

Notes to the Consolidated Financial Statements

General Notes

1. Basic Information on the Group

The Group's parent company is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, 20457 Hamburg (HHLA or the Group), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the HHLA Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

Since 1 January 2007, the HHLA Group has consisted of the Port Logistics subgroup (A division) and the Real Estate subgroup (S division). The part of the Group that deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the Real Estate subgroup (S division). All other parts of the company are allocated together to the Port Logistics subgroup (A division). Individual Financial Statements are prepared for each division to determine the shareholders' dividend entitlements; these, in line with the company's articles of association, form part of the Notes to the Annual Financial Statements of the parent company.

Information concerning the segments in which the HHLA Group operates is provided in ► Note 44, page 131.

When the shareholders' dividend entitlements are being determined, the expenses and income of HHLA which cannot be attributed directly to one subgroup are divided between the two subgroups according to their shares of revenue. All transfer pricing for services between the two subgroups takes place on an arm's length basis. Interest must be paid at market rates on liquid funds exchanged between the two subgroups. A notional taxable result is calculated for each subgroup to allocate the taxes paid. The resulting notional tax payment represents the amount of tax which would have been paid had each of the subgroups been separately liable for tax.

To illustrate the earnings, net assets and financial position of the subgroups, the annex to these Notes contains the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement for each subgroup.

HHLA's Consolidated Financial Statements for the 2016 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which apply in the European Union. The provisions contained in Section 315a (1) of the German Commercial Code (HGB) and additional commercial law regulations were also taken into account. The IFRS requirements have been met in full and result in a true and fair view of the earnings, net assets and financial position of the Group.

For the most part, the accounting and valuation policies, notes and disclosures about the Consolidated Financial Statements for the 2016 financial year are based on the same accounting and valuation principles used for the 2015 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in ► Note 5, page 87. Use of the latter became mandatory for the Group on 1 January 2016. The accounting and valuation principles applied are explained in ► Note 6, page 91.

The financial year as reported by HHLA and its consolidated subsidiaries is the calendar year. The Consolidated Financial Statements and the disclosures in the Notes have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euros (€ thousand). Due to the use of rounding procedures, it is possible that some figures do not add up to the stated sums.

These HHLA Consolidated Financial Statements for the financial year ending 31 December 2016 were approved by the Executive Board on 2 March 2017 for presentation to the Supervisory Board. It is the Supervisory Board's responsibility to examine the Consolidated Financial Statements and to state whether or not it approves them.

2. Consolidation Principles

The Consolidated Financial Statements include the Financial Statements of HHLA and its significant subsidiaries as of 31 December of each financial year. The assets and liabilities of the domestic and foreign companies consolidated in full or using the equity method are recognised in accordance with the uniform accounting principles applied in the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the pro rata fair values of the assets acquired and the liabilities and contingent liabilities assumed. Previously unreported intangible assets which can be included in the accounts under IFRS 3 in conjunction with IAS 38, and contingent liabilities are recognised at fair value.

Any positive difference arising in the course of this initial consolidation is capitalised as goodwill and subjected to an annual impairment test. Following a critical assessment, any negative difference is posted to profit and loss. For a detailed explanation of the impairment testing procedure used, please refer to ► Note 6, page 91 and ► Note 7, page 99.

Equity interests held by third parties outside the Group are shown in the balance sheet under the item non-controlling interests within equity capital, see also ► Note 3, page 83 and ► Note 35.

The acquisition of additional non-controlling interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity.

Gains or losses from the disposal of non-controlling interests in consolidated companies are likewise recognised directly in equity without effect on profit and loss insofar as the transaction does not lead to a loss of control. In the case of a loss of control, the remaining interests are measured at fair value or, if applicable, using the equity method.

The effects of intra-Group transactions are eliminated in full.

3. Make-Up of the Group

Group of Consolidated Companies

The group of consolidated companies at HHLA comprises a total of 32 domestic and 14 foreign companies. For a complete list of equity investments in accordance with Section 313 (2) of the German Commercial Code (HGB), see also ► Note 48, page 142. The information provided here about the equity and annual net profit recorded by the various companies is taken from the respective Annual Financial Statements, which were prepared in line with national accounting regulations. Information required under IFRS 12.10 and IFRS 12.21 is also included in the details of shareholdings.

Consolidated Companies

	Domestic	Foreign	Total
HHLA AG and fully consolidated companies			
1 January 2016	23	9	32
Additions	1	6	7
Mergers	0	1	1
31 December 2016	24	14	38
Companies reported using the equity method			
1 January 2016	7	0	7
Additions	1	0	1
31 December 2016	8	0	8
Total 31 December 2016	32	14	46

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for Hamburger Hafen und Logistik AG and its significant subsidiaries. Subsidiaries are companies controlled by the Group. The Group is deemed to control a company if it has an exposure or right to fluctuating returns resulting from its involvement in the investee and if it can also use its power over the investee to affect

these returns. In particular, the HHLA Group controls an investee if – and only if – all of the characteristics listed in IFRS 10.7 apply. Subsidiaries' financial statements are included in the Consolidated Financial Statements from the time when control begins until the time when control ends.

Non-controlling interests are valued at the time of acquisition using the relevant share of the acquired company's identifiable net assets. Changes in the Group's shareholding in a subsidiary which do not lead to a loss of control are recorded in the balance sheet as equity transactions.

