

The regulatory environment for business activities in the Inter-modal 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 increasing 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 Executive Board of HHLA is continuing the existing transformation process. 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.

HHLA draws on its considerable **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.



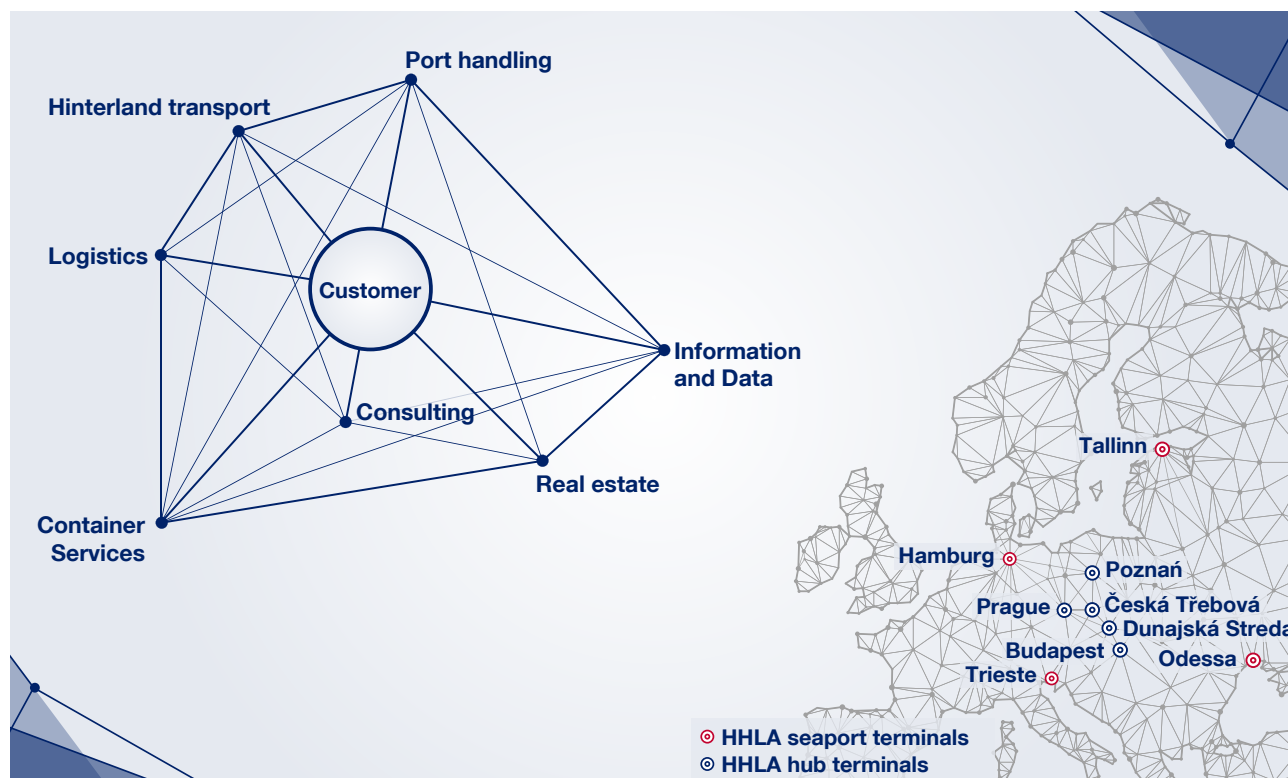
Investments and finance

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 goal, HHLA will halve its absolute CO₂ 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.

The HHLA service network

HHLA connects its customers with maritime and continental transport streams



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 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. As a result of 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. It is char-

acterised by efficient intermodal transport from HHLA's seaport terminals to transshipment in the European hinterland and vice versa. In addition, HHLA offers its customers continental transports between European destinations. By further expanding the European network and gaining market shares in Europe, HHLA is pursuing the goal of increasing both the scope of its services and the reach for its customers. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

In its **Logistics segment**, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. These business fields also form the foundation for the future growth of the segment. New, innovative business activities along the material and digital logistics value chain are being pursued in the Logistics segment and are implemented with the aim of enhancing the company's value. These activities expand the range of services offered by HHLA and enhance its business prospects. HHLA also markets its expertise in infrastructure and project development internationally.

In addition to purely organic growth, HHLA constantly examines opportunities for further acquisitions in order to tap new growth areas along the logistics 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 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 and development on the basis of this clear strategic alignment and reliable prioritisation. As such, HHLA is becoming 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 2020 financial year.

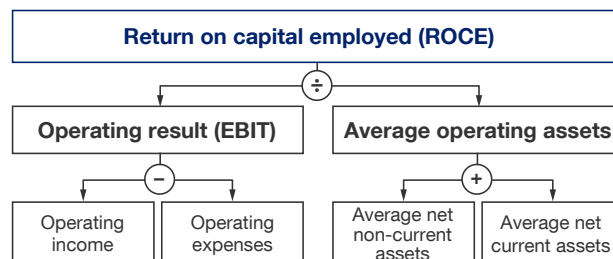
Financial performance indicators

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.

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 2020 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.

Wertmanagement

ROCE – Bestimmungsgrößen und Einflussfaktoren



Despite the challenging economic environment and the global coronavirus pandemic, the HHLA Group generated a positive EBIT result of € 123.6 million (previous year: € 221.2 million) in the 2020 financial year. The year-on-year decrease in EBIT amounted to approximately 44 %. **Earnings position**

Average operating assets rose slightly by 2.1 % to € 2,081.3 million (previous year: € 2,039.4 million) in the reporting period. **Financial position**

At 5.9 % (previous year: 10.8 %), return on capital employed failed to reach the targeted long-term rate of return of 8.5 %. This resulted in a negative value added of € 53.3 million for the 2020 financial year (previous year: € +47.9 million).

Key figures value added

in € million	2020	2019	Change
Operating income	1,355.3	1,434.5	- 5.5 %
Operating expenses	- 1,231.7	- 1,213.3	1.5 %
EBIT	123.6	221.2	- 44.1 %
Ø Net non-current assets	1,971.3	1,922.3	2.5 %
Ø Net current assets	110.0	117.1	- 6.0 %
Ø Operating assets	2,081.3	2,039.4	2.1 %
ROCE in %	5.9	10.8	- 4.9 pp
Capital costs before tax ¹ in %	8.5	8.5	0 pp
Capital costs before tax	176.9	173.3	2.1 %
Value added in %	- 2.6	2.3	- 4.9 pp
Value added	- 53.3	47.9	neg.

¹ 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