for connecting the Kattwyk peninsula was opened for traffic.

One focus of the Port Railway's 2016 construction programme was the renewal of the tracks and points of the railway station Alte Süderelbe. Regarding superstructure, maintenance works were carried out at the locations Hamburg Süd, Waltershof and Alte Süderelbe. Regarding control and safety systems, signals were replaced in the stations Hohe Schaar and Hamburg Süd. Furthermore, modernisation of the technical safety of the rail crossings 205 and 206 at Peutestraße started.

The major refurbishment of the walls and vault of the St.-Pauli-Elbtunnel east tube has been completed. It included the re-tiling of the tunnel tube based on historical photos in consultation with the monument preservation office. The HPA started refurbishing the east tube's lower tunnel in the carriageway as well as the technical building systems, which will be terminated at the end of 2018.

Moreover, EUR 15.3 million were invested in HPA's machinery and equipment. A major milestone was the delivery of the "Hafenbau 2" and "Nehls" launch boats.

Ongoing strategic expansion projects

Providing efficient waterside access to the Port of Hamburg is a prerequisite to ensure the port's role as an international trade and transport hub, and thus its economic future. The adjustment of the Unterelbe and Außenelbe (Lower Elbe and Outer Elbe) fairways remains one of the major challenges for the port. The required dredging work can only start after enforceable approval of the planning decision is available.

This is not the case as two environmental associations brought proceedings to the Federal Administrative Court (BVerwG). On 2 October 2014, after an oral hearing over several days in July 2014, the court suspended proceedings until the European Court of Justice (ECJ) had rendered a decision on questions of principle relating to the interpretation of the Water Framework Directive. At the same time, the Federal Administrative Court pointed out several deficiencies in the planning decision, which the court was convinced could be remedied. In July 2015, the ECJ rendered a ruling interpreting the Water Framework Directive. In November 2015, the agencies promoting the project, taking into account the ECJ ruling, submitted supplementary documents pertaining to the plan so as to clarify and remedy respectively the deficiencies pointed out by the Federal Administrative Court. On this basis and after having formally involved and consulted the recognised environmental associations and the agencies representing the interest of the public, authorities of both the Free and Hanseatic City of Hamburg and the federal government issued a planning supplement on 24 March 2016. Based on that decision, the Federal Administrative Court re-opened proceedings and executed another oral hearing from 19 to 21 December 2016. The judgement of the Court was delivered on 9 February 2017 and thus, the planning decisions for the fairway adjustment were declared as unlawful and not enforceable. Furthermore, the Court dismissed the actions of the environmental associations. With this judgement, the Federal Administrative Court declared the planning decisions for the fairway adjustment of the Lower Elbe and Outer Elbe in a few points as unlawful, however, predominantly approved them. Moreover, according to its view the Court declared the existing deficiencies as remediable. On the other hand, the applicant environmental associations BUND and NABU were seeking a complete annulment of the planning decisions. They have not achieved this goal. Thus, after remedial of the deficiencies pointed out by the Court, the realisation of the fairway adjustment can start.

According to the view of the Federal Administrative Court, the planning decisions violate in three points the provisions of the habitat legislation, meaning regulations based on the European Habitats Directive. In order to remedy these deficiencies, on the one hand expert clarifications are required. On the other hand, in replacement for the coherence-ensuring measure "Spadenlander Busch/Kreetsand", which was not approved by the Court, another coherence-ensuring measure must be developed to compensate for the expected losses due to the fairway adjustment regarding the strictly protected plant species "Oenanthe conioides". The project teams of the HPA and the Federal Waterways and Shipping Authority have now started the necessary work. This will result in another amendment to the planning supplement, which in the course of another planning supplement procedure has to be approved by the planning authorities as a prerequisite for the start of construction. The necessary work is advanced with high priority. However, at this point in time no precise prediction can be made regarding the required amount of time until start of construction of the fairway adjustment, especially as the planning supplement decision can also be claimed against.

The implementation of the fairway adjustment project continues to be subject to a time-based risk.

The competent licensing authority granted official planning approval in December 2016 for the Container Terminal Hamburg (CTH) West Expansion.

Consequent orientation of the HPA in the digital age

The digital transformation is the biggest challenge for the global logistics sector. The HPA as infrastructure provider of one of the largest seaports in the world is well aware of this challenge. The intensified digital projects of the past years were further advanced also in the financial year 2016. The started smartPORT projects were step-by-step evaluated and terminated; new innovation projects were initiated. One of the major goals is to increase the efficiency of all modes of transport as well as to improve the logistical and traffic-related processes in the port.

In 2016, the digital Touch Table was finalised successfully. Its live operation in the Vessel Traffic Service Centre will start in 2017. The Touch Table digitally provides the water depths depending on the tide and thus replaces the former paper maps and corresponding manual calculation processes. Furthermore, the users get a quick and clear situation overview of the entire port and by means of intuitive interaction possibilities can select different information layers.

The project "Virtual Depot", which aims at more efficient traffic movements in the port area when coordinating empty containers, is terminated and tendered for operation as a service model.

In the financial year 2016, the project smartROAD was also finished, which evaluated the use of sensors in infrastructure elements (here road and bridge). The evaluation provides for investment decisions for the use of sensors in modes of transport. As a result, in the long-term maintenance processes can be optimised and causes of wear of the infrastructure can be better identified and reduced. Further optimisation of the traffic flow was achieved by the successful execution of the project SmartTag ("iBake"). The intelligent building site beacon sends information in real-time, e.g. about road narrowing due to temporary road works. On demand, it provides its location, whether it is correctly positioned and has enough power for its lighting. The completed project should now be rolled out to the entire city. For this reason, it was transferred to Hamburg's Agency of Roads, Bridges and Water (LSBG), which will continue it under the name of "Tross". With regard to the even stronger impacts of the digital transformation on industry, logistics and value chains in the future, the smartPORT strategy was internationally expanded: In addition to the constant digitisation of the Port of Hamburg, the globally oriented chainPORT initiative promotes and maintains the networking of worldwide leading seaports. As a first step, the willingness to cooperate and the exchange of digital "Best Practices" were emphasized in 2016. The long-term strategy has the goal to advance the shaping of the global digital logistics chain for exploiting efficiency potentials and setting quality standards. Independently of this, the HPA will initiate a dialogue process regarding digitisation in the Port of Hamburg together with the actors involved in the port.

In 2016, the first phase of the modernisation of the regional disaster response team based on digital supporting elements was also terminated. The innovations started operation with the storm surge season in 2016. In order to make efficient processes paperless and increase the reactivity of emergency services, digitisation of the disaster protection will be further expanded in 2017.

The HPA fostered its innovation research in the segment "Virtual/Augmented Reality" aiming on the one hand at facilitating first planning projects such as the new build of a bridge, and on the other hand, at collecting first experiences with citizens' participation and if necessary, to make them possible.

Other strategic environmental milestones

The concept to supply shore power to cruise ships was further expanded. Thus, the Port of Hamburg is the only port worldwide to offer three different ways for reducing emissions of cruise ships at berth. With the commissioning of the shore power station in Altona, green electricity from the public grid can now be used. At the Cruise Center Steinwerder, the process "Fueling at Berth" for the AIDAprima was put into operation. As a result, the AIDAprima can fuel its engines with air pollutant-reduced Liquefied Natural Gas (LNG) during berthing. Already since 2015, the LNG hybrid barge "Hummel" produces electricity from LNG and offers it via a landside infrastructure enabling cruise ships at berth in Hafencity to switch off their diesel-fuelled engines.

On 9 September 2016, DNV GL and HPA signed a Memorandum of Understanding to specify and further develop the concept of an environmentally friendly fleet of ships of the City of Hamburg. The goal is to reduce the emissions of the entire urban fleet, which will be operated in the future under HPA's responsibility.

The concept's five pillars are the use of low-emission fuels, equipping new builds with after-treatment of exhaust gas technology, the installation of retrofit solutions in the existing fleet, the evaluation of innovative drive solutions as well as the efficient operation of the ships.

At HPA's fleet of ships, the use of the air pollutant-reduced fuel Gas-to-Liquids (GTL) and the injection of oxygen to reduce overall fuel consumption were tested successfully. Both approaches are further promoted also in 2017 as well as the planned after-treatment of exhaust gas systems for the contracted icebreakers within the framework of the above-mentioned concept for an environmentally friendly urban fleet.

With the certification of an Energy Management System according to DIN EN ISO 50001 terminated at the end of 2016, the HPA proves that the goals stated in the initiative smartPORT energy were internalised and that it sets a good example for the port industries.

In order to improve respectively to stabilise the hydrological and morphological situation of the tidal Elbe, the HPA is realising the Kreesand/Spadenländer Busch pilot project on the tidal Elbe. As in the previous years, considerable construction progress was also made in 2016. After a water area subject to the tide in the southern section of the future shallow-water zone was created in 2015, works advanced in the middle construction phase to the point that this section will be finished in 2017. Thus, the works for this ecologically valuable area, which is subject to the natural tidal regime and lies in the catchment area of the tidal Elbe, proceed as scheduled.

