Notes to the consolidated financial statements

General notes

1. Basic information on the Group

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

The object of the company is, first and foremost, to manage and participate in companies which are active in the provision of services in the areas of transport and logistics, particularly in the economic sectors of sea transport and hinterland traffic, as well as in the acquisition, maintenance, sale, lease, management and development of real estate, particularly real estate in Hamburg's historical Speicherstadt warehouse district and its fish market. In order to support the core area of business described, the company is also authorised to offer and perform services, and develop and manufacture products, systems, installations and solutions (including software), as well as the associated applications, both in this area of business as well as in the additive manufacturing business and information technology as well as related fields. The company is also authorised to carry out all auxiliary transactions and ancillary business related to the object of the company.

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.

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 results of operations, 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 2020 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable 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 results of operations, net assets and financial position of the Group.

For the most part, the accounting and valuation policies, Notes and disclosures relating to the Consolidated Financial Statements for the 2020 financial year are based on the same accounting and valuation principles used for the 2019 Consolidated Financial Statements, with the exception of the effects of the new IFRS accounting standards stated in Note 5. These became mandatory for the Group on 1 January 2020. The accounting and valuation principles applied are explained in Note 6.

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 2020 were approved by the Executive Board on 15 March 2021 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 and valuation 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 by the subsidiaries. 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 and Note 7.

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 and Note 35.

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

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 intragroup transactions are eliminated in full.

3. Make-up of the Group

Consolidated companies

The group of consolidated companies at HHLA comprises a total of 33 domestic and 18 foreign companies. For a complete list of equity investments in accordance with Section 313 (2) HGB, see also Note 48. 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 2020	20	16	36
Additions	2	2	4
31 December 2020	**22**	**18**	**40**
Companies reported using the equity method			
1 January 2020	10	0	10
Additions	1	0	1
31 December 2020	**11**	**0**	**11**
Total 31 December 2020	**33**	**18**	**51**

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) and its significant subsidiaries. Subsidiaries are companies controlled by the Group. The Group is deemed to control a company if it has a risk 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 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	
			2020	2019
HHLA Container Terminal Altenwerder GmbH	Hamburg	Container	74.9 %	74.9 %

Financial information about the subsidiaries with substantial non-controlling interests

	HHLA Container Terminal Altenwerder GmbH	
in € thousand	**2020**	2019
Percentage of non-controlling interests	25.1 %	25.1 %
Non-current assets	200,017	193,003
Current assets	180,216	203,964
Non-current liabilities	190,668	190,389
Current liabilities	124,694	146,552
Net assets	**64,871**	**60,026**
Book value of non-controlling interests	**- 8,170**	**- 16,501**
Revenue	276,635	293,637
Annual net profit	5,639	1,941
Other comprehensive income	- 794	- 3,083
Total comprehensive income	**4,845**	**- 1,142**
of which attributable to non-controlling interests	1,216	- 287
of which attributable to shareholders of the parent company	3,629	- 855
Cash flow from operating activities	88,966	114,902
Settlement obligation to shareholders of non-controlling interests	- 24,584	- 35,170

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 out 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- und Kühl-Zentrum GmbH, Ulrich Stein Gesellschaft mit beschränkter Haftung and HVCC Hamburg Vessel Coordination Center GmbH 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	**2020**	2019
Group share of profit or loss	3,434	3,941
Group share of other comprehensive income	- 43	- 135
Group share of comprehensive income	**3,391**	**3,806**

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	31.12.2020	31.12.2019
Aggregate book value	13,230	12,848

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 results of operations, net assets and financial position of the HHLA Group are 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 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.

Acquisitions, disposals and other changes to the consolidated group

With the partnership agreement of 16 January 2020, HHLA International GmbH, Hamburg, with 25.0 % of the share capital, and SC Container Terminal Odessa, Odessa, Ukraine, with 75.0 % of the share capital, founded the Limited Liability Company "HHLA Intermodal Ukraine", Odessa, Ukraine. The object of the company includes rail freight traffic, freight traffic services for vehicle, maritime and river transport services, warehousing services and auxiliary services for overland transport. Its inclusion in the HHLA group of consolidated companies took place on 30 September 2020 as a fully consolidated subsidiary.

