# Notes to the Condensed Interim Consolidated Financial Statements

## 1. Basic Information on the Group

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

The Condensed Interim Consolidated Financial Statements, and therefore the information in the Notes, are presented in euros (€). For the sake of clarity, the individual items are shown in thousands of euros (€ thousand) unless otherwise indicated. Due to the use of rounding procedures, it is possible that some figures do not add up to the stated sums.

## 2. Significant Events in the Reporting Period

The Group's earnings, net assets and financial position in the period under review were negatively impacted by one-off expenses incurred in connection with the planned restructuring of the Logistics segment.

## 3. Consolidation, Accounting and Valuation Principles

### 3.1 Basis for Preparation of the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 June 2016 were prepared in compliance with the rules of IAS 34 *Interim Financial Reporting*.

The IFRS requirements that apply in the European Union have been met in full.

The Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as of 31 December 2015.

### 3.2 Principal Accounting and Valuation Methods

The accounting and valuation methods used for the preparation of the Condensed Interim Consolidated Financial Statements correspond to the methods used in the preparation of the Consolidated Financial Statements as of 31 December 2015. The company started applying the following new standards on 1 January 2016:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
- *Improvements to IFRS 2010–2012 Cycle*
- *Improvements to IFRS 2012–2014 Cycle*

Applying these standards had no significant impact on the Condensed Interim Consolidated Financial Statements.

### 3.3 Changes in the Group of Consolidated Companies

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

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

The effects of initial consolidation on HHLA's Consolidated Financial Statements were recognised directly in equity and were immaterial.

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

## 4. Purchase and Sale of Shares in Subsidiaries

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

There were no other material acquisitions or disposals of shares in subsidiaries in the first half of 2016.

## 5. Earnings per Share

The following table illustrates the calculation for basic earnings per share for the Group and the subgroups:

**Basic Earnings per Share in €**

| | Group | | Port Logistics Subgroup | | Real Estate Subgroup | |
|---|---|---|---|---|---|---|
| | 1–6 \| 2016 | 1–6 \| 2015 | 1–6 \| 2016 | 1–6 \| 2015 | 1–6 \| 2016 | 1–6 \| 2015 |
| Net profit attributable to shareholders of the parent company in € thousand | 25,806 | 37,478 | 21,270 | 33,248 | 4,536 | 4,230 |
| Number of common shares in circulation | 72,753,334 | 72,753,334 | 70,048,834 | 70,048,834 | 2,704,500 | 2,704,500 |
| | 0.35 | 0.52 | 0.30 | 0.47 | 1.68 | 1.56 |

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

## 6. Dividends Paid

At the Annual General Meeting held on 16 June 2016, shareholders approved the proposal by the Executive Board and Supervisory Board to distribute a dividend of € 0.59 per share to the shareholders of the Port Logistics subgroup and of € 1.75 per share to the shareholders of the Real Estate subgroup. The total dividend of € 46,062 thousand was paid accordingly on 17 June 2016.

## 7. Segment Reporting

The Segment Report is presented as an annex to the Notes to the Condensed Interim Consolidated Financial Statements.

The HHLA Group's segment report is prepared in accordance with the provisions of IFRS 8 *Operating Segments*. IFRS 8 requires reporting on the basis of the internal reports made to the Executive Board for the purpose of controlling the company's activities.

The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the performance of each segment and therefore aids the internal control function. For further information, please refer to the Consolidated Financial Statements as of 31 December 2015.

The accounting and valuation principles applied for internal reporting comply with the principles used for the HHLA Group as described in ▶ Note 6 "Accounting and Valuation Principles" in the Notes to the Consolidated Financial Statements as of 31 December 2015.

Segment information is reported on the basis of the internal control function, which is consistent with external reporting and is classified in accordance with the activities of the HHLA Group's business segments. These are organised and managed autonomously in accordance with the type of services being offered.

The HHLA Group still operates in four segments: Container, Intermodal, Logistics and Real Estate.

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

The reconciliation of segment assets with Group assets incorporates not only items for which consolidation is mandatory, but also claims arising from current and deferred income taxes, cash and cash equivalents, short-term deposits and financial assets which are not to be assigned to segment assets.

