Condensed Notes

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

Significant events in the reporting period were the increase in the interest held in METRANS a.s., Prague, Czech Republic, and the acquisition of all shares in Transiidikeskuse AS, which is headquartered in Tallinn, Estonia. For further details, please refer to ▶ Note 4, page 31.

There were no further events or transactions during the period under review that had an impact on the Group's earnings, net assets and financial position.

3. Consolidation, accounting and valuation principles

3.1 Basis for preparation of the Financial Statements

The Condensed Interim Consolidated Financial Statements for the period from 1 January to 30 June 2018 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 2017.

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 2017.

During the reporting period, a renewal of the economic useful lives of assets in the asset class "Technical equipment and machinery" was made. This adjustment do not have a material impact on the Group's earnings, net assets and financial position. The range of useful lives outlined in the Consolidated Financial Statements as of 31 December 2017 remains valid.

The company started applying the following new standards on 1 January 2018:

- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 15 *Clarifications*
- Improvements to IFRS 2014–2016 Cycle *IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures*
- Amendments to IAS 40 *Transfers of Investment Property*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRS 9 amends the reporting standards for the classification and measurement of financial assets, impairments of financial assets and the reporting of hedging relationships. In accordance with the transition guidance of IFRS 9, HHLA did not adjust the prior-year figures and recognised the transition effects on a cumulative basis in revenue reserves as of 1 January 2018.

The following table shows the reconciliation of financial assets from IAS 39 to IFRS 9:

Reconciliation of carrying amounts from IAS 39 to IFRS 9

in € thousand

	Carrying amounts according to IAS 39 as at 31.12.2017	Reclassifica-tions	Valuation effects	Carrying amounts according to IFRS 9 as at 01.01.2018
Financial assets measured at cost				
Financial assets	11,834	0	0	11,834
Trade receivables	149,115	0	- 291	148,824
Receivables from related parties	81,527	0	0	81,527
Other financial receivables	1,974	0	0	1,974
Cash, cash equivalents and short-term deposits	201,514	0	0	201,514
Total	445,964	0	- 291	445,673
Financial assets available for sale				
Financial assets (securities)	6,227	- 6,227	0	0
Financial assets	3,518	- 3,518	0	0
Other financial receivables	677	- 677	0	0
Total	10,422	- 10,422	0	0
Financial assets at fair value through other comprehensive income				
Financial assets (securities)	0	6,227	0	6,227
Financial assets	0	2,901	302	3,203
Total	0	9,128	302	9,430
Financial assets at fair value through profit or loss				
Financial assets	0	617	0	617
Other financial receivables	0	677	0	677
Total	0	1,294	0	1,294

Initial application effects of IFRS 9 on Group equity

in € thousand

	Retained consolidated earnings of the parent company	Non-controlling interests
Equity in accordance with IAS 39 as of 31 December 2017	469,672	30,790
Increase in valuation allowances on trade receivables	- 273	- 18
Reclassification of financial assets from “available for sale” to “through other comprehensive income”	257	45
Deferred taxes on initial effects	84	7
Equity in accordance with IFRS 9 as of 1 January 2018	469,740	30,823

The following Balance Sheet table shows the impacts of the amended IFRS 9 financial reporting standard on the opening Balance Sheet values, as well as the measurement categories pursuant to IAS 39 and IFRS 9:

Valuation categories and reconciliation of the carrying amounts from IAS 39 to IFRS 9

in € thousand

	Valuation categories according to IAS 39	Valuation categories according to IFRS 9	Carrying amount according to IAS 39 for 31.12.2017	Adjustment effects	Carrying amount according to IFRS 9 as of 01.01.2018
Financial assets	Available for sale	Fair value (through other compre-hensive income)	9,128	302	9,430
Financial assets	Available for sale	Fair value (profit or loss)	617	0	617
Financial assets	Loans and receivables	At cost	11,834	0	11,834
Trade receivables	Loans and receivables	At cost	149,115	- 291	148,824
Receivables from related parties	Loans and receivables	At cost	81,527	0	81,527
Other financial receivables	Available for sale	Fair value (profit or loss)	677	0	677
Other financial receivables	Loans and receivables	At cost	1,974	0	1,974
Cash, cash equivalents and short-term deposits	Loans and receivables	At cost	201,514	0	201,514
Deferred taxes (assets)			87,093	91	87,184
Equity			602,359	102	602,461
- thereof retained consolidated earnings of the parent company			469,672	68	469,740
- thereof non-controlling interests			30,790	34	30,823

There are no effects on the opening Balance Sheet values as of 1 January 2018 as a result of first-time application of IFRS 15. Comparative figures from the prior-year period have not been restated. With its first-time application, revenue from customer-specific ancillary transport services is no longer recognised with the corresponding expenses in the income statement, a change from the prior-year period. This approach resulted in a reduction of € 576 thousand in revenue and cost of materials in the first half of the reporting year. Without the offsetting described in the reporting year, revenue would amount to € 633,613 thousand (previous year: € 622,832 thousand) and cost of materials would amount to € 179,295 thousand (previous year: € 184,607 thousand). Furthermore, there were no differences between the revenue recognised pursuant to IFRS 15 and the revenue recognised pursuant to IAS 18 and IAS 11. The effects on the Group's earnings, net assets and financial position are immaterial overall.

