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 (in the following, HHLA or the Group), registered in the Hamburg Commercial Register under HRB 1902. The holding company above the Group is HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

Since 1 January 2007, the 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 128.

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 cash flow statement and the statement of changes in equity for each subgroup.

HHLA's Consolidated Financial Statements for the 2017 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 315e (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 2017 financial year are based on the same accounting and valuation principles used for the 2016 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in ▶ Note 5, page 85. Use of the latter became mandatory for the Group on 1 January 2017. The accounting and valuation principles applied are explained in ▶ Note 6, page 88.

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 2017 were approved by the Executive Board on 1 March 2018 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 88 and ▶ Note 7, page 96.

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 81 and ▶ Note 35, page 114.

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 28 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 138. 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 2017	24	14	38
Mergers	4	0	4
31 December 2017	**20**	**14**	**34**
Companies reported using the equity method			
1 January 2017	8	0	8
31 December 2017	**8**	**0**	**8**
Total 31 December 2017	28	14	42

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for HHLA 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, HHLA AG 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 control begins until the time 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	
			2017	2016
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %
METRANS a.s.	Prague, Czech Republic	Intermodal	90.0 %	90.0 %

Financial Information about the Subsidiaries with Substantial Non-controlling Interests

	HHLA Container Terminal Altenwerder GmbH		METRANS a.s.	
in € thousand	2017	2016	2017	2016
Percentage of non-controlling interests	25.1 %	25.1 %	10.0 %	10.0 %
Non-current assets	81,535	82,100	228,087	208,832
Current assets	180,120	141,930	58,453	75,828
Non-current liabilities	53,938	52,757	62,935	108,538
Current liabilities	131,106	94,984	59,739	25,567
Net assets	**76,611**	**76,289**	**163,866**	**150,555**
Book value of non-controlling interests	**- 4,466**	**28**	**24,426**	**22,278**
Revenue	275,022	232,483	238,629	230,497
Annual net profit	828	- 734	43,355	41,182
Other comprehensive income	- 506	- 922	0	0
Total comprehensive income	**322**	**- 1,656**	**43,355**	**41,182**
of which attributable to non-controlling interests	81	- 416	4,326	4,109
of which attributable to shareholders of the parent company	241	- 1,240	39,029	37,073
Cash flow from operating activities	108,708	89,328	78,860	51,288
Settlement obligation/intended dividend to holders of non-controlling interests	- 30,900	- 22,603	- 3,038	- 2,536

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	2017	2016
Group share of profit or loss	3,917	3,746
Group share of other comprehensive income	5	- 248
Group share of comprehensive income	3,922	3,498

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	31.12.2017	31.12.2016
Aggregate book value	11,243	10,481

Interests in Associated Companies

Companies designated as associated companies are those over which 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. 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 venture 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

The companies HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg, and HHLA Logistics GmbH, Hamburg, were merged to form Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, upon entry into the commercial register on 18 August 2017 and with effect from 1 January 2017.

The companies HPTI Hamburg Port Training Institute GmbH, Hamburg, and Uniconsult Universal Transport Consulting Gesellschaft mit beschränkter Haftung, Hamburg, were merged to form HPC Hamburg Port Consulting GmbH, Hamburg, upon entry into the commercial register on 28 July 2017 and with effect from 1 January 2017.

The mergers had no effect on HHLA's Consolidated Financial Statements.

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

4. Foreign Currency Translation

Monetary assets and liabilities in the 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 profit of € 2,604 thousand in the financial year, largely due to the appreciation of the Czech koruna (previous year: loss of € 2,188 thousand largely due to the depreciation of the Ukrainian currency).

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.

The proportion of equity attributable to shareholders of the parent company fell, with the change recognised directly in equity, by € 5,446 thousand (previous year: € 2,902 thousand) largely due to the depreciation of the Ukrainian currency in the amount of € 5,831 thousand (previous year: € 3,019 thousand).

Foreign Currency Translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO code	31.12.2017	31.12.2016	2017	2016
Czech crown	CZK	25.535	27.021	26.345	27.041
Georgian lari	GEL	3.104	2.794	2.855	2.627
Hungarian forint	HUF	310.330	309.830	309.321	312.177
Polish zloty	PLN	4.177	4.410	4.256	4.368
Ukrainian hryvnia	UAH	33.495	28.423	30.087	28.094

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 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. Adoption into EU law was announced in Commission Regulation (EU) 2017/1990 on 6 November 2017. These amendments should be taken into account for financial years which begin on or after 1 January 2017. This has no substantial impact on HHLA's Consolidated Financial Statements.
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. The amendments were enacted in EU law with Commission Regulation (EU) 2017/1989 on 6 November 2017. These amendments should be taken into account for financial years which begin on or after 1 January 2017. They had no impact on HHLA's Consolidated Financial Statements.
Improvements to IFRS 2014–2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB in December 2016. Three standards are affected in total. The amendments to IFRS 12 Investment Entities clarify that the regulations contained in the standard also apply to interests covered by IFRS 5. The amendments were enacted in EU law with Commission Regulation (EU) 2018/182 on 7 February 2018. The effective date is 1 January 2017. The amendments had no effect on the present 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
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. The amendments relate to the inclusion of vesting conditions in the measurement of cash-settled share-based payment transactions and amendments relating to the classification of share-based payments that provide for net settlement for taxes to be withheld. The standard also deals with the accounting treatment of the amendments. The amendments were adopted into EU law with Commission Regulation (EU) 2018/289 on 26 February 2018. These amendments apply to financial years beginning on or after 1 January 2018. Early adoption is permitted. Adoption is not expected to have any impact on the Consolidated Financial Statements.
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. In the future, financial assets will be classified based on criteria relating to the business model and the associated cash flows. Due to the new provisions on impairment, losses expected in the future will be recognised earlier in profit and loss in some cases. The amendments were enacted in EU law with Commission Regulation (EU) 2016/2067 on 22 November 2016. Adoption is expected to be mandatory for financial years which begin on or after 1 January 2018. Early adoption is permitted. In accordance with the transition guidance, the Group will not adjust the prior-year figures and will report the transition effects on a cumulative basis in revenue reserves. The main financial assets reported by the Group include cash, cash equivalents, trade receivables and receivables from related parties (public-sector companies). Cash and cash equivalents are generally only invested with counterparties with very good credit ratings. The actual default risk associated with these investments is very low, ▶ see Note 47, page 133. The new impairment model does not have any material impact on the financial assets. As far as the trade receivables are concerned, the Group was not exposed to any material default risk extending beyond the impairment allowances set up in the 2017 financial year, ▶ see Note 47, page 133. As things stand at present, the Group expects to see stable development in the future, too. It does not expect to see any significant increase in risk provisions based on the amended impairment model.
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. The Group will apply the standard for the first time by recognising the cumulative adjustment amounts from the initial application of the standard at the time of initial application. This involves recognising the cumulative effect of the adjustment to the value in the opening balance sheet in equity. The Group does not expect any material changes in revenue from contracts with customers compared to the previous application of IAS 18.
Amendments to IFRS 15 Clarifications	The final amendments to IFRS 15 were published by the IASB in April 2016. For the most part, the amendments to this standard are clarifications and additional simplifications for the transition to IFRS 15. The amendments were enacted in EU law with Commission Regulation (EU) 2017/1987 on 31 October 2017. 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. In general, all leases are now to be recognised as rights of use for accounting purposes. 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 EU enacted this standard in its legislation with Commission Regulation (EU) 2017/1986 dated 31 October 2017. The effective date is 1 January 2019. Earlier adoption is permitted if IFRS 15 Revenue from Contracts with Customers is already applied. The Group will apply the standard for the financial year starting on 1 January 2019. The Group has not yet made a decision on the application of the transition guidance. Based on its obligations from operating leases where it is a lessee – ▶ see Note 45, page 131 – all other things being equal, the Group expects the balance sheet total to increase significantly compared with the existing accounting due to the new regulations set out in IFRS 16. 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 to IFRS 2014–2016 Cycle	The 2014–2016 annual round of improvements to IFRS was published by the IASB in December 2016. Three standards are affected in total. 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. The amendments were enacted in EU law with Commission Regulation (EU) 2018/182 on 7 February 2018. IFRS 1 and IAS 28 become applicable on 1 January 2018. HHLA does not anticipate any effects for the Consolidated Financial Statements.

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 19 Plan Amendment, Curtailment or Settlement	In accordance with IAS 19, pension obligations are to be measured based on updated assumptions in the event of plan amendment, curtailment or settlement. This amendment clarifies that, after such an event, the past service cost and net interest for the remainder of the period must be taken into account based on updated assumptions. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The aim of the amendments, which were published in October 2017, is to clarify that an entity must apply IFRS 9 Financial Instruments to all long-term interests in an associate or joint venture, irrespective of the accounting method. The amendments take effect for reporting periods that begin on or after 1 January 2019. Early adoption is permitted.
Amendments to IAS 40 Transfers of Investment Property	The IASB published amendments to IAS 40 Investment Property in 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 will examine their effect on the Consolidated Financial Statements.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The IASB published these amendments to IFRS 9 in October 2017. They are designed to facilitate measurement at amortised cost/at fair value through other comprehensive income even for financial assets that do not meet the SPPI criterion. These relate to financial assets with prepayment features that involves one party receiving or paying appropriate compensation in the event of termination (appropriate negative fee). The amendments are to apply to financial years which begin on or after 1 January 2019.
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.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	In 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.
IFRIC 23 Accounting for Uncertainties in Income Taxes	The interpretation published in June 2017 clarifies the accounting treatment of uncertainties relating to income tax treatment under IAS 12. The interpretation is to be applied to taxable profit (tax loss), unused tax losses, unused tax credits and tax rates. The provisions will come into force for financial years starting on 1 January 2019. Early adoption is permitted.
Improvements to IFRS 2015–2017 Cycle	These clarifications were published in December 2017 and apply to four standards. Based on the amendments to IFRS 3 Business Combinations, the principles governing successive business combinations are to be applied when an entity obtains control over a business operation in which it previously held an interest as part of a joint operation. Based on the amendments to IFRS 11 Joint Arrangements, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments to IAS 12 Income Taxes deal with the income tax consequences of dividend payments. The amendments to IAS 23 Borrowing Costs clarify that, in connection with the calculation of the capitalisation rate, the cost associated with debt taken out specifically in connection with the acquisition of the qualifying assets is not to be included until the asset is completed if a company has generally borrowed funds to purchase qualifying assets. The amendments are to be applied with effect from 1 January 2019. Early adoption is permitted.

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

Standard	Content and Significance
Amendments to IFRS 4	Insurance Contracts
IFRS 17	Insurance Contracts

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	2017	2016
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	2017	2016
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 110.

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 recoverable amount is generally calculated based on the fair value less selling costs of the cash-generating unit or asset 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 4.7 and 5.4 % p. a. (previous year: 4.6 to 5.5 % 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. As of the balance sheet date, the Group had no held-to-maturity financial investments during the 2017 and 2016 financial years.

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. On the same date, CTA Besitzgesellschaft mbH was renamed HHLA Container Terminal Altenwerder GmbH. As a result of the merger of HHTC with Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG), a profit and loss transfer agreement with effect as of 1 January 2017 was transferred to HHLA AG in August 2017.

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 123, it was recognised directly in equity and reduced non-controlling interests within equity as a result ▶ Note 35, page 114.

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 2017. This means the company has a further obligation to pay a financial settlement for the 2018 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 5.44 % is used for recognising the expected financial settlement for the 2018 financial year (previous year: 5.46 % for 2017). Expenses of € 12,855 thousand (previous year: € 2,932 thousand) reported through profit and loss in the reporting year is recorded in financial income ▶ Note 16, page 101 and only impacts non-controlling interests in the CTA Group. This figure includes income of € 11,870 thousand (previous year: € 4,387 thousand) from an adjustment to reflect the actual share of earnings and expenses of € 985 thousand arising from the discounting payment obligation recognised in the previous year (previous year: € 1,455 thousand).

