pandemic and the associated social and economic restrictions, the German economy slid into a deep recession. Economic output shrank by 5.4 % in 2020.

Sector development

Global container throughput decreased noticeably during the reporting period as a result of the coronavirus pandemic. According to the latest estimates by Drewry, however, the 2.1 % decrease for the year as a whole was not as dramatic as feared midway through the year, when a significant decline in global throughput of 7.3 % had been forecast for 2020.

Development of container throughput by region

in %	2020	2019
World	- 2.1	2.1
Europe as a whole	- 4.6	3.0
North-West Europe	- 3.9	2.0
Scandinavia and the Baltic region	- 5.5	3.0
Western Mediterranean	- 6.4	0.8
Eastern Mediterranean and the Black Sea	- 3.9	6.7

Source: Drewry Maritime Research, December 2020

The weakening of throughput activity was observed in almost all shipping regions, albeit to different extents. By global comparison, Europe was hardest hit by the decline in throughput. The drop in container volume was most noticeable in the ports of the Western Mediterranean, as well as in the Scandinavian and Baltic ports.

Container throughput at Northern European ports

in million TEU	2020	2019	Change
Rotterdam	14.3	14.8	- 3.2 %
Antwerp	12.0	11.9	1.4 %
Hamburg	8.5	9.3	- 7.9 %
Bremen ports	4.8	4.9	- 1.8 %
Gdansk	n/a	2.1	n/a
Zeebrugge	1.8	1.7	10.3 %
Wilhelmshaven	0.4	0.6	- 33.8 %

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, the throughput volume fell by 7.9 % to 8.5 million TEU in the reporting period (previous year: 9.3 million TEU). In Europe's largest container port, Rotterdam, the number of containers handled fell by 3.2 % to 14.3 million TEU in the reporting period. By contrast, Antwerp's container throughput in 2020 increased year-on-year by 1.4 %, despite the pandemic, thus exceeding the record level of 12 million TEU for the first time. There was also growth in Zeebrugge with an increase in container throughput of over 10 % in the reporting period. By contrast, the JadeWeserPort in Wilhelmshaven was hit hard by the effects of the pandemic and throughput volume fell by around a third. For 2020, the Bremen ports reported a year-on-year decrease of 1.8 % to 4.8 million TEU (previous year: 4.9 million TEU). As of the editorial deadline for this Annual Report, the port of Gdansk had only reported container throughput for the first ten months of 2020, amounting of 1.6 million TEU.

Traffic in Germany by modes of transport

in %	2020	2019
Transport volumes	**- 3.5**	**0.2**
Road traffic	- 2.5	0.4
Railway traffic	- 10.6	- 3.9
Multi-modal traffic	- 3.8	- 3.4
Traffic performance	**- 5.2**	**0.0**
Road traffic	- 4.0	- 0.1
Railway traffic	- 8.8	- 2.8
Multi-modal traffic	- 3.2	- 0.2

Source: Floating medium-term forecast for freight and passenger transport on behalf of the Federal Ministry of Transport and Digital Infrastructure, Oktober 2020

According to the most recent estimates from October 2020 – when neither the recent scope nor the impact of the restrictions connected with the spread of coronavirus could have been fully foreseen – freight traffic across all modes in Germany is likely to see a significant decrease in 2020. Transport volumes are expected to be down by 3.5 % year-on-year, while the rise in traffic performance – transport volume multiplied by the distance travelled – is likely to decrease by as much as 5.2 %. Road transport volumes will be down by 2.5 % year-on-year. Traffic performance is set to drop even more dramatically with a year-on-year decline of 4.0 %. Rail transport volumes will fall strongly by 10.6 %. Likewise, traffic performance will also decline by 8.8 %. By contrast, intermodal transport is less affected by the pandemic than other freight traffic sectors. Volumes will be 3.8 % down and performance 3.2 % down on the previous year.

