Notes to the Balance Sheet

22. Intangible Assets

Development of Intangible Assets

in € thousand	Goodwill	Software	Internally developed software	Other intangible assets	Payments made on account	Total
Carrying amount as of 1 January 2015	**38,933**	**14,679**	**21,099**	**0**	**3,133**	**77,844**
Acquisition or production cost						
1 January 2015	47,089	62,220	45,736	1,404	3,133	159,582
Additions		1,858	1,820		5,135	8,814
Disposals		- 659				- 659
Reclassifications		1,064	1,431		- 2,463	32
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates	58	- 547		- 1		- 490
31 December 2015	**47,147**	**63,936**	**48,987**	**1,403**	**5,805**	**167,279**
Accumulated depreciation, amortisation and impairment						
1 January 2015	8,157	47,541	24,637	1,404	0	81,739
Additions		4,908	7,728			12,636
Disposals		- 659				- 659
Reclassifications						0
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates	58	- 345		- 1		- 288
31 December 2015	**8,215**	**51,445**	**32,365**	**1,403**	**0**	**93,428**
Carrying amount as of 31 December 2015	**38,933**	**12,491**	**16,622**	**0**	**5,805**	**73,851**
Carrying amount as of 1 January 2016	**38,933**	**12,491**	**16,622**	**0**	**5,805**	**73,851**
Acquisition or production cost						
1 January 2016	47,147	63,936	48,987	1,403	5,805	167,279
Additions		2,188	9,639		496	12,323
Disposals	- 3	- 1,431	- 677			- 2,111
Reclassifications		- 198	4,989		- 4,791	0
Changes in scope of consolidation/ consolidation method		7		854		861
Effects of changes in exchange rates	- 32	- 168		6		- 194
31 December 2016	**47,112**	**64,334**	**62,938**	**2,263**	**1,510**	**178,157**
Accumulated depreciation, amortisation and impairment						
1 January 2016	8,215	51,445	32,365	1,403	0	93,428
Additions		4,588	6,206			10,794
Disposals		- 1,316	- 324			- 1,640
Reclassifications						0
Changes in scope of consolidations/ consolidation method		6				6
Effects of changes in exchange rates	- 33	- 111				- 144
31 December 2016	**8,182**	**54,612**	**38,247**	**1,403**	**0**	**102,444**
Carrying amount as of 31 December 2016	**38,930**	**9,722**	**24,691**	**860**	**1,510**	**75,713**

In the Container segment, goodwill of € 35,525 thousand is attributable to the cash-generating unit (CGU) CTT/Rosshafen and further goodwill of € 1,893 thousand is attributable to the CGU HCCR. Of the CGU CTT/Rosshafen's goodwill, € 30,929 thousand was generated by the acquisition of all the shares in HHLA Rosshafen Terminal GmbH, Hamburg, in 2006. Goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites let long-term by the company.

Carrying Amounts for Goodwill by Segments

in € thousand	31.12.2016	31.12.2015
Container	37,418	37,418
Intermodal and Other	1,512	1,515
	38,930	38,933

In the period for which detailed forecasts are made, cash flows are largely determined by developments in the operating result (EBIT). Developments in EBIT result from anticipated volumes and income along with the relevant cost structure. The cost structure is primarily determined by the level of capacity utilisation achieved and the technology used.

For the CGU CTT/Rosshafen, the recoverable amount is calculated as fair value less selling costs using the discounted cash flow method. The discount rate after tax is 4.62 % (previous year: 4.97 %). Growth factors of 1.0 % (previous year: 1.0 %) were applied.

Based on the estimate used, the recoverable amount for the CGU CTT/Rosshafen is approximately € 30 million higher than the carrying amount for valuation purposes. As the recoverable amount is close to the carrying amount for valuation purposes, the management considers it possible that there could be a change in material assumptions which would lead to the carrying amount exceeding the recoverable amount.

The overview below shows the necessary change in the various material valuation parameters which would lead to the recoverable amount being the same as the carrying amount.

Valuation parameters

in % / pp	Necessary change
Discount rate	+ 0.52 pp
Growth factor	- 0.65 pp
EBIT*	- 14 %

*) *Change applies to the detailed planning of the first five years and the continuation value*

23. Property, Plant and Equipment

Development of Property, Plant and Equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2015	440,550	290,460	178,823	28,183	938,016
Acquisition or production cost					
1 January 2015	757,790	757,042	451,209	28,183	1,994,224
Additions	11,101	4,722	35,713	70,086	121,623
Disposals	- 12,879	- 710	- 19,065	- 380	- 33,034
Reclassifications	5,307	198	17,917	- 23,454	- 32
Changes in scope of consolidation/consolidation method	12,459	1		1,770	14,230
Effects of changes in exchange rates	- 9,048	- 7,412	- 524	- 28	- 17,012
31 December 2015	764,731	753,841	485,251	76,177	2,080,000
Accumulated depreciation, amortisation and impairment					
1 January 2015	317,240	466,582	272,386	0	1,056,208
Additions	30,160	40,120	32,656		102,936
Disposals	- 5,899	- 547	- 15,659		- 22,105
Reclassifications					0
Appreciations	- 583		- 36		- 620
Changes to scope of consolidation/consolidation method	37				37
Effects of changes in exchange rates	- 642	- 2,482	- 394		- 3,519
31 December 2015	340,312	503,672	288,953	0	1,132,937
Carrying amount as of 31 December 2015	424,419	250,169	196,298	76,177	947,063
Carrying amount as of 1 January 2016	424,419	250,169	196,298	76,177	947,063
Acquisition or production cost					
1 January 2016	764,731	753,841	485,251	76,177	2,080,000
Additions	18,417	5,552	23,490	87,856	135,315
Disposals	- 30,416	- 4,418	- 11,519	- 24,881	- 71,234
Reclassifications	15,932	4,544	1,534	- 22,010	0
Changes in scope of consolidation/consolidation method	1,026	680	99		1,805
Effects of changes in exchange rates	- 2,052	- 1,913	- 154	- 6	- 4,125
31 December 2016	767,638	758,286	498,701	117,135	2,141,760
Accumulated depreciation, amortisation and impairment					
1 January 2016	340,312	503,672	288,953	0	1,132,937
Additions	33,933	38,896	29,365		102,194
Disposals	- 29,977	- 3,054	- 11,023		- 44,054
Reclassifications	- 6	- 1	7		0
Appreciations					0
Changes to scope of consolidation/consolidation method	576	343	94		1,013
Effects of changes in exchange rates	- 246	- 912	- 108		- 1,266
31 December 2016	344,592	538,944	307,288	0	1,190,824
Carrying amount as of 31 December 2016	423,046	219,342	191,413	117,135	950,936