With the partnership agreement of 22 January 2020, the limited liability company "HHLA Intermodal Ukraine", Odessa, Ukraine, with 100 % of the share capital, founded the Limited Liability Company "Ukrainian Intermodal Company", Odessa, Ukraine. The object of the company includes rail freight traffic, freight traffic services for vehicle, maritime and river transport services, warehousing services and auxiliary services for overland transport. Its inclusion in the HHLA group of consolidated companies took place on 30 September 2020 as a fully consolidated subsidiary.

With the partnership agreement of 1 July 2020, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) founded the company modility GmbH, Hamburg, and acquired all shares in this company. The object of the company is the development and provision of IT-based services in the fields of transport and logistics, specifically the development and operation of an online portal for providing information and making arrangements and bookings in the area of intermodal transport chains and combined transport. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a fully consolidated subsidiary.

With the partnership agreement of 24 September 2020, METRANS a.s., Prague, Czech Republic, founded the company METRANS Umschlagsgesellschaft mbH, Hamburg. The object of the company is the installation and operation of intermodal container terminals, as well as all related auxiliary transactions and ancillary business. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a fully consolidated subsidiary.

With the share purchase and transfer agreement dated 17 December 2020, HHLA Sky GmbH, Hamburg, acquired 29.7 % of the shares in Third Element Aviation GmbH, Bielefeld. The object of the company is the development, manufacture and distribution of unmanned flight systems and similar systems, as well as related components and accessories, for commercial, non-military applications, as well as the trading of related components and the provision of related services. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a joint venture consolidated using the equity method, and it is assigned to the Logistics segment.

On 28 September 2020, HHLA International GmbH, Hamburg, signed a shareholding and partnership agreement for the acquisition of 50.01 % of shares in Piattaforma Logistica Trieste S.r.l., Trieste, Italy (PLT). The object of the company is the planning, construction, maintenance and management of the logistics platform between Scalo Legnami and the former Italsider steelworks in the port centre of Trieste. Among other things, this includes conducting operations as a port company, storing materials and goods on behalf of third parties and the promotion, organisation, management and marketing of all services in connection with the exchange of goods, particularly intermodal exchange by ship, train and overland transport and the use of terminals that are equipped for goods transport and logistics of all kinds. The closing of the transaction (corresponding to the acquisition date) is tied to various closing conditions and took place on 7 January 2021. On the same date, the company was renamed HHLA PLT Italy S.r.l. The first-time consolidation of the company took place on the acquisition date. The purchase price (transferred consideration) was paid in euros.

In connection with the acquisition of the shares, a capital increase of € 12,008 thousand was carried out. The contracts also provide for various options on both the buyer and seller sides, some of which are mutually dependent. In the medium term, HHLA PLT Italy has various options for expanding the existing infrastructure and, as a result, HHLA has the option of successively increasing its stake by taking over shares from the existing shareholders in conjunction with further capital increases. If these options for expansion are not exercised, the existing shareholders have the option of selling their remaining shares to HHLA for € 21,000 thousand or maintaining the status quo. The exercise of the options for expansion and thus their entry into force are subject to the approval of HHLA's Supervisory Board. An overall valuation of the transaction has not yet been carried out.

The following tables depicts the consideration transferred for the acquisition of the company and the values of the assets identified, and liabilities acquired, on the basis of the acquisition of 50.01 % of the shares on the date of acquisition:

Composition of the consideration transferred

in € thousand	
Basic purchase price	5,500
Capital increase (pro rata)	6,003
Consideration transferred	**11,503**

Preliminary fair value of assets and liabilities (identifiable net assets) and derivation of the thus preliminary goodwill

in € thousand	100 %	HHLA stake 50.01 %
Cash and cash equivalents	**536**	**268**
Customer relationships	937	469
Carrying amount of net assets acquired	4,900	2,450
Deferred taxes	- 261	- 131
Preliminary fair value of assets and liabilities (identifiable net assets)	**6,112**	**3,057**
Plus preliminary derived goodwill		8,446
Transferred consideration		**11,503**

The fair values of the acquired assets and assumed liabilities have only been determined on a provisional and possibly incomplete basis, as, for example, the measurement of the underlying figures is taken from the non-audited Consolidated Financial Statements. The final measurement has yet to be completed, meaning that changes to the fair values may still occur. This would result in a change in preliminary goodwill.