Course of business and economic situation

Key figures

in € million	2020	2019	Change
Revenue	1,299.8	1,382.6	- 6.0 %
EBITDA	289.4	382.6	- 24.4 %
EBITDA margin in %	22.3	27.7	- 5.4 pp
EBIT	123.6	221.2	- 44.1 %
EBIT margin in %	9.5	16.0	- 6.5 pp
Profit after tax and minority interests	42.6	103.3	- 58.8 %
At-equity earnings	3.6	4.5	- 19.2 %
ROCE in %	5.9	10.8	- 4.9 pp

Overall view of the course of business

The coronavirus pandemic had a significant impact on HHLA's financial performance in the 2020 financial year. Having said this, it has not yet resulted in any material effects on the recognition or measurement of the Group's assets and liabilities as of 31 December 2020. For the implementation of restructuring measures as part of an efficiency programme in the Container segment, a net provision of € 43 million was formed in the fourth quarter. There were no other particular events or transactions during the reporting period, either in HHLA's operating environment or within the Group, that had a significant impact on its results of operations, net assets and financial position.

Guidance for the 2020 financial year – last updated by the HHLA Executive Board in the interim statement for the first nine months – was confirmed by the actual figures in terms of container throughput and operating result at Group level and at the level of the Port Logistics subgroup. The operating result at the level of the Real Estate subgroup also exhibited a sharp decline compared to the previous year. The decline in terms of container throughput and revenue at the level of the Port Logistics subgroup was less than forecast.

Forecast and actual figures

in € million	Actual 31.12.2019	Forecast[1] 25.03.2020	Forecast[1] 12.11.2020	Actual 31.12.2020
Container throughput	7,577 thousand TEU	strong	strong	6,776 thousand TEU
Container transport	1,565 thousand TEU	strong	significant	1,536 thousand TEU
Revenue Port Logistics subgroup	1,350.0	strong	strong	1,269.3
EBIT Port Logistics subgroup	204.4	strong	strong	110.3
EBIT Real Estate subgroup	16.5	significant	significant	12.9
EBIT Group	221.2	strong	strong	123.6

1 Expected decrease against previous year

Despite the overall decline in business in 2020, HHLA's financial position at the end of the reporting period on 31 December 2020 was stable. The equity ratio decreased by 0.3 percentage points to 21.9 % (previous year: 22.2 %). The gearing ratio changed significantly from 4.0 to 5.1. There were no further refinancing needs as of the balance sheet date.

Notes on the reporting

The continued expansionary monetary policy led to a further 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.

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 2020 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).

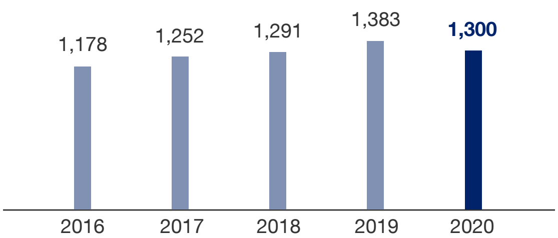
Earnings position

In 2020, the development of HHLA's **performance data** was strongly influenced by the global coronavirus pandemic. At 6,776 thousand TEU, there was a significant year-on-year fall of 10.6 % in container throughput (previous year: 7,577 thousand TEU). This decline began in the middle of the first quarter and gathered considerable pace during the second quarter before weakening slightly in the second half of the year. From May onwards, the downward trend was intensified by the loss of an Asian service. At the three Hamburg terminals, the decline amounted to 11.1 %. At the international terminals, however, the decrease was only moderate. Transport volumes declined slightly by 1.9 % to 1,536 thousand TEU compared to the high level of the previous year (previous year: 1,565 thousand TEU). The decrease was particularly noticeable in road transport. Compared to the relevant overall market, rail transport was able to gain market share.

Against this background, HHLA Group **revenue** fell by 6.0 % to € 1,299.8 million (previous year: € 1,382.6 million) in the reporting period. This decrease was chiefly due to the trend in performance data. In the Container segment, the throughput-related decline was mitigated by a rise in storage fees. The listed Port Logistics subgroup developed almost exactly in line with the HHLA Group as a whole. Its Container, Intermodal and Logistics segments recorded an overall decline in revenue of 6.0 % to € 1,269.3 million (previous year: € 1,350.0 million). The non-listed Real Estate subgroup also recorded a significant drop in revenue of 5.3 % to € 38.1 million (previous year: € 40.2 million). The Real Estate subgroup thus accounted for 2.3 % of Group revenue.

