two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

The provisions described above are standard practice at comparable listed companies. Their intention is not to complicate any possible takeovers.

# Notes to the separate financial statements for HHLA prepared in line with the German Commercial Code (HGB)

Unlike the consolidated financial statements, the annual financial statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) are not prepared in accordance with International Financial Reporting Standards (IFRS). Instead, they are based on the regulations contained in the German Commercial Code (HGB).

## Company overview

### Structure and commercial activities

Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG) is a leading European port logistics group. It is the parent company of the HHLA Group and runs the Group as a strategic management holding company. Its operations are carried out by the 30 domestic and 16 foreign subsidiaries that make up the consolidated group. In the 2019 financial year, HHLA AG acquired shares in companies in order to expand its digital business activities and extend its intermodal network. No other significant legal or organisational changes were made.

HHLA AG is a legally independent company that was split into two divisions – the A division and the S division – as part of the initial public offering on 2 November 2007.

The A division represents the Port Logistics subgroup. The class A shares, which are listed on the stock exchange, entitle shareholders merely to participate in the result and net assets of these commercial operations. The performance and financial result of the Real Estate subgroup are attributed to the S division. Class S shares are not traded on the stock exchange and are held solely by the Free and Hanseatic City of Hamburg (FHH). In the unlikely and unprecedented event of the Real Estate subgroup reporting a loss, this would be indirectly transferred to the Free and Hanseatic City of Hamburg in line with a separate agreement to assume losses.

### Employees

HHLA AG had a total of 1,055 employees as of 31 December 2019 (previous year: 1,045). Of this number, 271 received wages (previous year: 290), 719 received a salary (previous year: 714) and 65 were apprentices (previous year: 41). Of the 1,055 staff members, 452 were assigned to companies within the HHLA Group in the reporting year.

### Economic environment

Industry and macroeconomic developments are largely in line with those at the HHLA Group. Economic environment

## Earnings position

### Key figures

| in € million | **2019** | 2018 | Change |
|---|---|---|---|
| Revenue | 136.0 | 122.8 | 10.7 % |
| Other income and expenses | - 163.4 | - 156.1 | - 4.7 % |
| Operating result | - 27.4 | - 33.3 | 17.7 % |
| Financial result | - 28.5 | - 27.2 | - 4.8 % |
| Result from equity investments | 143.4 | 125.6 | 14.2 % |
| Income taxes | - 11.7 | - 8.9 | - 31.5 % |
| Net profit | 75.8 | 56.2 | 34.9 % |

The **revenue** generated by HHLA AG resulted mainly from the charging of personnel expenses for holding company staff assigned to the spun-off Container and Logistics segments and from billing administrative services for IT systems which are pooled with HHLA AG. Revenue totalled € 136.0 million in the reporting period (previous year: € 122.8 million). The rise of € 13.2 million resulted from services billed to subsidiaries of HHLA AG.

**Other income and expenses** reduced earnings by an additional € 7.3 million compared with the previous year. This was largely due to expenses for the development of strategic initiatives, as well as income from the reversal of provisions recognised in the previous year.

The year-on-year decrease in the **financial result** resulted mainly from increased interest expenses due to the issuance of promissory note loans and registered bonds.

The development of **income from equity investments** was primarily due to the performance of the Intermodal segment. The net profits of HHLA's affiliates and equity investments recognised in profit or loss rose year-on-year by € 17.8 million to € 143.4 million (previous year: € 125.6 million).

The € 2.8 million increase in **income taxes** stemmed mainly from the rise in the operating and financial result.

The company's **annual net profit** amounted to € 75.8 million in the reporting period (previous year: € 56.2 million). The A division accounted for € 66.6 million of this amount (previous year: € 47.7 million) and the S division for € 9.2 million (previous year: € 8.5 million).

### Forecast and actual figures

| in € million | Actual 2018 | Forecast 2019 | Actual 2019 |
|---|---|---|---|
| Net profit | 56.2 | At previous year's level | 75.8 |

The difference between the actual annual net profit and the forecast is mainly attributable to the development of income from equity investments.

## Assets

### Balance sheet structure

| in € million | 31.12.2019 | 31.12.2018 |
|---|---|---|
| **Assets** | | |
| Intangible assets and property, plant and equipment | 32.4 | 29.8 |
| Financial assets | 444.5 | 424.8 |
| Other assets | 718.5 | 695.7 |
| **Balance sheet total** | **1,195.4** | **1,150.3** |
| | | |
| **Equity and liabilities** | | |
| Equity | 492.2 | 478.1 |
| Pension provisions | 330.1 | 323.9 |
| Other liabilities | 373.1 | 348.3 |
| **Balance sheet total** | **1,195.4** | **1,150.3** |
| Equity ratio in % | 41.2 | 41.6 |
| Intensity of investments in % | 2.7 | 2.6 |

The carrying amounts of **intangible assets** and **property, plant and equipment** totalled € 32.4 million at the end of the reporting period (previous year: € 29.8 million). Capital expenditure amounted to € 6.9 million in the reporting period (previous year: € 9.8 million). Capital expenditure focused mainly on expanding the IT landscape.