The additions result largely from the expansion of the container terminals in Hamburg and the expansion of the METRANS Konténer Kft. terminal.

Disposals in the financial year under review mainly relate to the return of the Übersee-Zentrum to Hamburg Port Authority (HPA) and payments on account made by METRANS a.s. for locomotives, which were previously capitalised as plants under construction. The company has changed its plans with regard to these assets, which are now being acquired via operating leases.

Changes to the consolidated group relate solely to the METRANS Group subsidiaries which were included in the Consolidated Financial Statements for the first time in the 2016 financial year.

The negative effects of changes in exchange rates arose chiefly in connection with the devaluation of the Ukrainian currency.

The depreciation of land and buildings includes write-downs in the amount of € 1,125 thousand for a building at a container terminal in Hamburg which is no longer used. In the previous year, there were write-downs of € 2,981 thousand on land and buildings as well as on other plant, operating and office equipment.

Buildings, surfacing and movable non-current assets with a carrying amount of € 3,112 thousand (previous year: € 4,207 thousand) have been pledged as collateral in connection with loans taken up by the Group.

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ▶ Note 45, page 134.

As of the balance sheet date, the Group had obligations of € 34,199 thousand (previous year: € 87,978 thousand) from purchase commitments attributable to investments in property, plant and equipment.

Development of Assets which are Classified as Finance Lease and are included in Property, Plant and Equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount as of 1 January 2015	100,243	2,384	46,664	149,291
Acquisition or production cost				
1 January 2015	108,456	7,917	67,546	183,920
Additions		268	3,488	3,756
Disposals		- 30	- 12,012	- 12,042
Reclassifications			- 12,090	- 12,090
Changes in scope of consolidation		1		1
Effects of changes in exchange rates	- 176	14	30	- 132
31 December 2015	108,281	8,171	46,962	163,414
Accumulated depreciation, amortisation and impairment				
1 January 2015	8,213	5,533	20,882	34,629
Additions	2,185	827	6,818	9,830
Disposals		- 8	- 8,868	- 8,876
Reclassifications			- 10,509	- 10,509
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 19	2	11	- 6
31 December 2015	10,380	6,354	8,334	25,067
Carrying amount as of 31 December 2015	97,901	1,818	38,628	138,347
Carrying amount as of 1 January 2016	97,901	1,818	38,628	138,347
Acquisition or production cost				
1 January 2016	108,281	8,171	46,962	163,414
Additions		102	3,988	4,090
Disposals		- 13	- 5,644	- 5,657
Reclassifications		- 1,708	13	- 1,695
Changes in scope of consolidation				0
Effects of changes in exchange rates	- 37	- 214		- 251
31 December 2016	108,244	6,338	45,319	159,901
Accumulated depreciation, amortisation and impairment				
1 January 2016	10,380	6,354	8,334	25,067
Additions	2,183	408	3,905	6,496
Disposals		- 13	- 5,559	- 5,572
Reclassifications		- 402		- 402
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 5	- 202		- 207
31 December 2016	12,558	6,145	6,680	25,383
Carrying amount as of 31 December 2016	95,686	193	38,639	134,518

24. Investment Property

Development of Investment Property

in € thousand	Investment property	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2015	199,026	169	199,196
Acquisition or production cost			
1 January 2015	322,758	169	322,927
Additions	180	634	815
Disposals	- 30	- 97	- 127
Reclassifications			0
31 December 2015	322,909	706	323,615
Accumulated depreciation, amortisation and impairment			
1 January 2015	123,731	0	123,731
Additions	9,285		9,285
Disposals	- 4		- 4
Reclassifications			0
31 December 2015	133,012	0	133,012
Carrying amount as of 31 December 2015	189,897	706	190,603
Carrying amount as of 1 January 2016	189,897	706	190,603
Acquisition or production cost			
1 January 2016	322,909	706	323,615
Additions	1,864	971	2,835
Disposals			0
Reclassifications			0
31 December 2016	324,773	1,677	326,450
Accumulated depreciation, amortisation and impairment			
1 January 2016	133,012	0	133,012
Additions	9,443		9,443
Disposals			0
Reclassifications			0
31 December 2016	142,456	0	142,456
Carrying amount as of 31 December 2016	182,317	1,677	183,994

The properties held as investment property are mainly warehouses converted to office space and other commercial real estate in Hamburg's Speicherstadt historical warehouse district as well as logistics warehouses and surfaced areas.

The additions result from the adjustment of provisions for demolition costs and from conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 51,391 thousand (previous year: € 51,022 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 10,502 thousand (previous year: € 14,867 thousand) at the end of the reporting year.

Fair value is calculated and measured annually by HHLA's Real Estate segment. The associated inputs are classified as Level 3 in the fair value hierarchy, see ▶ Note 7, page 99.

