

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), Germany, 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).

To illustrate the earnings, net assets and financial position of the subgroups, the annex to these condensed 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.

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

On 22 March 2019, HHLA AG signed a share purchase agreement to acquire 50.1 % of shares in Bionic Production AG, based in Lüneburg, Germany. The closing of the transaction (corresponds acquisition date) is tied to various closing conditions and will take place in the third quarter of 2019. The first-time consolidation of the company shall take place on the acquisition date. The company shall therefore join the HHLA group of consolidated companies for the first time on 30 September 2019.

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 2019 were prepared in compliance with the rules of IAS 34.

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 2018.

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 2018.

The company started applying the following new standards on 1 January 2019:

- || Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- || Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- || IFRS 16 *Leases*
- || Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- || IFRIC 23 *Accounting for Uncertainties in Income Taxes*
- || Improvements to IFRS 2015–2017 Cycle

IFRS 16 entails major amendments to reporting standards for lessees. In general, all leases will be recognised as rights of use for accounting purposes as of the time of initial application.

The HHLA Group shall take into account the modified retrospective approach during the initial application of IFRS 16. With this method, the comparative prior-year figures are not adjusted; changeover effects must therefore be recognised as adjustments to revenue reserves as of 1 January 2019. As part of the modified retrospective approach, an average incremental borrowing rate of 2.5 % as of 1 January 2019 has been used to calculate the lease liability. Within Germany, the incremental borrowing rate ranges between 0.4 % and 2.2 %. As a result of the materiality of longer-term lease agreements, the average German incremental borrowing rate is 2.0 %. Outside of Germany, this value ranges between 2.1 % and 12.7 %. As a result of the higher proportion of countries with lower financing costs, the average incremental borrowing rate outside of Germany is 3.5 %.

In respect of many of the contracts, HHLA recognises the usage rights for leased assets under property, plant and equipment in the amount of the corresponding present value of lease liabilities at first-time application, meaning that no equity effects will arise at this time. Due to their material importance, usage rights for 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. This results in significant changeover effects as of 1 January 2019, which are shown as adjustments to revenue reserves.

As a lessee, HHLA takes the opportunity not to recognise usage rights and lease liabilities for short-term leases whose term is a maximum of twelve months, or leases where the underlying asset is of low value. For these leases, lease payments are recorded as expenses instead.

The following table shows the reconciliation of carrying amounts from IAS 17 to IFRS 16:

Reconciliation of carrying amounts from IAS 17 to IFRS 16

in € thousand	Carrying amounts according as at 31 December 2018	Reclassifications of finance leases	Adjustments due to IFRS 16 (modified retroactively, Option a)	Adjustments due to IFRS 16 (modified retroactively, Option b)	Carrying amounts according as at 1 January 2019
Assets					
Property, plant and equipment					
Land/buildings	453,200	- 91,285			361,915
Rights of use - Land/buildings	0	91,285	341,384	161,021	593,690
Technical equipment and machinery	306,095	- 14,596			291,499
Rights of use - Technical equipment and machinery	0	14,596		208	14,804
Other plant, operating and office equipment	219,464	- 34,525			184,939
Rights of use - Other plant, operating and office equipment	0	34,525		49,532	84,057
Payments on account and plants under construction	81,504			- 9,267	72,237
Deferred taxes	82,126		28,356		110,482
Equity and liabilities					
Equity					
Retained earnings of the parent company	512,369		- 55,252	1,003	458,120
Non-controlling interests	- 8,812		- 4,250		- 13,062
Other non-current provisions	110,138			- 5,920	104,218
Other non-current provisions from leases	5,920			- 5,920	0
Non-current liabilities to related parties	104,999		408,193		513,192
Liabilities from leases					
Maturity 1 to 5 years	2,796		97,120		99,916
Liabilities from leases					
Maturity over 5 years	102,203		311,073		413,276
Non-current financial liabilities	429,886			187,170	617,056
Liabilities from leases					
Maturity 1 to 5 years	10,839			56,414	67,253
Liabilities from leases					
Maturity over 5 years	22,946			130,756	153,702
Other current provisions	28,045		- 1,371	- 371	26,303
Other current provisions from leases	1,742		- 1,371	- 371	0
Current liabilities to related parties	7,940		22,420		30,360
Liabilities from leases	471		22,420		22,891
Current financial liabilities	82,684			19,612	102,296
Liabilities from leases	5,124			19,612	24,736

Option a): Assets are measured using the incremental borrowing rate at the date of transition as if IFRS 16 had been applied from the inception of the lease (IFRS 16.C8 (b) (i)).

Option b): The asset is measured at the same value as the liability at the time of initial application (IFRS 16.C8 (b) (ii)).