Subsidiaries with Substantial Non-controlling Interests

Subsidiary	Headquarters	Segment	Equity stake	
			2016	2015
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %
METRANS a.s.	Prague, Czech Republic	Intermodal	90.0 %	86.5 %

Financial Information about the Subsidiaries with Substantial Non-controlling Interests

in € thousand	HHLA Container Terminal Altenwerder GmbH		METRANS a.s.	
	2016	2015	2016	2015
Percentage of non-controlling interests	25.1 %	25.1 %	10.0 %	13.5 %
Non-current assets	82,100	91,621	208,832	234,262
Current assets	141,930	129,319	75,828	63,794
Non-current liabilities	52,757	51,244	108,538	114,239
Current liabilities	94,984	91,751	25,567	33,911
Net assets	76,289	77,945	150,555	149,906
Book value of non-controlling interests	28	- 7,045	22,278	28,073
Revenue	232,483	227,182	230,497	217,583
Annual net profit	- 734	- 26	41,182	32,378
Other comprehensive income	- 922	- 104	0	0
Total comprehensive income	- 1,656	- 130	41,182	32,378
of which attributable to non-controlling interests	- 416	- 33	4,109	4,360
of which attributable to shareholders of the parent company	- 1,240	- 97	37,073	28,018
Cash flow from operating activities	89,328	78,797	51,288	50,684
Settlement obligation/intended dividend to holders of non-controlling interests	- 22,603	- 21,627	- 2,536	- 2,061

Interests in Joint Ventures

The Group holds interests in joint ventures. As per IFRS 11, a joint venture is subject to a joint contractual agreement between two or more parties to carry on an economic activity which is subject to joint control. Joint control is the contractually agreed division of managerial responsibilities for this arrangement. It only exists if the decisions associated with this business activity require the unanimous consent of the parties involved in joint management.

The HHLA Group holds more than half of the voting rights in the companies HHLA Frucht, STEIN and Hamburg Vessel Coordination Center, yet has no controlling influence as the companies are effectively jointly managed. This is due primarily to the equal representation of the essential corporate bodies (management and/or Supervisory Board).

Aggregate Financial Information about individually not material Joint Ventures

in € thousand	2016	2015
Group share of profit or loss	3,746	3,023
Group share of other comprehensive income	- 248	434
Group share of comprehensive income	3,498	3,457

No unrecorded losses relating to joint ventures were incurred either in the reporting year or on a cumulative basis.

Aggregate Book Value of Joint Ventures

in € thousand	31.12.2016	31.12.2015
Aggregate book value	10,481	9,303

Interests in Associated Companies

Companies designated as associated companies are those where the shareholder has a material influence. At the same time, it is neither a subsidiary nor an interest in a joint venture. A material influence is assumed when it is possible to be involved in the associated company's financial and commercial decisions without exercising a controlling influence. This is generally the case when 20 to 50 % of the voting rights are held, either directly or indirectly.

HHLA does not provide information on associated companies as per IFRS 12 because the relevant companies are of minor importance overall for the Group as a whole. HHLA does not believe that this has a negative impact on the statement concerning the nature of interests in other companies and the associated risks. The effects of these interests on the HHLA Group's earnings, net assets and financial position are likewise insignificant.

Accounting for Interests in Joint Ventures and Associates

Interests in joint ventures and associates are accounted for using the equity method. With the equity method, the share in each joint ventures and/or associated company is first stated at acquisition cost. Instead of being amortised, any goodwill recognised within the carrying amount of the investment when it is reported in the balance sheet for the first time is subject to an impairment test for the entire carrying amount of the investment if there are any indications of possible impairment.

As from the acquisition date, HHLA's interest in the results of the joint venture or associated company is recorded in the consolidated income statement, while its interest in changes in equity is recorded directly in consolidated equity. These cumulative changes affect the carrying amount of the interest in the joint venture or associated company. As soon as HHLA's share in the company's losses exceeds the carrying amount of the investment, however, HHLA records no further shares in the losses unless HHLA has entered into obligations to that effect or has made payments for the joint venture or associated company.

Significant results from transactions between HHLA and the joint venture or associated company are eliminated in proportion to the interest in the company.

Company Acquisitions, Disposals and Other Changes to the Group of Consolidated Companies

HHLA increased its interest in METRANS a.s., Prague, Czech Republic, from 86.5 % to 90.0 % with the share purchase and transfer contracts dated 28 June 2016 after METRANS a.s. acquired treasury shares from its non-controlling interests. The purchase price for these shares was taken directly to equity in accordance with the entity concept with a corresponding reduction in non-controlling interests and revenue reserves.

METRANS Danubia Krems GmbH, Krems an der Donau, Austria, and METRANS Railprofi Austria GmbH, Krems an der Donau, Austria, were consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 31 March 2016.

As of 30 June 2016, METRANS Adria D.O.O., Koper, Slovenia, METRANS (Danubia) Kft., Győr, Hungary, and METRANS İSTANBUL STI, Istanbul, Turkey, were consolidated for the first time and DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg, was included in HHLA's Consolidated Financial Statements for the first time using the equity method.

HHLA International GmbH, Hamburg, was consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 30 September 2016.

Univer Trans Kft., Budapest, Hungary, was consolidated and included in HHLA's Consolidated Financial Statements for the first time as of 31 December 2016.

The initial consolidation of these companies was recognised directly in equity and was immaterial.

HHLA Intermodal Polska Sp. z o.o., Warsaw, Poland, was merged with POLZUG Intermodal Polska Sp. z o.o., Warsaw, Poland, in June 2016. The merger had no effect on HHLA's Consolidated Financial Statements.

There were no other acquisitions, disposals of shares in subsidiaries or changes to the group of consolidated companies.

4. Foreign Currency Translation

Monetary assets and liabilities in Separate Financial Statements for the consolidated companies which are prepared in a foreign currency are converted to local currency at the rate applicable on the balance sheet date. The resulting currency differences are recognised in the result for the period.

Non-monetary items held at historical cost in a foreign currency are translated at the applicable rate on the transaction date. Non-monetary items held at fair value in a foreign currency are translated at the rate applicable on the date fair value was measured.

Exchange rate gains and losses recognised in the income statement on foreign currency items resulted in a loss of € 2,188 thousand in the financial year (previous year: € 8,157 thousand). The decline in expenses (€ 1,894 thousand; previous year: € 8,207 thousand) was primarily due to the devaluation of the Ukrainian currency, which was not as pronounced as in the previous year. In addition to this, equity decreased by € 2,902 thousand, with no effect on net income (previous year: € 11,473 thousand). This negative impact on the HHLA Group's earnings, net assets and financial position was also caused by the devaluation of the Ukrainian currency (€ 3,019 thousand, previous year: € 11,530 thousand).