The preliminary derived goodwill of € 8,446 thousand based on the acquisition of 50.01% of the shares reflects the future development of the newly built terminal, as well as the existing general cargo activities and the associated establishment and expansion of customer relations. Besides participating in the growth of activities, HHLA has the prospect of further expanding its rail operations in the Intermodal segment in the Mediterranean and offering customers holistic transport solutions. The goodwill has been allocated to the Container segment. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

The acquired customer relations in the amount of € 937 thousand relate to general cargo.

The fair value of trade receivables amounts to € 1,688 thousand and is collectable in full.

The proportionate net assets of the non-controlling interests recognised in the course of the business combination amount to € 3,055 thousand based on the acquisition of 50.01% of the shares. This valuation is based on the same criteria that were used to value the acquired assets and liabilities.

With the shareholding and partnership agreement of 16 December 2020, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) acquired 80.0 % of shares in iSAM AG, Mühlheim an der Ruhr. The object of the company is the development and distribution of IT software and the distribution of IT hardware; consultancy on the development of internal IT concepts, the design and implementation of system solutions, as well as consultancy, development and production with regard to automation concepts in manufacturing, trading and service companies. The closing of the transaction (corresponding to the acquisition date) is tied to various closing conditions and took place on 19 January 2021. The first-time consolidation of the company took place on the acquisition date.

In the event that existing shareholders wish to sell shares in the company, HHLA has a pre-emptive and co-sale right.

The following table depicts the values of the assets identified, and liabilities acquired, on the date of acquisition:

Preliminary fair value of assets and liabilities (identifiable net assets) and derivation of the thus preliminary goodwill

in € thousand	100 %	HHLA stake 80.0 %
Cash and cash equivalents	**2,745**	**2,196**
Property, plant and equipment	2,852	2,282
Technologies	1,581	1,265
Customer relationships and other intangible assets	1,137	910
Tax loss carryforwards	860	688
Carrying amount of net assets acquired	371	297
Deferred taxes	- 938	- 750
Preliminary fair value of assets and liabilities (identifiable net assets)	**8,608**	**6,886**
Plus preliminary derived goodwill		7,514
Transferred consideration		**14,400**

The fair values of the acquired assets and assumed liabilities have only been determined on a provisional and possibly incomplete basis, as, for example, the measurement of the underlying figures is taken from the non-audited Consolidated Financial Statements. The final measurement has yet to be completed, meaning that changes to the fair values may still occur. This would result in a change in preliminary goodwill.

The preliminary derived goodwill in the amount of € 7,514 thousand reflects the opportunity to participate in the future development of the Group and the leveraging of synergies for HHLA's own operations (process optimisations in the area of container handling, strengthening customer loyalty, cross-selling potential). The goodwill has been allocated to the Logistics segment. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

The acquired technologies in the amount of € 1,581 thousand reflect the software solutions developed and marketed by the company to automate process chains in a variety of industries (steel, transport and logistics, and aviation).

Customer relations exist with big-name companies in the logistics, commodities, mining and aviation industries. Thanks to the company's long history stretching back to 1983, the software solutions sold under the iSAM brand since 2002 together with the corresponding hardware solutions for the automation of process chains are well known in the relevant industries.

Subject to a preliminary assessment pursuant to Section 8c (1) sentence 7 of the German Corporation Tax Act (KStG), it is possible to recognise loss carryforwards that can be used for tax purposes.

The fair value of trade receivables amounts to € 744 thousand and is collectable in full.

The fair value of non-controlling interests recorded during the company acquisition stands at € 1,722 thousand. This valuation is based on the same criteria that were used to value the acquired assets and liabilities.

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

4. Foreign currency translation

Monetary assets and liabilities in the separate financial statements for the consolidated companies, which are prepared in local currency, are converted to a foreign 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 expenses of € 619 thousand in the financial year, largely due to the exchange rate development of the Polish zloty (previous year: profit of € 538 thousand, largely due to the exchange rate development of the Czech koruna).

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 when they occur. Any translation differences are recognised as a separate component of equity outside profit or 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 € 16,131 thousand (previous year: an increase of € 8,566 thousand), largely due to the devaluation of the Ukrainian currency in the amount of € 14,367 thousand (previous year: appreciation of € 8,483 thousand).