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 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
Actual share in the CTA Group's earnings for 2017	30,900
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 12,855
Other adjustments	9
Comprehensive income reported in equity	18,054
Reclassification of the settlement obligation for 2018 to other financial obligations	- 22,620
as of 31 December 2017, taking actual share of earnings and adjustments to settlement obligation into account	- 4,394

Development in Other Financial Liabilities Arising from Settlement Obligations

in € thousand

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
Payment of actual share of earnings for 2016	- 22,603
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	12,855
Reclassification of settlement obligation for 2018 from non-controlling interests	22,620
as of 31 December 2017 with continuation of settlement obligation	53,519

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 grants 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. 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.

There is sufficient certainty that all the conditions have been or will be fulfilled for the grants totalling € 43,625 thousand which were paid to HHLA in the period between 2001 and 2017. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 3,332 thousand in government grants in the reporting year.

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 88. 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 generally used at HHLA less selling costs of the cash-generating units to which the goodwill has been allocated. To estimate the fair value, 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 105.

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 110.

Pension Provisions

Actuarial opinions are commissioned annually to determine the expenses for pensions and similar obligations. 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 116.

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 121.

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 121.

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 88. 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 123.

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 110 and ▶ Note 47, page 133.

Notes to the Income Statement

8. Revenue

Detailed information about revenue can be found in the Segment Report and in the Notes to the Segment Report under ▶ Note 44, page 128.

9. Changes in Inventories

Changes in Inventories

in € thousand	2017	2016
	- 254	266

Changes in inventories relate to changes in the inventories of finished products and service work in progress.

10. Own Work Capitalised

Own Work Capitalised

in € thousand	2017	2016
	5,404	6,473

Own work capitalised results mainly from development activities and from technical work capitalised in the course of construction work.

11. Other Operating Income

Other Operating Income

in € thousand	2017	2016
Income from reimbursements	8,745	27,691
Income from other accounting periods	6,255	8,720
Income from reversal of other provisions	4,745	3,384
Income from compensation	1,992	1,998
Income from exchange rate differences	1,923	1,355
Proceeds on disposal of property, plant and equipment	357	1,179
Other	15,416	13,142
	39,433	57,469

Income from reimbursements in the previous year relates primarily to the termination of the lease for the Übersee-Zentrum and costs which were passed on in connection with leases.

Income from other accounting periods includes income from reversal of other liabilities from previous periods.

Other operating income includes income from the outsourcing of personnel of € 4,158 thousand (previous year: € 4,445 thousand) and, in the 2017 financial year, income from the harmonisation of the existing pension schemes in the amount of € 1,617 thousand.

12. Cost of Materials

Cost of Materials

in € thousand	2017	2016
Raw materials, consumables and supplies	90,125	83,123
Purchased service	280,366	266,844
	370,491	349,967

The expenses for purchased services mainly consist of rail services purchased by the Intermodal segment.

13. Personnel Expenses

Personnel Expenses

in € thousand	2017	2016
Wages and salaries	314,181	306,591
Social security contributions and benefits	77,216	79,246
Staff deployment	66,233	50,287
Service expense	5,674	6,834
Other retirement benefit expenses	513	44
	463,817	443,002

The direct remuneration paid to members of the Executive Board totalled € 2,936 thousand for the 2017 financial year (previous year: € 3,143 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in ▶ Note 48, page 138.

Social security contributions include payments towards the public pension scheme amounting to € 27,636 thousand (previous year: € 26,794 thousand) and payments to the German pension insurance scheme. The increase in personnel expenses in the year under review is due to increases in union wage rates, the higher number of employees and increased demand for external staff. Following restructuring-related expenses in connection with the discontinuation of project and contract logistics in the previous year, the figure for the reporting year includes expenses for the restructuring of the Container segment.

Service expense includes payments from defined benefit pension commitments and similar obligations.

Average Number of Employees

	2017	2016
Fully consolidated companies		
Employees receiving wages	2,879	2,777
Salaried staff	2,595	2,575
Trainees	79	95
	5,553	5,447

In addition, the Group used an annual average of 710 employees (previous year: 558) of Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg (GHB).

14. Other Operating Expenses

Other Operating Expenses

in € thousand	2017	2016
Leasing costs	53,829	62,872
External maintenance services	37,294	34,686
Consultancy, services, insurance and auditing expenses	37,027	34,778
Expenditure for the harmonisation of existing pension schemes	10,762	0
Travel expenses, advertising and promotional costs	3,663	3,440
Other taxes	2,703	2,646
Other personnel expenses	2,380	1,755
External and internal cleaning costs	1,977	2,270
Postage and telecommunications costs	1,449	1,585
Expenses from exchange rate differences	1,271	1,319
Losses on the disposal of property, plant and equipment	1,171	1,800
Venture expenses	1,142	4,566
Expenses from other accounting periods	645	546
Other	10,985	10,203
	166,298	162,466

The increase in other operating expenses was due mainly to the expenses associated with the harmonisation of the existing pension schemes. Taking into account the corresponding income referred to in ▶ Note 11, page 98, the total impact comes to € 9,145 thousand, see ▶ Note 37, page 121.

The drop in leasing expenses had the opposite effect. Detailed information is available in ▶ Note 45, page 131.

15. Depreciation and Amortisation

Depreciation and Amortisation

in € thousand	2017	2016
Intangible assets	11,059	10,794
Property, plant and equipment (without finance lease)	94,873	95,698
Assets classified as finance lease	7,082	6,496
Investment property	9,581	9,443
	122,595	122,431

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule. No write-downs were made in the year under review (previous year: € 1,125 thousand), see ▶ Note 23, page 107.

16. Financial Result

Financial Result

in € thousand	2017	2016
Earnings from associates accounted for using the equity method	4,778	4,677
Income from exchange rate differences	3,256	4,205
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,330	1,812
Interest income from bank balances	63	169
Income from adjustment of settlement obligations to shareholders with non-controlling interests	0	2,932
Income from interest rate hedges	0	45
Interest income	4,649	9,163
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	12,855	0
Interest portion of pension provisions	6,340	9,167
Interest expenses on bank liabilities	6,064	7,314
Interest included in lease payments	5,383	5,446
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,747	1,655
Interest portion of other provisions	1,631	1,651
Expenses from exchange rate differences	1,304	6,429
Expenses from interest rate hedges	0	164
Other	0	1
Interest expenses	35,324	31,827
Net interest income	- 30,675	- 22,664
Income from other equity investments	0	0
Other financial result	0	0
	- 25,897	- 17,987

Earnings from companies accounted for using the equity method relate to the pro rata annual earnings of the joint ventures and associates, see also ▶ Note 25, page 111.

Income and expenses from exchange rate differences in the reporting period are mainly due to the performance of the Czech koruna and the Ukrainian hryvnia.

Please refer to ▶ Note 6, page 88 for details of expenses from the adjustment of settlement obligations to non-controlling interests, which totalled € 12,855 thousand (previous year: income of € 2,932 thousand).

See ▶ Note 38, page 123 for information about the interest expenses associated with amounts due to banks.

17. Research Costs

Research costs of € 277 thousand (previous year: € 149 thousand) were incurred in the 2017 financial year. These primarily related to research for software development.

18. Income Tax

Paid or outstanding income taxes and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, solidarity surcharge and trade tax. Companies domiciled in Germany pay corporation tax of 15.0 % and a solidarity surcharge of 5.5 % of the corporation tax expense. These companies and German-based subsidiaries in the form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax does not reduce the amount of a company's profits on which corporation tax is payable.

Components of Income Tax Expenses

Deferred taxes and current income tax in € thousand	2017	2016
Deferred taxes on temporary differences	- 4,262	- 6,017
of which Domestic	- 4,177	- 6,045
of which Foreign	- 85	28
Deferred taxes on losses carried forward	- 18	- 26
of which Domestic	0	0
of which Foreign	- 18	- 26
Total deferred taxes	- 4,280	- 6,043
Current income tax expense	45,717	47,004
of which Domestic	28,176	31,268
of which Foreign	17,541	15,736
Income tax expense recognised in the income statement	41,437	40,961

Current income tax expenses include tax income from other accounting periods amounting to € 1,131 thousand (previous year: tax expenses of € 1,164 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards.

Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Intangible assets	0	0	2,421	1,953
Property, plant and equipment and finance leases	0	0	16,746	13,220
Investment property	0	0	10,304	11,098
Financial assets	0	0	2,272	1,673
Inventories	750	554	0	0
Receivables and other assets	965	268	358	206
Pension and other provisions	91,051	90,677	2,090	1,973
Liabilities	9,707	6,820	2,986	5,277
Tax losses carried forward	18	0	0	0
	102,491	98,319	37,177	35,400
Netted amounts	- 15,398	- 15,599	- 15,398	- 15,599
	87,093	82,720	21,779	19,801

Reconciliation between the Income Tax Expenses and Hypothetical Tax Expenses based on the IFRS Result and the Group's Applicable Tax Rate

in € thousand	2017	2016
Earnings before tax	147,291	146,023
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	47,546	47,136
Tax income (-), tax expenses (+) for prior years	3,256	831
Effect of tax rate change	0	232
Tax-free income	- 301	- 213
Non-deductible expenses	1,923	1,606
Trade tax additions and reductions	- 1,423	- 803
Permanent differences	4,129	- 948
Differences in tax rates	- 13,592	- 10,071
Impairment losses in deferred tax assets	304	2,033
Other tax effects	- 405	1,158
Actual income tax expenses	41,437	40,961

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realisation. A tax rate of 32.28 % was used for the calculations in both 2017 and 2016. This is made up of corporation tax at 15.0 %, solidarity surcharge of 5.5 % of the corporation tax, and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies generally do not pay trade tax. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to € 1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in the offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognised on tax loss carry-forwards and temporary differences if it is sufficiently certain that they can be realised in the near future. The Group has no domestic corporation tax loss carry-forwards and no domestic trade tax loss carry-forwards. Deferred taxes of € 18 thousand (previous year: € 0 thousand) are recognised on foreign tax loss carry-forwards of € 96 thousand (previous year: € 0 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 1,374 thousand (previous year: € 4,057 thousand), domestic trade tax loss carry-forwards of € 5,383 thousand (previous year: € 4,271 thousand) and foreign tax loss carry-forwards of € 22,238 thousand (previous year: € 19,546 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 25,249 thousand (previous year: € 27,041 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions, cash flow hedges and unrealised gains/losses arising from available-for-sale financial assets.

Deferred Taxes recognised in the Statement of Comprehensive Income

	Gross		Taxes		Net	
in € thousand	2017	2016	2017	2016	2017	2016
Actuarial gains/losses	5,482	- 45,441	- 1,768	14,661	3,714	- 30,780
Cash flow hedges	- 8	231	2	- 74	- 6	157
Unrealised gains/losses on available-for-sale financial assets	145	- 164	- 74	49	71	- 115
	5,619	- 45,374	- 1,840	14,636	3,779	- 30,738

19. Share of Results Attributable to Non-Controlling Interests

Profits due to non-controlling interests in the amount of € 24,788 thousand (previous year: € 32,032 thousand) primarily relate to non-controlling interests in the CTA Group. This share of earnings decreased year on year, mainly because of the interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder (previous year: interest income). A higher actual share of earnings attributable to the CTA Group had the opposite effect.

20. Earnings per Share

Basic earnings per share in €

	Group		Port Logistics Subgroup		Real Estate Subgroup	
	2017	2016	2017	2016	2017	2016
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	81,065	73,030	71,207	63,720	9,858	9,310
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.11	1.00	1.02	0.91	3.65	3.44

Basic earnings per share are calculated in accordance with IAS 33 by dividing the net profit for the Group attributable to the shareholders of the parent company by the average number of shares.

The diluted earnings per share are identical to the basic EPS as there were no conversion or option rights in circulation during the financial year.

