

2016

Hamburg and Berlin establish an initiative to procure up to 200 electric buses each year after our emission-free propulsion system tests on Germany's only "innovation line".

2018

HOCHBAHN completes the first bus depot entirely designed to accommodate emission-free propulsion systems at Gleisdreieck in Alsterdorf.

Ausgezeichnet
mit dem



**EBUS
AWARD**

Der Umweltpreis für den ÖPNV



2020

Keep- ing a clean sheet!



**We now
acquire only
emission-free
buses.**

— 4 —

91.6% cost coverage ratio. A first-class performance:

With our earnings improved by €9.3 million and cost coverage ratio up two per cent, at least one Hamburg institution has enjoyed a recordbreaking season...



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4,996 *

employees

*including Management Board and apprentices

508.6

million euros in sales

91.6 %

Cost coverage ratio

#HHome

Whether travelling down the Elbe in a raincoat on a wet and windy day, enjoying a galão from behind sunglasses in the Schanzenviertel or dressing up to attend a concert at the Elbphilharmonie, we take passengers in Hamburg wherever they want to go – 365 days a year, to approximately 1,300 bus stops and 91 underground stations.

Around here, locals greet each other with a cheery “Moin” or “Ahoi”, affectionately call each other “Digga” or “Deern”, wear their hearts on their sleeves, stroll to the weekly market with their jute bags and surf the web from the comfort of the bus rather than the sea out on a board. We keep our environmentally-friendly U-Bahn trains and buses moving reliably and discreetly on 115 lines.

All the while, we share the roads considerably with the cars that still need to use them. Here in Hamburg, we call this switchh – with a double-h in honour of our home port.

We get 1.2 million Hamburg residents old and new (or “Fischköpfe” and “Quiddjes”, as they are affectionately known) home safely every day – enough to sell out a home game at the Volksparkstadion 21 times or fill the Millerntor Stadium 41 times over. And we do all this with plenty of passion. It’s just the way we are. For Hamburg. With Hamburg.

And with the future fixed firmly in our sights – from extending the U4 line to the bridges over the Elbe and investing in clean electric buses to providing smart, sustainable mobility for all of the equally smart and good-natured people who call our city home. We are already shaping the future of tomorrow.

We have been pioneers since 1911. We know the most beautiful corners of the most beautiful city – and take you there. We are Hamburg specialists. Today and tomorrow.

**We are your
HOCHBAHN.**

QR code. Travel through Hamburg with a 360-degree view of the U3 U-Bahn line.



2,046

million passenger kilometres

444.1

million passengers



Our mission:

We provide sustainable mobility for the Hamburg SmartCity.

For me,
the Hamburg
SmartCity
means ...



Helmut König
Chief Financial Officer

... driving IT transformation within our company and creating jobs to meet the demands of the digital revolution. Throughout all this, we want to operate efficiently at all times so that we can contribute to a strong and mobile future for Hamburg.



Henrik Falk
Chief Executive Officer

... having a better quality of life by benefitting from optimised, networked and shared mobility services that render one's own car more and more obsolete – without experiencing a sense of loss.



Jens-Günter Lang
Chief Technology Officer

... designing infrastructure for the next generation. A great example of this is our “project of the century”, the new U5 U-Bahn line. Fully automated with services at shorter intervals than ever before, the U5 will get Hamburg moving and connect hundreds of thousands of people to our rapid transit network for the first time.



Ulrike Riedel
Human Resources Director
and Chief Operating Officer
(until 28 February 2017)

... being able to actively shape change in the world of work by becoming more digital as an employer and enabling our employees to benefit from the opportunities of this transformation. By doing this, employers can remain attractive and successful in the long term.



Dear readers,

More and more people and companies are settling in Hamburg. In 2016, a record 444 million passengers travelled with HOCHBAHN, the highest figure in the history of the company.

Comprehensive mobility services are vital for a successful economy and high quality of life in our city. The Hamburg Public Transport Association (Hamburger Verkehrsverbund – HVV), HOCHBAHN's largest partner, has once again demonstrated its tremendous capabilities.

Together, HOCHBAHN and the Free and Hanseatic City of Hamburg are making our metropolis fit for the future. Whether expanding our U-Bahn network, comprehensively rolling out our wireless network, creating greater barrier-free access to our stations or upgrading to emission-free buses, we are thinking about tomorrow today. For this reason, I am particularly delighted that HOCHBAHN's commitment has been recognised with the EBUS AWARD for public transport electromobility.

Hamburg has what it takes to become a model city for the future of mobility in Europe, which is why we want to host the ITS World Congress for intelligent transport systems in 2021. HOCHBAHN is the strongest driver and protector of Hamburg's ITS strategy. Simply applying to host the event incentivises us all to launch important projects and keep our finger on the pulse as we develop the local public transport network of tomorrow.

As a reliable partner for planning and implementing infrastructure projects, HOCHBAHN stands alongside our city – while remaining financially robust. In 2016, we once again managed to achieve a cost coverage ratio of 91.6 percent, one of the highest ratios achieved in Germany or internationally.

I am looking forward to the exciting task of working to develop sustainable mobility for the Hamburg SmartCity. Together, we can give our citizens a great deal of freedom in the coming decades and ensure Hamburg remains at the forefront of innovation.

Frank Horch

Senator for the Economy, Transport and Innovation, Free and Hanseatic City of Hamburg
Chairman of the Supervisory Board of Hamburger Hochbahn AG

Management report

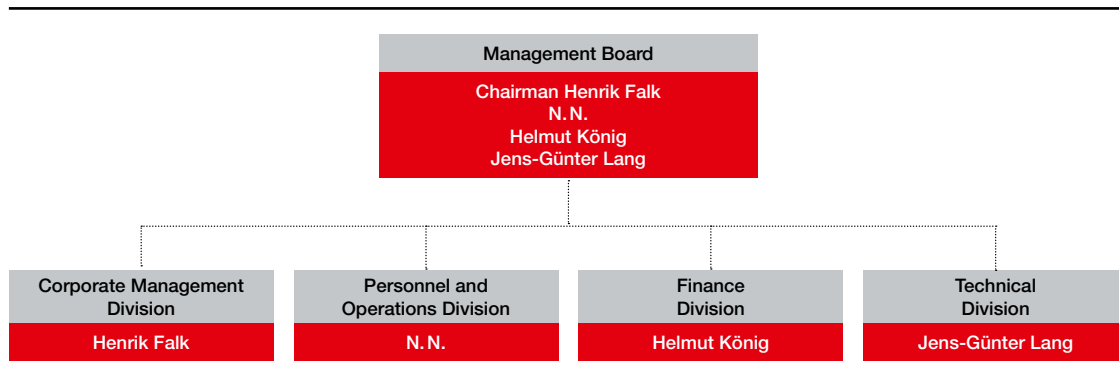
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1. Fundamental information about the company

1.1 The company's business model

Hamburger Hochbahn AG (HOCHBAHN) is one of the leading local public transport companies in Germany. Approximately 1.2 million passengers use the public transport provided by HOCHBAHN and its subsidiaries on four U-Bahn lines, more than 100 bus lines and several ferry services every day. HOCHBAHN thus provides approximately half of all public transport services within the Hamburg Public Transport Association (Hamburger Verkehrsverbund – HVV). With around 5,000 employees, the company is one of Hamburg's largest employers. On 24 November 2009, the Free and Hanseatic City of Hamburg officially entrusted HOCHBAHN with public service obligations regarding the operation of regular bus and U-Bahn services in Hamburg. These contracts stipulate that HOCHBAHN is officially entrusted with the operation of regular bus services until 2019 and regular U-Bahn services until 2032. Together with its many subsidiaries and investees, including those providing rolling stock maintenance, security and cleaning services, HOCHBAHN is an integral part of mobility in Hamburg.

Hamburger Hochbahn AG is a company organised and managed according to private sector principles which is wholly-owned by the Free and Hanseatic City of Hamburg via HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV). The company is organised into four divisions:



The Corporate Management division is led by the Chief Executive Officer. This division comprises Corporate Management and System Development, Marketing, Corporate Communications, Sales and Transport, Public Participation, Organisation and Auditing as well as Business Development and Corporate Strategy.

U-Bahn and Bus Services together with Personnel and Occupational Safety, Environmental and Fire Protection make up the Personnel and Operations division. The Finance division comprises Finance and Controlling, Purchasing, Information Management, Legal and Real Estate. The Technical Division consists of Project Construction and Railway Installations, Infrastructure, Bus Technology and Rail Rolling Stock as well as construction of the new U5 U-Bahn line.

Ms Ulrike Riedel, Human Resources Director and Chief Operating Officer, left HOCHBAHN on 28 February 2017. Until her position has been filled, Chief Executive Officer Henrik Falk will assume responsibility for the Personnel department, Chief Financial Officer Helmut König will take over Bus Services, and Chief Technology Officer Jens-Günter Lang will assume responsibility for U-Bahn Services, Occupational Safety, Environmental and Fire Protection.

HOCHBAHN is dependent upon the legal framework within which it functions and, in particular, political decisions concerning local public transport in the Free and Hanseatic City of Hamburg. In recent years, the positive development of the company was primarily driven by the above-average increase in passenger numbers compared to Germany as a whole. HOCHBAHN is geared towards further growth.

During 2016, major projects once again included the commissioning of additional new-generation DT5 U-Bahn rolling stock and its use in regular service, the testing of new innovative propulsion systems in bus operations (particularly on the "innovation line" 109), ongoing building work to accelerate barrier-free access to U-Bahn stations and the extension of the U4 U-Bahn line out to the bridges across the Elbe. Other plans of major importance included the extension of the U-Bahn network as far as Horner Geest (U4), the new station at Oldenfelde (U1) and the new U5 U-Bahn line.

Since spring 2016, HOCHBAHN has also been firmly on course to make digitalisation a cornerstone of the HOCHBAHN 2030 company strategy. The core objective of this strategy is to take advantage of the opportunities offered by digitalisation and, together with the City of Hamburg and its other mobility partners, create a simple, personal, flexible and sustainable mobility system for the future.

1.2 Objectives and strategies

The vision of the HOCHBAHN 2030 company strategy is "Intelligent mobility for a future worth living in". Developed during the year under review, this digitally-driven strategy expands HOCHBAHN's vision to include a mission to become the "driver of sustainable mobility in the Hamburg SmartCity". HOCHBAHN has set itself clear targets for implementing this vision and mission. The overarching goal is to increase passenger numbers. To reach this primary target, HOCHBAHN has identified six action areas with corresponding strategic initiatives.

- High-quality local public transport
- Mobility as a service
- Sustainability
- Efficient mobility provider
- Direct awarding of contracts
- Employer of choice

The starting point is HOCHBAHN's core business: high-quality local public transport with bus and U-Bahn services. Hamburg is a growing city. This makes it essential to proactively adapt local public transport capacity to maintain the current quality of HOCHBAHN's service in the coming years. HOCHBAHN's U-Bahn System Masterplan strategic initiative seeks to promote the expansion and optimisation of the U-Bahn system based on transport guidelines and by harnessing the potential of fully automated operations. The initiative is also intended to replace bus lines with high levels of demand and connect new areas of the city. Sustainability has traditionally been one of HOCHBAHN's primary concerns. With the E-Bus System Masterplan, the company has therefore created the operational and infrastructural conditions necessary to acquire only emission-free buses from 2020 onwards without compromising cost-effectiveness.

In addition to its core business of local public transport on buses and trains, HOCHBAHN is also taking advantage of new opportunities and business segments for mobility providers created by increasing digitalisation in all areas of life and a shift in mobility culture. These are bundled together as strategic initiatives in the Mobility as a Service action area. For example, HOCHBAHN is keen to gather early insights into developments and progress in the field of autonomous driving for future use. In this context, the company is initially focusing on implementing a test operation in Hamburg to illustrate the potential advantages of this technology to the city, customers and employees.

1.3 Research and development

From mid-2018 onwards, HOCHBAHN buses will meet at least Euro 5 or 6 emission standards, meaning that the amount of harmful chemicals, particularly nitrogen oxides, they release will continue to decline. In addition, 30 hybrid buses are already in operation, achieving fuel savings of up to 20%. However, HOCHBAHN is particularly committed to testing electric-powered buses. Using findings from the deployment of four fuel cell buses, two battery-powered buses, two battery-powered buses with fuel cells as range extenders and three plug-in hybrid buses as well as intensive technical exchanges with bus manufacturers, HOCHBAHN wants to ensure that enough sophisticated emission-free buses are available from 2020 onwards.

The development of electric-powered buses, particularly their energy storage systems, continues to make good progress. With this in mind, HOCHBAHN and Verkehrsbetriebe Hamburg-Holstein GmbH (VHH) conducted a study with Stromnetz Hamburg GmbH and Helmut Schmidt University that investigates the demand placed on the electricity grid by electromobility, particularly electric buses. The core questions were: Can the existing electricity grid provide enough energy for the growing number of electric buses in the medium term, and what implementation periods and other general conditions need to be taken into account in this respect?

HOCHBAHN's objective in deploying different innovative buses on the "innovation line" 109 is to obtain robust findings on their efficiency and everyday suitability under the same operating conditions. A system of indicators was also developed to record the main parameters (reliability, energy consumption, etc.) for each type of bus and the infrastructure facilities.

