Combined management report

The combined management report (hereinafter: management report) covers the course of business at the HHLA Group and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA AG).

Group overview

HHLA

Holding/Other

- Strategic corporate development
- Functional management of the Container segment
- Management of resources and processes
- Provision of shared services

- Floating crane operations
- Development and letting of port-related real estate

Port Logistics
subgroup
Listed class A shares

Real Estate
subgroup
Non-listed class S shares

Container
segment

- Container handling
- Container transfer between modes of transport (ship, rail, truck)
- Container-related services (e.g. storage, maintenance, repair)

Intermodal
segment

- Container transport via rail and truck in the ports' hinterland
- Loading and unloading of carriers
- Operation of inland terminals

Logistics
segment

- Specialist handling of dry bulk, general cargo, vehicles, fruit, etc.
- New business activities, such as additive manufacturing, airborne logistics services, etc.
- Consulting and training

Real Estate
segment

- Management of real estate in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona
- Development
- Tenancy
- Facility management

Shareholder structure
Share capital: total of 72,753,334 no-par-value registered shares (no-par-value shares)

of which 70,048,834 class A shares – listed –		of which 2,704,500 class S shares – non-listed –
31.6 %	68.4 %	100 %

- **Free float** 22,128,334 class A shares
- **Free and Hanseatic City of Hamburg** Shareholding: 47,920,500 class A shares + 2,704,500 class S shares

Group structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading logistics companies. The Group is operated as a strategic management holding company divided into two subgroups, Port Logistics and Real Estate. The class A shares, which are listed on the stock exchange, relate to the Port Logistics subgroup and entitle shareholders to participate in the result and net assets of these operations. The Real Estate subgroup includes those HHLA properties that are not specific to port handling. The performance and economic result of the Real Estate subgroup, which also follows urban development objectives, are represented by the class S shares. These 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.

The HHLA Group's operations are conducted by the 30 domestic and 16 foreign subsidiaries and associated firms that make up the consolidated group. In the financial year 2019, HHLA acquired shares in companies in order to expand its digital business activities and extend its Intermodal network. Notes to the consolidated financial statements, no. 3 Composition of the Group No other significant legal or organisational changes were made.

Operating activities

As an integrated provider of container handling, transport and logistics services, the **Port Logistics subgroup** offers services along the logistics chain between international ports and their European hinterland. The geographical focus of its operating activities is on the Port of Hamburg and its hinterland. The Port of Hamburg is an international hub for container transport by sea and land, with an optimal link to the economies of Central and Eastern Europe, Scandinavia and the Baltic region. The company's core lines of business are represented by the Container, Intermodal and Logistics segments.

The **Container segment** pools the Group's container handling operations and is the largest business unit in terms of revenue and earnings. Its activities consist primarily of handling container ships (loading and discharging containers) and transhipping containers to other carriers (rail, truck, feeder ship or barge). HHLA operates three container terminals in Hamburg – Altenwerder (CTA), Burchardkai (CTB) and Tollerort (CTT) – and further container terminals in Odessa, Ukraine (CTO) and Tallinn, Estonia (HHLA TK Estonia). The portfolio is rounded off by supplementary container services, such as maintenance and repairs.

The **Intermodal segment** is the second largest of HHLA's segments in terms of revenue and earnings. As a further key element of HHLA's business model, which is vertically integrated along the transport chain, the segment provides a comprehensive rail and road network for seaport-hinterland traffic and, increasingly, continental traffic. HHLA's METRANS rail companies operate regular direct connections between the ports on the North and Baltic seas and between the Northern Adriatic and its hinterland, as well as inland terminals to provide a comprehensive range of services for maritime logistics. In addition to transhipment services at the Port of Hamburg, the trucking subsidiary CTD transports containers by road, both locally and over long-haul distances within Europe.

The **Logistics segment** encompasses a wide range of services in the field of specialist handling, consulting and other business activities. Its service portfolio comprises both stand-alone and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, motor vehicles and fruit. The company also provides consulting and management services for clients in the international port and transport industry. New business activities, such as additive manufacturing and air-assisted logistics services, complete the portfolio. HHLA provides some of the activities in this segment together with partner companies.

The **Holding/Other** division is also part of the Port Logistics subgroup, although it does not constitute a separate segment as defined by the International Financial Reporting Standards (IFRS). The Holding division is responsible for strategic corporate development, the functional management of the Container segment, the central management of resources and processes, and the provision of shared services for the operating companies. It also includes the properties specific to HHLA's port handling business and the Group's floating crane operations.

The Real Estate segment corresponds to the **Real Estate subgroup**. Its business activities encompass the development, letting and commercial and technical facility management of properties in the Port of Hamburg's peripheral area. These include the Speicherstadt historical warehouse district. The world's largest traditional warehouse quarter is a UNESCO World Heritage Site. In this central location, HHLA offers some 300,000 m^2 of commercial space. Other prime properties totalling approximately 63,000 m^2 are managed by Fischmarkt Hamburg-Altona GmbH in the exclusive fish market area on the river Elbe's northern banks.

Market position

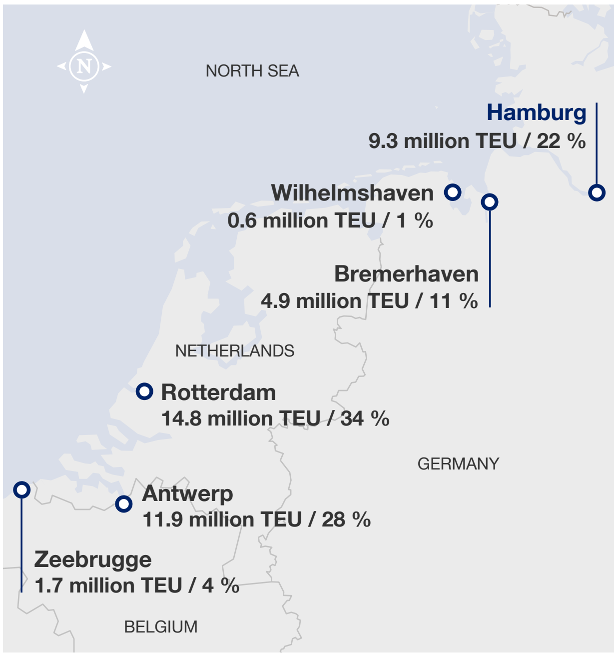
With its listed core business Port Logistics, HHLA operates on the European market for sea freight services. This market offers long-term growth prospects as a number of key Central European countries strengthened their competitiveness after the debt crisis, thereby paving the way for a further increase in foreign trade and consumer spending. Eastern Europe also offers growth potential and stable forecasts. Whether these positive trends materialise depends on the resolution of regional conflicts and the development of fuel and energy prices.

In 2019, uncertainties regarding trade policies and geopolitical tensions had a negative impact on the economy and, above all, on production and trade. As a result of a sluggish economy, the International Monetary Fund (IMF) expects weaker global economic growth in 2019 than in the previous year. Economic environment

Protectionist trade barriers in particular are having an effect on containerised trade and transport volumes. The current easing of the trade dispute between the USA and China, and minor worries regarding a hard Brexit, have both had a positive influence on the latest forecasts. According to IMF estimates, global growth will continue to be positive in 2020 and stronger than in 2019. Business forecast

Container throughput at the North Range ports

Handling volumes and market shares in 2019



Source: Port Authorities / market shares according to own calculation

The market for port services on the Northern European coast (the North Range) of relevance for HHLA is characterised by its high concentration of ports. Competition is particularly strong between the four major North Range ports of Hamburg, HHLA's main hub, Bremerhaven, Rotterdam and Antwerp. Other handling sites – such as Wilhelmshaven and Zeebrugge – are considerably smaller in terms of their capacity and/or current freight volume. The Baltic Sea ports are served by high feeder traffic operating via central distribution points in the North Range. The practice of ocean-going vessels calling directly at ports such as Gdansk and Gothenburg, however, is resulting in more intense competition. Gdansk is exhibiting particularly strong growth and is therefore increasingly competing with this network system. Adriatic ports, such as Koper and Trieste, and the Polish ports have also improved their infrastructure and are competing with the Port of Hamburg for freight in the hinterland.

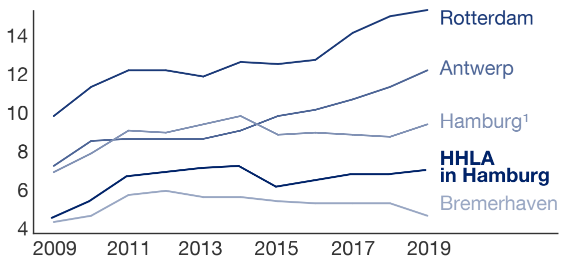
As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the market position include the reliability and speed of ship handling, as well as the scope and quality of services. Also of increasing importance is the performance of pre- and onward-carriage rail systems serving the hinterland (e.g. frequency, punctuality, pricing) and therefore the range of integrated transport solutions.

In late 2019, APM Terminals (APMT) signed a letter of intent regarding the sale of APM Terminals Rotterdam on Maasvlakte 1 to Hutchison Ports. Furthermore, a consortium of PSA International, the state-owned Polish Development Fund (PFR) and the Australian IFM Global Infrastructure Fund acquired the Deepwater Container Terminal Gdansk (DCT) from Macquarie in March 2019. Competition remains extremely fierce in Northern Europe and the ports are increasingly dependent on changing shipping company constellations. The resulting shift towards more geographically flexible feeder traffic is having a significant impact on handling volumes. By contrast, the market position for handling volumes that are tied to the natural catchment area onshore is largely stable – given that it is vital to take the shortest route for the disproportionately more expensive landbound transportation.

The **Container segment** benefits from the Port of Hamburg's position as the most easterly North Sea port, which makes it the ideal hub for the entire Baltic region and for hinterland traffic to and from Central and Eastern Europe. Furthermore, the long-standing trading relationships between the Port of Hamburg and the Asian markets are advancing Hamburg's role as an important European container hub. With a container throughput of 9.3 million TEU, Hamburg ranked 17th among the world's ports in 2019 and is thus the third-largest European container port after Rotterdam and Antwerp. In Hamburg, HHLA expanded its position as the largest container handling firm with a throughput volume of 7.0 million TEU in 2019. The market share of HHLA's container terminals with regard to handling at the Port of Hamburg fell slightly to 75 % (previous year: 79 %). The Far East, Eastern Europe, North America and Scandinavia were the most important shipping regions.

Container throughput at the largest North Range ports

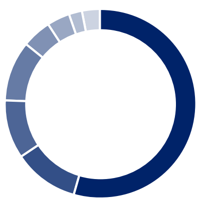
in million TEU



1 incl. HHLA / Source: Port Authorities

Container throughput by shipping region

in the Port of Hamburg, 2019



- **54 %** Asia
- **11 %** Eastern Europe (Baltic Sea)
- **10 %** Scandinavia
- **10 %** North America
- **5 %** Rest of Europe
- **4 %** South America
- **2 %** Africa
- **3 %** Other regions

Source: Hamburg Hafen Marketing e.V.

In the **Intermodal segment**, HHLA primarily utilises the advantages of the Port of Hamburg's rail infrastructure – Europe's most important rail traffic hub handling 2.7 million TEU a year. HHLA's Intermodal network also comprises further ports along the North Sea and Baltic Sea coasts as well as the northern Adriatic and, increasingly, continental traffic. The companies that transport containers by train compete with a variety of other rail operators and intermodal transport firms in Germany and abroad, but also with other carriers such as trucks and feeder ships. As the rail infrastructure is for the most part publicly owned, various national authorities guard against discrimination in both access and usage fees. In addition to the density of the available network, key competitive factors include the frequency of departures, opportunities for freight pooling and storage in the hinterland, the geographical distance to destinations, punctuality and infrastructural capacity. The importance of these factors is growing as ports compete with one another.

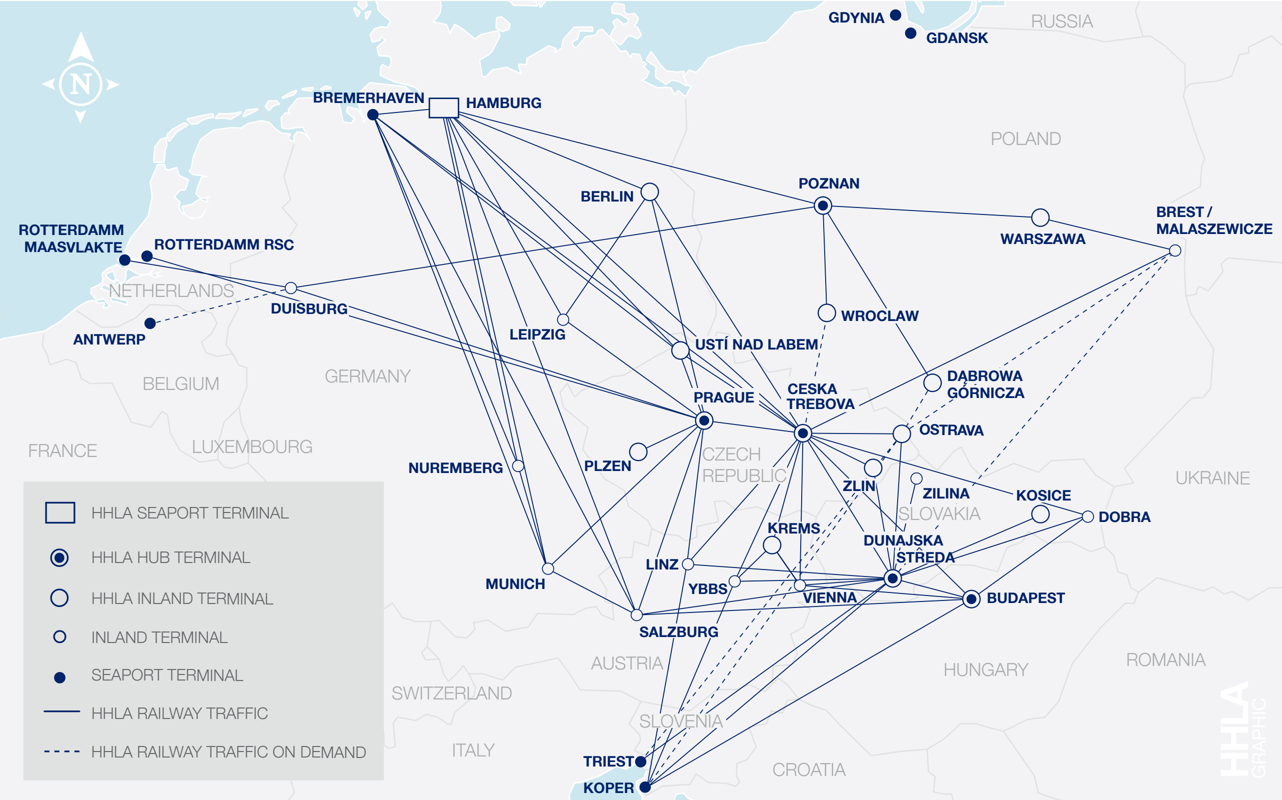
HHLA has proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offer. This is necessary to enable it to run direct trains with frequent departures and to allow the efficient pooling of rail freight transported via the port, which is efficiently distributed by central handling facilities. HHLA occupies relevant market positions in the majority of the regions it serves. HHLA has a sound market position in the greater Hamburg metropolitan region in the delivery and collection of containers by truck. Graphic: Intermodal network of HHLA

The **Logistics segment** serves various market sectors, some of them heavily specialised. With its multi-function terminal, HHLA is the leading provider of specialist handling services in Hamburg. Via Hansaport, HHLA has a stake in Germany's biggest seaport terminal for handling iron ore and coal. HHLA also provides fruit handling services for Northern Europe with its Frucht- und Kühl-Zentrum. In the field of consultancy, work is conducted on pioneering development projects around the world. The portfolio is rounded off by new business activities, such as additive manufacturing and airborne logistics services.

With a population of approximately 1.8 million and its significance as an economic centre, Hamburg is one of the largest property markets in Germany for the **Real Estate segment**. What makes the portfolio particularly attractive are its unique buildings and favourable locations in Hamburg's Speicherstadt historical warehouse district and on the northern banks of the river Elbe/fish market area. The company has built up a wealth of development and implementation expertise dedicated to finding the right balance between market-based tenant demands and the careful handling of its landmarked buildings with world heritage status. The properties compete with German and international investors marketing high-quality properties in comparable locations.

Intermodal network of HHLA

Selected connections



Customer structure and sales

The customer base in the Container and Intermodal segments consists mainly of shipping companies and freight forwarders. The services provided in the Logistics segment are aimed at various customer groups, ranging from steel companies and power plants (in the field of bulk cargo handling) to international operators of ports and other logistics centres (in the field of port consulting). The Real Estate segment lets its office space and commercial premises to German and international customers from a variety of sectors, ranging from logistics and trading companies to media, consulting and advertising agencies, fashion labels, hotels and restaurants, and companies from the creative sector.

Globally operating container shipping companies account for the largest share of HHLA's revenue. In ship handling, HHLA's container terminals work with shipping companies on a neutral basis (multi-user principle) and offer a wide range of high-quality services. The **HHLA customer base** remains in a state of flux due to consolidation in the container shipping segment in recent years and regular changes to the network. In 2019, however, there were no further mergers or acquisitions among the top ten container shipping companies.

Top 10 shipping companies

by carrying capacity in thousand TEU as of 31.12.2019

Shipping company	Alliance 2019	2019
1. APM-Maersk	2M	4,193
2. MSC	2M	3,766
3. COSCO Group (incl. OOCL)	Ocean Alliance	2,938
4. CMA CGM Group	Ocean Alliance	2,696
5. Hapag-Lloyd	THE Alliance	1,718
6. ONE (MOL, NYK, K Line)	THE Alliance	1,581
7. Evergreen	Ocean Alliance	1,277
8. Yang Ming	THE Alliance	647
9. PIL	–	392
10. HMM	2M – associated	389

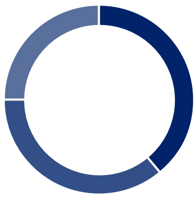
Source: Alphaliner Monthly Monitor, January 2020

In the reporting year, HHLA's customer base included all of the world's top ten container shipping companies. HHLA therefore considers itself well placed to also meet the future requirements of its clients in the shipping sector. Business forecast

The major shipping line alliances formed in 2017 – 2M, Ocean Alliance and THE Alliance – remain in place. After Ocean Alliance already extended its current contract until 2027 in the previous year, THE Alliance also renewed its partnership until 2030 and announced that HMM would be joining the alliance from April 2020.

Capacity breakdown by shipping line alliance

on Far East–Europe services as of 31.12.2019



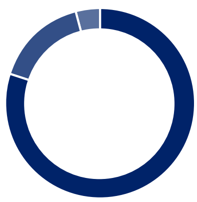
Source: Alphaliner Monthly Monitor, January 2020

Sales activities in the Container segment are organised by means of key account management. In the Intermodal and Logistics segments, sales are generally managed locally by the individual companies. As far as possible, all activities follow the strategic approach of vertical integration, i.e. offering comprehensive transport and logistics services from a single source. The Real Estate segment's sales team offers potential clients and tenants a wide range of services for properties in its two main districts – Hamburg's Speicherstadt historical warehouse district and the northern banks of the river Elbe/fish market area – as well as for logistics properties in and around the port.

The share of revenue attributable to HHLA's five most important customers of its Hamburg container terminals rose strongly again in the 2019 financial year, taking it to 80 % in total (previous year: 71 %). Due to the completed consolidations, the share of revenue attributable to the ten most important customers of the Hamburg terminals also rose slightly to 96 % (previous year: 92 %). HHLA has maintained commercial relationships with the majority of its most important customers for well over two decades.

Revenue distribution by customer

of the container terminals at the main hub of Hamburg in 2019



HHLA concludes framework contracts with its shipping customers that set out both the scope and remuneration of services. As the usage volume for these services is not fixed, there is no order backlog in the traditional sense for the specific services provided by HHLA.

Legal framework

In its business operations, HHLA is subject to numerous German and foreign statutory provisions and regulations such as public law, trade, customs, labour, capital market and competition regulations. Its pricing is determined by the market and is, as a matter of principle, not regulated.

The regulatory environment for HHLA's commercial activities in and around the Port of Hamburg is largely determined by the Hamburg Port Development Act (Hamburgisches Hafenentwicklungsgesetz – HafenEG). HafenEG's objectives are to maintain the Port of Hamburg's competitiveness as an international all-purpose port, to safeguard freight volumes and to use the public infrastructure as efficiently as possible. To this end, the Port of Hamburg employs a "landlord model", by which the Hamburg Port Authority (HPA) owns the port areas and is responsible for building, developing and maintaining the infrastructure, while the privately owned port operators are responsible for the development and maintenance of the suprastructure (buildings and facilities). HHLA has concluded long-term lease agreements with HPA for those port areas of importance for its business operations. Lease agreements are based on HPA's general terms and conditions for port-related real estate

For the construction, alteration and operation of its handling facilities, HHLA is reliant on the issuance and continued existence of authorisations under public law, especially authorisations in accordance with the German Federal Emissions Control Act (Bundesimmissionsschutzgesetz – BImSchG), the applicable local building regulations and water and waterways laws. Construction and extension measures require separate authorisations by the respective authorities, irrespective of the plan approval procedure for the expansion of the handling areas. HHLA's affiliated companies are subject to a number of strict regulatory requirements, especially regulations concerning the handling, storage and transport of environmentally harmful substances and hazardous goods, as well as rules concerning technical safety, health and safety in the workplace and environmental protection.

Due to the dangers posed by international terrorism, there are strict security precautions at all ports. An essential component of these precautions is the International Ship and Port Facility Security Code (ISPS Code), which requires the internationally standardised installation of measures to prevent terrorist attacks on ocean-going vessels and port facilities. For the operators of port facilities, this involves observing strict access control and implementing numerous other measures for averting danger. In the area of the Port of Hamburg, the aforementioned international provisions are implemented and specified by the German Port Security Act (Hafensicherheitsgesetz – HafenSG).

The regulatory environment for business activities in the Intermodal segment is largely determined by the EU directive establishing a single European railway area (Directive 2012/34/EU) and the national implementing legislation. In particular, these include regulations governing the licensing of rail companies, the use of railway infrastructure, the associated charges as well as rail operation. The main legislation in Germany are the General Railways Act (Allgemeines Eisenbahngesetz – AEG), which sets out the requirements for rail operation, and the Railway Regulation Act (Eisenbahnregulierungsgesetz – ERegG), which, in particular, contains provisions on network access and route pricing. In addition, there are further national, European and – especially for transnational rail transport – international regulations.

The legal framework for HHLA is subject to constant change at national, European and international level in order to keep pace with technical progress and increased sensitivity with regard to safety and environmental concerns, among other issues. In the reporting period, however, there were no amendments to the legal framework with a significant impact on the Group's operating activities or its assets, financial or earnings position.

Corporate strategy

HHLA is one of Europe's leading port and logistics companies with activities stretching beyond the Port of Hamburg into many parts of Europe. Together with its customers, HHLA develops logistical and digital hubs for the transport flows of the future. As a result, HHLA is paving the way for sustainable growth in its enterprise value.

The HHLA Executive Board is continuing the business development process launched in 2017. Its aim is to strengthen the company's future viability and creative power over the long term. The necessary changes are linked across all segments and underpinned by numerous measures. The defined objectives are pursued consistently.