Foreign currency translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO-Code	**31.12.2020**	31.12.2019	**2020**	2019
Czech crown	CZK	26.242	25.408	26.414	25.666
Georgian lari	GEL	4.023	3.210	3.569	3.164
Hungarian forint	HUF	363.890	330.530	352.200	325.492
Polish zloty	PLN	4.560	4.257	4.452	4.299
Ukrainian hryvnia	UAH	34.740	26.422	30.847	28.991

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 References to the Conceptual Framework in IFRS Standards	In March 2018, the IASB published its revised conceptual framework for financial reporting. The revised version contains extensive amendments to the earlier conceptual framework. The standards affected by the amendments are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Amendments to the references within the IFRS listed above are particularly affected by the endorsement process, which has an editorial character. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2019/2075 dated 29 November 2019. The effective date is 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.
Amendments to IAS 1 and IAS 8 Definition of Material	In October 2018, the IASB published amendments with regard to the definition of the materiality of information in financial statements in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. With these changes, a consistent and precisely defined understanding of the materiality of information in financial statements has been created and supplemented with examples. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2019/2104 dated 29 November 2019. The effective date is 1 January 2020. First-time application resulted in no significant changes to the Consolidated Financial Statements.
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	The IASB published these amendments in September 2019 in order to dispel uncertainty surrounding the possible implications of the so-called “IBOR reform” for financial reporting. In particular, these amendments relate to certain reliefs in respect of hedge accounting regulations and must be applied to all hedging relationships that are affected by the reform of the benchmark interest rate. Further disclosures are foreseen in respect of the extent to which companies’ hedging relationships are affected by the amendments. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2020/34 dated 15 January 2020. The effective date is 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.
Amendments to IFRS 3 Definition of a Business	In October 2018, the IASB published an amendment to IFRS 3 Business Combinations with regard to the definition of a business. With this amendment, the IASB clarifies that a business consists of a group of activities and assets that covers at least one resource input and a substantial process that, together, result in output. Furthermore, with regard to performance (output), the definition is narrowed to focus on goods and services provided to customers and excludes the reference to cost reductions. The new provisions also include an optional “concentration test”, which aims to facilitate the identification of a business. The amendment is applicable to business combinations where the date of acquisition is either on or after 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.

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

Standard	Content and significance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The changes in the second phase of the IBOR reform are designed to help reporting parties provide useful information in respect of the upcoming changes in connection with the IBOR reform. They supplement the provisions of the first phase and generally apply in the event that a benchmark interest rate is replaced with another benchmark rate. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2021/25 dated 13 January 2021. The amendments are mandatory for financial years beginning on or after 1 January 2021. Early adoption is permitted.
Amendment to IFRS 16 Covid-19-Related Rent Concessions (Amendment to IFRS 16)	In May 2020, the IASB published an amendment to IFRS 16 with regulations on Covid-19-related rent concessions. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2020/1434 dated 9 October 2020. Under certain circumstances, the amendment provides lessees with a temporary exemption from assessing whether a rent concession granted in connection with the coronavirus pandemic constitutes a lease modification. This makes it possible for the lessee to recognise these rent concessions as though there were no modifications to the lease rather than in accordance with the regulations for lease modifications. This relief shall only be applicable in respect of rent concessions that reduce rent payments due in the period up to 30 June 2021. The provisions of the EU regulation are applicable by 1 June 2020 at the latest for financial years beginning on or after 1 January 2020.

Standards and interpretations that have been passed by the IASB but not yet adopted by the EU and are not applied by HHLA. Early adoption would, however, require an EU endorsement.