The reconciliation of the segment variable EBIT with consolidated earnings before taxes (EBT) incorporates not only transactions between the segments and the subgroups for which consolidation is mandatory, but also the proportion of companies accounted for using the equity method, net interest income and other financial result.

**Reconciliation of the Segment Variable EBIT to Earnings before Tax (EBT)**

| in € thousand | 1–6 \| 2016 | 1–6 \| 2015 |
|---|---|---|
| Segment earnings (EBIT) | 65,802 | 82,344 |
| Elimination of business relations between the segments and subgroups | 1,053 | 295 |
| Group earnings (EBIT) | 66,855 | 82,639 |
| Earnings from associates accounted for using the equity method | 2,583 | 2,601 |
| Net interest income | - 12,946 | - 19,225 |
| Other financial result | - 10 | 944 |
| Earnings before tax (EBT) | 56,482 | 66,959 |

## 8. Equity

The breakdown and development of HHLA's equity for the period from 1 January to 30 June of the years 2016 and 2015 are presented in the statement of changes in equity.

## 9. Pension Provisions

The calculation of pension provisions as of 30 June 2016 was based on an interest rate of 1.00 % (31 December 2015: 2.25 %; 30 June 2015: 2.00 %). Actuarial gains/losses changed as follows. These are recognised in equity without effect on profit and loss.

**Development of Actuarial Gains/Losses**

| in € thousand | 2016 | 2015 |
|---|---|---|
| Cumulative actuarial gains (+)/losses (-) as of 01 January | - 40,637 | - 65,731 |
| Change during the financial year due to a change in interest rate | - 73,471 | 13,737 |
| Cumulative actuarial gains (+)/losses (-) as of 30 June | - 114,108 | - 51,994 |

## 10. Investments

As of 30 June 2016, total capital expenditure throughout the HHLA Group amounted to € 67.2 million (previous year: € 64.0 million).

The largest investments up to the end of the first half of 2016 were made in the Container and Intermodal segments. HHLA invested in the expansion of the block storage facility at the Container Terminal Burchardkai and the construction of the hinterland terminal in Budapest.

As of 30 June 2016, the Container segment accounted for the bulk of investment commitments at € 53.1 million.

## 11. Financial Instruments

In the first half of 2016, gains of € 36 thousand (previous year: € 87 thousand) were recognised in the income statement on financial assets and/or liabilities held at fair value through profit and loss. These primarily relate to interest rate hedges with no effective hedging relationship as per IAS 39.

In the reporting period, changes of € 118 thousand (previous year: € 127 thousand) in the fair value of financial instruments designated as hedging instruments (interest rate swaps) were recognised directly in equity.

The interest rate swaps disclosed covered a total amount of € 979 thousand (previous year: € 10,265 thousand). Of these, financial instruments covering an amount of € 64 thousand (previous year: € 6,604 thousand) with a market value of € - 1 thousand (previous year: € - 237 thousand) were held as part of cash flow hedging relationships to hedge future cash flows from interest-bearing liabilities as of the balance sheet date. The hedged cash flows are expected to occur within four months. The amount covered by interest rate swaps is restated in line with the anticipated repayment of the loans over the term of the derivative. The fixed interest rate for the financial liabilities (interest rate swaps) is 3.95 % to 4.33 %. The remaining term of the derivatives is up to four months.

There are no material differences between the carrying amounts and fair values of the financial instruments reported under non-current financial liabilities. The discount rates used for liabilities to related parties (particularly the finance lease liabilities included in this item) are 4.21 % and 4.22 %.

The valuation methods and key unobservable input factors for calculating fair value are described in the Notes to the Consolidated Financial Statements as of 31 December 2015.

The tables below show the **carrying amounts and fair values** of financial assets and financial liabilities, as well as their classification in the fair value hierarchy.