HHLA's market environment is changing at an ever-greater pace. HHLA aims to harness this change quickly and successfully and in a determined and focused manner.

To this end, HHLA is increasing its

- focus on identifying and interpreting relevant trends in order to derive value-adding initiatives.
- flexibility with the aim and benefit of acting and evolving quickly.
- efficiency and networking in order to remain ahead of the competition and generate added value.
- search for, and integration of, new ideas.

creative power to focus on the development of additional values. This involves strengthening customer loyalty and its customer base.

HHLA is guided by key milestones as it builds its **future viability**. We come from Hamburg and are at home in Europe. As a gateway to the future, we offer our customers the best way to transport their goods safely, quickly and efficiently. We are currently sowing the seeds for additional, sustainable and profitable growth in our value creation to safeguard our future enterprise value. Four initiatives have been identified to achieve these objectives:

Fit for the world of tomorrow
Our core business is being strengthened to be able to enter the world of tomorrow sustainably and profitably. A corresponding programme for the future is being implemented. This programme aims to enhance competitiveness, quality and profitability.

Exploiting additional growth areas
HHLA is tapping growth potential along the transport streams of the future, along the logistics value chain and in new, digital business models.

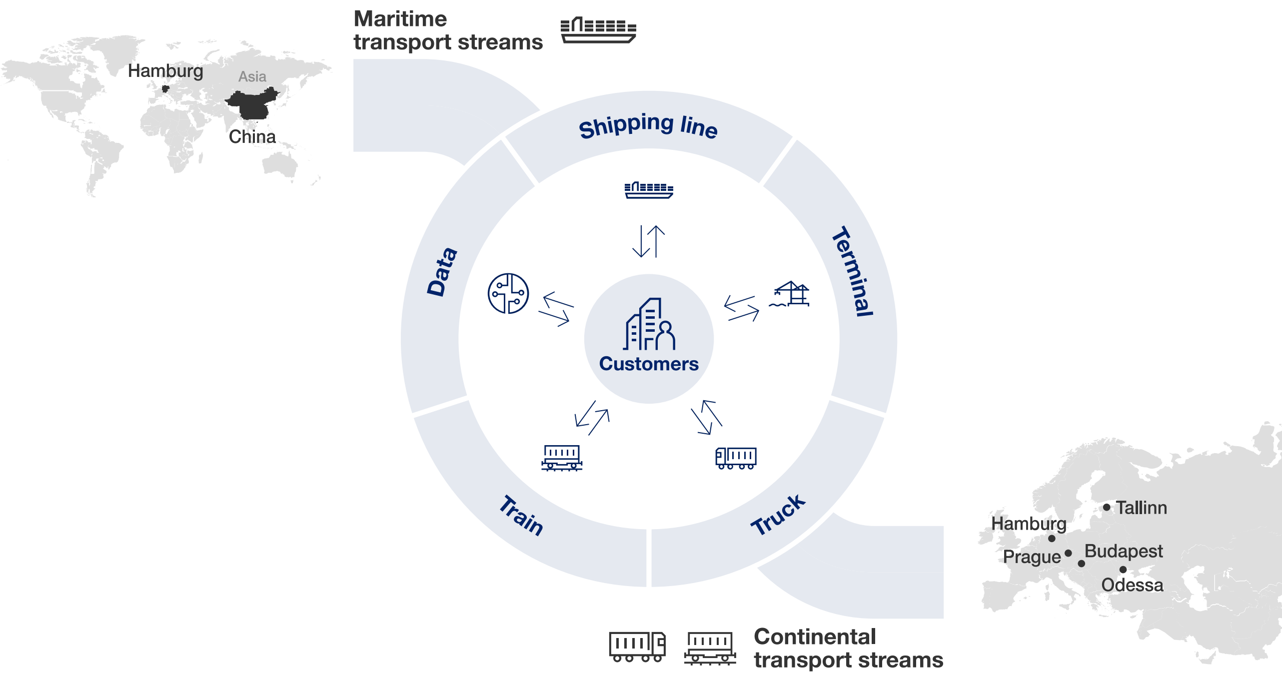
Organisation and corporate culture
The company's organisational structure and corporate culture are being aligned with tomorrow's world. The client is being placed more than ever at the centre of activity.

Investments and finance
The company will continue to gear its investments and operating results towards sustainable, profitable growth. HHLA applies a value-oriented approach to its strategic investments. The most important investment criteria are the growth prospects and anticipated return on capital of the investment projects.

In addition to the continued development of our core business and the development of new growth fields, **sustainability and climate protection** are an integral component of HHLA's business model. The aim is to make the entire Group climate neutral by 2040. As an interim target, HHLA will halve its absolute

The HHLA service network

HHLA connects its customers with maritime and continental transport streams



CO_2 emissions by 2030, compared to the 2018 figure. HHLA is thus underlining its commitment to being both economically successful as well as socially and ecologically responsible.

In the listed **Port Logistics** subgroup, activities to cement and expand the current market positioning are governed by the following guidelines:

In the **Container segment**, HHLA aims to be an efficient, highly automated and high-performance port service provider with a strong hinterland network and cutting-edge, digital customer solutions. In order to achieve this, the design and operation of HHLA's container terminals are systematically geared to maximum efficiency of space and manpower, while innovative technologies and processes are used to achieve continuous improvements in quality standards. Another area of focus is the mission to develop HHLA into a green port within a sustainable and emission-free transport chain. HHLA's container terminals are supposed to collaborate across all terminals wherever possible in order to benefit from each other and continuously boost the efficiency of handling services.

In the **Intermodal segment**, HHLA strives to be a quality and efficiency leader and aims to leverage this leading position in order to profit from the transport flows of the future. METRANS will play an important role along the hubs and connecting lines of the logistics network, both in Europe and beyond. Thanks to efficient networking between the Intermodal segment and the other activities of the HHLA Group, HHLA is able to offer its customers a perfectly coordinated range of services. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

With its **Logistics segment**, HHLA aims to strengthen Hamburg's all-purpose port and drive forward its future-oriented diversification. The business prospects of the Frucht- und Kühl-Zentrum, Ulrich Stein and UNIKAI are being further enhanced. HPC Hamburg Port Consulting is positioning itself as a leading international specialist and strategic consultancy for the maritime industry. The segment's potential is being harnessed to develop further services in the logistical and digital value chains.

In addition to purely organic growth, HHLA examines opportunities for acquisitions in order to tap new growth areas along the logistical value chain. Potential acquisitions and equity investments focus on port projects and shareholdings in attractive growth markets. HHLA's interest is based on the economies of scope offered by the existing network and the opportunities it presents to tap additional growth potential along the transport flows of the future. In this way, the company aims to identify and occupy new digital business models.

In its non-listed **Real Estate subgroup**, HHLA pursues the objective of developing into an integrated, market-viable developer of specialist properties. The corporate unit HHLA Real Estate aims to be Hamburg's flagship provider of intelligent district management on the basis of a clear strategic alignment and reliable prioritisation. As such, HHLA Real Estate is a much sought-after specialist in its clearly defined areas of expertise.

Corporate and value management

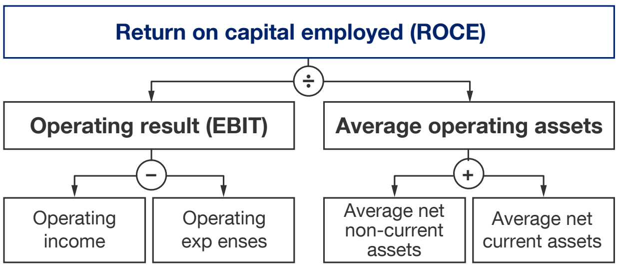
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2019 financial year.

Financial performance indicators

The key operational management parameters used by the HHLA Group are the operating result (EBIT) and the average operating assets (capital employed). EBIT and capital expenditure as key drivers of the average capital employed are the main intra-year and short-term performance indicators. Return on capital employed (ROCE) is calculated for the measurement of long-term, value-oriented performance and is also used to determine the annual value added. The HHLA Group calculates ROCE as a ratio of the operating result and the average operating assets used.

Value management

ROCE – defining parameters and influential factors



Commercial activities are generally regarded as value-generating if ROCE exceeds the cost of capital and they make a positive value contribution. Such capital costs correspond to the weighted average of equity costs and the cost of borrowed capital. As in the previous year, HHLA used a weighted average cost of capital of 8.5 % before tax to calculate value growth at Group level in the 2019 financial year. This minimum interest rate reflects the Executive Board's assessment of a medium- to long-term rate of return arising from a balanced relationship between equity and borrowed capital. This approach avoids short-term fluctuations in interest rates on the capital markets that may distort the information provided by the value management system.

The HHLA Group's EBIT rose year-on-year by 8.3 % to € 221.2 million in the 2019 financial year (previous year: € 204.2 million), whereby the rise was mainly attributable to the first-time application of IFRS 16. Earnings position Average operating assets rose by € 655.5 million to € 2,039.4 million in the reporting period (previous year: € 1,383.9 million), whereby the rise resulted chiefly from the first-time application of IFRS 16. Financial position The return on capital employed (ROCE) was therefore down 4.0 percentage points year-on-year at 10.8 % (previous year: 14.8 %), but nonetheless continued to exceed the targeted minimum ROCE of 8.5 % by 2.3 percentage points. The HHLA Group generated a positive value added of € 47.9 million in the 2019 financial year (previous year: € 86.6 million).

Key figures value added

in € million	**2019**	2018	Change
Operating income	1,434.5	1,338.2	7.2 %
Operating expenses	- 1,213.3	- 1,134.0	7.0 %
EBIT	221.2	204.2	8.3 %
Ø Net non-current assets	1,922.3	1,279.4	50.2 %
Ø Net current assets	117.1	104.5	12.1 %
Ø Operating assets	2,039.4	1,383.9	47.4 %
ROCE[1] in %	10.8	14.8	- 4.0 pp
Capital costs before tax[2] in %	8.5	8.5	0.0 pp
Capital costs before tax	173.3	117.6	47.4 %
Value added in %	2.3	6.3	- 4.0 pp
Value added	47.9	86.6	- 44.7 %

1 Due to the first-time application of IFRS 16 in the 2019 financial year, there is no comparability with the previous year.
2 Of which 5.0 % for the Real Estate subgroup

Non-financial performance indicators

The main non-financial performance indicators are container throughput and container transport volumes. In addition to the continuous dialogue that HHLA maintains with its customers, the company makes extensive use of macroeconomic forecasts as early indicators for volume trends and its operating activities. These include the anticipated development of gross domestic product for important trading partners and the subsequent estimates for foreign trade and import/export flows, as well as for container traffic on relevant routes and changes in the correlation between gross domestic product and containerised trading volumes.

Research and development

One of HHLA's strategic objectives is to continuously improve the efficiency of its operating systems, and consequently its competitiveness, by developing application-oriented technologies. The main focus of these activities is therefore on engineering and IT-based innovation projects. Due to close collaboration with technical universities, institutes, industry partners and government authorities, joint projects can be planned, managed and developed by working groups.

In the 2019 financial year, HHLA mainly focused its resources and available capacity on research as part of the subsidy programme for Innovative Port Technologies (IHATEC).

Container terminal 4.0

The Container Terminal Altenwerder (CTA) is one of the most highly automated container terminals in the world. Since it opened in 2002, HHLA has constantly been researching and working on improving and expanding automation at the site. Right at the start, a paradigm was established whereby automated work areas are separated, isolated and off-limits to staff in order to guarantee occupational safety. This principle has always been upheld. Today, however, this paradigm is preventing the ramping up the automated processes, as it inevitably excludes them from areas used by people. The research project "Container terminal 4.0 – a paradigm shift in the automation of container terminals via human–machine interaction rather than separation" is to be conducted as part of the IHATEC subsidy programme. The project's main objective is to develop automation solutions for various container crane systems used at the terminal in work areas shared by people and machines (e.g. alongside ships and trucks) and to implement them as prototypes. At the same time, the experience, knowledge and evidence gathered during this process should play a fundamental role in establishing the safety standards needed to create a reliable framework for future automation projects.

INTERACt

HPC and Container-Transport-Dienst GmbH (CTD) initiated the IHATEC research project INTERACt (integration of autonomous trucks in container terminal operating processes) in conjunction with the Karlsruhe Institute of Technology (KIT). As part of the project, a feasibility study and a subsequent gap analysis will determine the extent to which self-driving trucks can be deployed simultaneously on public roads and in closed-off terminal areas – and what technical, operational and legal requirements should be imposed on the vehicles themselves as well as on the transport service providers and terminals involved. The result of the project will be a road map that outlines the necessary future development steps.

Hamburg TruckPilot

With the Hamburg TruckPilot field test, MAN Truck & Bus and HHLA are conducting a highly innovative research and testing project to develop automation solutions in road transport. The aim is to analyse the requirements for the customer-specific deployment and integration of self-driving trucks in the automated container handling process under realistic conditions, and to review its feasibility. The prototype trucks equipped with the corresponding electronic automation systems should be able to operate autonomously within CTA. The operational, infrastructural and IT requirements for the automated handling of self-driving trucks are also to be identified and specified. The project is split into three phases: the preparation phase, which ran until the end of 2018, served to define the underlying technical conditions. The project is currently in the testing phase, which is scheduled to run until June 2020. This comprises the technical development of the system at MAN's testing centre in Munich in accordance with the specific requirements identified during the preparation phase. The structure of the subsequent field tests from July to December 2020 will be determined by the results of the preparation and testing phases and conducted under conditions similar to customer usage.

AeroInspekt

Storage cranes at the container yard are the linchpin of HHLA's cutting-edge, high-performance container terminals. The crane rails are subject to extreme requirements in terms of maintaining an unchanged position and exact track guidance. However, the geomorphological composition of the port terrain continuously results in significant subsidence and shifts in the track network, which have to be monitored, measured and rectified on a regular basis. This measurement work results in operational interruptions. The IHATEC subsidy project AeroInspekt (automated multi-rotor measurement and inspection system for the rail systems of port handling facilities) – which HHLA is running in conjunction with the Technical University of Braunschweig (TU Braunschweig) – aims to develop a measurement system for crane rails in a fully automated container yard by means of automated multicopter systems and photogrammetric analysis before building and evaluating a corresponding prototype. The aim is not only to achieve significant efficiency gains, but also to optimise the safety of the required and currently time-consuming measurement of crane rails in a fully automated container yard.

BiSchi

In much the same way as feeder ships, calls at the port and the transfer of containers by inland waterway ship require a tremendous amount of coordination, as several terminals are served during each port call. Since the beginning of 2019, the Hamburg Vessel Coordination Center (HVCC) has been developing a new inland waterway ship platform which incorporates and takes into account the special requirements of inland waterway shipping companies. The IT systems for the new inland shipping platform are being developed by DAKOSY Datenkommunikationssystem AG. Alongside modal 3 Logistik GmbH (an HVCC customer), Deutsche Binnenreederei AG, Carl Robert Eckelmann GmbH and Walter Lauk Ewerführerei GmbH are also partners in the project, which is funded by Hamburg's Departmental Authority for Economic Affairs, Transport and Innovation. The main objectives are to remove inefficiencies within the transport chain and to improve the reliability of handling through prompt, transparent planning for all parties involved: scheduling for the inland waterway shipping company, ship crew, terminals and HVCC all takes place in real time in a single overview and data set. The aim is to enhance inland shipping's position as an effective and environmentally friendly mode of transport and to make use of its great potential as a key pillar of hinterland traffic.

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. The hyperloop concept is based on the idea of transporting people and goods at high speed through a tube. Using magnetic levitation technology, the transport capsules are to be sent through a tunnel with a partial vacuum at speeds of up to 1,000 km/h. Hyperloop is thus regarded as an additional mode of hinterland transport together with rail and road.

Initial plans are for the construction of a transfer station for testing purposes at CTA by October 2021, as well as the development of a transport capsule for standard shipping containers (complete with a section of hyperloop tube). The aim of the prototype is to visualise the handling process in a hyper port and, for example, to illustrate its integration with autonomous vehicles.

ZETT

Another project carried out by CTA as part of the IHATEC subsidy programme focuses on the "Zero-Emission Terminal Tractor" (ZETT). Within a port/terminal or logistics centre, containers are usually transported using diesel-powered terminal tractors. In order to reduce exhaust emissions and noise pollution, there is a need for alternative drive systems. As things stand, there is currently no alternative drive technology for these tractors with the technical maturity required for industrial use and that can be operated cost-effectively. The primary objective of this project is to develop a system solution for battery-powered electric transport that will allow the cost-effective achievement of environmental benefits in the medium term. Both the vehicle and the charging technology need to be designed in such a way that they can cover a very broad range of applications. The resulting economies of scale will support the goal of enabling cost-effective operation. The project is primarily being run in conjunction with KONECRANES GmbH, the Institute for Automotive Engineering at RWTH Aachen University and BMZ GmbH.

FRESH

Harnessing consumer flexibility with regard to their energy demands is expected to play an important role in the success of the energy transition. The FRESH project (flexibility management and control reserve provision of heavy goods vehicles in the port, sponsored by the German Federal Ministry for Economic Affairs and Energy) builds a bridge between commercial electric vehicle fleets and the energy market in practice, thus tapping the potential for flexibility. At CTA, transport between the quayside cranes and the block storage units is fully automated with the use of driverless vehicles (automatic guided vehicles, or AGVs for short). The entire fleet of these heavy goods vehicles is currently being replaced by battery-powered vehicles using lithium-ion battery technology and fully automated charging stations. On average, however, an AGV spends about a third of its operating time in a waiting position. During this time, it is possible to postpone or interrupt the charging process, vary the charging capacity or even feed electricity back into the grid. The challenge is to continuously forecast the transport capacities that will soon be required of the vehicles and to plan the potential battery capacities and allocations of charging stations and vehicles, thus paving the way for the optimised use of available flexibility.

HITS-Moni

In partnership with the Department of Informatics at the University of Hamburg and DAKOSY, HHLA is conducting the IHATEC-funded project Harbour IT Security Monitoring (HITS-Moni). The project seeks to develop port company-specific processes, measures, concepts and rules for detecting and blocking cyberattacks on IT systems, improving and increasing IT security at companies in the port sector by linking the IT security tools of different companies, as well as expanding and implementing automation to protect employees against sensory overload. It is expected that the establishment of innovative IT security concepts and technologies within autonomous systems will boost productivity and efficiency by reducing the risk of potential system failures caused by cyberattacks.

UniPort 4.0

Hansaport has set up the IHATEC project UniPort 4.0 in partnership with Brunsbüttel Ports GmbH and other companies. Digitalisation in the field of all-purpose ports is still at an early stage. The often conventional work procedures and comparatively low level of maturity in terms of organisational and information technologies at all-purpose ports represent a significant obstacle. Whereas digitalisation at container ports is developing swiftly on account of global growth in consumer goods and the standardisation offered by containers, the core business of an all-purpose port lies in the handling of all kinds of break bulk and dry bulk. These pose challenges for the ports in terms of handling technology and in relation to the various shapes, weights, volumes and batch sizes, as well as in terms of storage, safety regulations and the required transport modes. In light of the ever-changing goods and product sizes/weights, the processes at an all-purpose port must be structured in a sophisticated manner and, from a digitalisation standpoint, usually offer significant optimisation potential. The idea behind UniPort 4.0 is to apply digitalisation in a comprehensive manner at the various ports involved.

Artificial intelligence and machine learning

With its artificial intelligence (AI) initiative, HHLA is pursuing three key business aims: alongside new sources of revenue and increased customer loyalty, the initiative also seeks to boost productivity and throughput at the terminals. HHLA also feels that AI offers considerable potential when it comes to increasing occupational safety among the workforce.

The first AI pilot project was successfully completed in 2019: AI-based forecasts of container collection times result in increased yard productivity. The collection time of a container is a key factor in optimising yard operations, even though the dwell time of the container is often not known when it arrives at the yard. This situation occasionally results in unnecessary restacking. In a bid to optimise block storage, an algorithm was developed to forecast container dwell time. It is based on historical data but continuously optimises itself using cutting-edge machine learning methods. Further AI-based projects are to be implemented in future in order to leverage additional optimisation potential at various stages of the value chain.

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 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 potential new suppliers. 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. As a further enhancement, the details provided are processed in a new "key figures cockpit", which, for example, plays a key role when preparing for negotiations.

HHLA is continuing to drive the automation of purchasing processes for day-to-day requirements. In the reporting period, 32.9 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: 25.2 %). This enables us to streamline processes and ensure both non-bureaucratic procedures and compliance with process standards. By systematically continuing these optimisation and automation measures, further automation potential is expected for the 2020 financial year. 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 2019, equipment and energy accounted for 29.2 % of the Group-wide procurement volume, while information technology (IT) accounted for 14.5 %, construction for 26.7 %, MRO (maintenance, repairs and operations) for 13.9 %, and other indirect services for 15.7 %. The total managed purchasing volume amounted to approximately € 198 million.

Due to its expertise in the procurement of a vast array of heavy machinery and other equipment, the purchasing department helped achieve significant optimisation even outside its managed purchasing volume.

A project launched in 2018 to optimise the department's strategic alignment was systematically continued, with the ongoing support of an external partner. Following a review of existing structures and processes in 2018, the focus in 2019 was placed on the Group-wide harmonisation and restructuring of selected procurement processes. Purchasing employees are working together with the consultants in various project groups in order to achieve the targets set. An ongoing training and development programme which involves all department staff and takes account of the varied requirements is designed to harness, foster and expand their knowledge and experience in the best possible way.

With regard to the defined initiatives, one notable example is the optimisation of fuel purchasing, where processes and purchase costs have been sustainably improved through the use of a VMI concept ("vendor managed inventory").

A further result of the programme is an instrument for identifying and presenting the value added by the purchasing department, which was developed by the employees themselves and has been established within the department. This instrument was used to document the results of key procurement projects.

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 and supply

	2015	2016	2017	2018	**2019**
Diesel, petrol and heating oil in million liter	26.3	26.6	27.4	28.4	28.0
Natural gas in million m^3	2.3	2.4	3.6	4.4	8.0
Electricity[1] in million kWh	138.3	139.6	135.6	135.9	123.2
thereof from renewable energies	76.1	73.2	82.8	78.9	78.7
Traction current in million kWh	130.3	150.0	157.5	181.4	185.0
District heating in million kWh	3.2	3.6	3.6	3.7	3.6
District heating supply[2] in million kWh	–	–	–	10.9	33.3

Consumption of natural gas, traction current and district heating in 2019 is based on preliminary and estimated figures.

1 Electricity without traction current

2 Generated by a highly efficient combinded heat and power generation plant (CHP) based on preliminary figures

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: https://report.hhla.de/non-financial-report

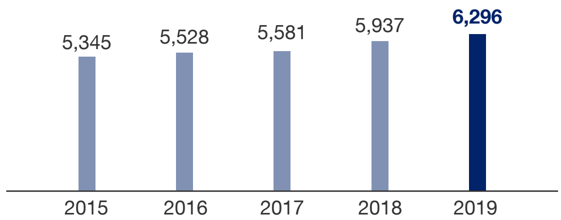
Employees

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 the holding company 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 6,296 employees at the end of 2019. This figure rose by 359, or 6.0 %, compared to the previous year. The increase is chiefly attributable to the recruitment of new staff in the Intermodal segment. In addition, HHLA used an annual average of 753 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 760).