No effects on the Consolidated Financial Statements arise from the application of any other standards.

The following new standard may be applied voluntarily for this financial year. It has not been adopted by HHLA:

- IFRS 16 *Leases*

Adoption of IFRS 16 is mandatory for financial years that begin on or after 1 January 2019. The HHLA Group has opted for the modified retrospective approach during the transition to the new standard. Application of the modified retrospective approach does not require any adjustment of the comparative figures from prior-year periods. Therefore, any changeover effects as of 1 January 2019 must be recognised as adjustments to revenue reserves. As part of the modified retrospective approach, an incremental borrowing rate as of 1 January 2019 will be used to calculate the lease liability.

In respect of many of the contracts, HHLA will recognise the usage rights for leased assets in the amount of the corresponding lease liabilities at first-time application, meaning that no equity effects will arise at this time. Due to their material importance, rental agreements for space at the Port of Hamburg, which were previously recognised as operating leases, will be recognised at their carrying amounts, as though IFRS 16 had applied since the start of the lease. As a result, changeover effects are expected as of 1 January 2019 and will be shown as adjustments to revenue reserves. HHLA has initiated a Group-wide project for the purpose of implementing the new leasing standard. The statements made in the Consolidated Financial Statements as of 31 December 2017 concerning the effects arising from the first-time application of the standard remain valid.

3.3 Changes in the group of consolidated companies

As of 30 June 2018, Transiidikeskuse AS is included in HHLA's Consolidated Financial Statements for the first time. Disclosures on the acquisition of 100 % of shares in terminal operator Transiidikeskuse AS, headquartered in Tallinn, Estonia, can be found under ▶ Note 4, page 31.

With submission of the application for its removal from the commercial register on 25 May 2018, the company HCC Hanseatic Cruise Centers GmbH i. L., Hamburg, was deconsolidated as of 30 June 2018 and is therefore no longer included in HHLA's group of consolidated companies as of the end of the reporting period.

4. Purchase and sale of shares in subsidiaries

With the share purchase agreement dated 28 December 2017 and the agreement on the transfer of company shares dated 22 January 2018, METRANS a.s., Prague, Czech Republic, acquired 100 % of shares in POLZUG Intermodal Polska sp. z.o.o., Warsaw, Poland, and renamed the acquired company METRANS (Polonia) Sp. z.o.o. This transaction has no material impact on HHLA's Consolidated Financial Statements.

With share purchase and transfer agreements dated 2 March 2018, HHLA is acquiring further shares in METRANS a.s., Prague, Czech Republic, thus increasing its stake from 90.0 % to 100 %. The purchase price for these shares is taken directly to equity in accordance with the entity concept with a corresponding reduction in non-controlling interests.

HHLA has signed a contract dated 26 March 2018 for the acquisition of 100 % of shares in terminal operator Transiidikeskuse AS, headquartered in Tallinn, Estonia, in order to further expand its existing transport and logistics network in Estonia. Upon the various conditions precedent being met, HHLA took control of the company on 27 June 2018 (acquisition date within the meaning of IFRS 3 (9)). The purchase price (transferred consideration) was paid in euros.

The following table summarises the values of the assets identified, and liabilities acquired, on the date of acquisition.

Fair value of assets and liabilities

in € thousand

Cash and cash equivalents	2,190
Property, plant and equipment	62,301
Customer relationships	6,775
Other intangible assets	647
Short-term assets	3,044
Long-term liabilities	- 9,199
Short-term liabilities	- 3,480
Acquired identifiable net assets	62,278
Plus goodwill	11,922
Sum of transferred consideration	74,200

The derived goodwill amounting to € 11,922 thousand comprises the value of the workforce of the acquired company and the opportunities arising from the business model, such as expansion of operations in the Baltic region, operations in Russia and the establishment of RoRo services. The goodwill has been allocated to the Container segment. Customer-related intangible assets (customer relations) include an amount of € 6,775 thousand relating to the simplified access of Transiidikeskuse AS to an existing customer base. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

Due to the proximity of the acquisition date to the Balance Sheet date, the fair values of acquired assets and liabilities have only been measured provisionally. The final measurement has yet to be completed. Changes may occur in property, plant and equipment, in customer relations, in other intangible assets and in current assets. This would result in a change in goodwill.

