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).

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

Container
segment
- Container terminal operations
- 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 seaports' 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
subgroup
Non-listed class S shares

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 74,404,715 no-par-value registered shares

of which 71,700,215 class A shares
– listed –

31 % | 69 %

Free float
22,238,863 class A shares

Free and Hanseatic City of Hamburg
Shareholding: 49,461,352 class A shares + 2,704,500 class S shares

of which 2,704,500 class S shares
– non-listed –

100 %

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 33 domestic and 18 foreign **subsidiaries and associated firms** that make up the consolidated group. In the 2020 financial year, HHLA increased its group of consolidated companies for the purpose of extending its Intermodal network and expanding its digital business activities. 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. 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 largest of HHLA's segments in terms of 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 standalone 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 airborne 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 competes with other companies 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 in part on the resolution of regional conflicts and the development of raw material and energy prices.

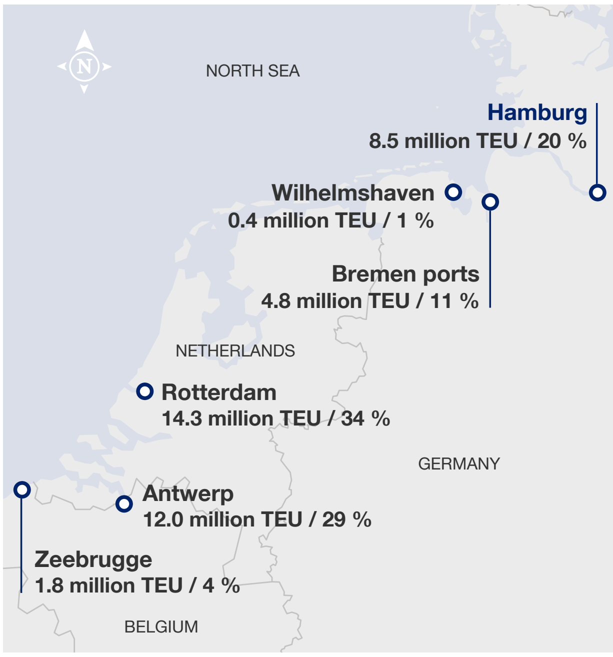
In 2020, the coronavirus pandemic had an adverse impact on the economy – and in particular on manufacturing and trade – albeit to a lesser extent than initially anticipated. The International Monetary Fund (IMF) estimates the year-on-year decline in the economy and global trade in 2020 at 3.5 % and 9.6 %, respectively. Economic environment

In particular, the prospect of vaccinations and, consequently, an end to global lockdown measures in the foreseeable future are having a positive effect on forecasts for the development of the global economy and global trade. According to IMF estimates, global growth will be positive in 2021 following downward trends in 2020. Business forecast

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. Ports such as Gdansk and Gothenburg, however, are providing more intense competition due to direct calls by ocean-going vessels. Gdansk is exhibiting particularly strong growth and is therefore developing into a serious competitor in 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.

Container throughput at the North Range ports

Handling volumes and market shares in 2020



Source: Port Authorities / market shares according to own calculation

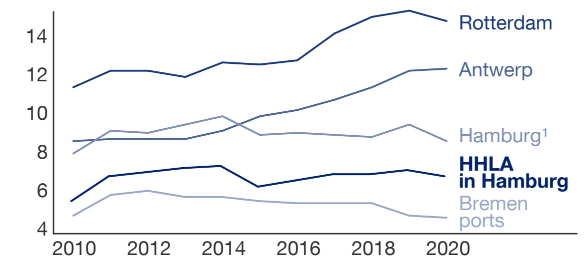
As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the 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.

After APM Terminals (APMT) had signed a letter of intent in late 2019 regarding the sale of APM Terminals Rotterdam on Maasvlakte 1 to Hutchison Ports, the Dutch anti-trust authority approved the takeover by Hutchison Ports Netherlands, the parent company of ECT, in October 2020. 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 an impact on handling volumes. By contrast, the market position for handling volumes that are tied to the natural catchment area onshore is largely stable. Here, it is vital to take the shortest route for the disproportionately more expensive land-bound 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.

Container throughput at the largest North Range ports

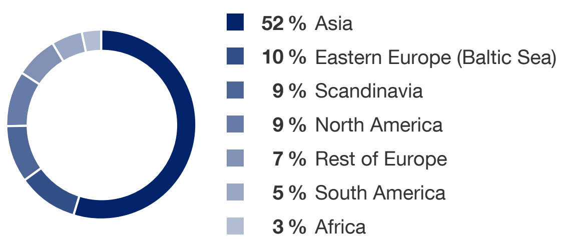
in million TEU



1 incl. HHLA / Source: Port Authorities

Container throughput by shipping region

in the Port of Hamburg, 2020



Source: Hamburg Hafen Marketing e.V.

With a container throughput of 8.5 million TEU, Hamburg ranked 18th among the wolrd's ports in 2020 and is thus still the third largest European container port after Rotterdam and Antwerp. In Hamburg, with a handling volume of 6.8 million TEU in 2020, HHLA remained the largest container handling company and was able to increase the market share of HHLA container terminals in handling in the Port of Hamburg to 80% (previous year: 75%). The most important shipping areas were the Far East, North America, Scandinavia and the Baltic region.

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 2.6 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 barges or 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.

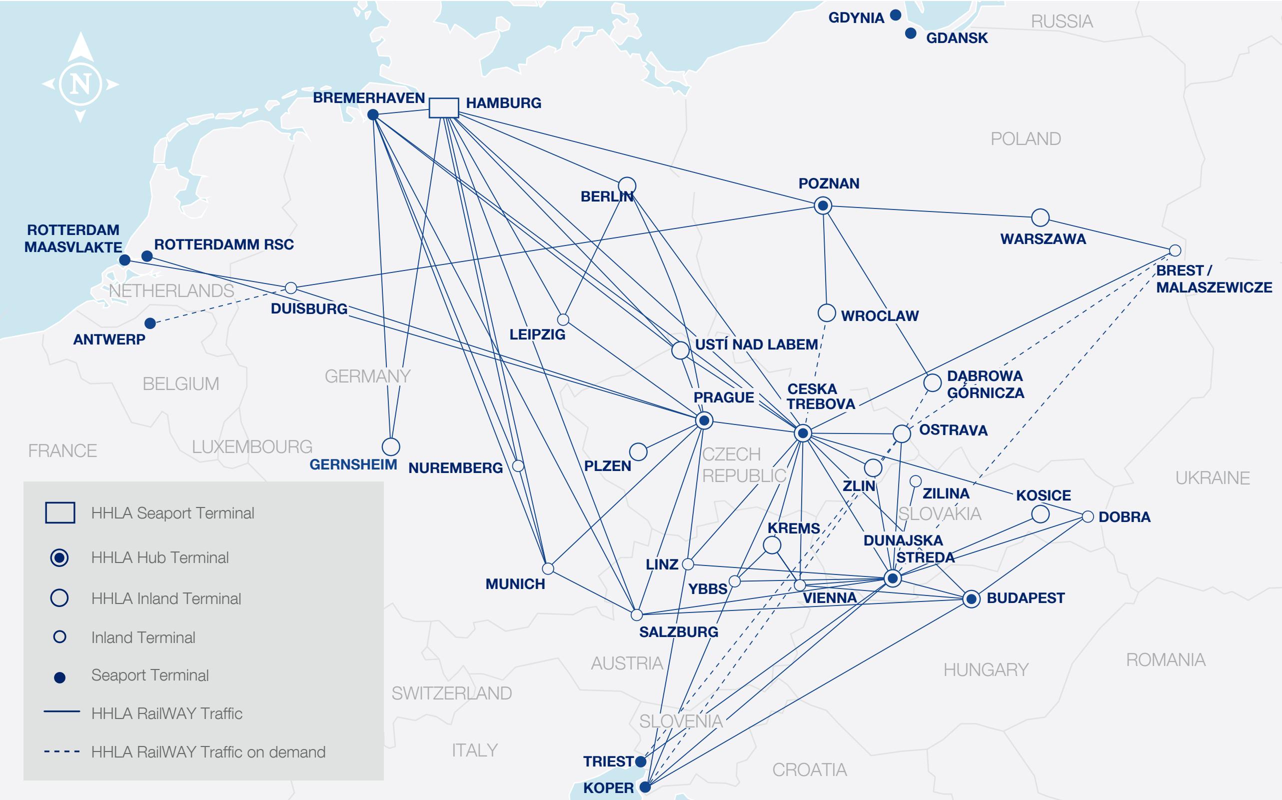
HHLA operates proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offering. This is necessary to enable it to run direct trains with frequent departures and to 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 Hamburg Metropolitan Region in the delivery and collection of containers by truck.

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, companies from the creative sector and start-ups.

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 the past two years, however, there have been no further mergers or acquisitions among the top ten container shipping companies.

Top 10 shipping companies

by carrying capacity in thousand TEU as of 31.12.2020

Shipping company	Alliance 2020	2020
1. APM-Maersk	2M	4,137
2. MSC	2M	3,856
3. COSCO Group (incl. OOCL)	OCEAN Alliance	3,030
4. CMA CGM Group	OCEAN Alliance	3,007
5. Hapag-Lloyd	THE Alliance	1,729
6. ONE (MOL, NYK, K Line)	THE Alliance	1,596
7. Evergreen	OCEAN Alliance	1,278
8. HMM	THE Alliance	719
9. Yang Ming	THE Alliance	616
10. ZIM	2M — Slot Sharing	360

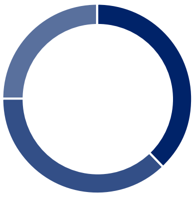
Source: Alphaliner Monthly Monitor, January 2021

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. The OCEAN Alliance contract runs until 2027, whereas the contractual partnership of THE Alliance runs until 2030. In April 2020, HMM officially became the fourth full member of THE Alliance. In the reporting year, several shipping companies ordered new large vessels with capacities of between 23,000 and 24,000 TEU which are expected to be delivered in 2023 and 2024. Whereas the COSCO Group (OOCL) ordered a total of twelve newbuilds, Hapag-Lloyd, ONE and MSC each ordered six newbuilds.

Capacity breakdown by shipping line alliance

on Far East–Europe services as of 31.12.2020



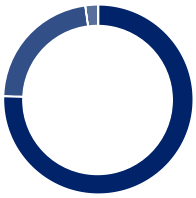
Source: Alphaliner Monthly Monitor, January 2021

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 fell in the 2020 financial year to 75 % in total (previous year: 80 %). However, the share of revenue attributable to the ten most important customers of the Hamburg terminals rose slightly to 98 % (previous year: 96 %). 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 2020



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 largely based on HPA’s general terms and conditions for port-related real estate.

For the construction, operation, expansion and alteration 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, water and waterways laws, as well as any necessary planning permissions. 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.

The security requirements at ports are mainly set out in the International Ship and Port Facility Security Code (ISPS Code), which, in the area of the Port of Hamburg, is implemented and specified by the German Port Security Act (Hafensicherheitsgesetz – HafenSG). Pursuant to the aforementioned legislation, the operators of port facilities – and thus also HHLA – are required to observe strict access control requirements and numerous other measures for averting danger.

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 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.