21. Dividend per Share

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. This is calculated in accordance with the German Commercial Code (HGB).

A resolution was passed at the Annual General Meeting held on 21 June 2017 to distribute a dividend of € 46,738 thousand to holders of common shares in the reporting year for the 2016 financial year (previous year: € 46,062 thousand). At the time of the distribution, the number of shares entitled to dividends amounted to 72,753,334, of which 70,048,834 are to be attributed to the Port Logistics subgroup (A division) and 2,704,500 to the Real Estate subgroup (S division). This resulted in dividends of € 0.59 per Class A share and € 2.00 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2018, dividends per share of € 0.67 for the Port Logistics subgroup and € 2.00 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2017, this is equivalent to a distribution of € 46,933 thousand for the Port Logistics subgroup and of € 5,409 thousand for the Real Estate subgroup.

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 2016	38,933	12,491	16,622	0	5,805	73,851
Acquisition or production cost						
1 January 2016	38,933	63,936	48,987	1,403	5,805	159,065
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		- 168		6		- 162
31 December 2016	38,930	64,334	62,938	2,263	1,510	169,975
Accumulated depreciation, amortisation and impairment						
1 January 2016	0	51,445	32,365	1,403	0	85,213
Additions		4,588	6,206			10,794
Disposals		- 1,316	- 324			- 1,640
Reclassifications						0
Changes in scope of consolidation/ consolidation method		6				6
Effects of changes in exchange rates		- 111				- 111
31 December 2016	0	54,612	38,247	1,403	0	94,262
Carrying amount as of 31 December 2016	38,930	9,722	24,691	860	1,510	75,713
Carrying amount as of 1 January 2017	38,930	9,722	24,691	860	1,510	75,713
Acquisition or production cost						
1 January 2017	38,930	64,334	62,938	2,263	1,510	169,975
Additions		643	4,461		368	5,472
Disposals		- 29	- 760		- 109	- 898
Reclassifications		212	- 115		- 312	- 215
Changes in scope of consolidation/ consolidation method						0
Effects of changes in exchange rates		- 290		- 2		- 292
31 December 2017	38,930	64,870	66,524	2,261	1,457	174,042
Accumulated depreciation, amortisation and impairment						
1 January 2017	0	54,612	38,247	1,403	0	94,262
Additions		4,713	6,346			11,059
Disposals		- 702	- 82			- 784
Reclassifications						0
Changes in scope of consolidations/ consolidation method						0
Effects of changes in exchange rates		- 174				- 174
31 December 2017	0	58,449	44,511	1,403	0	104,363
Carrying amount as of 31 December 2017	38,930	6,421	22,013	858	1,457	69,679

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	31.12.2017	31.12.2016
Container	37,418	37,418
Intermodal	1,512	1,512
	38,930	38,930

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 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
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
Carrying amount as of 1 January 2017	423,046	219,342	191,413	117,135	950,936
Acquisition or production cost					
1 January 2017	767,638	758,286	498,701	117,135	2,141,760
Additions	9,600	71,694	23,376	26,912	131,582
Disposals	- 11,546	- 8,409	- 10,895	- 1,102	- 31,952
Reclassifications	31,788	57,506	1,838	- 90,917	215
Changes in scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 2,597	- 2,020	- 284	5	- 4,896
31 December 2017	794,883	877,057	512,736	52,033	2,236,709
Accumulated depreciation, amortisation and impairment					
1 January 2017	344,592	538,944	307,288	0	1,190,824
Additions	30,892	39,866	31,197		101,955
Disposals	- 11,223	- 7,953	- 10,132		- 29,308
Reclassifications	- 50	50			0
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 280	- 888	- 145		- 1,313
31 December 2017	363,931	570,019	328,208	0	1,262,158
Carrying amount as of 31 December 2017	430,952	307,038	184,528	52,033	974,551

The additions are largely the result of the expansion of container terminals in Hamburg and the acquisition of locomotives by METRANS a.s.

Disposals in the financial year under review mainly relate to the return of an Übersee-Zentrum office building to the Hamburg Port Authority (HPA) and to the sale/scrapping of technical equipment and machinery.

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

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

No write-downs were made on property, plant and equipment in the year under review. In the previous year, write-downs in the amount of € 1,125 thousand were made for a building at a container terminal in Hamburg which was no longer used.

Buildings, surfacing and movable non-current assets with a carrying amount of € 1,997 thousand (previous year: € 3,112 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 131.

As of the balance sheet date, the Group had obligations of € 77,299 thousand (previous year: € 34,199 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 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
Carrying amount as of 1 January 2017	95,686	193	38,639	134,518
Acquisition or production cost				
1 January 2017	108,244	6,338	45,319	159,901
Additions		1,603	2,646	4,249
Disposals			- 2,026	- 2,026
Reclassifications		- 156		- 156
Changes in scope of consolidation				0
Effects of changes in exchange rates	- 68	225	30	187
31 December 2017	108,176	8,010	45,969	162,155
Accumulated depreciation, amortisation and impairment				
1 January 2017	12,558	6,145	6,680	25,383
Additions	2,182	692	4,208	7,082
Disposals			- 1,349	- 1,349
Reclassifications		- 6,391		- 6,391
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 14	221	14	221
31 December 2017	14,726	667	9,553	24,946
Carrying amount as of 31 December 2017	93,450	7,343	36,416	137,209

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 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
Carrying amount as of 1 January 2017	182,317	1,677	183,994
Acquisition or production cost			
1 January 2017	324,773	1,677	326,450
Additions	141	5,369	5,510
Disposals	- 96		-96
Reclassifications			0
31 December 2017	324,818	7,046	331,864
Accumulated depreciation, amortisation and impairment			
1 January 2017	142,456	0	142,456
Additions	9,581		9,581
Disposals	- 57		- 57
Reclassifications			0
31 December 2017	151,980	0	151,980
Carrying amount as of 31 December 2017	172,838	7,046	179,884

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 relate mainly to conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 50,986 thousand (previous year: € 51,391 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 17,033 thousand (previous year: € 16,117 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 96.

Fair Value Reconciliation

in € thousand	2017	2016
as of 1 January	662,172	584,212
Change in fair value (not realised)	- 10,880	77,960
as of 31 December	651,292	662,172

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 (3.88 to 7.16 % 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 131.

25. Associates Accounted for Using the Equity Method

Interests in Associates Accounted for Using the Equity Method

in € thousand	31.12.2017	31.12.2016
Interests in joint ventures	11,243	10,481
Interest in associates companies	3,972	3,836
	15,215	14,317

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 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 101.

For more information, please refer to ▶ Note 3, page 81.

26. Financial Assets

Financial Assets

in € thousand	31.12.2017	31.12.2016
Securities	6,227	3,940
Shares in affiliated companies	2,660	2,655
Other equity investments	241	241
Other financial assets	12,451	14,434
	21,579	21,270

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 € 392 thousand (previous year: € 3,116 thousand), see ▶ Note 37, page 121. Before offsetting, this results in a securities portfolio of € 6,619 thousand (previous year: € 7,056 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 € 3,910 thousand (previous year: € 4,174 thousand), receivables from relief funds totalling € 2,530 thousand (previous year: € 2,609 thousand), receivables from bank guarantees amounting to € 2,352 thousand (previous year: € 3,498 thousand), and receivables from HPA amounting to € 317 thousand (previous year: € 333 thousand).

27. Inventories

Inventories

in € thousand	31.12.2017	31.12.2016
Raw materials, consumables and supplies	18,816	19,237
Work in progress	2,072	2,159
Finished products and merchandise	452	616
	21,340	22,012

Impairment losses on inventories recognised as an expense amount to € 1,860 thousand (previous year: € 1,269 thousand). This expense is reported under cost of materials, see ▶ Note 12, page 99.

28. Trade Receivables

Trade Receivables

in € thousand	31.12.2017	31.12.2016
	149,115	160,440

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 133.

29. Receivables from Related Parties

Receivables from Related Parties

in € thousand	31.12.2017	31.12.2016
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	74,000	74,000
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	4,580	5,175
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH (KTH)	1,317	1,262
Receivables from Free and Hanseatic City of Hamburg (FHH)	1,262	793
Receivables from Hamburg Port Authority (HPA)	0	121
Other receivables from related parties	368	385
	81,527	81,736

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

30. Other Financial Receivables

Other Financial Receivables

in € thousand	31.12.2017	31.12.2016
Current receivables from employees	1,354	1,345
Current reimbursement claims against insurers	82	591
Other	1,215	236
	2,651	2,172

31. Other Assets

Other Assets

in € thousand	31.12.2017	31.12.2016
Current tax credit	15,699	12,513
Payments on account	3,130	4,434
Other	7,999	22,930
	26,828	39,877

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

In the previous year, other assets included 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	31.12.2017	31.12.2016
	4,302	488

Income tax receivables consist of tax receivables resulting from external audits and advance tax payments.

33. Cash, Cash Equivalents and Short-Term Deposits

Cash, Cash Equivalents and Short-Term Deposits

in € thousand	31.12.2017	31.12.2016
Cash and cash equivalents with a maturity of up to 3 months	49,953	12,869
Short-term deposits with a maturity of 4–12 months	20,000	18,795
Bank balances and cash in hand	131,561	145,528
	201,514	177,192

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies. This includes funds that are not freely available of € 11,215 thousand used to secure working lifetime accounts.

Cash and short-term deposits of € 10,438 thousand (previous year: € 16,193 thousand) is subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 3,207 thousand (previous year: € 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 2017 and 2016 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

As of the balance sheet date, the company has Authorised Capital I for the issue of Class A shares and Authorised Capital II for the issue of Class S shares.

Using Authorised Capital I (cf. Section 3 (4) of the articles of association), the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital until 20 June 2022 by up to € 35,024,417.00 by issuing up to 35,024,417 new registered Class A shares for subscription in cash and/or in kind in one or more stages. The statutory subscription right of the holders of Class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind. Furthermore, the issue of new Class A shares while excluding the subscription rights of Class A shareholders is limited to a total of 20 % of the share capital attributable to Class A shares. All Class A shares issued or that could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

Using Authorised Capital II (cf. Section 3 (5) of the articles of association), the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the company's share capital until 20 June 2022 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered Class S shares for subscription in cash and/or in kind in one or more stages. The statutory subscription right of the holders of Class A shares shall be excluded. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class S shares as is necessary to equalise fractional amounts.

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 and/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.

As of 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).

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 € 30,790 thousand at the end of the financial year (previous year: € 32,094 thousand).

Non-controlling interests increased due to the inclusion of current earnings. In addition, 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 88 and ▶ Note 38, page 123.

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 %	31.12.2017	31.12.2016
Equity in € thousand	602,359	570,838
Total assets in € thousand	1,835,278	1,812,867
	33 %	31 %

The increase in equity is primarily attributable to the development in comprehensive income less dividend distributions. As the relative increase in the balance sheet total is less pronounced than the increase in equity, the equity ratio was up slightly in a year-on-year comparison.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. See ▶ Note 38, page 123 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 "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. Given the plans to harmonise the existing pension schemes in 2018, the pension obligations attributable to the company's active employees are to be transferred to the new pension scheme, see ▶ Note 37, page 121.

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	31.12.2017	31.12.2016
Present value of pension commitments	426,943	442,608
Obligations from working lifetime accounts	21,982	17,922
	448,925	460,530

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	2017	2016
Present value of pension obligations as of 1 January	442,608	403,613
Current service expense	5,526	4,990
Past service expense	0	1,439
Interest expense	6,056	8,859
Pension payments	- 19,790	- 19,364
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 7,457	- 3,707
Actuarial gains (-), losses (+) due to amendments in financial assumptions	0	46,778
Present value of pension obligations as of 31 December	426,943	442,608

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

in %	2017	2016
Current employees	33.9	37.1
Former employees	1.8	1.9
Pensioners	64.3	61.0
	100.0	100.0

As of 31 December 2017, the weighted average term of the defined benefit obligation was 13.4 years (previous year: 13.6 years).