The concept of functional currency according to IAS 21 is applied when translating all Annual Financial Statements of foreign affiliates prepared in a foreign currency. As the subsidiaries in question are generally independent in terms of their financial, economic and organisational activities, the functional currency is the respective national currency. As of the balance sheet date, the assets and liabilities of these subsidiaries are converted to euros at the rate prevailing on the reporting date. Income and expenses are translated at the weighted average rate for the financial year. Equity components are converted at their respective historical rates. Any translation differences are recognised as a separate component of equity without effect on profit and loss. If Group companies leave the group of consolidated companies, the associated translation difference is reversed through profit and loss.

Foreign Currency Translation

Currency	ISO code	Spot rate = 1€		Average annual rate = 1€	
		31.12.2016	31.12.2015	2016	2015
Czech crown	CZK	27.021	27.023	27.041	27.302
Georgian lari	GEL	2.794	2.617	2.627	2.513
Hungarian forint	HUF	309.830	315.980	312.177	–
Polish zloty	PLN	4.410	4.264	4.368	4.193
Ukrainian hryvnia	UAH	28.423	26.223	28.094	24.016

5. Effects of New Accounting Standards

Revised and new IASB/IFRIC standards and interpretations that were mandatory for the first time in the financial year under review:

Standard	Content and Significance
Amendments to IAS 1 Disclosure Initiative	The standard published in December 2014 clarifies how to exercise discretion in the presentation of financial statements. The amendments apply to reporting periods beginning on or after 1 January 2016 and have been enacted in European law with Commission Regulation (EU) 2015/2406. These amendments do not have a material effect on HHLA's Consolidated Financial Statements.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The IASB approved amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets on 12 May 2014. The amendments provide guidance on which methods of depreciation and amortisation can be used for property, plant and equipment and intangible assets. Commission Regulation (EU) 2015/2231 provides for application in financial years beginning on or after 1 January 2016. These clarifications have no impact on HHLA's Consolidated Financial Statements.
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	The amendments published in November 2013 clarify a number of requirements laid out in IAS 19. The company will continue to deduct contributions paid by employees themselves or third parties for benefit plans offered by the company from the service cost in the future. This only applies if there is no link between the amount of the contributions and the employee's years of service. The amendments can be applied to financial years beginning on or after 1 July 2014. According to Commission Regulation (EU) 2015/29 from 17 December 2014, the amendments must be applied to financial years beginning on or after 1 February 2015. This clarification has no impact on HHLA's Consolidated Financial Statements.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	In May 2014, the IASB approved amendments to IFRS 11 Joint Arrangements. The amendments include clarification of how the acquisition of interests in a joint business arrangement should be reported in the balance sheet. These amendments should be taken into account for financial years beginning on or after 1 January 2016. The amendment was enacted in EU law with Commission Regulation (EC) 2015/2173 dated 24 November 2015. It had no impact on HHLA's Consolidated Financial Statements.
Improvements to IFRS 2010–2012 Cycle	The annual round of improvements published in December 2013 affects the following standards: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets. The amendments take effect for financial years that begin on or after 1 July 2014. Commission Regulation (EU) 2015/28 stipulates that IFRS 2, 3 and 8 as well as IAS 24 must be applied to financial years beginning on or after 1 February 2015. The amendments did not have any effect on HHLA's Consolidated Financial Statements.
Improvements to IFRS 2012–2014 Cycle	The IASB published the 2012–2014 round of improvements on 25 September 2014, which affects to the following standards: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting. The amendments apply to reporting years which begin on or after 1 January 2016. They were adopted by the EU in Commission Regulation (EU) 2015/2343, which provides for mandatory application in financial years beginning on or after 1 January 2016. These improvements do not have any impact on HHLA's Consolidated Financial Statements.

Amendments to standards that can be applied on a voluntary basis for the financial year under review which were not adopted by HHLA:

Standard	Content and Significance
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments was finalised by the IASB in July 2014. This standard aims to simplify the requirements for reporting financial instruments in the balance sheet. It was enacted in EU law with Commission Regulation (EU) 2016/2067. Adoption is expected to be mandatory for financial years which begin on or after 1 January 2018. Early adoption is permitted. The HHLA Group cannot yet conclusively determine the effects of the initial application of the standard.
IFRS 15 Revenue from Contracts with Customers	The IASB adopted the standard IFRS 15 Revenue from Contracts with Customers in May 2014. This stipulates the amount and timing of revenue reporting and what information must be disclosed. It replaces the existing guidelines on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The EU enacted this standard in its legislation with Commission Regulation (EU) 2016/1905 dated 22 September 2016. Adoption is mandatory for financial years which begin on or after 1 January 2018. As a general rule, initial application is retrospective, although various simplification options are available; early adoption is permitted. Based on the current status of the project, the HHLA Group does not expect any material changes in revenue from contracts with customers compared to the previous application of IAS 18.