5. EARNINGS SITUATION

Selected earnings figures

In TEUR	2016	2015	Change
Turnover, of which	184,827	182,257	2,570
rental income	93,947	93,141	806
port operations	72,881	74,423	-1,542
other income	17,999	14,693	3,306
Cost of materials	-165,101	-169,454	4,353
Staff costs	-110,159	-111,510	1,351
Other operating expenses	-78,041	-46,613	-31,428
Loss for the year	-37,740	-54,293	16,553
Reversal of capital reserve	20,921	47,738	-26,817
Loss carried forward from previous year	-6,591	-36	-6,555
Balance sheet result	-23,411	-6,591	-16,820

Compared with the previous year, turnover rose by EUR 2.6 million. This positive development is mainly due to increased rental income (EUR +0.8 million) and the increase in revenues from other income (EUR +3.3 million). Regarding port operations, only a level lower than in the previous year was achieved (EUR -1.5 million).

Rental income in particular comprises an increase in rental income from land (EUR +0.5 million), due in equal measure to newly concluded tenancy agreements and a general increase in rents.

Income from port operations consists of port fees and charges (EUR 52.3 million) as well as income generated by the Port Railway (EUR 20.5 million) and are below the previous year's revenues by EUR -1.5 million. This is in particular due to the decreasing development of the Port Railway revenues (EUR -2.2 million). Shorter standing times due to a more efficient production of the train-operating companies (EVU) are the reason for this development. Increased discounts for the use of noise-reduced brakes are another effect lowering the revenues.

Other income from dredging material (EUR 5.2 million) was EUR 2.3 million higher than in the previous year. This effect is particularly due to higher revenues from dredging of the sediment trap near Wedel. Furthermore, cost reimbursements for the planning activities related to the application for the Olympic Games are listed under other income. This structural effect compared to the previous year is due to applying the BilRUG. Major cause for the reduction in cost of materials compared to the previous year (EUR -4.4 million) is the project volume, which is lower than that of the previous year (EUR -18.0 million). This structural effect is due to termination of projects with high costs in the previous year and the corresponding high comparative level. In contrast, the burden on earnings due to the operational sector increases significantly (EUR +13.6 million). Again compared to the previous year, expenses for water depths maintenance were substantially higher. This is due to the still very high amount of sediments in the Port of Hamburg, which also occurred in 2016 and was caused by unfavourable hydrological conditions.

Compared with the previous year, staff costs decreased by EUR 1.4 million, which can be attributed to special effects from the adjustment of the valuation of pensions. Compared with the previous year, staff costs alone rose by EUR 1.7 million. Effects resulting from tariff adjustments were compensated by the consistent implementation of an efficient human resources management system.

The increase in other operating expenses as compared to the prior year of EUR 31.4 million is due to two special effects. In 2016, here the complete contribution is shown resulting from the changed valuation of provisions for pensions and other benefits EUR 17.7 million. Another effect of EUR 18.0 million results from the premature termination of a lease agreement.

At EUR -37.7 million, the loss for the year is lower than in the previous year by roughly EUR 17 million. Contrary to the operative reasons mentioned above, this development is also due to one-off effects in the field of other income, which increased by EUR 22.3 million compared to the previous year. This is mainly due to the reversal of a provision resulting from a changed approval situation regarding sediment deposits at Tonne E3 as well as the one-off contributions to the receivables of pensions from the FHH. An opposite effect resulted from the subsidy for specific measures, which was lower than that of the previous year. The high project volume of the previous years, new build of the Rethe Bridge and northern road connection Altenwerder, declined correspondingly.

The reversal of capital reserves of EUR 20.9 million dropped by EUR -26.8 million compared to the previous year. This deviation results from a one-off effect. In 2015, in the course of the withdrawal from the capital reserve, depreciation from previous years of EUR 25 million was considered for the first time.

6. FINANCIAL POSITION

Selected financial figures

In M EUR	2016	2015	Change
Loans	249.8	200.3	49.5
Operating assets	5.2	13.8	-8.6
Investment funds	0.0	0.0	0.0
Debt-equity ratio	51.2 %	47.3 %	

The public port infrastructure is funded by the HPA's ongoing revenues and the grants and cost reimbursements by the Free and Hanseatic City of Hamburg. Further liquidity is provided in the form of a current account overdraft with Hamburg treasury of EUR 70.0 million. Investments in the non-public area are funded by revenues generated by the HPA and borrowing as needed.

Overall, the HPA's financial solvency was ensured in the reporting year.

7. NET ASSETS POSITION

Selected asset figures

In M EUR	2016	2015	Change
Fixed assets	1,794.4	1,725.8	68.6
Asset intensity	86.7 %	86.8 %	
Fixed assets to net worth	56.3 %	60.7 %	
Equity	1,009.9	1,047.6	-37.7
Equity ratio	48.8 %	52.7 %	
Provisions	326.5	327.2	-0.7
of which provisions for pensions	223.3	200.0	23.3

The investments in intangible assets and tangible assets amounted to EUR 152.2 million in the reporting year (previous year: EUR 149.2 million). The investments are offset by asset disposals of EUR 2.5 million. Financial assets decreased by EUR -33.2 million to EUR 0.8 million, which is mainly due to loans granted to TEG (EUR -33.6 million).

In the financial year 2016, HPA's total investments of EUR 216.6 million declined by EUR -11.1 million compared to the previous year (-4.9 %). A total of EUR 37.2 million was invested in the expansion of the Port Railway. The investment in the Port Railway's expansion including the Rethe Bascule Bridge and the New Kattwyk Railway Bridge amounted to EUR 65.2 million. The Port Railway invested EUR 10.4 million in replacement projects. In the reporting year, EUR 17.2 million was invested in the expansion and complete restoration of various buildings as well as in the acquisition and revaluation of land due to on-site soil remediation. The investments in the expansion of public roads and public flood defence facilities are not shown in the HPA's fixed assets, as these assets are owned by the Free and Hanseatic City of Hamburg. EUR 31.1 million was invested in the expansion of the road and bridge network, including the vehicle carriageway of the Rethe Bascule Bridge, and EUR 0.6 million was invested in the expansion of the public flood defence facilities.

Investment grants received are shown as special item for investment subsidies. As of 31 December 2016, the special item amounted to EUR 442.1 million, which is offset by the respective general infrastructure book values in the fixed assets.

The equity of the HPA now stands at EUR 1,009.9 million, which is EUR -37.7 million lower than in the previous year. This largely corresponds to the amount of loss carried forward from the previous year.

Provisions mainly consist of provisions for pensions of EUR 223.3 million and other provisions of EUR 103.2 million. The HPA recognises entitlements from existing pension liabilities in accordance with the Projected Unit Credit Method, whereby future pension payments are allocated at the ratio of the pension provisions already made to the respective possible working time left until retirement. Almost half of the pension provisions have been made for 261 civil servants and 2,234 blue- and white-collar workers. The amount allocated is offset by the amount of EUR 107.2 million owed by the Free and Hanseatic City of Hamburg as provided for in the Act on the Establishment of the HPA, according to which the pension obligations owed to active employees and incurred prior to the establishment of the Hamburg Port Authority are to be paid for by the Free and Hanseatic City of Hamburg.

8. FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

With regard to the financial key performance indicators, refer to the explanations above. Below, the non-financial key performance indicators will be outlined.

The sustainability report issued in 2015 according to the Global Reporting Initiative (GRI) guidelines will be updated every two years, thus in 2017. Publishing updates of the report at certain intervals facilitates comparing the economic, ecological and social activities of the HPA to those of other ports such as Antwerp and Rotterdam.

9. EMPLOYEES

Selected staff figures

	2016	2015	Change
Workforce as of 31.12.	1,749	1,764	-15
Average operative workforce	1,759	1,771	-12
Labour turnover rate	3.7 %	5.3 %	

The saving measures under the efficient human resources management system were continued in 2016. As the set goals were mostly achieved, important hirings in relevant sectors were realised. Thus, compared to the previous year absolute savings declined. The average operative workforce of 1,759 dropped by 12, which however, is again significantly below the previous year's level. The labour turnover rate of 3.7 % decreased by 1.6 % compared to the previous year. This is due to the fact that effects based on the option of early retirement introduced by the legislature for people insured for a particularly long time ("retirement at age 63" or "retirement benefits after 45 years of contribution") were already realised in the previous year.

Human resources strategy

In 2016, the focus was on advancing the management culture and professionalising management competences as the basis of corporate success. Participating in the competition "Hamburg's Best Employer" confirmed that this focus in the framework of personnel development is reasonable and HPA is on the right track. The qualification programme "Fokus Führung" (Focus on Management) was continued and terminated in spring 2017.

In order to improve the employees' performance, performance-related remuneration (Leistungsorientierte Bezahlung, LoB) was introduced. The introduction in LoB is a further step in advancing the management culture and the performance orientation in the organisation.