In autumn 2016, the previous fleet of innovative buses was expanded to include purely battery-powered buses. Their introduction means that electric-powered buses from two different manufacturers are being supplied with power from the same charging infrastructure for the first time in Germany. This represents an important step on the path to a uniform and standardised charger interface for e-buses and supports the development of a functioning procurement market. To achieve this objective, HOCHBAHN is participating in the platform for uniform charging standards for electric buses launched by the industry and its main associations (VDV, UITP).

In addition to its own analysis on the “innovation line”, HOCHBAHN is in close dialogue with bus manufacturers to obtain viable estimates about which form of electric propulsion system (and power supply) will prevail and when workable systems will be made available. In addition to buses from major suppliers Daimler, Volvo and MAN, the analysis also includes products from smaller suppliers.

HOCHBAHN has already been supporting the development activities of renowned bus manufacturers such as Daimler and Volvo as part of strategic partnerships for many years. In autumn 2016, the Free and Hanseatic City of Hamburg signed a memorandum of understanding for a collaboration with the VOLKSWAGEN Group. HOCHBAHN subsequently reinforced its technical dialogue with MAN as a company within the VOLKSWAGEN Group. Relevant issues such as the further development of battery storage systems are also being addressed in specialised working groups and aligned with HOCHBAHN’s requirements.

In addition to further technical development all the way to practical implementation, appropriate vehicle prices are an important prerequisite for exclusively procuring emission-free buses. Joint procurement enables transport companies to achieve economies of scale and thus benefit from more favourable procurement costs. The Cities of Berlin and Hamburg and their transport companies BVG, VHH and HOCHBAHN have also signed a letter of intent for the joint procurement of innovative buses. Since then, transport companies from numerous other major German cities have joined this initiative. The next stage is to determine the respective performance standards and needs.

2. Report on economic position

2.1 Sector-specific environment

Local public transport as a growth sector

The number of passengers using local public transport in Germany rose again in 2016. Local public transport passenger numbers rose by 1.8% to 10.18 billion people year-on-year in 2016. This growth in passenger numbers is attributable to considerable increases in rail-based local transport (+2.8%) and tram transport (+2.5%). Passenger numbers in the bus segment grew by just 0.7% year-on-year. Fare income rose by 4% to €12.24 billion, while transport performance increased by 0.7% to 93.62 billion passenger kilometres.*

Provisional statistics

Local public transport passenger numbers according to statistics provided by the Association of German Transport Companies (Verbands Deutscher Verkehrsunternehmen – VDV) and changes from the previous year:

	2016 ¹	2015	2014
Total public transport passenger numbers according to VDV statistics (million) (Total passengers, net)	10,180	10,004	9,954
Change from previous year (%)	1.8	0.5	1.3

¹ The figures for 2016 represent preliminary data based on projections from the first three quarters

* <https://www.vdv.de/pressemitteilungen.aspx?mode=detail&id=699da892-71f6-4c2d-9dd0-afa8337d6887>

2.2 Course of business

Transport associations across Germany reported positive demand development for 2016. While the VDV reported a provisional increase of 1.8% across all local public transport, the HVV transport district was above this average with a provisional rise of 2.2%*, thus further reinforcing its positive trend from the previous year.

The main causes of this sustained upward trend in Hamburg were the continued boom in tourism, the ongoing increase in population and employment figures and the positive consumer climate created by low interest rates. The rise in the number of students to 100,600 individuals also had an impact, with the total figure rising by 2,700 students year-on-year.

Based on preliminary figures, HOCHBAHN expects more than 444 million people (including those changing means of transport) to have used the company's services in 2016, equivalent to a year-on-year increase of 1.5%*. Although the almost four-month closure of the Volksdorf–Großhansdorf U-Bahn line lasted longer than the previous year's construction measures, it affected a less-frequented section of track and thus had a lower impact on the overall demand trend. The renovation of U-Bahn and bus stations and work on the bus optimisation programme continued as planned. Although the specific effect on passenger numbers will only be verifiable once these measures are complete, positive developments have already emerged in 2016.

In the HVV, transport income is expected to have risen by 4.0%* year-on-year in 2016, once again exceeding the +1.9% rise in fares in January 2016. As well as compensating for the slight decline in trainee and school traffic, the further increase in the number of students also contributed to the overall positive trend. The fall in 9am Day Tickets was offset by a rise in group tickets. The generally positive performance of season tickets was once again driven primarily by corporate client subscriptions, whereas cash sales of tickets did not contribute as much to growth. On the basis of the preliminary data available, HOCHBAHN expects an increase in income comparable to that of the HVV figure of 4.0%*.

HOCHBAHN transport performance

Number of passengers carried (thousand)	2016¹	2015²	2014
U-Bahn	232,378	228,944	218,329
Bus	211,717	208,589	209,070
Total of both divisions (U-Bahn + bus)	444,095	437,533	427,399
Total number of passengers company-wide ³	377,481	371,903	363,289
Passenger kilometres (thousand)			
U-Bahn	1,387,296	1,366,796	1,303,424
Bus	658,664	648,931	650,428
Total	2,045,960	2,015,727	1,953,852

¹ 2016: provisional figures

² 2015: updated figures

³ In the line entitled 'Total number of passengers company-wide', passengers changing from bus to underground and vice versa are only included once.

* Provisional figures

HOCHBAHN operating performance

U-Bahn	2016	2015	2014
Kilometres per unit in service ² (thousand km)	87,843	86,760	86,867
Kilometres per space ^{1,2} (million km)	8,465	8,401	8,432
Total track length ² (km)	104.4	104.4	104.4
Number of lines	4	4	4
Number of stations ²	91	91	91
Average travel speed (km/h)	33.3	33.3	33.3

¹ Allowance made for standing space of 0.25m² each

² Including Verkehrsgesellschaft Norderstedt mbH

HOCHBAHN operating performance

Bus	2016	2015	2014
Kilometres per unit in service (thousand km)	50,298	49,315 ³	48,744
Kilometres per space ¹ (million km)	3,920	3,843	3,654
Total track length ² (km)	924.6	924.6	927.5
Number of lines ²	111	111	111
Number of stations	1,327	1,327	1,321
Average travel speed (km/h)	18.6	18.8	18.8

¹ Allowance made for standing space of 0.25m² each

² Regular services as per Section 42 of the German Public Transport Act (Personenbeförderungsgesetz – PBefG), Line 380 (Arena Shuttle) not included

³ Kilometres per unit in service adjusted by 5 thousand km

HOCHBAHN rolling stock

U-Bahn	Years built	2016		2015		2014	
		Carriages	Units	Carriages	Units	Carriages	Units
DT1 ¹	1958–59	6	3	6	3	6	3
DT2	1962–66	2	1	30	15	32	16
DT3	1968–71	207	69	207	69	207	69
DT4 ²	1988–2005	504	126	504	126	504	126
DT5	2012–2016	171	57	126	42	69	23
	Number	890	256	873	255	818	237
Total rolling stock held ²	Spaces ³		82,712		80,920		77,366
Total ready for operation		839	238	861	250	805	232

¹ One DT1 unit, with two carriages, is the Hanseat saloon carriage.

² Including 2 units (8 carriages) from Verkehrsgesellschaft Norderstedt mbH

³ Allowance made for standing space of 0.25m² each

HOCHBAHN rolling stock

Bus	2016	2015	2014
City and express buses ^{1,2}	484	460 ⁴	490
Articulated buses ^{1,2}	272	270	255
Double articulated buses ^{1,2}	25	26	26
Diesel hybrid articulated buses ¹	15	20	20
Fuel cell battery articulated buses ¹	2	2	0
Fuel cell / hybrid / plug-in buses ¹	22	19	11
All buses			
Number ²	820	797	802
Spaces ^{2,3}	67,133	65,781	65,440

¹ Low-floor buses

² Does not include leased buses (2015: 3 city and 2 articulated buses).

³ Allowance made for standing space of 0.25m² each

⁴ Previous year's figure adjusted from 466 to 460 buses

2.3 Net assets, financial position and results of operations

2.3.1 Results of operations

In 2016, HOCHBAHN's transport income rose by €36.4 million year-on-year to €430.7 million. This increase was partly due to the positive rise in demand and partly to the increase in HVV fares effective 1 January 2016. In the final calculation of the distribution of HVV income for 2015, HOCHBAHN's proportional share was set at 48.68%. This rate is also applied to the current reporting period.

Own work capitalised in the 2016 financial year amounted to €16.9 million, on a par with the preceding year's figure of €16.8 million. Income from subsidy payments for 2016 was markedly higher than the previous year at €9.7 million (2015: €7.0 million). This was primarily due to higher subsidies for planning services associated with expansion of the U-Bahn network. Revenue from property leasing totalled €20.8 million, thus exceeding the prior-year figure of €14.7 million by €6.1 million. This rise was primarily attributable to the redefinition of sales by the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG). Since then, income previously reported under other operating income during the reporting year must be accounted for in sales.

Gross revenue improved significantly during the 2016 financial year, increasing by €34.7 million to €540.9 million.

In cost of materials, in addition to electricity costs, costs for diesel fuel fell by €1.1 million to €16.2 million despite more kilometres being driven by the HOCHBAHN buses, since the average price for a litre of diesel was €0.08 lower than the year before.

In personnel expenses, additional expenses were incurred compared to the previous year due to wage and salary increases and the higher number of employees. In addition, expenses resulting from the adjustment of various personnel provisions to their settlement amount as at 31 December 2016 were higher than in the previous year. On balance, personnel expenses rose by €17.3 million year-on-year to €239.6 million.

The €21.0 million increase in other operating expenses in 2016 primarily resulted from the recognition of a provision totalling €16.0 million to cover the future financing needs of agilis Eisenbahngesellschaft mbH & Co. KG (agilisE). In pension and free travel obligations, the company exercised its right to spread the difference from the amended valuation pursuant to the BilMoG equally over 15 years and recognise it as an expense. This valuation method was amended during the 2016 financial year, and the remaining difference of €3.6 million was recognised in full as an expense in other operating expenses.

Write-downs of long-term financial assets totalled €0.9 million in the 2016 financial year, as another valuation allowance was required as part of the restructuring of HanseCom GmbH.

As a result of the considerable €34.7 million rise in gross revenue in the 2016 financial year, the net loss for the 2016 financial year fell by €9.3 million year-on-year to €50.9 million (-15.5%). In contrast, operating profitability decreased due to higher expenses caused by the recognition of provisions. EBITDA (earnings before loss absorption, net interest income, taxes, depreciation and amortisation) fell by €3,918 thousand year-on-year to €40,717 thousand.

In 2016, the company's cost coverage ratio rose by 2.0 percentage points to 91.6%, significantly higher than the prior-year figure (89.6%) and among the highest ratios achieved in Germany and internationally.

Net loss for the financial year (€ million)	2016	2015	2014
Net loss for the financial year	50.9	60.2	55.4

Cost coverage ratio (%)	2016	2015	2014
Cost coverage ratio	91.6	89.6	90.0

2.3.2 Financial position

The condensed cash flow statement below shows the source and use of financing resources during the 2016 financial year and is presented in line with DRS 21. The subsidy payments agreed by HOCHBAHN are included in cash flow from investing activities on a net basis.

Cash funds as at 1 January 2016	€6.1 million
Cash flows from operating activities	+ €49.1 million
Cash flows from investing activities	-€183.6 million
Cash flows from financing activities	+€133.4 million
Cash funds as at 31 December 2016	€5.0 million

The cash funds as at 31 December 2016 consist of liquid funds.

In order to finance investments totalling €225.2 million before subsidies and make scheduled repayments on old loans amounting to €39.3 million, HOCHBAHN took out five long-term loans with a total volume of €130.0 million as part of its financing activities in 2016.

Loan liabilities at the end of the financial year were €546.5 million, representing a year-on-year increase of €90.7 million or 19.9%.

Durable capital goods that cannot be covered by internal financing are generally financed by long-term bank loans. HOCHBAHN had committed credit lines at German banks with a total volume of €20.0 million. These credit lines can be used freely as part of the company's ordinary business activities and were partially drawn down in the amount of €4.3 million.

Short-term financing needs are funded from the cash pool of the HGV Group. HOCHBAHN expects HGV to continue providing it with sufficient access to finance in future.

HOCHBAHN was able to meet its payment obligations at all times during 2016.

Capital expenditures

In the 2016 financial year, HOCHBAHN incurred gross capital expenditures (before deduction of subsidies) totalling €225.2 million (2015: €224.9 million). Comprising 83.4% of total capital expenditures during the reporting year, the company's investing activities once again focused on U-Bahn operations, including infrastructure, with a total of €187.9 million (2015: €182.5 million). Of this amount, €114.1 million was attributable to the procurement of DT5 units, €25.9 million to new U-Bahn construction (U4 line link to HafenCity, construction of a loop line and siding complex as well as work to extend the U4 as far as the bridges across the Elbe), €11.6 million to conversion of U-Bahn stations to enable barrier-free access, €8.0 million to above-ground construction and €5.1 million to construction of the new Barmbek interlocking. Further investments in the U-Bahn system involved the modernisation and maintenance of existing rolling stock and facilities.

A total of €27.3 million (2015: €29.6 million) was invested in the bus system, including €19.8 million for the purchase of new buses, €4.4 million for the construction of the new Gleisdreieck bus depot, €1.2 million for the construction of additional new bus depots and €0.9 million for the Barmbek bus interchange.

A total of €3.1 million was invested in shared facilities, including €0.8 million for the procurement of ticket machines, €0.5 million for test devices and software services for the full operation of e-ticketing, €0.5 million to purchase the Gleisdreieck land and €0.2 million for the procurement of automatic passenger counting equipment.