Employees by segment

In the Container segment, the number of employees rose to 3,186 as of 31 December 2019. Total headcount was up by 52 year-on-year in the reporting period (previous year: 3,134). This represents an increase of 1.7 %. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment also rose by a further 241 employees in total to 2,243 (previous year: 2,002). Employee numbers in the Logistics segment increased to 167 in the reporting period (previous year: 141). The number of employees at the strategic management holding company increased by 5.5 % to 612 (previous year: 580). In the Real Estate segment, headcount amounted to 88 as of 31 December 2019 (previous year: 80). In both years, this figure includes employees from the management holding company who are assigned to the Real Estate segment.

Employees

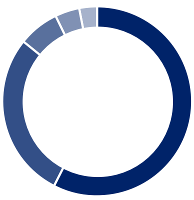
by segments	2019	2018	Change
Container	3,186	3,134	1.7 %
Intermodal	2,243	2,002	12.0 %
Holding/Others	612	580	5.5 %
Logistics	167	141	18.4 %
Real Estate	88	80	10.0 %
HHLA Group	**6,296**	**5,937**	**6.0 %**

Employees by region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,597 employees (previous year: 3,489), the majority of whom worked in Hamburg. This corresponds to a share of 57.1 % (previous year: 58.8 %). The number of staff employed abroad rose by 10.3 % to 2,699 (previous year: 2,448). This is chiefly due to the increase in the Intermodal segment. In Central Europe, headcount grew by 12.5 % to 1,752 (previous year: 1,558). In Ukraine, the number of employees fell by 0.2 % to 460 (previous year: 461).

Employees by region

as of 31.12.2019



- **57 %** Germany
- **28 %** Central Europe[1]
- **7 %** Ukraine
- **4 %** Estonia
- **3%** Other countries

1 Czech Republic, Slovakia, Hungary, Slovenia

Recruitment

In 2019, the number of new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft mbH Hamburg (GHB), was 204 (previous year: 121). 38 % of them were under 30 years of age (previous year: 40 %).

Recruitments

Number	2019	thereof females	thereof females
< 30 years	78	24	30.8 %
30 – 50 years	104	13	12.5 %
> 50 years	22	5	22.7 %
HHLA Germany	**204**	**42**	**20.6 %**

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) that not only considers the applicant's personal and professional suitability, but also diversity aspects. These processes have been used for all blue-collar roles since the end of 2013 and at the holding company and all container terminals in Hamburg since 2014. Members of the company's staff selection panels receive special training. In addition, the selection panel must include at least one woman for all selection processes in which the pool of applicants includes women.

At 4.7 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany increased slightly year-on-year (previous year: 4.2 %). Of the 169 people who left the company, 40.8 % were retirees (previous year: 41.2 %).

Personnel structure

The majority of jobs at HHLA are in a segment of the labour market in which men are traditionally employed and women are under-represented. The ratio of women employed by HHLA in Germany (incl. apprentices) amounted to 15.3 % (previous year: 15.7 %).

Gender distribution on the Executive Board and in the two management levels below the Executive Board is governed by the German Act on the Equal Participation of Women and Men in Leadership Positions and by the targets agreed by the Supervisory Board and, where applicable, the Executive Board.
Corporate governance, corporate management declaration

Age structure

The average age of staff in Germany in the reporting period was 44.7 (previous year: 44.6). Male employees had an average age of 45.3, while female employees were 41.4 years old on average. Over half of all employees are aged between 30 and 50.

Age structure

in %	31.12.2019	thereof females	31.12.2018	thereof females
< 30 years	10.6	28.4	10.3	28.1
30 – 50 years	52.3	15.4	52.9	16.8
> 50 years	37.1	11.5	36.8	10.6
HHLA Germany	**100.0**	**15.3**	**100.0**	**15.7**

The average length of service with the company in Germany is approximately 15.3 years.

Average employment period

in years	**31.12.2019**	31.12.2018
< 30 years	4.9	5.2
30 – 50 years	11.5	11.6
> 50 years	23.5	23.9
HHLA Germany	**15.3**	**15.5**

The percentage of employees with a severe disability (including persons of an equivalent status) was 8.5 % at the end of the reporting period (previous year: 9.8 %).

Personnel development

HHLA invested a total of € 4.6 million in educating and training staff at its locations in Hamburg in 2019 (previous year: € 4.6 million).

As of 31 December 2019, 66 apprentices and 18 students were receiving training in Germany in six different professions and seven dual study courses. 32 % of the 84 apprentices and students were female. The ratio of female students in 2019 was 50 % (previous year: 54 %).

16 of the 17 apprentices (of whom three were on dual study courses) who successfully completed their training in the course of the year were given permanent contracts. A total of 29 new apprentices were taken on at the company's Hamburg facilities in 2019, of whom 28 % were women. At the start of the 2019 academic year, women accounted for 9 % of technical apprentices and 30 % of industrial apprentices.

In total, over 641 events lasting one or more days were held in the reporting period. These included over 509 internal vocational courses conducted by HHLA's own trainers over 2,899 training days. In addition, 132 one- to multi-day events with 1,075 participant days were organised as part of the company's cross-segment seminar programme. 38 % of the participants were women (previous year: 36 %).

Detailed workforce-related information on strategic HR management, personnel development, occupational safety and health promotion, as well as contracts, remuneration and additional benefits can be found in the Sustainability section of the report.

Economic environment

Macroeconomic development

The latest estimates of the International Monetary Fund (IMF) indicate that global economic expansion slowed noticeably in 2019. Economic growth was hampered in particular by political conflicts such as the trade dispute between the USA and China, as well as the uncertain outcome of Brexit. Nevertheless, the global economy stabilised towards the end of the year, buoyed by positive signals in the trade dispute.

Development of gross domestic product (GDP)

in %	**2019**	2018
World	2.9	3.6
Advanced economies	1.7	2.2
USA	2.3	2.9
Emerging economies	3.7	4.5
China	6.1	6.6
Russia	1.1	2.3
Eurozone	1.2	1.9
Central and Eastern Europe (emerging european economies)	1.8	3.1
Germany	0.5	1.5
World trade	1.0	3.7

Source: International Monetary Fund (IMF), January 2019

As a result, the IMF expects restrained growth in global gross domestic product (GDP) of 2.9 % for 2019. The advanced economies exhibited weaker growth than in the previous year, due to slower expansion in the United States brought about by a lack of temporary fiscal incentives and weaker export figures. The emerging economies also came under pressure during the course of the year. China only just reached its growth target of 6.0 % to 6.5 % – its slowest growth rate in almost three decades. Following a weak first half of the year, the Russian economy only resumed its upward trend towards the end of the year. For Ukraine, however, the World Bank expects economic growth of 3.6 % on account of the impetus provided by the agricultural and service sectors. Due to a lack of export growth and political strains, the eurozone economy lost further momentum in 2019 and grew by 1.2 % year-on-year. In October 2019, the IMF forecast economic growth of 3.2 % for Estonia in 2019, which is 1.6 percentage points below the prior-year figure. Having shown itself to be surprisingly robust in the face of the weak eurozone economy, underlying economic growth in the Central and Eastern European member states of the European Union (EU) has now begun to slow. The rate of expansion also declined in those Central and Eastern European countries outside the EU, driven primarily by economic turbulence and the geopolitical unpredictability of Turkey. With the upturn in the German economy already having cooled in 2018, economic expansion increasingly faltered over the course of the year. A lack of economic momentum and the trade dispute between the USA and China were reflected in global trade volumes, which only grew marginally by 1.0 % year-on-year.

Sector development

Growth in global container throughput cooled further in 2019. According to the most recent estimates by Drewry, global throughput climbed by 2.3 % last year. This is below expectations, as throughput of 3.0 % for 2019 was still being forecast midway through the year.

Development of container throughput by region

in %	2019	2018
World	2.3	4.9
Europe as a whole	3.3	5.2
North-West Europe	3.4	2.9
Scandinavia and the Baltic region	3.5	11.3
Western Mediterranean	5.0	5.1
Eastern Mediterranean and the Black Sea	1.2	7.9

Source: Drewry Maritime Research, December 2019

The weakening of throughput growth was observed in almost all shipping regions, albeit to different extents. In Europe, growth momentum from North-West Europe and the Western Mediterranean was unable to offset the weaker trend in Scandinavia and the Baltic, the Eastern Mediterranean and the Black Sea. There was even a noticeable year-on-year slowdown in growth in the world's highest-throughput region, Asia. In China, volume at container ports grew by just 1.2 %, which was partly a consequence of the trade dispute with the USA.

Container throughput at Northern European ports

in million TEU	2019	2018	Change
Rotterdam	14.8	14.5	2.1 %
Antwerp	11.9	11.1	6.9 %
Hamburg	9.3	8.7	6.1 %
Bremen ports	4.9	5.5	- 11,4 %
Gdansk	2.1	1.9	6.4 %
Zeebrugge	1.7	1.6	4.8 %
Wilhelmshaven	0.6	0.7	- 2.5 %

Source: Port Authorities

The trend among the major container ports of the North Range, as well as the largest ports of the Baltic Sea, was mixed. In the Port of Hamburg, throughput volume of 9.3 million TEU in the reporting period was up significantly on the previous year (8.7 million TEU). As a result, Hamburg continues to rank third among European container ports, despite the ongoing work to dredge the river Elbe. Europe's largest container port, Rotterdam, handled 14.8 million TEU in 2019, 2.1 % more containers than in the previous year. Container throughput in Antwerp was up 6.9 % year-on-year to 11.9 million TEU. At the ports in Bremen, however, container throughput fell considerably, with 11.4 % less containers compared to 2018. The JadeWeserPort in Wilhelmshaven was also 2.5 % down on the previous year's figure. Container throughput at the Polish and Russian Baltic Sea ports increased once again, although not as strongly as in the previous year.

According to the most recent estimates from September 2019, freight traffic across all modes in Germany will continue its upwards trend from the previous year. Transport volumes are expected to be up slightly by 0.9 % year-on-year, while the rise in traffic performance – transport volume multiplied by the distance travelled – is likely to increase by 1.2 %. Growth in road traffic will be weaker than in the previous year, at 1.1 %. Traffic performance is expected to grow much more slowly than in 2018, at 1.5 %. Due to a significant decline in the transport of metals and metal products, the volume of rail transport is expected to fall by 1.1 %. Traffic performance will also decline by 1.1 %. By contrast, intermodal traffic is expected to benefit from the robust performance in other classes of goods, with strong growth in volume and performance of 3.5 % and 3.1 %, respectively.

Course of business and economic situation

Key figures

in € million	2019	2018	Change
Revenue	1,382.6	1,291.1	7.1 %
EBITDA	382.6	318.5	20.2 %
EBITDA margin in %	27.7	24.7	3.0 pp
EBIT	221.2	204.2	8.3 %
EBIT margin in %	16.0	15.8	0.2 pp
Profit after tax and minority interests	103.3	112.3	- 8.0 %
At-equity earnings	4.5	5.3	- 16.6 %
ROCE in %	10.8	14.8	- 4.0 pp

Overall view of the course of business

Despite an increasingly volatile market environment, the HHLA Group developed very successfully in 2019. Due to growth in overseas volumes and the integration of the acquired Estonian terminal TK Estonia in the middle of the year, there was a moderate increase in container throughput. Container transport significantly exceeded its strong prior-year result, driven by road and rail transport. Developments at HHLA's two largest segments led to significant revenue growth at Group level. The operating result (EBIT) was markedly higher than in the previous year as the initial application of IFRS 16 had a positive impact. Adjusted for this effect, there was a slight year-on-year increase in the operating result (EBIT).

Guidance for the 2019 financial year – last updated by the HHLA Executive Board in the interim statement for the first nine months – was confirmed by and, in some cases, even exceeded by the actual figures. The HHLA Group continued to scale its capital expenditure to actual needs during the reporting period.

Forecast and actual figures

in € million	Actual 31.12.2018	Forecast[1] 27.03.2019	Forecast[1] 13.11.2019	**Actual 31.12.2019**
Container throughput	7,336 thousand TEU	slight	moderate	7,577 thousand TEU
Container transport	1,480 thousand TEU	slight	significant	1,565 thousand TEU
Revenue	1,291.1	slight	significant	1,382.6
EBIT	204.2	significant	significant	221.2
EBIT Container	131.6	at previous year's level	moderate	141.3
EBIT Intermodal	89.1	significant	strong	99.2
Investments	141.3	~ € 200 mn	~ € 200 mn	224.9

1 Expected increase on previous year

As a result of its business trend in 2019, HHLA's financial position at the end of the reporting period on 31 December 2019 remained stable. Changes in lease accounting led to a decrease of 9.0 percentage points in the equity ratio to 22.2 % (previous year: 31.2 %). The gearing ratio rose from 2.5 to 4.0. There were no further refinancing needs as of the balance sheet date.

Notes on the reporting

The initial mandatory application of the new IFRS 16 lease standard as of 1 January 2019 has resulted in major changes to the accounting of the HHLA Group as a lessee. The new IFRS 16 regulations resulted in a € 571.2 million increase in the balance sheet total as of 1 January 2019. In addition to the capitalisation of rights of use amounting to € 542.8 million, deferred tax assets amounting to € 28.4 million resulted from the initial application. On the liabilities side, this is opposed by adjustments to revenue reserves (decrease of € 58.5 million due to the recognition of cumulative effects from the initial application of the standard) and, significantly, by the recognition of lease liabilities (increase of € 637.4 million). The operating result (EBIT) increased year-on-year as a result of the necessary changes in recognition in profit and loss amounting to approximately € 14.4 million. In the cash flow statement, there was a shift between cash flow from operating activities and cash flow from financing activities. While cash flow from operating activities increased, capital outflows from financing activities also rose because higher redemptions of lease liabilities had to be accounted for.

The continued expansionary monetary policy led to a reduction in the relevant interest rate used to calculate pension provisions. Provisions for pensions increased correspondingly, while equity decreased due to the rise in actuarial effects brought about by interest rates. The first-time consolidation of Lüneburg-based Bionic Production AG (after change in legal status: Bionic Production GmbH) took place on the acquisition date of 31 July 2019. The company was included in HHLA's consolidated group for the first time as a fully consolidated company on 30 September 2019 and assigned to the Logistics segment.

Due to the high level of flexibility required in the sector, handling and transport services are not generally ordered or guaranteed months in advance. Consequently, an order backlog and order trends do not serve as reporting indicators as they do in other industries.

The 2019 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union, taking into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group Management Report was prepared in line with the requirements of German Accounting Standard no. 20 (GAS 20).

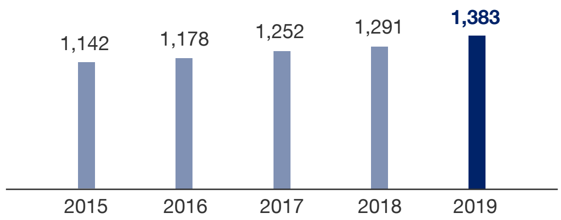
Earnings position

HHLA's **performance data** made encouraging progress in 2019. At 7,577 thousand TEU, there was a moderate year-on-year rise in container throughput of 3.3 % (previous year: 7,336 thousand TEU). At the three Hamburg terminals, the slight increase was due to higher overseas traffic volumes. Prior-year figures of the international terminals are only comparable to a limited extent, as the container terminal in Tallinn was only incorporated into the consolidated group at the end of the second quarter of 2018. At 1,565 thousand TEU, transport volumes even exceeded the high prior-year level with strong growth of 5.7 % (previous year: 1,480 thousand TEU). Both rail and road transport contributed to this growth.

Against this background, HHLA Group **revenue** rose by 7.1 % to € 1,382.6 million (previous year: € 1,291.1 million) in the reporting period. In addition to volume growth, this increase resulted in particular from price adjustments, the restructuring of container transports and a higher proportion of hinterland volumes in container throughput. The listed Port Logistics subgroup largely developed in line with the HHLA Group as a whole. Its Container, Intermodal and Logistics segments recorded an overall increase in revenue of 7.3 % to € 1,350.0 million (previous year: € 1,258.5 million). The non-listed Real Estate subgroup achieved slight revenue growth of 2.5 % to € 40.2 million (previous year: € 39.3 million). The Real Estate subgroup thus accounted for 2.4 % of Group revenue.

Revenue

in € million



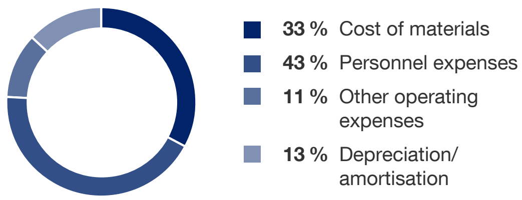
At € 0.1 million, **changes in inventories** once again had no material impact in the reporting period (previous year: € 0.4 million). **Own work capitalised** increased to € 6.2 million (previous year: € 5.2 million).

Other operating income rose by 10.1 % to € 45.6 million (previous year: € 41.4 million).

In line with revenue, **operating expenses** increased significantly by 7.0 % to € 1,213.3 million (previous year: € 1,134.0 million). The prior-year figures do not include expenses for TK Estonia in the first half of the year.

Operating expenses

Expense structure 2019



Compared to the previous year, the **cost of materials** increased significantly by 9.3 % to € 401.2 million (previous year: € 367.1 million). The rise in the cost of materials ratio to 29.0 % (previous year: 28.4 %) was influenced by the changing structure of container transports in the material-intensive Intermodal segment.

Personnel expenses rose by 7.4 % to € 516.1 million (previous year: € 480.6 million). In addition to higher union wage rates, other factors included volume growth in container throughput and transport, as well as the conversion of the company pension scheme. The personnel expense ratio remained virtually unchanged at 37.3 % (previous year: 37.2 %).

Other operating expenses decreased markedly by 21.8 % to € 134.6 million (previous year: € 172.1 million) during the reporting period. The ratio of expenses to revenue decreased to 9.7 % (previous year: 13.3 %). The first-time application of IFRS 16 decreased other operating expenses by € 55.4 million. This was offset above all by a marked increase in consulting expenses.

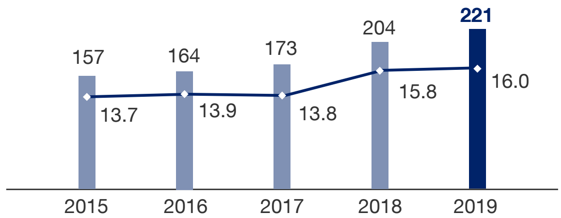
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** rose by 20.2 % to € 382.6 million (previous year: € 318.5 million) and thus much more strongly than revenue. There was a correspondingly strong increase in the EBITDA margin to 27.7 % (previous year: 24.7 %).

Depreciation and amortisation increased significantly by 41.3 % year-on-year and amounted to € 161.4 million (previous year: € 114.2 million). The first-time application of IFRS 16 accounted for € 41.1 million.

The operating result (EBIT) was increased significantly by 8.3 % to € 221.2 million in the reporting period (previous year: € 204.2 million). The first-time application of IFRS 16 had a positive effect on EBIT amounting to € 14.4 million. The EBIT margin increased slightly to 16.0 % (previous year: 15.8 %). In the Port Logistics subgroup, EBIT rose by 8.5 % to € 204.4 million (previous year: € 188.4 million). As a result, the subgroup accounted for 92.4 % (previous year: 92.3 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT climbed 6.5 % to € 16.5 million (previous year: € 15.5 million). and accounted for 7.6 % of the Group's operating result (previous year: 7.7 %).

Operating result (EBIT)

in € million, EBIT margin in %



Net expenses from the **financial result** increased by € 14.5 million, or 70.2 %, to € 35.1 million (previous year: € 20.6 million). The rise was largely due to the changes in lease accounting from the initial application of IFRS 16, which resulted in increased expenses of € 15.8 million. There was an opposing effect from lower expenses for the revaluation of an equalisation liability payable to a minority shareholder in conjunction with a profit and loss transfer agreement of a subsidiary.

At 26.4 %, the Group's **effective tax rate** was higher than in the previous year (previous year: 24.6 %).

Profit after tax and minority interests decreased by 8.0 % year-on-year to € 103.3 million (previous year: € 112.3 million). Non-controlling interests accounted for € 33.8 million in the 2019 financial year (previous year: € 26.2 million). From a financial point of view, this item includes the expenses mentioned in relation to the financial result associated with revaluing the settlement obligation to a minority shareholder. **Earnings per share** decreased by 8.0 % to € 1.42 (previous year: € 1.54). The listed Port Logistics subgroup posted an 9.0 % decline in earnings per share to € 1.34 (previous year: € 1.47). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 3.57 (previous year: € 3.46). As in the previous year, there was no difference between basic and diluted earnings per share in 2019. The return on capital employed (ROCE) was down 4.0 percentage points year-on-year at 10.8 % (previous year: 14.8 %). Corporate and value management

As in the previous year, HHLA's **appropriation of profits** is oriented towards the development of the HHLA Group's earnings in the financial year ended. The distributable profit and HHLA's stable financial position form the foundation of the company's consistent profit distribution policy. On this basis, the Executive Board and Supervisory Board will propose at the Annual General Meeting on 10 June 2020 a dividend of € 0.70 per class A share and € 2.10 per class S share. Based on the number of shares with dividend entitlement as of 31 December 2019, the sum to be distributed for listed class A shares would decrease by 12.5 % to € 49.0 million (previous year: € 56.0 million). As in the previous year, the sum to be distributed for non-listed class S shares would amount to € 5.7 million. In relation to the consolidated profit and earnings per share, the dividend payout ratio would be approximately 52 % for the Port Logistics subgroup (previous year: 54 %) and around 59 % for the Real Estate subgroup (previous year: 61 %).

Financial position

Balance sheet analysis

Compared to the previous year, the HHLA Group's **balance sheet total** increased by a total of € 637.1 million to € 2,610.0 million as of 31 December 2019.

Balance sheet structure

in € million	31.12.2019	31.12.2018
Assets		
Non-current assets	2,124.3	1,446.9
Current assets	485.7	526.0
	2,610.0	**1,972.9**
Equity and liabilities		
Equity	578.9	614.8
Non-current liabilities	1,749.8	1,114.7
Current liabilities	281.3	243.4
	2,610.0	**1,972.9**

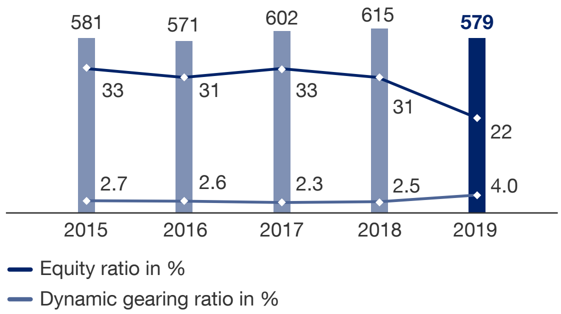
On the assets side of the balance sheet, **non-current assets** rose by € 677.4 million. Property, plant and equipment grew by € 617.0 million to € 1,677.3 million (previous year: € 1,060.3 million). Deferred taxes rose year-on-year by € 41.9 million to € 124.1 million (previous year: € 82.1 million). The rise in both these balance sheet items is mainly due to the first-time application of IFRS 16. Initial application effects of € 571.2 million related to rights of use amounting to € 542.8 million and deferred taxes amounting to € 28.4 million. The increase in property, plant and equipment due to capital expenditure, less amortisation and depreciation, also contributed to the rise in non-current assets.