Fair Value Reconciliation

in € thousand	2016	2015
As of 1 January	584,212	521,005
Change in fair value (not realised)	43,813	63,207
As of 31 December	628,025	584,212

The valuation method used to measure the fair value of investment property as well as the key unobservable input factors applied:

Valuation method	Key unobservable input factors	Relationship between key unobservable input factors and measurement at fair value The estimated fair value would increase (fall) if
Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows from managing the properties. This method is based on detailed forecasts of ten years or up to the end of the useful lives of properties with a remaining useful life of less than ten years. The cash flows are discounted using standard market interest rates. Property-specific fair value is determined on the basis of property-specific measurement criteria.	contractually agreed rental income	the expected rent increases were higher (lower)
	expected rent increases	the expected rent increases were higher (lower)
	vacancy periods	the vacancy periods were shorter (longer)
	level of occupancy	the level of occupancy was higher (lower)
	rent-free periods	the rent-free periods were shorter (longer)
	possible termination of the tenancy agreement	tenancy agreements were not terminated (were terminated)
	re-leasing	the property was re-leased sooner (later)
	operating, management and maintenance costs	operating, management and maintenance costs were lower (higher)
	rent of the land	the rent was lower (higher)
	discount rate (3.43 to 6.91 % p. a.)	the risk-adjusted discount rate was lower (higher)

Regarding existing restrictions on the disposal and use of buildings in connection with the letting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on the lease agreements in ▶ Note 45, page 134.

25. Associates Accounted for Using the Equity Method

Interests in Associates Accounted for Using the Equity Method

in € thousand	31.12.2016	31.12.2015
Interests in joint ventures	10,481	9,303
Interest in associates companies	3,836	3,171
	14,317	12,474

Interests in joint ventures comprise Hansaport, HHLA Frucht, STEIN, ARS-UNIKAI, Kombi-Transeuropa and Hamburg Vessel Coordination Center. Interests in associated companies include the shares in CuxPort and – since the 2016 financial year – the shares in DHU.

The interests reported are higher than in the previous year due largely to the earnings recorded in financial income for the various companies at equity less the dividends received. see ▶ Note 16, page 104.

For more information, please refer to ▶ Note 3, page 83.

26. Financial Assets

Financial Assets

in € thousand	31.12.2016	31.12.2015
Securities	3,940	3,871
Shares in affiliated companies	2,655	4,878
Other equity investments	241	349
Other financial assets	14,434	11,341
	21,270	20,439

In the reporting year – as in the previous year – the securities relating to insolvency insurance for phased early retirement entitlements were netted out against the corresponding phased early retirement obligations because they fulfil the conditions for plan assets as per IAS 19 (revised 2011). The securities portfolio recognised as plan assets in the financial year amounted to € 3,116 thousand (previous year: € 3,120 thousand). see ▶ Note 37, page 125. Before offsetting, this results in a securities portfolio of € 7,056 thousand (previous year: € 6,991 thousand).

The shares in affiliated companies include shares in Group companies which are of minor importance for giving a true and fair view of the Group's earnings, net assets and financial position and are therefore not consolidated.

Other financial assets primarily comprise receivables from a graduated rent totalling € 4,174 thousand (previous year: € 3,905 thousand), receivables from bank guarantees amounting to € 3,498 thousand (previous year: € 3,347 thousand), receivables from relief funds totalling € 2,609 thousand (previous year: € 2,423 thousand) and receivables from HPA amounting to € 333 thousand (previous year: € 351 thousand).

27. Inventories

Inventories

in € thousand	31.12.2016	31.12.2015
Raw materials, consumables and supplies	19,237	20,073
Work in progress	2,159	1,719
Finished products and merchandise	616	791
	22,012	22,583

Impairment losses on inventories recognised as an expense amount came to € 1,269 thousand (previous year: € 1,225 thousand). This expense is reported under cost of materials, see ▶ Note 12, page 102.

28. Trade Receivables

Trade Receivables

in € thousand	31.12.2016	31.12.2015
	160,440	128,130

The trade receivables are owed by third parties, do not bear interest and all have a remaining term of less than one year. No receivables were assigned as collateral for financial liabilities, either in the previous year or in the year under review. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

Details of impairment allowances for trade receivables can be found in ▶ Note 47, page 136.

29. Receivables from Related Parties

Receivables from Related Parties

in € thousand	31.12.2016	31.12.2015
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	74,000	43,906
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	5,175	4,915
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH (KTH)	1,262	2,286
Receivables from Free and Hanseatic City of Hamburg (FHH)	793	1,351
Receivables from Hamburg Port Authority (HPA)	121	349
Receivables from METRANS İSTANBUL STI	0	4,061
Other receivables from related parties	385	1,647
	81,736	58,515

Receivables from HGV include € 74,000 thousand from existing cash clearing (previous year: € 43,900 thousand).

METRANS İSTANBUL STI was included in the group of consolidated companies at HHLA for the first time in the reporting year. The associated receivables were therefore eliminated during a consolidation of liabilities.

30. Other Financial Receivables

Other Financial Receivables

in € thousand	31.12.2016	31.12.2015
Current receivables from employees	1,345	1,234
Current reimbursement claims against insurers	591	365
Other	236	1,687
	2,172	3,286

31. Other Assets

Other Assets

in € thousand	31.12.2016	31.12.2015
Current tax credit	12,513	13,046
Payments on account	4,434	4,868
Other	22,930	10,901
	39,877	28,815

Current tax credits were lower than in the previous year. This was largely because value added tax receivables were down.

Payments on account relate among other things to prepayments of € 772 thousand (previous year: € 2,443 thousand) for flood protection work.

Other assets include receivables of € 14,489 thousand from a leasing company resulting from an agreement being changed from a finance lease to an operating lease.

32. Income Tax Receivables

Income Tax Receivables

in € thousand	31.12.2016	31.12.2015
	488	8,644

Income tax receivables consist of tax receivables resulting from advance tax payments and corporation tax credit. The year-on-year decrease stems from adjusted notices of tax prepayment.