Investments in financial assets relate to additions to the capital reserves of an affiliated company and an investee totalling €6.9 million.

The following table shows a summary over several years:

Capital expenditures	2016 € million	2016 % share	2015 € million	2014 € million
U-Bahn division				
New rolling stock and facilities				
DT5	114.1	50.7	107.6	54.4
Construction of new U4 U-Bahn line	25.9	11.5	32.0	26.9
Existing rolling stock and facilities				
Tracks, trackside equipment, safety installations, construction projects and rolling stock	47.9	21.3	42.9	37.3
U-Bahn subtotal	187.9	83.4	182.5	118.6
Bus division				
Rolling stock, fixtures and fittings, facilities and installations at bus depots	27.3	12.1	29.6	55.1
Shared facilities	3.1	1.4	2.0	4.4
Long-term financial assets ¹	6.9	3.1	10.80	0.0
Total capital expenditures	225.2	100.0	224.9	178.1

¹ without changes in the value of the securities portfolio

2.3.3 Net assets

As at 31 December 2016, HOCHBAHN's total assets increased by €122.9 million or 13.4% year-on-year to €1,038.3 million. This rise is primarily due to the increase in tangible fixed assets on the assets side of the balance sheet largely caused by the procurement of new DT5 generation U-Bahn rolling stock. At the same time, liabilities to banks on the liabilities side of the balance sheet increased as a result of taking out new loans to finance investments in these tangible fixed assets.

As at the balance sheet date, equity remained unchanged at €142.4 million. As a result of the increase in total assets, HOCHBAHN's equity ratio declined year-on-year by 1.9 percentage points to 13.7%.

Assets	2016 € million	2016 % share	2015 € million
Tangible and intangible fixed assets	799.2	77.0	690.3
Long-term financial assets	147.2	14.1	141.9
	946.4	91.1	832.2
Inventories	19.8	1.9	17.6
Trade receivables	11.4	1.1	8.3
Cash	5.0	0.5	6.2
Other current assets and prepaid expenses	55.7	5.4	51.1
	91.9	8.9	83.2
	1,038.3	100.0	915.4

Equity and liabilities	2016 € million	2016 % share	2015 € million
Equity	142.4	13.7	142.4
Pension provisions	65.8	6.3	54.3
Liabilities to banks	548.1	52.8	457.5
	756.3	72.8	654.2
Other provisions	161.4	15.6	154.6
Trade payables	39.3	3.8	31.7
Other liabilities and deferred income	81.3	7.8	74.9
	282.0	27.2	261.2
	1,038.3	100.0	915.4

2.4 HOCHBAHN employees

As at 31 December 2016, the number of people employed by HOCHBAHN increased by 19 employees year-on-year.

	31.12.2016	31.12.2015	31.12.2014
Full-time employees	4,442	4,418	4,331
Part-time employees	408	391	354
	4,850	4,809	4,685
Management Board members	4	4	4
Trainees	142	164	164
Total employees	4,996	4,977	4,853

Collective wage agreement

The collective wage agreement was terminated by the ver.di trade union with effect from 31 December 2015. An agreement was reached for a new collective wage agreement on 28 April 2016. As a result, a one-off payment of €400 was agreed for the first four months of 2016. A second one-off payment of €200 will be granted in June 2017. The remuneration table was raised by 3% with effect from 1 May 2016 and will increase by a further 2% effective 1 June 2017. The annual bonus for 2016 was increased from €700 to €800 and will rise to €900 for 2017. Furthermore, holiday pay will be increased from €860 to €900 from 2017, while various allowances will also rise. The total term of the new collective wage agreement is 28 months.

Work-study programmes/vocational training

At the start of the 2016/2017 winter semester, HOCHBAHN expanded its training offering to include a technical work-study course specialising in electrical engineering and information technology at Hamburg University of Applied Sciences (HAW).

As a result of the specific requirements of the Sales department, HOCHBAHN is reintroducing its dialogue marketing specialist apprenticeship on a part-time basis for at least three apprenticeship periods starting in 2017. Two apprenticeship places are available for the programme beginning in 2017. This programme is HOCHBAHN's first part-time apprenticeship and is particularly aimed at applicants with legitimate interests, e.g. young parents, carers looking after dependants, or people with disabilities for whom a full-day apprenticeship would represent an excessive strain.

Diversity

On 12 December 2016, the HOCHBAHN Supervisory Board agreed target percentage of at least 37.5% for women on the Supervisory Board and at least 25% on the Management Board. As at 31 December 2016, the company met its Supervisory Board target with 37.5% female Supervisory Board members. The proportion of women on the Management Board also met the target at 25%.

On 13 April 2015, target figures for the proportion of women in leadership positions at the first and second levels of management below the Management Board were set until 30 June 2017. The target is 28% for the first level of management and 17% for the second level of management. As at 31 December 2016, the actual percentage was 27% for the first level of management and 16% for the second level of management. These deviations from the target values were caused by changes to the organisational structure.

Basic principles of the remuneration system for Management Board members

The remuneration structure determined by the Supervisory Board is governed by the director's contracts of individual Management Board members. The remuneration is divided into non-performance-related and performance-related components.

The non-performance-related components primarily consists of the base salary. Other benefits are also included in non-performance-related components. They include the taxable monetary value of non-cash benefits such as the private use of company cars as well as reduced-price travel for the spouses and children.

The variable portion of remuneration is paid on a performance-related basis, and its components are determined by the Supervisory Board. Variable performance-related remuneration agreements are concluded with Management Board members each year.

3. Report on expected developments, opportunities and risks

3.1 Report on expected developments

U4 line extension

The extension of the U4 U-Bahn line is necessary in light of the planned and ongoing development of the eastern part of HafenCity. As part of this project, the existing U4 track is being extended by approximately 1.3 kilometres. This track extension includes a turning loop and sidings in the immediate vicinity of the existing HafenCity Universität station as well as an additional station at Elbbrücken (the bridges over the Elbe), where passengers can change to the rapid transit (S-Bahn) network. The total budget for this programme is €178.2 million, which will be fully financed by a grant from the Free and Hanseatic City of Hamburg and funds made available by the Federal Government under the Local Authority Public Transport Finance Law (Gemeindeverkehrsfinanzierungsgesetz – GVFG).

The turning loop and sidings were completed in 2016 and are expected to begin operating in summer 2017. Construction work on the tunnel and trough section is proceeding according to plan. The tunnel shell construction was completed at the turn of the year 2016/2017. Work on the trough section is expected to be completed in mid-2017. Track construction work in the tunnel began in March 2017. Structural work on the Elbbrücken station was completed in summer 2016. The footbridges were lifted into position in October 2016. Construction of the steel frame for the station roof began in March 2017. The project is proceeding within budget and on schedule. Services on this section of the U4 U-Bahn line are due to begin at the end of 2018.

Barrier-free upgrading of U-Bahn stations

Providing people with limited mobility with access to local public transport is of particular concern for the Senate of the Free and Hanseatic City of Hamburg and HOCHBAHN. The main elements in enabling barrier-free access are the integration of lift facilities, raising the level of platforms and equipping the stations with orientation aids for visually-impaired persons. The entire programme for upgrading stations to enable barrier-free access in the Hamburg metropolitan area is fully funded by grants from the Free and Hanseatic City of Hamburg. Stations in Schleswig-Holstein are funded by contributions from the State of Schleswig-Holstein, the administrative district of Stormarn and the municipal authorities concerned.

In the first stage of the accelerated upgrade programme, a total of 21 stations were upgraded to allow barrier-free access by the end of 2016.

A feasibility study was first commissioned in December 2013 for the measures in the following stages for the remaining 34 stations (including four in Schleswig-Holstein), with construction scheduled to begin from 2016 onwards. This study identified the preferred option in each case, costs and a schedule for implementation. The findings for 32 stations were presented at the end of 2016. Due to their complexity, the final results of the feasibility study for the Sternschanze and Alsterdorf stations will only be published in spring 2017. Second-stage barrier-free upgrade work began at a total of nine stations during the 2016 financial year, with work at two of these stations – Ohlstedt and Buchenkamp – already complete. Upgrade work will conclude at three stations in Schleswig-Holstein (Ahrensburg-West, Ahrensburg-Ost and Schmalenbeck) and the Buckhorn station in spring 2017. The Merkenstraße station will be completed in autumn 2017, with two further stations (Joachim-Mähl-Straße and Hagendeel) to follow suit in spring 2018.

The subsidy for construction work at six further stations has already been granted. Construction work commenced at two of these stations at the start of 2017, with work scheduled to begin at the remaining four stations from summer 2017 onwards. These modifications are expected to be completed in 2018.

Subsidies for the design and approval planning of six stations to be converted in 2018 have also been granted. Conceptual designs for these stations were developed in early 2017. The grant application for the construction work at these stations is expected to be submitted in spring 2017.

Subsidies have also been granted for the funding of design and approval planning for five additional stations expected to be expanded between 2019 and 2021. Preparatory work on the grant application for design and approval planning at three additional stations also scheduled to be expanded from 2020 onwards commenced in early 2017. Planning for these stations is expected to begin in summer 2017.

Barrier-free access upgrade work at the remaining five stations is scheduled to take place steadily over the next decade.

U-Bahn network expansion

Hamburg is aiming to develop its local public transport network primarily by expanding the existing rapid transit and regional rail network. To support these efforts, HOCHBAHN has been entrusted with the planning and implementation of construction work related to the U-Bahn. A concept study concluded at the end of 2014 produced the following potential network expansion measures:

- Construction of a U1 station at Oldenfelde
- Expansion of the U4 line to Horner Geest
- Construction of a new U5 line from Bramfeld to Osdorfer Born (in different sections)

HOCHBAHN carried out the preliminary, design and approval planning for the construction of Oldenfelde station on the eastern branch of the U1 U-Bahn line between the Farmsen and Berne stations in 2014 and 2015. These plans were accompanied by public participation events, enabling the company to incorporate citizens' suggestions into both its design and approval planning. These stages of planning were financed by a grant from the Free and Hanseatic City of Hamburg totalling €0.8 million from regionalisation funds. The planning approval process was initiated in October 2016. The planning documentation was removed from public display on 2 December 2016, with a planning approval decision expected in summer 2017.

The Senate agreed to fund the construction work on 28 December 2016 and this decision was published in the Senate journal. At the start of 2017, HOCHBAHN submitted a grant application for €19.5 million to the Free and Hanseatic City of Hamburg. Construction costs are also expected to be financed from regionalisation funds.

Implementation planning and the trade tendering process will be carried out in 2017, with construction scheduled to begin in early 2018.

In spring 2016, HOCHBAHN began its preliminary, design and approval planning for the extension of the U4 line to Horner Geest and the first construction phase of the new U5 U-Bahn line.

Work on the section of the U4 line to Horner Geest is proceeding as planned. In December 2016, the preliminary design was submitted by the general planner. Also in 2016, local residents were informed about the key facts of the projects at a series of public participation events. In November 2016, a workshop was also held with local residents and other affected parties to discuss issues such as the location of station exits and lifts. The design planning phase is expected to be completed by the end of 2017, with construction potentially beginning from late 2019 onwards. The preliminary, design and approval planning is being funded by a €15 million grant from the Free and Hanseatic City of Hamburg.

The City also issued a €40 million grant for preliminary, design and approval planning for the first construction phase of the new U5 line from Bramfeld to City Nord. In 2016, the general planner was commissioned and the preliminary planning stage began. Public participation events were also held for this project. All work is proceeding as planned. According to the current schedule, the planning approval process is expected to begin in autumn 2018, with the potential for construction work to begin from 2021 onwards.

Feasibility studies for additional sections of the U5 U-Bahn line, which proposes extending the line from City Nord via the city centre to Siemersplatz, began in spring 2016. In light of this, in-depth consideration must first be given to different options with regard to routing, station locations and construction processes in the sections in which no clear preferred option could be identified during the concept study. These feasibility studies are being financed by the Free and Hanseatic City of Hamburg with €2 million from regionalisation funds that were raised by way of publication in the Senate and Bürgerschaft (Hamburg legislative assembly) journal. The studies are expected to be concluded by autumn 2017, after which time further planning steps will be taken.

Options have been intensively analysed for other routes connecting Lurup and Osdorfer Born. In December 2016, the decision was made to investigate one U-Bahn option and one rapid transit option in an in-depth feasibility study. HOCHBAHN therefore submitted a grant application to the Free and Hanseatic City of Hamburg. The study is expected to start in the first quarter of 2017 and conclude in 2019.

Bus optimisation

The Senate of the Free and Hanseatic City of Hamburg is aiming to develop one of Europe's most modern bus transport systems in the city by the end of the decade. Together with project sponsor Hamburg Department for Economic Affairs, Transport and Innovation (Behörde für Wirtschaft, Verkehr und Innovation – BWVI) and the Hamburg State Agency for Roads, Bridges and Waterways (Landesbetrieb Straßen, Brücken und Gewässer – LSBG), HOCHBAHN is heavily involved in this project as a user of the infrastructure. The bus optimisation programme includes all activities along the routes and at the stops being implemented in the short and medium term. The objective is to achieve enhanced service capability (capacity) on MetroBus lines already operating at the limits of their capacity, while at the same time increasing the speed and reliability of bus services. Further steps towards establishing a system of modern bus services will include offering improved services, ensuring widespread barrier-free mobility and using new propulsion technologies in the vehicles.