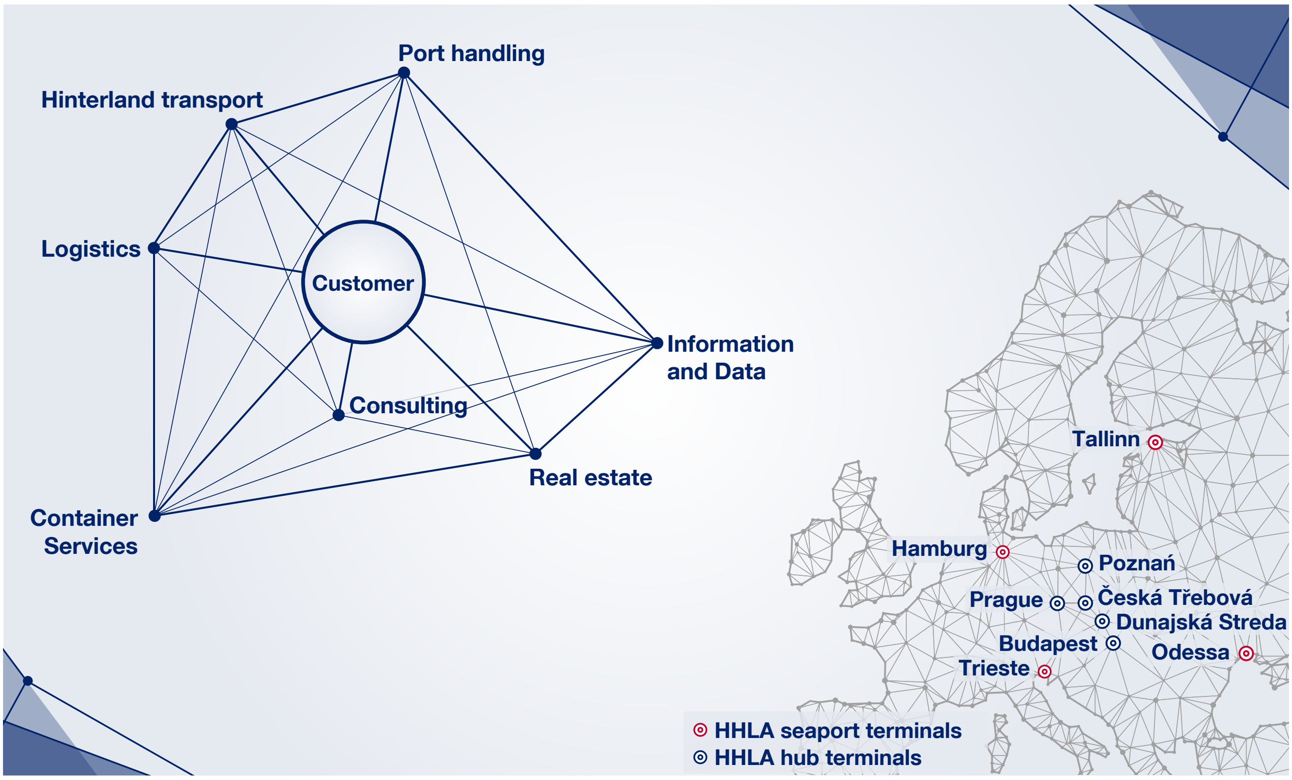
Investments and finance

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 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.

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 characterised by efficient intermodal transport from HHLA's seaport terminals to transhipment 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.

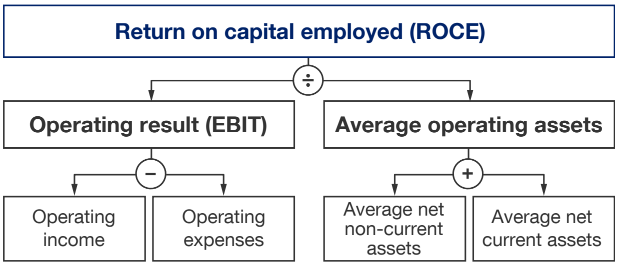
Financial performance indicators

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 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 2020 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 of 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 (supported by the Federal Ministry of Transport and Digital Infrastructure). 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 determined 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.

For this purpose, relevant terminal categories were first defined and their current typical processes with regard to handling trucks were analysed. Handling processes were then defined, including for self-driving trucks. On the basis of these target processes, it was possible to define the requirements for the vehicles, terminals and vehicle operators. A total of 84 requirements were identified for ten different terminal categories.

Solutions that appeared suitable for fulfilling the respective requirement were identified for each of these requirements. A total of 177 technical, structural and organisational solutions were found and their feasibility assessed.

The project was successfully completed in 2020. It became evident that the current status of technology does not yet allow for the use of self-driving trucks for all terminal categories considered. At the same time, however, it was shown that there are at least technically feasible solutions for each requirement, which will have to be developed in the near future. The development themes identified were systematically categorised in the form of a road map.

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 automatically within CTA. 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 test phase, which was slated for completion by June 2020, was largely carried out despite the restrictions resulting from the coronavirus pandemic. This comprised 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 scheduled field test between July and December 2020 could only be carried out with restrictions. All parties involved are now checking whether a test phase may be possible in 2021 in more practical settings based on customer needs.

AeroInspekt

Storage cranes at the automated 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 their position and height. 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 down to the exact millimetre and rectified on a regular basis. The measurement work results in significant operational interruptions. One of the aims of the IHATEC subsidy project AeroInspekt – which HHLA is running in conjunction with the Technical University of Braunschweig – is to develop software which will enable the use of drones for this measurement work in future. The project was successfully completed in October 2020. Several test flights with various camera lenses, software settings, weather conditions, etc. confirmed that the necessary precision (~ 2 millimetres) could be achieved at an altitude of 50 metres while at the same time reducing interruptions to port operations. The challenge for the future will be transferring the findings and tools developed into regular operations.

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. To deal with this, the Hamburg Vessel Coordination Center (HVCC) has developed an inland waterway ship platform, which went live in May 2020. Around 400 terminal calls for barges and pushed convoys are now being coordinated by the software every month. From scheduling for the inland waterway shipping company, to vessel management, to the terminals and HVCC, the platform enables the synchronous planning of all parties involved in real time in a single overview and data set. The intelligent linking of terminal berths with ship position and environmental data is having a positive impact, particularly in the dynamic planning environment of a complex port. This accelerates communication while reducing the efforts involved in coordination. The IT systems for the new inland shipping platform were developed by DAKOSY Datenkommunikationssystem AG. Funded by Hamburg's Departmental Authority for Economic Affairs and Innovation, the project enhances shipping's position as an effective and environmentally friendly mode of transport in order 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 tube system 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.

In partnership with HTT, HHLA has developed a technical, operational and commercial solution for a hyperport for sea containers. This involved simulating the layout and operational processes, establishing models for calculating the economic viability and various operator models, and evaluating target markets. As things stand, a virtual model of the hyperport, along with a transfer station and transport capsule, is to be developed by October 2021, followed by the implementation of further steps in the product development process.

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. At present, there is no cost-effective alternative drive technology for these tractors with the technical maturity required for industrial use. The primary objective of this project is to develop a system solution for battery-powered internal 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. Newly designed monitoring systems aim to detect and escalate attacks and attack patterns automatically and in good time. 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 or data manipulation 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, dry bulk and large quantities of general cargo. 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: tapping new revenue streams, boosting customer loyalty and increasing terminal productivity. HHLA also feels that AI offers considerable potential when it comes to increasing occupational safety among the workforce.

The first AI pilot projects have been successfully completed. AI-based forecasts of container collection times and the outgoing carriers result in increased yard productivity. The collection time of a container, along with the outgoing carrier, 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 avoidable restacking in the yard. In a bid to optimise block storage, an algorithm was developed using machine learning methods which can forecast container dwell time and the outgoing carrier. Further AI-based projects with different areas of focus 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 its performance, HHLA Container Terminal Altenwerder (CTA) 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 its successful certification, the terminal once again confirmed its high level of performance and compliance with all quality standards.

ABC-Inspekt

Container gantry cranes that load and discharge ships are a key element of a container terminal. Qualified inspections are therefore exceptionally important for maintaining the uninterrupted, round-the-clock operation of such seaport gantry cranes (24/7, 365 days a year). Until now, the critical parts of a container gantry crane were inspected individually by qualified experts. Carrying out and evaluating these inspections is becoming more and more difficult with the steadily increasing size of container gantry cranes, and the amount of image data to be inspected is becoming more extensive.

In order to boost the efficiency and quality of the photographic analysis, as well as improve workplace safety and ultimately the reliability and availability of the container gantry cranes, a self-learning, automated image recognition system based on artificial intelligence is to be used to analyse image material. Over an extended period of time, the system conducts an automatic comparison of any changes in the same areas of the container gantry cranes.

The ABC-Inspekt research project, supported by the IHATEC programme, is being implemented in partnership with the Technical University of Braunschweig with the aim of developing an intelligent image recognition system. This self-learning image recognition system (AI) will be used to analyse image material from the critical points on container gantry cranes.

SuStEnergyPort

The topic of sustainable energy has been gaining importance within the port industry in recent years. Against this backdrop, HPC and the University of Duisburg-Essen have teamed up with HHLA and Vattenfall Trading GmbH to launch the IHATEC research project SuStEnergyPort. Part of the project involved developing an innovative, model-based process and content enabling port businesses to identify suitable measures for boosting their energy efficiency and use of renewable energies. The process comprises various newly developed tools – such as a catalogue of sustainability measures, an energy simulation tool, life cycle assessment models and efficiency models – with which energy sustainability measures can be analysed as comprehensively as possible and from four key perspectives: energy, ecology, economy and operations. Overall, with the aid of this structured process and these tools, it is possible to come up with a tailored road map for the efficient attainment of individual sustainability targets of any port.

Cookie

In the world's export nations, the demand for empty containers far outstrips their availability due to imbalances resulting from the flow of goods. This is causing frequent bottlenecks when it comes to supplying empty containers because, until now, the necessary upstream process for identifying and remedying any damage has had to be conducted primarily manually by highly skilled experts. The result is an increased potential for error, as well as delays caused by the semi-digital process steps previously employed. Furthermore, the necessary experts are not always available, which further diminishes the reliable scheduling of repair jobs and availability of repaired containers, resulting in unnecessary stockpiling and excessive repositioning.

The IHATEC project Cookie, funded by the Federal Ministry of Transport and Digital Infrastructure, therefore seeks to optimise the process of damage identification and assessment in the empty container depot with the aid of artificial intelligence. The project name Cookie stands for "COntainerdienstleistungen Optimiert durch Künstliche IntelligEnz" (container services optimised by artificial intelligence). Together with our research partner, the Fraunhofer Center for Maritime Logistics in Hamburg-Harburg, the aim is to develop an adaptive algorithm for image recognition processes. The aim is to help inspectors identify and assess any damage to empty containers with the aid of machine learning methods (specifically, deep learning) and the explicit linking of CEDEX codes, which are subject to syntax rules. The integration of an AI-based system for identifying damage is expected to reduce error rates, increase the uniformity of damage assessments and improve process speed in order to further boost efficiency and achieve reliable availability planning for containers within the processes at the empty container depot.

BVLOS

HHLA Sky has developed a globally scalable, end-to-end drone system that allows the secure operation of drones beyond the visual line of sight (BVLOS). The industrial drones are extremely robust, very light and equipped with safety technology. Customers can integrate the system into their own business processes independently, or use it as a service operated by HHLA Sky. HHLA Sky has also developed software and related information systems. The HHLA Sky software can be purchased for use on a licensed basis. The control centre is used operationally for drone flights, including the inspection of container gantry cranes at the HHLA terminals.

HHLA Sky is also contributing its expertise to the UDVeo (urban drone traffic efficiently organised) research project. The project is funded by the Federal Ministry of Transport and Digital Infrastructure (BMVI) from 2020 to 2022, under the leadership of the Helmut Schmidt University in Hamburg. The aim of the project is to develop the basis for a drone management system for efficient and safe transport within densely populated urban spaces. The focus of development in 2020 was on controlling the drones and a live-streaming application.

Modility booking portal

Together with eleven partners in the transport and freight-forwarding sector, HHLA has initiated the development of a new booking portal for intermodal transport. As a booking and placement portal, Modility seeks to connect intermodal operators' available transport capacities with the transport needs of freight forwarders and to strengthen intermodal transport as an efficient, environmentally friendly transport system.