IASB standards and interpretations that have not yet been adopted by the EU and have not been applied:

Standard	Content and Significance
Amendments to IAS 7 Disclosure Initiative	In January 2016, the IASB published amendments to IAS 7 Statement of Cash Flows, which aim to provide better information about borrowing. These amendments should be taken into account for financial years which begin on or after 1 January 2017. Early adoption is permitted, once the amendments have been endorsed by the EU. The impact on HHLA's Consolidated Financial Statements is currently being examined.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The IASB published amendments to IAS 12 in January 2016. The amendments clarify how deferred tax assets for unrealised losses should be recognised in relation to debt instruments measured at fair value. If changes in market interest rates lead to write-downs to market value, this in turn leads to the formation of temporary differences, even though the losses are not realised. These amendments should be taken into account for financial years which begin on or after 1 January 2017. It is possible to adopt them early following the EU's endorsement. They are not expected to have any impact on HHLA's Consolidated Financial Statements.
Amendments to IAS 40 Transfers of Investment Property	The IASB published amendments to IAS 40 Investment Property on 8 December 2016. The amendments clarify transfers of investment property to or from the portfolio in the case of a change of use. They are expected to be applicable for financial years which begin on or after 1 January 2018. Earlier adoption is permitted, provided they are first enacted in EU legislation. HHLA is examining their effect on the Consolidated Financial Statements.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	The IASB published amendments to IFRS 2 Share-based Payment in June 2016. These amendments apply to financial years beginning on or after 1 January 2018. Early adoption is permitted. The impact on HHLA's Consolidated Financial Statements is currently being examined.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB approved amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in September 2014. These clarify how unrealised gains from transactions between an investor and a joint venture or an associate should be reported. The EFRAG announced in February 2015 that the process of endorsing these amendments had been suspended for the time being because inconsistencies had been identified between the amended standard and the existing IAS 28. The effective date – previously 1 January 2016 – has been postponed indefinitely until the inconsistencies have been resolved.
Amendments to IFRS 15 Clarifications	The final amendments to IFRS 15 were published by the IASB on 12 April 2016. For the most part, the amendments to this standard are clarifications and additional simplifications for the transition to IFRS 15. The effective date is 1 January 2018.
IFRS 16 Leases	The IASB published IFRS 16 Leases in January 2016. This standard supersedes the previously valid IAS 17 Leases and introduces significant accounting changes for lessees. As a general rule, all leases must now be recognised using the right of use approach. Under IFRS 16, lessors will continue to classify leases as operating or finance in line with IAS 17. The new rules aim to help improve the transparency of financial reporting and break down existing information imbalances. The effective date is 1 January 2019. Earlier adoption is permitted if IFRS 15 Revenue from Contracts with Customers is already applied. The HHLA Group cannot yet conclusively describe the effects of the initial application of the standard. Based on its obligations from operating leases where it is a lessee – see ► Note 45, page 134 – the Group expects the balance sheet total to increase significantly compared with the existing accounting, as there is a fundamental requirement to report operating leases in the balance sheet. Other than this, the conditions will remain unchanged. The increase in the balance sheet total will be prompted by capitalising the right of use of the asset on the liabilities side via the recognition of a corresponding liability. The income statement will be affected by splitting the leasing expenses into principal and interest.
Improvements zu IFRS 2014 – 2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB on 8 December 2016. Three standards are affected. The amendments to IFRS 12 Investment Entities clarify that the regulations contained in the standard also apply to interests covered by IFRS 5. The effective date for these amendments is 1 January 2017. Temporary provisions were deleted from IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IAS 28 Investments in Associates and Joint Ventures clarifies that a different valuation option can be used for each interest in a joint venture or an associated company. IFRS 1 and IAS 28 become applicable on 1 January 2018. HHLA will examine their effect on the Consolidated Financial Statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	On 8 December 2016, the IASB published its interpretation IFRIC 22 clarifying at what point in time the exchange rate should be established for translating foreign currency transactions containing incoming or outgoing payments on account. IFRIC 22 is applicable as of 1 January 2018. Early adoption is permitted. The impact on HHLA's Consolidated Financial Statements is being examined.

Standards and interpretations that have no relevance for HHLA's Consolidated Financial Statements:

Standard	Content and Significance
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 4	Insurance Contracts
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
IFRS 14	Regulatory Deferral Accounts

6. Accounting and Valuation Principles

The Annual Financial Statements of the companies included in the Consolidated Financial Statements are based on uniform accounting and valuation principles. The following specific accounting and valuation principles were applied.

Intangible Assets

Intangible assets are capitalised if the assets are identifiable, a future inflow of benefits can be expected and the acquisition and production costs can be ascertained reliably. Intangible assets acquired in return for payment are recognised at historical cost. Intangible assets with a finite useful life are amortised over their useful life on a straight-line basis. The Group reviews the underlying amortisation methods and the useful lives of its intangible assets with a finite useful life as of each balance sheet date.

Intangible assets with an indefinite useful life are subjected to an impairment test at least once a year. If necessary, value adjustments are made in line with future expectations. In the reporting period there were no intangible assets with an indefinite useful life apart from derivative goodwill.

Internally generated intangible assets are recognised at the costs incurred in their development phase between the time when technological and economic feasibility is determined and production. Costs include all directly attributable costs incurred during the development phase.

The capitalised amount of development costs is subject to an impairment test at least once per year if the asset is not yet in use or if there is evidence of impairment during the course of the year.

Useful Life of Intangible Assets

in years	2016	2015
Software	3 – 7	3 – 7

Property, Plant and Equipment

Property, plant and equipment is reported at the acquisition or production cost less accumulated depreciation, amortisation and impairment. The costs of ongoing maintenance are recognised immediately in profit and loss. The production costs include specific expenses and appropriate portions of attributable production overheads. Demolition obligations are included in the acquisition or production costs at the present value of the obligation as of the time when it arises and an equivalent provision is recognised at the same time. The HHLA Group does not use the revaluation method of accounting. The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Depreciation is carried out on a straight-line basis over an asset's useful life. The following table shows the principal useful lives which are assumed.

Useful Life of Property, Plant and Equipment

in years	2016	2015
Buildings	10 – 70	10 – 70
Technical equipment and machinery	5 – 25	5 – 25
Other plant, operating and office equipment	3 – 15	3 – 15

Borrowing Costs

According to IAS 23, borrowing costs which can be directly attributed to the acquisition or production of a qualifying asset are capitalised as a component of the acquisition or production cost of the asset in question. Borrowing costs which cannot be directly attributed to a qualifying asset are recognised as an expense at the time they are incurred.

Investment Property

Investment property consists of buildings held for the purpose of generating rental income or for capital gain, and not for supplying goods or services, for administrative purposes or for sale as part of normal business operations.