With passenger demand increasing sharply on MetroBus line 5 since work was completed there in 2014, services on this line were increased from two to three buses every ten minutes in August 2016. Together with MetroBus line 4, buses now travel on the section with the highest demand between Eimsbüttel district office and Rathausmarkt every two minutes during peak periods. This high frequency of services was only made possible by the optimisation measures carried out and has now become well established.

Due to the large number of traffic light systems with bus priority circuits now in operation, fine tuning of the bus priority system on MetroBus line 7 – where construction was completed in late 2015 – was delayed until spring 2017. Once these systems have been fine tuned, the intention is to save another minute of travel time on this line, as journey times have already been reduced by three minutes in each direction with the timetable change in December 2015.

During the 2016 reporting year, further important measures were completed on MetroBus lines 6, 20 and 25, including the first construction phase of the Papenhuder Straße programme, the AK St. Georg and U Kellinghusenstraße stops and the Schulweg/Osterstraße and Tarpenbekstraße/Martinistraße hubs.

The company is continuing to focus on MetroBus lines 6, 20 and 25 in 2017. Construction work on MetroBus line 6 is expected to be completed this year, with the exception of the U Borgweg terminus. In the case of Borgweg, the current public participation process is scheduled to conclude during the first half of the year so that plans for its refurbishment can then be finalised and implemented. The target date for final completion of MetroBus line 6 is 2018. Several larger construction programmes are expected to begin on MetroBus lines 20 and 25 in 2017, including at Alsenplatz, in Überseering and on Hebebrandstraße. The work here primarily consists of bus stop upgrades and priority measures for traffic light systems where the entire streetscape (including pavements and cycle paths) are often redeveloped at the same time. There are also plans to begin the public participation process to refurbish Eppendorfer Marktplatz. These lines are expected to be completed in 2018/2019.

In addition, the planning process for Expansion Target B of the bus optimisation programme is scheduled to begin in 2017. As part of this expansion target, universal priority measures at traffic lights are expected to be implemented and bus stop infrastructure upgraded on MetroBus lines 4, 14, 23 and 26.

Direct awarding of contracts for bus services

On 19 August 2014, the Senate Commission for Public Organisations published a document inviting HOCHBAHN and Verkehrsbetriebe Hamburg-Holstein GmbH (VHH) to create the preconditions required to directly award contracts for bus services. Under this proposal, transport companies are encouraged to develop initiatives such as inter-company optimisation of the route network and bus cycles and benchmarking instruments involving other suitable transport operators. HOCHBAHN conducted extensive studies regarding

inter-company network optimisation together with VHH and with the support of Signon (formerly Hamburg-Consult). The results have been phased in gradually since the 2016/2017 timetable change, with the final stage scheduled to be implemented with the 2018/2019 timetable change.

Two transport companies from Berlin (BVG) and Hanover (üstra) have been identified as suitable benchmarking partners. Under the direction of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, HOCHBAHN developed benchmark instruments with the two transport companies and contrasted comparison data for selected functional areas from the years 2012 and 2014.

After the BWVI announced plans for the planned direct awarding of contracts for transport services for the VHH in the EU Official Journal in late 2015, the contract was directly awarded to the VHH by a Senate decision at the end of 2016.

Advance information has not yet been published for HOCHBAHN as not all the statutory conditions have yet been fulfilled. According to the existing legal framework, contracts may only be directly awarded when the company is not committed outside of its home market either directly or through its shareholdings. This means that HOCHBAHN must find a solution for BeNEX GmbH (BeNEX) within the scope of the EU directive before the contract can be directly awarded. HOCHBAHN has been entrusted by the Free and Hanseatic City of Hamburg to provide bus services until the end of 2019.

switchh project

The switchh project was launched for a two-year pilot phase on 31 May 2013. switchh enables HOCHBAHN to link public transport with supplementary mobility services such as car sharing on an online mobility platform and at so-called switchh points. The aim of switchh is to persuade people that they do not need their own car by intelligently networking all publicly available mobility options, to ultimately help improve not only traffic conditions, but also living quality and environmental conditions in Hamburg.

The two-year pilot phase was replaced by a so-called transition phase after a participation procedure aimed at recruiting new cooperation partners was completed in summer 2015. As well as car2go and StadtRAD Hamburg, DriveNow and cambio are also car-sharing partners of switchh. The new range of switchh services was introduced to the market on 1 October 2016. One key feature of this offering is that it is open to all HVV users, thus ensuring that the service is not limited only to HVV subscribers. Furthermore, new customers receive unique introductory offers with all cooperation partners and 20 free minutes per month with car2go and DriveNow. This expansion of the partner network gives customers access to a more diverse selection of vehicles, leading them to be even less reliant on their own cars.

Hamburg is on track to become a model city for environmentally-friendly and intelligent transport concepts. In this context, the switchh project enables HOCHBAHN to make its management and (digital) infrastructure available for a cross-provider mobility service in Hamburg that best leverages the potential of an integrated, publicly available mobility service across various means of transport in the interests of the entire city. This approach applies to transport, urban development and environmental policy. In 2017/2018, the existing switchh platform is being further developed into a highly-integrated solution that replaces the existing services of each individual provider with a comprehensive service offering city residents a viable alternative to a private car.

During the 2016 financial year, the number of switchh points was increased from nine to 12 locations, as the existing sites were joined by three additional switchh points at the U Hamburger Straße, U/S Hauptbahnhof and S Dammtor stations. Three further switchh points – including one at U/S Barmbek station – are scheduled to be completed during the 2017 financial year.

Bus system electrification

Hamburg has set itself the objective of procuring only emission-free buses from 2020 onwards. As a result, the transport companies are being called to take all precautions necessary to ensure that they can safely achieve this aim. HOCHBAHN is already taking the opportunity to work intensively on this issue.

Together with Stromnetz Hamburg GmbH and Helmut Schmidt University, HOCHBAHN and the VHH conducted a study investigating the demand placed on the electricity grid by electromobility, particularly electric buses. The study asked whether the existing electricity grid can provide enough energy for the growing number of electric buses in the medium term, and what implementation periods and other general conditions need to be taken into account in this respect.

Another project focused on identifying and evaluating the application potential and design of operating scenarios for electric buses with a decentralised charging infrastructure in Hamburg. This study showed that a large proportion of the bus lines investigated can be supplied with sufficient electricity without needing to adjust the timetables. On the other hand, these charging points need to be installed in public streets, which requires both space and the provision of electricity. As a result, operational adjustments that would lead to additional cost and lower productivity could largely be avoided.

HOCHBAHN is also working closely with different manufacturers of innovative buses to evaluate which bus systems are best suited to which service. Other objectives include communicating the operators' essential requirements to the manufacturers and tracking the progress of development within the industry.

In parallel with these efforts, a letter of intent has been signed between Hamburg and Berlin and their transport operators HOCHBAHN and BVG for a joint procurement initiative.

Based on insights obtained so far from the aforementioned programmes, technically viable concepts will be investigated and assessed in greater depth in the coming months.

Expected future development of earnings at HOCHBAHN

HOCHBAHN reported a net loss for the 2016 financial year of €50.9 million and a corresponding cost coverage ratio of 91.6%.

A net loss of €65.0 million was projected for 2016. The reduced loss was primarily due to significantly higher-than-expected HVV pool income for 2016 and the final allocation of income for 2015. This enabled the company to offset additional expenses caused by the formation of provisions and the conversion to BilRUG.

A net loss of €52.0 million is projected for 2017. The financial year is expected to be primarily characterised by positive prospects on the income side due to the expected growth in passenger numbers and a 1.4% fare increase. On the other hand, additional costs will be incurred in 2017 due to the expansion of services, including higher expenses for additional drivers.

3.2 Report on risks and opportunities

Risk and opportunity management

The identification, assessment, management and communication of risks and opportunities that may arise from the company's business activities is regulated by HOCHBAHN's risk and opportunity management (ROM) system.

To enable focused risk and opportunity management, the key principles are defined by Group management and implemented throughout the Group. These principles are set out in the ROM Manual and regularly reviewed to determine whether they are still relevant and appropriate to the current situation. The Management and Supervisory Boards are regularly informed about the results of ROM inventories.

The ROM Manual defines risks and opportunities as follows:

"Potential future trends or events that might result in a departure from forecasts or goals that is negative (risk) or positive (opportunity) for the entity."

Risks thus include the occurrence of an economic loss or disadvantage as well as negative deviation from the approved budget. Conversely, opportunities can lead to an economic gain or advantage and thus to a positive deviation from the approved budget.

The same instruments and processes are largely used for the treatment of risks and opportunities as part of the ROM inventory process. The risks recorded in the overall report are categorised and classified according to their probability of occurrence. However, differentiated rules and regulations apply depending on whether the occurrence of an event is expected in the short or the medium term.

Risks

The main risks for HOCHBAHN are listed below. The overall risk position of the company is also explained and assessed:

Restrictions on public grants and subsidies

Regionalisation Act (Regionalisierungsgesetz) and the GVFG federal programme. The amendment to regionalisation funds with a volume of €8 billion from 2016 onwards with an annual upward adjustment of 1.8% runs until 2030. GVFG funds totalling €332.56 million p.a. will also be continued for another 15 years until 2030.

The federal and state governments agreed to pay funds awarded in accordance with the German Disentanglement Act (Entflechtungsgesetz) to the states at a flat rate via value added tax until 2020. The states are now encouraged to introduce appropriate legislation to ensure that these funds are used for local transport projects.

Subsidies from the state funds of the Free and Hanseatic City of Hamburg were recently subject to significant fluctuations. In the future, the amount of these subsidies will primarily be determined by further upgrading U-Bahn stations to allow barrier-free access and the expansion of the U-Bahn network. There will be no significant subsidies for maintaining the operational capabilities of the existing network.

Declining subsidies due to budgetary restrictions will also mean that essential measures to maintain the operational capabilities of the U-Bahn infrastructure will be financed entirely by HOCHBAHN. Higher debt and the resulting increase in debt servicing will have a negative impact on results in the medium term.

Cost structure adjustments – bus services

The comparatively high and steadily increasing proportion of HOCHBAHN vehicles with alternative propulsion systems and the target specified by the Senate of the Free and Hanseatic City of Hamburg to acquire only emission-free buses from 2020 onwards leads to higher expenses for maintenance and repair compared to vehicles with conventional propulsion systems. In light of this, the company cannot guarantee that it will be able to maintain a competitive level of costs by making cost structure adjustments and savings where necessary in the short term.

Insufficient increase in HVV fare

In the past, the fare structure adjustments made by transport authorities represented a risk, as there was a danger that the new fares would not offset the actual cost increases incurred by HOCHBAHN. Due to an agreement between the transport company association and transport authorities, fare updates are now based on the actual development of costs. An insufficient increase in the HVV fare would lead to a rise in the deficit for HOCHBAHN.

Recoverability of the investment in BeNEX

HOCHBAHN has incorporated its regional passenger rail transport activities outside Hamburg into its investee BeNEX. This investment is regularly tested for impairment during preparation of the annual financial statements. Insufficient or cancelled dividends can trigger the need to recognise valuation allowances. There is nothing in current planning to indicate a reduction in or loss of investment income.

The different opinions of shareholders regarding the financing responsibility of BeNEX subsidiary agilis E have led to a judicial review of the circumstances. In the first instance, the court ruled against HOCHBAHN in 2016. HOCHBAHN has lodged an appeal against this ruling. In light of this new situation, further adjustments to the current value of BeNEX cannot be ruled out.

Calls for tender for bus services

HOCHBAHN provides bus services based on the fact that it has been entrusted with this task up to and including 2019. There is a risk that bus services will be put out to tender by the transport authority upon the expiry of this assignment. To avoid this risk, HOCHBAHN is aiming to be directly awarded the contract by the Free and Hanseatic City of Hamburg. To create the preconditions required to directly award this contract, investigations have been carried out in various working groups with the aim of unlocking further potential for optimisation and finding a solution for the company's investment in BeNEX within the scope of the EU directive.

Personnel risks

Demographic change and a shrinking labour market require a shift in thinking within human resources management and increasing efforts to recruit qualified professionals. These efforts include targeted discussions and measures aimed at further increasing HOCHBAHN's appeal as an employer and enabling staff to better reconcile their work with family and recreation. The company is also working more closely with schools and universities as well as developing and implementing targeted human resources development programmes.

Increased absence rates are causing personnel costs to rise. The increasing average age of HOCHBAHN employees, a rise in the statutory retirement age and the abolishment of early retirement programmes may lead to a further increase in absence rates. This development is being partially offset by a company-wide programme of active health management.

Equity base

Significant investments in U-Bahn infrastructure and new services on the one hand and declining subsidies on the other are increasing HOCHBAHN's debt and reducing its equity ratio in the medium term. As a result of these developments, the company expects its debt servicing to increase. The effects of this development are manageable in the short term.

Summary of risk position

During the period under review, two risk and opportunity management (ROM) inventories were conducted within the HOCHBAHN Group. HOCHBAHN identified 84 risks by the end of 2016. Of these, 26 were associated with counterparty risk, 11 with market risk, 17 were attributable to general conditions, 24 were connected with technology and organisation and six related to the Group. Group risks are those that may arise from HOCHBAHN's relationship with its equity investments.

HOCHBAHN's medium-term overall risk position is mainly determined by uncertainties surrounding the development of federal and state governments' subsidy programmes as well as various technical and organisational risks. The company's overall risk position has increased slightly year-on-year due to the addition of new strategic risks.

