

Hyperloop transport system

In December 2018, HHLA established a joint venture with the US-based research and development company Hyperloop Transportation Technologies (HTT) to explore possible applications of hyperloop technology for transporting shipping containers within the Port of Hamburg. The hyperloop concept is based on the idea of transporting people and goods at high speed through a tube. Using magnetic levitation technology, transport capsules are sent through a tunnel with a partial vacuum at speeds of up to 1,000 km/h or more. Initial plans are for the construction of a transfer station for testing purposes at an HHLA terminal in Hamburg, and the development of a transport capsule for standard shipping containers.

Performance certified

In order to document their performance, the Container Terminals Altenwerder (CTA) and Tollerort (CTT) once again completed certification in accordance with the Container Terminal Quality Indicator (CTQI) in the reporting year. The standard, which was developed by the Global Institute of Logistics and Germanischer Lloyd, checks criteria such as the safety, performance level and efficiency of a terminal on both the water side and onshore, as well as its links to pre- and onward-carriage systems. With their successful certification, the terminals once again confirmed their high levels of performance and compliance with all quality standards.

Purchasing and materials management

Purchasing is a shared service provided by the HHLA Group's management holding company in Hamburg. HHLA Group purchasing supports corporate strategy by means of its professional management of procurement activities. The aim is to establish a consolidated supplier base that is characterised by maximum value added, top quality and optimum life cycle costs.

The strategic purchasing function supports and advises Group companies as part of its holistic management of product groups, suppliers and contracts so that the service and performance requirements of internal customers are met as completely as possible. Market developments relating to new technologies, innovations and the service performance of specific suppliers are considered in close cooperation with the operations and technology departments. In this regard, the purchasing department ensures that all Group requirements for the procurement processes are observed in accordance with the framework guidelines. These guidelines are binding for all employees.

In order to develop viable future solutions for port infrastructure, HHLA remains committed to its strategic and collaborative partnerships with selected suppliers while taking into account both economic and ecological aspects. Products, facilities and processes are systematically enhanced in order to increase the

degree of digitalisation. When selecting partners, great importance is attached to reliability, quality, innovative strength, cost structure, economic stability, sustainability and compliance. Compliance with these criteria is monitored by an IT-based supplier management system. All suppliers undergo this process, especially when new potential suppliers are added. This also facilitates a continuous internal assessment. Strategic suppliers are evaluated annually by their internal customers and departments. The evaluations include experience on first contact as well as information about project procurement and processes.

We are continuing to drive the automation of purchasing processes for day-to-day requirements. In the reporting period, 25.2 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: 15.5 %). This enables us to streamline processes and ensure both non-bureaucratic procedures and compliance with process standards. The systematic continuation of optimisation and automation measures gives us the potential to increase the efficiency of, or fully automate, a further 14.7 % of managed processes in 2019. These steps will enable us to drive the further strategic alignment of our purchasing activities.

HHLA's supply chains comprise capital goods (such as port handling equipment) as well as consumables and other services (such as maintenance). The overwhelming majority of suppliers are from Germany and other European countries. In 2018, equipment and energy accounted for 51.0 % of the Group-wide procurement volume, while information technology (IT) accounted for 21.5 %, construction for 18.0 % and MRO (maintenance, repairs and operations) for 9.5 %. The total managed purchasing volume amounted to approximately € 294 million.

A major project in 2018 was the review of existing structures, processes and procurement systems within the purchasing department with the support of an external partner. By forming project groups, purchasing employees were closely involved in this process and helped define the requirements for HHLA's purchasing organisation in the areas of digitalisation, training concepts, KPI systems and catalogue management. In this way, the groups were able to harness existing knowledge and experience as fully as possible. The initial results of this work have already been implemented and have led, for example, to a strengthening of personal responsibility.