Moreover, the implementation of an equal opportunities officer and the elaboration of an equality plan were completed. Thus, for the years to come, a concrete measurement plan for equality is available.

Another milestone was the foundation of the network "Digitisation". During an event with participants of the high potentials programmes, the topic "Digital Transformation of the HPA" was worked on from different disciplines. Based on this event, a network dealing with the subject "Social Media" for HPA's employees was established.

A particular challenge is the implementation of the new organisation "HPA next". In order to support the implementation of the new organisation in 2017, the internal Change Team "next move" was established. This team has the task to provide tools such as workshops and concepts for the individual divisions as well as to advise and support managers during implementation. In 2017, so called "move agents" are educated, aiming at keeping frictions during implementation of new roles and processes as low as possible.

Another focus was on the negotiations of the new compensation agreement, which were conducted together with the employers' association "Arbeitsrechtliche Vereinigung Hamburg e.V." (AVH) and the trade unions. There are plans to implement the new compensation agreement in spring taking effect at the beginning of the year.

HPA's health management is well accepted

The knowledge gained in the previous years from pilot projects in health management regarding methods and work with selected organisational units was implemented in 2016 with three new health projects. The principle of employees' participation in the analysis of health-endangering factors in order to develop counter-measures as well as to implement them in daily routine has proved its worth and can by now be used as HPA's standard procedure. Partly, the individual stress factors and resources identified in the projects are significantly different, so that a universally valid and overall description of causes is not possible. However, the proposals for actions developed in the projects and their authorisation by the corresponding management show immediate improvements in the units, which were considered by the employees as positive even after evaluations were carried out at a later time.

"Stay in Balance" was the yearly focus of corporate health management. This includes physical as well as psychological and social stress and resources. A number of lectures, health days and specific mindfulness trainings related to these topics were offered and very well attended by the employees. The co-operation agreement with Asklepios Connecting Health signed in 2015 for the first time, which provides employees with quick professional help if they suffer from mental stress, has proven to be a very effective offer.

10. FORECAST REPORT

Asserting its position in an increasingly difficult market

According to a 2015 handling potential forecast of the Institute of Shipping Economics and Logistics (ISL) and IHS Inc., a total of 229.3 million tonnes and 18.1 million TEU will be traded through the Port of Hamburg in 2030. The forecast is based on an average annual growth rate of 3 % for total cargo volumes and 4 % for container trade over the years to 2030. According to this potential forecast, container trade will again become the most dynamic handling segment in the Port of Hamburg in the years to come.

The forecast took into consideration that until 2020 only moderate growth could be expected. On the supply side, this is first of all due to the massive changes in the North Range's competitive situation. In earlier decades, container trade was entirely determined by demand, but due to the expanded landside terminal capacities, particularly in Rotterdam, developed into a supply market. As a consequence, Hamburg has to face huge challenges, as in the competing ports often container terminals are in operation, which have shipping companies' participation, and thus these shipping companies preferably dock at these terminals. Furthermore, the development of ever-larger vessels in connection with the still pending fairway adjustment especially in Hamburg leads to larger restrictions, which become more and more difficult to explain to the customers. Due to these factors, it must be expected that also in the years to come further transshipment will leave to competing ports.

The difficult market situation in container shipping also leads to a dynamic consolidation of shipping companies joining at very short intervals to ever-larger and ever-tighter alliances. After the insolvency of the major Korean shipping company Hanjin Shipping, the British analyst firm Drewry indeed sees container shipping before a turnaround; however and for the time being, increase in transport capacities will continue to exceed trade growth. The still ongoing market concentration can lead to significant impacts on the call at port plans of the individual ports, hence, a reliable forecast for the years to come is possible only to a very limited extent.

Further supply-side factors of increasing competitive pressure, which can also influence the development of traditional hinterland relationships, are the expansion of the Port of Danzig, a resulting growth of direct transports to the Baltic Sea region and the perspective of an increasing competition of the complete North Range with ports in the Mediterranean Sea. Regarding the North Range, Hamburg's competitors intensify their efforts to gain further market share in the hinterland. These supply-side

developments happen against the background that, due to the financial and economic crisis of 2008, the global economic trend in the development of transport volume and flow of goods in the North Range are still behind the original medium-term forecasts.

In the current annual report, the German Council of Economic Experts expects a moderate growth of 2.8 % of world GDP in 2017; the IMF expects a worldwide economic growth rate of 3.4 %. Thus, container trade should also further increase in 2017. In the euro region, the German Council of Economic Experts expects an increase in GDP of 1.4 %. For China, the main partner country of the Port of Hamburg, a significant growth rate of 6.3 % is expected. However, this has to be cautiously evaluated as China's economy achieved a double-digit growth over several years. And moreover, as China's foreign trade contributes to GDP growth only to a minor extent. China's growth is rather based on restructuring the Chinese economy towards a domestic economy.

As a consequence, the economic planning for 2017 is marked on the one hand by the described aggravated competition for the Port of Hamburg and on the other hand, by moderate growth perspectives for the time being.

In the last financial year, the Port of Hamburg proved that it can assert its position in an increasingly difficult market and achieves a stabilisation of container trade and thus of total trade. Over the next years, the focus will be on getting back to the growth rates of the previous years. As seen from today, and in particular based on the assumption that the Federal Administrative Court decides in favour of the fairway adjustment, container trade in Hamburg is expected to increase sustainably according to the handling potential forecast.

Hence, all activities should be concentrated on ensuring and strengthening the competitiveness of the Port of Hamburg. Apart from the urgently needed fairway adjustment, this includes maintaining target water depths in the Port of Hamburg in line with sedimentation, providing highly efficient terminals, stable infrastructural outline conditions and the continued digitisation of logistics process chains. In order to enable constant growth of the Port of Hamburg, over the next years the landside and water-side infrastructure must be refurbished as required and its usage must be optimised through intelligent management. In addition, expansion projects must be prepared and initiated, in particular the creation of further berths for large vessels, to ensure that the trade and traffic volumes expected in the medium-term can be accommodated. Also in 2017 and in the following years, these tasks will require considerable financial efforts and the commitment of skilled employees.

Economic planning for the coming year

Given the cautious growth expectations for the Port of Hamburg, the 2017 budget will be based on a projected income at the previous year's level. The development of planned rental income continues to be positive, which is in particular due to new tenancy agreements and a general increase in rents. In the overall view of the revenues, the positive effect of the increase in rents is mostly compensated by the decline in revenues from dredging. However, this decline also results in a corresponding reduction of expenses for this activity.

Operating expenses for 2017 are planned with a restrictive growth rate for price and inflation adjustments of 1.5 % and staff costs with assumed collective bargaining and structural adjustments of 3 %. Additionally, a growth rate of 1.75 % is considered for implementing the new compensation agreement, according to the collective bargaining 2017 and effective 1 January 2017, which will lead to a permanent increase of staff costs starting from 2017.

The planned loss for the year in 2017 of EUR 73.1 million is about EUR 35.4 million above the loss for the year in 2016. This significant deterioration of the earnings situation compared to the previous year is due to two one-off special effects in 2016: The first special effect is the reversal with impact on the income statement of the so-called

capping provision (EUR 15 million) for depositing sediments in the North Sea. Based on the new agreement with the federal state of Schleswig-Holstein, this provision must not be continued, as the liability no longer exists. The second one-off special effect of about EUR 20 million is due to the change in the average interest rate for calculating pension provisions. The period under review valid for calculating the relevant interest rate was prolonged from 7 to 10 years. As a result, the average interest rate increased and thus the provision in the year 2016 was reduced. The complete contribution of the BilMoG difference of about EUR 3 million had a contrary effect.

Excluding these special effects, the loss for the year in 2016 as well as in 2017 is at a very low level and amounts to about EUR 56 million in 2017. The main causes for this significant loss are the rapid increase in costs for maintaining water depths, the permanently rising contributions to pension provisions and the stagnating development of revenues.

In 2017, EUR 242.0 million will be invested in the expansion and development of the Port of Hamburg as well as in fundamental infrastructure refurbishment and renewal projects.

11. RISK AND OPPORTUNITY ANALYSIS

Risk and opportunity management – objectives and strategy

The risk and opportunity management system (RCM) is an important tool to ensure successful corporate control. The management of the HPA considers all relevant risks and opportunities, which may arise within the meaning of the Act on Control Mechanisms and Transparency in Business Enterprises (KonTraG), by means of a corporate governance instrument in place at the HPA: the risk and opportunity management system. The RCM primarily ensures that all duties as provided for in the Act on the Establishment of the Hamburg Port Authority (HPAG) are performed efficiently and that the economic planning is complied with by making risk-aware decisions. Those also consider opportunities associated with a risk taken, and that risks are limited to an acceptable level at costs as low as possible. The objective is clearly not to avoid all possible risks, but instead to create scope for action allowing for taking risks consciously based on the knowledge of what causes the risk and the cause-and-effect relations. The ultimate aim is to identify potentially major risks and/or risks to the company as a going concern or the potential missing of opportunities early on, and to take suitable countermeasures to improve the overall result and/or avoid losses. More detailed information on HPA's risk and opportunity management, such as information about the regulatory framework, the persons in charge, the persons directly involved in the risk management process and the description of their duties, can be found in a manual. The manual as well as further information is available to all HPA employees on the intranet.