Revenue

in € million



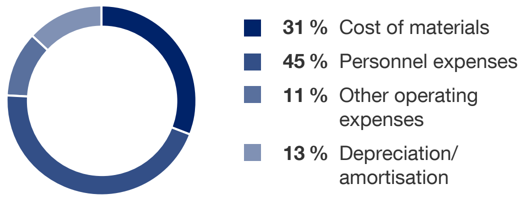
Changes in inventories once again had no material impact in the reporting period. **Own work capitalised** decreased to € 4.6 million (previous year: € 6.2 million).

Other operating income rose sharply by 11.5 % to € 50.8 million (previous year: € 45.6 million). This is primarily attributable to subsidies received from the German Federal Railway Authority and a liability from a contingent consideration agreed as part of the acquisition of Bionic Production GmbH that was derecognised in profit and loss as a result of a new agreement with the seller.

Operating expenses increased slightly by 1.5 % to € 1,231.7 million (previous year: € 1,213.3 million). Cost of materials was the only item to fall largely in proportion to the volume and revenue trend.

Expense structure

Operating expenses in 2020: € 1,232 million



The **cost of materials** declined sharply by 5.5 % year-on-year to € 379.1 million (previous year: € 401.2 million). The increase in the cost of materials ratio to 29.2 % (previous year: 29.0 %) was mainly attributable to the only slight, and therefore disproportionate, volume decline in the material-intensive Intermodal segment.

Personnel expenses rose by 6.2 % to € 548.1 million (previous year: € 516.1 million). In addition to higher union wage rates, this item was also affected by additions to the restructuring provision in the amount of approxamately € 43 million. As a result, the personnel expense ratio rose strongly to 42.2 % (previous year: 37.3 %).

Other operating expenses increased moderately by 3.1 % in the reporting period to € 138.7 million (previous year: € 134.6 million). Among other things, this was due to increased third-party maintenance as well as necessary valuation allowances on trade receivables, especially in the Real Estate subgroup. The ratio of expenses to revenue increased to 10.7 % (previous year: 9.7 %).

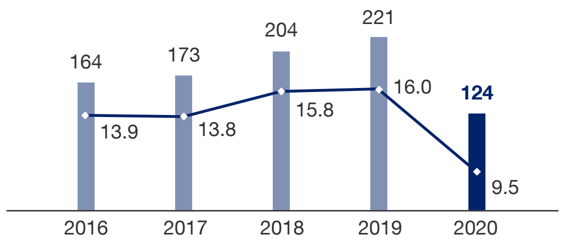
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** fell by 24.4 % to € 289.4 million (previous year: € 382.6 million). There was a correspondingly strong decrease in the EBITDA margin to 22.3 % (previous year: 27.7 %).

Depreciation and amortisation increased slightly by 2.8 % year-on-year, amounting to € 165.8 million (previous year: € 161.4 million). This item was influenced by a valuation allowance for goodwill attributable to Bionic Production GmbH and the expansion of operations in rail transport.

The **operating result (EBIT)** fell strongly by 44.1 % to € 123.6 million in the reporting period (previous year: € 221.2 million). The two main factors driving this trend are the restrictions on operating activities aimed at combating the coronavirus pandemic and the aforementioned addition to the restructuring provision for the implementation of a future programme to boost efficiency within the Container segment. The EBIT margin stood at 9.5 % (previous year: 16.0 %). In the Port Logistics subgroup, EBIT declined by 46.0 % to € 110.3 million (previous year: € 204.4 million). As a result, the subgroup accounted for 89.3 % (previous year: 92.4 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT declined by 21.5 % to € 12.9 million (previous year: € 16.5 million) and accounted for 10.7 % of the Group's operating result (previous year: 7.6 %).