IAS 40 stipulates that investment property be held at acquisition or production cost less accumulated depreciation and accumulated impairment losses. Subsequent expenses are capitalised if they result in an increase in the investment property's value in use. The useful lives applied are the same as those for property, plant and equipment used by the Group.

The fair values of these properties are disclosed separately in ► Note 24, page 113.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount exceeds the recoverable amount.

Impairment of Assets

As of each balance sheet date, the Group determines whether there are any indications that an asset may be impaired. If there are such indications, or if an annual impairment test is required, as in the case of goodwill, the Group estimates the recoverable amount. This is ascertained as the higher of the fair value of the asset less selling costs and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash inflows which are largely independent of those generated by other assets or groups of assets. In this case the recoverable amount of the smallest cash-generating unit (CGU) must be determined. If the carrying amount of an asset exceeds its recoverable amount, the asset is deemed to be impaired and is written down to its recoverable amount. The fair value less selling costs and value in use of the cash-generating unit or asset is calculated using the discounted cash flow method. This involves discounting estimated future cash flows to their present value using a discount rate after tax which reflects current market expectations of the interest curve and the specific risks of the asset. As of the balance sheet date, the interest rate for discounting was between 4.6 and 5.5 % p. a. (previous year: 5.0 to 6.3 % p. a.). The discount rate used for the SC HPC Ukraina CGU in the previous year was 19.4 % p.a. The cash flow forecasts in the Group's current plans for the next five years were utilised to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. Growth factors of 1.0 % (previous year: 1.0 %) were applied in the reporting year. When forecasting cash flows the Group takes future market and sector expectations as well as past experience into account in its planning. Cash flows are primarily determined on the basis of anticipated volumes and income along with the cost structure arising from the level of capacity utilisation and the technology used.

On each reporting date an assessment is made as to whether an impairment loss recognised in prior periods no longer exists or has decreased. If there are such indications, the recoverable amount is estimated. Previously recognised impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is raised to its recoverable amount. This higher carrying amount may not exceed the amount which would have been determined, less depreciation or amortisation, if no impairment losses had been recognised in prior years. Any such reversals must be recognised immediately in profit and loss for the period. Following a reversal, the amount of depreciation or amortisation must be adjusted in subsequent periods in order to write down the adjusted carrying amount of the asset, less any residual value, systematically over its remaining useful life.

Impairment losses on goodwill are not reversed.

Financial Assets

Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, investments held to maturity or available-for-sale financial assets.

Financial assets are initially recognised at fair value. In the case of financial investments for which no fair value through profit and loss is determined, directly attributable transaction costs are also included. The Group defines the classification of its financial assets on initial recognition and reviews this classification every financial year insofar as this is permitted and appropriate.

Financial assets are valued as of their settlement date, i.e. upon delivery and transfer of risk. The only exception is the valuation of derivatives, which are measured as of the trading day.

Financial Assets at Fair Value through Profit and Loss

Derivative financial instruments are classified as held for trading unless they are derivatives designated and effective as hedging instruments. Gains or losses from financial assets held for trading are recognised in profit and loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the result for the period when the loans and receivables are derecognised or impaired and within the scope of repayment.

This category generally also includes trade receivables, receivables from related parties and other financial receivables. These are reported at amortised cost less allowances for doubtful receivables. Write-downs are made if there is substantial objective evidence that the Group will not be able to collect the receivables. Receivables are derecognised as soon as they are deemed to be irrecoverable. Examples of objective evidence are manifest shortages of liquid funds or the institution of insolvency proceedings against a customer. When assessing such situations, HHLA draws on its own data about the specific customer, external information and figures derived from experience.

Cash, cash equivalents and short-term deposits also included in this category are cash in hand, cheques, bank balances on deposit and short-term bank deposits which have a maturity of up to twelve months and which are recognised at their face value. Cash used as a pledge or collateral is disclosed separately.

Financial Investments Held to Maturity

Non-derivative financial assets with fixed or calculable payments and fixed maturities are classified as held-to-maturity financial investments if the Group intends to hold them until maturity and is capable of doing so. The Group had no held-to-maturity financial investments during the financial years ended 31 December 2016 and 2015.

Available-for-Sale Financial Assets

Following their initial recognition, available-for-sale financial assets are measured at fair value on each balance sheet date. The gains or losses arising as a result are taken directly to equity, where they are recorded in a separate reserve. The reserve is reversed through profit and loss on disposal of the financial asset. If impairment losses are recorded based on objective evidence of impairment as per IAS 39.59 rather than valuation-based considerations alone, the impairment must be recognised in the income statement.

The fair values of financial instruments traded on organised markets are determined by reference to the prices quoted on the stock exchange on the balance sheet date. The fair values of financial instruments for which there is no active market are estimated using valuation methods. If the fair values cannot be determined reliably because they are not traded on an active market, they are valued at cost. This applies in particular to non-consolidated interests in affiliated companies and other equity investments.

Impairment of Financial Assets

On each balance sheet date the Group determines whether a financial asset or a group of financial assets is impaired.

Assets Carried at Amortised Cost

If there is an objective indication of impairment to loans and receivables carried at amortised cost, the loss is calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows (excepting future credit defaults), discounted by the original effective interest rate of the financial asset (i.e. the interest rate determined on initial recognition). The amount of the loss must be recognised immediately in profit and loss. If the amount of the write-down decreases in one of the following reporting periods and this decrease can be ascribed objectively to circumstances occurring after the impairment was recognised, then the earlier impairment is reversed. A subsequent reversal of the impairment loss is recognised in profit and loss if the carrying amount of the asset at the time of the reversal does not exceed the amortised cost.

Assets Recognised at Cost

If there is an objective indication of impairment to a non-listed equity instrument that is not recognised at fair value because its fair value cannot be determined reliably, the amount of the write-down is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, discounted at the current market rate of return for a comparable financial asset.