Standard	Content and significance
Amendments to IFRS 3, IAS 16 and IAS 37 Annual Improvements 2018–2020	On 14 May 2020, the IASB approved a narrow set of amendments to three standards along with the annual improvements. The resulting amendments serve to clarify the wording or correct minor consequences, errors or conflicts between the requirements in the standards. The **Amendments to IFRS 3** Business Combinations update a reference within IFRS 3 to the Conceptual Framework, without changing the accounting requirements for business combinations. The **Amendments to IAS 16** Property, Plant and Equipment prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to its intended location or condition (e.g. product samples). Instead, such proceeds and the related costs are to be recognised in profit or loss. The **Amendments to IAS 37** Provisions, Contingent Liabilities and Contingent Assets clarify which costs an entity must consider when assessing whether a contract is onerous. They also regulate the definition of the cost of fulfilling. The **Annual Improvements** result in minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. All amendments come into force on 1 January 2022. Early adoption is permitted.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	On 23 January 2020, the IASB published a narrow set of amendments to IAS 1 Presentation of Financial Statements in order to clarify how debt and other liabilities should be classified as current or non-current. The amendments clarify the existing requirements but do not change them, meaning that it is not expected that they will have a significant influence on entities' annual financial statements. They may, however, result in reclassifications. In order to give entities time to prepare for the amendments, the IASB set 1 January 2022 as the effective date. As a response to the coronavirus pandemic, the IASB deferred the effective date by one year on 15 July 2020 in order to give entities more time to implement the classification changes. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	On 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments will require an entity to only present its "material" accounting policies in the Notes. In order to be "material", the accounting policy must be connected with material transactions or other events and there must be a reason for the presentation. The guidance in Practice Statement 2 has been adapted accordingly. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors published by the IASB on 12 February 2021 clarifies how entitles can better distinguish between changes in accounting policies and changes in accounting estimates. It includes the definition that an accounting estimate is always related to a measurement uncertainty for a financial figure in the financial statements. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendment to IFRS 16: Covid-19-Related Rent Concessions after 30 June 2021	In February 2021, the IASB issued a proposal to extend the application period for the amendment to IFRS 16 approved in May 2020 in respect of Covid-19-related rent concessions in order to provide lessees with continued relief in terms of the accounting of concessions, such as rent deferrals or rent reductions, that have been granted as a direct result of the outbreak of the coronavirus pandemic. Due to the ongoing coronavirus pandemic, the proposal is to extend the current applicability to rental payments due on or before 30 June 2022. The amendments will be implemented shortly and are applicable to financial years beginning on or after 1 April 2021. Early adoption is permitted.
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.

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

Standard	Content and significance
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 acquisition cost. Intangible assets with a finite useful life are amortised over their economic life. 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	2020	2019
Software	3 – 10	3 – 10

Property, plant and equipment

Property, plant and equipment is reported at 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 of an asset exceeds its recoverable amount.

Depreciation is carried out on a straight-line basis over an asset's economic life.

The following table shows the principal useful lives which are assumed:

Useful life of property, plant and equipment

in years	2020	2019
Buildings	10 – 70	10 – 70
Technical equipment and machinery	5 – 25	5 – 25
Other plant, operating and office equipment	3 – 20	3 – 20

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 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.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount of an asset exceeds its 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. At HHLA, 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.

The following table shows the discount rate for each cash-generating unit:

Discount rate per cash generating unit

in %	**2020**	2019
CTT/Rosshafen	4.9	5.1
HCCR	4.9	5.1
METRANS	5.4	5.6
HHLA TK Estonia	5.6	5.8
Bionic	8.7	11.7

The cash flow forecasts in the Group's current plans, which are usually for the next five years, are used to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. A growth factor of 1.0 % (previous year: 1.0 %) was 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 achieved 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

Depending on the business model under which assets are held and the composition of related payment flows, financial assets are classified at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss.

Business models

IFRS 9 distinguishes between three kinds of business model:

Hold to collect

The objective of this business model is to hold debt instruments, generate contractual cash flows (e.g. interest income) and, upon maturity, to collect the nominal value. In this business model, subsequent measurement is performed at amortised cost, applying the effective interest rate method.

Hold to collect and sell

If debt instruments are held under this business model, the objective is to collect contractual cash flows or to sell the debt instruments. The debt instruments are measured at fair value, with market value fluctuations recorded in equity.

Hold for trading

If debt instruments are held primarily to generate short-term price gains, they are to be assigned to this business model. This category also includes financial assets that do not meet the requirements of the two business models outlined above. Consequently, the debt instruments are measured at fair value through profit and loss.

Nature of payment flows

Alongside the business model, the nature of the contractual cash flows is material. These should only reflect the time value of money and the credit risk of the counterparty. If the interest payments do not meet these criteria, the related debt instruments are assigned to the business model “Hold for trading”.