Operating result (EBIT)

in € million / EBIT margin in %



Net expenses from the **financial result** fell by € 10.7 million or 30.3 % to € 24.5 million (previous year: € 35.1 million). This was mainly due to income from the revaluation of a settlement liability for the profit transfer of a subsidiary with minority shareholders amounting to € 5.9 million (previous year: expenses amounting € 2.5 million).

At 25.2 %, the Group's **effective tax rate** was lower than in the previous year (previous year: 26.4 %).

Profit after tax and minority interests decreased by 58.8 % year-on-year to € 42.6 million (previous year: € 103.3 million). Non-controlling interests accounted for € 31.6 million in the 2020 financial year (previous year: € 33.8 million). From a financial point of view, this item includes the results mentioned in relation to the financial result associated with revaluing the settlement obligation to a minority shareholder. **Earnings per share** decreased by 58.8 % to € 0.58 (previous year: € 1.42). The listed Port Logistics subgroup posted a 62.3 % decline in earnings per share to € 0.50 (previous year: € 1.34). Earnings per share of the non-listed Real Estate subgroup were also down on the prior-year figure at € 2.70 (previous year: € 3.57). As in the previous year, there was no difference between basic and diluted earnings per share in 2020. The return on capital employed (ROCE) was down 4.9 percentage points year-on-year at 5.9 % (previous year: 10.8 %). 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.

Against this background, the Executive Board and Supervisory Board will propose a scrip dividend of € 0.45 (previous year: € 0.70) per **listed class A share** entitled to dividends at the Annual General Meeting on 10 June 2021. In the course of determination, earnings were adjusted by € 43 million for the change in restructuring provisions recognised in profit or loss. As in the previous year, the Executive Board and the Supervisory Board will propose a cash dividend of € 2.10 to the Annual General Meeting for the **unlisted class S shares**. As in the previous year, the distribution amount of the class S shares would be € 5.7 million.

Financial position

Compared to the previous year, the HHLA Group's **balance sheet total** decreased by a total of € 18.9 million to € 2,591.1 million.

Balance sheet structure

in € million	31.12.2020	31.12.2019
Assets		
Non-current assets	2,150.9	2,124.3
Current assets	440.2	485.7
	2,591.1	**2,610.0**
Equity and liabilities		
Equity	567.0	578.9
Non-current liabilities	1,724.7	1,749.8
Current liabilities	299.4	281.3
	2,591.1	**2,610.0**

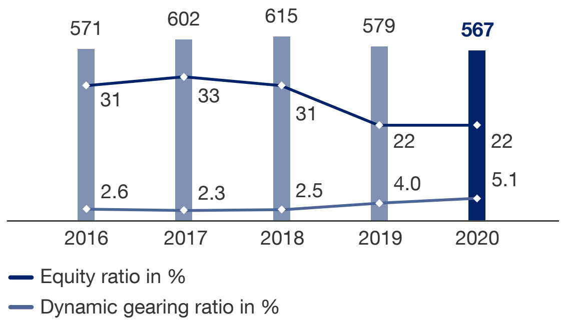
On the assets side of the balance sheet, **non-current assets** rose by € 26.5 million. Investment property rose by € 12.0 million to € 197.1 million due to capital expenditure (previous year: € 185.1 million). Deferred taxes rose year-on-year by € 17.3 million to € 141.4 million (previous year: € 124.1 million).

Current assets decreased by € 45.4 million to € 440.2 million (previous year: € 485.7 million). The decline resulted mainly from a reduction in cash and cash equivalents and short-term deposits of € 31.2 million to € 126.9 million (previous year: € 158.0 million) and a decrease in receivables from related parties of € 13.5 million to € 85.3 million (previous year: € 98.8 million).

On the liabilities side, **equity** declined by € 11.9 million compared to year-end 2019 to € 567.0 million (previous year: € 578.9 million). The decline is primarily attributable to the dividend payout of € 55.7 million, the reclassification of a future financial settlement totalling € 23.3 million as a non-current financial liability, the interest-related change of € 15.2 million in actuarial losses including tax effects outside profit or loss and the change of € 16.2 million in the reserve for translation differences. This was offset by the capital increase of € 24.7 million arising from the scrip dividend distribution, as well as the profit for the reporting period of € 74.1 million. The equity ratio decreased to 21.9 % (previous year: 22.2 %).