In addition, there are reimbursement rights of € 2,530 thousand (previous year: € 2,609 thousand) which were concluded to cover the corresponding pension obligations. The expected income from these reimbursement rights amounts to € 35 thousand in the year under review, whereas the actual income amounts to € 48 thousand.

Pension Commitments Recognised in the Income Statement

in € thousand	2017	2016
Current service expense	5,526	4,990
Past service expense	0	1,439
Interest expenses	6,056	8,859
	11,582	15,288

Development of Actuarial Gains/Losses from Pensions Commitments

in € thousand	2017	2016
Actuarial gains (+), losses (-) as of 1 January	- 82,881	- 39,810
Changes in the financial year due to amendments in experience-based assumptions	7,457	3,707
Changes in the financial year due to amendments in financial assumptions	0	- 46,778
Actuarial gains (+), losses (-) as of 31 December	- 75,424	- 82,881

Actuarial Assumptions to Determine Pension Provisions

in %	31.12.2017	31.12.2016
Discount rate	1.40	1.40
Projected salary increase	3.00	3.00
Adjustment of Social Security Pension according to Pension Insurance Report	2017	2016

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		
		31.12.2017	31.12.2016	in € thousand	31.12.2017	31.12.2016
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	27,145	28,579
	Decrease of	0.5 %	0.5 %	Increase of	30,319	31,957
Payment trend	Increase of	0.5 %	0.5 %	Increase of	3,724	4,490
	Decrease of	0.5 %	0.5 %	Decrease of	3,653	4,394
Adjustment to state pension	Decrease of	20.0 %	20.0 %	Increase of	1,628	1,983
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	17,553	18,063

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 2017 financial year, HHLA made pension payments for plans totalling € 19,790 thousand (previous year: € 19,364 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected Pension Payments

in years in € thousand	
2018	20,558
2019	20,798
2020	20,859
2021	20,837
2022	20,788
	103,840

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.

Given the plans to harmonise the existing pension schemes in 2018, the existing funds from the working lifetime accounts are to be transferred to the new pension scheme, replacing the obligations from working lifetime accounts, see ▶ Note 37, page 121.

Allocation of Benefit Commitments

in € thousand	31.12.2017	31.12.2016
Present value of obligations	35,272	30,832
Present value of plan assets (fund shares)	- 13,290	- 12,910
Uncovered allocations	21,982	17,922

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

in € thousand	2017	2016
Present value of the obligations from working lifetime accounts as of 1 January	30,832	24,767
Contributions of plan participants	1,846	3,205
Current service expense	148	405
Interest expenses	536	598
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	2,318	926
Actuarial gains (-), losses (+) due to amendments in financial assumptions	0	1,413
Capital payments	- 408	- 482
Present value of the obligations from working lifetime accounts as of 31 December	35,272	30,832

As of 31 December 2017, the weighted average term of the defined benefit obligation was 18.8 years (previous year: 19.2 years).

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

in € thousand	2017	2016
Fair value of plan assets from working lifetime accounts as of 1 January	12,910	12,772
Expected income from plan assets	217	290
Actuarial gains (+), losses (-) due to amendments in financial assumptions	402	203
Capital payments	- 239	- 355
Fair value of plan assets from working lifetime accounts as of 31 December	13,290	12,910

The plan assets consist solely of shares in money market and investment funds. Gains of € 384 thousand were recorded on the plan assets in the financial year (previous year: € 163 thousand).

Working Lifetime Accounts recognised in the Income Statement

in € thousand	2017	2016
Current service expense including salary conversion	148	405
Interest expenses	536	598
Expected income from the plan assets	- 217	- 290
	467	713

Development of Actuarial Gains/Losses from Working Lifetime Accounts

in € thousand	2017	2016
Actuarial gains (+), losses (-) as of 1 January	- 2,963	- 827
Changes in the financial year due to amendments in experience-based assumptions	- 1,916	- 723
Changes in the financial year due to amendments in financial assumptions	0	- 1,413
Actuarial gains (+), losses (-) as of 31 December	- 4,879	- 2,963

Actuarial Assumptions to determine Provisions from Working Lifetime Accounts

in %	31.12.2017	31.12.2016
Discount rate	1.70	1.70
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.

Sensitivity Analysis: Working Lifetime Accounts

	Change in parameter			Effect on present value			
		31.12.2017	31.12.2016	in € thousand	31.12.2017		31.12.2016
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	1,663	Decrease of	1,345
	Decrease of	0.5 %	0.5 %	Increase of	1,890	Increase of	1,534
Payment trend	Increase of	0.5 %	0.5 %	Increase of	86	Increase of	76
	Decrease of	0.5 %	0.5 %	Decrease of	95	Decrease of	84
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	35	Increase of	31

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. Capital has been invested within the company since 1 January 2014.

Portfolio for Obligations from Working Lifetime Accounts

in %	2017	2016
Money market funds	100	51
Mixed funds	0	33
Funds of funds	0	15
Annuity funds	0	1
	100	100

The portfolio structure was adjusted in light of the plans to harmonise the existing pension schemes in 2018.

Payments for Obligations from Working Lifetime Accounts
In the financial year under review, HHLA made payments for plans totalling € 408 thousand (previous year: € 482 thousand). In return, the company acquired corresponding securities holdings worth € 239 thousand (previous year: € 355 thousand). The outflow of funds therefore amounted to € 169 thousand in the year under review (previous year: € 127 thousand).

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

in years in € thousand	
2018	548
2019	394
2020	503
2021	477
2022	589
	2,511

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 € 4,488 thousand in the reporting year (previous year: € 5,087 thousand).

HHLA paid € 27,636 thousand (previous year: € 26,794 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	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Demolition obligations	72,515	70,606	0	0	72,515	70,606
Restructuring reserve	17,529	10,703	7,098	2,637	24,627	13,340
Harmonisation of existing pension schemes	0	0	9,145	0	9,145	0
Bonuses and single payments	0	0	7,631	7,623	7,631	7,623
Provisions for contingent losses	6,609	7,244	397	2	7,006	7,246
Insurance excesses	0	0	3,570	2,831	3,570	2,831
Anniversaries	2,885	2,885	290	365	3,175	3,250
Expected increases in rents	0	0	2,328	583	2,328	583
Phased early retirement	490	495	719	715	1,209	1,210
Legal fees and litigation expenses	631	641	0	0	631	641
Other	12,234	10,070	3,407	2,956	15,641	13,026
	112,893	102,644	34,585	17,712	147,478	120,356

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: 2.0 % 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 provisions relate to reorganising the Logistics segment and organisational restructuring in the Container segment. The outflow of funds will take place between 2018 and 2025.

Harmonisation of Existing Pension Schemes

The provisions include obligations resulting from the harmonisation of existing pension schemes. The provisions were set up for the planned replacement of part of the existing pension obligations and the transfer of the existing funds from the working lifetime accounts to the new pension scheme. The funds will become payable in the 2018 financial year.

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 2018 financial year.

Provisions for Impending Losses

The provisions for impending losses relate to expenses arising from an onerous lease for a terminal site. The outflow of these resources is expected to take place in the period 2018–2039.

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 2018 financial year.

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: 1.40 % p. a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2018–2057.

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 2018 financial year.

Phased Early Retirement
Provisions for phased early retirement 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 € 392 thousand (previous year: € 3,116 thousand) therefore reduces the provisions reported, see ▶ Note 26, page 112. 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 2018–2025.

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 2019 and 2020.

Other
Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The main outflow of funds will take place between 2018 and 2028.

Development of Other Non-Current and Current Provisions

in € thousand	01.01.2017	Additions	Accured interest	Used	Reversed	Currency translation effects	31.12.2017
Demolition obligations	70,606	1,771	1,308	0	1,170	0	72,515
Restructuring reserve	13,340	15,902	49	3,770	894	0	24,627
Harmonisation of existing pension schemes	0	9,145	0	0	0	0	9,145
Bonuses and single payments	7,623	7,631	0	7,228	395	0	7,631
Provisions for contingent losses	7,246	0	206	399	440	393	7,006
Insurance excesses	2,831	2,227	0	1,406	82	0	3,570
Anniversaries	3,250	250	45	370	0	0	3,175
Expected increases in rents	583	1,937	0	77	115	0	2,328
Phased early retirement	1,210	1,454	0	1,455	0	0	1,209
Legal fees and litigation expenses	641	11	0	19	2	0	631
Other	13,026	6,886	23	2,662	1,647	15	15,641
	120,356	47,214	1,631	17,386	4,745	408	147,478

38. Non-Current and Current Financial Liabilities

Non-Current and Current Financial Liabilities as of 31 December 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	25,910	96,806	134,163	256,879
Finance lease liabilities	3,800	9,141	24,481	37,422
Other loans	0	471	14,250	14,721
Liabilities towards employees	10,172	0	0	10,172
Other financial liabilities	40,954	25,350	59	66,363
	80,836	131,768	172,953	385,557

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
Other financial liabilities	30,908	21,652	36	52,596
	76,614	123,635	215,515	415,764

Amounts due to banks include interest of € 808 thousand accrued up to the balance sheet date (previous year: € 1,130 thousand). Transaction costs of € 72 thousand (previous year: € 320 thousand), incurred by taking out loans, only increase the amounts due to banks for the duration of the loan.

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

Other loans comprise a € 9.3 million loan granted by a minority shareholder (previous year: € 10.5 million) as well as promissory note loans of € 5 million (previous year: € 5 million) issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 1,997 thousand (previous year: € 3,112 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 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 € 53,519 thousand for the financial years 2017 and 2018 (previous year: € 40,647 thousand for the financial years 2016 and 2017), see also ▶ Note 6, page 88 and ▶ Note 35, page 114.

Terms of Liabilities from Bank Loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU[1]	Carrying amount as of 31.12.2017 in € thousand
fixed	0.78 – 4.22 %	EUR	2022 and later	167,595	115,566
fixed	2.83 %	EUR	2021	34,257	17,813
fixed	2.76 %	EUR	2020	16,873	8,774
fixed	3.55 – 3.80 %	EUR	2019	20,890	15,192
fixed	3.79 – 4.80 %	EUR	2018	17,641	1,007
floating	floating + margin	EUR	2018	155,980	92,032
floating	floating + margin	USD	2018	36,000	5,759
					256,143

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	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Fixed interest bearing loans	158,779	171,663	162,769	178,093

Interest rates of 1.2 to 2.4 % p. a. (previous year: 1.2 to 2.2 % 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 1.9 % in the reporting year (previous year: 2.2 %).

The variable interest rates were partly hedged by interest rate hedges until October 2016, see also ▶ Note 47, page 133. 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 € 52,477 thousand (previous year: € 64,133 thousand).

Maturity of Bank Liabilities

in € thousand	
Up to 1 year	25,103
1 year to 2 years	20,579
2 years to 3 years	18,288
3 years to 4 years	18,245
4 years to 5 years	39,766
Over 5 years	134,162
	256,143

39. Trade Liabilities

Trade Liabilities

in € thousand	31.12.2017	31.12.2016
	77,246	68,106

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 2017

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities to HPA (finance leases)	444	2,500	102,970	105,914
Other liabilities to related parties	7,614	0	0	7,614
	8,058	2,500	102,970	113,528

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

The finance lease 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 131 and ▶ Note 47, page 133.

Financial Liabilities to Related Parties for which the Fair Values do not correspond to the Book Values

	Carrying amount		Fair value	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Liabilities to HPA (finance leases)	105,914	106,304	141,722	149,820

41. Other Liabilities

Other Liabilities

in € thousand	31.12.2017	31.12.2016
Tax liabilities	9,192	8,005
Liabilities to employees	9,020	8,946
Employers' liability insurance premiums	4,376	4,342
Advance payments received for orders	2,119	2,156
Social security payables	1,431	1,232
Port workers' welfare fund (Hafenfonds)	1,344	1,325
Other	5,023	3,940
	32,505	**29,946**

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

The liabilities towards employees include liabilities arising from holiday entitlements.