The increase in **financial assets** of € 19.7 million to € 444.5 million was primarily due to the above-mentioned expansion of digital business activities.

### Development in pension provisions

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Carrying amount on 1 January** | **323,888** | **309,575** |
| Transfer amount[1] | 0 | 4,296 |
| Expense recognised in profit and loss | 25,301 | 29,210 |
| Pension payments | - 19,079 | - 19,193 |
| **Carrying amount on 31 December** | **330,110** | **323,888** |

1 In the previous year, a transfer amount resulted from the harmonisation of the existing pension scheme.

HHLA AG uses the projected unit credit method to value entitlements associated with existing **pension obligations**. Future obligations are projected based on past service and possible future service prior to the insured event occurring. Anticipated future pension and pay increases are also taken into account. An average market interest rate for the past ten years of 2.71 % set by Deutsche Bundesbank was applied for the reporting year (previous year: 3.21 %).

In accordance with Section 253 (2) sentence 2 HGB, a remaining term of 15 years is used as a basis for provisions. Pension provisions amounted to € 330.1 million at the end of the reporting period (previous year: € 323.9 million).

## Financial position

### Liquidity analysis

| in € million | 2019 | 2018 |
|---|---|---|
| **Financial funds as of 1 January** | **416.1** | **388.4** |
| Cash flow from operating activities | 103.7 | 38.2 |
| Cash flow from investing activities | - 26.7 | - 58.2 |
| Cash flow from financing activities | - 61.7 | 47.7 |
| **Financial funds as of 31 December** | **431.4** | **416.1** |
| of which receivables from subsidiaries | 224.1 | 192.3 |
| of which cash and cash equivalents | 207.3 | 223.8 |

**Cash flow from operating activities** totalled € 103.7 million in the reporting period (previous year: € 38.2 million). It was dominated by the operating result and the income received from equity investments. Cash flow was completely sufficient to fund capital expenditure in the reporting period.

In connection with existing cash pooling agreements, **financial funds** comprised receivables from subsidiaries of € 224.1 million (previous year: € 192.3 million), cash and cash equivalents in the form of bank balances totalling € 112.3 million (previous year: € 128.8 million) – of which € 45.0 million (previous year: € 20.0 million) was short-term bank deposits – and clearing receivables of € 95.0 million (previous year: € 95.0 million) due from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV). The S division of HHLA AG participates in the cash clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA AG.

## Risk and opportunity report

Business developments at HHLA AG are mostly subject to the same risks and opportunities as those of the HHLA Group. HHLA AG shares in the risks of its subsidiaries and equity investments in line with its respective shareholding.

As the parent company of the HHLA Group, HHLA AG is incorporated into the Group-wide risk and opportunity management system. The risk and opportunity report contained in the combined management report provides a description of the internal control system as required by Section 289 (5) HGB. Management of risk and opportunities

## Business forecast

### Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) are reflected in the business forecast for the Group as a whole. It is anticipated that the statements made for the HHLA Group regarding market and revenue developments will largely be mirrored by the revenue of the holding company. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA's earnings. Business forecast

### Expected earnings position in 2020

Based on the possible effects of the global coronavirus pandemic described in the Group's business forecast on the expected earnings situation of the HHLA Group, HHLA AG expects the annual profit to decline sharply compared to the previous year. As with the Group, a reliable forecast is not possible at HHLA AG due to the current developments. Business forecast

### Expected financial position in 2020

Based on the liquidity control measures described in the Group's business forecast , HHLA AG expects its financial position to remain stable. Business forecast

### Dividend

As in the previous year, HHLA AG's appropriation of profits is oriented towards the development of earnings in the financial year ended. The distributable profit and stable financial position provide the foundation for a continuation of the company's consistent dividend policy.

# Statement of the Executive Board

Under the circumstances known to the Executive Board at the time the transactions listed in the related parties report in accordance with Section 312 AktG were carried out or actions were committed or omitted, the company received adequate consideration for the transaction and was not disadvantaged by committing or refraining from said actions.

In accordance with Article 4 of the articles of association, and with corresponding application of the provisions of Section 312 AktG, the Executive Board must prepare a report on the relationships between the A division and the S division. Under the circumstances known to the Executive Board at the time the legal transactions specified in the report on the relationships between the A division and the S division were completed, both divisions received appropriate consideration. Any expenses and returns that could not be attributed directly to one division were divided among the divisions in line with the articles of association. No steps were taken or omitted at the behest or in the interests of the other division in each case.

Hamburg, 23 March 2020

Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board

Angela Titzrath    Jens Hansen

Dr. Roland Lappin    Torben Seebold

Some of the disclosures in the management report – including statements on revenue and earnings trends and on possible changes in the sector or the financial position – contain forward-looking statements. These statements are based on the current best estimates and assumptions of the company. Depending on whether uncertain events materialise, HHLA's actual results, including its earnings and financial position, may differ materially from those explicitly or implicitly assumed or described in these statements.