Current assets decreased by € 40.3 million to € 485.7 million (previous year: € 526.0 million). This decline was primarily attributable to a decrease in trade receivables of € 11.7 million to € 168.1 million (previous year: € 179.8 million), and in cash, cash equivalents and short-term deposits of € 23.5 million to € 158.0 million (previous year: € 181.5 million).

On the liabilities side, **equity** declined by € 35.9 million compared to year-end 2018 to € 578.9 million (previous year: € 614.8 million). The decrease was largely due to the effects of the initial application of IFRS 16 amounting to € 58.5 million, the interest rate-related change of € 30.9 million in actuarial losses including tax effects outside profit or loss, the distribution of dividends and the reclassification of a future financial settlement totalling € 93.2 million as a non-current financial liability. Profit after tax for the reporting period of € 137.1 million had an opposing effect. The equity ratio decreased to 22.2 % (previous year: 31.2 %),

Equity

in € million



Non-current liabilities rose by € 635.2 million to € 1,749.8 million (previous year: € 1,114.7 million). This increase is largely due to the effects of the initial application of IFRS 16 amounting to € 589.4 million. Primarily as a result of the interest rate adjustments, pension provisions increased by € 54.3 million compared to 31 December 2018.

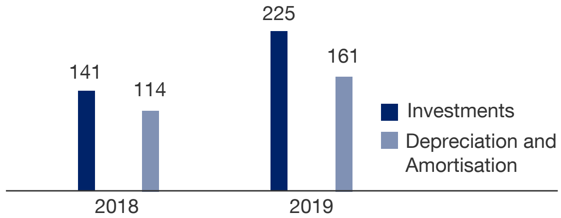
Current liabilities rose by € 37.9 million to € 281.3 million (previous year: € 243.4 million), also primarily due to effects from the initial application of IFRS 16 amounting to € 40.3 million. The decrease in trade liabilities had an opposing effect.

Investment analysis

Capital expenditure in the 2019 financial year totalled € 224.9 million (previous year: € 141.3 million). This figure includes additions of € 55.3 million from rights of use (rent and leases) not recognised as a direct cash expense (previous year: € 2.4 million in finance leases). Capital expenditure focused on extending the Hamburg container terminals and expanding intermodal transport capacities. Investment projects were mainly funded by the operating cash flow generated in the financial year.

Investments, depreciation and amortisation

in € million

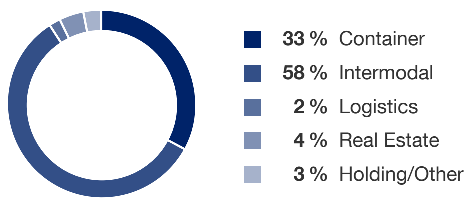


Property, plant and equipment accounted for € 207.0 million (previous year: € 117.3 million) of capital expenditure, while intangible assets accounted for € 10.0 million (previous year: € 11.1 million) and investment property for € 8.0 million (previous year: € 12.9 million).

Investments totalling € 72.8 million were made in the **Container segment** (previous year: € 62.6 million). Capital expenditure was dominated by the procurement of handling equipment and storage capacities at the Hamburg container terminals. The **Intermodal segment** invested € 130.9 million (previous year: € 55.1 million). The METRANS Group accounted for most of this investment volume, mainly for the expansion of the terminal network, wagons and locomotives. Capital expenditure in the **Logistics segment** amounted to € 4.3 million (previous year: € 1.4 million). The **pro forma Holding/Other segment** invested a total of € 7.5 million (previous year: € 14.1 million). A large proportion of capital expenditure was for the migration to a new terminal management system. The **Real Estate segment** invested a total of € 10.0 million (previous year: € 8.4 million), mainly for the development of the Speicherstadt historical warehouse district.

Capital expenditure

by segment in 2019



Investments in the Container segment focus on enhancing the productivity of existing terminal areas by using state-of-the-art handling technology and developing berth places for the trend in ship sizes. Meanwhile, in the Intermodal segment, investments primarily aim to further improve the performance and range of its hinterland connections.

As of year-end, there were other financial liabilities for outstanding purchase commitments totalling € 99.6 million (previous year: € 107.0 million). This figure includes € 70.4 million (previous year: € 69.6 million) for the capitalisation of property, plant and equipment.

Liquidity analysis

Cash flow from operating activities rose year-on-year from € 232.7 million to € 322.7 million. The increase of € 90.0 million is due to the € 47.2 million increase in depreciation and amortisation which resulted mainly from the initial application of IFRS 16. In contrast to the previous year, a decrease in trade receivables owing to changing customer payment behaviour and a € 42.5 million decrease in current financial assets also led to an increase. At the same time, the improvement in EBIT of € 17.0 million contributed to the increase in cash flow from operating activities. There was an opposing effect from the € 17.8 million, largely due to the first-time application of IFRS 16.

Cash flow from investing activities (outflow) of € 193.8 million was below the prior-year figure of € 203.4 million. This € 9.5 million decrease in cash outflow was mainly due to payments in the previous year for the acquisition of all shares in HHLA TK Estonia AS, Tallinn, Estonia. The year-on-year increase in payments for investments in property, plant and equipment and higher payments for short-term deposits had an opposing effect.

Free cash flow – the total cash flow from operating and investing activities – increased to € 128.9 million (previous year: € 29.3 million).

Cash flow from financing activities (outflow) amounted to € 176.9 million in the reporting period (previous year: € 31.5 million) and was therefore € 145.4 million above the prior-year figure. In contrast to the same period the previous year, no payments were received from the take-up of loans in the reporting period. As a result of the initial application of IFRS 16, there were higher payments for the redemption of lease liabilities compared to the previous year. There was an opposing effect from the payment made to acquire all minority interests in METRANS a.s., Prague, Czech Republic in the previous year.

Liquidity analysis

in € million	2019	2018
Financial funds as of 1 January	**254.0**	**255.6**
Cash flow from operating activities	322.7	232.7
Cash flow from investing activities	- 193.8	- 203.4
Free cash flow	**128.9**	**29.3**
Cash flow from financing activities	- 176.9	- 31.5
Change in financial funds	- 48.1	- 2.2
Change in financial funds due to exchange rates	2.1	0.6
Financial funds as of 31 December	**208.0**	**254.0**
Short-term deposits	45.0	22.4
Available liquidity	253.0	276.4

The HHLA Group had sufficient liquidity as of year-end 2019. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 208.0 million as of 31 December 2019 (31 December 2018: € 254.0 million). Including all short-term deposits, the Group's **available liquidity** as of year-end 2019 came to a total of € 253.0 million (previous year: € 276.4 million).

Financing analysis

Financial management at the HHLA Group is handled centrally and serves the overriding objective of ensuring the Group's long-term financial stability and flexibility. Group clearing pools the Group's financial resources, optimises net interest income and substantially reduces dependency on external sources of funding. Derivative financial instruments can be used to reduce the risk of changes in interest rates and, to a minor extent, to reduce currency and commodity price risks.

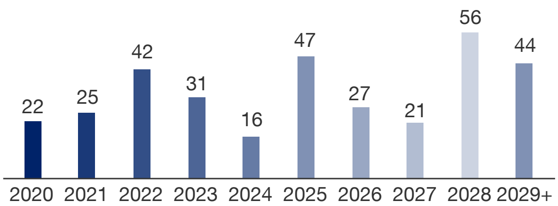
HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium- and long-term loans and leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

At € 331.8 million as of the balance sheet date, liabilities to banks were below the prior-year figure of € 369.7 million. The Group did not draw on any additional external financing in the 2019 financial year (previous year: € 136.9 million). During the reporting year, payments for the redemption of loans amounted to € 39.7 million (previous year: € 27.9 million). Due to the maturities agreed and its stable liquidity position, the company had no significant refinancing requirements.

As of the balance sheet date, liabilities from bank loans were denominated exclusively in euros. In terms of conditions, approximately 77 % have fixed interest rates and some 23 % have floating interest rates. As a result of borrowing, certain affiliated companies had covenants linked to key balance sheet figures, which mostly require a minimum equity ratio to be met. Covenants are currently in place for approximately 22 % of bank loans. These covenants were met at all agreed audit points throughout the reporting year.

Maturities of bank loans

by year and in € million



As of the balance sheet date, HHLA disclosed non-current liabilities to related parties totalling € 485.4 million (previous year: € 105.0 million), mainly resulting from the recognition of the leasing liability to the Hamburg Port Authority (HPA). The year-on-year increase was due to the initial application of the new IFRS 16 lease standard.

The leases relate primarily to long-term agreements between the HHLA Group and either the Free and Hanseatic City of Hamburg or HPA for leasing land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district.

Cash, cash equivalents and short-term deposits, the bulk of which is held centrally by the holding company, totalled € 158.0 million (previous year: € 181.5 million) as of the balance sheet date. These funds are mainly invested at German financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to € 3.1 million (previous year: € 2.7 million). The credit line utilisation rate was 69.4 % in the period under review (previous year: 72.9 %). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents as of the balance sheet date, an amount of € 9.1 million (previous year: € 14.5 million) was subject to restrictions in Ukraine relating to the transfer of currency abroad.

As HHLA has a large number of borrowing options at its disposal outside of the capital market, the Group currently sees no need for an external rating. Instead, it provides existing and potential creditors with comprehensive information to ensure that they can derive appropriate internal credit ratings. Furthermore, Deutsche Bundesbank once again confirmed the Group's eligibility for central bank finance.

Public subsidies awarded for individual development projects that are subject to specific conditions are of minor importance in terms of their volume at Group level.

Acquisitions and disposals of companies

With the participation and shareholder agreement of 20 December 2018, HHLA acquired 25.1 % of the shares in Spherie UG (haftungsbeschränkt), 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.

On 22 March 2019, HHLA signed a share purchase agreement to acquire 50.1 % of the shares in Bionic Production AG, a non-listed company based in Lüneburg, Germany. The company is active in the construction, design and manufacturing of components using laser additive 3-D printing technologies. The closing of the transaction (corresponding to the acquisition date) was tied to various closing conditions and took place on 31 July 2019. The first-time consolidation of the company took place on the acquisition date. The company was therefore fully consolidated for the first time on 30 September 2019. Effective 29 August 2019, the company changed its legal status to that of a private limited company ("Gesellschaft mit beschränkter Haftung") and is now registered as Bionic Production GmbH.

On 18 November 2019, HHLA and Hyperloop Transportation Technologies, Inc., Culver City, USA, founded the Hamburg-based company Hyperport Cargo Solutions GmbH i. G. Each company holds 50.0 % of the shares. The company's objective is to develop, manufacture, implement, market, sell and distribute hyperloop technology and related technologies for transporting sea freight containers in the field of seaport and hinterland container transport. The joint venture was included in HHLA's consolidated financial statements at year-end using the equity method and is assigned to the Logistics segment.

There were no further acquisitions or disposals of shares in subsidiaries during the reporting year. Notes to the consolidated financial statements, no. 3 Composition of the Group

Changes in the group of consolidated companies

The company TIP Žilina, s.r.o., Dunajska 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.

There were no other changes to the group of consolidated companies. Notes to the consolidated financial statements, no. 3 Composition of the Group

Segment performance

Container segment

Key figures

in € million	2019	2018	Change
Revenue	799.7	758.9	5.4 %
EBITDA	240.2	209.8	14.5 %
EBITDA margin in %	30.0	27.6	2.4 pp
EBIT	141.3	131.6	7.4 %
EBIT margin in %	17.7	17.3	0.4 pp
Container throughput in thousand TEU	7,577	7,336	3.3 %

During the 2019 reporting year, the **throughput volume** at HHLA's container terminals increased moderately by 3.3 % to 7,577 thousand standard containers (TEU) (previous year: 7,336 thousand TEU).

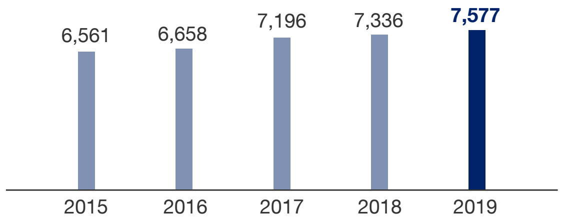
The three **Hamburg container terminals** achieved a slight increase in throughput volume of 1.2 % to 6,964 thousand TEU (previous year: 6,885 thousand TEU). The changes in service structure (addition of several services to North America, disposal of a Far East service) largely offset each other. Due to the realignment, overseas traffic volumes exceeded the prior-year figure by 3.2 %. Feeder traffic with the Baltic region decreased markedly and could not be offset by growth in the

North-West European shipping regions. The proportion of seaborne handling by feeders decreased correspondingly to 22.5 % (previous year: 24.0 %).

Throughput at the **international container terminals** in Tallinn, Estonia, and Odessa, Ukraine, during the reporting period amounted to 613 thousand TEU (previous year: 451 thousand TEU). It should be noted that the figures for the previous year are only partly comparable, as the container terminal in Tallinn was only integrated into the HHLA consolidated group at the end of the second quarter of 2018.

Container throughput

in thousand TEU



Revenue increased by 5.4 % year-on-year to € 799.7 million (previous year: € 758.9 million). This was due in part to the acquisition of the terminal in Tallinn. In the reporting period, average revenue per container handled at the quayside moderately increased year-on-year by 3.7 % as a result of increased performance in the hinterland.

EBIT costs for the segment increased moderately by 5.0 % during the reporting period. This was partly due to a rise in personnel costs. In addition to higher staffing requirements at the Container Terminal Tollerort (CTT) as a result of the launch of new terminal software and additional hinterland volumes, the conversion of the company pension scheme was a key cost driver. A further reason for the increase was the allocation of internal costs for administration services. EBIT costs were also influenced by the costs of HHLA TK Estonia, consolidated at the end of the second quarter of 2018 and thus not included in the prior-year figures for the full year.

The **operating result (EBIT)** rose significantly by 7.4 % to € 141.3 million in the reporting period (previous year: € 131.6 million). Of this increase, approximately € 11.0 million is attributable to the application of IFRS 16. The EBIT margin rose by 0.4 percentage points to 17.7 % (previous year: 17.3 %).

During the reporting year, HHLA further improved the sustainability of its services by investing in climate-friendly handling equipment. For example, energy-saving hybrid straddle carriers were tested at the Container Terminal Tollerort (CTT) and the Container Terminal Burchardkai (CTB). Diesel-powered automated guided vehicles (AGVs) at the Container Terminal Altenwerder (CTA) were replaced by battery-powered AGVs, which are practically emission-free. Operations at CTA are now also primarily powered by green electricity. Moreover, the company made major investments in the expansion of its facilities. Three large container gantry cranes were delivered to CTB at the end of 2019. Two more have been ordered and are due to arrive in the second quarter of 2020. The block storage system was also expanded with the addition of three further automated blocks. The international terminals in Tallinn and Odessa also acquired new handling equipment and drove the consistent expansion of their yard capacities.

Intermodal segment

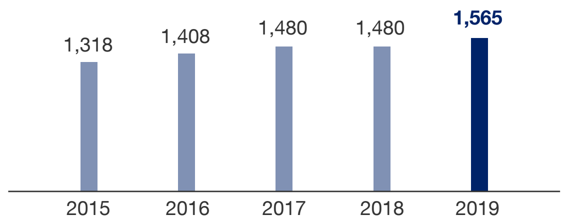
Key figures

in € million	2019	2018	Change
Revenue	486.9	433.8	12.3 %
EBITDA	139.0	112.7	23.3 %
EBITDA margin in %	28.6	26.0	2.6 pp
EBIT	99.2	89.1	11.3 %
EBIT margin in %	20.4	20.5	- 0.1 pp
Container transport in thousand TEU	1,565	1,480	5.7 %

HHLA's transport companies achieved significant growth in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** rose by 5.7 % to 1,565 thousand standard containers (TEU), compared to 1,480 thousand TEU in the previous year. This trend was driven by growth in both rail and road transport. Rail transportation rose year-on-year by 5.6 % to 1,234 thousand TEU (previous year: 1,168 thousand TEU). In particular, there was above-average growth in connections between the north German seaports and the Central and Eastern European hinterland. Traffic to and from Poland also increased significantly following the successful consolidation in the previous year. Despite the challenging market environment, road transport also made very good progress with year-on-year growth of 6.1 % to 331 thousand TEU (previous year: 312 thousand TEU) due to strong growth in delivery volumes.

Container transport

in thousand TEU



With growth of 12.3 % to € 486.9 million (previous year: € 433.8 million), **revenue** performed much better than transport volumes. While the rail share of HHLA's total intermodal transportation was largely unchanged at 78.8 % (previous year: 78.9 %), this strong revenue growth was mainly due to price adjustments combined with a changing freight volume structure.

The **operating result (EBIT)** increased year-on-year to € 99.2 million (previous year: € 89.1 million). This marked increase is primarily due to the positive trend in volume and revenue. Additionally, lower route prices in Germany made it possible to further increase the capacity utilisation of train systems. The application of IFRS 16 did not have a major influence on the positive EBIT trend. At 20.4 %, the EBIT margin was on a par with the previous year (20.5 %).

HHLA continues to invest as needed in the expansion of its intermodal network. The decrease in route prices for German rail freight applied in the middle of the previous year is bolstering the development of the intermodal service portfolio. HHLA's rail subsidiary METRANS put five of its own shunters and three new multi-system locomotives into operation during 2019. It now has more than 100 shunters and locomotives as well as a fleet of over 2,800 container wagons. The network consists of 15 terminals in the hinterland, of which five function as large hub terminals.

Logistics segment

Key figures

in € million	2019	2018	Change
Revenue	59.0	59.8	- 1.4 %
EBITDA	8.5	10.0	- 15.5 %
EBITDA margin in %	14.3	16.7	- 2.4 pp
EBIT	2.5	5.6	- 55.1 %
EBIT margin in %	4.3	9.4	- 5.1 pp
At-equity earnings	3.9	4.4	- 12.1 %

The key financial figures for the Logistics segment include the vehicle logistics, consultancy and airborne logistics services divisions. Since the third quarter of 2019, the new division of additive manufacturing technologies and related logistics services has also been included. The results from dry bulk and fruit logistics are included in at-equity earnings.

The fully consolidated companies reported **revenue** of € 59.0 million, down 1.4 % on the prior-year figure (previous year: € 59.8 million). The decrease is largely due to a significant decline in vehicle logistics, which benefited from temporary additional business in the fourth quarter of 2018. By contrast, revenue from consultancy showed strong growth due to a positive order situation.

At € 2.5 million, the **operating result (EBIT)** fell 55.1 % short of the previous year's figure (previous year: € 5.6 million). In addition to decreased earnings from vehicle logistics as compared with an unusually strong previous year, earnings were affected by future investments in new growth areas. The application of IFRS 16 had no significant effect on the development of the operating result.

Revenues of those companies included in **at-equity earnings** decreased significantly in the reporting period. Total at-equity earnings for 2019 as a whole were 12.1 % below the very good prior-year figure at € 3.9 million (previous year: € 4.4 million). In addition to a decrease in fruit logistics, there was also a significant burden on earnings from bulk materials handling resulting from the initial application of IFRS 16.

Real Estate segment

Key figures

in € million	2019	2018	Change
Revenue	40.2	39.3	2.5 %
EBITDA	23.9	20.7	15.5 %
EBITDA margin in %	59.4	52.7	6.7 pp
EBIT	16.5	15.5	6.5 %
EBIT margin in %	40.9	39.4	1.5 pp

In 2019, Hamburg's office rental market was unable to match the revenue level of the previous year due to a weak fourth quarter. According to Grossmann & Berger's latest market report, 545,000 m² of office space was let in the reporting period, corresponding to a decrease of 7.6 % on the prior-year figure of 590,000 m². One major reason for the decrease in revenue was the ongoing lack of space available. Correspondingly, the vacancy rate on the Hamburg office market was 2.9 % at year-end, 0.6 percentage points down on the previous year (previous year: 3.5 %) and unchanged from the preceding quarter. The low vacancy rate is expected to continue in 2020.

HHLA's properties in Hamburg's Speicherstadt historical warehouse district and the fish market area, however, achieved a further slight increase in **revenue** of 2.5 % to € 40.2 million in 2019 (previous year: € 39.3 million) despite almost full occupancy.

In addition to increased revenue from properties in both districts, the significant rise in the **operating result (EBIT)**, which went up by 6.5 % from € 15.5 million in the previous year to € 16.5 million.

In order to secure the segment's economic success, HHLA will continue to invest in its property portfolio as part of its value-oriented development of the districts.

Events after the balance sheet date

In early January 2020, China announced that a novel coronavirus had been detected in several patients. However, the initial local outbreak of the virus developed relatively quickly into an international pandemic. HHLA evaluated the potential impact of the coronavirus pandemic on the development of business – based on the current state of knowledge – and took this into account in its forecast for expected earnings in 2020. Estimates regarding the further development of the coronavirus pandemic, however, are subject to considerable uncertainty and earnings may therefore differ significantly from the forecast.
Business forecast

The outbreak of the virus has not resulted in any effects on the recognition or measurement of the Group's assets and liabilities as of 31 December 2019.

There were no other events of special significance after the balance sheet date 31 December 2019. Notes to the consolidated financial statements, no. 52 Events after the balance sheet date

Business forecast

Macroeconomic environment

At the end of 2019, the global economy showed signs of stabilising – aided by a rapprochement in the trade dispute between the USA and China and the easing of monetary policy. Although research institutes still forecast moderate growth for the global economy, major uncertainties continue to shape the macroeconomic outlook for 2020. In particular, the spread of the coronavirus represents an element of uncertainty whose impact cannot be reliably gauged at present. Other risks for the global economy include an intensification of trade disputes, geopolitical tensions, structural problems in major emerging markets and, above all, concern about the Indian economy. In light of this global economic uncertainty, the International Monetary Fund (IMF) downgraded its outlook for 2020 slightly in January compared to October 2019 but still expects to see a gentle acceleration of economic growth compared to the previous year.

The outlook for the economic regions of particular significance to HHLA varies, with the IMF anticipating slower economic growth of 6.0 % for China in 2020. However, the People's Republic would thus remain the most important driver of global economic growth. By contrast, the economic outlook for Russia has brightened somewhat. Weaker forecasts for the crude oil market, structural bottlenecks and the hampering of trade by sanctions are likely to prevent any strong recovery of the Russian economy, though. A slight economic recovery is also expected for the emerging economies of Central and Eastern Europe. Should reforms recently passed by the new Ukrainian government take effect, the World Bank regards growth of 3.7 % as possible for 2020. According to the most recent IMF estimates of October 2019, Estonian GDP is expected to achieve robust – albeit once again slightly slower – growth of 2.9 %. Macroeconomic output in the eurozone looks set to improve slightly owing to favourable financing terms and an expansionary monetary policy. The IMF expects to see an increase in economic output of the German economy broadly in line with its potential. With regard to global trade volumes, the IMF has lowered its forecast for 2020 by 0.3 percentage points and anticipates a moderate increase of 2.9 %. However, these estimates were issued prior to the coronavirus outbreak.