33. Cash, Cash Equivalents and Short-Term Deposits

Cash, Cash Equivalents and Short-Term Deposits

in € thousand	31.12.2016	31.12.2015
Cash and cash equivalents with a maturity of up to 3 months	12,869	57,965
Short-term deposits with a maturity of 4–12 months	18,795	73,050
Bank balances and cash in hand	145,528	63,550
	177,192	194,565

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies.

Cash of € 16,193 thousand (previous year: € 10,686 thousand) is subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 207 thousand (previous year: € 1,207 thousand) and had met all the conditions for their use. HHLA is confident that the Group has sufficient credit lines at its disposal whenever required.

34. Non-Current Assets Held for Sale

There were no non-current assets held for sale either in the reporting period or in the previous year.

35. Equity

Changes in the individual components of equity for the 2016 and 2015 financial years are shown in the statements of changes in equity.

Subscribed Capital

As of the balance sheet date, HHLA's share capital consists of two different classes of share: Class A shares and Class S shares. Subscribed capital totals € 72,753 thousand, divided into 70,048,834 Class A shares and 2,704,500 Class S shares; each no-par-value share represents € 1.00 of share capital on paper.

The share capital has been fully paid in.

In the course of the stock flotation on 2 November 2007, 22,000,000 Class A shares were placed on the market. This corresponds to a free float of approx. 30 % of HHLA's share capital.

As of the balance sheet date, the Free and Hanseatic City of Hamburg holds 69.58 % of the voting rights through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

Authorised Capital I

The Executive Board is authorised until 13 June 2017, with the consent of the Supervisory Board, to increase the company's share capital by up to € 35,024,417.00 by issuing up to 35,024,417 new registered Class A shares (no-par-value shares each with a nominal value of € 1.00) in return for cash deposits and/or contributions in kind on a one-off or repeated basis (authorised capital I). The statutory subscription right of the holders of Class S shares shall be excluded. Class A shareholders must in principle be granted subscription rights. The new shares may also be purchased by one or more banks chosen by the Executive Board together with the obligation to offer them for sale to Class A shareholders (indirect subscription right). However, the Executive Board is authorised – with the approval of the Supervisory Board – to exclude the subscription rights of holders of Class A shares in certain cases:

a. if it is necessary to do so in order to offset fractional amounts;

b. if the Class A shares are issued in return for a contribution in kind, especially in connection with the acquisition of companies, parts of companies or equity shares in companies, as part of company mergers and/or for the purpose of acquiring other assets, including rights and receivables; subscription rights may only be excluded for Class A shares accounting for up to 20 % of the share capital attributable to Class A shares in conjunction with this authorisation (i.e. up to the amount of € 14,009,766.00);

c. if the company's Class A shares are issued in return for cash and the issue price per share is not significantly lower than the price of similar Class A shares in the company already listed on the stock exchange at the time of the share issue. However, subscription rights can only be excluded in this case if the number of shares thus issued together with the number of treasury shares sold during the term of this authorisation for which subscription rights were excluded as per Section 186 (3) sentence 4 AktG and the number of Class A shares which can be created by exercising warrants and/or conversion rights or fulfilling conversion obligations arising from warrants, convertible bonds and/or participation rights issued during the term of this authorisation for which subscription rights were excluded as per Section 186 (3) sentence 4 AktG does not exceed a total of 10 % of the company's share capital at the time this authorisation comes into effect or – if the total is lower – at the time the authorisation is exercised;

d. if the Class A shares are offered to persons employed by the company or by one of its associates as defined in Section 15 AktG or are transferred to them;

e. to the extent necessary to grant the bearers of warrants, convertible bonds and/or conversion obligations those subscription rights to new Class A shares to which they would be entitled as shareholders after exercising the warrant or conversion right or fulfilling their conversion obligation.

The Executive Board shall be authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of the capital increases out of authorised capital I, in particular the additional rights embodied in share certificates and the other conditions of the share issue. After each share increase from authorised capital – or once the authorisation has expired – the Supervisory Board is permitted to adjust the wording of the articles of association accordingly, in particular with regard to the amount of share capital and the number of no-par-value Class A shares in existence.

Authorised Capital II

The Executive Board is authorised until 13 June 2017, with the consent of the Supervisory Board, to increase the company's share capital by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares (no-par-value shares each with a nominal value of € 1.00) in return for cash deposits and/or contributions in kind on a one-off or repeated basis (authorised capital II). The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is authorised, with the consent of the Supervisory Board, to remove from the Class S shareholders' subscription right fractional amounts which arise due to the subscription relationship.

The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the implementation of capital increases out of authorised capital II, in particular the additional rights embodied in a share certificate and the other conditions of the share issue. After each share increase from authorised capital – or once the authorisation has expired – the Supervisory Board is permitted to adjust the wording of the articles of association accordingly, in particular with regard to the amount of share capital and the number of no-par-value Class S shares in existence.

Other Authorisations

The Annual General Meeting of HHLA held on 16 June 2016 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 16 June 2019 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as “debenture bonds”) with a total nominal value of up to € 200,000,000.00 and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered Class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the bonds with warrants and/or convertible bonds. The respective terms may also provide for a warrant or conversion obligation as well as an issuer put option to provide Class A shares in the company as of the end of the term or at an earlier date. The detailed terms of the resolution state that shareholders’ subscription rights may also be excluded when the debenture bonds are issued. As per Article 3 (6) of the articles of association, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered Class A shares.

The Annual General Meeting held on 16 June 2016 additionally authorised the company’s Executive Board to purchase Class A treasury shares up to a maximum of 10 % of the portion of the company’s share capital accounted for by Class A shares at the time of the resolution or, if lower, at the time the authorisation is exercised. In addition to being sold on the stock exchange or offered to all shareholders in line with their shareholdings, the Class A treasury shares acquired under this authorisation or previous authorisations may – subject to the approval of the Supervisory Board – be used in the cases stipulated by the resolution excluding other shareholders’ subscription rights and/or be redeemed either in whole or in part without the need for an additional resolution by the Annual General Meeting. This authorisation expires on 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares.