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

42. Income Tax Liabilities

Income Tax Liabilities

in € thousand	31.12.2017	31.12.2016
	5,901	12,272

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.

Notes to the Cash Flow Statement

43. Notes to the Cash Flow Statement

Free Cash Flow

The balance of the cash inflow from operating activities and the cash outflow from investing activities makes up the free cash flow. This indicates what cash resources are available for dividend distribution or the redemption of existing loans. The free cash flow fell as against the previous year from € 185,639 thousand to € 144,276 thousand. The drop is mainly due to the increased cash outflow for investing activities. In addition to the year-on-year reduction in payments arising from the disposal of non-current assets, the increase in the cash outflow for investments is due primarily to the development in short-term deposits. Cash flow from operating activities showed positive development. The increase is due to a higher operating result (EBIT) and also to a drop in trade receivables and other assets. Higher tax payments in the year under review had the opposite effect and put pressure on the cash flow from operating activities in a year-on-year comparison.

Change in Liabilities from Financing Activities

The balance of the proceeds from the issuance of bonds and (financial) loans and payments for the redemption of (financial) loans produces the change in liabilities from financing activities pursuant to IAS 7. In the reporting year, the Group made payments for the redemption of (financial) loans in the amount of € 40,494 thousand. There were no proceeds from the issuance of bonds and (financial) loans. This change in the liabilities from financing activities is reflected in the reduction in liabilities to banks in the amount of € 41,471, see also ▶ Note 38, page 123. The change is also due to exchange rate effects amounting to € - 2,255 thousand and to other effects in the amount of € 1,278 thousand.

Financial Funds

Financial funds include cash in hand and bank balances with a remaining term of up to three months and receivables and liabilities relating to HGV. Receivables from HGV are overnight deposits available on demand. They are recognised at nominal value.

Financial Funds

in € thousand	31.12.2017	31.12.2016
Cash and cash equivalents with a maturity up to 3 months	49,953	12,869
Short-term deposits with a maturity of 4–12 months	20,000	18,795
Bank balances and cash in hand	131,561	145,528
Cash, cash equivalents and short-term deposits	**201,514**	**177,192**
Receivables from HGV	74,000	74,000
Short-term deposits with a maturity of 4–12 months	- 20,000	- 18,795
Financial funds at the end of the period	**255,514**	**232,397**

Notes to the Segment Report

44. Notes to the Segment Report

The Group's segment report is prepared in accordance with the provisions of IFRS 8 Operating Segments and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling the commercial activities. The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids the internal control function.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the Group described in ▶ Note 6, page 88 "Accounting and Valuation Principles".

In line with the Group's reporting structure for management purposes and in accordance with the definition in IFRS 8, the following four independent segments were identified:

Container

The Container segment pools the Group's container handling operations. The Group's services in this segment consist primarily of handling container ships and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort) and another container terminal in Odessa, Ukraine. The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

Intermodal

As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the Intermodal segment provides a comprehensive seaport-hinterland rail and truck network. The rail companies METRANS and POLZUG and the trucking firm CTD complete HHLA's range of services in this field. As of 2018, the activities of POLZUG have been fully integrated into the METRANS organisation.

Logistics

The Logistics segment encompasses specialist handling services and consulting. Its service portfolio comprises stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise. The segment also provides consulting and management services for clients in the international port and transport sectors.

Real Estate

This segment is equivalent to the Real Estate subgroup. Its business activities encompass services such as the development, letting and management of properties. These include real estate in the Speicherstadt historical warehouse district and on the northern banks of the river Elbe (fish market area). Furthermore, industrial logistics properties and land in and around the Port of Hamburg are managed by the Holding/Other division.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by IFRS 8. However, it has been allocated to the segments within the Port Logistics subgroup in order to provide a complete and clear picture.

Due to the structure of the Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, IT services, administrative services, workshop services and staff provided by the holding company. As a rule, services are valued at cost price. Transfer prices may not exceed the market price of the service in question. If the company providing the service predominantly sells the relevant service on the market outside the Group, it may charge the market price, even if the cost price is lower.

The details of the reconciliation of the segment variables with the corresponding Group variables are as follows:

Earnings

The reconciliation of the segment variable EBIT to consolidated earnings before taxes (EBT) incorporates transactions between the segments and the subgroups for which consolidation is mandatory, along with the proportion of companies accounted for using the equity method, net interest income and the other financial result.

Reconciliation of the Segment EBIT with Consolidated Earnings before Taxes (EBT)

in € thousand	2017	2016
Total segment earnings (EBIT)	171,306	162,726
Elimination of business relations between segments and subgroups	1,882	1,284
Group earnings (EBIT)	173,188	164,010
Earnings from associates accounted for using the equity method	4,778	4,677
Net interest	- 30,675	- 22,664
Earnings before tax (EBT)	147,291	146,023

Segment Assets

The reconciliation of segment assets to Group assets incorporates not only items and financial investments for which consolidation is mandatory, but also claims arising from current and deferred income taxes and financial funds which are not to be assigned to segment assets.

Reconciliation of the Segment Assets with Group Assets

in € thousand	31.12.2017	31.12.2016
Segment assets	1,631,145	1,640,634
Elimination of business relations between segments and subgroups	- 661,019	- 652,840
Current assets before consolidation	554,127	547,461
Financial assets	18,116	17,212
Deferred tax	87,093	82,720
Income tax receivables	4,302	488
Cash, cash equivalents and short-term deposits	201,514	177,192
Group assets	1,835,278	1,812,867

Other Segment Information

The reconciliation to Group investments totalling € - 176 thousand contains the elimination of internal invoices for inter-segmental services relating to the generation of intangible assets (previous year: € - 1,170 thousand for the elimination of internal invoices for services relating to the sale of property, plant and equipment and the generation of intangible assets).

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,137 thousand (previous year: € - 2,200 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounting to € 59 thousand (previous year: € 2 thousand) includes the elimination of intercompany profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about Geographical Regions

For information by region, the segment revenue and disclosures on non-current segment assets are broken down in accordance with the affiliates' respective locations.

Information about Geographical Regions

	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
in € thousand	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Segment income	849,845	794,038	354,585	326,858	47,376	56,772	1,251,806	1,177,668	0	0	1,251,806	1,177,668
Non-current segment assets	906,677	906,315	308,340	288,096	27,776	34,606	1,242,793	1,229,017	592,485	583,850	1,835,278	1,812,867
Investments in non-current segment assets	96,503	97,098	44,575	40,701	1,485	517	142,563	138,316	0	0	142,563	138,316

The reconciliation of long-term segment assets to Group assets includes, in addition to consolidation items between the segments, in particular current assets, financial assets as well as current and deferred income taxes.

Information About Key Clients

Revenue of € 164,671 thousand (previous year: € 128,220 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.

Other Notes

45. Lease Liabilities

Obligations under Finance Leases

The Group has concluded various finance lease and hire-purchase agreements for a number of properties, technical equipment, and operating and office equipment. These agreements relate to, among other things, quay walls, lifting and ground-handling vehicles, container wagons and chassis, and IT hardware. For the most part, the contracts include renewal options and, in some cases, a PUT (purchase upon termination) option. The renewal options are always for the lessee; the PUT option can be used by the respective lessor to force a sale.

The main obligations from finance leases result from the lease of mega-ship berths from Hamburg Port Authority (HPA), which owns the port areas and is a related party, see ▶ Note 48, page 138. The fixed lease initially runs until 2036, but HHLA anticipates that the lease terms of these assets will extend over 50 years, as in the past. The contracts make provisions for the allocation of liability in the event of nullity and the associated premature termination of the lease as a result of conflict with EU law. The Executive Board of HHLA believes the risk of a conflict with EU law is currently very low. Following the completion of a present value test, the mega-ship berth leases are to be classified as finance lease obligations according to IAS 17. Including expected increases in rent payment rates, this results in anticipated minimum lease payments of € 232,394 thousand (previous year: € 237,531 thousand).

Reconciliation between Future Minimum Lease Payments and their Liabilities

in € thousand	31.12.2017	31.12.2016
Within one year	9,313	9,325
Between one and five years	31,646	31,826
Over five years	234,030	241,582
Total minimum lease payments	274,989	282,733
Within one year	4,244	4,152
Between one and five years	11,641	11,422
Over five years	127,451	129,773
Liabilities from finance leases	143,336	145,347
Interest expenses from minimum lease payments	131,653	137,386

The minimum lease payments include interest due to the long terms of the finance leases. The underlying interest rate is 4.21 to 4.22 %, see also ▶ Note 47, page 133.

Liabilities from Operating Leases where the Group is Lessee

Contracts exist between the Free and Hanseatic City of Hamburg and/or HPA and the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the Speicherstadt historical warehouse district by companies in the HHLA Group. The main contracts expire between 2025 and 2036. Under the terms of the contracts, the lease payments are generally reviewed every five years on the basis of price developments in relevant competing ports or based on appropriate rental indices. Provisions are made for the anticipated increases in lease payments. Leasing expenses for the space in the Speicherstadt historical warehouse district are partly linked to the development of Group income from subletting these buildings.

Without the prior approval of the lessor, the leased areas and the buildings on them belonging to HHLA may not be sold or let. Major changes to the terms of subletting agreements also require the approval of the lessor.

There are also leases relating to real estate and movable property at the container terminal in Odessa, Ukraine. On the whole, the rents payable for this are fixed and will only change during the course of the agreement as a result of future inflation. The company will not have purchase options at the end of the lease agreements. The respective lease agreements have remaining terms of between two and 31 years.

The Group also has leases for various motor vehicles and items of technical equipment. These leases have an average term of four to ten years and generally do not include renewal options. The lessee takes on no obligations when signing these leases.

Future Minimum Lease Payments Obligations under Uncancellable Operating Leases

in € thousand	31.12.2017	31.12.2016
Within one year	45,387	46,360
Between one and five years	164,068	151,619
Over five years	587,246	607,609
	796,701	805,588

Expenses of € 53,829 thousand (previous year: € 62,872 thousand) were incurred for leases in the financial year. Of this figure, € 2,085 thousand (previous year: € 2,017 thousand) related to conditional rental payments.

Operating Leases Where the Group is Lessor

The Group has signed leases for letting its investment properties on a commercial basis. The investment properties consist of office space, facilities and a commercial property not used by the Group. These leases have remaining uncancellable lease terms of between one and 17 years. After the end of the uncancellable lease period, some contracts give tenants the option of extending the lease for a period of between two years and a maximum of three times five years. Some leases contain a clause under which the rent can be increased in line with market conditions.

Future Minimum Lease Entitlements under Uncancellable Operating Leases for Investment Property

in € thousand	31.12.2017	31.12.2016
Within one year	33,549	35,502
Between one and five years	65,022	66,406
Over five years	35,476	46,084
	134,047	147,992

In the financial year, income of € 58,676 thousand (previous year: € 57,036 thousand) was earned from letting property, plant and equipment and investment property.

46. Contingent Liabilities and Other Financial Obligations

No provisions were formed for the following contingent liabilities because it was deemed highly unlikely that they would be utilised.

Contingent Liabilities

in € thousand	31.12.2017	31.12.2016
Guarantees	10,374	10,579
Comfort letters	0	1,333
	10,374	11,912

The following other financial obligations existed on the reporting date:

Other Financial Obligations

in € thousand	31.12.2017	31.12.2016
Obligations from operating leases	796,701	805,588
Outstanding purchase commitments	110,618	56,787
Other	20,599	9,498
	927,918	871,873

Of the obligations from outstanding purchase commitments, € 77,299 thousand (previous year: € 34,199 thousand) is attributable to investments in property, plant and equipment and € 3,302 thousand (previous year: € 0 thousand) is attributable to investments in intangible assets.