## Financial Assets as of 30. June 2016

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| in € thousand | Loans and receivables | Available for sale | Balance sheet value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value** | | | | | | | |
| Financial assets (securities) | | 3,849 | 3,849 | 3,849 | | | 3,849 |
| | 0 | 3,849 | 3,849 | | | | |
| **Financial assets not measured at fair value** | | | | | | | |
| Financial assets | 11,541 | 4,395 | 15,936 | | | | |
| Trade receivables | 149,628 | | 149,628 | | | | |
| Receivables from related parties | 103,045 | | 103,045 | | | | |
| Other financial receivables | 1,971 | | 1,971 | | | | |
| Cash, cash equivalents and short-term deposits | 97,237 | | 97,237 | | | | |
| | 363,422 | 4,395 | 367,817 | | | | |

## Financial Liabilities as of 30. June 2016

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| in € thousand | Held for trading | Fair value hedging instruments | Other financial liabilities | Balance sheet value | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities measured at fair value** | | | | | | | | |
| Financial liabilities (interest rate swaps used for hedging transactions) | 9 | 1 | | 10 | | 10 | | 10 |
| | 9 | 1 | 0 | 10 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Financial liabilities (liabilities from bank loans) | | | 313,577 | 313,577 | | 323,038 | | 323,038 |
| Financial liabilities (finance lease liabilities) | | | 39,561 | 39,561 | | 39,561 | | 39,561 |
| Financial liabilities (settlement obligation) | | | 25,534 | 25,534 | | 25,534 | | 25,534 |
| Financial liabilities (other) | | | 57,521 | 57,521 | | | | |
| Trade liabilities | | | 62,598 | 62,598 | | | | |
| Liabilities to related parties (finance lease liabilities) | | | 106,485 | 106,485 | | 106,485 | | 106,485 |
| Liabilities to related parties (other) | | | 7,863 | 7,863 | | | | |
| | 0 | 0 | 613,139 | 613,139 | | | | |

### Financial Assets as of 30. June 2015

| in € thousand | Carrying amount: Loans and receivables | Carrying amount: Available for sale | Carrying amount: Balance sheet value | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: Total |
|---|---|---|---|---|---|---|---|
| **Financial assets at fair value** | | | | | | | |
| Financial assets (securities) | | 3,950 | 3,950 | 3,950 | | | 3,950 |
| | 0 | 3,950 | 3,950 | | | | |
| **Financial assets not measured at fair value** | | | | | | | |
| Financial assets | 13,350 | 6,089 | 19,439 | | | | |
| Trade receivables | 140,994 | | 140,994 | | | | |
| Receivables from related parties | 70,977 | | 70,977 | | | | |
| Other financial receivables | 2,586 | | 2,586 | | | | |
| Cash, cash equivalents and short-term deposits | 168,103 | | 168,103 | | | | |
| | 396,010 | 6,089 | 402,099 | | | | |

### Financial Liabilities as of 30. June 2015

| in € thousand | Carrying amount: Held for trading | Carrying amount: Fair value hedging instruments | Carrying amount: Other financial liabilities | Carrying amount: Balance sheet value | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: Total |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities measured at fair value** | | | | | | | | |
| Financial liabilities (interest rate swaps used for hedging transactions) | 106 | 237 | | 343 | | 343 | | 343 |
| | 106 | 237 | 0 | 343 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Financial liabilities (liabilities from bank loans) | | | 276,861 | 276,861 | | 281,582 | | 281,582 |
| Financial liabilities (finance lease liabilities) | | | 41,062 | 41,062 | | 41,062 | | 41,062 |
| Financial liabilities (settlement obligation) | | | 22,432 | 22,432 | | 22,432 | | 22,432 |
| Financial liabilities (other) | | | 37,330 | 37,330 | | | | |
| Trade liabilities | | | 79,718 | 79,718 | | | | |
| Liabilities to related parties (finance lease liabilities) | | | 106,760 | 106,760 | | 106,760 | | 106,760 |
| Liabilities to related parties (other) | | | 74,554 | 74,554 | | | | |
| | 0 | 0 | 638,717 | 638,717 | | | | |

## 12. Transactions with Respect to Related Parties

There are various contracts between the Free and Hanseatic City of Hamburg and/or the Hamburg Port Authority and companies in the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the Speicherstadt historical warehouse district. Moreover, the HHLA Group lets office space to other enterprises and public institutions affiliated with the Free and Hanseatic City of Hamburg. Further information about these business relationships can be found in the Consolidated Financial Statements as of 31 December 2015.

Receivables from related parties increased as a result of cash clearing with HGV.

## 13. Events after the Balance Sheet Date

There were no significant events after the balance sheet date of 30 June 2016.

Hamburg, 1 August 2016

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Klaus-Dieter Peters    Dr. Stefan Behn    Heinz Brandt    Dr. Roland Lappin