The reconciliation of off-balance sheet lease obligations as of 31 December 2018 with lease obligations recorded on the balance sheet as of 1 January 2019 is as follows:

Reconciliation

in € thousand

Minimum lease payments due to non-cancellable operating leases as of December 31, 2018	1,015,936
Minimum lease payments on finance lease liabilities as of 31 December 2018	271,275
Less application facilitation for short-term leases	- 8,214
Less application facilitation for leases of low value assets	- 209
Less conditional rental payments	- 112,997
Less other	- 34,535
Gross lease liabilities under IFRS 16 as of January 1, 2019	1,131,256
Less interest portion included in lease liabilities	- 349,482
Lease liabilities according to IFRS 16 as of January 1, 2019	781,774
Less present value of liabilities from finance leases according to IAS 17 as of December 31, 2018	- 144,379
Additional lease liabilities due to the first-time adoption of IFRS 16 as of January 1, 2019	637,395

No effects on the consolidated financial statements arise from the application of any other standards.

The following new amendments to standards can be applied on a voluntary basis for the financial year under review. They have not been applied by HHLA:

- ▮ Amendments to IAS 1 and IAS 8 *Definition of Materiality*
- ▮ Amendments to IFRS 3 *Definition of a Business*
- ▮ Amendments to References to the Conceptual Framework in IFRS Standards

3.3 Changes in the group of consolidated companies

The company TIP Žilina, s.r.o., Dunajská Streda, Slovakia, was included in the HHLA group of consolidated companies for the first time in the first quarter of 2019. This company was founded in 2017 and began operating in the second quarter of 2019.

With the participation and shareholder agreement of 20 December 2018, HHLA acquired 25.1 % of the shares in Spherie UG (limited liability), Hamburg, as of the transfer date on 1 January 2019. The object of the company is the development, production and distribution of aerial systems exclusively for the capture of 360° sensor data, as well as services connected with the aerial systems to capture 360° sensor data. The company was included in HHLA's consolidated financial statements in the first quarter of 2019 using the equity method and is assigned to the Logistics segment.

No other changes in the group of consolidated companies took place during the reporting period.

4. Purchase and sale of shares in subsidiaries

There were no acquisitions or disposals of shares in subsidiaries in the first six months of 2019.

5. Leases

As of 30 June 2019, the following valuations from lease payments are recorded on the balance sheet:

Leases in the balance sheet

in € thousand	30.06.2019
ASSETS	2,591,975
Non-current assets	2,077,926
Property, plant and equipment	1,644,150
Rights of use from leases	723,737
EQUITY AND LIABILITIES	2,591,975
Non-current liabilities	1,790,193
Non-current liabilities to related parties	503,906
Liabilities from leases	503,906
Non-current financial liabilities	649,273
Liabilities from leases	261,029
Current liabilities	267,382
Current liabilities to related parties	33,573
Liabilities from leases	23,628
Current financial liabilities	71,822
Liabilities from leases	25,709

Rights of use are amortised on a straight-line basis over the term of the lease payments or over the useful life of the leased assets, whichever is shorter.

6. 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 2019	1-6 2018	1-6 2019	1-6 2018	1-6 2019	1-6 2018
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	54,689	52,355	49,829	47,297	4,859	5,058
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	0.75	0.72	0.71	0.68	1.80	1.87

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.

7. Dividends paid

At the Annual General Meeting held on 18 June 2019, shareholders approved the proposal by the Executive Board and Supervisory Board to distribute a dividend of € 0.80 per share to the shareholders of the Port Logistics subgroup and of € 2.10 per share to the shareholders of the Real Estate subgroup. The total dividend of € 61,719 thousand was paid accordingly on 21 June 2019.

8. 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 and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling commercial activities.

The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids internal control. For further information, please refer to the consolidated financial statements as of 31 December 2018.

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 2018.

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 business units: the Container, Intermodal, Logistics and Real Estate segments.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by the IFRS standard. 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 EBIT with consolidated earnings before taxes (EBT)

in € thousand	1–6 2019	1–6 2018
Segment earnings (EBIT)	113,436	98,923
Elimination of business relations between the segments and subgroups	899	1,020
Group earnings (EBIT)	114,335	99,943
Earnings from associates accounted for using the equity method	2,426	2,731
Net interest income	- 17,971	- 10,302
Other financial result	0	0
Earnings before tax (EBT)	98,790	92,372

9. Equity

The breakdown and development of HHLA's equity for the period from 1 January to 30 June of the years 2019 and 2018 are presented in the [statement of changes in equity](#).