Internal Revision conducts audits to monitor HPA's risk and opportunity management in terms of functionality, compliance, efficiency and transparency.

12. OPPORTUNITIES

Income increase

The HPA strives to develop the Port of Hamburg as required to utilise potentials shown in current forecasts. In order to continually identify and picture trends and developments, the forecasts made must be constantly reviewed and updated if required. Based on the continuous monitoring of market and global trends as well as the regular dialogue with port users, measures for the strategic orientation of the port are permanently adjusted and optimised to enable the HPA to improve the competitive position of the Port of Hamburg. Thus, additional market share could be gained, which would translate into higher revenues for the HPA.

Fairway adjustment

After remedying the deficiencies pointed out by the Federal Administrative Court, the fairway adjustment can start. The project teams of the HPA work at full speed on another amendment to the planning supplement, which again has to be brought to court as a planning supplement procedure. In case the Federal Administrative Court makes a favourable decision regarding this planning supplement procedure, construction works can start immediately. The fairway adjustment ensures that the world's largest container ships can serve the port at attractive conditions. Thus, the handling volume can be increased considerably.

Digital transformation

Digital transformation offers huge opportunities for the further development of the HPA and the Port of Hamburg. In 2014, HPA started its strategic initiative "smart-PORT" in order to advance digitisation in the Port of Hamburg. Since that financial year, research and development funds are provided for brainstorming and conception up to development and implementation of prototypes. After that a decision is made whether (a) the prototypes are suitable for increasing efficiency in the organisation or (b) a new business model based on the prototypes can be established within the HPA or with partners.

The rapid technological development related to digitisation and the evaluation of existing processes in the organisation influenced by these technologies allows on the one hand for significantly increasing HPA's efficiency and, on the other hand, for newly orchestrating it beyond HPA's borders. Thus, in the future it will be possible to create new digital business models.

"Dialogue forum tidal Elbe"

With the project "Dialogue forum tidal Elbe" ("Forum Tideelbe"), commonly initiated by the State Ministry for Urban Development and the Environment (BUE), the State Ministry for Economy, Transport and Innovation (BWVI) and the HPA, the Free and Hanseatic City of Hamburg fulfils a major requirement of the agreement with the federal state Schleswig-Holstein regarding the relocation of dredged material at the so-called Tonne E3. Thus, the city creates the financial, organisational and personnel prerequisites for a dialogue with representatives of different regional pressure groups, among which are environmental authorities of the federal states, municipalities and districts at the Lower Elbe; the federal waterway administration and that of the HPA; nature conservation and environmental associations; representatives from tourism and water sports; water and soil associations; fishing and port industry.

This new stakeholder dialogue between the relevant regional interest groups offers the possibility to commonly prioritise and advance measures for sustainable development of the tidal Elbe, which also result in reducing sediment deposits in the proximity of Hamburg. By implementing suitable measures, there is a chance to reduce or stop the increase of dredging material in the long-term. Furthermore, the regular, open and professional exchange promotes the building of knowhow and trust between the HPA and the regional pressure groups, so that on this basis a favourable climate of opinion can be created and the public acceptance of sediment management measures in the tidal Elbe can be increased.

13. RISKS

The risks listed below have been identified as major risks to the HPA under the RCM inventories. They may have a substantial, adverse impact on the business activities, the financial position and earnings situation or the reputation of the HPA.

Development of terminal capacities in northwestern Europe

The expansion of terminal facilities on the northwestern coast of Europe and the simultaneous slowdown in global trade will create considerable overcapacity among terminal operators in the next years and cause tougher competition among the North Range ports. If the Port of Hamburg is unable to adequately cope with the challenge, it may lose further market share, which will increase the pressure on prices that make out a large part of HPA's turnover. The risk can only be mitigated by a concerted effort of all port stakeholders involved.

Fairway adjustment

So far, the Elbe fairway adjustment project has been marked by continued opposition from pressure groups and pending proceedings. The delay caused by that may lead to a decline in trade volumes and turnover as well as a loss of image for the Port of Hamburg, which in turn will cause the HPA to lose revenues. In addition to the draught restrictions vessels already face, the current development of ship beams further restricts navigation on the Elbe and, due to the increased number of broader vessels, leads to a significant deterioration of the access conditions of the Port of Hamburg. It is impossible to predict or control the result of the court proceedings or foresee the possible financial impact.

Ship size development

In past years, in many fleet segments the share of large vessels has risen above average. The larger ships become, the higher the impact of these restrictions will be on the competitive position of the Port of Hamburg and the HPA. This trend will increase the density of traffic and make the statutory vessel traffic monitoring duties more complex. Also, the Port of Hamburg is likely to have more bottlenecks, which will create liability risks or, in the event of permanent bottlenecks, the risk that liner services will stop serving Hamburg, which in turn will translate into loss of income for the HPA. In order to avoid this risk, the HPA has been optimising traffic management by upgrading the traffic safety and control systems in place, conducting trainings and simulating large-ship arrivals at regular intervals. As well, to further counteract the risk, the HPA is constantly optimising operations of the technical equipment and the staff situation at the Vessel Traffic Service Centre.

Infrastructure

Technical risks are in particular associated with ensuring the availability of existing infrastructure facilities in a timely manner as well as the provision of new infrastructure facilities as required to accommodate future traffic volumes. The HPA will only be able to achieve that if it has an excellent maintenance and project management system in place. Rising traffic volumes and traffic peaks caused by large container vessels pose a particular challenge to railway and road facilities. To be able to adequately cope with increased traffic volumes, investments in the digitisation of traffic processes (continuation of the smartPORT logistics programme) must be made in addition to infrastructure investments.

Financing

The planned financing volume for public investments and projects was fixed at EUR 124 million. Additionally, for the current expenditure a consumptive volume of EUR 65 million was provided. Thus, for the following years a total volume of EUR 189 million can be assumed. On the assumption that strategic projects are financed separately, this volume is generally sufficient for the years 2017 to 2022 to cover expenditures assumed in HPA's medium-term financial planning. However, due to the budgetary structure of these grants, there is a structural deficit of the consumptive funds. This deficit will result in an earnings and liquidity gap of about EUR 50 to 60 million per year.

Sedimentation

This deficit will result in an earnings and liquidity gap of about EUR 50 to 60 million per year. The smooth operation of the Port of Hamburg largely depends on whether access waterways are sufficiently deep enough to accommodate seagoing vessels. Therefore,

it is of paramount importance to maintain sufficient water depths and successfully implement the planned fairway adjustment to enable the tidal passage of ships with a draught of up to 14.5 metres. Naturally occurring sedimentation from the upper Elbe and the North Sea causes a constant input of sediments that need to be dredged regularly. Sedimentation rates have a naturally high fluctuation. In 2011, only about 2 million cubic metres of sediment had to be eliminated in the Port of Hamburg, whereas in 2015, the amount was more than 10 million cubic metres. The most critical factor for sedimentation in the Port of Hamburg is the headwater discharge of the River Elbe. It causes a rinsing effect of the ebb stream, which can naturally remove sediments from the Port of Hamburg. Due to the historically low headwater discharge in the years 2014 and 2015, this rinsing effect was hardly existent. Thus, a lot of dredging had to be carried out. Due to critical water-ecological situations, e.g. low oxygen content in the Elbe water during summer months, the available options to maintain water depths in the Elbe federal waterway section Hamburg (relocation at Neßsand) are limited, in particular during months with high sedimentation rates. An agreement with the federal state of Schleswig-Holstein provides for the option to relocate sediments into the North Sea at Tonne E3.

Pollutant concentrations in Elbe sediments still exist and thus the disposal of sediments dredged in Hamburg poses a particular challenge. The HPA and the State Ministry of Urban Development and Environment (BSU) jointly run ELSA, a River Elbe sediment pollutant remediation project in order to financially support, for example, concrete restorative measures in the Elbe catchment area close to the sediment source. Since the mid-1990s, Hamburg has been committed to treating and disposing sediments on land and thus has considerably contributed to cleaning up the Elbe. Higher polluted dredged material, which cannot be relocated within the water body, can be brought to two silt disposal sites in Hamburg.

Financial instruments

In the 2007 and 2013 financial years the HPA entered into interest-rate hedges that are fully offset by underlying transactions. Their sole purpose is to optimise the terms of loans and hedge interest rates to mitigate the risk. The interest-rate hedge is controlled, and Treasury Management regularly report to Risk Controlling and the Management Board.