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.

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.

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 by drawing on the potential 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. This information is fed into the "key figures cockpit", which provides the key facts and figures of a supplier and can be used as part of the supplier management system in order to prepare for negotiations and annual discussions.

In 2020, equipment and energy accounted for 35.7 % of the Group's managed purchasing volume, while information technology (IT) accounted for 14.3 %, construction for 28.6 %, MRO (maintenance, repairs and operations) for 13.0 %, and other indirect services for 8.4 %. The total managed purchasing volume amounted to approximately € 197 million.

The extensive reorganisation of the department initiated in 2018 and the continuation of the process, into which the department's employees are closely integrated, revealed the need for adjustments in the product group portfolio. A comprehensive project for the revision of the existing product groups was launched midway through the year. As a result, there will be three main product groups in future for which the distribution of purchasing volumes is disclosed: technical purchasing (generally comprising the previous equipment & energy and MRO groups), construction purchasing, information technology (IT) and indirect purchasing. Similar to the previous main product groups, the managed purchasing volume in 2020 was therefore divided as follows: technical purchasing 48.8 %, construction 28.7 %, IT and indirect purchasing 22.5 %.

We are continuing to drive the automation of purchasing processes for day-to-day requirements. In the reporting period, 48.1 % of all purchasing processes were handled fully automatically by means of the systems (previous year: 32.9 %). 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 2021 financial year. Among other things, this potential is to be achieved by replacing the current e-procurement system with a more modern tool.

In the field of process automation, a fuel supply project initiated in 2019 was successfully completed. Processes, purchasing volumes and supplier structures across all companies were carefully analysed and restructured. The procurement process was switched over to a VMI (vendor-managed inventory) concept, which means that the supplier bears the responsibility for inventory and coordinates supplies independently. In addition to lowering procurement costs, the revision of these processes has streamlined and automated the system, resulting in lower process costs.

After mainly focusing on optimising the key procurement topics in 2019 and 2020, the purchasing department will concentrate again on strategic alignment and modelling the entire process chain in 2021. The emphasis will be on product group and supplier management. In terms of processes, the main focus will be on restructuring the procurement of capital goods, as well as procuring indirect goods and services.

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

	2016	2017	2018	2019	**2020**
Diesel, petrol and heating oil in million liter	26.6	27.4	28.4	28.0	24.1
Natural gas in million m^3	2.4	3.6	4.4	8.0	9.1
Electricity[1] in million kWh	139.6	135.6	135.9	123.2	117.0
thereof from renewable energies	73.2	82.8	78.9	78.7	86.2
Traction current in million kWh	150.0	157.5	181.4	185.0	191.9
District heating in million kWh	3.6	3.6	3.7	3.6	3.1
District heating supply[2] in kWh	–	–	10.9	33.3	32.8

Consumption of natural gas, traction current and district heating in 2020 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: report.hhla.de/non-financial-report

Employees

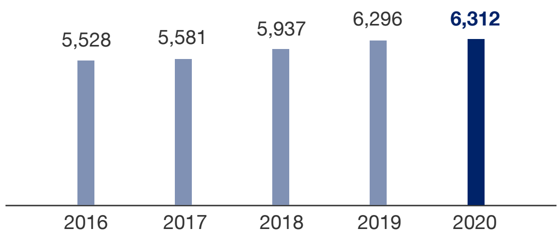
Development of headcount

A strategic plan for the HR department with five identified areas of action was drawn up and adopted by the Executive Board in the reporting period. Strategic planning is geared towards the future development of the various departments and aims to help HHLA react more swiftly in future to qualitative and quantitative manpower requirements. The main focus areas of the "Employer of Choice" action field, for example, are the optimisation of recruitment and the further development of the HHLA employer brand.

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

Employees at the HHLA Group

as of 31.12



HHLA had a total of 6,312 employees at the end of 2020. This figure rose by 16, or 0.3 %, compared to the previous year. In addition, HHLA used an annual average of 549 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 753).

Employees by segment

In the Container segment, the number of employees fell to 3,132 as of 31 December 2020. Total headcount was down by 54 year-on-year in the reporting period (previous year: 3,186). This represents a decline of 1.7 %. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment rose by a further 36 employees in total to 2,279 (previous year: 2,243). Employee numbers in the Logistics segment also increased to 186 in the reporting period (previous year: 167). This represents an increase of 11.4 % and is partly due to the development of further business fields and the associated inclusion of additional companies in the consolidated group. The number of employees at the strategic management holding company increased by 2.6 % to 628 (previous year: 612). In the Real Estate segment, headcount amounted to 87 as of 31 December 2020 (previous year: 88). This figure includes employees from the management holding company who are assigned to the Real Estate segment.

Employees

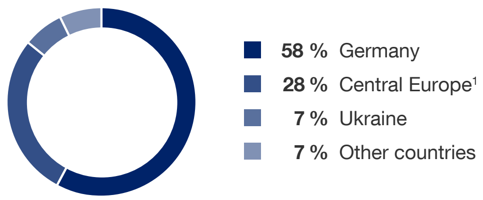
by segments	2020	2019	Change
Container	3,132	3,186	- 1.7 %
Intermodal	2,279	2,243	1.6 %
Holding/Others	628	612	2.6 %
Logistics	186	167	11.4 %
Real Estate	87	88	- 1.1 %
HHLA Group	**6,312**	**6,296**	**0.3 %**

Employees by region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,632 employees (previous year: 3,597), the majority of whom worked in Hamburg. This corresponds to a share of 57.5 % (previous year: 57.1 %) and is due to the development of further business fields in Germany and a simultaneous slight decrease in the number of staff employed abroad of 0.7 % to 2,680 (previous year: 2,699). In Central Europe, headcount remained unchanged at 1,752 (previous year: 1,752), while the number of employees in Estonia decreased to 224 (previous year: 271). In Ukraine, the number of employees rose by 2.0 % to 469 (previous year: 460).

Employees by region

as of 31.12.2020



1 Czech Republic, Slovakia, Hungary, Slovenia

Recruitment

Of the 174 new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft mbH Hamburg (GHB), 41 % were under 30 years of age.

Recruitments

	Total	thereof females	thereof females
< 30 years	71	16	22.5 %
30 – 50 years	81	18	22.2 %
> 50 years	22	10	45.5 %
HHLA Germany	**174**	**44**	**25.3 %**

Since 2013, HHLA has been employing a self-developed **selection process** (assessment centre) in Germany 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.

267 employees were hired by HHLA's foreign subsidiaries during the reporting period. 92 % of new hires were in the Intermodal segment. Of these 246 new hires, the proportion of women was just under 32 %, while the proportion of under-30s was just under 30 %.

At 4.8 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany increased slightly year-on-year (previous year: 4.7 %). Of the 173 people who left the company, 42.2 % were retirees (previous year: 40.8 %).

The fluctuation rate at our foreign subsidiaries was 11.1 % in the reporting period. The proportion of people leaving the company as retirees was relatively low at 2.7 %.

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 15.2 % (previous year: 15.3 %). During the reporting period, the proportion of women working at the foreign subsidiaries was 22.2 % on average. At the container terminal in Estonia, the proportion was 30.4 %.

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 governance report

Age structure

The average age of staff in Germany in the reporting period was 45.1 (previous year: 44.7). Male employees had an average age of 45.6, while female employees were 42.3 years old on average. Over half of all employees are aged between 30 and 50.

The average employee age at the foreign container companies was 46.9 years.

Age structure of employees

in %	**31.12.2020**	thereof females	31.12.2019	thereof females
< 30 years	10.6	26.0	10.6	28.4
30 – 50 years	51.6	15.0	52.3	15.4
> 50 years	37.8	12.4	37.1	11.5
HHLA Germany	**100.0**	**15.2**	**100.0**	**15.3**

The average length of service with the company in Germany is approximately 15.5 years.

Average employment period of employees

in years	**31.12.2020**	31.12.2019
< 30 years	4.8	4.9
30 – 50 years	11.8	11.5
> 50 years	23.4	23.5
HHLA Germany	**15.5**	**15.3**

The percentage of employees with a severe disability (including persons of an equivalent status) in Germany was 8.4 % at the end of the reporting period (previous year: 8.5 %).

Personnel development

HHLA invested a total of € 5.3 million in educating and training staff at its locations in Hamburg in 2020 (previous year: € 4.6 million).

As of 31 December 2020, 55 apprentices and 21 students were receiving training in Germany in six different professions and six dual study courses. 25 % of the 76 apprentices and students were female. The ratio of female students in 2020 was 33 % (previous year: 50 %).

25 of the 26 apprentices (of whom five were on dual study courses) who successfully completed their training in the course of the year were given permanent contracts. A total of 20 new apprentices were taken on at the company's Hamburg

facilities in 2020, of whom 20 % were women. At the start of the 2020 academic year, women accounted for 33 % of technical apprentices and 22 % of industrial apprentices.

In total, over 691 events lasting one or more days were held in the reporting period, some of which were held digitally as a result of the coronavirus pandemic. Of the training and education measures offered, over 540 were carried out as internal vocational courses conducted by HHLA's own trainers over 2,613 training days. In addition, 151 events lasting one or more days with over 2,400 participant days were organised as part of the company's cross-segment seminar programme. As in the previous year, 38 % of participants were women.

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

Global economic growth was hard hit by the coronavirus pandemic in 2020. The rapid spread of the virus and the subsequent sweeping restrictions imposed on social and economic activities to contain the pandemic led to a downturn of historic proportions in the early part of the year as a result of the first wave of infections. According to estimates of the International Monetary Fund (IMF), global growth for 2020 as a whole will fall to minus 3.5 %. This projection is 0.9 percentage points up on the previous forecast, reflecting the economic trend in the second half of 2020. Following the global economic downturn in the first half of the year, the global economy recovered more strongly than expected in the period up to autumn 2020. This economic upturn was then slowed by a second wave of infections, new mutations of the virus and renewed lockdown measures. Unlike in spring, however, there has been no major negative impact as yet on the manufacturing sector, international trade or commodity prices. Nevertheless, the 9.6 % drop in global trade volume for 2020 reflects the economic downturn brought about by the pandemic.

Development of gross domestic product (GDP)

in %	**2020**	2019
World	- 3.5	2.8
Advanced economies	- 4.9	1.6
USA	- 3.4	2.2
Emerging economies	- 2.4	3.6
China	2.3	6.0
Russia	- 3.6	1.3
Eurozone	- 7.2	1.3
Central and Eastern Europe (emerging european economies)	- 2.8	2.2
Germany	- 5.4	0.6
World trade	- 9.6	1.0

Source: International Monetary Fund (IMF), January 2021

The extent of the pandemic and the recovery from it varies significantly by region. The advanced economies were generally able to adopt expansive fiscal measures to support households and companies, thus mitigating the loss of income caused by the pandemic. The central banks supported these measures by expanding bond purchasing schemes and, in some cases, by lowering interest rates. The total economic performance of the industrialised nations decreased by 4.9 % in 2020. The US economy experienced its strongest downturn since the Second World War, although the 3.4 % decline in gross domestic product (GDP) was relatively modest by international standards. The considerable impact of the pandemic and the associated lockdown measures can be seen most clearly in Europe: the IMF expects a decline of 7.2 % for the eurozone economy.

The emerging economies were also slowed by the pandemic, but their growth contraction of 2.4 % was comparatively mild. This is primarily due to the early and effective action to contain the pandemic taken by China, where the coronavirus originated. In the world's second largest economy, activity already began to return to normal in large parts of the economy in the second half of the year, enabling it to regain some of the ground lost. The Chinese economy was the only economy to record positive growth for 2020 of 2.3 %.