HHLA does not currently hold any treasury shares. There are no plans to buy back shares.

Capital Reserve

The Group’s capital reserve includes premiums from share issues and the associated costs of issue, which are deducted from the capital reserve. It also comprises premiums from capital increases at subsidiaries with non-controlling interests and a reserve increase from an employee stock purchase plan.

At the reporting date, the HHLA Group had capital reserves of € 141,584 thousand (previous year: € 141,584 thousand).

Retained Earnings

Retained earnings include net profits from prior years for companies included in the Consolidated Financial Statements, as far as these were not distributed as dividends. This item also encompasses differences between HGB and IFRS as of 1 January 2006 (the transitional date).

In the previous year, measurement differences between HGB and IFRS in the amount of € 4.5 million resulting from the separation of divisions were recognised directly in equity in the divisional financial statements of the Port Logistics subgroup and the Real Estate subgroup.

Other Comprehensive Income

In accordance with the currently applicable version of IAS 19 (revised 2011), the HHLA Group’s other comprehensive income includes all actuarial gains and losses from defined benefit pension plans. This item additionally comprises changes in the fair value of hedging instruments (cash flow hedges), changes in the fair value of working lifetime accounts and the corresponding tax effects.

The reserve for translation differences enables the recognition of differences arising on the translation of financial statements for foreign subsidiaries.

Non-Controlling Interests

Non-controlling interests comprise outside interests in the Group companies’ consolidated equity and totalled € 32,094 thousand at the end of the financial year (previous year: € 30,707 thousand).

Non-controlling interests increased due to the inclusion of current earnings. They were reduced by the reclassification as per IAS 32 of a minority shareholder’s future estimated entitlements to financial settlements as other financial liabilities for the term of the profit and loss transfer agreement, see ▶ Note 6, page 91 and ▶ Note 38, page 126.

Notes on Capital Management
Capital management at HHLA aims to ensure the Group’s long-term financial stability and flexibility in order to safeguard the Group’s growth and enable its shareholders to participate in its success. Balance sheet equity is the primary benchmark in this regard. The key value-oriented performance indicator at the HHLA Group is the return on capital employed (ROCE). The equity ratio is also monitored in order to maintain a stable capital structure.

Equity Ratio

in %	31.12.2016	31.12.2015
Equity in € thousand	570,838	580,560
Total assets in € thousand	1,812,867	1,750,364
	31%	33%

The equity ratio decreased compared to the previous year. The decrease in equity is primarily attributable to the development in comprehensive income less dividend distributions. By way of contrast, the balance sheet total increased due to significant changes in deferred tax assets, trade receivables, pension provisions and other non-current provisions.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. see ▶ Note 38, page 126 for more information.

36. Pension Provisions

Pension Obligations
Provisions for pensions and similar obligations are formed for commitments arising from both vested rights to future pension payments and current payments to active and former members of HHLA Group companies in Germany and any surviving dependants who are entitled to receive such benefits. A distinction is made between defined benefit and defined contribution company pension plans.

Defined Benefit Pension Plans
In the case of defined benefit plans, the Group is obliged to make the agreed payments to current and former employees. HHLA’s pension scheme is financed by both provisions and funds.

Company retirement benefits are paid on the basis of various entitlements. As well as individual agreements these are primarily the collective company pension agreement (BRTV) and the so-called “port pension”, which is governed by a collective labour agreement for port workers in German seaports.

The BRTV is a total benefit plan. HHLA guarantees the participating employees a certain amount of benefits, which are made up of the statutory pension and the company pension. The amount of total benefits is determined by a variable percentage (according to years of service) of a fictitious net payment in the final wage or salary band based on the applicable social security data contribution levels for the year 1999. The current contribution assessment ceiling is always taken into account.

The amount of the port pension depends on the years in service and is determined by the collective labour agreement for German seaports.

Based on these pension plans, the Group forms provisions for pensions and similar obligations for the amount of expected future retirement and surviving dependants’ pensions. External actuaries calculate the amount of the obligation using the projected unit credit method.

Amounts Recognised for Benefit Commitments

in € thousand	31.12.2016	31.12.2015
Present value of pension commitments	442,608	403,613
Obligations from working lifetime accounts	17,922	11,995
	460,530	415,608

Pension Commitments

The balance sheet shows the full present value of pension obligations including actuarial gains and losses. The reported pension obligation relates to an unfinanced plan.

Development of the Present Value of Pension Obligations

in € thousand	2016	2015
Present value of pension obligations as of 1. January	403,613	436,227
Current service expense	4,990	5,038
Past service expense	1,439	547
Interest expense	8,859	7,461
Pension payments	- 19,364	- 19,487
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 3,707	2,060
Actuarial gains (-), losses (+) due to amendments in financial assumptions	46,778	- 28,233
Present value of pension obligations as of 31. December	442,608	403,613

Present Value of the Defined Benefit Pension Obligations Split by Various Groups of Beneficiaries

in %	2016	2015
Current employees	37.1	37.4
Former employees	1.9	3.0
Pensioners	61.0	59.6
	100.0	100.0

As of 31 December 2016, the weighted average term of the defined benefit obligation was 13.6 years (previous year: 13.8 years).

Pension Commitments Recognised in the Income Statement

in € thousand	2016	2015
Current service expense	4,990	5,038
Past service expense	1,439	547
Interest expenses	8,859	7,461
	15,288	13,046

Development of Actuarial Gains/Losses from Pensions Commitments

in € thousand	2016	2015
Actuarial gains (+)/losses (-) as of 1 January	- 39,810	- 65,983
Changes in the financial year due to amendments in experience-based assumptions	3,707	- 2,060
Changes in the financial year due to amendments in financial assumptions	- 46,778	28,233
Actuarial gains (+)/losses (-) as of 31 December	- 82,881	- 39,810

Actuarial Assumptions to Determine Pension Provisions

in %	31.12.2016	31.12.2015
Discount rate	1.40	2.25
Projected salary increase	3.00	3.00
Adjustment of Social Security Pension according to Pension Insurance Report	2016	2015

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck.