Overall picture of the risk situation

Compared to the previous year, the overall assessment of the risk situation has changed, in particular due to the aggravated sediment situation. In view of the measures taken, there is no reason to assume that the existing risks, each on its own and jointly, pose a risk to the continued existence of the organisation. No major risks or risks that go beyond the common entrepreneurial risks that are likely to adversely affect the future development of the Hamburg Port Authority are evident.

Hamburg, den 31 March 2017

Jens Meier
Chairman of the Management Board

FIGURES

Profit and Loss Account

Profit and Loss Account of Hamburg Port Authority
Anstalt des öffentlichen Rechts (Institution under
Public Law), Hamburg, for the Financial Year from
1 January to 31 December 2016

In EUR	2016	2015
1. Turnover	184,826,976.73	182,256,694.41
2. Other own work capitalised	12,561,953.27	12,945,962.90
3. Other operating income	183,346,913.41	161,077,421.79
	380,735,843.41	356,280,079.10
4. Cost of materials		
a) Cost of raw materials and consumables and goods for resale	9,652,859.27	11,188,759.27
b) Cost of purchased services	155,447,825.18	158,264,869.94
	165,100,684.45	169,453,629.21
5. Staff costs		
a) Wages and salaries	92,014,720.32	89,853,216.69
b) Social security and pension	18,144,424.67	21,656,303.31
	110,159,144.99	111,509,520.00
6. Amortisation and depreciation of fixed intangible assets and tangible assets	47,741,040.73	47,421,857.67
7. Other operating expenses	78,040,877.85	46,613,387.81
8. Other interest receivables and similar income	5,563,666.29	13,349,093.26
9. Amortisation and depreciation of financial assets	0.00	24,765.00
10. Interest payable and similar expenses	16,679,826.43	42,838,093.86
11. Earnings after taxes	-31,422,064.75	-48,232,081.19
12. Other taxes	6,318,395.83	6,061,112.71
13 Loss for the year	-37,740,460.58	-54,293,193.90
14. Loss brought forward from the previous year	-6,591,184.86	-35,504.50
15. Withdrawals from capital reserves	20,920,705.14	47,737,513.54
16. Balance sheet deficit	-23,410,940.30	-6,591,184.86

FIGURES

Balance Sheet

Balance Sheet of Hamburg Port Authority
Anstalt des öffentlichen Rechts (Institution
under Public Law), Hamburg, for the Year
ended 31 December 2016

ASSETS

In EUR	31.12.2016	31.12.2015
A Fixed Assets		
I Intangible assets		
1. Purchased concessions, industrial property and similar rights and assets	16,628,578.11	19,243,108.92
2. Payments on account	3,614,709.76	5,046,469.06
	20,243,287.87	24,289,577.98
II Tangible assets		
1. Land and buildings including buildings on third-party land	1,083,233,208.91	1,048,305,941.59
2. Technical equipment and machinery	323,954,761.37	306,217,354.80
3. Other equipment, factory and office equipment	43,491,374.96	32,028,272.50
4. Payments on account and assets in the course of construction	322,665,382.00	280,859,073.65
	1,773,344,727.24	1,667,410,642.54
III Financial assets		
1. Shares in affiliated companies	826,000.00	458,500.00
2. Loans to affiliated companies	0.00	33,587,199.07
3. Participating interests	17,503.00	17,503.00
	843,503.00	34,063,202.07
	1,794,431,518.11	1,725,763,422.59
B Current Assets		
I Stocks		
Raw materials and consumables	2,587,020.47	2,495,650.59
II Receivables and other assets		
1. Trade debtors	6,051,630.69	7,488,179.74
2. Amounts owed by the Free and Hanseatic City of Hamburg and affiliated companies	236,905,570.55	235,504,292.48
3. Other assets	26,801,813.80	16,234,484.14
	269,759,015.04	259,226,956.36
III Cash in hand and bank balances		
Cash in hand and bank balances	441,231.94	92,538.42
	272,787,267.45	261,815,145.37
C Prepaid expenses		
Prepaid expenses	1,366,864.94	1,006,792.79
	2,068,585,650.50	1,988,585,360.75

EQUITY AND LIABILITIES

In EUR	31.12.2016	31.12.2015
A Equity		
I Subscribed capital	150,000,000.00	150,000,000.00
II Capital reserves	883,283,249.54	904,196,969.48
III Balance sheet deficit	-23,410,940.30	-6,591,184.86
	1,009,872,309.24	1,047,605,784.62
B Special Item for investment subsidies		
Special Item for investment subsidies	442,048,615.72	362,834,422.48
C Provisions		
1. Provisions for pensions and similar obligations	223,327,660.59	199,956,353.55
2. Tax provisions	0.00	383,257.46
3. Other provisions	103,209,217.60	126,906,055.13
	326,536,878.19	327,245,666.14
D Liabilities		
1. Bank loans and overdrafts	249,836,025.65	208,379,000.93
2. Payments received on account	11,800.00	11,800.00
3. Trade creditors	12,835,240.48	20,799,721.61
4. Amounts owed to the Free and Hanseatic City of Hamburg and affiliated companies	3,570,894.51	219,649.14
5. Other liabilities	19,316,099.82	16,853,849.86
	285,570,060.46	246,264,021.54
E Deferred income		
Deferred income	4,557,786.89	4,635,465.97
	2,068,585,650.50	1,988,585,360.75

FIGURES

Fixed-Asset Movement Schedule

Fixed-Asset Movement Schedule for the Financial Year from 1 January to 31 December 2016 – Commercial Law, Hamburg Port Authority Anstalt des öffentlichen Rechts (Institution under Public Law), Hamburg

In EUR	Acquisition or Production Costs				
	As of 01.01.2016	Additions	Disposals	Repostings	As if 31.12.2016
I Intangible Assets					
1. Concessions, industrial property and similar rights and assets, and licences in such rights and assets	57,577,412.12	1,328,674.12	358,301.77	2,939,920.50	61,487,704.97
2. Payments on account	5,046,469.06	2,013,730.23	583,605.34	-2,861,884.19	3,614,709.76
Total intangible assets	62,623,881.18	3,342,404.35	941,907.11	78,036.31	65,102,414.73
II Tangible Assets					
1. Land, similar rights and buildings including buildings on third-party land	1,093,572,306.26	13,288,460.21	20,164.36	30,276,041.74	1,137,116,643.85
2. Technical equipment and machinery	551,829,257.18	18,493,762.13	4,701,072.86	26,939,314.06	592,561,260.51
3. Other equipment, factory and office equipment	69,066,775.93	11,613,949.21	4,825,407.69	5,795,499.95	81,650,817.40
4. Payments on account and assets in the course of construction*	280,859,073.65	105,424,739.46	529,539.05	-63,088,892.06	322,665,382.00
Total tangible assets	1,995,327,413.02	148,820,911.01	10,076,183.96	-78,036.31	2,133,994,103.76
III Financial Assets					
1. Shares in affiliated companies	458,500.00	367,500.00	0.00	0.00	826,000.00
2. Loans to affiliated companies	33,587,199.07	0.00	33,587,199.07	0.00	0.00
3. Participating interests	42,268.00	0.00	0.00	0.00	42,268.00
Total financial assets	34,087,967.07	367,500.00	33,587,199.07	0.00	868,268.00
Total fixed assets	2,092,039,261.27	152,530,815.36	44,605,290.14	0.00	2,199,964,786.49

* of which EUR 40,003.00 accrued in borrowed capital

Depreciations						
As if 01.01.2016	Current Financial Year	Disposals	Repostings	As if 31.12.2016	Book Value 31.12.2016	Book Value 31.12.2015
38,334,303.20	6,793,242.28	268,418.62	0.00	44,859,126.86	16,628,578.11	19,243,108.92
0.00	0.00	0.00	0.00	0.00	3,614,709.76	5,046,469.06
38,334,303.20	6,793,242.28	268,418.62	0.00	44,859,126.86	20,243,287.87	24,289,577.98
45,266,364.67	8,618,702.27	1,632.00	0.00	53,883,434.94	1,083,233,208.91	1,048,305,941.59
245,611,902.38	26,641,584.40	3,646,987.64	0.00	268,606,499.14	323,954,761.37	306,217,354.80
37,038,503.43	5,687,511.78	4,566,572.77	0.00	38,159,442.44	43,491,374.96	32,028,272.50
0.00	0.00	0.00	0.00	0.00	322,665,382.00	280,859,073.65
327,916,770.48	40,947,798.45	8,215,192.41	0.00	360,649,376.52	1,773,344,727.24	1,667,410,642.54
0.00	0.00	0.00	0.00	0.00	826,000.00	458,500.00
0.00	0.00	0.00	0.00	0.00	0.00	33,587,199.07
24,765.00	0.00	0.00	0.00	24,765.00	17,503.00	17,503.00
24,765.00	0.00	0.00	0.00	24,765.00	843,503.00	34,063,202.07
366,275,838.68	47,741,040.73	8,483,611.03	0.00	405,533,268.38	1,794,431,518.11	1,725,763,422.59

MISCELLANEOUS

Notes on the Annual Financial Statements

Notes on the annual financial statements of the Hamburg Port Authority Anstalt des öffentlichen Rechts, Hamburg, for the financial year from 1 January to 31 December 2016

1. GENERAL INFORMATION

The annual financial statements of the Hamburg Port Authority Anstalt des öffentlichen Rechts (HPA), Hamburg, have been prepared in accordance with section 13(2) Act on the Establishment of the Hamburg Port Authority (HPAG). The financial statements have been drawn up in accordance with the provisions set forth in the German Commercial Code (HGB) applicable to corporations as long as the further provisions of the HPAG do not conflict with the application of German commercial laws.