The risks identified do not threaten the existence of the company either individually or as a whole. From today's perspective, there are also no discernible going-concern risks in the medium term, either.

The risks represent a snapshot of the current position and are an excerpt from the inventory conducted on 31 December 2016.

Opportunities

The main opportunities for HOCHBAHN are listed below:

Strategic opportunities

Collecting, processing, analysing and disseminating information digitally represents a key future challenge for many companies. Digitalisation primarily offers HOCHBAHN the opportunity to win new customers and retain existing ones with attractive services. Digital solutions in the areas of passenger information, smart data use and the development of innovative services can help the company to identify customer wishes and requirements more precisely and offer tailored services. Access to HOCHBAHN transport services will also be facilitated in future by the use of electronic media to unlock additional user potential.

In the longer term, fully automated cars will revolutionise both individual motorised travel and public transport. Autonomous driving is likely to intensify the shift in mobility culture and lead to the spread of sharing models. Against this backdrop, HOCHBAHN has the opportunity to penetrate new lines of business and thus further develop its strategic mission to become the "driver of sustainable mobility in the Hamburg SmartCity".

The threat of legal action concerning non-compliance with air pollution targets also places greater pressure on the City of Hamburg to reduce emission from the transport sector that is harmful to the environment and climate. HOCHBAHN's transport services are already making a significant contribution to environmental and climate protection in Hamburg. When passengers switch from their own cars to buses, trains and car sharing programmes, this not only benefits the environment and climate but also improves the quality of life of Hamburg residents by freeing up space.

Furthermore, HOCHBAHN is also working proactively to implement the Free and Hanseatic City of Hamburg's political commitment to acquire only emission-free buses from 2020 onwards. The German local public transport sector is breaking new ground thanks to the joint procurement initiative launched by HOCHBAHN and the VHH with transport companies in Berlin, Munich, Stuttgart, Cologne, Düsseldorf and Darmstadt. Amid increasing awareness of the problem of sustainability within the transport sector, HOCHBAHN has an opportunity to reinforce its position as a "problem-solver" and thus equip itself well for the distribution of ever scarcer public resources.

Market opportunities

The generally positive market development in Hamburg caused by the steadily increasing population creates the ideal environment for expanding HOCHBAHN's transport services.

The Senate's aim to promote new residential construction in Hamburg is also driven by expected future population growth and offers HOCHBAHN an opportunity to attract new passengers by connecting these new residential and commercial quarters to the local public transport network. By extending the U4 U-Bahn line to the bridges across the Elbe and implementing various plans to upgrade the underground network currently under review, already highly populated districts with high demand potential will benefit from shorter travel times to the city centre.

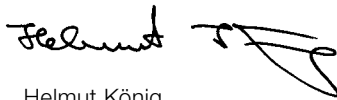
The growing metropolis is also placing increasing strain on the city's limited road network. The resulting impact of traffic jams and parking space shortages has a negative impact on the appeal of individual motorised travel. HOCHBAHN's attractive offering gives it the opportunity to benefit from increased demand for local public transport services.

Hamburg, 30 March 2017

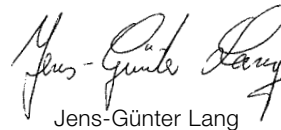
Hamburger Hochbahn Aktiengesellschaft
The Management Board



Henrik Falk



Helmut König



Jens-Günter Lang

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Income statement

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
for the period from 1 January to 31 December 2016

(€)	Note	2016	2015
1. Sales	(7)	508,570,686.31	435,378,597.85
2. Other own work capitalised		16,947,560.58	16,769,380.42
3. Other operating income	(8)	15,391,612.52	54,075,330.54
4. Gross revenue		540,909,859.41	506,223,308.81
5. Cost of materials			
a) Cost of consumables and supplies, and of purchased merchandise		-51,115,301.93	-52,997,792.14
b) Cost of purchased services		-163,323,543.76	-160,966,353.54
		-214,438,845.69	-213,964,145.68
6. Personnel expenses	(9)		
a) Wages and salaries		-196,112,838.51	-185,008,279.25
b) Social security, post-employment and other employee benefit costs		-43,525,277.90	-37,349,334.72
		-239,638,116.41	-222,357,613.97
7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	(10)	-67,227,582.56	-65,071,072.58
8. Other operating expenses	(11)	-58,778,998.90	-37,806,017.55
9. Investment income	(12)	12,158,974.05	-341,418.24
10. Net interest income	(13)	-23,498,017.01	-26,501,611.20
11. Earnings after taxes		-50,512,727.11	-59,818,570.41
12. Other taxes		-388,670.71	-398,803.73
13. Income from loss absorption		50,901,397.82	60,217,374.14
14. Net income/loss for the financial year		0.00	0.00

Balance sheet

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
as at 31 December 2016

ASSETS (€)	Note	31.12.2016	31.12.2015
A. Fixed assets	(1)		
I. Intangible fixed assets			
1. Purchased concessions, industrial and similar rights and assets		870,078.00	1,161,886.00
2. Prepayments		464,253.24	0.00
		1,334,331.24	1,161,886.00
II. Tangible fixed assets			
1. Land, land rights and buildings, including buildings on third-party land		108,887,400.35	107,655,078.35
2. Technical equipment and machinery		549,009,671.23	484,683,988.23
3. Other equipment, operating and office equipment		12,702,658.98	14,764,784.98
4. Prepayments and assets under construction		127,212,352.60	82,037,583.82
		797,812,083.16	689,141,435.38
III. Long-term financial assets			
1. Shares in affiliated companies		129,094,473.00	122,686,473.00
2. Loans to affiliated companies		1,237,525.49	1,408,430.37
3. Long-term equity investments		401,990.25	825,990.25
4. Long-term securities		8,691,147.54	9,170,232.16
5. Other loans		7,803,000.00	7,803,000.00
		147,228,136.28	141,894,125.78
		946,374,550.68	832,197,447.16
B. Current assets			
I. Inventories			
1. Consumables and supplies		19,850,538.68	17,570,874.51
2. Merchandise		5,914.36	0.00
		19,856,453.04	17,570,874.51
II. Receivables and other assets	(2)		
1. Trade receivables		11,408,694.00	8,298,446.49
2. Receivables from affiliated companies		9,669,176.22	10,381,117.78
3. Receivables from other long-term investees and investors		1,830,558.78	1,818,930.17
4. Receivables from the Free and Hanseatic City of Hamburg		39,734,034.53	35,924,186.07
5. Other assets		3,933,179.82	2,327,512.24
		66,575,643.35	58,750,192.75
III. Cash in hand, bank balances		4,979,187.62	6,230,469.47
		91,411,284.01	82,551,536.73
C. Prepaid expenses		545,558.12	690,901.44
		1,038,331,392.81	915,439,885.33

EQUITY AND LIABILITIES (€)	Note	31.12.2016	31.12.2015
A. Equity	(3+4)		
I. Subscribed capital		88,938,200.00	88,938,200.00
II. Capital reserves		48,050,144.94	48,050,144.94
III. Revenue reserves			
1. Statutory reserve		4,124,005.57	4,124,005.57
2. Other revenue reserves		1,321,876.04	1,321,876.04
		5,445,881.61	5,445,881.61
		142,434,226.55	142,434,226.55
B. Provisions	(5)		
1. Provisions for pensions and similar obligations		65,772,333.00	54,259,740.00
2. Other provisions		161,403,980.92	154,609,975.21
		227,176,313.92	208,869,715.21
C. Liabilities	(6)		
1. Liabilities to banks		548,110,731.52	457,499,518.58
2. Trade payables		39,264,511.96	31,741,447.48
3. Liabilities to affiliated companies		45,267,653.19	37,824,342.24
4. Liabilities to other long-term investees and investors		1,211,853.89	1,445,140.46
5. Other liabilities		34,139,144.80	34,697,898.51
		667,993,895.36	563,208,347.27
D. Deferred income		726,956.98	927,596.30
		1,038,331,392.81	915,439,885.33

Statement of changes in fixed assets

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT for 2016

(€ thsd.)	Cost			
	Balance on 01.01.2016	Additions	Disposals	Reclassi- fications
I. Intangible fixed assets				
1. Purchased concessions, industrial and similar rights and assets	34,146	330	467	39
2. Prepayments	0	464	0	0
Intangible fixed assets	34,146	794	467	39
II. Tangible fixed assets				
1.a) Land, land rights, including office, operating and other buildings	81,245	1,187	9	7
1.b) Buildings on third-party land				
ba) Rail infrastructure, installations and buildings	175,485	4,215	6	1,189
bb) Other buildings	81,554	1,014	0	252
	338,284	6,416	15	1,448
2. Technical equipment and machinery				
a) Tracks, trackside equipment and safety installations	400,755	12,985	2,630	2,930
b) Rolling stock for passenger and goods transport	732,935	71,461	13,805	24,318
c) Machines and machinery not classified under a) or b)	77,795	3,198	449	2,966
	1,211,485	87,644	16,884	30,214
3. Other equipment, operating and office equipment (incl. low-value assets)	97,399	3,228	2,718	917
4. Prepayments and assets under construction	82,038	79,523	1,731	-32,618
Tangible assets	1,729,206	176,811	21,348	-39
III. Long-term financial assets				
1. Shares in affiliated companies	138,686	6,408	0	0
2. Loans to affiliated companies	1,408	41	211	0
3. Long-term equity investments	2,991	468	0	0
4. Long-term securities	9,170	0	479	0
5. Other loans	7,803	0	0	0
Long-term financial assets	160,058	6,917	690	0
	1,923,410	184,522	22,505	0

	Depreciation, amortisation and write-downs					Carrying amounts		
	Balance on 31.12.2016	Balance on 01.01.2016	Additions	Disposals	Reclassi- fications	Balance on 31.12.2016	Balance on 31.12.2016	Previous year
	34,048	32,984	661	467	0	33,178	870	1,162
	464	0	0	0	0	0	464	0
	34,512	32,984	661	467	0	33,178	1,334	1,162
	82,430	27,922	1,971	9	0	29,884	52,546	53,323
	180,883	145,485	2,435	6	0	147,914	32,969	29,999
	82,820	57,222	2,226	0	0	59,448	23,372	24,333
	346,133	230,629	6,632	15	0	237,246	108,887	107,655
	414,040	281,278	12,206	2,625	0	290,859	123,181	119,477
	814,909	393,513	36,496	12,803	0	417,206	397,703	339,422
	83,510	52,010	3,822	448	0	55,384	28,126	25,784
	1,312,459	726,801	52,524	15,876	0	763,449	549,010	484,683
	98,826	82,634	6,191	2,702	0	86,123	12,703	14,765
	127,212	0	1,220	1,220	0	0	127,212	82,038
	1,884,630	1,040,064	66,567	19,813	0	1,086,818	797,812	689,141
	145,094	16,000	0	0	0	16,000	129,094	122,686
	1,238	0	0	0	0	0	1,238	1,408
	3,459	2,165	892	0	0	3,057	402	826
	8,691	0	0	0	0	0	8,691	9,171
	7,803	0	0	0	0	0	7,803	7,803
	166,285	18,165	892	0	0	19,057	147,228	141,894
	2,085,427	1,091,213	68,120	20,280	0	1,139,053	946,374	832,197

Notes to the annual financial statements

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT for financial year 2016

Hamburg Local Court, No. HRB 3072

General disclosures

The 2016 annual financial statements of Hamburger Hochbahn Aktiengesellschaft (HOCHBAHN) were prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB). The provisions of the German Stock Corporation Act (Aktiengesetz – AktG) were also observed.

The requirements of the German Commercial Code that were amended through the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG) were applied in the financial year for the first time. The amendments mainly concern the application of the changed classification format for the income statement as well as reclassifications from other operating income to sales. In connection with the elimination of extraordinary expenses and the resulting reclassification to other operating expenses, the prior-year figures have been adjusted accordingly. Sales for the previous year have not been adjusted. Otherwise, the presentation and classification of the annual financial statements correspond to the principles applied in the previous year.

The company's financial year is the calendar year.

To improve the clarity of presentation, items are combined in the balance sheet and income statement but disclosed separately in the notes. We provided explanatory notes to the balance sheet and income statement, also for the sake of clarity. In accordance with Section 265 (5) HGB, we further subclassified the items in HOCHBAHN's statement of changes in fixed assets. For the classification, HOCHBAHN observes the Regulation governing the Classification of the Annual Financial Statements of Transport Companies (Verordnung über die Gliederung des Jahresabschlusses von Verkehrsunternehmen). We prepared the income statement using the total cost (nature of expense) format.

Hamburger Hochbahn Aktiengesellschaft is not required to prepare consolidated financial statements and a group management report in accordance with Section 291 HGB. The exempting consolidated financial statements and group management report are prepared and published by our parent company, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Accounting policies

Assets and liabilities have been measured using the same methods as in the previous year, with the exception of the changes in the measurement of provisions for pensions.

Intangible and tangible fixed assets are measured at cost and reduced by government grants as well as depreciation, amortisation and write-downs.

In addition to directly attributable costs, proportionate overheads are included in the production cost of internally generated assets. Cost items included in the overheads that cannot be capitalised have been eliminated through the recognition of a percentage discount.