47. Management of Financial Risks

To finance its business activities, the Group uses short, medium and long-term bank loans, finance leases and hire-purchase agreements, as well as cash and short-term deposits. The Group has access to various other financial assets and liabilities, such as trade payables and receivables which arise directly from its business.

The Group also enters into derivative transactions. Derivative financial instruments are most likely to include interest rate hedging instruments such as interest rate swaps, interest rate caps and currency futures. The purpose of these derivative financial instruments is to manage interest rate, currency and commodity price risks which result from the Group's business activities and its sources of financing.

Derivative financial instruments are used to hedge existing transactions and planned transactions which are sufficiently likely to take place. Hedging transactions are only concluded with counterparties with very good credit ratings. HHLA also makes use of external ratings to assess its counterparties' creditworthiness. The Group does not hold derivative financial instruments for speculative purposes.

Interest Rate and Market Price Risk

As a result of its financing activities, the Group is exposed to an interest rate risk, which principally stems from medium to long-term borrowing at floating rates of interest.

Managing the Group's interest expenses involves a combination of fixed and floating-rate debt, depending on the market. It is Group policy to arrange the majority of interest-bearing debt at fixed rates of interest, either by agreeing fixed rates with the lenders or by taking out interest rate swaps. These are used in the HHLA Group to reduce interest rate risks and may also be used to a minor extent to reduce currency and commodity price risks. Derivatives reported in the Consolidated Financial Statements are carried at fair value based on the market prices posted by counterparties. Resulting gains and losses are recognised through profit and loss in the financial result unless the derivative financial instrument is part of a designated cash flow hedging relationship. The effective portion of unrealised gains and losses on cash flow hedges is recognised in equity without effect on profit and loss.

The consolidated companies did not hold any interest rate swaps as of the balance sheet date.

As of the balance sheet date, 61.8 % (previous year: 57.7 %) of the Group's borrowing was at fixed interest rates.

The fixed-interest financial instruments are not held at fair value and are therefore not subject to market price risks on the balance sheet.

Market price risks can, however, affect securities and equity investments in particular. Due to the minor scope of these instruments, the risk is deemed insignificant.

A change in the variable interest rate affects the interest expenses arising from floating-rate loans, the interest income from overnight deposits and time deposit investments, and the income from interest rate hedges and their fair value.

If the variable interest rate had been 0.5 percentage points higher as of the balance sheet date, interest expenses arising from floating-rate loans would have been € 489 thousand p.a. higher (previous year: € 629 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been € 1,377 thousand p.a. higher (previous year: € 1,211 thousand p.a.).

Exchange Rate Risk

Due to investments in countries outside the eurozone, changes in exchange rates can affect the balance sheet. Foreign currency risks on individual transactions are hedged by currency futures or currency options if a market analysis requires it. The hedging transactions are in the same currency as the hedged item. The Group only concludes currency futures contracts when specific claims or obligations exist.

On the balance sheet date, there were currency hedging instruments with a volume of € 37.5 million (previous year: € 0 million) and maturities of up to 25 months. The market value came to € 1,294 thousand on 31 December 2017.

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European affiliates. Investments in these countries are largely transacted in euros.

USD-denominated financial instruments are held in Ukraine, which are subject to an exchange risk. If the euro lost 10 % against the US dollar, this would have a negative impact of just under € 250 thousand on equity. Depending on the parallel performance of the Ukrainian hryvnia against the US dollar, this full amount could be recognised through profit and loss and reduce the result for the period accordingly by up to almost € 250 thousand.

For all other currencies, changes in exchange rates do not pose a material risk to the Group.

Commodity Price Risk

The Group is primarily exposed to a commodity price risk when purchasing fuel. Depending on the market situation, the Group can arrange price hedges for part of its fuel requirements. This was not the case at the balance sheet date or on 31 December 2016.

In addition to the market risks mentioned, there are also financial risks in the form of credit and liquidity risks.

Credit Risk/Default Risk

The Group only maintains customer relationships on a credit basis with recognised, creditworthy third parties. Clients who wish to complete transactions with the Group on a credit basis are subject to a credit-scoring procedure. Receivables are also monitored on an ongoing basis and impairment allowances are made if risks are identified, such that the Group is not exposed to any additional significant default risks on receivables. The maximum default risk for the trade receivables and other financial receivables is theoretically the carrying amount for the individual receivable. HHLA has also taken out loan loss insurance to minimise default risks. This covers key outstanding receivables as of the balance sheet date.

Structure of Trade Receivables

in € thousand	31.12.2017	31.12.2016
Receivables not due for payment and not written down	109,200	106,095
Overdue receivables not written down	39,915	54,345
thereof up to 30 days	32,882	44,139
thereof up to 31 to 90 days	5,640	8,056
thereof up to 91 days to one year	1,321	2,025
thereof over one year	72	125
	149,115	160,440

Development of the Valuation Allowances on Trade Receivables

in € thousand	2017	2016
Valuation allowances as of 1 January	4,744	2,705
Additions (valuation allowances recognised as expenses)	532	3,550
Used	- 1,712	- 1,231
Reversals	- 741	- 280
Valuation allowances as of 31 December	2,823	4,744

The default risk in the case of derivative financial instruments and cash, cash equivalents and short-term deposits is, in theory, that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be considered to be very low, since the Group as a rule only conducts derivative financial transactions and liquid investments with counterparties with very good credit ratings. In addition, credit risks may arise if the contingent liabilities listed in ▶ Note 46, page 132 are incurred.

Liquidity Risk

The Group guarantees sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and finance leases, and by means of existing lines of credit and funding commitments. If covenants have been agreed for individual loans, they are monitored on an ongoing basis to make sure they are being complied with. HHLA will introduce measures it deems necessary to ensure that the covenants are met.

For details on bank loans and other loans, finance lease liabilities, financial liabilities towards employees and other financial liabilities, please refer to the table of residual maturities for financial liabilities in ▶ Note 38, page 123.

Expected Liquidity Outflows due to Future Interest Payments

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Outflow of liquidity for future interest payments on fixed-interest loans	3,761	4,201	12,055	13,769	8,018	11,580	23,834	29,550
Outflow of liquidity for future interest payments on floating-rate loans	844	2,020	1,354	3,810	222	437	2,420	6,267
	4,605	6,221	13,409	17,579	8,240	12,017	26,254	35,817

The consolidated companies did not hold any interest rate swaps as of the balance sheet date, so no interest outflows are anticipated in this regard.

Financial Instruments

Carrying Amounts and Fair Values

The tables below show the carrying amounts and fair value of financial assets and financial liabilities, as well as their level in the fair value hierarchy, see also ▶ Note 6, page 88 and ▶ Note 7, page 96.

They do not include any information on financial assets held at fair value or financial liabilities which have not been measured at fair value, where the carrying amount serves as a reasonable approximation of the fair value.

Financial Assets as of 31 December 2017

	Carrying amount			Fair Value			
in € thousand	Loans and receivables	Available for sale	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Financial assets (securities)		6,227	6,227	6,227			6,227
	0	6,227	6,227				
Financial assets not measured at fair value							
Financial assets	12,451	2,901	15,352				
Trade receivables	149,115		149,115				
Receivables from related parties	81,527		81,527				
Other financial receivables	2,651		2,651				
Cash, cash equivalents and short-term deposits	201,514		201,514				
	447,258	2,901	450,159				

Financial Liabilities as of 31 December 2017

in € thousand	Carrying amount: Held for trading	Carrying amount: Fair value – hedging instruments	Carrying amount: Other financial liabilities	Balance sheet value	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial liabilities measured at fair value								
Financial liabilities (interest rate swaps used for hedging transactions)				0				0
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			256,879	256,879		260,869		260,869
Financial liabilities (finance lease liabilities)			37,422	37,422		37,422		37,422
Financial liabilities (settlement obligation, long-term)			22,620	22,620		22,620		22,620
Financial liabilities (settlement obligation, short-term)			30,900	30,900				
Financial liabilities (other)			37,736	37,736		37,736		37,736
Trade liabilities			77,246	77,246				
Liabilties to related parties (finance lease liabilties)			105,914	105,914		141,722		141,722
Liabilities to related parties (other)			7,614	7,614				
	0	0	576,331	576,331				

Financial Assets as of 31 December 2016

in € thousand	Carrying amount: Loans and receivables	Carrying amount: Available for sale	Balance sheet value	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial assets measured at fair value							
Financial assets (securities)		3,940	3,940	3,940			3,940
	0	3,940	3,940				
Financial assets not measured at fair value							
Financial assets	14,434	2,896	17,330				
Trade receivables	160,440		160,440				
Receivables from related parties	81,736		81,736				
Other financial receivables	2,172		2,172				
Cash, cash equivalents and short-term deposits	177,192		177,192				
	435,974	2,896	438,870				

Financial Liabilities as of 31 December 2016

	Carrying amount				Fair Value			
in € thousand	Held for trading	Fair value – hedging instruments	Other financial liabilities	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value								
Financial liabilities (interest rate swaps used for hedging transactions)				0				0
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			298,350	298,350		304,780		304,780
Financial liabilities (finance lease liabilities)			39,043	39,043		39,043		39,043
Financial liabilities (settlement obligation, long-term)			18,045	18,045		18,045		18,045
Financial liabilities (settlement obligation, short-term)			22,603	22,603				
Financial liabilities (other)			37,723	37,723		37,723		37,723
Trade liabilities			68,106	68,106				
Liabilties to related parties (finance lease liabilties)			106,304	106,304		149,820		149,820
Liabilities to related parties (other)			8,950	8,950				
	0	0	599,124	599,124				

There are no material differences between the carrying amounts and fair values of the financial instruments reported under non-current financial liabilities with details of fair value. They are therefore recognised at their carrying amount. Otherwise, the fair value must be stated.

Valuation Methods and Key Unobservable Input Factors for Calculating Fair Value

The table below shows the valuation methods used for Level 2 and Level 3 fair value measurement and the key unobservable input factors utilised.

Financial Instruments Not Measured at Fair Value

Type	Valuation method	Key unobservable input factors
Financial liabilities (liabilities from bank loans, finance lease liabilities, settlement obligations)	Discounted cash flows	Not applicable
Liabilities to related parties (finance lease liabilities included in this item)	Discounted cash flows: The valuation model utilises the present value, taking into account contractually agreed increases in rent. Discount rates represent an adequate interest rate according to the current risk.	Not applicable

There was no reclassification between the individual valuation levels in the financial year under review.

48. Related Party Disclosures

IAS 24 defines related parties as companies and individuals which directly or indirectly control or exert significant influence over the Group or over which the Group has control, joint control or significant influence.

The shareholder HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV) and its shareholder, the Free and Hanseatic City of Hamburg (FHH), companies over which the shareholder or the Free and Hanseatic City of Hamburg has control or significant influence, the members of HHLA's Executive and Supervisory Boards, and the subsidiaries, associates and joint ventures in the Group are therefore defined as related parties. HGV is the final parent company of HHLA which publishes Consolidated Financial Statements. HHLA is the parent company of the Group.

Transactions with not Fully Consolidated Related Parties

	Income		Expenses		Receivables		Liabilities	
in € thousand	2017	2016	2017	2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Companies with control over the Group	219	166	1,215	1,302	75,262	74,793	0	0
Non-consolidated subsidiaries	2	2	469	319	1	9	405	504
Joint ventures	18,587	17,835	14,517	14,202	6,135	6,753	2,517	4,170
Associated companies	925	978	0	0	75	0	77	77
Other transactions with related parties	6,723	23,214	36,812	39,512	54	181	110,529	110,503
	26,456	42,195	53,013	55,335	81,527	81,736	113,528	115,254

The receivables from companies with a controlling interest relate to receivables from cash clearing with HGV totalling € 74,000 thousand (previous year: € 74,000 thousand). HHLA's receivables accrued interest at a rate of 0.00 % p.a. (previous year: between 0.00 and 0.10 % p.a.) in the reporting period. The interest rates for HHLA's liabilities were 0.10 % p.a. (previous year: 0.10 to 0.20 % p.a.).