In the reporting year, the regulations of the German Commercial Code (HGB) changed by the Bilanzrichtlinie-Umsetzungsgesetz (BilRUG), Implementation Act of the Accounting Directive, were applied for the first time. The changes particularly relate to the application of the changed classification scheme of the profit and loss account and the reclassification of the items "Other operating income" to revenues, "Extraordinary income" to other operating income, as well as "Extraordinary expenses" to other operating expenses. The reclassification was carried out by respectively adjusting the previous year's figures. Apart from that, presentation and structure of the annual financial statements correspond to previous year's principles.

Recognition and valuation of the annual financial statements correspond to the previous year's principles with exception of the valuation changes applied to pension provisions.

The profit and loss account has been prepared in accordance with the type-of-expenditure format.

The financial year of the HPA corresponds to the calendar year.

2. ACCOUNTING AND VALUATION METHODS

The financial statements have been prepared based on the subsequent accounting and valuation methods.

Intangible assets are recorded by acquisition cost and written off linearly as per their foreseeable operating life. The operating life for these is between 3 and 5 years. The HPA has not activated any self-provided intangible assets. The HPA has not capitalised any internally generated intangible assets.

Tangible assets are principally valued at acquisition and production costs and, in as far as they are subject to wear and tear, reduced by planned straight-line depreciation. The periods of use range from 3 years (hardware) to 75 years (railway bridges made of steel). For decreases in value that are most likely of a permanent nature unplanned depreciations will be made.

Foreign capital interest as provided for in section 255(3) 2nd sentence HGB have so far been included only in the production costs incurred under the project "extension to the north of the Altenwerder-Nord quay wall".

Land and similar rights respectively, municipal buildings and other facilities taken over from the Free and Hanseatic City of Hamburg (FHH), for which no historical residual book values could be determined, have been valued on the basis of capitalised earnings values and comparative values as of 1 October 2005. It is prohibited by law to use immovable/landed property as collateral or sell it. In particular, the capitalised earnings value method has been applied to land leased out, with and without connection to quay walls, as well as to land not yet leased out which however can be leased out. All other land has been valued using the comparative value method. Water areas have been estimated at a pro memoria value of EUR 1.00 as both the capitalised earnings value and the comparative value method cannot be applied.

Since 1 January 2008, low-value assets up to a purchase value of EUR 150 have been written off immediately in the year of purchase. Assets acquired after 31 December 2007, whose acquisition or production costs range from EUR 150 to EUR 1,000, are entered in a collective item, which is written off annually on a straight-line basis at a rate of 20 %.

Financial assets are valued at acquisition costs.

Raw materials and consumables shown under stocks are assessed at acquisition costs or the lower current values (lower-of-cost value).

Receivables and other assets are valued at their nominal value or cash value, taking into account all recognisable risks.

Cash in hand is valued at nominal value.

Pension provisions are reflected in the balance sheet in accordance with the projected unit credit method pursuant to the resolution of 30 November 2010 adopted by the Senate committee of the FHH in charge of public enterprises. The corresponding claim against the FHH has also been valued based on actuarial principles (analogous to determining the pension provisions).

When determining the interest rate at matching maturity, according to section 253(2) 2nd sentence HGB the right to opt is applied and an average residual term of 15 years is generally assumed in discounting. The used interest rate at the balance sheet date is 4.01 %.

For the first time and corresponding to the new legislation of section 253(2) 1st sentence HGB, in 2016 the interest rate is based on the average market interest rate of the last 10 years amounting to 4.01 % (previous year: the average market interest rate of the last 7 years amounting to 3.89 %) calculated by the Deutsche Bundesbank.

The discounting of the pension provisions at an average market interest rate of the last 10 years compared to the discounting at an average market interest rate of the last 7 years (3.24 %) results in a reduction of the pension provisions by TEUR 29,711 as of 31 December 2016. Analogous to this, the corresponding receivables from the FHH are reduced by TEUR 9,304 when applying the average market interest rate of the last 10 years compared to applying the average market interest rate of the last 7 years.

Other provisions are recognised as an expense at the settlement amount necessary in accordance with the principles of prudent commercial judgement. Semi-retirement and anniversary provisions are valued based on actuarial principles. The step-up amounts of the semi-retirement agreements are treated as severance payments.

For provisions with a residual term of more than one year, future price and cost increases have been taken into account and discounted as of the balance sheet closing date. The discount rates applied are the average market rates of interest of the past seven financial years as determined and published monthly by Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung) that correspond to the residual terms of the provisions.

Provisions for expenses pursuant to section 249(2) HGB, old version, to the amount of a total of TEUR 5,000 have been maintained as provided for in section 67(3) 1st sentence Introductory Law of the German Commercial Code (EGHGB).

Liabilities are valued at their settlement amount.

Deferred taxes as defined in section 274 HGB have not been accounted for as the HPA as an infrastructure-providing enterprise generates tax losses only, which are offset by equity contributions by the FHH. Due to its nature as an infrastructure-providing enterprise as well as due to the way the financing is structured, the existing differences between the valuation of assets, debts and prepaid expenses/deferred income in accordance with German commercial legislation and their valuation for tax purposes will neither lead to tax burdens nor tax reliefs in the foreseeable future as they will be reversed in later financial years.

Due to the different valuation methods used, there are differences between the valuation of the fixed assets and the valuation of the provisions pursuant to German commercial legislation and their valuation for tax purposes.

3. NOTES ON THE BALANCE SHEET

Fixed assets

The development of the fixed assets is shown in the fixed-asset movement schedule at the end of the notes to the annual financial statements.

The financial assets include the shares in the following affiliated companies:

CGH Terminaleigentumsverwaltungsgesellschaft mbH, Hamburg (TEVG)

The company's authorised share capital is TEUR 25, of which the HPA contributed 100 %. As of 31 December 2016 the equity amounts to TEUR 27 (TEUR 26); the profit generated in the financial year from 1 January to 31 December 2016 is TEUR 1.

CGH Terminaleigentumsverwaltungsgesellschaft mbH & Co. KG, Hamburg (TEG)

The limited partners are the HPA with a limited-partner contribution of TEUR 7,191, of which TEUR 51 has been paid in, and the FHH with a limited-partner contribution of TEUR 6,909, of which TEUR 49 has been paid in. TEVG is the general partner that has no shares in the assets of the company. As of 31 December 2016 the equity amounts to TEUR -2,120 (TEUR -1,880); the loss for the financial year from 1 January to 31 December 2016 is TEUR 240 (TEUR 1,853).

CGH Cruise Gate Hamburg GmbH, Hamburg (CGH)

The authorised share capital of the company is TEUR 100, of which 100 % was contributed by the HPA and 49 % by Flughafen Hamburg GmbH (FHG). As of 31 December 2016 the equity amounts to TEUR -65 (TEUR 469); the loss for the financial year from 1 January to 31 December 2016 is TEUR 534 (TEUR 250).

Receivables and other assets

In TEUR	31.12.2016	31.12.2015
Trade debtors	6,052	7,488
of which amounts due after more than 1 year	0	0
Amounts owed by the Free and Hanseatic City of Hamburg (FHH) and affiliated companies	236,905	235,504
of which amounts due after more than 1 year	204,253	190,278
Other assets	26,802	16,235
of which amounts due after more than 1 year	0	0
Receivables and other assets	269,759	259,227
of which amounts due after more than 1 year	204,253	190,278

The balance sheet item "amounts owed by the FHH and affiliated companies" includes trade debtors of TEUR 120,205 (previous year: TEUR 119,501) and other receivables of TEUR 116,700 (previous year: TEUR 116,003). Trade debtors and amounts owed by the FHH and affiliated companies include TEUR 95,620 (previous year: TEUR 95,669), being receivables from the long-term leasing out of four quay walls that have been discounted. The amount owed by affiliated companies is TEUR 2,277 (previous year: TEUR 466).

Equity

In TEUR	31.12.2016	31.12.2015
Subscribed capital	150,000	150,000
Capital reserves	883,283	904,197
of which capital contribution	7	3,574
of which capital withdrawal	-20,921	-47,738
Balance sheet deficit	-23,411	-6,591
of which from annual result	-37,740	-54,293
of which withdrawal from capital reserves	20,921	47,738
Equity	1,009,872	1,047,606

TEUR 20,921 was withdrawn from capital reserves, of which TEUR 10,793 was allotted for ongoing expenses and TEUR 10,128 for amortisation and depreciation as well as disposals of fixed assets funded by the HHLA Billion.