The fair value of current assets is € 3,044 thousand and includes trade receivables of € 2,590 thousand. The gross amount of due contractual trade receivables totals € 3,875 thousand, with € 1,285 thousand of this figure expected to be irrecoverable.

Due to the proximity of the acquisition date to the Balance Sheet date, no Interim Financial Statements were prepared as of 27 June 2018. Had the acquisition taken place as of 1 January 2018, the Executive Board estimates that Group revenue would have been € 10.8 million higher and that Group profit after tax would have been € 1.7 million higher. When calculating these amounts, the Executive Board assumed that the provisional adjustments to fair values performed as of the acquisition date would still have remained valid in the event of an acquisition on 1 January 2018.

There were no further material acquisitions or disposals of shares in subsidiaries in the first six months of 2018.

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 | 2018	1–6 | 2017	1–6 | 2018	1–6 | 2017	1–6 | 2018	1–6 | 2017
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	52,355	52,616	47,297	48,050	5,058	4,566
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	0.72	0.72	0.68	0.69	1.87	1.69

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

6. Dividends paid

At the Annual General Meeting held on 12 June 2018, shareholders approved the proposal by the Executive Board and Supervisory Board to distribute a dividend of € 0.67 per share to the shareholders of the Port Logistics subgroup and of € 2.00 per share to the shareholders of the Real Estate subgroup. The total dividend of € 52,342 thousand was paid accordingly on 15 June 2018.

7. Segment Report

The Segment Report is presented as an annex to the Condensed Notes.

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 success in each segment and therefore aids the internal control function. For further information, please refer to the Consolidated Financial Statements as of 31 December 2017.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the HHLA Group described in Note 6 "Accounting and Valuation Principles" in the Notes to the Consolidated Financial Statements as of 31 December 2017.

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 that 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 the other financial result.

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

in € thousand	1–6 | 2018	1–6 | 2017
Segment earnings (EBIT)	**98,923**	**97,653**
Elimination of business relations between the segments and subgroups	1,020	1,163
Group earnings (EBIT)	**99,943**	**98,816**
Earnings from associates accounted for using the equity method	2,731	2,983
Net interest income	- 10,302	- 8,311
Other financial result	0	0
Earnings before tax (EBT)	**92,372**	**93,488**

8. Equity

The breakdown and development of HHLA's equity for the period from 1 January to 30 June of the years 2018 and 2017 are presented in the Statement of Changes in Equity.

9. Pension provisions

The calculation of pension provisions as of 30 June 2018 was based on an interest rate of 1.50 % (31 December 2017: 1.40 %; 30 June 2017: 1.60 %). The calculation of the new pension scheme (HHLA capital plan) as of 30 June 2018 was based on an interest rate of 1.70 % (previously: provisions for working lifetime accounts as of 31 December 2017: 1.70 %; as of 30 June 2017: 1.90 %). Actuarial gains/losses changed as follows. These are recognised in equity without effect on profit and loss.

Development of Actuarial Gains/Losses

in € thousand	2018	2017
Cumulative actuarial gains (+)/losses (-) as of 1 January	- 80,303	- 85,844
Change during the financial year due to a change in interest rate	1,899	14,200
Cumulative actuarial gains (+)/losses (-) as of 30 June	- 78,404	- 71,644

As of 31 December 2017, pension provisions included both pension obligations and working lifetime obligations. As part of the harmonisation of existing pension systems, provisions for working lifetime obligations were transferred to the provisions for the HHLA capital plan as of 1 January 2018.

The existing plan assets (shares in funds) of the working lifetime obligations amounting to € 13,290 thousand as of 31 December 2017 no longer constitute plan assets following transfer to the new pension scheme and are reported as other current financial receivables as of 30 June 2018.

The other provisions of € 9,145 thousand formed in the previous year for the change in the existing pension scheme have been reclassified to provisions for the HHLA capital plan in the amount of € 3,906 thousand. The remaining amount of € 5,239 thousand relates to current settlement obligations under collective labour agreements.

As part of the harmonisation, the "port pension" obligations attributable to the company's active employees were transferred to the provisions for the HHLA capital plan in the amount of € 18,013 thousand.

The provisions for the HHLA capital plan fall within the category of defined benefit plans; unlike the previous approach taken in respect of working lifetime obligations, however, they constitute non-financed plan assets. Therefore, they represent a pension scheme financed by provisions, just like the pension obligations.