By contrast, the Russian economy shrank by 3.6 % in 2020. In Ukraine, the economy is expected to contract by 7.2 % (IMF, October 2020). The Estonian economy is forecast to shrink by 5.2 % (IMF, October 2020). In Central and Eastern European member states of the European Union, where infection rates were relatively low in spring, the economy was hit by the dynamic growth in case numbers caused by the second pandemic wave. The nationwide restrictions to contain the pandemic are likely to result in an abrupt end to the upward trend in summer and to a decrease in GDP. As a result of the 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).

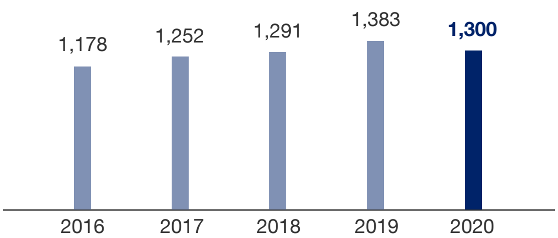
Earnings position

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



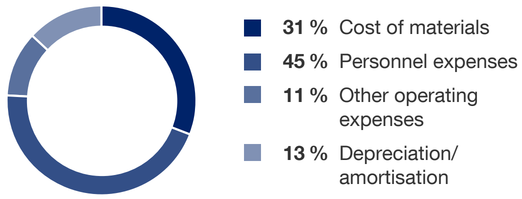
Changes in inventories once again had no material impact in the reporting period. **Own work capitalised** decreased to € 4.6 million (previous year: € 6.2 million).

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 %).

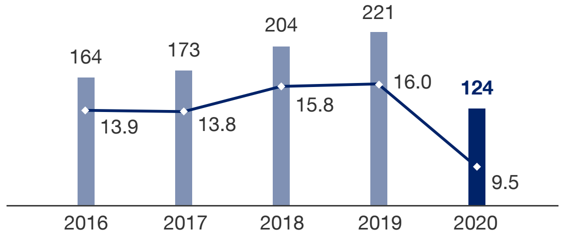
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** fell by 24.4 % to € 289.4 million (previous year: € 382.6 million). There was a correspondingly strong decrease in the EBITDA margin to 22.3 % (previous year: 27.7 %).

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**

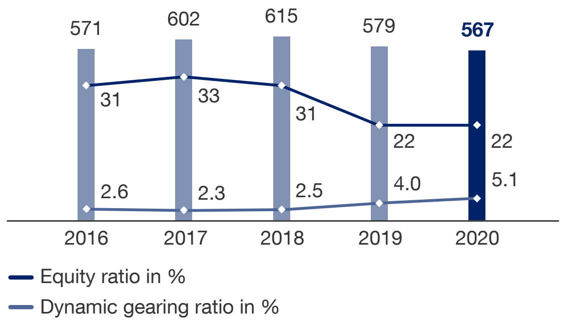
On the assets side of the balance sheet, **non-current assets** rose by € 26.5 million. Investment property rose by € 12.0 million to € 197.1 million due to capital expenditure (previous year: € 185.1 million). Deferred taxes rose year-on-year by € 17.3 million to € 141.4 million (previous year: € 124.1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

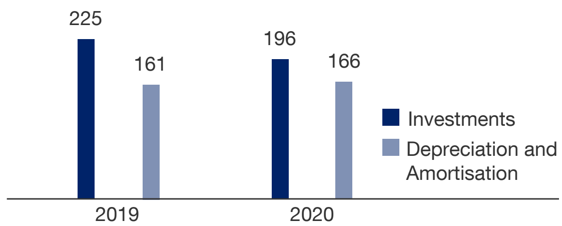
Current liabilities grew by € 18.1 million to € 299.4 million (previous year: € 281.3 million), mainly due to the increase in trade payables and income tax liabilities. The decline in current financial liabilities had an opposing effect.

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

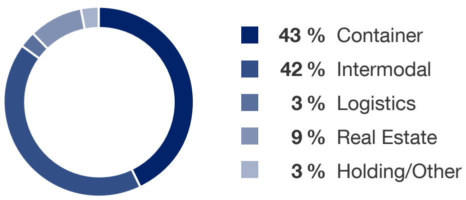


Property, plant and equipment accounted for € 167.6 million (previous year: € 207.0 million) of capital expenditure, while intangible assets accounted for € 7.9 million (previous year: € 10.0 million) and investment property for € 20.8 million (previous year: € 8.0 million).

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.

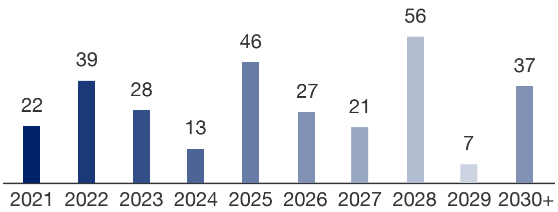
HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium- and long-term loans and leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

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 prevoius 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 %

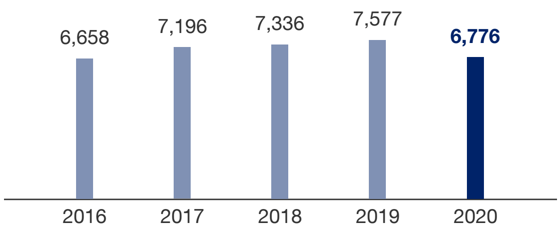
During the 2020 reporting year, the **throughput volume** at HHLA's container terminals decreased significantly by 10.6 % to 6,776 thousand standard containers (TEU) (previous year: 7,577 thousand TEU).

The three **Hamburg container terminals** reported a strong decline in throughput volume of 11.1 % to 6,193 thousand TEU (previous year: 6,964 thousand TEU). Virtually all shipping regions were impacted by pandemic-related volume shortfalls. This is especially true for the Far East region, which is of particular importance for HHLA. The loss of a Far East service from mid-May 2020 onwards had a further adverse effect on the volume trend in this region. All in all, overseas volumes fell by 8.4 %. Moreover, feeder traffic with the Baltic region decreased and could not be offset by growth in the German and British shipping regions. There was a corresponding decline in the proportion of seaborne handling by feeders of 2.3 percentage points to 20.2 % (previous year: 22.5 %).

Throughput at the **international container terminals** in Tallinn, Estonia, and Odessa, Ukraine, during the reporting period amounted to 584 thousand TEU (previous year: 613 thousand TEU). This represents a decline of 4.7 %.

Container throughput

in thousand TEU



Revenue decreased by 7.8 % year-on-year to € 737.5 million (previous year: € 799.7 million). This was mainly due to the pandemic-related decline in volumes. In the reporting period, average revenue per container handled at the quayside increased moderately year-on-year by 4.3 %. This was mainly attributable to an advantageous modal split, particularly towards the end of the year, and a temporary increase in storage fees due to longer dwell times brought about by delays and blank sailings caused by the pandemic.

EBIT costs for the segment rose slightly by 2.1 % in the financial year. The increase was mainly due to the formation of provisions in connection with the implementation of restructuring measures as part of an efficiency programme. Adjusted for these provisions and subsidies of public authorities, EBIT costs would have fallen by 3.3 %.

The **operating result (EBIT)** decreased strongly by 53.7 %, or € 75.9 million, to € 65.4 million (previous year: € 141.3 million). A key factor here are the above mentioned net provisions of € 43 million in the fourth quarter for the implementation of restructuring measures as part of an efficiency programme. The EBIT margin fell by 8.8 percentage points to 8.9 % (previous year: 17.7 %).

During the reporting year, HHLA further improved the sustainability of its services by investing in climate-friendly handling equipment. For example, further energy-saving hybrid straddle carriers were ordered for the Container Terminal Tollerort (CTT) and Container Terminal Burchardkai (CTB), with the first devices already operational at CTT. Diesel-powered automated guided vehicles (AGVs) at 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. In 2020, further container gantry cranes went into operation at CTB, with further automated blocks added to the block storage system. 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

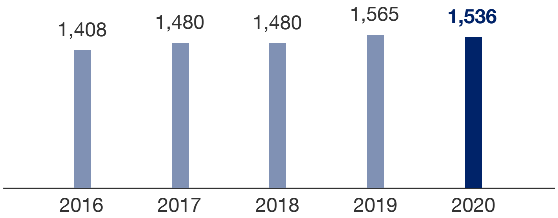
in € million	2020	2019	Change
Revenue	476.8	486.9	- 2.1 %
EBITDA	131.8	139.0	- 5.2 %
EBITDA margin in %	27.7	28.6	- 0.9 pp
EBIT	88.3	99.2	- 11.0 %
EBIT margin in %	18.5	20.4	- 1.9 pp
Container transport in thousand TEU	1,536	1,565	- 1.9 %

In the highly competitive market for container traffic in the hinterland of major seaports, HHLA's transport companies only recorded a slight decline in volumes in 2020. **Container transport** decreased by 1.9 % to 1,536 thousand standard containers (TEU) (previous year: 1,565 thousand TEU). The decrease in road transport was much stronger than that of rail transportation, which declined year-on-year by just 1.0 % to 1,222 thousand TEU (previous year: 1,234 thousand TEU). The significant – and for certain routes dramatic – fall in maritime traffic from the North German seaports was largely offset by strong growth in continental traffic. Due to the strong recovery in transport volumes in the third quarter and a significant year-on-year increase in volume in the fourth quarter, the declines of the first half-year were almost fully offset on all routes. Road transport also recovered strongly in the third and fourth quarters compared with the preceding quarters. However, due to further weak growth in the Hamburg region and a challenging market environment, transport volumes for the year as a whole decreased by 5.2 % year-on-year to 314 thousand TEU (previous year: 331 thousand TEU).

Revenue performed slightly worse than transport volumes with a decline of 2.1 % to € 476.8 million (previous year: € 486.9 million). Despite a slight increase in the rail share of HHLA's total intermodal transportation from 78.8 % to 79.6 %, average revenue per TEU decreased as a result of changes to the structure of freight flows.

Container transport

in thousand TEU



The **operating result (EBIT)** fell by 11.0 % to € 88.3 million in the reporting period (previous year: € 99.2 million). In addition to falling volumes and revenue, this strong decrease was mainly due to increased fluctuations in import and export cargo with a resulting fall in capacity utilisation of rail systems – particularly in the second quarter of 2020. At 18.5 %, the EBIT margin was just 1.9 percentage points below the prior-year figure (previous year: 20.4 %).

HHLA continues to invest as needed in the expansion of its intermodal network. The decrease in route prices for German rail freight applied in mid-2018 is bolstering the development of the intermodal service portfolio. HHLA's rail subsidiary METRANS put seven new multi-system locomotives into operation during 2020. It now has approximately 110 shunters and locomotives, as well as a fleet of over 2,900 container wagons. The network consists of 16 terminals in the hinterland, of which five function as large hub terminals.

Logistics segment

Key figures

in € million	2020	2019	Change
Revenue	51.4	59.0	- 12.9 %
EBITDA	6.9	8.5	- 18.4 %
EBITDA margin in %	13.4	14.3	- 0.9 pp
EBIT	- 3.9	2.5	neg.
EBIT margin in %	- 7.5	4.3	neg.
At-equity earnings	3.4	3.9	- 12.6 %

The key financial figures for the Logistics segment include the vehicle logistics and consultancy divisions, as well as business activities with which HHLA aims to tap new growth fields. Modility GmbH, a booking portal for intermodal traffic, was consolidated in the fourth quarter of 2020. The results from dry bulk and fruit logistics are included in at-equity earnings.

The consolidated companies reported **revenue** of € 51.4 million in the 2020 financial year, down 12.9 % on the prior-year figure (previous year: € 59.0 million). The vehicle logistics division recorded a strong decline in revenue as a result of falling volumes, while consultancy revenue was also down significantly on the previous year. The expected revenue growth from new activities was held back by the pandemic.