Growth expectations for GDP

Growth expectation[1] in %	**2020**	Trend vs. 2019
World	3.3	↗
Advanced economies	1.6	→
USA	2.0	↘
Emerging economies	4.4	↗
China	6.0	→
Russia	1.9	↗
Eurozone	1.3	→
Central and Eastern Europe (emerging european economies)	2.6	↗
Germany	1.1	↗
World trade	2.9	↗

1 prior to effects by the coronavirus outbreak
Source: International Monetary Fund (IMF), January 2020

In early March 2020, the OECD issued its assessment of the potential impact that the coronavirus might have on economic activity. Based on the assumption that the epidemic in China would reach its peak in the first quarter of 2020 and that outbreaks in other countries would prove to be minor and locally contained, global GDP growth might decrease by about 0.5 percentage points to 2.4 % in the current year. China would be hardest hit, with growth slowing to 4.9 % (- 0.8 percentage points), while the USA would be least affected with a decrease in growth of 0.1 percentage points to 1.9 %. Nevertheless, global trading volumes might still decrease by 0.9 % this year.

Growth expectations for GDP

Growth expactation in %	2020	Trend vs. 2019
World	2.4	↘
G20	2.7	↘
USA	1.9	↘
China	4.9	↘
Russia	1.2	↘
Eurozone	0.8	↘
Germany	0.3	↘
World trade	- 0.9	↘

Source: OECD Interim Economic Outlook, March 2020

Should the coronavirus spread across most of Asia and the northern hemisphere, however, global GDP growth could decrease by up to 1.75 basis points, while global trading volumes could shrink by as much as 3.75 %.

Sector development

Following only a slight increase in global container throughput in 2019, the market research institute Drewry expects the momentum to increase in 2020 with a growth rate of 3.3 %. However, this forecast does not take into account the latest developments in the trade dispute between the USA and China and the economic impact on global trade of the coronavirus outbreak in China.

In the current financial year, growth will be driven in particular by the shipping regions of Asia (+ 3.4 %), especially South Asia (+ 5.0 %), as well as by Africa (+ 4.2 %) and Latin America (+ 3.4 %). Drewry expects that container throughput growth in China – the Port of Hamburg's most important shipping region – will be stronger in 2020 than in the comparatively weak previous year, but still clearly below 5 %. Meanwhile, the overall outlook for European shipping regions is much less positive. Experts estimate a growth rate for the European shipping region of just 2.8 % in 2020. Weaker throughput growth is affecting almost all shipping regions. Drewry only forecasts year-on-year growth for the ports of the eastern Mediterranean and Black Sea. For all other European shipping regions, estimates are below the prior-year figures. The effects of the coronavirus have not yet been taken into account in these growth forecasts.

In late February, Drewry issued a qualitative assessment of the impact of the coronavirus. The scenario deemed likely at the moment is based on the assumption that China will be able to contain the virus and thus return to normal business and production activities in the course of the second quarter. Should the focus of the coronavirus epidemic be transferred from one end of the supply chain to the other, however, and high-consumption regions such as Europe and North America in particular are affected, Drewry expects a more pronounced decrease in global GDP. However, the severity of the impact depends on how far the outbreak spreads and the extent to which the affected countries are able to contain it. In this scenario, Drewry expects that the global economy will only begin to recover in 2021. At the same time, however, Drewry's experts emphasise that there is currently too much uncertainty to be able to make reliable estimates regarding the actual effects.

Expected container throughput by shipping region

Growth expectation[1] in %	2020	Trend vs. 2019
World	3.3	↗
Asia	3.4	↗
China	3.4	↗
Europe as a whole	2.8	↘
North-West Europe	3.0	↘
Scandinavia and the Baltic region	2.8	↘
Western Mediterranean	1.9	↘
Eastern Mediterranean and the Black Sea	3.2	↗

1 prior to effects by the coronavirus outbreak
Source: Drewry Maritime Research, December 2019

Considering the ongoing structural overcapacity at container terminals in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2020. As Drewry forecasts a slight decrease in demand for the North European ports, the situation is not expected to ease in 2020. At the same time, the bargaining power of shipping companies in negotiations with the port operators has increased significantly as a result of mergers and acquisitions, as well as the formation of new alliances.

The situation on the container shipping market remains strained. According to estimates of the market research institute AXS Alphaliner, the growth in total capacity of the container ship fleet will continue its downward trend in 2020 as a result of declining orders from shipping companies and delayed deliveries. At 3.1 %, growth in total capacity of the container ship fleet is likely to be slower than that of global demand in the forecasting period. Some 200 ships with a carrying capacity of around 1.1 million TEU are expected to be delivered in 2020. Of these, 20 ships will belong to the +18,000-TEU class. As a result of the introduction of the IMO2020 Directive by the International Maritime Organization (IMO)to reduce the use of low-sulphur fuels, market conditions for the shipping companies will remain challenging in 2020. At the same time, Drewry assumes that shipping companies will be able to transfer the extra burden of these higher bunker costs to their customers and expects growth in average freight rates of 6.6 % for the forecasting period. However, the development of freight rates is extremely dependent on highly volatile crude oil prices, which makes it difficult to forecast bunker costs.

In view of the steady increase in ship sizes and the resulting rise in container volumes per ship call, the pressure on terminals and hinterland transport systems will continue to grow.

Expected freight traffic in Germany by modes of transport

Growth expectation in Germany in %	2020	Trend vs. 2019
Transport volumes	**1.7**	↗
Road traffic	1.9	↗
Railway traffic	1.3	↗
Multi-modal traffic	4.6	↗
Traffic performance	**2.5**	↗
Road traffic	2.7	↗
Railway traffic	2.5	↗
Multi-modal traffic	4.6	↗

Source: Floating medium-term forecast for freight and passenger transport on behalf of the Federal Ministry of Transport and Digital Infrastructure, September 2019

The most recent medium-term forecast for cargo and passenger transport in Germany issued by the Federal Ministry of Transport and Digital Infrastructure (BMVI) in September 2019 anticipates accelerated growth for the entire German freight market in 2020. For all modes of freight traffic, experts expect a strong year-on-year increase in both transport volumes and traffic performance (transport volume multiplied by the distance travelled). All carriers are likely to benefit from this accelerated growth. With regard to road freight, transport volumes are expected to increase by 1.9 % and traffic performance by 2.7 % in 2020. Rail freight looks set to return to its longer-term growth trajectory following a few weak years. After a decrease of 1.1 % the previous year, an increase of 1.3 % in rail freight is estimated for the forecasting period. At the same time, traffic performance is once again expected to achieve growth of 2.5 % in 2020. Multi-modal traffic looks set to develop even more dynamically, with volume and performance both expected to increase by 4.6 %.

Expected Group performance

Comparison with the forecast of the previous year

The forecast published in the 2018 Annual Report was exceeded in terms of container handling and container transport volumes, as well as for revenue. The figure for operating result (EBIT) developed in line with expectations. Capital expenditure also exceeded the forecast due to catch-up effects. Course of business and economic situation

Expected earnings position

The worldwide coronavirus pandemic has led to extraordinary measures being implemented to prevent the spread of the virus. In the countries affected, these measures aim to minimise social contact between people. Both at a national level and in international transportation, this is leading to a contraction in economic activity whose true impact and duration cannot be reliably gauged.

The contraction is affecting all areas of the economy, including international trade, which is critical to HHLA.

It is not possible to make any reliable forecasts under these conditions, but we can assume that revenue and operating result (EBIT) for the **Port Logistics subgroup** will be strongly below previous year. This is primarily due to the possible at least temporarily sharp declines in container throughput and transport.

The operating result (EBIT) of the **Real Estate subgroup** is also considered to be possibly significantly below the previous year's figure. At a **Group** level, we can expect to see a strong decrease in the operating result (EBIT) due to the effects mentioned above.

Expected financial position

Owing to the uncertainty described above, HHLA's financial management focuses on securing liquidity. For this purpose, HHLA will continually review and adjust its investments and cost development.

Due to the liquidity available on 31 December 2019 and the measures mentioned above, and based on feasible estimates for 2020 as a whole, HHLA assumes that its liquidity should enable the company to meet all its payment obligations despite the burden caused by the coronavirus pandemic.

A further area of focus for the management is on protecting the health of employees, as well as maintaining all systems that play a role in the critical infrastructure of the Container and Intermodal segments.

Risk and opportunity report

Management of risk and opportunities

All commercial activities inevitably entail both risks and opportunities. HHLA believes that the effective management of risks and opportunities is a significant success factor for the sustainable enhancement of enterprise value.

Managing risks and opportunities is a key component of the HHLA Group’s management strategy. The planning and controlling process, the boards of the Group’s affiliates and reporting are all cornerstones of this risk and opportunity management system. At regular business development meetings, HHLA's Executive Board discusses strategy, targets and control measures, with due consideration of the risk and opportunity profile.

HHLA's risk and opportunity management system fosters a keen awareness of dealing with corporate risks and opportunities. It aims to identify risks in good time and take steps to manage or avert them while exploiting opportunities and preventing situations that could jeopardise the continued existence of the HHLA Group. An important element of the system is the promotion of entrepreneurial thinking and independent, responsible action.

Risk and opportunity management system

Key elements of the risk management system are: identifying, assessing, managing, monitoring and reporting risks; clear responsibilities for process participants (managers of affiliates, Internal Audit, Group Controlling); incorporating all majority shareholdings and companies consolidated using the equity method into the risk consolidation group. The Executive Board bears overall responsibility. Its members deal with and assess the risk management reports on a quarterly basis.

Risks are catalogued regularly in the course of the annual planning process. All identified risks are described clearly and classified according to defined risk areas.

Categorisation of the probability of occurrence

< 25 %	≥ 25 %	≥ 50 %	≥ 75 %
unlikely	possible	likely	most likely

Categorisation of the damage amount

Equity of the Group				
< 1 %	< 5 %	< 10 %	< 25 %	≥ 25 %
not significant	medium	significant	massive	threatening

Risks are categorised by the likelihood of their occurrence and the scale of the potential damage. This reflects the anticipated reduction of the operating result or cash flow before taxes if the risk were to materialise.

Risks are assessed in the context of the existing circumstances or a realistic projection. In addition to estimates and economic or mathematical/statistical inferences, sensitivities derived from planning can be used as a basis for assessment. The Group's affiliates, divisions and corporate staff departments regularly coordinate with the central Risk Management unit of the holding company to ensure that all identified risks are mapped and assessed consistently throughout the Group.

After identifying and assessing the risk, the company then defines control measures aimed at reducing the likelihood of its occurrence and/or the loss or damage. A distinction is made between the gross risk (excluding measures) and the net risk (including measures).

Risks are monitored continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports are issued whenever significant risks emerge, cease to apply, or change. Risks are reported using standard Group-wide reporting formats in order to ensure a consistent overall picture of current risks.

Opportunity management is comparable to the risk management process. Opportunities are systematically identified and measures developed in an annual planning process. When opportunities are identified, there is no requirement for them to be quantified. Opportunity management focuses on the monitoring and analysis of individual markets and on the early recognition and assessment of trends as a means of identifying opportunities. This includes developments affecting the overall economy or individual sectors as well as regional and local trends. The affiliates' responsibilities include identifying strategic opportunities in their core markets. HHLA's Executive Board defines the strategic framework for this objective. When planning, managing and controlling strategic projects for a specific segment or all segments, the Executive Board of HHLA primarily uses the proprietary resources of the holding company.

The most important elements of the risk and opportunity management system and risk and opportunity reporting are described in a corporate guideline. The system remains unchanged from the previous year.

Accounting-related internal control system

Structure of the system

HHLA's internal control system is designed to ensure that the (financial) reporting processes used throughout the company are consistent, transparent and reliable. Furthermore, it makes sure they comply with legal standards and the company's own guidelines. It comprises principles, procedures and methods designed to reduce risk and ensure the effectiveness and propriety of HHLA's processes.

The internal control system is regularly monitored and assessed according to documented processes, risks and controls. It therefore ensures transparency with regard to its structure and functionality for the purposes of internal and external reporting.

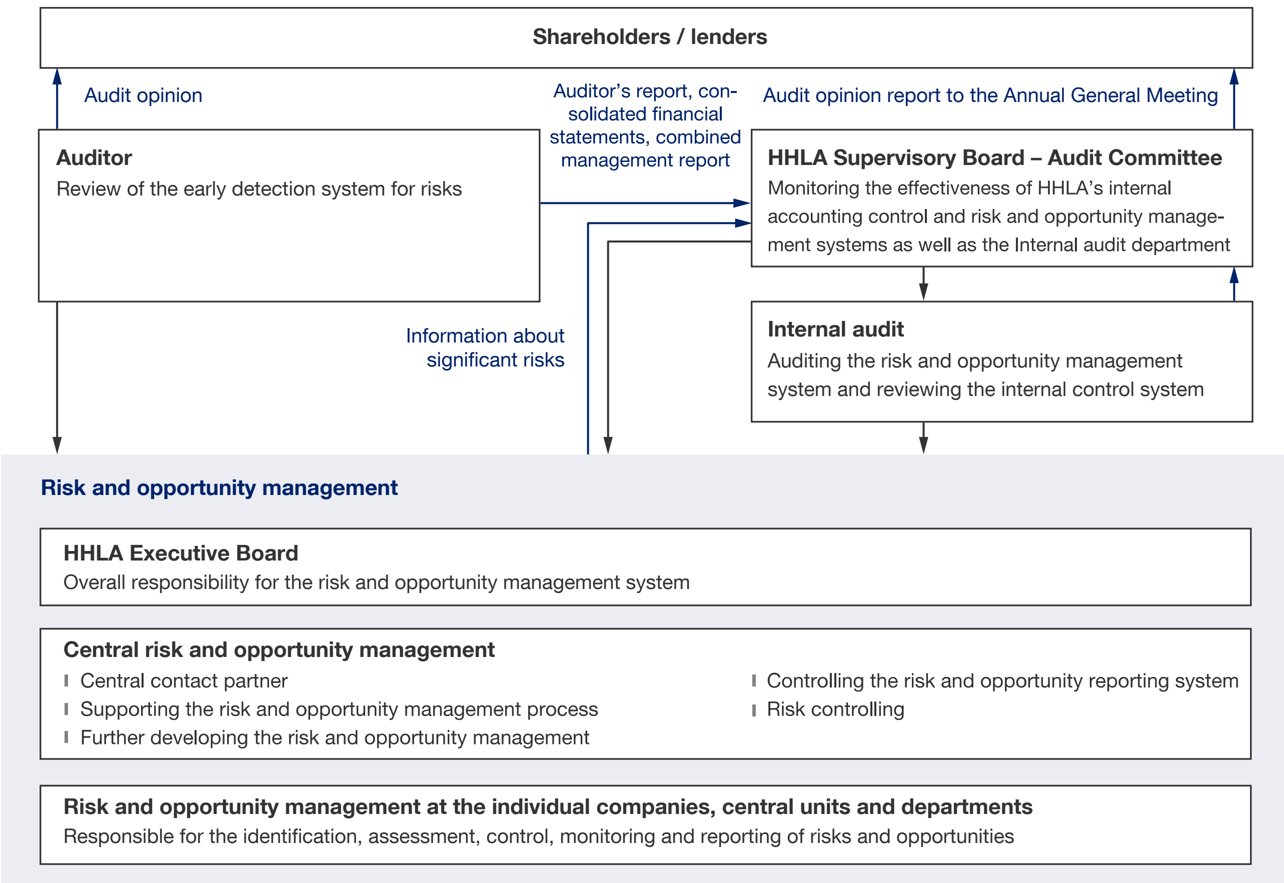
HHLA's internal accounting control and risk and opportunity management system is based on the criteria set out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to determine whether there is a risk posed to the existence, completeness, accuracy, valuation, ownership and reporting of transactions. The company also conducts a risk assessment regarding the possibility of fraud. Concluding unusual or complex transactions can lead to specific accounting risks. There is also a latent risk of error when processing non-routine transactions. Employees are by necessity given a certain amount of leeway when recognising and measuring balance sheet items, which can give rise to further risks.

Internal controls are intended to reduce accounting risks and make sure that transactions are documented, recorded, processed and assessed correctly in the balance sheet, as well as being quickly and correctly adopted in financial reporting. Controls are in place for all accounting processes.

The Internal Audit department is responsible for monitoring HHLA's internal control system and risk and opportunity management for its accounting processes. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

The internal control and risk and opportunity management systems for accounting will always have certain limitations, regardless of how carefully they are designed. For this reason,

Risk and opportunity management and the internal control system for accounting



it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant regulations and controls

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the preparation of separate financial statements and the preparation of consolidated financial statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorisation functions and giving these responsibilities to different members of staff reduces the risk of fraud. Multi-stage approval and authorisation thresholds for ordering, payment transactions and accounting are employed across the Group. These include using the double-checking principle. There is a single accounting manual that covers the consistent application and documentation of accounting rules for the entire Group. Other accounting guidelines are also in place. Like the accounting manual, they are reviewed regularly and updated if necessary.

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purpose of preparing HHLA's consolidated financial statements, affiliates add more information to their separate financial statements to form standardised report packages, which are then fed into the SAP ECCS consolidation module for all Group companies.

Measures are in place to protect the IT systems from unauthorised access. Access rights are granted in line with each user's role. Only those departments responsible for mapping transactions are given write access. Departments responsible for processing information use read access. The principles of function-related authorisations are defined in a set of SAP authorisation guidelines. These form part of a comprehensive IT security guideline, which regulates general access to the IT systems.

External service providers are used for pension reports, fiscal issues and for other reports and projects if necessary.

The specific formal requirements for the consolidation process pertaining to the consolidated financial statements are clearly defined. In addition to a definition of the consolidated group, there are also detailed rules requiring affiliates to use a standardised and complete report package. There are also specific provisions regarding the recording and handling of Group clearing transactions and subsequent balance reconciliations, or the determination of the fair value of shareholdings. As part of the consolidation process, the Group accounting team analyses the separate financial statements submitted by affiliates and corrects them if necessary. Incorrect information is identified and corrected as necessary using control mechanisms already defined in the SAP ECCS system or using system-based plausibility checks.

Independent monitoring

During their audits, Internal Audit reviews the risk management processes as well as the effectiveness and suitability of the controls built into these processes. HHLA's Supervisory Board monitors the effectiveness of the risk management system. The external auditors assess the early risk identification and monitoring system on behalf of the Supervisory Board as part of their audit of the consolidated financial statements.

Overall assessment of risks and opportunities

The following risk reporting represents the level of knowledge prior to the worldwide spread of the coronavirus. We refer to the busines forecast for the effects of the coronavirus pandemic on the expected earnings situation.

The risks and opportunities for the HHLA Group reflect possible positive or negative deviations from the reported forecast.

The HHLA Group's risk position is principally characterised by market risks. Major factors influencing the risk and opportunity profile are the global economic trend, ongoing geopolitical tensions, developments on the market and in the competitive environment as well as uncertainties regarding the implementation of infrastructure projects. The development of these factors is monitored closely, and controllable costs and capital expenditure – where scalable – are adjusted flexibly in line with foreseeable developments. Furthermore, IT security risks are becoming increasingly relevant, prompting a ramping up of the corresponding security measures.

The overview below summarises the main individual risks faced by the HHLA Group, classifies them according to risk areas and lists them in order of decreasing significance.

Ranking of HHLA Group's material risks

	Damage amount	**Probability of occurrence**	Trend vs. previous year
Market risks	massiv	unlikely	↗
Financial risks	medium	unlikely	→
Other risks	medium	unlikely	→
IT risks	medium	unlikely	↗
Strategical risks	medium	unlikely	→
Legal risks	not significant	unlikely	→

Since the economic prospects and the assessment of customer- and competitor-related market risks are unpredictable, this description of risks and opportunities merely serves as a snapshot. Changes in the HHLA Group's risk and opportunity profile are regularly reported in the half-yearly financial report and – where material – in the interim statements for the first and third quarters.

There are no discernible risks at present that could jeopardise HHLA's continued existence. The Executive Board of HHLA is confident that it will be able to exploit any future opportunities while avoiding exposure to unacceptably high risks. The following section describes the key risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other significant risks have currently been identified, while those that do exist are largely insured against.

Risks and opportunities

1. Market environment

Developments in container throughput, transport volumes and logistics services

The pace of growth in those economies whose flows of goods HHLA serves is a key precondition for the future development of container throughput, transport volumes and logistics services.

Research institutes continue to forecast moderate growth for the global economy in the years ahead, although the projections for 2020 were repeatedly downgraded during the 2019 financial year and remain below the prior-year figures. This is due to the current protectionist tendencies and geopolitical tensions. In Europe, for example, a continued source of uncertainty is the impact of a no-deal Brexit and the development of the Italian debt crisis. The direct impact of Brexit is not significant for HHLA, as the proportion of containers coming from or going to the UK handled by our Hamburg terminals is very low. Due to protectionist tendencies – as evidenced by the current tariff disputes – the future development of global trade flows remains uncertain, even though the conflict between the USA and China eased towards the end of 2019. Moreover, the global economic climate is burdened by global geopolitical risks, the termination of the INF Treaty on arms control in August 2019 and the crisis in the Middle East. Further factors include additional or extended sanctions against Russia, as well as currency crises and the volatility of the oil price. Economic environment

A slight fall in economic growth is expected for China – the most important shipping region for the Port of Hamburg – in 2020. More significantly, however, this growth will be primarily driven by domestic demand and will only support global trade to a minor extent. It is too early to make a reliable estimate of the expected risks resulting from the coronavirus.

On the other hand, there are opportunities for a stronger volume trend in connection with the growth potential of Central and Eastern European economies such as Poland, the Czech Republic, Slovakia and Hungary, which use the Port of Hamburg for a not insignificant proportion of their intercontinental trade. Should the economic trend exceed expectations, prompting stronger volume growth, this could present an opportunity to profit from higher earnings by achieving economies of scale in handling and boosting volumes in downstream transport systems. A gradual lifting of the economic sanctions imposed on the Russian Federation could also have a positive impact on the volume trend.

The market research institute Drewry has revised its outlook for container traffic due to the further downgrading of forecasts for the global economy. While Drewry does expect growth in global container throughput and the Northern Europe–Asia trade route, which is particularly important to HHLA, in 2020, it believes that this growth will be slower than in previous forecasts. This estimate does not yet include the possible effects of the coronavirus outbreak in China. The associated volume and capacity risks thus remain relevant for HHLA but are still classed as unlikely.

Throughput and transport volumes in the markets of relevance for HHLA are monitored closely to ensure trends are recognised at an early stage. Where scalable, controllable costs and investments – e.g. for the further expansion of the container terminals – are adjusted in line with the foreseeable level of demand.

Competitive environment

In the area of container handling, HHLA competes directly with other terminal operators in Northern Europe. Primary competitive factors – apart from pricing – are reliability and quayside productivity as well as the scope and quality of container handling services. Other factors affecting the terminal operators' competitive position are the ports' geographical location, the scope and quality of their hinterland links and their accessibility from the sea. The price sensitivity of shipping company customers may increase further, which could lead to a shift in volumes to competitors. The fierce competition for container transport by rail has intensified as a result of various observable market trends, such as plans announced by shipping companies and logistics firms to establish their own transport routes. For HHLA's Intermodal subsidiaries, the risk of volumes being re-routed and revenue being lost is therefore higher than in the previous year.