Equity

in € million



Non-current liabilities fell by € 25.1 million to € 1,724.7 million (previous year: € 1,749.8 million). This decline mainly resulted from reductions in non-current financial liabilities and non-current liabilities to related parties totalling € 95.9 million. The increase in pension provisions and other non-current provisions totalling € 69.5 million had an opposing effect.

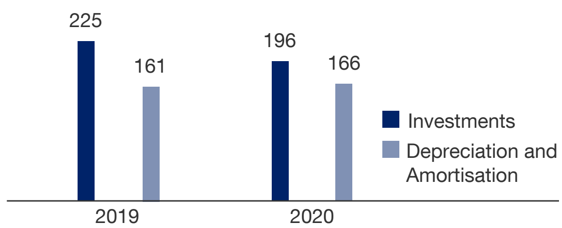
Current liabilities grew by € 18.1 million to € 299.4 million (previous year: € 281.3 million), mainly due to the increase in trade payables and income tax liabilities. The decline in current financial liabilities had an opposing effect.

Investment analysis

Capital expenditure in the 2020 financial year totalled € 196.3 million (previous year: € 224.9 million). This figure includes additions of € 7.7 million from rights of use (rent and leases) not recognised as a direct cash expense (previous year: € 55.3 million). Capital expenditure focused on extending the Hamburg container terminals and expanding intermodal transport capacities. Investment projects were funded by the operating cash flow generated in the financial year.

Investments, depreciation and amortisation

in € million

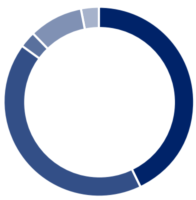


Property, plant and equipment accounted for € 167.6 million (previous year: € 207.0 million) of capital expenditure, while intangible assets accounted for € 7.9 million (previous year: € 10.0 million) and investment property for € 20.8 million (previous year: € 8.0 million).

Investments amounting to € 85.9 million were made in the **Container segment** (previous year: € 72.8 million). Capital expenditure was dominated by the procurement of handling equipment and storage capacities at the Hamburg container terminals. The **Intermodal segment** invested € 82.7 million (previous year: € 130.9 million). The METRANS Group accounted for most of this investment volume, mainly for wagons and locomotives. Capital expenditure in the **Logistics segment** amounted to € 7.0 million (previous year: € 4.3 million). The **pro forma Holding/Other segment** invested a total of € 5.2 million (previous year: € 7.5 million). Capital expenditure in the **Real Estate segment** of € 17.7 million (previous year: € 10.0 million), was mainly for the development of the Speicherstadt historical warehouse district.

Capital expenditure by segment

Capital expenditure 2020: € 196 million



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 € 125.0 million (previous year: € 119.2 million). This figure includes € 85.0 million (previous year: € 87.5 million) for the capitalisation of property, plant and equipment.

Liquidity analysis

Cash flow from operating activities fell year-on-year from € 322.7 million to € 291.2 million. This decrease of € 31.5 million is mainly attributable to a year-on-year decline in EBIT of € 97.7 million. There was an opposing effect from the year-on-year change in provisions of € 46.9 million and the year-on-year reduction of € 22.2 million in income tax payments.

Cash flow from investing activities (outflow) of € 177.3 million, down on the prior-year figure of € 193.8 million. This € 16.5 million decline in cash outflows was mainly the result of payments received for short-term deposits (previous year: payments made). The decrease in payments received for the disposal of intangible assets, property, plant and equipment and investment property had an opposing effect.

Free cash flow – the total cash flow from operating and investing activities – decreased to € 113.9 million (previous year: € 128.9 million).

Cash flow from financing activities (outflow) amounted to € 150.9 million in the reporting period (previous year: € 176.9 million) and was therefore € 26.0 million below the prior-year figure, primarily due to lower cash dividend payments than in the previous year. Higher payments of profit shares to non-controlling shareholders had an opposing effect.