Depreciation and amortisation are calculated over the expected useful life of the asset based on our own experience and standard rates for public transport operators. With the exception of U-Bahn rolling stock and buses, calculations for assets purchased or produced after 30 June 1997 have generally been based on the depreciation table for “passenger and goods transport (by road and rail)” issued by the Federal Finance Ministry from 1 July 1997 in conjunction with the depreciation table for “general-purpose capital goods” valid from 1 January 2001, taking the economic useful lives of the assets in question into account. The plug-in and battery-powered buses being operated in a test phase are depreciated over a shorter useful life of five years because these vehicles are prototypes.

Straight-line depreciation or amortisation is applied to all assets purchased after 1 January 2008. Assets purchased before 1 January 2008 are depreciated using the declining balance method, with the exception of intangible assets, buildings, TV surveillance equipment, DT4 U-Bahn units and buses.

The viaducts pertaining to the buildings, station buildings and rail infrastructure are on publicly owned land belonging to the Free and Hanseatic City of Hamburg.

Movable items of finite-lived fixed assets with an acquisition cost of up to €150 that can be used independently are deducted in full as operating expenses.

Movable items of finite-lived fixed assets costing between €150 and €1,000 that can be used independently have been pooled and depreciated or amortised over a period of five years using the straight-line method, reducing profit.

Shares in affiliated companies, long-term equity investments, long-term securities and other loans have been recognised at cost. Where there were identifiable impairments, the assets were measured at fair value.

Non-interest-bearing and low-interest loans were discounted in line with their terms.

Consumables and supplies are measured at the weighted average cost. Internally generated inventories were measured at production cost including overhead surcharges on wages and materials. Appropriate write-downs were charged for identifiable impairments.

Receivables and other assets are carried at their principal amount. Risks are taken into account through appropriate valuation allowances. Liquid funds are shown at their nominal amount.

Payments made before the balance sheet date are carried as prepaid expenses where these represent expenditure for a specific period after the balance sheet date.

Based on actuarial opinions, pension obligations are recognised using the projected unit credit method (PUC) applying Professor Klaus Heubeck's 2005 G mortality tables. The company did not make use of the simplification option provided in Section 253 (2) Sentence 2 and (3) HGB but rather used the discount rate in line with the average duration of the liabilities, which corresponds to an average remaining maturity of twelve years. The interest rate as at 31 December 2016 was 3.83% p.a. (previous year: 3.59% p.a.). The future salary trend (including career advancement) was calculated at 2.75% p.a. (previous year: 2.75% p.a.). The anticipated pension trend of 2.50% p.a. (previous year: 2.50% p.a.) was taken into account.

Other provisions include all identifiable risks and uncertain obligations and are recognised at the settlement amount dictated by prudent business judgement. Some of the provisions have been determined on the basis of actuarial opinions. For provisions with a remaining term of more than one year, a salary trend (including career advancement) of 2.75% p.a. (previous year: 2.75%) was taken into account when calculating the settlement amount. For the other price and cost increases, increases of 1.50% p.a. (previous year: 1.50% p.a.) were taken into account. Furthermore, these provisions were discounted in accordance with Section 253 (2) Sentence 1 HGB at the average market interest rates corresponding to their remaining maturity set by the Deutsche Bundesbank at between 1.59% p.a. (previous year: 2.16% p.a.) and 3.24% p.a. (previous year: 3.89% p.a.). Other provisions also include provisions in accordance with Section 249 (2) HGB (old version). The company made use of the option provided in Article 67 (3) Sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) to maintain these provisions.

Liabilities are carried at their settlement amount.

Payments received before the balance sheet date are carried as deferred income where these represent income relating to a specific period after the balance sheet date.

Notes to the balance sheet

(1) Fixed assets

The breakdown of fixed assets is shown in the statement of changes in fixed assets (annex to the notes).

(2) Receivables and other assets

(€ thsd.)	2016	2015
1. Trade receivables	11,409	8,298
2. Receivables from affiliated companies	9,669	10,381
of which trade receivables / liabilities	(-45)	(-988)
of which other receivables	(9,714)	(11,369)
3. Receivables from other long-term investees and investors	1,831	1,819
of which trade receivables	(1,831)	(1,819)
4. Receivables from the Free and Hanseatic City of Hamburg	39,734	35,924
of which trade receivables	(29,327)	(30,702)
of which from other assets	(10,407)	(5,222)
5. Other assets	3,933	2,328
Total	66,576	58,750

All receivables are fully due within one year.

(3) Subscribed capital

HOCHBAHN's subscribed capital amounted to €88,938,200.00 on 31 December 2016 and is broken down as follows:

Type of shares	No. of shares (units)	No. of votes	Notional par value (€ thsd.)
Bearer shares			
Class A no-par value shares	720,172	720,172	37,449
Registered shares			
Class B no-par value registered shares	219,616	219,616	11,420
Class C no-par value registered shares	768,898	768,898	39,982
		988,514	51,402
Class B no-par value preferred shares	1,664	1,664	87
		990,178	51,489
	1,710,350	1,710,350	88,938

All of HOCHBAHN's shares are held by HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

The Free and Hanseatic City of Hamburg holds 100% of the shares in HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

The discounting of the provisions for pensions at the average market interest rate for the past ten years (in previous years: seven years) gives rise to a difference of €4,498 thousand at the balance sheet date. This is subject to a dividend payout restriction in accordance with Section 253 (6) Sentence 2 HGB.

(4) Statement of changes in equity

(€ thsd.)	Subscribed capital	Capital reserves	Revenue reserves	Equity
Balance at 1.1.2016 / Balance at 31.12.2016	88,938	48,050	5,446	142,434

The statutory reserve is €4,124 thousand, the other reserves are €1,322 thousand.

(5) Provisions

(€ thsd.)	2016	2015
Provisions for pensions and similar obligations	65,772	54,260
Other provisions	161,404	154,610
	227,176	208,870

In previous years, pension obligations that were not reported in the balance sheet arose from the changeover to the German Accounting Law Modernisation Act (BilMoG) in 2010. Applying the transitional option provided in Art. 67 (1) Sentence 1 EGHGB, the original difference should be spread over a term of 15 years. At the balance sheet date of 31 December 2016, the remaining difference of €7,458 thousand was allocated to provisions for pensions.

Provisions for pensions and similar obligations of HOCHBAHN include obligations for the provision of free pensioners' tickets and reduced-price tickets for the spouses of beneficiaries entitled to them that arose after 1 January 1987. Applying the transitional option provided in Art. 67 (1) Sentence 1 EGHGB, the original difference should be spread over a term of 15 years. At the balance sheet date of 31 December 2016, the remaining difference of €625 thousand was allocated to the provisions for free travel. There is a deficit of €25,581 thousand for current pensions and similar obligations and of €9,091 thousand for future pensions to beneficiaries and eligible beneficiaries who acquired these entitlements prior to 1 January 1987.

Apart from provisions to ensure competitiveness in the amount of €89 million and provisions of €16 million to meet the future financing needs of agilis Eisenbahngesellschaft mbH & Co. KG, other provisions include obligations for remuneration back-payments to employees, future anniversary bonuses, outstanding holiday entitlements, partial retirement obligations, surpluses on long-term working hours accounts, contributions to the employers' liability insurance association, obligations for third-party insurance with Haftpflichtgemeinschaft Deutscher Nahverkehrs- und Versorgungsunternehmen (HDN), deferred maintenance payments in accordance with Section 249 (1) No. 1 HGB, provisions recognised to comply with official regulations, litigation risks and for outstanding invoices, as well as provisions in accordance with Section 249 (2) HGB (old version) which have been retained pursuant to Article 67 (3) EGHGB.

(6) Liabilities

(€ thsd.)	Total	of which with a remaining maturity of		
		up to 1 year	1 to 5 years	more than 5 years
1. Liabilities to banks	548,111 ¹	47,244	223,790	277,077
<i>Previous year</i>	<i>457,500¹</i>	<i>41,003</i>	<i>192,874</i>	<i>223,623</i>
2. Trade payables	39,264	39,264	0	0
<i>Previous year</i>	<i>31,741</i>	<i>31,741</i>	<i>0</i>	<i>0</i>
3. Liabilities to affiliated companies	45,268	45,268	0	0
<i>Previous year</i>	<i>37,824</i>	<i>37,824</i>	<i>0</i>	<i>0</i>
of which trade receivables	(56,222)	(56,222)	–	–
<i>Previous year</i>	<i>(164)</i>	<i>(164)</i>	<i>–</i>	<i>–</i>
of which other liabilities	(-10,954)	(-10,954)	–	–
<i>Previous year</i>	<i>(37,660)</i>	<i>(37,660)</i>	<i>–</i>	<i>–</i>
4. Liabilities to other long-term investees and investors	1,212	1,212	0	0
<i>Previous year</i>	<i>1,445</i>	<i>1,445</i>	<i>0</i>	<i>0</i>
of which trade receivables	(1,212)	(1,212)	–	–
<i>Previous year</i>	<i>(1,445)</i>	<i>(1,445)</i>	<i>–</i>	<i>–</i>
5. Other liabilities	34,139	34,139	0	0
<i>Previous year</i>	<i>34,698</i>	<i>34,698</i>	<i>0</i>	<i>0</i>
of which taxes	(3,111)	(3,111)	–	–
<i>Previous year</i>	<i>(2,747)</i>	<i>(2,747)</i>	<i>–</i>	<i>–</i>
of which related to social security	(1,263)	(1,263)	–	–
<i>Previous year</i>	<i>(1,250)</i>	<i>(1,250)</i>	<i>–</i>	<i>–</i>
Total	667,994	167,127	223,790	277,077
<i>Previous year</i>	<i>563,208</i>	<i>146,711</i>	<i>192,874</i>	<i>223,623</i>

¹ The liabilities to domestic banks are collateralised by negative covenants.

Notes to the income statement

In the reporting year, the presentation and classification of the income statement were amended to comply with the changes in the regulations of the German Commercial Code resulting from the Accounting Directive Implementation Act (BilRUG). As a consequence of the changed classification requirements set out in Section 275 HGB, the items result from ordinary activities (€-58,920 thousand) and extraordinary expenses (€-898 thousand) that were reported in the previous year are no longer presented. Earnings after taxes is presented as a new item in the reporting period.

The redefinition of sales in Section 277 (1) HGB resulting from the BilRUG led to income that was previously reported under other operating income being presented under sales in the reporting period. Prior-year figures were not adjusted. Sales for the previous year that would have resulted from application of Section 277 (1) HGB (new version) amount to €475,889 thousand.

As a consequence of the deletion of the extraordinary items in the classification format for the income statement in accordance with the BilRUG, extraordinary expenses were allocated to the relevant primary types of expense in the reporting period. Extraordinary expenses for the previous year were adjusted accordingly and reclassified to other operating expenses (€898 thousand).

In the reporting period, pensions and similar obligations that are not recognised in the balance sheet (transitional option in accordance with Art. 67 (1) Sentence 1 EGHGB arising from the changeover to the BilMoG in 2010) in the amount of €3,585 thousand were added to other operating expenses instead of being reported under extraordinary expenses, as in the previous year.

(7) Sales

(€ thsd.)	2016	2015
Ticket sales ¹	430,650	394,161
Rental and leasing agreements	43,101	38,163
Other	34,820	3,055
	508,571	435,379
of which relating to prior periods ²	(9,728)	(-3,137)

¹ Sales principally comprise income generated from membership of HVV as well as compensation pursuant to Section 45a of the Passenger Transport Act (PBefG) (school transport) and Section 148 of Volume IX of the Code of Social Law (SGB IX) (transport of severely disabled persons). The definitive allocation of HVV income for 2016 is not yet available. Income generated from membership of HVV has therefore been calculated using a qualified estimate based on preliminary figures of HVV GmbH.

Income from the transport of severely disabled persons (Section 148 SGB IX) is determined in principle using provisional calculations based on the previous year's parameters.

² Sales relating to prior periods mainly comprise adjustments to the estimate of income generated from membership of HVV (€9,110 thousand; previous year: €-2,858 thousand).

(8) Other operating income

(€ thsd.)	2016	2015
Other operating income	15,392	54,075
of which relating to prior periods (mainly income from the reversal of provisions as well as compensation for damage and cost refunds for previous years)	(4,099)	(6,026)

(9) Personnel expenses

(€ thsd.)	2016	2015
Wages and salaries	196,113	185,008
Social security, post-employment and other employee benefit costs	43,525	37,350
	239,638	222,358
of which in respect of post-employment benefits	(6,309)	(2,148)
of which relating to prior periods	(237)	(-1,527)

(10) Amortisation and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets

Depreciation, amortisation and write-downs of €67,228 thousand (previous year: €65,071 thousand) were charged in the financial year. This figure includes write-downs in accordance with Section 253 (3) Sentence 3 HGB in the amount of €1,220 thousand (previous year: €167 thousand).

(11) Other operating expenses

Other operating expenses amount to €58,779 thousand (previous year: €37,806 thousand) and include prior-period expenses of €1,649 thousand. These mainly comprise expenses arising from losses on the disposal of items of fixed assets in the amount of €1,308 thousand. Other operating expenses still include extraordinary expenses of €16 million arising from the recognition of a provision to meet the future financing needs of agilis Eisenbahngesellschaft mbH & Co. KG. In addition, the full differences in pensions and entitlements to free travel (€8,083 thousand) with deduction of the interest effect of the pensions resulting from the change in the interest rate from seven to ten years (€4,498 thousand) are reported under other operating expenses in the amount of €3,585 thousand.