HHLA constantly improves its competitiveness by further enhancing its service quality and operational capabilities. Its ship handling activities focus primarily on increasing the efficiency of its handling services and addressing the increasing number of peak loads prompted by the handling of container mega-ships. HHLA is working on innovating its systems and optimising processes to further strengthen its position in handling technology. HHLA's rail companies also connect the European seaports with the Central and Eastern European hinterland via a growing number of highly frequent shuttle services and direct links. Investments in its own hub terminals, rolling stock and locomotives further strengthen the performance of HHLA's hinterland network.

In addition to this, regulatory measures may increase the competitiveness of rail transportation in the intermodal marketplace.

Customer structure

HHLA's shipping company customers have operated in a tough competitive environment for container liner shipping for several years now. This is mainly due to structurally related idle capacities and low freight rates. Cost pressure and the resulting consolidation pressure on shipping companies will remain high in future.

Due to the ongoing restructuring of alliances and services on the Asia–Europe trades, a process which began in 2017, there are still risks and opportunities for HHLA from temporary or structural shifts in services between the North Range ports. As volumes per service and ship call increase with the use of ever-larger vessels, the impact on capacity utilisation at the seaport terminals also grows. However, major changes in the current consortium structure are considered unlikely at present.

In the field of ship handling, HHLA cooperates with many shipping companies on a neutral basis ("multi-user principle"). This enables HHLA to respond flexibly to changes in the container liner shipping sector. In addition, HHLA aims to further enhance added value for its customers by expanding its mega-ship handling activities, continuing to develop the quality of its services and its operational capabilities, and optimising client-specific processes.

Depending on the customer structure, smaller affiliates may become reliant on individual clients. Various steps are taken to counteract this reliance, such as optimising service quality. At the same time, efforts are made to attract new clients.

Market concentration in procurement

Some of the handling equipment used by HHLA is highly specialised and this may result in a reliance on suppliers for maintenance or the procurement of replacement parts. Under certain circumstances, this may lead to operational restrictions. Furthermore, unplanned price rises introduced by strategic IT suppliers cannot be ruled out. The corresponding risks are further reduced to some extent by involving suppliers at a strategic and collaborative level and optimising the supplier base.

Traction/track costs

The HHLA companies operating in the Intermodal segment pay track fees to the national railway companies or network operators for their rail network usage and also purchase traction services.

As the rail infrastructure in Germany is largely publicly owned, various authorities monitor non-discriminatory access and carrier-neutral track fees. These authorities include the Federal Network Agency and the Federal Railway Authority in Germany and corresponding bodies abroad at EU level. Nevertheless, as the national rail network owners and operators have a monopoly, the profitability of rail firms may still be impaired by a track pricing policy that does not take a neutral approach to carriers and distorts competition. Due to a shift in the Group's risk focus, the risks associated with increased traction/track costs are, unlike in the previous year, not currently classed as significant for the HHLA Group but are still recorded and monitored. 3. Other risk and opportunity factors, 4. IT risks

To reduce the level of dependency on national railway companies for traction services and to enhance production quality, HHLA is further expanding its own facilities, rolling stock and locomotives in line with demand. Providing end-to-end transport services using the company's own operating assets guarantees high quality throughout the process chain. HHLA's objective is to offer its customers a logistics chain of unparalleled quality and reliability. This will further strengthen Hamburg's appeal: high-performance seaport terminals promote higher volumes in the hinterland, while intelligent transport systems with low-cost structures boost container flows at the port.

2. Financial risks

If demand for HHLA's services fails to materialise as expected, the high level of fixed costs associated with this business model means that it might not be possible to compensate fully for divergences in earnings caused by underutilised capacity in the short term. An economic trend that falls short of expectations may therefore require adjustments to the valuation of assets (mainly property, plant and equipment and financial assets). HHLA regularly checks for any impairment of its assets and makes adjustments where necessary. The level of risk is increasing, partly due to the intensification of competition at the Port of Hamburg; the likelihood of the risk materialising is regarded as "possible".

Currency risks

As the bulk of HHLA's services are rendered within the eurozone, the majority of its invoices are issued in euros. The Intermodal and Logistics segments operate internationally, and a container terminal is operated in Ukraine. Invoicing here is based primarily on euros or dollars. Currency or transfer risks therefore result primarily from exchange rate fluctuations affecting Central and Eastern European currencies. It is therefore impossible to rule out risks such as a devaluation of the Ukrainian currency, the hryvnia, compared to the budget estimate. However, the Group's assessment of currency risks has decreased compared to the previous year, due mainly to the rising value of the Ukrainian hryvnia over the past 18 months. It remains to be seen how the political situation in Ukraine will unfold, particularly in respect of the crisis region in eastern Ukraine.

All HHLA companies that operate with foreign currencies reduce the risk of exchange rate fluctuations by monitoring rates regularly and, where possible, transferring free liquidity in local currency to hard-currency accounts.

Bad debt losses

Despite the market uncertainty, the liquidity and earnings position of shipping companies improved in 2019 compared to the previous year. This was mainly due to lower bunker costs and better management of utilised ship capacities in line with the prevailing demand situation. However, as a result of the ongoing disequilibrium between trading volumes and ship space, the unpredictability of bunker due to the IMO 2020 regulation and the volatility of freight rates, the risk of customer insolvencies – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. The risk assessment remains largely unchanged from the previous year and is still regarded as unlikely.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to enable the precise monitoring of receivables and payment patterns.

Pension obligations

The monetary policy decisions of the European Central Bank may lead to a further reduction in the relevant reference interest rate used to calculate the present value of pension obligations. A reduction in the projected level may result in a further increase in the actuarial loss, coupled with a fall in the equity ratio. In light of the expected interest rate trend, the potential damage amount has increased compared to the prior-year assessment. HHLA monitors interest trends so that it can adjust its provisions as necessary.

The court proceedings concerning the recognition of further entitlements beyond the previous regulations have been concluded in HHLA’s favour.

Please see the report on financial instruments in the notes to the consolidated financial statements for further details of downstream default risks, liquidity risks, interest and exchange rate risks, including risk mitigation measures and the management of these risks. Notes to the consolidated financial statements, no. 47 Management of financial risks

3. Other risk and opportunity factors

Flooding

As a result of the existing structural situation and the fact that HHLA’s Hamburg port facilities and buildings necessarily operate close to water, there is a fundamental risk of storm surges. However, flood protection work undertaken by HHLA and the Free and Hanseatic City of Hamburg in previous years has reduced this risk considerably.

Should this risk ever materialise, comprehensive emergency programmes have been put in place by public authorities and companies operating in the port, as well as in the Speicherstadt historical warehouse district, to minimise the potential damage. In addition, the risk of damage to property is sufficiently covered by insurance policies.

Real estate development risks

The landmarked buildings of the Speicherstadt historical warehouse district have been, or are being, comprehensively overhauled and refurbished by HHLA. The development of portfolio properties is a highly complex undertaking for planners and contractors alike.

Due to this complexity, defects in the planning and work carried out by contractors cannot be excluded – despite extensive quality assurance measures. HHLA ensures that any defects are rectified swiftly, comprehensively and sustainably, and is prepared to take legal action where necessary. However, it cannot be ruled out that HHLA is left with a portion of the costs. These risks have increased compared to the previous year and are therefore included with the Group’s significant risks for the first time.

Investment options

In addition to organic growth, HHLA systematically examines and evaluates acquisition opportunities. Potential equity investments focus on port projects in attractive growth markets. In addition to strategic aspects and synergies with HHLA’s existing activities, key decision-making criteria include growth prospects, the anticipated return on capital employed, and the assessment of commercial opportunities and risks.

HHLA is in a sound financial position. It therefore has the financial means to make further acquisitions.

Digitalisation

Based on HHLA’s ambition to drive the port’s digital transformation process, further innovations in the field of digitalisation are to be initiated and implemented with the aim of enhancing the company’s value. HHLA therefore invests in accelerators such as the Next Logistics Accelerator and Next Commerce Accelerator, and holds direct equity stakes in highly promising start-ups. This may result in opportunities to generate additional value added.

Technological innovations

One of HHLA’s goals is to relieve the pressure on the transport infrastructure in and around the Port of Hamburg by seeking innovative and sustainable solutions and using the capacities of its terminals more efficiently. It is therefore driving projects such as the testing of a transfer station for a hyperloop tunnel and the use of drones. Research and development The initiation of further projects may result in additional opportunities for boosting efficiency and value added in future.

4. IT risks

In the event of a cyberattack, e.g. in the form of destruction or ransoming of data, temporary restrictions or failures in IT applications and increased costs cannot be ruled out. However, extensive measures are in place to protect against attacks and/or significantly reduce any negative consequences. These include prevention measures using tools such as specific filter mechanisms, maintaining backup systems (above all for data and information sharing) and communicating closely with business partners.

5. Strategic environment

Infrastructure

HHLA's competitiveness largely depends on Hamburg's infrastructure as a port and logistics hub. Hamburg's offshore, onshore and regional transport networks must be able to cope with the flows of goods and their carriers. As an infrastructure-related operator, HHLA and its subsidiaries depend on prompt provision of the scheduled volume of public investments and services that are frequently necessary to support their own investments. Infrastructural deficits could make it impossible to handle peak workloads in ship handling – arising from the ongoing trend towards a growing number of ever-larger vessels – with the same level of reliability for all carriers. This in turn could cause throughput and transport volumes to bypass HHLA's sites.

The dredging of the lower and outer stretches of the river Elbe should enable ships with a draught of up to 14.50 m to use the Port of Hamburg, depending on the tide. Ships with a draught of up to 13.50 m should then be able to pass through the lower and outer stretches of the river Elbe regardless of the tide. This will play a major role in maintaining and boosting the competitiveness of the Port of Hamburg. Dredging work has begun and is expected to be completed by the beginning of 2021. Planning permission was obtained in August 2018, when the third supplementary planning decision was issued. The suit brought against the planning decision by environmental associations in September 2018 will be heard again in May 2020 but is not currently expected to delay the project. The shipping companies may, however, continue to reschedule their mega-ship liner services during the construction phase and traffic could bypass the Port of Hamburg – possibly permanently. This would result in a corresponding loss in earnings, but is still viewed as unlikely.

As well as swiftly dredging the navigation channel, the regional road and rail infrastructure must be modernised and expanded if the Port of Hamburg wants to retain and enhance its competitiveness and optimise its processes for the in- and outbound flows of goods in its hinterland. Deficits and delays in the expansion of the rail network, for example, could lead to the weakening of Hamburg's competitiveness as a rail port. In the Intermodal segment, there may be additional costs or delays due to bottlenecks in the rail network. This may result from poor rail infrastructure or delays caused by construction work, for example. The flexibility offered by our own rolling stock helps to ensure that major impacts on our earnings are unlikely. Projects of special significance for HHLA also include the future replacement of the Köhlbrand Bridge, whose useful life looks set to end in 2030, the construction of the port crossing (A 26) and the upgrading of the Kiel Canal, including its locks.

HHLA cooperates closely with the relevant public institutions on these projects. It also safeguards its interests by participating in relevant committees and through lobbying and active public relations activities.

6. Legal risks

Compliance incidents

Well-trained, motivated employees are the foundation for responsible business activities. The Group's relationship with its employees is dominated by its sense of social responsibility. Staff representatives are closely and actively involved in Group decision-making and take their responsibilities seriously. This paves the way for a successful working relationship. However, it is impossible to completely rule out the risk of employees committing fraudulent acts or legal and competitive violations in the course of their work.

To reduce these risks, HHLA has introduced guidelines, manuals and double-checking, embedded controls in its processes and established spot checks as part of its compliance management system. Furthermore, the Group has issued a code of conduct that applies to all Group managers and staff. Training sessions are held regularly on the contents of the code of conduct, as well as on other specialised issues such as the prevention of corruption and conduct in the competitive environment, in line with the current risk profile. All of these activities are supported by additional communication measures, for example via the HHLA intranet and the HHLA team app. There are also opportunities for both employees and third parties to report violations (whistle-blower hotline). Should compliance violations occur, specific process adjustments may be undertaken to prevent them in future. For instance, in cases of theft, corresponding security measures are reviewed and possibly introduced to prevent as far as possible any further disappearance of such items. Furthermore, the system-based business partner screening tool – which will also facilitate the Group-wide, standardised, risk-oriented screening of HHLA's business partners in future – also helps identify compliance risks at an early stage and thus minimise risk.

New regulatory requirements

Changes to legislation, regulatory reforms or amended requirements may necessitate changes to HHLA's internal processes or existing equipment. By ensuring a steady flow of information and cooperating closely with the relevant authorities, HHLA is able to make timely internal preparations and forward-looking investments aimed at reducing the associated costs.

Conversely, new regulations may also lead to opportunities that mainly boost the market potential of technological innovations, e.g. of HHLA Sky by increasing access to airspace.

Corporate governance

Corporate management declaration

The following section contains the **combined corporate governance declaration** by the Executive Board and Supervisory Board for HHLA and the Group in accordance with Section 289f of the German Commercial Code (HGB) and Section 315d in conjunction with Section 289f HGB.

Implementation of the Code, declaration of compliance

Responsible and transparent corporate governance geared towards creating sustainable value added has always been a main foundation of HHLA's commercial success. HHLA therefore expressly supports the German Corporate Governance Code (hereinafter referred to as "the Code" or "GCGC") and the objectives and purposes that it pursues. The Executive Board and Supervisory Board once again took great care to ensure the recommendations and suggestions of the Code were met in the 2019 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG on 13 December 2019. This confirms that the corporate governance and culture of HHLA and the Group comply with the recommendations and most of the suggestions contained in the Code, with the exceptions outlined below.

The current declaration of compliance – as well as those of previous years – is available on the HHLA website at www.hhla.de/corporategovernance and reads as follows:

"The Executive Board and Supervisory Board of Hamburger Hafen und Logistik AG hereby state after due examination that in the period starting 7 December 2018 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 7 February 2017 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

In February 2017, sentence 2 was added to Section 4.2.3 (2) GCGC, which recommends that the long-term assessment basis used for variable executive remuneration should fundamentally be forward-looking. However, the variable remuneration policy which applies to HHLA's Executive Board is fundamentally based on the achievement of certain key figures and/or targets for a three-year average comprising the current financial year and the two previous financial years. The Supervisory Board is of the opinion that the variable remuneration of the HHLA Executive Board is already geared towards sustainable development in its current form. Regardless of this, the Supervisory Board will also address whether the variable remuneration of the Executive Board should be adjusted in future in its currently ongoing review of the Executive Board remuneration system.

Hamburg, 13 December 2019
Hamburger Hafen und Logistik Aktiengesellschaft
The Executive Board
The Supervisory Board"

Information about corporate governance practices

Structure and management of the Group

HHLA acts as the strategic management holding company for the Group. Its operating business is primarily conducted by domestic and foreign subsidiaries and associated firms. Group structure Operating activities are managed and monitored by the Executive Board and its central HHLA departments, such as Purchasing, Finance, Legal and HR. Compliance with the management's corporate governance requirements is ensured by internal company guidelines as well as provisions in the articles of association and rules of procedure for the subsidiaries and associated firms. Most subsidiaries also have their own supervisory or advisory boards that monitor and advise the executive boards of the respective companies.

Compliance

Compliance with corporate guidelines and the statutory provisions relevant to the company's activities (hereinafter also referred to as "compliance") is regarded as an essential part of corporate governance at HHLA. The management team in each corporate unit is therefore responsible for ensuring compliance with the applicable statutory provisions for their field of activity and area of responsibility, and for promoting their observance. Workflows and processes must be structured in line with these regulations. The cornerstone of HHLA's compliance management system (CMS) is a code of conduct, which formulates overriding principles on topics with special relevance for compliance, such as fair competition, the prevention of corruption, discrimination and conflicts of interest, as well as the handling of sensitive corporate information, particularly insider information, and information subject to data privacy, see www.hhla.de/compliance. The code of conduct also offers the opportunity for employees and third parties to provide information about misconduct within the company. The code of conduct is supplemented by further Group guidelines on such matters as corruption prevention and fair conduct. A further element of the CMS is the systematic, ongoing analysis of compliance risks and the introduction of corresponding measures – such as staff training and process adjustments to minimise the respective risks. Furthermore, the business partner screening system currently being introduced helps to reduce compliance risks by facilitating a risk-oriented assessment of business partners. Overall coordination of the CMS is performed by the Group Compliance Officer, who reports directly to the Executive Board and synchronises his or her activities with those of the Internal Audit and Risk Management departments, among others. There are also compliance managers or officers at the various corporate units in Germany and abroad. The responsibilities of compliance officers primarily include advising employees on all compliance-related issues and investigating any indications of breaches. The Audit Committee monitored the effectiveness of the CMS in the reporting period by means of regular reports from the Executive Board and the Group compliance officer. The system will continue to be optimised on an ongoing basis.

Sustainability

Sustainability has been an integral part of HHLA's business model since the company was established. Sustainability or www.hhla.de/sustainability

Risk management

The HHLA Group's risk management system is described in detail in the risk and opportunity report, which forms part of the Management Report. Risk and opportunity report

Transparency

HHLA believes that informing shareholders and interested members of the public promptly about important issues is an integral part of good corporate governance . HHLA provides information about the position of the company and the Group, as well as important company developments, particularly by means of its financial reporting (annual report, half-yearly financial report and interim statements), press conferences for analysts and financial press conferences, meetings with analysts and the press, press releases and ad hoc announcements as required, and its Annual General Meetings. As a permanently available and up-to-date communication medium, the website www.hhla.de provides all the relevant information in both German and English. In addition to information about the HHLA Group and the HHLA share, it contains a financial calendar with an overview of the important dates. The Investor Relations department is available for all enquiries from shareholders, investors and analysts.

The Executive Board of HHLA

Function of the Executive Board

In accordance with the stipulations of German stock corporation law, HHLA has a dual system of management with an Executive Board as management body and a Supervisory Board as monitoring body. The Executive Board manages the company on its own responsibility. It determines the company's goals, its fundamental strategic orientation and Group policy and organisation. These tasks include, in particular, steering the Group and managing its financing, developing a personnel strategy, appointing and developing managers while paying due consideration to diversity, and representing the company before the capital markets and the general public. It also bears responsibility for appropriate and effective control systems (risk and opportunity management, the compliance management system and the internal control system (including Internal Audit)).

The Executive Board performs its duties as a **collegial body**. The members of the Executive Board work together as colleagues and inform each other on an ongoing basis of important developments in their respective areas of responsibility. Regardless of the overall responsibility to manage the company, the individual members of the Executive Board also bear responsibility for the departments assigned to them by Executive Board resolutions and pursuant to the schedule of responsibilities. Fundamental questions of organisation, business policy and corporate planning, as well as measures of greater significance, are discussed and decided upon by the full Executive Board. The Chairwoman of the Executive Board coordinates the work of the Executive Board. This is outlined in more detail in the Executive Board's **rules of procedure**.

The Executive Board and the Supervisory Board work in a spirit of mutual trust in the interests of the company. It provides with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. These include, in particular, profitability, the current position and course of business, strategy, planning, the current risk position, risk management and compliance for both the Group and the company in each case. Certain measures and transactions that are particularly far-reaching – such as adopting the annual budget, initiating new areas of activity, acquiring or selling companies, and capital expenditure or financing measures above a certain size – require the prior approval of the Supervisory Board. The Chairman of the Supervisory Board must be notified without undue delay of any important events of fundamental significance for the assessment of the position and development or the management of the company or the Group, including between meetings. The Chairman of the Supervisory Board is also regularly in touch with the Executive Board, especially the Chairwoman of the Executive Board, between meetings to discuss key issues and current developments, particularly questions of strategy and corporate development, as well as the company's risk position, risk management and compliance.

The members of the Executive Board are obligated to act in the **company's interests** and are bound by an extensive non-compete clause for the duration of their tenure. No member of the Executive Board is permitted to pursue personal interests when making decisions or to utilise business opportunities open to the company for personal gain. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them must be performed on an arm's-length basis and require the approval of the Supervisory Board. Other duties, especially supervisory board posts at companies outside the Group, also require the approval of the Supervisory Board. **Conflicts of interest** concerning members of the Executive Board must be immediately disclosed to the Chairman of the Supervisory Board. Other members of the Executive Board must also be informed. There were no such transactions or conflicts of interest in the reporting period.

D&O insurance that meets the requirements of Section 93 (2) sentence 3 AktG has been taken out for the members of the Executive Board.

Composition and diversity

In accordance with Article 8 of the articles of association, HHLA's Executive Board must consist of at least two members. At present, there are four members of the Executive Board. The Executive Board's members are appointed by the Supervisory Board. Together with the Executive Board, the Supervisory Board ensures there is a long-term succession plan in place and that diversity considerations are taken into account in the Executive Board's composition. In the interests of outlining diversity aspects more precisely, the Supervisory Board has approved the following **diversity concept for the Executive Board**.

Objective of the diversity concept

Along with the professional skills and experience of the Executive Board members, the Supervisory Board believes that diversity aspects play an important role in the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the work of the Executive Board. The objectives below serve as guidelines for long-term succession planning and the selection of suitable candidates.

Diversity aspects

The Supervisory Board strives to ensure that the Executive Board is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Executive Board as a whole can draw on the widest possible range of experience, knowledge and skills.

Proportion of women on the Executive Board

When appointing Executive Board members, the Supervisory Board is guided by the model of equal participation by women and men and actively pursues this objective, e.g. by specifically looking for female candidates to join the Executive Board. However, given that the Executive Board is small and there is usually a limited number of suitable candidates, it is not always possible to ensure that women and men are represented equally. With this in mind, the Supervisory Board has set a target quota of 25 % for women on the HHLA Executive Board. It has specified 30 June 2022 as the deadline for achieving this target.

Qualifications and professional background

Diversity in the Executive Board is also reflected by members with different qualifications and career paths who can draw on a wide range of different experiences (such as industry background). Members with different qualifications, professional backgrounds and experiences are therefore actively welcomed. However, each Executive Board member must have the personal and professional skills and experience necessary to fulfil the responsibilities of an Executive Board member at an international, listed company and protect the HHLA Group's public image. The members of the Executive Board should also have an in-depth understanding of HHLA's business activities and are usually required to have several years of managerial experience.

Furthermore, with a view to HHLA's business model, at least one member should have specialist expertise in each of the following areas:

- strategy and strategic management;

HHLA's current Executive Board

Executive Board member			
Angela Titzrath Chairwoman of the Executive Board	**Jens Hansen** Chief Operating Officer	**Dr. Roland Lappin** Chief Financial Officer	**Torben Seebold** Chief Human Resources Officer
Responsibility	Responsibility	Responsibility	Responsibility
Corporate development Corporate communication Sustainability Container sales Intermodal segment Logistics segment	Container operations[1] Container engineering[1] Information systems	Finance and controlling (including organisation) Investor relations Internal audit Real Estate segment	HR management Purchasing and materials management Occupational safety management Legal and insurance (including compliance)

1 Without Real Estate, for the Intermodal and Logistics segments as agreed with the Chairwoman of the Executive Board

- the logistics business, including the relevant markets and client needs;
- sales;
- operations and technology, including IT and digitalisation;
- the real estate business;
- legal affairs, corporate governance and compliance;
- human resources, especially HR management and staff development, as well as experience of co-determined structures; and
- finance, including financing, accounting, controlling, risk management and internal control processes.