HHLA derives the interest rates used for discounting from corporate loans with a very good credit rating whose terms and payouts match HHLA's pension plans.

Sensitivity Analysis: Pension Provisions

	Change in parameter			Effect on present value		
		31.12.2016	31.12.2015	in € thousand	31.12.2016	31.12.2015
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	28,579	24,729
	Decrease of	0.5 %	0.5 %	Increase of	31,957	27,525
Payment trend	Increase of	0.5 %	0.5 %	Increase of	4,490	4,407
	Decrease of	0.5 %	0.5 %	Decrease of	4,394	4,305
Adjustment to state pension	Decrease of	20.0 %	20.0 %	Increase of	1,983	1,606
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	18,063	15,260

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Pension Payments
In the 2016 financial year, HHLA made pension payments for plans totalling € 19,364 thousand (previous year: € 19,487 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected Pension Payments

in years in € thousand	
2017	21,032
2018	21,194
2019	21,405
2020	21,634
2021	21,806
	107,071

Obligations from Working Lifetime Accounts
In the 2006 financial year, the affiliated companies in Germany undertook to set up working lifetime accounts due to collective labour agreements. Staff could elect to have remuneration components paid into money market or investment funds by the Group until 31 December 2013. Capital has been invested within the company since 1 January 2014. The funds saved in the employee's account are used to give them paid leave before they enter retirement. The amount of pay to which employees are entitled during their early retirement depends on the amount of funds saved, which in turn depends on the performance of the fund assets – based on the model for contributions up to 31 December 2013 and taking the 3.00 % return guaranteed in the collective labour agreement into account for contributions as of 1 January 2014 – plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligations covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective labour agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

Allocation of Benefit Commitments

in € thousand	31.12.2016	31.12.2015
Present value of obligations	30,832	24,767
Present value of plan assets (fund shares)	- 12,910	- 12,772
Uncovered allocations	17,922	11,995

Development of the Present Value of the Obligations from Working Lifetime Accounts

in € thousand	2016	2015
Present value of the obligations from working lifetime accounts as of 1 January	24,767	20,266
Current service expense	3,610	3,432
Interest expenses	598	388
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	926	1,770
Actuarial gains (-), losses (+) due to amendments in financial assumptions	1,413	- 1,042
Capital payments	- 482	- 47
Present value of the obligations from working lifetime accounts as of 31 December	30,832	24,767

As of 31 December 2016, the weighted average term of the defined benefit obligation was 19.2 years (previous year: 20.0 years).

Development of the Fair Value of Plan Assets from Working Lifetime Accounts

in € thousand	2016	2015
Fair value of plan assets from working lifetime accounts as of 1 January	12,772	12,935
Expected income from plan assets	290	230
Actuarial gains (-), losses (+) due to amendments in financial assumptions	203	- 351
Capital payments	- 355	- 42
Fair value of plan assets from working lifetime accounts as of 31 December	12,910	12,772

The plan assets consist solely of shares in money market and investment funds. Gains of € 163 thousand were recorded on the plan assets in the financial year (previous year: losses of € 148 thousand).

Actuarial Assumptions to determine Provisions from Working Lifetime Accounts

in %	31.12.2016	31.12.2015
Discount rate	1.70	2.25
Forecast increase in pay	3.00	3.00

The biometric data is drawn from the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck, taking into account age-related fluctuation.

Working Lifetime Accounts recognised in the Income Statement (with the exception of the covered part of the service expenses for funds)

in € thousand	2016	2015
Current service expense including salary conversion	3,610	3,432
thereof gathered at costs as uncovered part	405	301
thereof gathered at funds as covered part	3,205	3,131
Interest expenses	598	388
Expected income from the plan assets	- 290	- 230
	3,918	3,590

Development of Actuarial Gains/Losses from Working Lifetime Accounts

in € thousand	2016	2015
Actuarial gains (+)/losses (-) as of 1. January	- 827	252
Changes in the financial year due to amendments in experience-based assumptions	- 926	- 1,770
Changes in the financial year due to amendments in financial assumptions	- 1,210	691
Actuarial gains (+)/losses (-) as of 31 December	- 2,963	- 827

Sensitivity Analysis: Working Lifetime Accounts

	Change in parameter			Effect on present value			
		31.12.2016	31.12.2015	in € thousand	31.12.2016		31.12.2015
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	1,345	Decrease of	852
	Decrease of	0.5 %	0.5 %	Increase of	1,534	Increase of	972
Payment trend	Increase of	0.5 %	0.5 %	Increase of	76	Increase of	62
	Decrease of	0.5 %	0.5 %	Decrease of	84	Decrease of	69
Expected mortality	Decrease of	10.0 %	10.0 %	Decrease of	31	Increase of	12

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Until 31 December 2013, the obligations from working lifetime accounts were financed by paying a portion of employees' remuneration into the unit-linked pension plan. For 2017, HHLA expects payments in the amount of € 1.7 million.

Portfolio for Obligations from Working Lifetime Accounts

in %	2016	2015
Money market funds	51	52
Mixed funds	33	32
Funds of funds	15	15
Annuity funds	1	1
	100	100

Payments for Obligations from Working Lifetime Accounts

In the financial year under review, HHLA made payments for plans totalling € 482 thousand (previous year: € 47 thousand). In return, the company acquired corresponding securities holdings worth € 355 thousand (previous year: € 42 thousand). The outflow of funds therefore amounted to € 127 thousand in the year under review (previous year: € 5 thousand).