(12) Investment income

(€ thsd.)	2016	2015
Income from profit transfer agreements	7,553	7,225
Income from long-term equity investments	5,498	5,714
of which from affiliated companies	(5,381)	(5,590)
Write-downs of long-term financial assets	-892	-13,280
-	12,159	-341

(13) Net interest income

(€ thsd.)	2016	2015
Income from long-term loans	1,754	100
of which from affiliated companies	(1,734)	(86)
Other interest and similar income	395	565
of which from affiliated companies	(70)	(146)
of which from the unwinding of discounted receivables	(318)	(384)
Interest and similar expenses	-25,647	-27,166
of which to affiliated companies	(-121)	(-127)
from the unwinding of discounts	(-5,248)	(-6,486)
-	-23,498	-26,501

Income from long-term loans includes prior-period expenses of €828 thousand from the interest on the profit participation capital issued by BeNEX for 2015.

Other disclosures

(14) Auditor's fee

The fee for services provided by the auditors of the annual financial statements was recognised as expense in the financial year as follows:

Breakdown of auditors' fees (€ thsd.)	2016	2015
Audit services	81	89
Other assurance services	1	2
Other services	52	9
Tax advisory services	0	0
	134	100

Of the provisions recognised in previous years for audit services and other assurance services, €14 thousand were reversed in the reporting year.

(15) Off-balance-sheet transactions

Cross-border lease agreements

General, nature and purpose

There is a finance lease for U-Bahn rolling stock which was agreed to obtain present value benefits. The finance lease gives rise to a liability to foreign lessors of €31,483 thousand, for which recourse claims in the same amount exist against a domestic bank. These liabilities are secured by assignment using the U-Bahn rolling stock itself as collateral. There are also obligations under a cross-border leasing transaction for ferries. Purchase payments were made in NZD for these by HOCHBAHN to ATG/HADAG AG. These are set off against receivables from ATG/HADAG AG in the same amount in respect of rental payments in NZD on a pro rata basis, congruent with the individual instalments.

Benefits, risks and financial effects

HOCHBAHN generated present value benefits from the cross-border leasing transactions. These amounted to €695 thousand as at 31 December 2016, but were not yet reflected in income at this date. There are no significant future risks for HOCHBAHN.

Interest and currency swap transactions

Two loans denominated in NZD (€70,733 thousand) with a variable interest rate were signed. Any currency and interest rate exposures arising in connection with this were hedged with appropriate interest and currency swaps matching the respective amounts and maturities. Swaps are inseparable from the underlying transaction. The fair value of the swaps at the balance sheet date totalled €-7,318 thousand. The hedges recognised in accordance with Section 254 HGB are micro hedges. The contractual partners for the loan agreements and swap contracts are identical, which means that HOCHBAHN has no risk exposure from these transactions.

(16) Contingent liabilities

Liabilities from guarantees €4,283 thousand.

Liabilities from guarantees mainly arise in connection with contractual obligations entered into by indirect HOCHBAHN investees when the investee has commitments towards its contractual partners under transport and service agreements. It is highly unlikely that such guarantees will be called. In addition, there are further unlimited performance guarantees in favour of subsidiaries. As the parent company, HOCHBAHN monitors the compliance of the investees with their contractual obligations.

(17) Other financial obligations

Other financial obligations amount to €392,531 thousand. This figure includes €195 thousand to affiliated companies and €251 thousand to associates.

(18) Disclosures on employees

The figures show the average numbers of staff for the year.

	2016	2015
Personnel and operations	3,144	3,082
Technical workers	880	854
Corporate management and finance	450	433
Investees, inactive employment contracts, etc.	366	403
	4,840	4,772
Trainees	139	154

(19) Total remuneration of the Supervisory Board and the Management Board

The members of the Supervisory Board did not receive any remuneration in financial year 2016, only meeting attendance fees.

Total remuneration of the Management Board amounted to €1,143 thousand and is broken down as follows:

(€ thsd.)	Mr Falk	Mr Elste	Ms Riedel	Mr König	Mr Lang
Non-performance-related remuneration components	260	22	185	189	175
Fringe benefits (remuneration in kind, direct insurance)	14	0	8	16	5
Performance-related remuneration components	0	96	60	60	53
Total	274	118	253	265	233

In addition, there are provisions for pension obligations to active members of the Management Board in the amount of €1,105 thousand and provisions for pension obligations to retired members of the Management Board and their surviving dependants totalling €5,499 thousand. Remuneration of €626 thousand was paid to former members of the Management Board and their surviving dependants in financial year 2016.

(20) Governing bodies of the company

Members of the Supervisory Board

Frank Horch, Hamburg

Chairman

Senator, Department of Economic Affairs, Transport and Innovation

Max Leininger*, Hamburg

Deputy Chairman

Union secretary of the ver.di trade union

Martin Huber, Hamburg

Department Supervisor, Department of Economic Affairs, Transport and Innovation

Dr. Sibylle Roggencamp, Hamburg

Senate Director, Department of Finance

Wolfgang Michael Pollmann, Hamburg

State Secretary, Department of the Environment and Energy

Andreas Rieckhof, Hamburg

State Secretary, Department of Economic Affairs, Transport and Innovation

Dr. Rainer Klemmt-Nissen, Hamburg

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

Martina Plag, Hamburg

Managing Director, Hachenberg und Richter Unternehmensberatung GmbH

Claudia Plath, Hamburg

Managing Director Finance, ECE Projektmanagement G.m.b.H. & Co. KG

Anne-Louise Quiring*, Hamburg

Union secretary of the ver.di trade union

Klaus Ceglecki*, Hamburg

Bus driver, member of HOCHBAHN's Works Council

Karin Fritsche*, Hamburg

Head of division, TEREG Gebäudedienste GmbH

Ingomar Spieß*, Hamburg

Head of division, HOCHBAHN's data protection officer

* Employee representative

Heinrich Hanebuth*, Hamburg

Bus driver, member of HOCHBAHN's Works Council

Norbert Klang*, Hamburg

Public relations manager, member of HOCHBAHN's Works Council

Marlies Schneider-Polich*, Hamburg

U-Bahn driver, member of HOCHBAHN's Works Council

Members of the Executive Board

Henrik Falk

Chairman (from 1 February 2016)

Chief Executive Officer

Helmut König

Chief Financial Officer

Jens-Günter Lang

Chief Technology Officer

Retired members of the Management Board as at 31 January 2016

Günter Elste

Chief Executive Officer

Retired members of the Management Board as at 28 February 2017

Ulrike Riedel

Human Resources Director and Chief Operating Officer

* Employee representative

(21) Name and registered office of the parent company

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV), is HOCHBAHN's sole shareholder; the sole shareholder of HGV is the Free and Hanseatic City of Hamburg. HGV is the parent company that prepares the consolidated financial statements for the largest group of companies. In addition, the Free and Hanseatic City of Hamburg prepares consolidated financial statements.

HOCHBAHN has entered into a control and profit transfer agreement with HGV.

HGV's financial statements are published in the electronic Federal Gazette (Bundesanzeiger), while the consolidated financial statements of the Free and Hanseatic City of Hamburg (FHH) are published on FHH's website.

(22) Appropriation of net income

Due to the absorption of losses, the financial statements of Hamburger Hochbahn AG shows a break-even result.

(23) Report on post-balance sheet date events

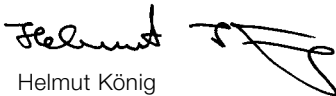
No events of particular significance occurred after the end of the financial year on 31 December 2016 that are required to be reported here.

Hamburg, 30 March 2017

Hamburger Hochbahn Aktiengesellschaft
The Management Board



Henrik Falk



Helmut König



Jens-Günter Lang

Shareholdings

of HAMBURGER HOCHBAHN AKTIENGESELLSCHAFT
as at 31 December 2016¹

Name and registered office of the entity	Equity (€ thsd.)	Equity investment Name	(%)	2016 profit/loss (€ thsd.)	Control and profit transfer agreement
FFG Fahrzeugwerkstätten Falkenried GmbH, Hamburg	4,100	HOCHBAHN	100.0	0	yes
HADAG Seetouristik und Fährdienst AG, Hamburg	4,096	HOCHBAHN	100.0	0	yes ²
ATG Alster-Touristik GmbH, Hamburg	3,472	HOCHBAHN	100.0	0	yes
HHW Hamburger Hochbahn-Wache GmbH, Hamburg	26	HOCHBAHN	100.0	0	yes
HSF Hamburger Schnellbahn-Fahrzeug- Gesellschaft mbH, Hamburg	775	HOCHBAHN	100.0	32	yes
SBG Süderelbe Bus GmbH, Hamburg	2,000	HOCHBAHN	100.0	0	yes
Friedrich Jasper Rund- und Gesellschaftsfahrten GmbH, Hamburg	4,163	HOCHBAHN	100.0	0	yes
Zentral-Omnibus-Bahnhof „ZOB“ Hamburg GmbH, Hamburg ⁴	941	HOCHBAHN	69.2	65	–
HanseCom Gesellschaft für Informations- und Kommunikationsdienstleistungen mbH, Hamburg ⁴	0	HOCHBAHN	26.0	-2,995	–
HOCHBAHN Grundstücksverwaltungs- gesellschaft mbH & Co. KG, Hamburg	39,572	HOCHBAHN	100.0	3,117	–
HOCHBAHN-Verwaltungsgesellschaft mbH, Hamburg	132	HOCHBAHN	100.0	5	–
HOCHBAHN Beteiligungsgesellschaft mbH & Co. KG, Hamburg	57,955	HOCHBAHN	100.0	-2,941	–
HSG Hanseatische Siedlungsgesellschaft mbH, Hamburg	8,545	HOCHBAHN Beteiligungs- gesellschaft	100.0	0	yes ³
TEREG Gebäudedienste GmbH, Hamburg	1,731	HOCHBAHN Beteiligungs- gesellschaft	56.0	0	yes ³

¹ Unless insignificant.

² A profit transfer agreement is in place with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH.

³ A profit transfer agreement is in place with HOCHBAHN.

⁴ Disclosure of prior-year figures

Name and registered office of the entity	Equity (€ thsd.)	Equity investment Name	(%)	2016 profit/loss (€ thsd.)	Control and profit transfer agreement
BeNEX GmbH, Hamburg ⁴	67,421	HOCHBAHN	51.0	4,393	–
agilis Eisenbahngesellschaft mbH & Co. KG, Regensburg ⁵	N/A	HOCHBAHN BeNEX	51.0 49.0	N/A	–
agilis Verkehrsgesellschaft mbH & Co. KG, Regensburg ⁵	N/A	BeNEX	100.0	N/A	–
1. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Parchim ⁵	N/A	BeNEX	100.0	N/A	–
2. BeNEX Fahrzeuggesellschaft mbH, Grünwald ⁵	N/A	BeNEX	100.0	N/A	yes ⁶
3. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX	100.0	N/A	–
4. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX	100.0	N/A	–
5. BeNEX Fahrzeuggesellschaft mbH & Co. KG, Grünwald ⁵	N/A	BeNEX	100.0	N/A	–
cantus Verkehrsgesellschaft mbH, Kassel ⁴	6,674	BeNEX	50.0	2,581	–
HNB Hamburger Nahverkehrs-Beteiligungsgesellschaft mbH, Hamburg ⁵	N/A	BeNEX	100.0	N/A	–
Stadtverkehr Lübeck GmbH, Lübeck ⁴	31,141	HNB	49.9	0	yes ⁷
NBE nordbahn Eisenbahngesellschaft mbH & Co. KG, Kaltenkirchen ⁴	402	BeNEX	50.0	0	–
ODEG Ostdeutsche Eisenbahn GmbH, Parchim ⁴	4,918	BeNEX	50.0	3,660	–
ODIG Ostdeutsche Instandhaltungsgesellschaft mbH, Eberswalde ⁴	250	ODEG	100.0	0	yes

⁴ Disclosure of prior-year figures

⁵ No details are given of the equity and net profit/loss for the year since the company is not required to publish its annual financial statements.

⁶ A profit transfer agreement is in place with BeNEX GmbH.

⁷ A profit transfer agreement is in place with Stadtwerke Lübeck Holding GmbH.

Auditors' report

We issued the following auditors' report on the annual financial statements for the financial year ended 31 December 2016 attached hereto as appendices 1 to 3 and on the management report on the 2016 financial year (appendix 4):

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system and the management report of Hamburger Hochbahn Aktiengesellschaft, Hamburg, for the financial year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements and on the whole provides a suitable understanding of the Sparkasse's position and suitably presents the opportunities and risks of future development.

Hamburg, 31 March 2017

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Hartmut Schmidt
Auditor

Jens Engel
Auditor

Report of the Supervisory Board

The Supervisory Board was regularly briefed on the position of the company and on important management issues during financial year 2016 by means of verbal and written reports from the Management Board. The Supervisory Board formed a Finance Committee, a Transport Committee, an Identification Committee as well as the Arbitration Committee required by law. During financial year 2016 the Supervisory Board held four meetings, the Finance Committee two meetings, the Transport Committee two meetings and the Identification Committee one meeting.

The annual financial statements and the management report of Hamburger Hochbahn AG for the year ended 31 December 2016 and the company's accounting records were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, the auditors elected at the last Annual General Meeting. The audit did not give rise to any objections and an unqualified auditor's report was issued.