International orientation

As the Group's activities are international by their very nature, at least some of the members should have considerable international experience.

Age

The age limit for Executive Board members is 67. There is no minimum age. However, Executive Board members are generally expected to have several years of managerial experience when they are appointed, which presupposes a certain amount of professional experience. Within this framework, a varied age structure within the Executive Board is targeted – in the interests of diversity and long-term succession planning – although age is deemed less important than the other criteria.

Progress to date

The Executive Board's current composition fulfils the targets set out above. The Executive Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 25 % for female executives has been met. The age limit is not exceeded by any member.

Long-term succession planning for the Executive Board

Together with the Executive Board, the Supervisory Board develops long-term succession planning for the Executive Board. With regard to the Supervisory Board, this duty is chiefly performed by the Personnel Committee. Based on the objectives for the composition and expertise of members set out in the diversity concept, a profile of requirements is compiled for each Executive Board position. The requirement profiles, the responsibilities and the performance of the Executive Board members are regularly reviewed by the Personnel Committee – following consultation with the Executive Board/individual Executive Board members – with regard to the current environment, the course of business, the corporate strategy and the areas of expertise represented on the Executive Board.

A further key component of long-term succession planning is the identification and further development of internal candidates for future management roles. It is the responsibility of the Executive Board to identify potential candidates at an early stage so that they can be systematically developed with increasing levels of responsibility and needs-based training. Ideally, there should always be internal candidates on the shortlist whenever new positions need to be filled.

During specific appointment processes, the Personnel Committee and the Supervisory Board will not only consider the aforementioned diversity objectives but also all circumstances of the individual case. Where necessary, the Supervisory Board will also draw on the support of HR consultants.

The Supervisory Board of HHLA

Function of the Supervisory Board

The Supervisory Board decides on the composition of the Executive Board, oversees the Executive Board's management of the company, advises it on corporate governance and is involved in fundamental and important decisions. Measures and transactions of fundamental importance require the approval of the Supervisory Board in accordance with the Executive Board's rules of procedure. Its other main tasks include the examination and adoption of the annual financial statements and the approval of the consolidated financial statements.

The tasks and internal organisation of the Supervisory Board and its committees are based on the law, the articles of association and the **rules of procedure** of the Supervisory Board, which are available on HHLA's website at www.hhla.de/corporategovernance and www.hhla.de/supervisory-board. The Code also contains recommendations on the Supervisory Board's work. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and represents its interests externally.

The members of the Supervisory Board are obligated to act in the **company's interests**. No member of the Supervisory Board is permitted to pursue personal interests when making decisions or to utilise business opportunities open to the company for personal gain. **Conflicts of interest** must be immediately disclosed to the Chairman of the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its report to the Annual General Meeting. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of their tenure. Consultancy agreements or any other contracts for services or works between a member of the Supervisory Board and the company require the approval of the Supervisory Board. There were no such agreements in the 2019 financial year.

D&O insurance with an excess based on Section 93 (2) sentence 3 AktG has been taken out for the members of the Supervisory Board.

Committees

The Supervisory Board carries out its work both in full council and in committees. The individual committees and their responsibilities are laid down in the Supervisory Board's rules of procedure. The chairpersons of the committees regularly report on the work of their respective committees at the following Supervisory Board meeting. There are currently six committees: the Finance Committee, Audit Committee, Personnel Committee, Nomination Committee, Arbitration Committee and Real Estate Committee.

Finance Committee

Members: Dr. Sibylle Roggencamp (Chair), Thomas Mendrzik (Vice Chair), Dr. Norbert Kloppenburg, Norbert Paulsen, Sonja Petersen, Prof. Dr. Burkhard Schwenker

Responsibilities: The Finance Committee prepares Supervisory Board meetings and resolutions of major financial importance, such as equity acquisitions/disposals, resolutions to be adopted concerning significant borrowing and lending, the assumption of guarantees for third-party liabilities, financial investments and other financial transactions. It also deals with planning and investment issues, such as the budget and medium-term planning.

Audit Committee

Members: Dr. Norbert Kloppenburg (Chair), Norbert Paulsen (Vice Chair), Thomas Mendrzik, Dr. Isabella Niklas, Sonja Petersen, Prof. Dr. Burkhard Schwenker

Responsibilities: The Audit Committee is mainly concerned with auditing accounts and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system and compliance. It monitors the auditing of the annual financial statements and its effectiveness, which includes checking the independence of the auditor and any non-audit services, and regularly evaluates the quality of the audit. It is also responsible for preparing the process of electing the auditor (including any shortlisting procedures).

Real Estate Committee

Members: Dr. Isabella Niklas (Chair), Norbert Paulsen (Vice Chair), Thomas Lütje, Thomas Mendrzik, Dr. Sibylle Roggencamp, Prof. Dr. Burkhard Schwenker

Responsibilities: The Real Estate Committee is responsible for all issues, reports and decisions that relate either wholly or overwhelmingly to the Real Estate subgroup (S division). In particular, this also includes decisions on transactions subject to an approval requirement, examining and preparing the Supervisory Board's decision on the adoption of the annual financial statements, as well as the approval of the consolidated financial statements, and the proposal on the appropriation of profit attributable to the Real Estate division.

Personnel Committee

Members: Prof. Dr. Rüdiger Grube (Chair), Berthold Bose (Vice Chair), Thomas Mendrzik, Norbert Paulsen, Dr. Sibylle Roggencamp, Dr. Torsten Sevecke

Responsibilities: The Personnel Committee prepares the personnel decisions to be taken by the Supervisory Board and, together with the Executive Board, ensures that a long-term succession plan is in place. It prepares the Supervisory Board resolution specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board, and handles the Executive Board contracts, provided the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.

Nomination Committee

Members: Prof. Dr. Rüdiger Grube (Chair), Dr. Torsten Sevecke (Vice Chair), Dr. Sibylle Roggencamp

Responsibilities: In line with the statutory requirements, the recommendations of the Code, the skills matrix agreed by the Supervisory Board for the Executive Board, and the targets adopted regarding its composition, the Nomination Committee proposes suitable candidates to the Supervisory Board to stand for election at the Annual General Meeting as shareholder representatives on the Supervisory Board.

Arbitration Committee

Members: Prof. Dr. Rüdiger Grube, Berthold Bose, Norbert Paulsen, Dr. Torsten Sevecke

Responsibilities: The Arbitration Committee performs the duties defined in Section 31 (3) of the German Co-Determination Act (MitbestG). This entails making proposals to the Supervisory Board for appointing members of the Executive Board if the statutory majority of two-thirds of the Supervisory Board members' votes is not reached after the first round of voting.

Composition of the Supervisory Board and diversity

In accordance with the company's articles of association, Sections 95 and 96 AktG and Section 7 MitbestG, the Supervisory Board consists of six shareholder representatives elected by the Annual General Meeting and six employee representatives elected in accordance with the German Co-Determination Act.

In view of the various requirements and recommendations relating to supervisory board composition, the Supervisory Board has approved a requirement profile for HHLA's Supervisory Board. In addition to key legal requirements and the recommendations of the Code concerning supervisory board composition, this includes the Supervisory Board's own objectives for its composition, the skills matrix for the Board as a whole in line with the Code, and the diversity concept for the Supervisory Board, including the disclosures pursuant to Section 289f (1) no. 6 HGB.

The requirement profile below was approved in December 2017. In light of the latest version of the Code, the Supervisory Board will review the aforementioned goals and requirements in a timely fashion and amend them where necessary.

Objective of the requirement profile

The Supervisory Board strives for a composition which ensures it is capable of monitoring and advising the Executive Board professionally at all times. As well as ensuring its members fulfil professional and personal requirements, the Supervisory Board believes that diversity aspects play an important role for the effective work of the Supervisory Board, and thus for the sustainable development of the company. Different personalities, experiences and expertise prevent group thinking and facilitate a more holistic approach, thereby enriching the Supervisory Board's work. The objectives below therefore serve as guidelines for long-term succession planning and the selection of suitable candidates. They also provide transparency with regard to the key appointment criteria.

Requirements for individual members

General requirements

Each Supervisory Board member should have the personal and professional skills and experience necessary to fulfil the responsibilities of a Supervisory Board member at an international, listed company and protect the HHLA Group's public image. In view of this, each Supervisory Board member should fulfil the following requirements:

- sufficient professional knowledge, i.e. the ability to perform the duties which are normally handled by the Supervisory Board;
- commitment, integrity and personality;
- a general understanding of HHLA's business activities, including the market environment and clients' needs;
- corporate or operational experience – for shareholder representatives, this should ideally take the form of experience from working in company management teams, occupying a managerial position or sitting on supervisory bodies; and
- compliance with the limits on mandates set out in Section 100 AktG and Section 5.4.5 sentence 2 GCGC.

Available time

Each Supervisory Board member ensures that they have the time needed to properly fulfil a Supervisory Board mandate. In particular, it must be taken into account that there are usually four to six Supervisory Board meetings per annum, which each need adequate preparation – especially in the case of reviewing the documents relating to the annual and consolidated financial statements. Membership of one or more of the committees requires additional time for preparation and attendance of committee meetings. Lastly, additional extraordinary meetings of the Supervisory Board or the committees may become necessary to deal with special topics.

Duration of membership and age limit

Candidates proposed for election to the Supervisory Board should be under the age of 70 at the time of election. As a rule, members should not serve more than three full terms on the Supervisory Board.

Requirements and objectives for the Supervisory Board as a whole

With regard to the composition of the Supervisory Board as a whole, the Supervisory Board strives to ensure that it is composed of members whose personal and professional backgrounds, experience and expertise complement one another so that the Supervisory Board as a whole can draw on the widest possible range of experience and specialist knowledge. This also serves to promote diversity.

General requirements

The Supervisory Board of HHLA must always be composed in such a way that its members have the necessary knowledge, skills and industry expertise to fulfil the Supervisory Board's responsibilities properly. Furthermore, the members of the Supervisory Board as a whole must be familiar with the logistics industry – especially the port logistics and intermodal sectors – and the real estate industry, and at least one member of the Supervisory Board must have expertise in the fields of accounting or the auditing of financial statements.

Specific knowledge and experience

The Supervisory Board of HHLA as a whole should cover all the areas of expertise necessary to perform its duties effectively. In line with the company's business model, this specifically includes in-depth knowledge and experience in:

- managing a large or medium-sized listed company which operates internationally;
- the logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems and digitalisation;
- the real estate business, specifically letting office space in the Hamburg area;
- legal affairs, corporate governance and compliance;
- controlling and risk management; and
- applying accounting principles and internal control processes.

The Supervisory Board strives for a composition whereby at least one member is qualified to provide advice on each of the aspects listed above.

Independence and conflicts of interest
Given HHLA's specific commercial situation and ownership structure, the Supervisory Board should have at least two independent members from amongst the shareholders, as defined in Section 5.4.2 GCGC. Furthermore, the Supervisory Board assumes that the fact employee representatives speak for the staff and are employed by the company does not as such jeopardise their independence and that employee representatives should not therefore be viewed as dependent per se. Instead, they are expected to consider the material circumstances in each case.

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. In addition, the Supervisory Board should not include anyone who holds a seat on an executive body or performs an advisory role at any organisation in direct competition with the company.

Should any conflicts of interest arise – especially as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties – the Supervisory Board member in question is obliged to disclose these to the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its yearly report to the Annual General Meeting. If a member of the Supervisory Board has significant conflicts of interest that are not merely temporary, this should result in the termination of their period of office.

Diversity
HHLA's Supervisory Board consists of at least 30 % women and 30 % men. Furthermore, the Supervisory Board has set itself the medium-term goal of ensuring at least 40 % of its shareholder representatives are women.

In addition to this, diversity in the Supervisory Board is reflected by shareholder representatives with different career paths and fields of activity who can draw on a wide range of different experiences (such as industry background). In the interests of diversity, the Supervisory Board strives for a composition whereby its members complement one another with their backgrounds, experience and expertise. It also strives to ensure that some members have international experience.

Progress to date and future applicability
The Supervisory Board's current composition fulfils the targets set out above. The Supervisory Board is composed of people with different career paths, a wide range of experience and varying expertise, including members with considerable international experience. The target quota of 30 % for female Supervisory Board members has been met. The age limit was not exceeded by any member at the time of their election. No member has served more than three terms of office on the Supervisory Board. The Supervisory Board currently has three independent members from amongst its shareholders: Prof. Dr. Grube, Dr. Kloppenburg and Prof. Dr. Schwenker. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils the requirements in Sections 100 (5) and 107 (4) AktG and Recommendation D.4 GCGC.

The Nomination Committee and the Supervisory Board will take the above requirements and objectives into account (as amended in the event that amendments are carried out during the revision of the Code) during their succession planning and when searching for suitable candidates and proposing them to the Annual General Meeting for election to the Supervisory Board. At the same time, they will strive to fulfil the skills matrix for the Supervisory Board as a whole. However, the Annual General Meeting is under no obligation to observe the requirement profile or the Supervisory Board's election proposals when electing shareholder representatives. The employee representatives are elected by the workforce, who are also not bound by the requirement profile. As such, the Supervisory Board has no right to nominate candidates for such positions.

Self-assessment
The most recent self-assessment with external assistance was carried out in summer 2018 with the aid of an independent consultant. Overall, cooperation was rated very good and efficient. Moreover, the Supervisory Board works continuously to further improve the efficiency of its activities.

Further information
Further information on the activities of the Supervisory Board and its committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. Further information on the composition of the Supervisory Board and its committees can be found at the end of this section. Lastly, curricula vitae for the current members of the Supervisory Board are published on the company's website, www.hhla.de. These are updated each year.

Additional information in accordance with Section 289f (2) nos. 4 and 5 HGB
In accordance with Section 96 (2) AktG, the Supervisory Board of HHLA consists of at least 30 % women and 30 % men. There are currently four female members of the **Supervisory Board**, two of whom are shareholder representatives and two of whom are employee representatives. Women therefore now account for 33.3 % of both the shareholder representatives and the employee representatives on the Supervisory Board. As such, the legal requirements are met.

The Supervisory Board set a quota of 25 % for women on the **Executive Board** by 30 June 2022. This target has been met.

The Executive Board has set a target quota of 30 % for women in **both management levels below the Executive Board** and established a deadline for achieving this by 30 June 2022. As of 31 December 2019, women accounted for 27 % of the first management level and 22 % of the second management level.

Shareholders and the Annual General Meeting

Shareholders exercise their rights, in particular their voting rights, at the Annual General Meeting. The Annual General Meeting is held within the first eight months of each financial year. Each share entitles its holder to one vote at the Annual General Meeting. There are no shares with multiple voting rights, no preference shares and no caps on voting rights.

Shareholders may exercise their voting rights at the Annual General Meeting in person, by appointing a representative of their choice or by giving voting instructions to proxies designated by the company. The articles of association also authorise the Executive Board to allow shareholders to exercise individual or all shareholder rights, even if not present at the venue of the Annual General Meeting and without naming a proxy, by means of electronic communication (online participation) and/or to cast their vote in writing or by means of electronic communication (postal vote). The invitation to the Annual General Meeting includes explanations of the participation conditions, the voting procedure (including proxy voting) and the rights of shareholders. In addition, the company has a hotline for shareholders' questions.

The reports and documents required by law for the Annual General Meeting, including the Annual Report, are published on the company's website at www.hhla.de/agm together with the agenda. Information on attendance at the Annual General Meeting and the voting results can likewise be found on the company's website after the Annual General Meeting.

Accounting and auditing

The separate financial statements of HHLA (parent company) are prepared in line with the accounting regulations of the German Commercial Code (HGB). The consolidated financial statements and the Interim Reports comply with the International Financial Reporting Standards (IFRS) that apply in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. This Annual Report provides further information on IFRS in the notes to the consolidated financial statements, "General notes". The appropriation of profits is based solely on the separate financial statements.

The choice and appointment of the auditing firm, the monitoring of its independence and the additional services it provides are all conducted in accordance with statutory provisions. In addition, arrangements have been made with the auditor of the separate financial statements and consolidated financial statements for the 2019 financial year – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg – for the Chairman of the Audit Committee to be informed immediately of any possible grounds for exclusion or bias arising during the audit, insofar as these are not rectified without delay. The auditor should also report immediately on any findings or incidents that are of significance for the Supervisory Board's remit which come to his or her attention during the audit of the financial statements. Furthermore, the auditor is to inform the Supervisory Board and/or record in his or her report if – when conducting the audit – he or she identifies facts that indicate that the declaration of compliance as per Section 161 AktG is incorrect. The audit conducted includes an extended audit as stipulated under Section 53 of the German Budgetary Principles Act (HGrG). This requires an audit and assessment of the propriety of the company's management and its financial situation as part of the audit of the annual financial statements.

Further disclosures on members of governing bodies and their mandates

The Executive Board members and their mandates

Angela Titzrath
Chairwoman of the Executive Board

Economist (MA), Hamburg

First appointed: 2016
Current appointment: until 30.09.2024

Other mandates[1]

- Bionic Production GmbH, Lüneburg[2] (Chair) (since 29.08.2019)
- CTD Container-Transport-Dienst GmbH[2] (Chair)
- Evonik Industries AG, Essen[3]
- HHLA Frucht- und Kühl-Zentrum GmbH[2] (Chair)
- HHLA International GmbH[2] (Chair)
- HHLA Sky GmbH[2] (Chair)
- HPC Hamburg Port Consulting GmbH[2] (Chair)
- METRANS, a.s. (Chair), Prague[2]
- Talanx AG, Hanover[3]
- Ulrich Stein GmbH[2] (Chair)
- UNIKAI Lagerei- und Speditionsgesellschaft mbH[2] (Chair)

Jens Hansen
Chief Operating Officer

Fully qualified engineer, fully qualified business administration manager, Elmshorn

First appointed: 2017
Current appointment: until 31.03.2025

Other mandates[1]

- Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[4] (Chair)
- Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[4] (Chair)
- DAKOSY Datenkommunikationssystem AG[4] (Chair)
- HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH[2] (Chair)
- HHLA Container Terminal Altenwerder GmbH[2] (Chair)
- HHLA Container Terminal Burchardkai GmbH[2] (Chair)
- HHLA Container Terminal Tollerort GmbH[2] (Chair)
- HHLA Rosshafen Terminal GmbH[2]
- HHLA TK Estonia AS, Tallinn[2] (Chair)
- HPC Hamburg Port Consulting GmbH[2]
- HVCC Hamburg Vessel Coordination Center GmbH[2]
- Hyperport Cargo Solutions GmbH i. Gr.[4]
- SCA Service Center Altenwerder GmbH[2] (Chair)
- Service Center Burchardkai GmbH[2] (Chair)

Dr. Roland Lappin
Chief Financial Officer

Fully qualified industrial engineer, Hamburg

First appointed: 2003
Current appointment: until 30.04.2021

Other mandates[1]

- Fischmarkt Hamburg-Altona GmbH[2] (Chair)
- GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH[2] (Chair)
- Hansaport Hafenbetriebsgesellschaft mbH[4]
- HHLA Frucht- und Kühl-Zentrum GmbH[2]
- HHLA Immobilien Speicherstadt GmbH[2]
- HHLA International GmbH[2]
- HHLA Rosshafen Terminal GmbH[2]
- IPN Inland Port Network GmbH & Co. KG[4]
- IPN Inland Port Network Verwaltungsgesellschaft mbH[4]
- METRANS, a.s, Prague[2]
- Ulrich Stein GmbH[2]
- UNIKAI Lagerei- und Speditionsgesellschaft mbH[2]
- Spherie UG (haftungsbeschränkt)[4]

Torben Seebold
Chief Human Resources Officer (since 01.04.2019)

Fully qualified lawyer, Hamburg

First appointed: 2019
Current appointment: until 31.03.2022

Other mandates[1]

- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (Chair)
- HHLA-Personal-Service GmbH[2] (Chair)
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft, Hamburg

The Supervisory Board members and their mandates

Prof. Dr. Rüdiger Grube (Chairman)
Fully qualified engineer, Hamburg

Managing Partner of Rüdiger Grube International Business Leadership GmbH

Supervisory Board member since: June 2017

Other mandates[1]

- Bombardier Transportation GmbH, Berlin (Chair) (since 11.05.2019)
- Bombardier Transportation (Bahntechnologie) Holding Germany GmbH, Berlin (Chair) (since 11.05.2019)
- Deufol SE, Hofheim am Taunus
- Herrenknecht AG, Schwanau
- RIB Software SE, Stuttgart[3]
- Vossloh AG, Werdohl[3] (Chair) (since 05.02.2020)

Berthold Bose (Vice Chairman)
Automotive electrician, Hamburg

Head of ver.di Hamburg

Supervisory Board member since: June 2017

Other mandates[1]

- Asklepios Kliniken Hamburg GmbH, Hamburg
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH[5]

Dr. Norbert Kloppenburg
Fully qualified agricultural engineer, Hamburg

International investments and financing consultant

Supervisory Board member since: June 2012

Other mandates[1]

- Voith GmbH & Co. KGaA, Heidenheim

Thomas Lütje
Shipping agent, Jork

Director of Sales at Hamburger Hafen und Logistik AG

Supervisory Board member since: June 2017

Other mandates[1]

- HVCC Hamburg Vessel Coordination Center GmbH[2] (Chair)

Thomas Mendrzik
Electrical technician, Hamburg

Vice Chairman of the works council of HHLA Container-Terminal Altenwerder GmbH

Supervisory Board member since: June 2017

Other mandates[1]
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH[5] (until 19.09.2019)
- HHLA Container Terminal Altenwerder GmbH (until 18.04.2019)
- SCA Service Center Altenwerder GmbH (until 18.04.2019)

Dr. Isabella Niklas
Doctorate in law, Hamburg

Managing Director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Supervisory Board member since: June 2018

Other mandates[1]
- GMH Gebäudemanagement Hamburg GmbH[5]
- HADAG Seetouristik und Fährdienst AG[5]
- Hanseatische Wertpapierbörse Hamburg (since 07.02.2020)
- SBH Schulbau Hamburg[5]
- SNH Stromnetz Hamburg GmbH[5]
- Wärme Hamburg GmbH (formerly Vattenfall Wärme GmbH)[5]

Norbert Paulsen
Fully qualified engineer, Hamburg

Chairman of the Group works council and joint works council of Hamburger Hafen und Logistik AG

Supervisory Board member since: June 2012

Other mandates[1]
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH[5]

Sonja Petersen
Fully qualified business administration manager (FH), Norderstedt

Clerical employee at HHLA Container Terminal Burchardkai GmbH

Supervisory Board member since: June 2017

Other mandates[1]
- None

Dr. Sibylle Roggencamp
Fully qualified economist, Molfsee

Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Supervisory Board member since: June 2012

Other mandates[1]
- Elbphilharmonie und Laeiszhalle Service GmbH[5]
- Flughafen Hamburg GmbH[5]
- Hamburg Musik GmbH[5]
- Hamburger Hochbahn AG[5]
- Hamburgischer Versorgungsfonds AöR[5]
- HSH Beteiligungsmanagement GmbH[5] (until 23.01.2019)
- HSH Portfoliomanagement AöR, Kiel[5] (Chair)
- Sprinkenhof GmbH[5] (Chair)
- Universitätsklinikum Hamburg-Eppendorf (UKE) KöR, Hamburg[5]

Prof. Dr. Burkhard Schwenker
Fully qualified business administration manager, Hamburg