Available-for-Sale Financial Assets

If an available-for-sale financial asset is impaired, the difference recognised in equity between the acquisition cost (less any repayments and amortisation) and the current fair value, less any impairment allowances for the financial asset, is recognised in profit and loss. Reversals of impairment losses on equity instruments classified as available for sale are recorded directly in equity. Impairment of debt instruments is reversed in profit and loss if the increase in the instrument's fair value can objectively be ascribed to an event which occurred after the impairment was recognised through profit and loss.

Inventories

Inventories include raw materials, consumables and supplies, work in progress, finished products and merchandise. They are initially recognised at acquisition or production cost. Measurement at the balance sheet date is made at the lower of cost and net realisable value. Standard sequence of consumption procedures are not used for valuation. Service work in progress is valued using the percentage of completion method if the result of the service transaction can be estimated reliably. Net realisable value corresponds to the estimated sales proceeds in the course of normal operations, less costs until completion and sale.

Liabilities

At initial recognition, liabilities are measured at the fair value of the equivalent goods or services received less transaction costs related to borrowing, including discounts and premiums.

After initial recognition, liabilities are measured at amortised cost using the effective interest rate method.

This does not apply to derivatives recorded as liabilities, which are carried at fair value.

Throughput-Dependent Share of Earnings Attributable to Non-Controlling Interests Background

In the 2010 financial year, profit and loss transfer agreements were signed between the subsidiaries HHLA Container-Terminal Altenwerder GmbH, Hamburg (CTA), and HHLA CTA Besitzgesellschaft mbH, Hamburg (CTAB), on the one hand and HHLA Container Terminals GmbH, Hamburg (HHCT), on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the non-controlling interest in the above-mentioned companies for the duration of the agreement. The amount of the financial settlement is based largely on earnings and the throughput handled. Should throughput reach a certain level, it is possible for the proportion of earnings allocated to the financial settlement to exceed the share which would result from the non-controlling shareholder's stake in the companies. The profit and loss transfer agreements were concluded for a fixed term for the financial years 2010 to 2014 (i.e. regular termination is impossible). A contract duration of five years was therefore assumed. Unless the profit and loss transfer agreement is terminated, it will be extended for a further year at the end of this period. CTA merged with CTAB with retroactive effect as of 1 January 2014 based on a merger agreement dated 5 August 2014. As a result, there is now just one profit and loss transfer agreement.

Classification as a Compound Financial Instrument

As profit and loss transfer agreements have been concluded, the interest held by the non-controlling shareholder is classified as a compound financial instrument as per IAS 32.28 because it contains both debt and equity components. These components must be split and entered as either equity or borrowed capital depending on their classification.

Initial Measurement

When it was first entered in 2010, the amount of equity to be reported for the non-controlling interests was calculated by deducting the fair value of the debt component. The fair value of the debt component in the form of these financial settlements was established by discounting the anticipated resulting cash outflows during the five-year term of the profit and loss transfer agreement.

When this debt component was first recorded under other financial liabilities ► Note 38, page 126, it was recognised directly in equity and reduced non-controlling interests within equity as a result ► Note 35, page 117.

From the 2014 financial year onwards, extending the profit and loss transfer agreement gives rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2016. This means the company has a further obligation to pay a financial settlement for the 2017 financial year. This obligation must also be reported at fair value directly in equity within other financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent Measurement

From 2011 onwards, other financial liabilities arising from the obligation to pay this financial settlement are recorded in the balance sheet at amortised cost. Changes resulting from the expected cash outflows are recognised in profit and loss. The changes result from adjustments to reflect the actual shares in the CTA Group's earnings and changes in the anticipated future development of the CTA Group. Furthermore, the remaining term of the profit and loss transfer agreement was shortened by one year from 2011 onwards. As of 2013, the liability recognised shows the Group's payment obligation for the financial year ended and the present value of the anticipated payment obligation for the following year. Obligations are discounted using an interest rate of 7.70 %. Every year

from the 2014 financial year onwards, a discount rate is defined for the recognition of the expected current financial settlement. An interest rate of 5.46 % is used for recognising the expected financial settlement for the 2017 financial year (previous year: 5.70 % for 2016). The amount of € 2,932 thousand (previous year: € 804 thousand) reported through profit and loss in the reporting year is recorded in financial income ► Note 16 and only impacts non-controlling interests in the CTA Group. This figure includes income of € 4,387 thousand (previous year: € 2,134 thousand) from an adjustment to reflect the actual share of earnings. This was partially offset by expenses of € 1,455 thousand (previous year: € 1,330 thousand) arising from discounting the payment obligation recognised in the previous year.

Development in Non-controlling Interests Held in the CTA Group

in € thousand

As of 31 December 2009 prior to conclusion of the profit and loss transfer agreement	44,617
As of 31 December 2014, taking actual share of earnings and adjustments to settlement obligation into account	- 3,760
Actual share in the CTA Group's earnings for 2015	21,627
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	804
Other adjustments	- 25
Comprehensive income reported in equity	22,406
Reclassification of the settlement obligation for 2016 to other financial obligations	- 25,534
As of 31 December 2015, taking actual share of earnings and adjustments to settlement obligation into account	- 6,888
Actual share in the CTA Group's earnings for 2016	22,603
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	2,932
Other adjustments	- 430
Comprehensive income reported in equity	25,105
Reclassification of the settlement obligation for 2017 to other financial obligations	- 18,045
As of 31 December 2016, taking actual share of earnings and adjustments to settlement obligation into account	172

Development in Other Financial Liabilities Arising from Settlement Obligations

in € thousand

As of 31 December 2014 with continuation of settlement obligation	52,738
Payment of actual share of earnings for 2014	- 30,307
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 804
Reclassification of settlement obligation for 2016 from non-controlling interests	25,534
As of 31 December 2015 with continuation of settlement obligation	47,161
Payment of actual share of earnings for 2015	- 21,627
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 2,932
Reclassification of settlement obligation for 2017 from non-controlling interests	18,045
As of 31 December 2016 with continuation of settlement obligation	40,647

Provisions

A provision is formed if the Group has a present (legal or factual) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and if the amount required to settle the obligation can be estimated reliably. The provision is formed for the amount expected to be necessary to settle the obligation, including future increases in prices and costs. If the Group anticipates a partial or full reimbursement of an amount made as a provision (e.g. in the case of insurance), the reimbursement is recognised as a separate asset only if it is virtually certain. The expenses arising from recognising the provision are disclosed in the income statement after the reimbursement has been deducted. If the interest effect is substantial, non-current provisions are discounted before tax at an interest rate which reflects the specific risks associated with the liability. In the event of discounting, the increase in the amount of the provision over time is recognised under interest expenses.