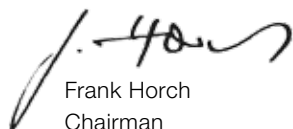
The audit reports were submitted to the members of the Supervisory Board. In addition, the financial statement auditors reported on the main findings of their audit at the financial statements meeting held by the Finance Committee.

The Supervisory Board examined the annual financial statements and the management report of Hamburger Hochbahn AG and, in agreement with the auditors, raised no objections. It approved and thus adopted the annual financial statements presented by the Management Board.

The Supervisory Board would like to extend its thanks to the members of the Management Board and all company employees for their work in 2016.

Hamburg, 19 June 2017

The Supervisory Board



Frank Horch
Chairman

Declaration of Compliance with the Hamburg Corporate Governance Code (Code)

In the period from 1 January 2016 to 31 December 2016,

Hamburger Hochbahn AG (HOCHBAHN)

complied with the regulations of the Hamburg Corporate Governance Code, which is the responsibility of the Management Board and the Supervisory Board (Items 3-7 of the Code and their sub-sections).

In the period from 1 January 2016 to 31 December 2016, the HOCHBAHN subsidiaries

ATG Alster-Touristik GmbH (ATG) Fahrzeugwerkstätten Falkenried GmbH (FFG) HADAG Seetouristik und Fährdienst AG (HADAG) BeNEX GmbH (BeNEX) TEREG Gebäudedienste GmbH (TEREG)

complied with the regulations of the Hamburg Corporate Governance Code, which is the responsibility of their respective Management and Supervisory Boards, with the following exceptions (Items 3-7 of the Code and their sub-sections). The companies departed from the Code in the following items:

- **Item 4.2.1 Sentence 1 and Sentence 3 of the Code:**

“The Management Board shall be comprised of at least two persons, who represent the company jointly. By-laws shall govern the cooperation between the members of the Management Board and the allocation of duties among individual Management Board members.”

At the HOCHBAHN subsidiaries ATG, FFG and HADAG there is only one managing director in each case. Due to the small size of these companies, the appointment of only one managing director to ATG, FFG and HADAG is deemed appropriate. In view of this situation, there are no by-laws governing the cooperation between members of the Management Board.

- **Item 4.2.2 of the Code:**

“In principle, members of the Management Board shall be chosen from the best candidates in a selection process (through advertising or with the assistance of personnel management consultants).”

On account of HOCHBAHN's shareholder status, up to now members of the Management Boards of the subsidiaries ATG, FFG and HADAG have always been delegated. In general, a selection process is expected to be conducted for future appointments.

- **Item 4.2.6 Sentence 1 and Sentence 2 of the Code:**

"Remuneration to members of the Management Board shall be disclosed on an individual basis – broken down into its non-performance-related, performance-related and long-term incentive components – in the notes to the annual financial statements or in the management report. In the case of companies which are not required to publish annual financial statements because they are part of a group, the disclosure of the remuneration shall appear in the declaration of compliance with the Code."

The total amount of remuneration to members of the Management Board for the subsidiary BeNEX is shown as requested by the shareholder INPP. In the case of the subsidiary TEREG, consent has not yet been given by the minority shareholder Vattenfall for publication of the remuneration to the members of the Management Board.

The subsidiaries FFG, ATG and HADAG are not subject to the obligation to disclose this information. As required by the Code, the remuneration of the management is published here:

(€ thsd.)	Non-performance-related remuneration components	Fringe benefits (remuneration in kind, direct insurance)	Performance-related remuneration components	Total
FFG				
Olaf Lilla	135	39	43	217
ATG				
Gabriele Müller-Remer	45	3	12	60
HADAG				
Gabriele Müller-Remer	90	5	25	120

In addition, a provision for pension obligations to Ms Müller-Remer has been recognised in the amount of around €250 thousand (proportionately).

- **Item 5.3.1 of the Code:**

"Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise. These serve to increase the efficiency of the Supervisory Board's work and its handling of complex issues. The respective committee chairmen shall report regularly to the Supervisory Board on the work of these committees or send the minutes of committee meetings to all Supervisory Board members without delay."

The Supervisory Boards of ATG, FFG, HADAG and TEREG have not formed any committees since it was not deemed necessary to do so due to the small size of the companies and the small number of Supervisory Board members in each case.

- **Item 5.3.2 of the Code:**

“The Supervisory Board of larger companies (companies which would be classified as large corporations in accordance with Section 267 (3) HGB) shall form an Audit Committee or instruct their Finance Committee to monitor the company’s financial reporting process, the effectiveness of the internal control system, internal risk management system and internal audit system, and the audit of the financial statements, here in particular the independence of the auditor and the additional services provided by the auditor. At least one member of the Audit Committee/Finance Committee shall have special knowledge and experience in the application of accounting principles and internal control processes. The chairperson of the Audit Committee/Finance Committee shall not be a former member of the Management Board of the company and not be the Supervisory Board Chairman in office.”

The Supervisory Boards of FFG and TEREG have not formed an Audit Committee, nor have they instructed their Finance Committee as described above, since it was not deemed necessary to do so due to the small size of the companies and the small number of Supervisory Board members in each case.

- **Item 6.2 of the Code:**

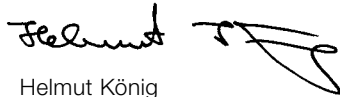
“Any information which the company discloses shall also be available on the company’s website. This includes the company agreement underlying HW GmbH (memorandum of association), the management report, the annual financial statements and the notes, and the declaration of compliance with the Code.”

Information on the companies is published on the transparency portal set up in October 2014 in accordance with the Hamburg Transparency Act (HmbTG), in particular in the report on equity holdings of the Free and Hanseatic City of Hamburg (FHH) which can be accessed there.

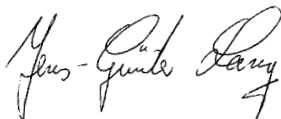
Hamburg, 10 April 2017



Henrik Falk
Management Board

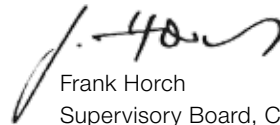


Helmut König



Jens-Günter Lang

Hamburg, 5 April 2017



Frank Horch
Supervisory Board, Chairman

Overview of subsidiaries and investees



agilis Eisenbahngesellschaft mbH & Co. KG (www.agilis.de)

Shareholders: Hamburger Hochbahn AG 51%, BeNEX GmbH 49% | Business purpose: operation of rail-based local transport services in Bavaria: electrified regional rail network in and around Regensburg including the Donautalbahn | Number of railcars: 26 | Number of employees: 176



ATG Alster-Touristik GmbH (www.alstertouristik.de)

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: tourist boat cruises, mainly on the Alster Lake and its canals | Number of ships: 18 | Number of employees: 50



BeNEX GmbH (www.benex.de)

Shareholders: Hamburger Hochbahn AG 51%, INPP Public Infrastructure Germany GmbH & Co. KG 49% | Business purpose: management of a group of companies providing all types of road/rail transport services outside the boundaries of the Free and Hanseatic City of Hamburg, as well as the purchase, maintenance and sale of shareholdings of this kind for the area of business detailed above including all associated financing, brokerage, consultancy and other services (to the extent that these do not require legal approval or official permission under the German Banking Act (KWG) | Number of employees: 27 (annual average)



FFG Fahrzeugwerkstätten Falkenried GmbH (www.ffg-hamburg.de)

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: maintenance of all types of commercial vehicles, especially buses; technical and commercial fleet management for HOCHBAHN's bus fleet; maintenance of various underground stops; construction and retrofitting of special vehicles | Number of employees: 279



Friedr. Jasper Rund- und Gesellschaftsfahrten GmbH (www.jasper.de)

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: regular bus services and private coach tours, regular bus services on behalf of HOCHBAHN, special "insider tours" of Hamburg | Number of city buses: 87 own (including 10 diesel hybrid buses) and 17 leased; Number of overland coaches: 5; Number of articulated buses: 3 leased and up to 29 provided | Number of employees: on average 416 (excluding 8 trainees)



HADAG Seetouristik und Fährdienst AG (www.hadag.de)

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: passenger transport services by ferry in the Port of Hamburg and on the Elbe | Number of ferries: 24 | Number of employees: 87



HANSECOM (new website at www.operate-it.com)

Gesellschaft für Informations- und Kommunikationsdienstleistungen mbH | Shareholders: Hamburger Hochbahn AG 26%, Siemens AG 74% | Business purpose: Operated as a joint venture between Siemens AG and Hamburger Hochbahn AG, HANSECOM provides innovative IT solutions for small and medium-sized companies. With over 27 years of experience in business applications and IT infrastructure, HANSECOM performs successful IT outsourcing from its Hamburg site and supplies large numbers of customers in Germany and Europe with high-quality IT solutions | Number of employees: 70



HHW Hamburger Hochbahn-Wache GmbH

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: ensuring the security of passengers and employees, protection of rolling stock, facilities and installations. Performance of ticket inspections, collection of fare surcharges | Number of employees: 405



HSF Hamburger Schnellbahn-Fahrzeug-Gesellschaft mbH

Shareholder: Hamburger Hochbahn AG 100% | Business purpose: The purpose of the company is the procurement and financing of rail rolling stock and its leasing to rail transport operators, in particular for use in the rapid transit network in the Greater Hamburg Area, as well as the construction, financing and leasing to rail and rapid transit system operators of rolling stock maintenance depots and storage sidings | Number of employees: the company has no employees of its own



HSG Hanseatische Siedlungs-Gesellschaft mbH

Shareholder: Hamburger Hochbahn AG via HOCHBAHN-Beteiligungsgesellschaft mbH & Co. KG 100% | Business purpose: letting of company-owned apartments to employees of the HOCHBAHN Group | Number of apartments: 2,041 | Number of employees: 46



HVW Hamburger Verkehrsmittel-Werbung GmbH

Shareholders: Hamburger Hochbahn AG 24.9%, DSM Deutsche Städte-Medien GmbH 75.1% | Business purpose: set-up, management and letting of advertising space at stations, marketing and design of advertising on board buses and trains | Number of employees: 1



hySOLUTIONS GmbH (www.hysolutions-hamburg.de)

Shareholders: Hamburger Hochbahn AG 56%, Vattenfall Europe 12.5%, Stromnetz Hamburg 12.5%, DNV GL SE 6%, VHH Verkehrsbetriebe Hamburg-Holstein 5%, Handelskammer Hamburg 4%, Handwerkskammer Hamburg 4% | Business purpose: promotion, support and implementation of hydrogen and fuel cell technology as well as innovative electrical drive and supply systems in Hamburg | Number of employees: 11



SBG Süderelbe Bus GmbH

Shareholders: Hamburger Hochbahn AG 100% | Business purpose: regular bus services on behalf of HOCHBAHN, licensed to run its own bus route in the administrative district of Harburg until 15 July 2016 | Number of city buses: 46 own (including 7 diesel hybrid buses) and 6 leased; | Number of employees: on average 140 (excluding 1 trainee)



TEREG Gebäudedienste GmbH (www.tereg.de)

Shareholders: Hamburger Hochbahn AG via HOCHBAHN-Beteiligungsgesellschaft mbH & Co. KG 56%, Vattenfall Europe 44% | Business purpose: provision of cleaning and related services for sites, buildings, transport facilities and rolling stock, public establishments and industrial plants and facilities, repair of damage to buildings and sites, building management and provision of security and services in the transport sector | Number of employees: 1,644



Zentral-Omnibus-Bahnhof „ZOB“ Hamburg GmbH (www.zob-hamburg.de)

Shareholders: Hamburger Hochbahn AG 69.2%, Autokraft 11.7%, VHH 11.5%, Jasper 2.9%, six further minority stakes 4.6% | Business purpose: operation of Hamburg's Central Bus Station (ZOB), letting of units for retail and catering outlets | Number of employees: 10

HOCHBAHN

at a glance

	2016	2015	2014
Financial information (€ million)			
Sales	508.6	435.4	423.7
Net loss for the financial year before loss absorption by HGV	50.9	60.2	55.4
Cost coverage ratio (%)	91.6	89.6	90.0
Fixed assets	946.4	832.2	732.6
Balance sheet total	1,038.3	915.4	832.3
Gross capital expenditures	225.2	224.9	178.1
Employees ¹	4,996	4,977	4,853
Bus			
Passengers (million) ^{2,3}	211.7	208.6	209.1
Passenger kilometres (million) ^{2,3}	658.7	648.9	650.4
Investments (€ million)	27.3	29.6	55.1
Number of busses	820	797	802
Number of lines	111	111	111
Number of stations	1,327	1,327	1,321
U-Bahn			
Passengers (million) ^{2,3}	232.4	228.9	218.3
Passenger kilometres (million) ^{2,3}	1,387.3	1,366.8	1,303.4
Investments (€ million)	187.9	182.5	118.6
Number of carriages	890	873	818
Number of lines	4	4	4
Number of stations	91	91	91

¹ At 31. December, including Management Board and apprentices

² 2016: preliminary figures

³ 2015: updated figures

Imprint

Published by

Hamburger Hochbahn AG
Steinstraße 20, 20095 Hamburg
Germany
Phone: +49 (0)40/32 88-0
Fax: +49 (0)40/32 64 06
E-mail: info@hochbahn.de
hochbahn.de

Edited by

Marketing and Communications Division
Corporate Management and System Development Division
Finances and Controlling Division

Photography

Marc-Oliver Schulz, David Goltz, Fotolia

Concept and design

Silvester Group, silvestergroup.com
Jutta Gathmann, Marlene Schlund, Nils Christopher Kemter