Chairman of the Advisory Council of Roland Berger GmbH

Supervisory Board member since: June 2019

Other mandates[1]
- Flughafen Hamburg GmbH[5]
- FreightHub GmbH, Berlin (until 18.04.2019)
- Hamburger Sparkasse AG (HASPA), Hamburg
- Hensoldt Holding GmbH, Taufkirchen
- M.M. Warburg & Co. KGaA, Hamburg (since 01.01.2020)

Maya Schwiegershausen-Güth
MA in political science, sociology, and economic and social history, Berlin

Trade union secretary, ver.di

Supervisory Board member since: June 2017

Other mandates[1]
- Hapag-Lloyd AG, Hamburg[3]

Dr. Torsten Sevecke
Doctorate in law, Hamburg

State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation (Economy and Innovation department)

Supervisory Board member since: June 2018

Other mandates[1]
- 4Free AG, Hamburg
- Erneuerbare Energien Hamburg Clusteragentur GmbH[5] (Chair)
- Hamburg Messe und Congress GmbH[5] (since 10.09.19) (Chair)
- Hamburg Tourismus GmbH[5] (since 24.01.2019) (Chair)
- Hamburgische Investitions- und Förderbank AöR[5]
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungs-management mbH[5]
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH[5] (Chair)
- Life Science Nord Management GmbH[5] (Chair)
- Logistik-Initiative Hamburg Management GmbH[5] (until 31.05.2019)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH[5]
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH[5] (Chair)

Members who departed in 2019

Heinz Brandt
Former member of the Executive Board

Legal assessor, Bremen
Member of the Executive Board (Chief Human Resources Officer) of Hamburger Hafen and Logistik AG

First appointed: 2009
Departed on: 31.03.2019

Further mandates[1] (until 31.03.2019)
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (Chair)
- HHLA-Personal-Service GmbH[2] (Chair)
- HPC Hamburg Port Consulting GmbH[2]
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbe-triebs-Gesellschaft, Hamburg

Michael Westhagemann
Former member of the Supervisory Board

Computer scientist, Hamburg
Senator at the Hamburg Ministry for the Economy, Transport and Innovation

First elected: 2017
Departed on: 06.02.2019

Further mandates[1] (until 06.02.2019)
- HafenCity Hamburg GmbH[5]
- Hamburg Marketing GmbH[5] (Chair)
- Hamburg Port Authority AöR[5] (Chair)
- Hamburger Hochbahn AG[5] (Chair)

1 Seats on statutory supervisory boards and comparable supervisory bodies at domestic and foreign companies

2 HHLA holds a majority interest (directly or indirectly). Registered office in Hamburg unless otherwise stated

3 Listed

4 HHLA holds a minority or equal interest (directly or indirectly). Registered office in Hamburg unless otherwise stated

5 Company associated with the Free and Hanseatic City of Hamburg (excluding HHLA Group companies). Registered office in Hamburg unless otherwise stated

Remuneration report

Executive Board remuneration

The remuneration system used for HHLA's Executive Board is designed to foster successful and sustainable corporate development. The full Supervisory Board is responsible for defining the Executive Board's remuneration system, regularly reviewing and adjusting the remuneration system if necessary, and setting the individual remuneration of executives following preparatory work by the Personnel Committee. When making such decisions, the Personnel Committee and the Supervisory Board take into account the recommendations of the German Corporate Governance Code, the responsibilities and performance of each member of the Executive Board, and in particular HHLA's size and activities, its financial and economic position, the amount and structure of executive board remuneration at comparable companies, and the relationship between the remuneration of the Executive Board and the remuneration of the upper levels of management and the workforce.

In accordance with the current remuneration system for the members of the Executive Board, remuneration for Executive Board members comprises a non-performance-related fixed salary, a performance-related bonus, fringe benefits and pension contributions. Executive Board members receive their fixed remuneration in the form of twelve monthly payments. Fringe benefits (non-monetary compensation) include the right to use an appropriate company car (including for private purposes) and the payment of insurance premiums by the company. The members of the Executive Board pay tax on these benefits as components of their remuneration.

The performance-related bonus is set on the basis of a three-year assessment period and in each case paid out once the annual financial statements have been approved. The calculation is based on the average earnings before interest and taxes (EBIT) for the past three years (before additions to pension provisions and reduced by any extraordinary income from the disposal of real estate and companies), the average return on capital employed (ROCE) and the achievement of targets relating to environmental issues (reduction of the carbon footprint of each container handled and transported) and social issues (broken down into training and continuing professional development, health and employment) in the same period. Target ranges were set for each of the sustainability components. Achieving these targets triggers the payment of the relevant bonus. When making these calculations, roughly equal weight is given to EBIT on the one hand and the above-mentioned sustainability components on the other. The total variable remuneration is capped at 100 % of the fixed salary.

Retirement benefits are granted on the basis of individual arrangements in the form of pension entitlements, the payment of a fixed amount earmarked for a private pension fund or the payment of premiums for a direct insurance policy. In accordance with their pension entitlements, the Executive Board members receive a pension if they retire after a specific period due to incapacity or reaching retirement age. The pension is based on their annual basic salary. Several different forms of income are taken into account on an individual basis, such as earnings from self-employment or employment and, in some cases, income from statutory pensions and related benefits from public funds. Surviving spouses/civil partners of Executive Board members receive a widow(er)'s pension of 55 to 60 % of the pension entitlement, and children receive an orphan's allowance of 12 to 20 % of the pension. Should the pension entitlement have been suspended or no longer apply, transitional or interim pay applies for a limited period on the basis of the fixed remuneration.

The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause (including termination due to a change of control). The compensation is limited to a maximum of two annual salaries (including other benefits) and not more than the total remuneration for the remaining term of the service contract.

In light of the German Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) and the associated revised version of the German Corporate Governance Code (GCGC), the Supervisory Board has initiated a review of the remuneration system for the Executive Board, which is expected to be completed by the end of 2020.

The members of the Executive Board were not granted any loans or similar payments. Total remuneration disbursed to the members of the Executive Board for their services in the 2019 financial year amounted to approximately € 3.1 million (previous year: approximately € 3.0 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 1,096,949 (previous year: € 1,008,923). Total provisions of € 28,783,941 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 23,239,497).

Level of remuneration for Executive Board members according to different scenarios

As of: 31 December 2019

	0 % minimum	← The payment level of the variable remuneration is capped at 100% of the basic salary. →		100 % maximum
Performance-related components Calculated based on a three-year assessment period		**Average EBIT** (before pension provisions, less extraordinary income)		
		Sustainability targets		
		Economy	Average return on capital employed (ROCE)	
		Ecology	CO_2 reduction[1]	
		Society	Continuing education and training, health and employment	
Non-performance-related fixed salary Plus fringe benefits				

1 Per container handled and transported

Individual remuneration of the Executive Board

The following figures comply with the recommendations in Section 4.2.5 of the GCGC (in the version dated 7 February 2017).

Angela Titzrath, Chairwoman of the Executive Board

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	461,250	461,250	461,250	450,000	461,250	450,000
Other benefits	13,859	13,859	13,859	13,859	13,859	13,859
Total	**475,109**	**475,109**	**475,109**	**463,859**	**475,109**	**463,859**
One-year variable remuneration[1, 2]	434,988	0	461,250	406,450	461,250	400,391
Other	0	0	0	0	0	0
Total remuneration[5]	**910,097**	**475,109**	**936,359**	**870,309**	**936,359**	**864,250**
Service cost[3, 4]	2,796,735	2,796,735	2,796,735	355,898	2,796,735	355,898
Total expenses	**3,706,832**	**3,271,844**	**3,733,094**	**1,226,207**	**3,733,094**	**1,220,148**

Heinz Brandt, Executive Board member (until 31 March 2019)

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	87,500	87,500	87,500	350,000	87,500	350,000
Other benefits	3,410	3,410	3,410	13,359	3,410	13,359
Total	**90,910**	**90,910**	**90,910**	**363,359**	**90,910**	**363,359**
One-year variable remuneration[1, 2]	87,341	0	87,500	326,450	87,500	323,974
Other	0	0	0	0	0	0
Total remuneration[5]	**178,251**	**90,910**	**178,410**	**689,809**	**178,410**	**687,333**
Service cost[3]	0	0	0	269,655	0	269,655
Total expenses	**178,251**	**90,910**	**178,410**	**959,464**	**178,410**	**956,988**

Jens Hansen, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	350,000	350,000	350,000	350,000	350,000	350,000
Other benefits	18,624	18,624	18,624	18,624	18,624	18,624
Total	**368,624**	**368,624**	**368,624**	**368,624**	**368,624**	**368,624**
One-year variable remuneration[1, 2]	350,000	0	350,000	350,000	350,000	350,000
Other	0	0	0	0	0	0
Total remuneration[5]	**718,624**	**368,624**	**718,624**	**718,624**	**718,624**	**718,624**
Service cost[3]	35,000	35,000	35,000	35,000	35,000	35,000
Total expenses	**753,624**	**403,624**	**753,624**	**753,624**	**753,624**	**753,624**

Dr. Roland Lappin, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	360,000	360,000	360,000	350,000	360,000	350,000
Other benefits	10,782	10,782	10,782	10,782	10,782	10,782
Total	**370,782**	**370,782**	**370,782**	**360,782**	**370,782**	**360,782**
One-year variable remuneration[1, 2]	360,000	0	360,000	326,450	360,000	323,974
Other	0	0	0	0	0	0
Total remuneration[5]	**730,782**	**370,782**	**730,782**	**687,232**	**730,782**	**684,756**
Service cost[3]	195,110	195,110	195,110	207,878	195,110	207,878
Total expenses	**925,892**	**565,892**	**925,892**	**895,110**	**925,892**	**892,634**

Torben Seebold, Executive Board member (since 1 April 2019)

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	236,250	236,250	236,250	0	236,250	0
Other benefits	23,671	23,671	23,671	0	23,671	0
Total	**259,921**	**259,921**	**259,921**	**0**	**259,921**	**0**
One-year variable remuneration[1, 2]	236,250	0	236,250	0	236,250	0
Other	0	0	0	0	0	0
Total remuneration[5]	**496,171**	**259,921**	**496,171**	**0**	**496,171**	**0**
Service cost[3]	23,625	23,625	23,625	0	23,625	0
Total expenses	**519,796**	**283,546**	**519,796**	**0**	**519,796**	**0**

1 Elements of the performance-related bonus (EBIT and sustainability components), calculated on the basis of a three-year assessment period.

2 A level of goal achievement of 100 % was assumed for each sustainability component and an average probability scenario was used for the EBIT.

3 Service costs in accordance with IAS 19 “Service Cost Components for Entitlements, Payments for Direct Insurance Policies or Earmarked Contributions for Pensions” (according to the comments on model table 1 in the appendix to the GCGC)

4 Service costs for 2019 includes past service cost in the amount of € 2,466,138, which is due to the adjustment of the pension commitment for Ms. Titzrath dated June 17, 2019

5 Contract adjustments during the year are taken into account on a pro rata basis.

Supervisory Board remuneration

In accordance with Article 16 of HHLA's articles of association, Supervisory Board members are remunerated as resolved by the Annual General Meeting. This remuneration is based on the scope of the Supervisory Board members' activities as well as on the company's financial position and results. The current remuneration clause was adopted at the Annual General Meeting held on 13 June 2013. The members of the Supervisory Board receive fixed remuneration of € 13,500 per financial year. The chairman receives three times this amount and the vice chairman is paid one-and-a-half times the basic figure. Supervisory Board members who belong to a committee receive an additional € 2,500 per committee per financial year, while the chairman of the respective committee receives € 5,000, but altogether no more than € 10,000. Supervisory Board members who have belonged to the Supervisory Board or a committee for less than one full financial year receive a corresponding pro rata payment. Furthermore, Supervisory Board members receive a meeting attendance fee of € 250 for each meeting of the Supervisory Board or one of its committees. There are no plans for a variable remuneration component.

No loans or similar payments were granted to members of the Supervisory Board. Other than the customary remuneration payable to the employee representatives under their contracts of employment, Supervisory Board members did not receive any other payment for services rendered. The total remuneration paid to members of the Supervisory Board during the reporting period amounted to € 305,875 (previous year: € 309,292).

Additional information on takeover law and explanatory notes

1. The subscribed capital of the company amounts to € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's share capital of € 1.00. Of this amount, 70,048,834 are class A shares and 2,704,500 are class S shares. The class S shares constitute only shareholdings in the net profit/loss and net assets of the S division, while the class A shares constitute only shareholdings in the net profit/loss and net assets of the A division. The S division comprises the part of the company that deals with the acquisition, holding, selling, letting, management and development of properties not specific to port handling (Real Estate subgroup). All other parts of the company make up the A division (Port Logistics subgroup). The dividend entitlement of holders of class S shares is based on the proportion of the distributable profit for the year attributable to the S division, and the dividend entitlement of holders of class A shares is based on the remaining proportion of distributable profit for the year (Article 4 [1] of the articles of association). Each share entitles the holder to one vote at the Annual General Meeting (Article 20 [1] of the articles of association) and gives the holder the rights and responsibilities laid down in the German Stock Corporation Act (AktG) and the articles of association. If the

Individual remuneration of Supervisory Board members

	Fixed remuneration		Remuneration for committee work		Meeting fee		Total	
in €[1]	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Prof. Dr. Rüdiger Grube	40,500	40,500	9,375	5,000	3,500	3,500	53,375	49,000
Berthold Bose	20,250	20,250	2,500	2,500	2,250	3,500	25,000	26,250
Dr. Norbert Kloppenburg	13,500	13,500	7,500	7,500	3,750	3,750	24,750	24,750
Thomas Lütje	13,500	13,500	2,500	2,500	2,000	2,000	18,000	18,000
Thomas Mendrzik	13,500	13,500	10,000	10,000	4,250	4,750	27,750	28,250
Dr. Isabella Niklas[2]	13,500	7,875	7,500	3,125	3,250	1,750	24,250	12,750
Norbert Paulsen	13,500	13,500	10,000	10,000	4,500	5,250	28,000	28,750
Sonja Petersen	13,500	13,500	5,000	5,000	4,000	3,000	22,500	21,500
Dr. Sibylle Roggencamp	13,500	13,500	10,000	10,000	4,750	5,000	28,250	28,500
Maya Schwiegershausen-Güth	13,500	13,500	0	0	1,750	1,750	15,250	15,250
Dr. Torsten Sevecke[2]	13,500	7,875	5,000	1,458	2,250	2,250	20,750	11,583
Prof. Dr. Burkhard Schwenker[3]	7,875	0	4,375	0	2,250	0	14,500	0
Michael Westhagemann[4]	2,250	13,500	1,250	7,500	0	3,250	3,500	24,250
Total	**192,375**	**199,125**	**75,000**	**69,166**	**38,500**	**41,000**	**305,875**	**309,292**

1 All figures exclude VAT
2 Since 12 June 2018 (Annual General Meeting 2018)
3 Until 18 June 2019 (Annual General Meeting 2019)
4 Until 6 February 2019

statutory provisions require a special resolution to be adopted by holders of a given class of shares, only the holders of that class of shares are entitled to vote.

2. To the Executive Board's knowledge, there are no restrictions on voting rights or the transfer of shares, including those arising from agreements between shareholders.

3. Details on direct or indirect capital shareholdings which entitle the holder to more than 10 % of the voting rights can be found in the Notes to the consolidated financial statements, no. 35 Equity and no. 48 Related party disclosures

4. There are no shares with special rights granting powers of control.

5. Employees who hold stakes in the company's equity exercise their shareholders' rights at their own discretion. There is no control of the voting rights.

6.1 As per Article 8 sentence 1 of the company's articles of association, the Executive Board consists of two or more people. Members of the Executive Board are appointed and dismissed by the Supervisory Board in accordance with Section 84 AktG in conjunction with Section 31 of the German Co-Determination Act (MitbestG) and Article 8 of the articles of association.

6.2 Amendments to the articles of association can be made by means of a resolution of the Annual General Meeting. In line with Sections 179 and 133 AktG and Article 22 of the articles of association, a simple majority of the votes cast at the Annual General Meeting is sufficient for amendments to the articles of association. If a capital majority is required in addition to a majority of the votes, a simple majority of the share capital represented when the resolution is passed is adequate. Where the law prescribes a larger voting or capital majority for specific amendments to the articles of association, the legally required majority applies. In accordance with Article 11 (4) of the articles of association, the Supervisory Board is authorised to carry out amendments to the articles of association that relate only to the wording. If an amendment to the articles of association in the event of a capital increase or steps taken in accordance with the German Reorganisation of Companies Act (UmwG) is designed to change the relationship between class A and class S shares, special resolutions by the class A and class S shareholders affected are required as per Section 138 AktG. Amendments to the articles of association become effective when they are recorded in the commercial register.

7.1 Subject to the approval of the Supervisory Board, the Executive Board was authorised by the Annual General Meeting on 21 June 2017 to increase the company's share capital until 20 June 2022 by up to € 35,024,417.00 by issuing up to 35,024,417 new registered class A shares for subscription in cash and/or kind in one or more stages (Authorised Capital I, see Article 3 [4] of the articles of association). The statutory subscription rights of class S shareholders shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of class A shareholders in those cases covered in more detail in the resolution, such as issue for contributions in kind or issue in return for cash, provided the issue price is not substantially lower than the stock exchange price of those class A shares which are already listed at the time of the issue, and provided the new class A shares do not account for more than 10 % of share capital. Furthermore, the issue of new class A shares while excluding the subscription rights of class A shareholders is limited to a total of 20 % of the share capital attributable to class A shares. All class A shares issued or that could be issued under other authorisations with the exclusion of subscription rights count towards this 20 % limit.

7.2 Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised under Article 3 (5) of the articles of association to increase the company's share capital until 20 June 2022 by up to € 1,352,250.00 by issuing up to 1,352,250 new registered class S shares by subscription in cash and/or kind in one or more stages (Authorised Capital II, see Article 3 [5] of the articles of association). The statutory subscription rights of holders of class A shares shall be excluded. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of class S shares as is necessary to equalise fractional amounts.

7.3 The Annual General Meeting on 18 June 2019 authorised the Executive Board, subject to the approval of the Supervisory Board, to issue on one or more occasions up to 17 June 2024 bearer or registered bonds with warrants or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") and to grant the bearers or creditors of the debenture bonds warrants or conversion rights for up to 10,000,000 new registered class A shares in the company, each representing € 1.00 of the share capital, subject to the detailed terms of the debenture bonds. The total nominal amount of the debenture bonds issued under this authorisation may not exceed € 300,000,000.00. The debenture bonds are to be divided into partial debentures of the same class, each with equal rights. The respective terms of the debenture bonds may also provide for a warrant or conversion obligation as well as an issuer put option to provide class A shares in the company as of the end of the term or at an earlier date. Class S shareholders' subscription rights are excluded. Subject to the approval of the Supervisory Board, class A shareholders' subscription rights to the debentures can also be excluded in full or in part in order to equalise fractional amounts, to grant subscription rights to the holders or creditors of outstanding warrants and/or debenture bonds and to the extent that debenture bonds are issued for cash, whereby debenture bonds with rights, options or obligations to convert them into class A shares or an issuer put option for class A shares may account for no more than 10 % of the share capital attributable to class A shares. Furthermore, the issue excluding the subscription rights of class A shareholders is limited to a total of 10 % of the share capital attributable to class A shares. All class A shares issued or that could still be issued under other authorisations with the exclusion of subscription rights count towards this 10 % limit. Conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This allows up to 10,000,000 new registered class A shares to be issued (see Article 3 [6] of the articles of association).

7.4 The Annual General Meeting held on 16 June 2016 authorised the company to purchase class A treasury shares up to a maximum of 10 % of the company's share capital attributable to class A shares at the time of the resolution or, if lower, at the time that the authorisation is exercised, until 15 June 2021. This authorisation may be used for any legally permissible purpose, except for trading in treasury shares. At the discretion of the Executive Board, the purchase may be made via the stock exchange by way of a public offer made to all class A shareholders or by way of a public invitation to submit sales offers. In addition to selling class A shares in the company acquired under this authorisation via the stock exchange or offering them to all shareholders in proportion to their shareholdings, the Executive Board was also authorised – subject to the approval of the Supervisory Board – to use these shares for all legally permissible purposes. This includes in particular selling shares in exchange for cash consideration at a price that is not significantly lower than the market price of shares in the company with the same rights at the time of the sale, using shares to settle rights or obligations of bearers or creditors resulting from convertible bonds or bonds with warrants issued by the company or by companies in which the company holds a majority stake, issuing or offering shares for sale to employees of the company or to employees or members of the executive bodies of an associated company, the sale of shares to third parties in return for contributions in kind, as well as redeeming shares, even in a simplified process in accordance with Section 237 (3–5) AktG. In the above cases – excluding redemption – the rights of shareholders to subscribe for treasury shares are also excluded. With the exception of shares sold in return for contributions in kind or the redemption of shares, the class A shares sold or used while excluding subscription rights may not exceed 10 % of the share capital attributable to class A shares.

Further details of the authorisations stated in sections 7.1 to 7.4, particularly the conditions of purchase or issue, the possibilities to exclude subscription rights and their limits, can be found in the corresponding authorisation resolutions and – for the authorisations listed in sections 7.1 to 7.3 – in Article 3 of the articles of association.

7.5 Under Article 6 of the articles of association and Section 237 (1) AktG, the company is authorised to redeem class A or S shares against payment of appropriate compensation if the shareholders whose shares are to be redeemed have given their consent.

8. The following material agreements include regulations that apply in the case of a change of control, as may result from a takeover bid:

In September 2015, the company took out several promissory note loans with a total volume of € 53 million and issued registered bonds with a combined nominal value of € 22 million. Partial repayments will be due between 30 September 2022 and 30 September 2025 for the promissory note loans and between 30 September 2027 and 30 September 2030 for the registered bonds.

In October 2018, the company took out further promissory note loans with a total volume of € 80 million and issued further registered bonds with a combined nominal value of € 20 million. The individual promissory note loans will be due for repayment between 5 October 2025 and 5 October 2028. The registered bonds are due for repayment on 5 October 2033.

In the event of a change of control at HHLA, the holders of registered bonds and the creditors of promissory note loans or relevant tranches thereof are entitled to demand early repayment. In the case of debenture bonds and loans or relevant tranches thereof from 2015, however, the relevant bondholder or loan creditor is only entitled to demand such early repayment if continuation is deemed unreasonable. A change of control can be said to have taken place if the Free and Hanseatic City of Hamburg directly or indirectly holds less than 50.1 % of the voting rights in HHLA.

The service contracts of the Executive Board members also contain a regulation that states they have a right to severance pay if their membership of the Executive Board is terminated due to a change of control or comparable circumstances. Notes to the consolidated financial statements, no. 9 Changes in inventories

9. The service contracts of the members of the Executive Board contain a clause that provides for the payment of compensation to the respective Executive Board member in the event of them losing their Executive Board seat without good cause – including termination due to a change of control which may happen, for instance, following a voluntary or mandatory takeover offer. The compensation is limited to a maximum of 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.

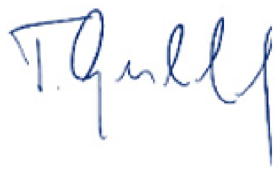
Hamburg, 23 March 2020

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.