Pensions and Other Retirement Benefits

Pension Obligations

Pensions and similar obligations include the Group's benefit obligations under defined benefit obligations. Provisions for pension obligations are calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Actuarial gains and losses are taken directly to equity and recognised in other comprehensive income, after accounting for deferred taxes. Service expense affecting net income is recognised in personnel expenses and the interest proportion of the addition to provisions is recognised in the financial result.

Actuarial opinions are commissioned annually to measure pension obligations.

Phased Early Retirement Obligations

The compensation to be paid in the release phase of the so-called block model is recognised as provisions for phased early retirement. It is recognised pro rata over the working period over which the entitlements accrue. Since 1 January 2013 and in accordance with IAS 19 (revised 2011), provisions for supplementary amounts have only been accrued pro rata over the required service period, which regularly ends when the passive phase begins.

Actuarial opinions are commissioned annually to measure compensation obligations in the release phase of the block model and supplementary amounts.

If payment obligations do not become payable until after twelve months' time because of entitlements in the block model or supplementary amounts, they are recognised at their present value.

Leases in Which the Group is Lessee

The question of whether an agreement is, or contains, a lease depends on the commercial content of the agreement and requires an assessment as to whether fulfilling the agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use that asset.

Finance Leases

Finance leases – in which virtually all of the risks and potential rewards associated with ownership of an asset are transferred to the Group – are capitalised at the start of the lease at the lower of the leased asset's fair value or the present value of the minimum lease payments. A lease liability is recognised for the same amount. Lease payments are divided into financing expenses and repayment of the lease liability, so that interest is paid on the remaining carrying amount of the lease liability at a constant rate. Financing expenses are recognised through profit and loss in the period in which they arise.

If the transfer of title to the Group at the end of the lease term is not sufficiently certain, capitalised leased assets are fully depreciated over the shorter of the lease term and the asset's useful life. Otherwise, the period of depreciation is the leased asset's useful life.

Operating Leases

Lease instalments for operating leases are recognised as expenses in the income statement on a straight-line basis over the duration of the lease.

Leases in Which the Group is Lessor

The HHLA Group lets properties in and around the Port of Hamburg as well as office properties, warehouses and other commercial space. The rental contracts are classified as operating leases, as the main risks and potential rewards of the properties remain with the Group. The properties are therefore held as investment properties at amortised cost.

Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

Recognition of Income and Expenses

Income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be determined reliably. The following criteria must also be met for income to be recognised:

Sale of Goods and Merchandise

Income is recognised when the principal risks and potential rewards incidental to ownership of the goods and merchandise sold have been transferred to the buyer.

Provision of Services

Income from services is recognised in proportion to the progress of the project in question. The extent to which the service has been provided is determined by the number of hours worked as of the balance sheet date as a percentage of the total number of hours estimated for the project. If the result of a service transaction cannot be estimated reliably, income is recognised only to the extent that the expenses incurred are eligible for reimbursement.

Interest

Interest income and interest expenses are recognised when they are accrued or incurred.

Dividends

Income from dividends is recognised in profit and loss when the Group has a legal right to payment. This does not apply to dividends distributed by companies accounted for using the equity method.

Income and Expenses

Operating expenses are recognised when the service is rendered or when the expense is incurred. Income and expenses resulting from identical transactions or events are recognised in the same period. Rental expenses are recognised on a straight-line basis over the lease term.

Government Grants

Government grants are recognised when there is reasonable certainty that they will be granted and the company fulfils the necessary conditions. Grants paid as reimbursement for expenses are recognised as income over the period necessary to offset them against the expenses for which they are intended to compensate. If subsidies relate to an asset they are deducted from the asset's cost of purchase and recognised in profit and loss on a straight-line basis by reducing the depreciation for the asset over its useful life.

Taxes

Current Claims for Tax Rebates and Tax Liabilities

Current claims for tax rebates and tax liabilities for the financial year and prior periods are measured at the amount for which a rebate is expected from, or payment must be made to, the tax authorities. The tax rates and tax legislation in force as of the balance sheet date are used to determine the amount.

Deferred Taxes

Deferred taxes are recognised by using the balance sheet liabilities method on all temporary differences between the carrying amount of an asset or liability in the balance sheet and the amount for tax purposes, as well as on tax loss carry-forwards.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry-forwards proportionate to the probability that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carry-forwards.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to use against the deferred tax asset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised proportionate to the likelihood that future taxable profits will make it possible to use deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realised or the liability is met. Tax rates (and tax regulations) are applied if they have already been enacted as of the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity, likewise not affecting net income.

Deferred tax assets and liabilities are netted only if the deferred taxes relate to income taxes for the same tax authority and the current taxes may also be set off against one another.

Fair Value of Financial Instruments

The fair value of financial instruments is determined on the basis of market values or valuation methods. For cash and other current primary financial instruments, fair value is equivalent to the carrying amounts on the respective balance sheet dates. For non-current receivables and other financial assets, as well as non-current liabilities, fair value is measured based on expected cash flows using reference rates of interest at the balance sheet date. The fair value of derivative financial instruments is determined on the basis of reference interest rates and futures prices at the balance sheet date.