The **operating result (EBIT)** was adversely impacted by temporary increases in start-up losses of planned new activities. This trend was compounded by the pandemic-related decline in earnings of existing activities, such as vehicle logistics and consultancy. As a result, the segment posted a negative result of € 3.9 million in the reporting period (previous year: a positive result of € 2.5 million).

There was also a significant decline in total revenues of those companies included in at-equity earnings. The **at-equity earnings** was robust in the 2020 financial year at € 3.4 million (previous year: € 3.9 million).

Real Estate segment

Key figures

in € million	2020	2019	Change
Revenue	38.1	40.2	- 5.3 %
EBITDA	20.0	23.9	- 16.5 %
EBITDA margin in %	52.4	59.4	- 7.0 pp
EBIT	12.9	16.5	- 21.5 %
EBIT margin in %	33.9	40.9	- 7.0 pp

In 2020, Hamburg's office rental market was dominated by the economic effects of the coronavirus pandemic. According to Grossmann & Berger's latest market report, 340,000 m^2 of office space was let – approximately 38 % less than the prior-year figure of 545,000 m^2.

Due to the increased supply of office space, the vacancy rate in Hamburg rose to 3.5 % and was thus 0.6 percentage points above the comparable prior-year figure. The vacancy rate is currently expected to rise further.

By contrast, HHLA's properties in the Speicherstadt historical warehouse district and the fish market area remained largely unaffected by this negative market trend with almost full occupancy as of year-end 2020.

Despite this high occupancy rate, **revenue** was 5.3 % down year-on-year at € 38.1 million as at 31 December 2020 (previous year: € 40.2 million). The decline resulted mainly from the partial waiving of rent deferrals granted during the pandemic.

These revenue declines led to a strong decrease of 21.5 %, or € 3.6 million, in the **operating result (EBIT)** to € 12.9 million (previous year: € 16.5 million), with more or less constant maintenance volumes.

Events after the balance sheet date

The acquisition by HHLA International GmbH of 50.01 % of shares in the multi-function terminal Piattaforma Logistica Trieste (PLT) in Trieste, Italy – as announced in September 2020 – was completed on 7 January 2021. The handling facility will operate as HHLA PLT Italy. Furthermore, the acquisition by HHLA AG of 80.0 % of shares in iSAM AG, Mülheim an der Ruhr, was completed after the balance sheet date on 19 January 2021. The company is a globally operating specialist in automation technology and processes. Initial consolidation of both companies was at the time of acquisition. Notes to the consolidated financial statements, no. 3 Composition of the Group

There were no other events of special significance after the balance sheet date 31 December 2020. Notes to the consolidated financial statements, no. 52 Events after the balance sheet date

Business forecast

Macroeconomic environment

Following the global economic downturn in 2020 as a result of the coronavirus pandemic, catch-up effects and a powerful upturn are expected for 2021. According to estimates of the International Monetary Fund (IMF), the global economy is set to expand by 5.5 %. Although the pace of the global economic recovery has slowed due to the second wave of infections, experts believe that the upturn will only be temporarily restrained. Especially over the course of the year, the infection rate is expected to abate and the measures taken to contain the pandemic will gradually be eased.

Global trade tensions faded into the background in 2020 but have not yet been resolved. With the change of government in the USA, the climate for global trade may improve. The uncertainty surrounding the impact of Brexit remains, however. In view of the global economic recovery, the IMF expects to a strong increase in global trade volumes of 8.1 % in 2021.

Growth expectations for GDP

Growth expactation in %	2021	Trend vs. 2020
World	5.5	↗
Advanced economies	4.3	↗
USA	5.1	↗
Emerging economies	6.3	↗
China	8.1	↗
Russia	3.0	↗
Eurozone	4.2	↗
Central and Eastern Europe (emerging european economies)	4.0	↗
Germany	3.5	↗
World trade	8.1	↗

Source: International Monetary Fund (IMF), January 2021

The outlook for the economic regions of particular significance to HHLA varies for 2021, with the IMF anticipating impressive economic growth of 8.1 % for China in its latest estimates. Effective containment measures, a firm political response with public investment and liquidity support from the Chinese central bank are likely to facilitate a rapid return to normal and strong upswing for the Chinese economy. By contrast, the recovery of oil-exporting nations such as Russia is likely to be somewhat slower in view of the modest prospects for oil prices. For the emerging economies of Central and Eastern Europe, the IMF forecasts economic growth of 4.0 %. In Ukraine, a moderate recovery of 3.0 % is anticipated for 2021, although this is conditional on successfully combating the pandemic and implementing reforms (IMF, October 2020).

Overall economic activity in the eurozone is expected to decrease again in the winter quarters of 2020/21 due to the second wave of infections and the reintroduction of extensive containment measures. According to the most recent IMF estimates of October 2020, Estonian GDP is expected to achieve significant growth of 4.5 %. The IMF expects a moderate recovery for the German economy. The anticipated recovery in the course of the year, particularly in the EU, is subject to sufficient availability of suitable vaccines.

Sector development

Following the pandemic-related decrease in global container throughput in 2020, the market research institute Drewry forecasts growth of 8.9 % for the coming year. However, this assumption is also subject to the successful control of the pandemic, rapid vaccination of the population and high catch-up effects over the course of the year, combined with high throughput rates.

Growth will be driven mainly by the shipping regions of South Asia (+ 13.7 %), North America (+ 11.7 %), Asia (+ 9.0 %), Latin America (+ 9.4 %) and Oceania (+ 10.9 %). For China, the most important shipping region for the Port of Hamburg, Drewry anticipates a strong increase in container throughput of 9.1 % in 2021. The prospects for the European shipping regions during the forecast period also indicate further significant growth of 7.7 %. According to Drewry, only the ports of the eastern Mediterranean and Black Sea can expect a slightly slower recovery.

Expected container throughput by shipping region

Growth expectation in %	2021	Trend vs. 2020
World	8.9	↗
Asia	9.0	↗
China	9.1	↗
Europe as a whole	7.7	↗
North-West Europe	8.1	↗
Scandinavia and the Baltic region	10.5	↗
Western Mediterranean	9.3	↗
Eastern Mediterranean and the Black Sea	4.8	↗

Source: Drewry Maritime Research, December 2020

In view of the existing container terminal capacities and the pandemic-related increase in supply surpluses in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2021. Even the strong recovery in container throughput forecast by Drewry for the North European ports is unlikely to ease the situation in 2021. At the same time, as a result of mergers and acquisitions as well as the formation of new alliances, the bargaining power of the shipping lines vis-à-vis the port operators has increased noticeably in recent years.

With regard to capacity, the situation on the container shipping market is tense. While there was considerable overcapacity in the past, shipping space and containers are becoming scarce due to the strong economic recovery, especially in Asia. As a result, sea freight rates have increased significantly.

The market research institute AXS Alphaliner expects a slowdown in scrapping for 2021. The delivery of 159 ships with a slot capacity of around 1.1 million TEU is expected in 2021. Of these, 13 ships will be in the 18,000-24,000 TEU category, i.e. cascading will continue, especially in the Asia shipping region. This will be accompanied by a further increase in the number of containers to be handled per ship call. For the terminals and onward-carriage rail systems, increasing efficiency is crucial for coping with peak situations caused by ship sizes.

Expected freight traffic by modes of transport

Growth expectation in %	2021	Trend vs. 2020
Transport volumes	**4.1**	↗
Road traffic	4.1	↗
Railway traffic	6.0	↗
Multi-modal traffic	4.8	↗
Traffic performance	**4.9**	↗
Road traffic	5.0	↗
Railway traffic	5.9	↗
Multi-modal traffic	5.5	↗

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

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 October 2020 anticipates a significant recovery of the entire German freight market in 2021. For all modes of freight traffic, the experts expect a strong year-on-year increase in transport volumes. With regard to road freight, transport volumes are expected to increase by 4.1 % in 2021. Following a strong decline in 2020, significant growth momentum is expected for rail freight – although transport volumes are likely to remain below the pre-pandemic level. In the forecast period, 6.0 % more goods are expected to be transported by rail. Intermodal transport is likely to grow somewhat more slowly at 4.8 %.

Expected Group performance

Comparison with the forecast of the previous year

The forecast published in the 2019 Annual Report was achieved and partially surpassed. Container throughput developed as forecast in March 2020, as did earnings before interest and taxes (EBIT), both at Group level and in the Port Logistics subgroup. However, the expectations for container transport were exceeded by far with only a slight decrease (previous expectation: strong decrease). As a result, revenue for the Port Logistics subgroup was also better than expected and decreased only significantly (previous expectation: strong decrease). However, earnings before interest and taxes (EBIT) in the Real Estate subgroup decreased strongly (previous expectation: significant decrease).

Expected earnings position

Note: Given the uncertain conditions described above at the time of preparing this report, it is still not possible to make a reliable forecast. This applies in particular to the intensity and timing of the economic recovery.

The global coronavirus pandemic has led to measures being implemented on a previously unknown scale in the affected countries in an effort to contain the spread of the virus. Course of business and economic situation

In the **Port Logistics subgroup**, a moderate year-on-year increase is expected for both container throughput and transport. Revenue is also expected to increase moderately compared to the previous year. After the operating result (EBIT) in the financial year 2020 was burdened by restructuring expenses of around € 43 million for an efficiency programme in the Container segment, EBIT for the Port Logistics subgroup in the range of € 140 to 165 million is targeted for the current financial year.

A slight year-on-year increase in revenue is considered possible for the **Real Estate subgroup** with an operating result (EBIT) on a par with the previous year.

At **Group level**, a moderate increase in revenue and an operating result (EBIT) in the range of € 153 to 178 million is anticipated.

Expected financial position

Based on the **liquidity** available on 31 December 2020, HHLA assumes that its liquidity will enable the company to meet all its payment obligations despite the burdens caused by the coronavirus pandemic.

In order to further increase productivity in the Container and Intermodal segments, **capital expenditure** at Group level is expected to be in the range of € 250 to 280 million in 2021. The Port Logistics sub-group will account for the major share of these investments (€ 220 to 250 million). The main focus of capital expenditure in the Container segment will be on the implementation of a restructuring and efficiency programme and in the Intermodal segment on the renewal and expansion of the Group's own transport and handling capacities.

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.

HHLA remains committed to its profit-oriented **dividend policy,** which aims to pay out between 50 and 70 % of annual net profit after minority interests in the form of dividends.

Risk and opportunity report

Management of risks 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

The risk and opportunity management system is an essential part of HHLA's corporate governance 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 material 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, for example in the form of strengthening our core business and tapping additional growth areas. 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 system and risk and opportunity management are 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.

Appropriate and effective 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.