The HHLA Group had sufficient liquidity as of year-end 2020. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 168.8 million as of 31 December 2020 (31 December 2019: € 208.0 million). Including all short-term deposits, the Group's **available liquidity** as of year-end 2020 came to a total of € 208.8 million (previous year: € 253.0 million).

Liquidity analysis

in € million	2020	2019
Financial funds as of 1 January	**208.0**	**254.0**
Cash flow from operating activities	291.2	322.7
Cash flow from investing activities	- 177.3	- 193.8
Free cash flow	**113.9**	**128.9**
Cash flow from financing activities	- 150.9	- 176.9
Change in financial funds	- 37.0	- 48.1
Change in financial funds due to exchange rates	- 2.2	2.1
Financial funds as of 31 December	**168.8**	**208.0**
Short-term deposits	40.0	45.0
Available liquidity	208.8	253.0

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.

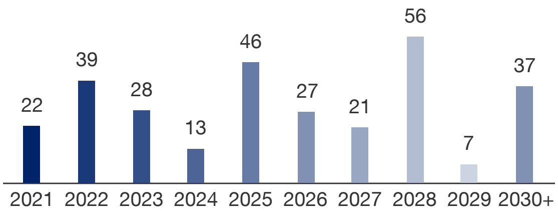
HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium- and long-term loans and leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

At € 295.1 million as of the balance sheet date, liabilities to banks were below the prior-year figure of € 331.8 million. As in the prevouis year, the Group did not draw on any additional financing in the 2020 financial year. During the reporting year, payments for the redemption of loans amounted to € 37.2 million (previous year: € 39.7 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 82 % have fixed interest rates and some 18 % 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 16 % 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 € 457.1 million (previous year: € 485.4 million), resulting mainly from the recognition of the leasing liability to the Hamburg Port Authority (HPA).

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 € 126.9 million as of the balance sheet date (previous year: € 158.0 million). These funds are mainly invested at German financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. As a precautionary measure, credit facilities were increased in the reporting year. As of the balance sheet date, the Group had unused credit facilities amounting to € 54.3 million (previous year: € 3.1 million). A credit facility of € 50.0 million concluded in the reporting year secures favourable market conditions for the Group and represents a secure medium-term liquidity reserve. Since the Group has sufficient liquidity at its disposal, this credit facility was not used in the reporting year. The utilisation rate of a further credit line of € 11.8 millionampunts to 63.5 % (previous year: 69.4 %). Of the total cash and cash equivalents as of the reporting date, € 3.7 million (previous year: € 9.1 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, disposals and other changes to the consolidated group

In the 2020 financial year, HHLA set up two companies for the purpose of expanding its intermodal operations in Ukraine. Among other things, these operations include rail freight, freight transport services and storage services. HHLA also founded the company modility GmbH, Hamburg, and acquired all shares in this company. The object of the company is the development and provision of IT-based services in the field of transport and logistics. Its main focus is the development and operation of a digital portal for information, planning and booking in the field of intermodal transport chains. Furthermore, METRANS set up a special-purpose entity in Hamburg, the object of which is to construct and operate intermodal container terminals. HHLA Sky GmbH acquired shares in the firm Third Element Aviation for the development, production and sales of unmanned flight systems and related components. The company is consolidated within the Logistics segment using the equity method. Notes to the consolidated financial statements, no. 3 Composition of the Group

There were no other acquisitions, changes in shareholdings in subsidiaries or changes to the consolidated group in the 2020 financial year. For details of company acquisitions after the balance sheet date, please refer to Events after the balance sheet date.

Segment performance

Container segment

Key figures

in € million	2020	2019	Change
Revenue	737.5	799.7	- 7.8 %
EBITDA	160.4	240.2	- 33.2 %
EBITDA margin in %	21.7	30.0	- 8.3 pp
EBIT	65.4	141.3	- 53.7 %
EBIT margin in %	8.9	17.7	- 8.8 pp
Container throughput in thousand TEU	6,776	7,577	- 10.6 %