Derivative Financial Instruments and Hedging Transactions

The Group can use derivative financial instruments such as interest rate swaps, interest rate caps and currency futures to hedge against interest and currency risks. These derivative financial instruments are initially recognised at fair value at the time the contracts are concluded and subsequently remeasured at fair value.

Gains and losses from changes in the fair value of derivative financial instruments which do not meet the criteria for qualification as hedging transactions are recognised immediately through profit and loss.

For hedge accounting purposes, hedging instruments are classified as cash flow hedges if they serve as a hedge against risks arising from fluctuations in cash flows which can be attributed to a recognised asset or liability, or a forecast transaction.

A hedge for the currency risk of a fixed obligation is treated as a cash flow hedge.

At the beginning of a hedging relationship, the Group formally designates the hedging relationship to be recognised as a hedging transaction, as well as the risk management aims and strategies relating to the hedge, and documents them. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. These hedging relationships are considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. The hedges are assessed on an ongoing basis to determine whether they were actually highly effective throughout the financial reporting period for which the hedge was designated.

There were no hedging transactions to hedge fair value or net investments in a foreign operation during the reporting period. Cash flow hedges which meet the strict criteria for recognition as hedging relationships are recognised as follows:

Cash Flow Hedges

The effective portion of gains or losses from changes in the fair value of a hedging instrument is recognised directly in equity, taking into account the deferred taxes, while the ineffective portion is recognised in profit and loss.

The amounts recognised in equity are recorded in the income statement in the period affected by the hedged transaction, e.g. when the hedged financial income or expense affects profit and loss or when a forecast sale or purchase occurs. If the hedged transaction is the acquisition cost of a non-financial asset or a non-financial liability, the amounts recognised in equity are added to the originally recognised carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are recognised in profit and loss for the period. If the hedging instrument expires, or is sold, terminated or exercised, or rolled over into another hedging instrument, or if the Group withdraws the designation as a hedging instrument, the amounts previously recognised in equity remain separately recognised in equity until the forecast transaction occurs.

7. Significant Assumptions and Estimates

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make estimates and assess individual facts and circumstances. The estimates made are based on past experience and other relevant factors and on a going concern basis.

The amounts which actually arise may differ from those resulting from estimates and assumptions.

The accounting and valuation principles applied are explained in ► Note 6, page 91. Material assumptions and estimates affect the following issues:

Business Combinations

The fair value of the assets acquired and liabilities and contingent liabilities assumed as a result of business combinations must be estimated. For this purpose HHLA either makes use of opinions from independent external experts or calculates the fair value internally using suitable calculation models. These are normally based on discounted cash flows. Depending on the nature of the assets or the availability of information, market price, capital value and cost-oriented valuation methods are applied.

Goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimate of the fair value less selling costs or the value in use of the cash-generating units to which the goodwill has been allocated. To estimate the fair value or value in use, the Group must forecast the likely future cash flows from the cash-generating unit and also choose an appropriate discount rate with which to calculate the present value of these cash flows. Unforeseeable changes may mean that the assumptions used during planning are no longer appropriate, making it necessary to adjust plans. An impairment loss could be incurred as a result. For more information, please refer to ► Note 22, page 108.

Internal Development Activities

These activities relate to the development of software within the Group, which is capitalised as soon as the recognition requirements pursuant to IAS 38.57 are fulfilled. HHLA amortises the software over the expected useful life of three to seven years from the point that the software comes into use. For more information, please refer to ► Note 22, page 108.

Investment Property

The fair value of investment property must be disclosed in the Notes. HHLA carries out its own calculations to determine the fair value of this property. Industry-standard discounted cash flow methods are applied. The calculations are based on assumptions about applicable interest rates and the amount and time frame of expected future cash flows which these assets can generate. Detailed information is available in ► Note 24, page 113.

Pension Provisions

Actuarial opinions are commissioned annually to determine pension obligation costs. These calculations include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Because these assumptions are long-term in nature, the observations are assumed to be characterised by material uncertainties. More detailed information is available in ► Note 36, page 120.

Demolition Obligations

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the lease term. To calculate the amount of the provision, it was assumed that the obligation would be carried out in full for all leased property, with the exception of buildings designated as historical landmarks in the Speicherstadt historical warehouse district. The calculations are based on assumptions concerning the amount of demolition work necessary, interest rates and inflation. For more information, please refer to ► Note 37, page 125.

Provisions for Phased Early Retirement

All employees who have signed, or are expected to sign, an agreement are taken into consideration when recognising and measuring provisions for phased early retirement. The number of employees expected to sign is an estimate. The appraisal reports are also based on actuarial assumptions. For more information, please refer to ► Note 37, page 125.

Non-Current and Current Financial Liabilities

This item includes, amongst other things, financial settlement obligations to shareholders with non-controlling interests in consolidated subsidiaries. These liabilities exist because HHLA has concluded a profit and loss transfer agreement with a subsidiary which entitles non-controlling interests to receive financial settlements. see ► Note 6, page 91. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. For more detailed explanations, please refer to ► Note 38, page 126.

Calculating Fair Value

The fair value measured for financial and non-financial assets and liabilities is regularly reviewed by the Group.

The Group also regularly reviews key unobservable input factors and valuation adjustments. When the fair value of an asset or liability is calculated, the Group uses observable market data whenever possible. Based on the input factors used during valuation, the fair values calculated are classified as belonging to different levels of the fair value hierarchy:

- Level 1: Listed prices (non-adjusted) on active markets for identical assets or liabilities
- Level 2: Valuation parameters which do not involve the listed prices included in level 1 but which are observable for the asset or liability either directly (i.e. as a price) or indirectly (i.e. as determined through prices)
- Level 3: Valuation parameters for assets or liabilities which are not based on observable market data

The Group records any transfers between the various levels of the fair value hierarchy at the end of the reporting period in which the amendment was made.

For details of the valuation methods and input parameters used to measure the fair value of the various assets and liabilities, please see ► Note 24, page 113 and ► Note 47, page 136.