The transactions with joint ventures pertain to transactions with companies accounted for using the equity method. These mainly relate to HHLA Frucht and Kombi-Transeuropa.

In the previous year, other transactions with related parties include income from the termination of the Übersee-Zentrum lease.

Expenses reported as other transactions with related parties mostly include rent for land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Obligations from finance leases amounting to € 105,914 thousand (previous year: € 106,304 thousand) for the lease of four mega-ship berths from HPA are included in other transactions with related parties.

Furthermore, HGV and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided comfort letters and guarantees to lender banks for loans granted to companies in the Group. The nominal amount of the associated liabilities from bank loans is € 123,000 thousand (previous year: € 153,000 thousand), of which approximately € 72,831 thousand plus interest was still outstanding on the balance sheet date (previous year: € 82,874 thousand).

With effect from 18 October 2007, a partial loss compensation agreement was concluded between HHLA and HGV. HGV hereby undertakes to assume each annual deficit posted by the HHLA Real Estate subgroup as per commercial law during the term of the agreement. This applies insofar as the deficit is not compensated for by transferring amounts from retained earnings, other revenue reserves or the capital reserve which were carried forward as profit or transferred to these reserves during the term of the contract in accordance with Section 272 (2) (4) of the German Commercial Code (HGB).

Expenses and income from related parties are on standard market terms. The amounts outstanding at the year-end are not secured and – with the exception of overnight funds in clearing and the loan liability to HGV in the previous year – do not attract interest.

No loans or comparable benefits were granted to the members of the Executive and Supervisory Boards in the reporting year or in the previous year.

List of HHLA’s Shareholdings by Business Sector as of 31 December 2017

Name and headquarters of the company	Share of capital held		Equity	Result for the financial year	
	directly	indirectly			
	in %	in %	in € thousand	Year	in € thousand
Port Logistics Subgroup					
Container Segment					
HHLA Container Terminal Burchardkai GmbH, Hamburg[1, 2, 3b]	100.0		76,961	2017	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2017	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]	100.0		1,942	2017	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]	100.0		34,741	2017	0
HHLA Rosshafen Terminal GmbH, Hamburg[1]		100.0	21,718	2017	2,225
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]	74.9		80,433	2017	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2017	0
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]	66,0		100	2017	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	137	2017	27
CuxPort GmbH, Cuxhaven[4]	25.1		12,909	2017	2,044
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		31	2017	5
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		15	2017	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,533	2017	860
HHLA International GmbH, Hamburg[1, 2, 3b]	100.0		369	2017	0
SC Container Terminal Odessa, Odessa/Ukraine (formerly: SC HPC UKRAINA, Odessa/Ukraine)[1]		100.0	34,113	2017	14,975
Intermodal Segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2017	0
POLZUG Intermodal GmbH, Hamburg[1, 2, 3b]	100.0		7,990	2017	0
POLZUG Intermodal Polska sp. z o.o., Warsaw/Poland[1]		100.0	1,221	2017	- 1,650
HHLA Terminals Polska Sp. z o.o., Warsaw/Poland[1, 5]		100.0	- 10	2017	- 5
POLZUG INTERMODAL LLC, Poti/Georgia[1]		75.0	1,473	2017	445
METRANS a.s., Prague/Czech Republic[1]	90.0		238,807	2017	44,612
JPFE-07 INVESTMENTS s.r.o., Ostrava/Czech Republic[1, 5]		90.0	897	2017	93
METRANS Adria D.O.O., Koper/Slovenia[1]		90.0	1,375	2017	266
METRANS (Danubia) a.s., Dunajská Streda/Slovakia[1]		90.0	80,068	2017	11,958
METRANS (Danubia) Kft., Győr/Hungary[1]		90.0	1,160	2017	247
METRANS Danubia Krems GmbH, Krems an der Donau/Austria[1]		90.0	341	2017	99
METRANS D.O.O., Rijeka/Croatia[1, 5]		90.0	4	2017	4
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic[1]		90.0	5,149	2017	708
METRANS İSTANBUL STI, Istanbul/Turkey[1]		90.0	26	2017	- 98
METRANS Konténer Kft., Budapest/Hungary[1]		90.0	8,161	2017	- 860
METRANS Rail s.r.o., Prague/Czech Republic[1]		90.0	3,674	2017	3,111
METRANS Rail (Deutschland) GmbH, Leipzig[1]		90.0	7,126	2017	2,566
TIP Žilina, s.r.o., Dunajská Streda/Slovakia[1, 5]		90.0	5	2017	0
Univer Trans Kft., Budapest/Hungary[1]		90.0	1,047	2017	296
METRANS Railprofi Austria GmbH, Krems an der Donau/Austria[1]		72.0	1,057	2017	987
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		37	2017	2

Name and headquarters of the company	Share of capital held		Equity	Result for the financial year	
	directly	indirectly			
	in %	in %	in € thousand	Year	in € thousand
IPN Inland Port Network GmbH & Co. KG, Hamburg[5]	50.0		68	2017	- 3
Logistics Segment					
HPC Hamburg Port Consulting GmbH, Hamburg[1, 2, 3a]	100.0		1,023	2017	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg[1]	51.0		7,788	2017	1,453
ARS-UNIKAI GmbH, Hamburg[4]		25.5	64	2017	14
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		19,891	2017	1,378
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		809	2017	206
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49.0		n/a	2017	n/a
HCC Hanseatic Cruise Centers GmbH i.L., Hamburg[1, 6]	51.0		701	2017	-75
Holding/Other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2017	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3b]	100.0		45	2017	0
Real Estate Subgroup					
Real Estate Segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2017	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		79	2017	8
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2017	1,339
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2017	8,268

1 *Controlled companies.*

2 *Profit and loss transfer agreements were held in these companies in 2017.*

3a *The non-disclosure option provided for in Section 264 (3) of the German Commercial Code (HGB) was used for these companies.*

3b *The non-disclosure option and the option of non-inclusion in the Management Report provided for in Section 264 (3) of the German Commercial Code (HGB) were used for these companies.*

3c *The non-disclosure option and the option of non-inclusion in the Management Report and the Notes provided for in Section 264 (3) of the German Commercial Code (HGB) were used for these companies.*

3d *The non-disclosure option provided for in Section 264b of the German Commercial Code (HGB) was used for these companies.*

4 *Companies recognised using the equity method.*

5 *Due to the minor importance of these companies, they are not recognised using the equity method in the Consolidated Financial Statements or as non-consolidated companies, but rather as equity investments.*

6 *Annual Financial Statements as at 30 June 2017*

Remuneration for Key Management Personnel

IAS 24 requires the remuneration of key management personnel to be disclosed. This relates to the active Executive Board and the Supervisory Board. Apart from the details provided below, there were no notifiable transactions with related parties or their close relatives in the 2017 financial year.

For further details of the remuneration paid to individual Executive and Supervisory Board members, please see the ▶ remuneration report, which forms part of the Combined Management Report, page 54.

Remuneration for Active Members of the Executive and Supervisory Boards

Remuneration for Active Members of the Executive and Supervisory Boards

	Executive Board		Supervisory Board	
in € thousand	**2017**	2016	**2017**	2016
Short-term remuneration	2,936	3,143	304	327
of which is non-perfomance-related	1,556	1,619	–	–
of which is perfomance-related	1,380	1,524	–	–
Benefits due after termination of the contract	851	1,181	–	–
	3,787	4,325	304	327

The performance-related portion of the Executive Board's remuneration had not been paid as of the balance sheet date.

In the 2017 financial year, the short-term benefits payable to the Supervisory Board totalled € 304 thousand (previous year: € 327 thousand). Basic salaries accounted for € 206 thousand (previous year: € 199 thousand) of this, remuneration for committee work made up € 58 thousand (previous year: € 78 thousand) and € 40 thousand (previous year: € 50 thousand) consisted of meeting fees.

The past service cost resulting from pension provisions for active members of the Executive Board is reported as post-employment benefits. As of the reporting date, the associated obligation stood at € 7,505 thousand (previous year: € 20,117 thousand).

The Executive Board members' individual pension entitlements as per HGB are as follows:

Individual Pension Claims of Members of the Management Board in Accordance with German Commercial Code (HGB)

in € thousand	**2017**	2016
Angela Titzrath	235	33
Heinz Brandt	1,749	1,484
Dr. Roland Lappin	2,749	2,449
Klaus-Dieter Peters	0	4,758
Dr. Stefan Behn	0	4,133
	4,733	**12,857**

Former Members of the Executive Board

Benefits totalling € 932 thousand (previous year: € 692 thousand) were paid to former members of the Executive Board and their surviving dependants. The defined benefit obligation for current pensions calculated in accordance with International Financial Reporting Standards amounts to € 24,242 thousand (previous year: € 12,386 thousand).

49. Board Members and Mandates

Seats on statutory supervisory boards or comparable supervisory bodies at domestic and foreign companies.

The Supervisory Board Members and their Mandates

Prof. Dr. Rüdiger Grube (Chairman) (since 21 June 2017)

Managing Partner of Rüdiger Grube International Business Leadership GmbH, Hamburg

Other mandates
- None

Berthold Bose (Vice Chairman) (since 21 June 2017)

Automotive electrician, Hamburg
Head of ver.di Hamburg

Other mandates
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (Vice Chairman)
- Asklepios Kliniken Hamburg GmbH, Hamburg (Vice Chairman)

Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)

Fully qualified business administration manager, Hamburg
Former member of the Otto Group Executive Board

Other mandates
- Forum Grundstücksgesellschaft GmbH & Co. KG, Hamburg
- Otto AG für Beteiligungen, Hamburg
- Röhlig & Co. Holding GmbH & Co. KG, Bremen
- Verwaltungsgesellschaft Otto mbH, Hamburg

Wolfgang Abel (Vice Chairman) (until 21 June 2017)

Postal worker, Bad Oldesloe
Trade union secretary, ver.di Hamburg

Other mandates
- None

Torsten Ballhause (until 21 June 2017)

Fully qualified business and employment lawyer (HWP), Hamburg
Local manager of the Transport division, ver.di Hamburg (until 31 October 2017), Divisional Head of Finance, Controlling and Organisational Policy, ver.di Hamburg (since 1 November 2017)

Other mandates
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (until 26 January 2018)
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg (Vice Chairman)[1] (until 18 August 2017)
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (until 14 December 2017)

Petra Bödeker-Schoemann

Fully qualified business administration manager, Hamburg
Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Other mandates
- Gesellschaft zur Beseitigung von Sonderabfällen mbH, Kiel
- GMH Gebäudemanagement Hamburg GmbH, Hamburg
- HADAG Seetouristik und Fährdienst AG, Hamburg
- Hamburger Wasserwerke GmbH, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Chairwoman)[1]
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Chairwoman) [1]
- P+R-Betriebsgesellschaft mbH, Hamburg
- SAGA Siedlungs-Aktiengesellschaft Hamburg, Hamburg
- SBH Schulbau Hamburg, Hamburg
- SGG Städtische Gebäudeeigenreinigung GmbH, Hamburg
- Stromnetz Hamburg GmbH, Hamburg

Dr. Rolf Bösinger

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

Other mandates
- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg (Chairman)
- Hamburgische Investitions- und Förderbank A. ö. R., Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH, Hamburg (Chairman)
- hySOLUTIONS GmbH, Hamburg (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main (until 31 December 2017)
- Life Science Nord Management GmbH, Hamburg (Vice Chairman)
- LIHH Logistik-Initiative Hamburg Management GmbH, Hamburg (since 27 December 2017)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH, Hamburg (Vice Chairman)
- WTSH Wirtschaftsförderung und Technologietransfer Schleswig-Holstein GmbH, Kiel (until 10 July 2017)
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg (Chairman)

Dr. Bernd Egert (until 21 June 2017)

Physicist, Winsen (Luhe)
Former State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Other mandates
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 21 June 2017)

Holger Heinzel (until 21 June 2017)