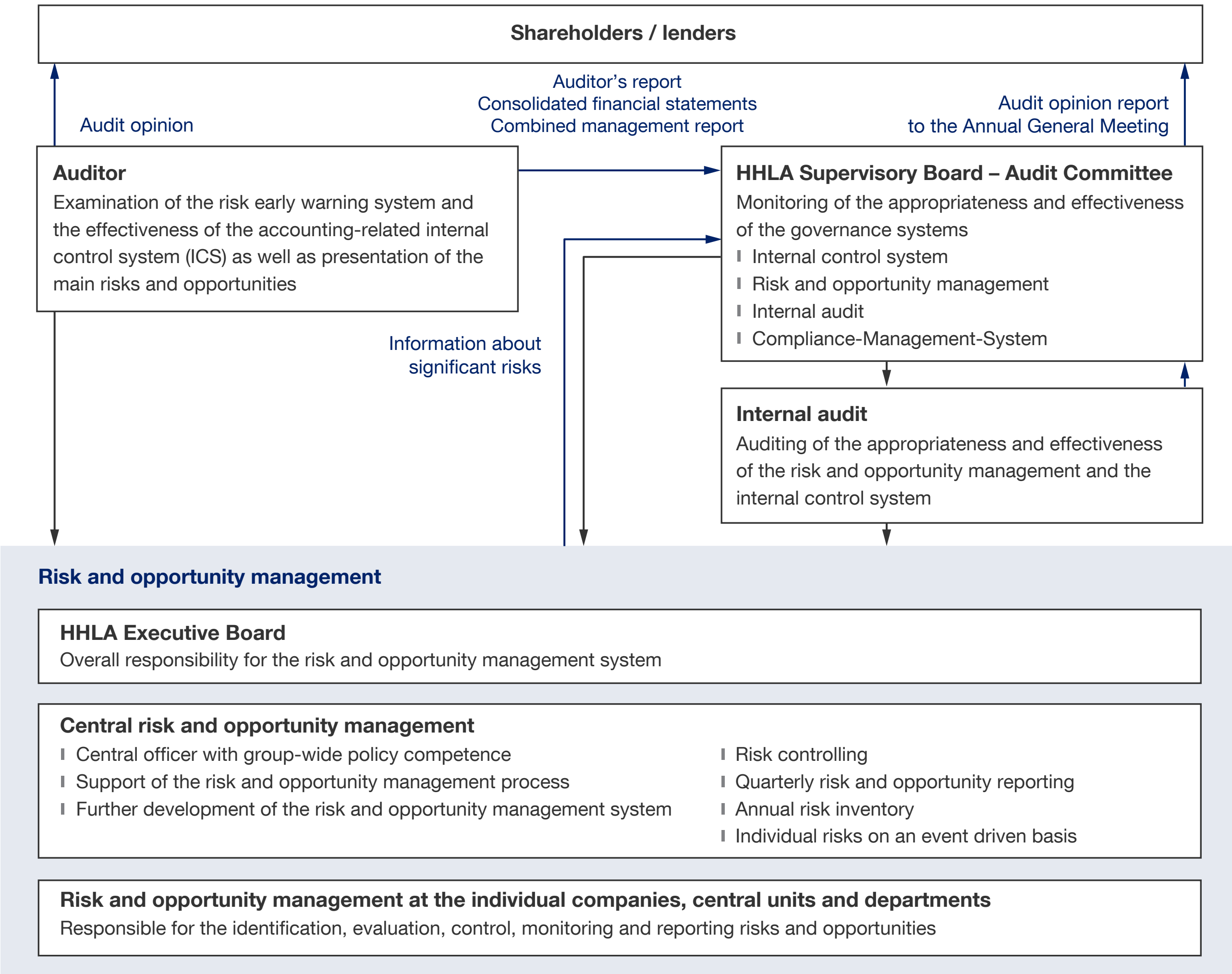
The Internal Audit department is responsible for monitoring HHLA's internal control system and risk and opportunity management for its accounting processes. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

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, 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

Risk and opportunity management and the internal control system for accounting



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 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 – primarily with regard to the ongoing coronavirus pandemic – as well as ongoing geopolitical tensions and developments on the market and in the competitive environment. 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 and are leading to the further ramping up of corresponding security measures.

The overview below summarises the individual material 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	significant	unlikely	↘
Financial risks	medium	unlikely	→
Other risks	medium	unlikely	→
IT risks	not significant	unlikely	↘
Strategical risks	not significant	unlikely	↘
Legal risks	not significant	unlikely	↗
Performance 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 material risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other material 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.

Following the global recession in 2020 resulting from the coronavirus pandemic, research institutes expect the global economy to recover in 2021. However, both the effects of the ongoing pandemic, which is once again putting the European economies in particular under pressure, as well as prolonged global economic and political tensions, make these assumptions seem uncertain.

Furthermore, there is uncertainty in Europe with regard to the development of the Italian sovereign debt crisis. The direct impact of the UK leaving the EU Customs Union and the Single Market on 1 February 2021 is not significant for HHLA, however, as the proportion of containers coming from or destined for the UK handled by HHLA's terminals in Hamburg is very low.

Due to protectionist tendencies already evident from the trade conflicts between the US and the EU and China, for example, the future development of global trade flows remains uncertain. Global geopolitical risks, the termination of treaties on arms control (including the INF Treaty) and the crises in the Middle East, South-East Asia and East Asia are also having an adverse effect on the global economic climate. Further factors include additional or extended sanctions against Russia, as well as currency crises and the volatility of the oil price. Business forecast / macroeconomic environment

An increase in economic growth is expected for China – the most important shipping region for the Port of Hamburg – in 2021. China recovered quickly from the impact of the coronavirus pandemic, with its export figures continuing to climb following the downturn in the first half of 2020. Overall, China is likely to be the only region in 2020 to register increases in port throughput as a result of high demand. Economic environment

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. In view of the ongoing coronavirus pandemic, however, these opportunities appear unlikely.

Following a highly volatile 2020 due to the effects of the pandemic, with a significant decrease in container throughput particularly in the first half of the year, market research institute Drewry adjusted its estimates several times over the past year. For 2021, Drewry currently expects significant year-on-year growth in both global container throughput and – of particular importance for HHLA – in traffic between Northern Europe and Asia. Volume risks resulting from this remain relevant for HHLA, particularly as the current positive development in demand will largely depend, over the course of the year, on the sufficient availability of vaccines – especially in the EU. Business forecast / sector development

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.

The permanent reduction of incidence rates is a prerequisite for the recovery of those economies hit by the coronavirus pandemic, as well as for throughput and transport volumes.

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, or the announcement, still subject to notification, to recapitalise state-owned rail operators. For HHLA's Intermodal subsidiaries, the risk of volume 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 operate in a tough competitive environment for container liner shipping. For years, it was assumed that this was mainly due to structurally related idle capacities and low freight rates. Over the course of the coronavirus pandemic, many shipping company clients were able to keep freight rates stable by restricting the supply of cargo space (including blank sailings in the second quarter of 2020). This helped reduce the existing overcapacity. Since the second half of 2020, freight rates have risen strongly in line with high global demand, while bunker costs remained relatively low in 2020. Many shipping companies can therefore look back on a positive business performance in 2020.

In view of consistently high demand, the restrictive capacity management of shipping companies is leading to a growing disparity in cargo flows and an increased need to reposition both container ships and containers. This is causing temporary capacity bottlenecks, particularly in Asia and on the Asia-Northern Europe freight routes of relevance for HHLA, leading to extreme increases in sea freight rates for containers and spot market rates for container ships in some cases. Moreover, the punctuality of ships remains low, which can increase the dwell times of containers in the ports and may lead to excess strain on port operations. It remains to be seen whether these trends will continue over the long term. Cost pressure and the resulting consolidation pressure on shipping companies will, however, remain high in future, due in part to volatile bunker costs.

Due to the ongoing restructuring of alliances and services on the Asia-Europe trades, a process which began in 2017, HHLA is still exposed to risks and opportunities 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. Due in particular to the growing pressure on prices, the risks resulting from significant changes to the current service structure have increased and are now considered possible.

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. This risk position was reduced significantly compared to the previous year, so that the corresponding market risk is no longer regarded as material for the HHLA Group. There are still residual risks, e.g. in the form of unplanned price hikes by strategic hardware suppliers. 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. The risks of increased traction/track costs remain generally unchanged. In contrast to the previous year, they are once again considered a material risk to the HHLA Group due to a shift in the Group's risk focus. Risks and opportunities / 1. Market environment; 3. Other risk and opportunity factors; 5. Strategic environment

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 also require adjustments to the valuation of 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 the risk of a devaluation of the Ukrainian currency, the hryvnia, compared to the budget estimate. As a result, exchange rate risks decreased year-on-year but are still subject to the increased uncertainties resulting from the ongoing development of the global coronavirus pandemic. Furthermore, 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 market uncertainty and falling volumes due to the coronavirus pandemic, the liquidity and earnings position of shipping companies improved in 2020 compared to the previous year. Risks and opportunities / 1. Market environment

However, the uncertainty of further pandemic-related downturns and volatile freight rates means that the risk of customer insolvency – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. The risk assessment largely corresponds to that of the previous year, with the risk still regarded as unlikely.

As a result of the coronavirus pandemic, rent default risks and the risk of costs for any necessary modification or renovation of rented space have increased strongly for Logistics properties and in the Speicherstadt historical warehouse district. In some cases, these risks are regarded as possible. Rent deferrals are granted to help tenants get through times of economic hardship. HHLA is in close contact with its tenants in order to be able to adopt further measures quickly where necessary.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to monitor compliance with contractually agreed payment deadlines.

Pension obligations

The monetary policy decisions of the European Central Bank may lead to a further reduction in the relevant 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. Against the backdrop of the coronavirus pandemic and its impact on monetary polity, the likelihood of the risk materialising is regarded as possible but unlikely. The risk assessment thus largely corresponds to that of the previous year. HHLA monitors interest trends so that it can adjust its provisions as necessary.

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. The residual risk remains largely unchanged compared to the previous year.

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 in the Speicherstadt historical warehouse district either have been, or will be, comprehensively modernised and refurbished by HHLA. Development projects on existing portfolio properties are characterised by a high degree of complexity for planners and executors alike.

On account of the complexity, it is not possible – despite extensive quality assurance measures – to exclude shortcomings in the planning and execution work carried out by contractors. HHLA always insists that any faults are remedied quickly, comprehensively and in a lasting manner, 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 decreased strongly compared to the previous year and are now deemed immaterial due to the successful assertion of contractual warranty claims in 2020.

Investment options

In addition to organic growth, HHLA systematically examines and evaluates acquisition opportunities as part of its growth and innovation strategy. Potential equity investments focus on port projects in attractive growth markets, as well as innovative technology companies and start-ups in the transport and logistics sector. 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. One such acquisition was the majority takeover on 1 January 2021 of the multi-function terminal PLT in the Italian seaport of Trieste, which will strategically expand the port and intermodal network of HHLA. Also in early 2021, HHLA acquired a majority share in iSAM AG, a global specialist for automation technology, including for port handling. Events after the balance sheet date

Technological innovations and digitalisation

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. To achieve this, HHLA uses machine learning at CTA and CTB, for example, to optimise the positioning of containers in the yard and thus boost productivity.

Furthermore, HHLA has set up new company units and invests in promising start-ups to provide the necessary space for technological and entrepreneurial innovation in logistics to flourish, especially with regard to digitalisation. One example of this is the Modility booking portal, a platform that aims to simplify access to intermodal transport.

The innovative development of our core business and the tapping of new growth drivers may result in additional opportunities for boosting efficiency and value added in future. Research and development

4. IT risks

In the event of a cyberattack, temporary restrictions or failures in IT applications, e.g. due to the destruction of data, 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. Delays to the project have represented a material risk for HHLA for many years. After further appeals brought by environmental associations against the planning decisions were dismissed by the Federal Administrative Court in June 2020, no further delays are expected to the project from appeals. Construction work is on schedule and should be completed in mid-2021. Due to the progress of the project, it is now highly unlikely that customers will have to reschedule liner services due to ongoing restrictions and this risk is therefore no longer regarded as material.

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. This could lead to additional costs or delays in the Intermodal segment due to bottlenecks in the rail network as a result of 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. Moreover, deficits and delays in the expansion of the rail network may lead to the weakening of Hamburg's competitiveness as a rail port over the medium term. Projects of special significance for HHLA also include the future replacement of the Köhlbrand Bridge, whose useful life looks set to end in the early 2030s, 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. Furthermore, any infringements of specific areas of law (e.g. competition law, data privacy) may lead to fines based on Group key figures and could therefore potentially reach significant proportions.

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 regular analysis of compliance risks and system-based business partner screening – which enables the standardised risk-oriented screening of HHLA business partners across the Group – also help to 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, or lead to cost increases. 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, where possible.

Conversely, new regulations may also lead to opportunities that mainly boost the market potential of technological innovations. For example, the entry into force of the EU Drone Directive on 1 January 2021 and the subsequent broadening of access to airspace may lead to additional business growth for HHLA Sky.