On the basis of these findings, we will continue to optimise processes and expenditure. Purchasing initiatives with a wide range of objectives have already been defined. Corporate departments will be involved even more closely in procurement processes in future, and cooperation between internal customers will be further intensified. The aim is to optimise procurement costs, to boost efficiency by streamlining the

management of product groups and contracts, and to review and harmonise the IT systems used. The aim of harmonisation is to establish an integrated process – from initial need to the point of payment (P2P - purchase-to-pay).

Moreover, purchasing also makes a contribution to the Group's ongoing internationalisation by supporting foreign affiliates with specific services. Among other things, the department's objectives are to harmonise structures, exploit economies of scope, and offer the widespread use of available IT systems. From a purchasing standpoint, it is particularly important to strengthen the market position of individual companies.

Sustainable performance indicators

Direct and indirect energy consumption by HHLA and its companies were as follows in the year under review.

Direct and indirect energy consumption

	2014	2015	2016	2017	2018
Diesel, petrol and heating oil in million l	29.2	26.3	26.6	27.4	28.4
Natural gas in million m ³	1.8	2.3	2.4	3.6	4.4
Electricity ¹ in million kWh	154.4	138.3	139.6	135.6	135.9
thereof from renewable energies	84.1	76.1	73.2	82.8	78.9
Traction current in million kWh	51.7	130.3	150.0	157.5	181.4
District heating in million kWh	3.7	3.2	3.6	3.6	3.7

Consumption of natural gas, traction current and district heating in 2018 is based on preliminary and estimated figures.

¹ Electricity without traction current

For more information about sustainability, please refer to the [sustainability](#) section of the Annual Report.

Non-financial report

HHLA reports on the Group and HHLA AG in the form of a combined separate non-financial report, the contents of which are integrated into the [sustainability](#) section. The non-financial report is also available as a separate PDF from the download centre for the online Annual Report: report.hhla.de/annual-report-2018/non-financial-report [📄](#)

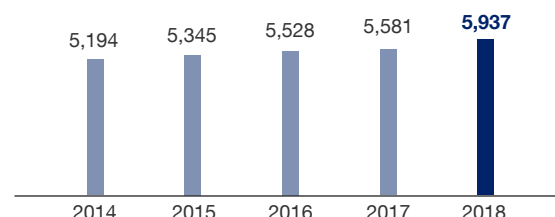
Employees

Development of headcount

HHLA aligns headcount planning with the economic development of its companies. It aims to provide the majority of its services using in-house staff. Employees of Gesamthafenbetriebs-Gesellschaft (GHB) are used by the container handling firms in Hamburg to cover peaks in operating manpower requirements. The recruitment processes used by the individual companies of HHLA AG are monitored by the HHLA manpower planning team. Proposals to create additional jobs are examined for their consideration of economic planning and operational necessity as well as other options for filling positions internally or taking alternative action. This ensures that recruitment does not exceed the HR planning for individual companies approved by the Executive Board and can be synchronised with headcount trends at the other firms with the possibility of synergy effects.

Employees at the HHLA Group

as of 31.12



HHLA had a total of 5,937 employees at the end of 2018. This figure rose by 356, or 6.4 %, compared to the previous year. The increase is chiefly attributable to the acquisition of Estonia's largest terminal operator. In addition, HHLA used an annual average of 760 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 710).

Employees by segment

In the Container segment, the number of employees rose to 3,134 as of 31 December 2018. Total headcount was up by 225 year-on-year in the reporting period (previous year: 2,909). This corresponds to an increase of 7.7 %, which is chiefly attributable to the first-time consolidation of Transiidikeskuse AS. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment also rose by a further 130 employees in total to 2,002 (previous year: 1,872). Employee numbers in the Logistics segment increased to 141 in the reporting period (previous year: 134). By contrast, the number of employees at the strategic management holding company declined by 1.3 % to 628 (previous year: 636). In the Real Estate segment, headcount remained virtually unchanged at 32 as of 31 December 2018 (previous year: 30).