Classification of financial assets

Classification in accordance with IFRS 9

	Business model	Measurement categories
Financial assets	Hold to collect and sell	Fair value through other comprehensive income (no recycling)
Financial assets	Hold for trading	Fair value through profit or loss
Financial assets	Hold to collect	Amortised cost
Trade receivables	Hold to collect	Amortised cost
Receivables from related parties	Hold to collect	Amortised cost
Cash, cash equivalents and short-term deposits	Hold to collect	Amortised cost

Impairment of financial assets

Pursuant to IFRS 9, losses will be recorded not only once they occur but also as soon as they are expected, depending on whether the default risk of financial assets has worsened significantly since their acquisition. If there is a significant deterioration and if the default risk is not to be classified as “low” on the balance sheet date, all expected losses over the entire term are to be recorded from this point. Otherwise, only the expected losses over the term of the instrument need to be taken into account that result from potential future loss events within the next twelve months.

Exceptions apply in respect of trade receivables and leasing receivables. For these assets, all expected losses over the entire term must (if they do not contain any significant financing components) or may (if they do contain significant financing components) be taken into account regardless of the change in the default risk.

On each balance sheet date, the Group determines whether a financial asset or a portfolio is impaired. For a detailed description of this method, please see Note 47.

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 sequences of consumption procedures are not used for valuation. Work in progress is performed over a period stipulated in the relevant contract. Input-based methods are used to determine the level of progress. As such, HHLA recognises revenues on the basis of the endeavours or inputs of the company to fulfil its performance obligation (e.g. hours worked or costs incurred) in relation to the total inputs expected to fulfil this performance obligation. HHLA only recognises the income of a performance obligation fulfilled over a certain period of time if the progress towards complete fulfilment of the performance obligation can be deemed appropriate.

Liabilities

All financial liabilities are to be measured at amortised cost, applying the effective interest rate method. As soon as HHLA becomes a contracting party, financial liabilities are to be recognised. A liability is derecognised as a result of repayment, buy-back or debt relief. The liability is measured at fair value at the time of acquisition, with acquisition costs constituting the most suitable valuation benchmark. Subsequent measurement of financial liabilities is performed at amortised cost, applying the effective interest rate method.

Throughput-dependent share of earnings attributable to non-controlling interests

Background

A profit and loss transfer agreement is in place between the companies HHLA Container-Terminal Altenwerder GmbH (CTA), Hamburg, and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), Hamburg. On the basis of this agreement, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) pledges to pay a financial settlement to the non-controlling interest in the CTA Group 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. Unless the profit and loss transfer agreement is terminated, it will be extended for a further year at a time.

Classification as a compound financial instrument

As a profit and loss transfer agreement has 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 this financial settlement was established by discounting the anticipated resulting cash outflows during the original term of the profit and loss transfer agreement.

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

In the event of the profit and loss transfer agreement being extended, this will give rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2020. This means the company has a further obligation to pay a financial settlement for the 2021 financial year. This obligation must also be reported at fair value directly in equity within financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent measurement

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. An interest rate of 6.72 % is used for recognising the expected financial settlement for the 2021 financial year in the reporting year (previous year for the 2020 financial year: 6.73 %). Earnings recognised through profit and loss totalling € 5,909 thousand (previous year: expenses of

€ 2,525 thousand) are recorded in financial income Note 16 and only impact non-controlling interests in the CTA Group. This figure includes income of € 7,961 thousand (previous year: expenses of € 736 thousand) from an adjustment to reflect the actual share of earnings and expenses of € 2,052 thousand arising from the discounting payment obligation recognised in the previous year (previous year: € 1,789 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 2018, taking actual share of earnings and adjustments to settlement obligation into account	**- 13,924**
Actual share of earnings for 2019	35,170
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 2,525
Other adjustments	- 4,696
Comprehensive income reported in equity	27,949
Reclassification of the settlement obligation for 2020 to financial liabilities	- 30,492
As of 31 December 2019, taking actual share of earnings and adjustments to settlement obligation into account	**- 16,467**
Actual share of earnings for 2020	24,584
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	5,909
Other adjustments	1,437
Comprehensive income reported in equity	31,930
Reclassification of the settlement obligation for 2021 to financial liabilities	- 23,377
As of 31 December 2020, taking actual share of earnings and adjustments to settlement obligation into account	**- 7,914**