Special item for investment subsidies

The HPA received public subsidies for investments and projects to maintain and expand the general infrastructure, which were mostly appropriated to the special item. The special item for investment subsidies is reversed and allocated to fixed assets on a pro-rated basis in accordance with the respective depreciation amounts. Thus, the amount of the special item corresponds to the subsidised general infrastructure residual book values.

Provisions

In TEUR	31.12.2016	31.12.2015
Provisions for pensions and similar obligations	223,328	199,956
Tax provisions	0	383
Provisions for staff administration	13,606	13,130
Other provisions, of which	89,603	113,776
unpaid suppliers' invoices	16,190	26,363
Stiftung Lebensraum Elbe (Elbe Habitat Foundation)	0	6,136
compensation & reimbursement/replacement measures	3,462	3,467
obligations regarding the disposal of dredged material	31,049	41,836
risk provision regarding Hamburger Aluminium-Werke	5,000	5,000
funding promises, private flood protection	29,217	28,421
Total provisions	326,537	327,246

Pension provisions have been made on the basis of the actuarial calculation method, whereby the projected unit credit method has been applied. Interest at the rate of 4.01 % and an assumed 2.0 % increase in wages and salaries has been taken as a basis. The assumed increase in pensions is 1.0 % for blue-/white-collar workers and 2.0 % for civil servants. The 2005 G life tables drawn up by Dr Klaus Heubeck have been used. The flat discount rate applied to the pension provisions is the average market rate of the last 10 years according to Deutsche Bundesbank, based on an assumed residual term of 15 years.

The change in the valuation method for pension provisions and other benefits (Beihilfen) pursuant to the Accounting Law Modernisation Act (BilMoG) and the FHH-wide changeover to the projected unit credit method resulted in an additional one-time provision in 2010 of TEUR 26,098 for pension provisions and TEUR 3,459 for other benefits. The transitional provision set forth in section 67(1) EGHGB has been applied and of this amount, one fifteenth or TEUR 1,740 is appropriated annually to pension provisions and TEUR 230 to other benefits. The appropriation is reflected in the profit and loss account as extraordinary expenses. The amount from the initial application of TEUR 15,659 for pension provisions and TEUR 2,075 for other benefits, which is not shown in the balance sheet yet, was completely added to the provisions in the past financial year.

Due to interventions in nature caused by ongoing projects managed by the HPA, provisions for compensation and replacement measures as defined in the Hamburg Nature Protection Act have been made (TEUR 3,462).

The provisions for obligations regarding the disposal of dredged material include a long-term portion for the obligations of the HPA's silt disposal sites to dispose of dredged material (TEUR 31,049).

The risk provision for Hamburger Aluminium Werke (HAW) has been made due to soil contaminations of the land back then leased out to HAW (TEUR 5,000).

Liabilities

In TEUR	31.12.2016	31.12.2015
Bank loans and overdrafts	249,836	208,379
of which the residual term is less than 1 year	16,557	66,674
of which the residual term is more than 1 year up to 5 years	104,870	68,730
of which the residual term is more than 5 years	128,409	72,975
Payments received on account	12	12
of which the residual term is less than 1 year	12	12
of which the residual term is more than 1 year up to 5 years	0	0
of which the residual term is more than 5 years	0	0
Trade creditors	12,835	20,800
of which the residual term is less than 1 year	12,835	20,800
of which the residual term is more than 1 year up to 5 years	0	0
of which the residual term is more than 5 years	0	0
Amounts owed to the FHH and affiliated companies	3,571	219
of which the residual term is less than 1 year	3,571	219
of which the residual term is more than 1 year up to 5 years	0	0
of which the residual term is more than 5 years	0	0
Other liabilities	19,316	16,854
of which the residual term is less than 1 year	19,261	11,285
of which the residual term is more than 1 year up to 5 years	55	5,555
of which the residual term is more than 5 years	0	14
Total liabilities	285,570	246,264
of which the residual term is less than 1 year	52,236	98,990
of which the residual term is more than 1 year up to 5 years	104,925	74,285
of which the residual term is more than 5 years	128,409	72,989

The balance sheet item "amounts owed to the FHH and affiliated companies" includes other liabilities of TEUR 3,294 (previous year: TEUR 26) and trade creditors of TEUR 277 (previous year: TEUR 193) with the FHH.

There are no liabilities secured by lien or similar rights.

Liabilities

The HPA is a limited partner of TEG with a capital contribution of TEUR 7,191, of which TEUR 7,140 has not been drawn. In view of the existing financing concept, the funds are not expected to be used.

Other financial obligations

In TEUR	31.12.2016	31.12.2015
Multi-year leases, tenancy and maintenance agreements	60,119	19,563
of which with affiliated companies	39,076	9,355
Purchase commitments	288,869	264,334
Support programme private flood defence	62,335	63,967
Unexploded ordnance clearance	1,957	2,534
Total other financial obligations	413,280	350,398

4. NOTES ON THE PROFIT AND LOSS ACCOUNT

Changes in disclosure and classification

In the reporting year, the presentation and structure of the profit and loss account were adjusted to the new regulations of the HGB changed by the BilRUG.

Due to the changed classification regulations of section 275 HGB, the items “Ordinary business activities” (TEUR -47,849), “Extraordinary income” (TEUR 1,587) and “Extraordinary expenses” (TEUR 1,970) shown in the previous year were eliminated. The item “Earnings after taxes” was newly added in the reporting year.

Due to the new definition of revenues in section 277(1) HGB by the BilRUG, income previously shown at other operating income is presented in the reporting year under revenues. For comparison purposes, previous year’s figures were adjusted correspondingly by reclassifications amounting to TEUR 785.

By eliminating extraordinary items in the classification of the profit and loss account according to BilRUG, extraordinary expenses and income were classified as other operating expenses and income in the reporting year. For the previous year, extraordinary expenses and income were adjusted correspondingly and other operating expenses (TEUR 1,970) as well as other operating income (TEUR 1,587) were reclassified.

The pro-rata allocation of pension provisions (TEUR 15,659) and provisions for other benefits (TEUR 2,075), previously not shown in the balance sheet, as well as their corresponding receivables from pensions (TEUR 12,667) and other benefits (TEUR 1,618) from the FHH (transitional option according to section 67(1) EGHGB based on the change to the BilMoG in 2010) was carried out in deviation to the previous year (extraordinary items) in the full amount via “Other operating expenses” (TEUR 17,734) and “Other operating income” (TEUR 14,285) in the reporting year.

Distribution of turnover

In TEUR	2016	2015
Rental income from land held	69,075	68,564
Rental income from quay walls	17,049	17,257
Other rental income	7,823	7,320
Total rental income	93,947	93,141
Port fees & charges	52,266	51,616
Income generated by the Port Railway	20,490	22,698
Elbtunnel fees/bridge fees	125	109
Fees and charges	2,539	2,766
Income from the supply of maintenance and other services	15,249	11,606
Turnover unrelated to the accounting period	211	321
Total turnover	184,827	182,257

Rental income from quay walls

The item “Rental income from quay walls” of TEUR 17,049 (previous year: TEUR 17,257) includes actual regular rent payments for quay walls of TEUR 12,265 (previous year: TEUR 12,457) and a sub-item “Quay walls, accrued interest/margin” of TEUR 4,784 (previous year: TEUR 4,800). The sub-item includes the linear appropriation of the profit margin obtained from leasing out four quay walls including the transfer of economic ownership to the tenant lasting over the terms of the agreements as well as interest accrued on the resulting receivables. Showing the interest accrued under turnover is optional. For reasons of clarity the HPA has opted to do so.

Reversal of/posting to special item for investment subsidies

In the financial year TEUR 98,021 (previous year: TEUR 77,515) was appropriated to the special item for investment subsidies, whilst TEUR 18,807 (previous year: TEUR 22,693) was reversed and recognised as income.

Income unrelated to the accounting period

In the financial year the income unrelated to the accounting period amounts to TEUR 26,300 (previous year: TEUR 4,976). The income comes from provision reversals.

The expenses unrelated to the accounting period amount to TEUR 0 (previous year: TEUR 6,151).

Personnel expenses

The item “Social contributions and pension expenses” contains expenses for pensions amounting to TEUR 570 (previous year: TEUR 4,814).

Interest receivables, interest payable

Interest receivables predominantly include income from the compounding of long-term accounts receivable of TEUR 3,908 (previous year: TEUR 12,826).

Interest payable includes expenses from the compounding of long-term provisions of TEUR 8,722 (previous year: TEUR 34,784).

Both items contain effects from the change in the discount rate of the pension provisions as well as their corresponding receivables from the FHH.

Extraordinary expenses and income

In the reporting year, extraordinary expenses occurred amounting to TEUR 35,734 (previous year: TEUR 0), which are shown under other operating expenses. This is the remaining amount of the addition from the BilMoG change of the pension provisions and similar liabilities (TEUR 17,734) and the payment for the termination of a lease at Kleiner Grasbrook/Überseezentrum (TEUR 18,000).