7. Service provision risks

Following a reassessment of the risk inventory, service provision risks have returned to the category of relevant risks for the HHLA Group.

This risk category primarily includes any need for write-downs on property, plant and equipment that can no longer be used for their intended purpose due to unexpected market developments, or that are subsequently deemed unsuitable. As a result of measures taken, particularly in the form of tests and analyses prior to purchase, these risks are deemed unlikely.

In addition to their economic impact, pandemics can also lead to the disruption or interruption of operations within the HHLA Group due to illness. In the course of the current coronavirus pandemic, HHLA has implemented extensive measures to ensure the safety of its employees and the continuation of its operations. The risk situation is continually reviewed and measures are adjusted as necessary. At present, the service provision risks from pandemics are not deemed as material.

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 that it pursues. The Executive Board and Supervisory Board once again carefully studied the recommendations and suggestions of the Code in the 2020 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG on 11 December 2020. 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 13 December 2019 (issue of the previous declaration of compliance), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 7 February 2017 and – subsequent to its taking effect – the version dated 16 December 2019 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

a) Not all the members of the Executive Board and Supervisory Board currently comply with the limits on mandates as defined in recommendations C.4 and C.5 GCGC. When selecting candidates for the Executive Board and Supervisory Board, the Supervisory Board and the Nomination Committee have always taken care to ensure that the individuals concerned have enough time to fulfil their commitments. This generally also means that they comply with the limits on mandates defined in recommendations C.4 and C.5. However, the Supervisory Board believes that the question of whether a member has sufficient time for their commitments must be answered according to the circumstances of the individual case. The number of mandates may be an indication, but should not be the only criterion, particularly since there is added value for HHLA when its Board members hold other external mandates. The Supervisory Board therefore believes it is reasonable if members of the Supervisory Board or Executive Board exceed these limits in individual cases.

b) According to Section 4.2.3 (2) sentence 2 GCGC in the version dated 7 February 2017, the long-term assessment base for the variable remuneration of Executive Board members should mainly be forward-looking. According to recommendation G.6 GCGC in the version dated 16 December 2019, the share of long-term variable remuneration should exceed the share of short-term variable remuneration. 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 in its current form is already sufficiently geared towards the company's long-term performance. Nevertheless, the Supervisory Board has started a review of the remuneration system for the Executive Board – also in view of the revision of the GCGC – in the course of which a decision will also be taken on whether to modify the variable remuneration of the Executive Board in future. This review was still ongoing at the time the declaration of compliance was made.

c) Section G of the amended Code contains many new recommendations on structuring Executive Board remuneration. This ensures that the remuneration system also determines the relative proportions of fixed salary on the one hand and the short-term variable and long-term variable remuneration in relation to the total target remuneration on the other, and sets an overall cap on total remuneration (G.1). To determine whether the actual total remuneration of the Executive Board members is standard with regard to other companies, the Supervisory Board is to draw up a peer group of other companies and disclose the individual companies (G.3). Furthermore, for each upcoming financial year, the Supervisory Board is to define the performance criteria for all variable remuneration components for each Executive Board member, which should primarily be based on strategic objectives in addition to operational targets (G.7). The long-term variable remuneration granted to each Executive Board member should largely be invested in company shares or otherwise based on the share price. The Executive Board member should only be able to access the long-term variable remuneration after four years (G.10). It is possible to withhold or claw back the variable remuneration in justified cases (G.11). If the service contract with an Executive Board member comes to an end, outstanding variable remuneration components for the period until the contract ends should be paid according to the originally agreed targets and comparative parameters and on the dates or after the holding periods defined in the contract (G.12). The remuneration system for the Executive Board of HHLA in its current form only partially complies with these recommendations, so the company declares the deviation by way of precaution. Variable remuneration for the HHLA Executive Board is not currently divided into short-term and long-term components. There are no plans for share-based components, holding periods or withholding and clawback rights. Instead, the variable remuneration policy which applies to HHLA's Executive Board is largely 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 in its current form is already sufficiently geared towards the company's long-term performance. If any severance payment is made when a contract comes to a premature end, it is generally paid at the departure date. This enables a clear distinction to be made and avoids later arguments. Disclosure of the composition of the peer group was not previously required and has not yet been implemented. In the course of the current review of the remuneration system, the Supervisory Board will decide which of these recommendations HHLA will follow in future.

Hamburg, 11 December 2020
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 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, a supplier code of conduct together with the business partner screening system, which is currently being implemented on a Group-wide basis to facilitate a risk-oriented assessment of business partners, help to reduce compliance risks. Overall coordination of the CMS is performed by the Group Compliance Officer, who reports directly to the Executive Board and synchronises their 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 economic position of the company, 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. Furthermore, 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 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, implementing the HR 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 works in a spirit of mutual trust with the Supervisory Board in the interests of the company. It provides the Supervisory Board with regular, timely and comprehensive information on all matters that are relevant for the company. 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. Other duties, especially supervisory board posts at companies outside the Group, require the approval of the Supervisory Board. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them also require the approval of the Supervisory Board and must be performed on an arm's-length basis. **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. 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

The Executive Board plays a central role in the ongoing development of HHLA and the Group. Along with the professional skills and experience of the Executive Board members, the Supervisory Board therefore 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.

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

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

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;
- 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 currently composed of four 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 consider not only 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 2020 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 the quarterly reports on the course of business and 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) and deciding on external reviews of non-financial statements and reports.

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 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 insofar as these relate to the Real Estate subgroup.

Personnel Committee

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

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 on the remuneration system for Executive Board members and the specification of remuneration for individual members, represents the company, where legally permissible, in other legal transactions with Executive Board members and decides on approving the appointment of authorised signatories.

Nomination Committee

Members: Prof. Dr. Rüdiger Grube (Chair), Andreas Rieckhof, Dr. Sibylle Roggencamp

Responsibilities: In line with the statutory requirements, the rules of procedure, the recommendations of the Code, the skills and requirements matrix for the Supervisory 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, Andreas Rieckhof

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 of HHLA updated its requirement profile for the Supervisory Board in December 2020 as outlined below. In addition to key legal requirements and the recommendations of the Code concerning supervisory board composition, the requirement profile 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.

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. The Supervisory Board believes that, in addition to professional and personal requirements, diversity aspects also 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.

Available time

Each Supervisory Board member ensures that they have enough time to fulfil their Supervisory Board commitments. 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. 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.

Limits on mandates

Members of the HHLA Supervisory Board who sit on the executive board of a listed company should, as a rule, not serve on the supervisory boards of more than two listed non-Group companies or hold comparable positions and should not serve as the chairperson of the supervisory board of a listed non-Group company. Members of the HHLA Supervisory Board who do not sit on the executive board of a listed company should, as a rule, not hold more than five such external mandates, whereby the role of supervisory board chairman counts twice in this regard. In particular, comparable positions are mandates in the supervisory bodies of foreign listed companies or mandates in the supervisory bodies of companies that are subject to statutory co-determination. On the other hand, membership of the supervisory or advisory boards of smaller companies usually requires a much smaller (time) commitment, meaning that mandates of this kind are generally not regarded as comparable positions.

Age limit and duration of membership

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 transport and logistics industries – 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 transport and logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems, information technology 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
- the auditing of financial statements and the application of 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 regards it as appropriate that more than half of the shareholder representatives – including the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the Chairman of the Personnel Committee – are independent of the company and of the Executive Board. Furthermore, the Supervisory Board should include at least two members from the Group of shareholder representatives – including the Chairman of the Audit Committee – who are also independent from the controlling shareholder (cf. Recommendations C.6 to C.10 GCGC).

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. Moreover, 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 or who has personal relations with a direct competitor. 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 mandate.

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 that 50 % 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 training or 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 of its 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 for more than ten years on the Supervisory Board. Most members comply with the limits on mandates. The majority of shareholder representatives are independent of the company and the Executive Board. Furthermore, the Chairman of the Supervisory Board, Prof. Dr. Grube, the Chairman of the Audit Committee, Dr. Kloppenburg, and Prof. Dr. Schwenker are also independent of the controlling shareholder. Dr. Kloppenburg has expert knowledge and experience in the fields of accounting, auditing and internal control processes, too, thereby fulfilling 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 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 during the election. 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 composition of the Supervisory Board, the activities of the Supervisory Board and its committees, as well as on the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. The rules of procedure for the Supervisory Board and curricula vitae for the serving members of the Supervisory Board, which also contain information on the career path and other mandates/significant activities of the Supervisory Board member concerned and which are updated annually, are published on the company's website at www.hhla.de.

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 2020, women accounted for 25 % of both management levels.

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 attend the Annual General Meeting and 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 set up 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/annual-general-meeting 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 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.

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 2020 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.

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)
- Deutsche Lufthansa AG, Cologne[3] (since 02.09.2020)
- Evonik Industries AG, Essen[3]
- HHLA Digital neXt GmbH[2] (since 01.02.2021) (Chair)
- 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]
- modility GmbH[2] (since 12.10.2020) (Chair)
- 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]
- iSAM AG, Mühlheim an der Ruhr (since 19.01.2021) (Chair)
- 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 30.04.2026

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]
- Spherie UG (haftungsbeschränkt)[4] (until 31.08.2020)
- Ulrich Stein GmbH[2]
- UNIKAI Lagerei- und Speditionsgesellschaft mbH[2]

Torben Seebold
Chief Human Resources Officer

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 (Bahntechnologie) Holding Germany GmbH, Berlin (Chair) (since 11.05.2019)
- Bombardier Transportation GmbH, Berlin (Chair) (since 11.05.2019)
- Deufol SE, Hofheim am Taunus
- Herrenknecht AG, Schwanau
- RIB Software SE, Stuttgart[3]
- Vantage Towers AG, Düsseldorf (Chair) (since 01.10.2020)
- 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

Technical employee at 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

Management spokeswoman for 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)
- Hapag-Lloyd AG[3, 6] (since 05.06.2020)
- 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

Andreas Rieckhof
MA in history, political science, and social and economic history, Hamburg

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

Supervisory Board member since: August 2020

Other mandates[1]
- FHG Flughafen Hamburg GmbH Group[5]
- Hamburger Hochbahn AG (until 27.08.2020)
- Hamburger Verkehrsverbund GmbH (Chair) (until 14.07.2020)
- Hamburgische Investitions- und Förderbank AöR (from 15.07.2020 until 08.09.2020)
- Hamburg Verkehrsanlagen GmbH (Chair) (until 14.07.2020)
- HHT Hamburg Tourismus GmbH[5] (Chair) (since 15.07.2020)
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH[5] (Chair) (since 15.07.2020)
- HMC Hamburg Messe und Congress GmbH[5] (Chair) (since 15.07.2020)
- Life Science Nord Management GmbH[5] (Chair in even years) (since 15.07.2020)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH[5] (Chair)
- Verkehrsbetriebe Hamburg-Holstein AG (Chair) (until 14.07.2020)
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH5 (Chair) (since 15.07.2020)

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) (until 14.07.2020)
- 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]
- 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

Head of the Maritime Economy group, ver.di Bund

Supervisory Board member since: June 2017

Other mandates[1]

- Hapag-Lloyd AG, Hamburg[3, 6]

Members who departed in 2020

Dr. Torsten Sevecke
Doctorate in law, Hamburg

State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation (Economy and Innovation department) (until June 2020)

Supervisory Board member since: June 2018

Other mandates[1]

- 4Free AG, Hamburg
- Erneuerbare Energien Hamburg Clusteragentur GmbH[5] (Chair) (until 14.07.2020)
- Hamburg Messe und Congress GmbH[5] (Chair) (until 14.07.2020)
- Hamburg Tourismus GmbH[5] (Chair) (until 14.07.2020)
- Hamburgische Investitions- und Förderbank AöR[5] (until 14.07.2020)
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungs-management mbH[5] (until 14.07.2020)
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH[5] (Chair) (until 14.07.2020)
- Life Science Nord Management GmbH[5] (Chair) (until 14.07.2020)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH[5] (until 14.07.2020)
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH[5] (Chair) (until 14.07.2020)

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

6 The Free and Hanseatic City of Hamburg (excluding HHLA Group companies) holds a minority interest. 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 statutory requirements, 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.