Development in financial liabilities arising from settlement obligations

in € thousand

As of 31 December 2018 with continuation of settlement obligation	**61,300**
Payment of actual share of earnings for 2018	- 28,656
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	2,525
Reclassification of settlement obligation for 2020 from non-controlling interests	30,492
As of 31 December 2019 with continuation of settlement obligation	**65,661**
Payment of actual share of earnings for 2019	- 35,170
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 5,909
Reclassification of settlement obligation for 2021 from non-controlling interests	23,377
As of 31 December 2020 with continuation of settlement obligation	**47,959**

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 at least a partial reimbursement of an amount made as a provision (e.g. in the case of an insurance contract), 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 post-employment 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

HHLA is applying IFRS 16 for the first time on the financial year beginning 1 January 2019. A lease is a contract that entitles one party to use an identifiable asset of the other party for a certain period of time in exchange for payment of a fee.

As the lessee

Pursuant to IFRS 16, the Group generally recognises assets for the usage rights of the leased assets, and liabilities for the payment obligations entered into, for all leases on the balance sheet at their present value. The lessee makes the following payments over the course of the usage period for the leased asset:

- Fixed payments without lease incentives
- Variable lease payments that are pegged to an index or interest rate
- Anticipated residual value payments from residual value guarantees
- The exercise price of a purchase option, if exercise thereof is deemed sufficiently certain
- Compensation payments incurred if the lessee exercises a termination option

Lease payments are discounted using the interest rate on which the lease is based, insofar as this rate can be determined. Otherwise, the incremental borrowing rate of the lessee (HHLA Group) will be included in the discounting.

During initial measurement, rights of use are valued at cost on the date of provision. This includes:

- the amount arising from initial measurement of the lease liability;
- the lease payments made at the time of, or prior to, provision, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- costs arising from demolition obligations.

Subsequent measurement shall be based on amortised cost. Amortisation on rights of use is recognised on a straight-line basis over the expected useful life or the term of the lease agreement, whichever is shorter. Lease liabilities are carried at their carrying amount using the effective interest rate method.

Lease payments arising from short-term leases, leases for low-value assets, and variable lease payments are recognised on a straight-line accrual basis as an expense on the income statement.

As the 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

A five-step model – in which the contract with a customer, the performance obligation and the transaction price are identified – is used to determine the time and amount at which revenue is to be recorded pursuant to IFRS 15. The model stipulates that revenue is to be recorded at the time control over goods or services passes from the company to the buyer and at the amount to which the company is expected to be entitled (acquisition of power of disposal).

Provision of services

Income from services is recognised in accordance with the extent to which the service has been provided over time or, if not applicable, at a point in time. If recorded over time, 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 in profit or loss 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 generally 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 5 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 government grants totalling € 58,601 thousand which were paid to HHLA in the period between 2001 and 2020. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 13,416 thousand in government grants in the reporting year. Of this amount, € 8,106 thousand was recognised in other operating income Note 11.

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 as of the reporting date 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.

Derivative financial instruments and hedging transactions

During the reporting period, the Group did not conduct any hedging transactions to hedge fair value or net investments in a foreign operation. Furthermore, no exchange rate transactions were concluded or conducted that constitute an effective hedging relationship.

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. 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 relies on the opinions of 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 less selling costs, 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.

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.

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.

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.

Restructuring provisions

HHLA has formed provisions for restructuring as part of an efficiency programme in the Container segment. The measures reflected in the provision comprise the conclusion of phased early retirement contracts with a leave of absence during the active phase. The start of the active phase is contingent on a minimum length of service of five years. The measurement of the provision is largely determined by the number of employees to be considered, the overall scope of the phased early retirement model, which is structured as a block model, the leave of absence period during the active phase and the leave of absence quota. HHLA has made estimates based on the announcements and implementation plans. For more information, please refer to Note 37.

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.

Leases

Some lease agreements include renewal options. When determining contractual terms, all facts and circumstances are taken into consideration that offer an economic incentive to exercise renewal options. Changes to the contractual term arising from the exercise of such options are factored into the contractual term if they are sufficiently certain. For more information, please refer to Note 45.

Non-current and current financial liabilities

In addition to liabilities from leases, this item includes 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. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. More detailed information is available in Note 38.

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:

Fair value hierarchy

	Content and significance
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 and Note 47.