Expected Payments for Obligations from Working Lifetime Accounts which are not Hedged by Securities

in years in € thousand	
2017	361
2018	475
2019	493
2020	709
2021	679
	2,717

Defined Contribution Pension Plans

In the case of defined contribution plans, the relevant companies merely make payments to dedicated funds. There are no further obligations. HHLA does not incur any financial or actuarial risks arising from these commitments.

The costs incurred in connection with pension funds which are to be regarded as defined contribution pension plans amounted to € 5,087 thousand in the reporting year (previous year: € 4,454 thousand).

HHLA paid € 26,794 thousand (previous year: € 26,005 thousand) into the state pension system as its employer's contribution.

37. Other Non-Current and Current Provisions

Other Non-Current and Current Provisions

	Non-current		Current		Total	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Demolition obligations	70,606	58,927	0	0	70,606	58,927
Restructuring reserve	10,703	0	2,637	0	13,340	0
Bonuses and single payments	0	0	7,623	6,939	7,623	6,939
Provisions for contingent losses	7,244	0	2	27	7,246	27
Anniversaries	2,885	3,039	365	0	3,250	3,039
Insurance excesses	0	0	2,831	1,901	2,831	1,901
Phased early retirement	495	660	715	1,066	1,210	1,726
Legal fees and litigation expenses	641	712	0	0	641	712
Expected increases in rents	0	0	583	298	583	298
Other	10,070	3,556	2,956	1,077	13,026	4,633
	102,644	66,894	17,712	11,308	120,356	78,202

Demolition Obligations

The demolition obligations relate to HHLA's Container, Logistics and Real Estate segments and are discounted at a rate of 2.0 % p.a. (previous year: 3.0 % p.a.). In the reporting year, an anticipated price increase of 2.0 % (previous year: 2.0 %) was used to calculate the provisions shown. This rate is derived from the German construction cost index. The outflow of these resources is expected in the period 2025–2036.

Restructuring Provisions

The restructuring provision relates to reorganising the Logistics segment. The outflow of funds will take place between 2017 and 2025.

Bonuses and Single Payments

Provisions for bonuses and one-off payments largely consist of provisions for Executive Board members and other senior staff. The funds will become payable in the 2017 financial year.

Provisions for Impending Losses

The provision for impending losses relates to expenses arising from an onerous lease for a terminal site. The outflow of these resources is expected to take place in the period 2017–2039.

Anniversaries

The provisions for anniversaries relate to Group employees' contractual entitlement to anniversary gratuities. The amount recognised is determined by an actuarial opinion. A discount rate of 1.40 % p. a. (previous year: 2.25 % p. a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2017–2057.

Insurance Excesses

This obligation relates to provisions largely created by the Group's parent company to allow for potential cases of damage or loss which go beyond the existing insurance cover. The funds will become payable in the 2017 financial year.

Phased Early Retirement

Provisions for phased early retirement obligations consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus a supplementary amount added pro rata temporis.

The securities holdings acquired in connection with phased early retirement contracts are classified as plan assets under IAS 19 (revised 2011). They were therefore offset against the phased early retirement obligations included in the provisions. The corresponding figure of € 3,116 thousand (previous year: € 3,120 thousand) therefore reduces the provisions reported, see ▶ Note 26, page 115. In addition to this, pledged bank balances serve to cover the obligation in existence as of the balance sheet date. The amount of the provision was determined using a discount rate of 0.0 % p. a. (previous year: 0.0 % p. a.). The outflow of these resources is expected to take place in the period 2017–2025.

Legal Fees and Litigation Expenses
As of the balance sheet date and as in the previous year, the obligations reported consisted mainly of provisions for legal risks associated with pending proceedings. The outflow of these resources is due between 2018 and 2019.

Expected Increases in Rents
The provision for expected increases in rents was formed for future changes in rents. The funds will become payable in the 2017 financial year.

Other
Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The outflow of funds will take place between 2017 and 2022.

Development of Other Non-Current and Current Provisions

in € thousand	01.01.2016	Additions	Accured interest	Used	Reversed	31.12.2016
Demolition obligations	58,927	13,283	1,584	253	2,935	70,606
Restructuring reserve	0	13,340	0	0	0	13,340
Bonuses and single payments	6,939	7,623	0	6,751	188	7,623
Provisions for contingent losses	27	7,246	0	2	25	7,246
Anniversaries	3,039	487	67	344	0	3,250
Insurance excesses	1,901	2,533	0	1,524	79	2,831
Phased early retirement	1,726	1,692	0	2,208	0	1,210
Legal fees and litigation expenses	712	3	0	35	39	641
Expected increases in rents	298	374	0	89	0	583
Other	4,633	10,053	0	1,542	118	13,026
	78,202	56,634	1,651	12,748	3,384	120,356

38. Non-Current and Current Financial Liabilities

Non-Current and Current Financial Liabilities as of 31 December 2016

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	32,225	92,197	173,928	298,350
Finance lease liabilities	3,762	9,230	26,051	39,043
Other loans	0	556	15,500	16,056
Liabilities towards employees	9,719	0	0	9,719
Negative fair values of exchange and interest rate hedges	0	0	0	0
Other financial liabilities	30,908	21,652	36	52,596
	76,614	123,635	215,515	415,764

Non-Current and Current Financial Liabilities as of 31 December 2015

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	38,688	105,603	185,305	329,596
Finance lease liabilities	3,886	8,628	27,570	40,084
Other loans	0	639	16,500	17,139
Liabilities towards employees	15,194	0	0	15,194
Negative fair values of exchange and interest rate hedges	164	0	0	164
Other financial liabilities	34,113	26,998	174	61,285
	92,045	141,868	229,549	463,462

Amounts due to banks also include interest of € 1,130 thousand accrued up to the balance sheet date (previous year: € 1,913 thousand). Transaction costs of € 320 thousand (previous year: € 713 thousand), incurred by taking out loans, only increase the amounts due to banks for the duration of the loan.

