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.