10. Investments

As of 30 June 2018, total capital expenditure throughout the HHLA Group (excluding expenditure connected with the acquisition of Transiidikeskuse AS) amounted to € 44.2 million (previous year: € 63.6 million).

The largest investments up to the end of the first half of 2018 were made in the Container and Intermodal segments. HHLA's investments included large-scale equipment for horizontal transport, infrastructure expansion at the HHLA container terminals in the Port of Hamburg and the acquisition of additional wagons. In the previous year, HHLA made investments, including in container gantry cranes at HHLA Container Terminal Burchardkai and at HHLA Container Terminal Tollerort.

As of 30 June 2018, the Intermodal segment accounted for the bulk of investment commitments at € 28.5 million.

11. Financial instruments

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy.

Financial Assets as of 30 June 2018 (valuations according to IFRS 9)

in € thousand	Carrying amount				Fair Value			
	Amortised cost	Fair value through profit or loss	Fair value through other compre-hensive income	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets (securities)		70	5,775	5,845	5,845			5,845
Other financial receivables		289	17,276	17,565	17,565			17,565
	0	359	23,051	23,410				
Financial assets not measured at fair value								
Financial assets	9,567			9,567				
Trade receivables	174,371			174,371				
Receivables from related parties	39,316			39,316				
Other financial receivables	3,994			3,994				
Cash, cash equivalents and short-term deposits	97,829			97,829				
	325,077	0	0	325,077				

Financial Liabilities as of 30 June 2018 (valuations according to IFRS 9)

in € thousand	Carrying amount			Fair Value			
	Fair value through profit or loss	Amortised cost	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Financial liabilities			0				0
	0	0	0				
Financial liabilities not measured at fair value							
Financial liabilities (liabilities from bank loans)		260,808	260,808		264,646		264,646
Financial liabilities (finance lease liabilities)		40,171	40,171		40,171		40,171
Financial liabilities (settlement obligation)		22,620	22,620		22,620		22,620
Financial liabilities (other)		35,100	35,100		35,100		35,100
Trade liabilities		85,915	85,915				0
Liabilties to related parties (finance lease liabilties)		105,695	105,695		141,034		141,034
Liabilities to related parties (other)		9,142	9,142				
	0	559,451	559,451				

Financial Assets as of 31 December 2017 (valuations according to IAS 39)

in € thousand	Carrying amount			Fair Value			
	Loans and receivables	Available for sale	Balance sheet value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Financial assets		6,844	6,844	6,844			6,844
Other financial receivables		677	677	677			677
	0	7,521	7,521				
Financial assets not measured at fair value							
Financial assets	11,834	2,901	14,735				
Trade receivables	149,115		149,115				
Receivables from related parties	81,527		81,527				
Other financial receivables	1,974		1,974				
Cash, cash equivalents and short-term deposits	201,514		201,514				
	445,964	2,901	448,865				

Financial Liabilities as of 31 December 2017 (valuations according to IAS 39)

in € thousand	Carrying amount				Fair Value			
	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				0				0
	0	0	0	0				
Financial liabilities not measured at fair value								
Financial liabilities (liabilities from bank loans)			256,879	256,879		260,869		260,869
Financial liabilities (finance lease liabilities)			37,422	37,422		37,422		37,422
Financial liabilities (settlement obligation, long-term)			22,620	22,620		22,620		22,620
Financial liabilities (settlement obligation, short-term)			30,900	30,900				
Financial liabilities (other)			37,736	37,736		37,736		37,736
Trade liabilities			77,246	77,246				
Liabilties to related parties (finance lease liabilties)			105,914	105,914		141,722		141,722
Liabilities to related parties (other)			7,614	7,614				
	0	0	576,331	576,331				

In the first half of 2018, losses of € 359 thousand (30 June 2017: € 742 thousand) were recognised in the Income Statement on financial assets and/or liabilities held at fair value through profit and loss. In the previous year and in the first half of 2018, these relate to currency hedging instruments that do not pertain to effective hedging relationships as per IAS 39 and IFRS 9.

Currency futures contracts concluded in the previous year covering a total amount of € 28,500 thousand have a remaining term of approximately two years.

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 2017.

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 related enterprises and public institutions 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 2017.

The amounts reported for receivables from related parties and liabilities to related parties as of 30 June 2018 remained largely the same as those recorded as of 31 December 2017, with the exception of the receivables from existing cash clearing.

13. Events after the Balance Sheet date

There were no significant events after the Balance Sheet date of 30 June 2018.

Hamburg, 2 August 2018

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath	Heinz Brandt	Jens Hansen	Dr. Roland Lappin