Level of remuneration for Executive Board members according to different scenarios

As of: 31 December 2020

	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

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 reviewed the existing remuneration system for the Executive Board. The reviewed remuneration system will be presented for adoption at this year's Annual General Meeting on 10 June 2021.

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 2020 financial year amounted to approximately € 3.2 million (previous year: approximately € 3.1 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 1,139,416 (previous year: € 1,096,949). Total provisions of € 30,328,824 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 28,783,941).

Individual remuneration of the Executive Board

The following figures comply with the former recommendations in Section 4.2.5 of the GCGC (in the version dated 7 February 2017).[1]

Angela Titzrath, Chairwoman of the Executive Board

	Benefits granted (target)				Allocation	
in €	**2020**	2020 Minimum	2020 Maximum	2019	**2020**	2019
Fixed remuneration	495,000	495,000	495,000	461,250	495,000	461,250
Other benefits	13,839	13,839	13,839	13,859	13,839	13,859
Total	**508,839**	**508,839**	**508,839**	**475,109**	**508,839**	**475,109**
One-year variable remuneration[2, 3]	477,262	0	495,000	434,988	495,000	461,250
Other	0	0	0	0	0	0
Total remuneration	**986,101**	**508,839**	**1,003,839**	**910,097**	**1,003,839**	**936,359**
Service cost[4, 5]	1,210,142	1,210,142	1,210,142	2,796,735	1,210,142	2,796,735
Total expenses	**2,196,243**	**1,718,981**	**2,213,981**	**3,706,832**	**2,213,981**	**3,733,094**

Jens Hansen, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2020**	2020 Minimum	2020 Maximum	2019	**2020**	2019
Fixed remuneration	361,250	361,250	361,250	350,000	361,250	350,000
Other benefits	18,582	18,582	18,582	18,624	18,582	18,624
Total	**379,832**	**379,832**	**379,832**	**368,624**	**379,832**	**368,624**
One-year variable remuneration[2, 3]	361,250	0	361,250	350,000	361,250	350,000
Other	0	0	0	0	0	0
Total remuneration	**741,082**	**379,832**	**741,082**	**718,624**	**741,082**	**718,624**
Service cost[4]	49,813	49,813	49,813	35,000	49,813	35,000
Total expenses[6]	**790,894**	**429,644**	**790,894**	**753,624**	**790,894**	**753,624**

Dr. Roland Lappin, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2020**	2020 Minimum	2020 Maximum	2019	**2020**	2019
Fixed remuneration	365,000	365,000	365,000	360,000	365,000	360,000
Other benefits	10,767	10,767	10,767	10,782	10,767	10,782
Total	**375,767**	**375,767**	**375,767**	**370,782**	**375,767**	**370,782**
One-year variable remuneration[2, 3]	365,000	0	365,000	360,000	365,000	360,000
Other	0	0	0	0	0	0
Total remuneration	**740,767**	**375,767**	**740,767**	**730,782**	**740,767**	**730,782**
Service cost[4]	242,625	242,625	242,625	195,110	242,625	195,110
Total expenses	**983,392**	**618,392**	**983,392**	**925,892**	**983,392**	**925,892**

Torben Seebold, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2020**	2020 Minimum	2020 Maximum	2019	**2020**	2019
Fixed remuneration	341,250	341,250	341,250	236,250	341,250	236,250
Other benefits	14,221	14,221	14,221	23,671	14,221	23,671
Total	**355,471**	**355,471**	**355,471**	**259,921**	**355,471**	**259,921**
One-year variable remuneration[2, 3]	341,250	0	341,250	236,250	341,250	236,250
Other	0	0	0	0	0	0
Total remuneration	**696,721**	**355,471**	**696,721**	**496,171**	**696,721**	**496,171**
Service cost[4]	34,125	34,125	34,125	23,625	34,125	23,625
Total expenses[7]	**730,846**	**389,596**	**730,846**	**519,796**	**730,846**	**519,796**

1 No longer directly applicable since the GCGC as amended on 16 December 2019 (GCGC 2020) came into force. As the remuneration report pursuant to Section 162 AktG is to be prepared for the first time for the 2021 financial year, the previous presentation will be retained until then.

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

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

4 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)

5 Service costs for 2020 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, 2020

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

7 2019: Pro rata from 1 April 2019 (first appointment)

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 serve on 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 served on 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 € 311,500 (previous year: € 305,875).

Additional information on takeover law and explanatory notes

1. The subscribed capital of the company amounts to € 74,404,715.00. It is divided into 74,404,715 registered no-par-value shares with a pro rata share of the company's share capital of € 1.00. Of this amount, 71,700,215 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]	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Prof. Dr. Rüdiger Grube	40,500	40,500	10,000	9,375	2,750	3,500	53,250	53,375
Berthold Bose	20,250	20,250	2,500	2,500	2,500	2,250	25,250	25,000
Dr. Norbert Kloppenburg	13,500	13,500	7,500	7,500	3,500	3,750	24,500	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	3,750	4,250	27,250	27,750
Dr. Isabella Niklas	13,500	13,500	7,500	7,500	3,000	3,250	24,000	24,250
Norbert Paulsen	13,500	13,500	10,000	10,000	4,750	4,500	28,250	28,000
Sonja Petersen	13,500	13,500	5,000	5,000	3,000	4,000	21,500	22,500
Andreas Rieckhof[2]	5,625	0	1,042	0	1,000	0	7,667	0
Dr. Sibylle Roggencamp	13,500	13,500	10,000	10,000	4,250	4,750	27,750	28,250
Prof. Dr. Burkhard Schwenker	13,500	7,875	7,500	4,375	4,250	2,250	25,250	14,500
Maya Schwiegershausen-Güth	13,500	13,500	0	0	1,500	1,750	15,000	15,250
Dr. Torsten Sevecke[3]	9,000	13,500	3,333	5,000	1,500	2,250	13,833	20,750
Michael Westhagemann[4]	0	2,250	0	1,250	0	0	0	3,500
Total expenses	**196,875**	**192,375**	**76,875**	**75,000**	**37,750**	**38,500**	**311,500**	**305,875**

1 All figures exclude VAT
2 Since 20. August 2020 (Annual General Meeting 2020)
3 Until 20. August 2020 (Annual General Meeting 2020)
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 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 is authorised under Article 3 (4) of the articles of association to increase the company's share capital until 20 June 2022 by up to € 33,373,036.00 by issuing up to 33,373,036 new registered class A shares by 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 a 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.

In July 2020, the company also concluded an agreement concerning a revolving line of credit totalling € 50 million to protect general liquidity with KfW IPEX-Bank GmbH as the lender. In the event of a change of control at HHLA, the lender is entitled to terminate the contract without notice. A change of control can be said to have taken place if the share of share capital in HHLA attributable to the Free and Hanseatic City of Hamburg (including via indirect interests) falls below 50 %.

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. Section 9

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 AG) 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 33 domestic and 18 foreign subsidiaries that make up the consolidated group. In the 2020 financial year, HHLA increased its group of consolidated companies for the purpose of extending its intermodal network and expanding its digital business operations. 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 1,043 employees as of 31 December 2020 (previous year: 1,055). Of this number, 253 received wages (previous year: 271), 721 received a salary (previous year: 719) and 69 were apprentices (previous year: 65). Of the 1,043 staff members, 423 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.

Earnings position

Key figures

in € million	**2020**	2019	Change
Revenue	133.5	136.0	- 1.8 %
Other income and expenses	- 205.7	- 163.4	- 25.9 %
Operating result	- 72.2	- 27.4	- 163.5 %
Financial result	- 23.7	- 28.5	16.8 %
Result from equity investments	94.9	143.4	- 33.8 %
Income taxes	11.9	- 11.7	201.9 %
Net profit	10.9	75.8	- 85.6 %

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 € 133.5 million in the reporting period (previous year: € 136.6 million). The decline of € 2.5 million resulted from services billed to subsidiaries of HHLA AG.

Other income and expenses reduced earnings by an additional € 42.3 million compared with the previous year. This was largely due to increased expenses as part of restructuring measures in the Container segment.

The year-on-year improvement in the **financial result** is mainly attributable to interest rate-related changes to provisions.

The development of **income from equity investments** was primarily due to the performance of the Intermodal segment and increased expenses for restructuring measures in the Container segment. The net profits of HHLA AG's affiliates and equity investments recognised in profit or loss declined year-on-year by € 48.5 million to € 94.9 million (previous year: € 143.4 million).

The € 23.6 million decline in **income taxes** stemmed mainly from the reduced operating result.

The company's **annual net profit** amounted to € 10.9 million in the reporting period (previous year: € 75.8 million). The A division accounted for € 4.9 million of this net profit (previous year: € 66.6 million) and the S division for € 6.0 million (previous year: € 9.2 million).

Forecast and actual figures

in € million	Actual 2019	Forecast 2020	**Actual 2020**
Net profit	75.8	strongly declining	10.9

The forecast for the development of annual net profit materialised as expected and was further impacted by expenses for restructuring measures in the Container segment.

Assets

Balance sheet structure

in € million	**31.12.2020**	31.12.2019
Assets		
Intangible assets and property, plant and equipment	32.5	32.4
Financial assets	441.7	444.5
Other assets	741.2	718.5
Balance sheet total	**1,215.4**	**1,195.4**
Equity and liabilities		
Equity	474.6	492.2
Pension provisions	334.8	330.1
Other liabilities	406.0	373.1
Balance sheet total	**1,215.4**	**1,195.4**
Equity ratio in %	39.0	41.2
Intensity of investments in %	2.7	2.7

The carrying amounts of **intangible assets** and **property, plant and equipment** totalled € 32.5 million at the end of the reporting period (previous year: € 32.4 million). Capital expenditure amounted to € 4.9 million in the reporting period (previous year: € 6.9 million). Capital expenditure focused mainly on expanding the IT landscape.

Financial assets decreased in total by € 2.8 million to € 441.7 million.

Equity declined by € 17.6 million compared to year-end 2019. The decline is mainly attributable to the dividend distribution of € 54.7 million. There was an opposing effect from the increase in capital of € 25.2 million from the distribution of a scrip dividend.

Development in pension provisions

in € thousand	**2020**	2019
Carrying amount on 1 January	**330,110**	**323,888**
Expense recognised in profit and loss	23,826	25,301
Pension payments	- 19,175	- 19,079
Carrying amount on 31 December	**334,761**	**330,110**

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 2.30 % set by Deutsche Bundesbank was applied for the reporting year (previous year: 2.71 %).

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 € 334.8 million at the end of the reporting period (previous year: € 330.1 million).

Financial position

Liquidity analysis

in € million	**2020**	2019
Financial funds as of 1 January	**431.4**	**416.1**
Cash flow from operating activities	67.0	103.7
Cash flow from investing activities	- 2.2	- 26.7
Cash flow from financing activities	- 29.5	- 61.7
Financial funds as of 31 December	**466.7**	**431.4**
of which receivables from subsidiaries	291.9	224.1
of which cash and cash equivalents	174.8	207.3

Cash flow from operating activities totalled € 67.0 million in the reporting period (previous year: € 103.7 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 € 291.9 million (previous year: € 224.1 million), cash and cash equivalents in the form of bank balances totalling € 92.8 million (previous year: € 112.3 million) – of which € 40.0 million (previous year: € 45.0 million) was short-term bank deposits – and clearing receivables of € 82.0 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