10. Pension provisions

The calculation of pension provisions as of 30 June 2019 was based on an interest rate of 0.70 % (31 December 2018: 1.60 %; 30 June 2018: 1.50 %). The calculation of the HHLA capital plan as of 30 June 2019 was based on an interest rate of 0.90 % (31 December 2018: 1.80 %; 30 June 2018: 1.70 %). Actuarial gains/losses changed as follows. These are recognised in equity without effect on profit and loss.

Development of actuarial gains/losses

in € thousand	2019	2018
Cumulative actuarial gains (+)/losses (-) as of 1 January	- 68,783	- 80,303
Changes in the financial year due to a change in interest rates and experience-based adjustments	- 51,040	1,899
Cumulative actuarial gains (+)/losses (-) as of 30 June	- 119,823	- 78,404

11. Investments

As of 30 June 2019, total capital expenditure throughout the HHLA Group amounted to € 110.9 million (previous year: € 44.2 million).

The reason for the increase in expenditure was primarily the activation of a concession contract for a terminal facility. The largest investments up to the end of the first half of 2019 were made in the Container and Intermodal segments and are primarily categorised as investments for expansion work.

As of 30 June 2019, the Container and Intermodal segments accounted for the bulk of investment commitments at € 179.3 million.

12. 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 2019

	Carrying amount				Fair Value			
	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Balance sheet value	Level 1	Level 2	Level 3	Total
in € thousand								
Financial assets measured at fair value								
Financial assets		1,003	7,750	8,753	8,753			8,753
	0	1,003	7,750	8,753				
Financial assets not measured at fair value								
Financial assets	11,240			11,240				
Trade receivables	186,379			186,379				
Receivables from related parties	98,694			98,694				
Cash, cash equivalents and short-term deposits	167,602			167,602				
	463,915	0	0	463,915				

Financial assets as of 31 December 2018

	Carrying amount				Fair Value			
	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Balance sheet value	Level 1	Level 2	Level 3	Total
in € thousand								
Financial assets measured at fair value								
Financial assets		425	5,061	5,486	5,486			5,486
	0	425	5,061	5,486				
Financial assets not measured at fair value								
Financial assets	12,194			12,194				
Trade receivables	179,824			179,824				
Receivables from related parties	100,244			100,244				
Cash, cash equivalents and short-term deposits	181,460			181,460				
	473,722	0	0	473,722				

Financial liabilities as of 30 June 2019

	Carrying amount			Fair Value			
	Amortised cost	Fair value through profit or loss	Balance sheet value	Level 1	Level 2	Level 3	Total
in € thousand							
Financial liabilities measured at fair value							
Financial liabilities			0				
	0	0	0				
Financial liabilities not measured at fair value							
Financial liabilities	721,095		721,095				
Liabilities from bank loans	357,264		357,264		368,332		368,332
Finance lease liabilities	286,738		286,738		286,738		286,738
Settlement obligation	32,645		32,645		32,645		32,645
Other financial liabilities	44,448		44,448		44,448		44,448
Trade liabilities	84,921		84,921				
Liabilities to related parties	537,479		537,479				
Finance lease liabilities	527,534		527,534		599,193		599,193
Other	9,945		9,945				
	1,343,495	0	1,343,495				

Financial liabilities as of 31 December 2018

	Carrying amount			Fair Value			
	Amortised cost	Fair value through profit or loss	Balance sheet value	Level 1	Level 2	Level 3	Total
in € thousand							
Financial liabilities measured at fair value							
Financial liabilities			0				
	0	0	0				
Financial liabilities not measured at fair value							
Financial liabilities	512,570		512,570				
Liabilities from bank loans	369,656		369,656		371,340		371,340
Finance lease liabilities	38,909		38,909		38,909		38,909
Settlement obligation, long-term	32,645		32,645		32,645		32,645
Settlement obligation, short-term	28,655		28,655				
Other financial liabilities	42,705		42,705		42,705		42,705
Trade liabilities	87,043		87,043				
Liabilities to related parties	112,939		112,939				
Finance lease liabilities	105,470		105,470		140,337		140,337
Other	7,469		7,469				
	712,552	0	712,552				

In the first half of 2019, changes in value of € 588 thousand were recognised in the income statement on financial assets and/or liabilities held at fair value through profit and loss. These relate to hedging transactions that do not constitute effective hedging relationships as per IFRS 9. The transactions cover a total amount of € 58,500 thousand and have remaining terms of up to 43 months.

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 2018.

13. 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 2018.

The amounts reported for receivables from related parties as of 30 June 2019 remained largely the same as those recorded as of 31 December 2018. The amounts reported for liabilities to related parties were mainly affected as a result of adjustments from the initial application of IFRS 16.

14. Events after the balance sheet date

There were no significant events after the balance sheet date of 30 June 2019.

Hamburg, 29 July 2019

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board



Angela Titzrath



Jens Hansen



Dr. Roland Lappin



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