Fully qualified business administration manager, Hittfeld
Director of Finance and Controlling at HHLA

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1] (since 31 May 2017)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (until 21 June 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg[1] (since 31 May 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg[1] (since 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg[1] (since 31 May 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (until 21 June 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg[1] (since 12 April 2017)
- SCA Service Center Altenwerder GmbH, Hamburg[1] (since 31 May 2017)
- SCB Service Center Burchardkai GmbH, Hamburg[1] (since 1 June 2017)
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Dr. Norbert Kloppenburg

Fully qualified agricultural engineer, Hamburg
International investments and financing consultant (since 1 November 2017), Member of the Executive Board of KfW Bankengruppe (until 31 October 2017)

Other mandates

- DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne (First Vice Chairman) (until 31 October 2017)
- Deutsche Energie-Agentur GmbH, Berlin (First Vice Chairman) (until 31 October 2017)
- KfW IPEX-Bank GmbH, Frankfurt am Main (Chairman) (until 25 October 2017)

Andreas Kummer (until 21 June 2017)

Car mechanic, Rosengarten
Chairman of the works council of HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1]
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)

Thomas Lütje (since 21 June 2017)

Shipping agent, Jork
Director of Sales at HHLA

Other mandates

- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1] (Chairman) (until 31 May 2017)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (since 4 September 2017)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[1] (Chairman)

Thomas Mendrzik (since 21 June 2017)

Electrical technician, Hamburg
Chairman of the HHLA Container Terminal Altenwerder GmbH works council, Hamburg

Other mandates

- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1] (since 4 September 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1] (since 4 September 2017)
- SCA Service Center Altenwerder GmbH, Hamburg[1]

Thomas Nahr (until 21 June 2017)

Retail sales assistant/port technician, Hamburg
Member of the joint works council of Hamburger Hafen und Logistik AG

Other mandates

- HHLA Container Terminals Gesellschaft mit beschränkter Haftung, Hamburg[1] (until 18 August 2017)

Norbert Paulsen

Fully qualified engineer, Hamburg
Chairman of the joint works council of Hamburger Hafen und Logistik AG

Other mandates

- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (since 27 February 2017)
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman)[1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg (Vice Chairman)[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg (Vice Chairman)[1]

Sonja Petersen (since 21 June 2017)

Fully qualified business administration manager (FH), Norderstedt
Clerical employee at HHLA Container Terminal Burchardkai GmbH

Other mandates

- None

Dr. Sibylle Roggencamp

Fully qualified economist, Molfsee
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Other mandates
- Elbphilharmonie und Laeiszhalle Service GmbH, Hamburg
- Flughafen Hamburg GmbH, Hamburg
- Hamburg Musik GmbH, Hamburg
- Hamburger Hochbahn AG, Hamburg
- Hamburgischer Versorgungsfonds AöR, Hamburg
- HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1]
- HHLA Immobilien Speicherstadt GmbH, Hamburg[1]
- HSH Beteiligungsmanagement GmbH, Hamburg (since 26 January 2017)
- HSH Portfoliomanagement AöR, Kiel (Chairwoman)
- Sprinkenhof GmbH, Hamburg (Chairwoman)
- Universitätsklinikum Hamburg KöR, Hamburg

Maya Schwiegershausen-Güth (since 21 June 2017)

MA in politics, sociology, economic and social history, Berlin
Trade union secretary, ver.di

Other mandates
- None

Michael Westhagemann (since 21 June 2017)

Computer scientist, Hamburg
Management consultant for innovation and technology (since 1 October 2017),
CEO Region North, Siemens AG (until 30 September 2017)

Other mandates
- Erneuerbare Energien Hamburg Clusteragentur GmbH, Hamburg

[1]Mandates within the Group

Supervisory Board Committees

Finance Committee
- Dr. Sibylle Roggencamp (Chairwoman)
- Thomas Mendrzik (Vice Chairman) (since 4 September 2017)
- Torsten Ballhause (Vice Chairman) (until 21 June 2017)
- Dr. Bernd Egert (until 21 June 2017)
- Dr. Norbert Kloppenburg
- Andreas Kummer (until 21 June 2017)
- Thomas Nahr (until 21 June 2017)
- Norbert Paulsen (since 4 September 2017)
- Sonja Petersen (since 4 September 2017)
- Michael Westhagemann (since 4 September 2017)

Audit Committee
- Dr. Norbert Kloppenburg (Chairman)
- Norbert Paulsen (Vice Chairman)
- Torsten Ballhause (until 21 June 2017)
- Petra Bödeker-Schoemann
- Dr. Bernd Egert (until 21 June 2017)
- Andreas Kummer (until 21 June 2017)
- Thomas Mendrzik (since 4 September 2017)
- Sonja Petersen (since 4 September 2017)
- Michael Westhagemann (since 4 September 2017)

Real Estate Committee
- Petra Bödeker-Schoemann (Chairwoman)
- Norbert Paulsen (Vice Chairman)
- Dr. Bernd Egert (until 21 June 2017)
- Holger Heinzel (until 21 June 2017)
- Thomas Lütje (since 4 September 2017)
- Thomas Mendrzik (since 4 September 2017)
- Thomas Nahr (until 21 June 2017)
- Dr. Sibylle Roggencamp
- Michael Westhagemann (since 4 September 2017)

Personnel Committee
- Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)
- Wolfgang Abel (Vice Chairman) (until 21 June 2017)
- Torsten Ballhause (until 21 June 2017)
- Dr. Rolf Bösinger
- Berthold Bose (since 4 September 2017)
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Andreas Kummer (until 21 June 2017)
- Thomas Mendrzik (since 4 September 2017)
- Norbert Paulsen (since 4 September 2017)
- Dr. Sibylle Roggencamp

Nomination Committee
- Prof. Dr. Peer Witten (Chairman) (until 21 June 2017)
- Dr. Rolf Bösinger
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Dr. Sibylle Roggencamp

Arbitration Committee
- Wolfgang Abel (until 21 June 2017)
- Dr. Rolf Bösinger (since 4 September 2017)
- Berthold Bose (since 4 September 2017)
- Dr. Bernd Egert (until 21 June 2017)
- Prof. Dr. Rüdiger Grube (since 4 September 2017)
- Andreas Kummer (until 21 June 2017)
- Norbert Paulsen (since 4 September 2017)
- Prof. Dr. Peer Witten (until 21 June 2017)

The Executive Board Members and their Mandates

Angela Titzrath (Chairwoman)

Economist (MA), Hamburg
First appointed: 2016

Areas of responsibility
- Corporate development
- Corporate communications
- Sustainability
- Container sales
- Intermodal segment
- Logistics segment

Other mandates
- CTD Container-Transport-Dienst GmbH, Hamburg
- HHLA Container Terminal Altenwerder GmbH, Hamburg (until 31 May 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (until 31 May 2017)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA Logistics GmbH, Hamburg (until 18 August 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg
- METRANS a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg (until 31 May 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (until 1 June 2017)
- Evonik Industries AG, Essen
- AXA Konzern AG, Cologne
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

Dr. Stefan Behn (until 31 March 2017)

Fully qualified business administration manager, Hamburg
First appointed: 1996

Areas of responsibility
- Container sales
- Container operations
- Container engineering
- Information systems

Other mandates
- DAKOSY Datenkommunikationssystem AG, Hamburg (until 31 March 2017)
- HCC Hanseatic Cruise Centers GmbH i. L., Hamburg (until 31 March 2017)
- HCCR Hamburger Container- und Chassis- Reparatur-Gesellschaft mbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 31 March 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (until 31 March 2017)
- HHLA Rosshafen Terminal GmbH, Hamburg (until 31 March 2017)
- HPC Hamburg Port Consulting GmbH, Hamburg (until 31 March 2017)
- SCA Service Center Altenwerder GmbH, Hamburg (until 31 March 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (until 31 March 2017)

Heinz Brandt

Legal assessor, Bremen
First appointed: 2009

Areas of responsibility
- Human resources
- Purchasing and materials management
- Health and safety in the workplace
- Legal and Insurance[1]

Other mandates
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- HCCR Hamburger Container- und Chassis- Reparatur-Gesellschaft mbH, Hamburg (until 31 May 2017)
- HHLA Logistics GmbH, Hamburg (until 18 August 2017)
- HHLA-Personal-Service GmbH, Hamburg
- HPC Hamburg Port Consulting GmbH, Hamburg
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft mbH, Hamburg

Jens Hansen (since 1 April 2017)

Fully qualified engineer, fully qualified business administration manager, Elmshorn
First appointed: 2017

Areas of responsibility
- Operations[2]
- Technology[2]
- Information systems

Other mandates
- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven (since 12 April 2017)
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven (since 12 April 2017)
- DAKOSY Datenkommunikationssystem AG, Hamburg (since 2 May 2017)
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (until 3 July 2017)
- HCCR Hamburger Container- und Chassis- Reparatur-Gesellschaft mbH, Hamburg (since 18 April 2017)
- HHLA Container Terminal Altenwerder GmbH, Hamburg (since 1 April 2017)
- HHLA Container Terminal Burchardkai GmbH, Hamburg (since 1 June 2017)
- HHLA Container Terminal Tollerort GmbH, Hamburg (since 18 April 2017)
- HHLA Rosshafen Terminal GmbH, Hamburg (since 18 April 2017)
- HVCC Hamburg Vessel Coordination Center GmbH, Hamburg
- SCA Service Center Altenwerder GmbH, Hamburg (since 1 April 2017)
- SCB Service Center Burchardkai GmbH, Hamburg (since 1 June 2017)

Dr. Roland Lappin

Fully qualified industrial engineer, Hamburg
First appointed: 2003

Areas of responsibility
- Finance and controlling[3]
- Investor relations
- Internal audit
- Real Estate segment

Other mandates

- Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg
- Hansaport Hafenbetriebsgesellschaft mbH, Hamburg
- HHLA Container Terminal Burchardkai GmbH, Hamburg (until 1 June 2017)
- HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg
- HHLA Rosshafen Terminal GmbH, Hamburg
- IPN Inland Port Network GmbH & Co. KG, Hamburg
- IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg
- METRANS a.s., Prague, Czech Republic
- POLZUG Intermodal GmbH, Hamburg
- SCB Service Center Burchardkai GmbH, Hamburg (until 1 June 2017)
- Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg
- UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg

[1]Including compliance
[2]Without real estate, for the Intermodal and Logistics segments as agreed with the Chairwoman of the Executive Board
[3]Including organisation

50. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code (the Code) as published on 5 May 2015 and – subsequent to its taking effect – the version dated 7 February 2017. Information on corporate governance at HHLA and a detailed report on the amount and structure of the remuneration paid to the Supervisory Board and Executive Board can be found in the Group Management Report and ▶ Note 48, page 138 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2017 and on 18 December 2017 issued the declaration of compliance 2017 in accordance with Section 161 of the German Stock Corporation Act (AktG), which is permanently available to shareholders on the company's website ▶ www.hhla.de.

51. Auditing Fees

In both the reporting year and the previous year, fees for auditing the financial statements primarily consisted of the fees for the audit of the Consolidated Financial Statements, the audits of the financial statements of HHLA AG and its domestic subsidiaries, and the review of the interim financial statements. They also cover the project-related reviews relating to the introduction of IFRS 15 and 16. The other certification services include both audits under the German Renewable Energies Act and the German Combined Heat and Power Generation Act, as well as audits relating to EU subsidies. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2017 financial year, as in the previous year.

Auditing Fees

in € thousand	2017	2016
Audit of financial statements	586	512
Other certification services	16	0
Tax advisory services	16	2
Other services	2	0
	620	514

52. Events after the Balance Sheet Date

There were no significant events after the balance sheet date of 31 December 2017.

Hamburg, 1 March 2018

Hamburger Hafen und Logistik Aktiengesellschaft

Angela Titzrath   Heinz Brandt   Jens Hansen   Dr. Roland Lappin