Other loans comprise a € 10.5 million loan granted by a minority shareholder (previous year: € 11.5 million) as well as promissory note loans of € 5 million issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 3,112 thousand (previous year: € 4,207 thousand) have been pledged as collateral for interest-bearing loans. The collateral agreements provide that the assets are transferred to the banks until the loans and interest have been repaid in full and that they have a right to dispose of the assets if the borrower is in arrears with payments of interest and principal.

The liabilities from finance leases represent the discounted value of future payments for movable non-current assets.

The liabilities towards employees consist primarily of wages and salaries.

The other financial liabilities include a settlement obligation to other shareholders. This entitlement to a financial settlement amounts to € 40,647 thousand for the financial years 2016 and 2017 (previous year: € 47,161 thousand for the financial years 2015 and 2016), see also ▶ Note 6, page 91 and ▶ Note 35, page 117.

Terms of Liabilities from Bank Loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU1	Carrying amount as of 31.12.2016 in € thousand
fixed	0.78 – 4.22 %	EUR	2021 and later	196,852	140,490
fixed	2.76 %	EUR	2020	16,873	9,449
fixed	3.55 – 3.80 %	EUR	2019	20,890	16,581
fixed	3.79 – 4.80 %	EUR	2018	17,641	1,964
fixed	1.90 – 5.67 %	EUR	2017	33,579	3,179
floating	floating + margin	EUR	2017	151,150	105,213
floating	floating + margin	USD	2017	36,000	20,664
					297,540

1 TCU = Thousand Currency Units

The floating interest rates are EURIBOR or LIBOR rates with maturities of one to six months.

Financial Liabilities for which Fair Value is not Equivalent to the Carrying Amount

	Carrying amount		Fair value	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Fixed interest bearing loans	171,663	240,908	178,093	244,891

Interest rates of 1.2 to 2.2 % p. a. (previous year: 1.2 to 2.6 % p. a.) were used to measure the fair value of fixed interest-bearing loans. The interest rates are derived from the risk-free rate depending on maturity plus a premium according to the credit rating. They therefore constitute market rates. The average interest rate for the reported liabilities from bank loans was 2.2 % in the reporting year (previous year: (2.6 %).

The variable interest rates were partly hedged by interest rate hedges until October 2016 (see also ▶ Note 47, page 136). As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures and collateral. Violating these covenants would authorise the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such steps, HHLA constantly monitors compliance with the covenants and, where required, implements measures to ensure that all conditions of the loan are met. As of the balance sheet date, the corresponding borrowings totalled € 64,133 thousand (previous year: € 67,589 thousand).

Maturity of Bank Liabilities

in € thousand	
Up to 1 year	31,095
1 year to 2 years	25,662
2 years to 3 years	23,434
3 years to 4 years	22,880
4 years to 5 years	20,541
Over 5 years	173,928
	297,540

39. Trade Liabilities

Trade Liabilities

in € thousand	31.12.2016	31.12.2015
	68,106	52,007

Trade liabilities from the financial year are only owed to third parties. As in the previous year the total amount is due within one year.

40. Non-Current and Current Liabilities to Related Parties

Non-Current and Current Liabilities to Related Parties as of 31 December 2016

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	390	2,192	103,722	106,304
Other liabilities to related parties	8,950	0	0	8,950
	9,340	2,192	103,722	115,254

Non-Current and Current Liabilities to Related Parties as of 31 December 2015

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	342	1,894	104,410	106,646
Other liabilities to related parties	6,787	0	0	6,787
	7,129	1,894	104,410	113,433

The liabilities to HPA involve leased mega-ship berths at both the Container Terminal Burchardkai and the Container Terminal Tollerort in Hamburg. The amount recognised in the balance sheet is equivalent to the present value of finance lease liabilities and is based on a lease term up to and including 2062, see also ▶ Note 45, page 134 and ▶ Note 47, page 136.

Financial Liabilities to Related Parties for which the fair values do not correspond to the book values

	Carrying amount		Fair value	
in € thousand	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities to HPA (finance leases)	106,304	106,646	149,820	141,626

41. Other Liabilities

Other Liabilities

in € thousand	31.12.2016	31.12.2015
Liabilities to employees	8,946	0
Tax liabilities	8,005	9,682
Employers' liability insurance premiums	4,342	4,295
Advance payments received for orders	2,156	1,398
Port workers' welfare fund (Hafenfonds)	1,325	1,417
Social security payables	1,232	1,043
Public subsidies	0	2,105
Other	3,940	2,903
	29,946	22,843

The liabilities towards employees include liabilities arising from holiday entitlements (reported within financial liabilities in the previous year).

The decline in tax liabilities is mainly due to the reduction in VAT advance payment liabilities at domestic companies and tax liabilities at foreign companies.

The public subsidies in the previous year relate to preliminary funding in connection with the promotion of intermodal transport. These are deducted from the acquisition cost capitalised for the subsidised investments following an audit to confirm that all the requirements have been met.

There is sufficient certainty that all the conditions have been or will be fulfilled for the public subsidies to promote intermodal transport totalling € 40,815 thousand which were paid to HHLA in the period between 2001 and 2016. These subsidies have therefore already been deducted from the cost of purchasing the subsidised investments. The conditions for the subsidies include obligations to operate the subsidised equipment for a retention period of five to 20 years, observe certain operating criteria and provide the subsidising body with evidence for the use of the funds. The HHLA Group received € 2,774 thousand in public subsidies in the reporting year.

All other liabilities have a remaining term of up to one year.

42. Income Tax Liabilities

Income Tax Liabilities

in € thousand	31.12.2016	31.12.2015
	12,272	5,303

Income tax liabilities result from expected additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the Annual Financial Statements, provisions are made for the corresponding amounts of corporation tax, solidarity surcharge and trade tax on the basis of the tax and legal situation known at the time of preparation.