In the reporting year, extraordinary income amounting to TEUR 29,285 (previous year: TEUR 0) was received, which is shown under other operating income. This is the remaining amount of the addition from the BilMoG change of receivables from the FHH from pension provisions and similar liabilities (TEUR 14,285) and the release of a provision for post-closure obligations from depositing dredging material from Elbe sediments (TEUR 15,000).

Another extraordinary effect results from the applied regulation according to section 253(6) HGB of the valuation of pension liabilities and their corresponding receivables from the FHH at an interest rate based on an average of 10 years (4.01 %) versus an average of 7 years (3.24 %; previous year 3.89 %).

The differences are as follows	TEUR
Difference pension liabilities	29,711
Difference receivables	-9,304
Positive effect	20,407

In total, there is a positive effect amounting to TEUR 17,341 resulting from the complete contribution of the differences from the BilMoG change in addition to the fifteenth (TEUR -3.066) and the change in interest rate (TEUR 20,407).

Appropriation of profit

The management proposes to carry forward the accumulated loss amounting to TEUR 23,411 to new account.

5. FURTHER EXPLANATORY NOTES

Staff

The HPA on average employed a total of 1,759 people (previous year: 1,771). This figure breaks down as follows: 177 civil servants (previous year: 178) and 1,592 blue- and white-collar workers (previous year: 1,593). Of the total workforce 196 employees were part-time staff (previous year: 177).

Derivative financial instruments

In order to secure the interest rate of two loans in the long term, an interest rate swap agreement on the total loan sum lasting over the entire loan terms (until 2023 and 2037 respectively) has been entered into. The market value of the interest rate swap as of 31 December 2016 amounts to TEUR –18,767 and TEUR 1,139 respectively. It has been determined on the basis of generally accepted valuation methods (mark-to-market). The parameters of the hedged item and the hedging instrument are identical (critical terms match method), which is why a valuation unit has been established. As of 31 December 2016 the total loan amount was TEUR 51,659 and TEUR 17,620 respectively; the loan costs amounted to TEUR 2,386 and TEUR 434 respectively.

Auditors' fees

In the financial year 2016, total fees charged by the auditors amount to TEUR 111, of which TEUR 62 was charged for auditing services provided in 2016 and TEUR 47 for other certifying services as well as TEUR 2 for other services.

Supervisory Board

Frank Horch	Chairman of the Supervisory Board President of the State Ministry of Economic Affairs, Innovation and Transport
Jens Lattmann	Deputy Chairman of the Supervisory Board Staatsrat (State Secretary) of the State Ministry of Finance
Hermann Ebel	Chairman of the Board of Directors of Hansa Treuhand Holding AG
Jana Schiedek	Former Senator (Hamburg Minister), Hamburg Ministry of Justice and Equal Opportunities
Christine Beine	Head of Infrastructure, Hamburg Chamber of Commerce
Rolf Kirchfeld	Former Member of the Board of Directors of Vereins- und Westbank AG, Hamburg
Ralf Surm	Employee Representative of the Hamburg Port Authority
Silvia Nitsche-Martens	Employee Representative of the Hamburg Port Authority
Stefan Rechter	Employee Representative of the Hamburg Port Authority

Management Board (full-time)

Jens Meier	Chairman of the Management Board
Wolfgang Hurtienne	(until 11 January 2017)

Compensation of the supervisory board and the management board

The members of the supervisory board were paid meeting attendance fees of a total of TEUR 1.

The total compensation of the management board is TEUR 508, of which TEUR 393 is a fixed component and TEUR 115 a result-oriented component.

Transparency

In TEUR	Meier	Hurtienne
Fixed component	266	127
of which company car	15	12
Maximum variable component 2016	75	40
Total compensation of the management board	341	167

On 15 December 2016, the management board and the supervisory board declared that the provisions set forth in the Hamburg Corporate Governance Kodex (HCGK), compliance with which is the responsibility of the management board and the supervisory board (items 3 to 7 HCGK as well as their sub-items), have been adhered to. The following sub-item was deviated from:

5.1.5 All supervisory board members are to receive the minutes concerning supervisory board resolutions (meetings, resolutions adopted by circulation, etc.) within six weeks of the date of the resolution. Grounds: Due to travelling and annual leave of the decision makers to be involved in the adoption process, voting could not always take place in time.

The Annual Financial Statements, the Directors' Report and the Declaration of Conformity will be published in the HPA Annual Report 2016, available at <http://www.hamburg-port-authority.de> under "Press/Brochures and publications".

Group relationships

The HPA is a parent company as defined in section 290 German Commercial Code (HGB). For the 2016 financial year, the institution issued consolidated financial statements pursuant to section 290 HGB. The annual financial statements of the HPA and its affiliated companies will be incorporated in the consolidated financial statements of the HPA.

The annual financial statements of the HPA will be incorporated in the consolidated financial statements of the Free and Hanseatic City of Hamburg.

The consolidated financial statements will be published on the Internet.

Supplementary report

In accordance with Senator Horch, Chairman of the Supervisory Board of the HPA, Wolfgang Hurtienne resigned from his management activities at the HPA and retired on 11 January 2017.

Due to the planned introduction of segment accounts, on 16 February 2017 the EU commission declared the investigation concerning the financing of Hamburg Harbour as terminated. The document confirms that the structures elaborated in the project HPA next create the right prerequisites to fulfil EU legislation in the future. Based on this common understanding of the future structure "...the Directorate General for Competition will terminate the ex officio initiated investigation concerning the financing of Hamburg Harbour."

No further events subject to mandatory disclosure occurred after the balance sheet date.

Hamburg, 31 March 2017

Jens Meier
Chairman of the Management Board

MISCELLANEOUS

Auditor's Report

We issued the following auditor's report on the annual financial statements as on 31 December 2016 (attachment 1 to 3) as well as on the directors' report for the business year 2016 (attachment 4):

We have audited the annual financial statements consisting of the balance sheet, the profit and loss account and the notes to the financial statements including the accounting and the directors' report of the Hamburg Port Authority Anstalt des öffentlichen Rechts, Hamburg, for the financial year from 1 January to 31 December 2016. The accounting records as well as the preparation of the annual financial statements and the directors' report in accordance with the German commercial legislation and the supplementary provisions of the Act on the Establishment of the Hamburg Port Authority of 1 October 2005 are the responsibility of the legal representatives of the institution. Our responsibility is to express an opinion, based on our audit about the annual financial statements taking into account the accounting and the directors' report.

We conducted our audit of the annual financial statements in accordance with section 317 German Commercial Code (HGB) and the auditing standards generally accepted in Germany issued by Institut der Wirtschaftsprüfer (Institute of German Auditors). These standards require us to plan and perform the audit in such a manner as to obtain sufficient evidence to give reasonable assurance about whether the annual financial statements are free from material misstatements and inconsistencies, whether caused by fraud or other irregularity or error, and whether the annual financial statements prepared in accordance with generally accepted accounting principles, and the statement on the net assets position, financial position and earnings situation of the institution presented in the directors' report give a true and fair view. When determining the course of our audit, we have taken into account the knowledge of the business activities and the economic and legal environment of the institution as well as the potential for possible errors. An audit includes the random examination of proof relevant to the effectiveness of the accounting principles applied with regard to the system of internal controls as well as of proof relevant to the amounts and disclosures in the accounting records, the annual financial statements and the directors' report. It also includes an assessment of the significant estimates and judgements of the management board and whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the directors' report. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, nothing has come to our attention that causes us to believe that the financial statements have not been properly prepared.

In our opinion, based on the information obtained during our audit, the annual financial statements of the Hamburg Port Authority, Anstalt des öffentlichen Rechts, Hamburg, have been properly prepared in compliance with the relevant legal and regulatory requirements as well as the supplementary provisions of the Act on the Establishment of the Hamburg Port Authority of 1 October 2005. They give a true and fair view of the net assets position, financial position and earnings situation of the institution in accordance with the generally accepted accounting principles. The directors' report is consistent with the annual financial statements, gives a true and fair overall view of the state of affairs of the institution, and adequately presents the prospects and risks of future development.

Hamburg, 31 March 2017

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Registered Auditors, Tax Advisors)

Hartmut Schmidt
Auditor

Jens Engel
Auditor

MISCELLANEOUS

Hamburg Corporate Governance Kodex

The Hamburg Corporate Governance Kodex (HCGK) is a code that defines the duties and standards applicable to the activities and interaction of the shareholders, supervisory boards and managing directors of Hamburg's public institutions.

The HCGK is meant to be a contribution to, and impulse for, continuous management improvement in Hamburg's public institutions. Furthermore, the code has been developed to ensure greater transparency within these institutions and thus strengthen public trust in decisions taken by administrative and political bodies.



This report was originally prepared in German.
In case of ambiguities, the German version takes precedence.

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