

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



Holding/Other

- Strategic corporate development
- Functional management of the Container segment
- Management of resources and processes
- Provision of shared services
- Floating crane operations
- Letting of port-related real estate

Port Logistics

subgroup

Listed class A shares

Real Estate

subgroup

Non-listed class S 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.
- Business activities for process automation, additive manufacturing, airborne logistics services, etc.
- Consulting and training

Real Estate segment

- Management of real estate in Hamburg's Speicherstadt historical warehouse district and fish market area
- District/project development
- Tenancy
- Facility management

Shareholder structure

Share capital: total of 75,219,438 no-par-value registered shares

of which 72,514,938 class A shares
– listed –

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

31 %

69 %

100 %

Free float

22,299,602 class A shares

Free and Hanseatic City of Hamburg

Shareholding: 50,215,336 class A shares + 2,704,500 class S shares

Group structure

Hamburger Hafen und Logistik AG (HHLA) is one of Europe's leading port and 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 35 domestic and 23 foreign **subsidiaries and associated firms**. In the 2021 financial year, HHLA increased its group of consolidated companies for the purpose of extending its Intermodal network and expanding its digital business operations and process automation, and by acquiring another container terminal. **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 transshipping 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), Tallinn, Estonia (TK Estonia) and Trieste, Italy (PLT). The portfolio is rounded off by supplementary container services, such as maintenance and repairs.

The **Intermodal segment** is the second largest of HHLA's segments in terms of 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 transshipment services at the Port of Hamburg, the trucking subsidiary CTD transports containers by road, both locally and over long-haul distances within Europe.

The **Logistics segment** encompasses a wide range of services in the field of specialist handling, consulting and other business activities. Its service portfolio comprises both stand-alone and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, motor vehicles and fruit. The company also provides consulting and management services for clients in the international port and transport industry. Business activities for process automation, additive manufacturing and airborne logistics services complete the portfolio. HHLA provides some of the activities 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 sustainable district/project 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 m² of commercial space. Other prime properties totalling approximately 63,000 m² 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 have strengthened their competitiveness in recent years, 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 and geopolitical conflicts and the development of raw material and energy prices.

In 2021, the coronavirus pandemic continued to impact the economy, manufacturing, trade and in particular global supply chains. This resulted in excess strain on terminal storage areas at all the world's major ports; however, the impact on growth of this congestion was not as strong as originally feared in early 2021. The International Monetary Fund (IMF) expects the global economy to grow by 5.9 % in 2021. **Economic environment**

Infection rates and supply bottlenecks will continue to hamper macroeconomic activity in 2022, although their impact should gradually lessen as the year progresses. Signs of structural inflation are evident. It remains to be seen when the European Central Bank (ECB) will implement monetary policy measures so that the global effect on further developments can be better assessed. Against this backdrop, the IMF downgraded its outlook for global economic growth in 2022 to 4.4 % in January 2022 (previously: 4.9 %). **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. As a result of handling difficulties at British ports, cargo was temporarily re-routed in 2021 through Rotterdam, Zeebrugge and Wilhelmshaven, resulting in additional throughput growth at these ports.

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. In addition to the Polish ports, the **Adriatic region** with ports such as Koper and Trieste has developed dynamically in recent years. With a majority shareholding in the multi-function terminal "Piattaforma Logistica Trieste" (PLT) in Trieste, HHLA is positioning itself in a growing market that offers good oppor-

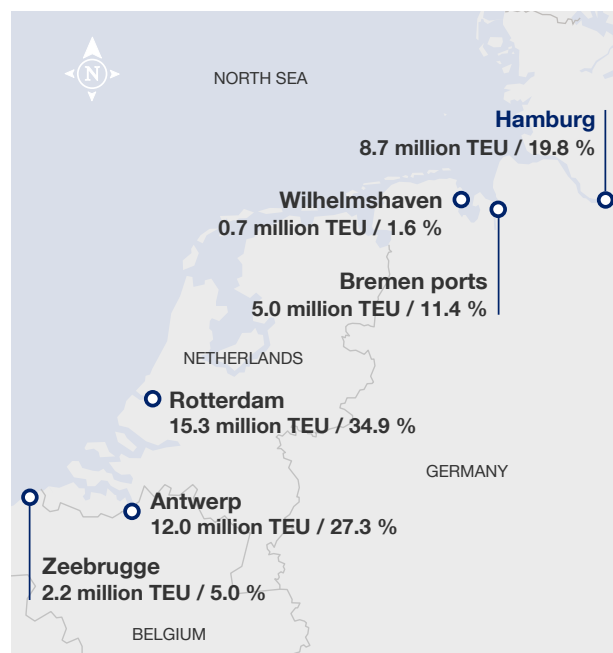
tunities for development, including the opportunity to actively participate in and help shape new and changing cargo flows. The terminal has its own rail connection. HHLA rail subsidiary METRANS already connects the Port of Trieste with its European intermodal network.

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.

Competition remains extremely fierce in Northern Europe and the ports are increasingly influenced by changing shipping company constellations and participations in terminals. 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.

Container throughput at the North Range ports

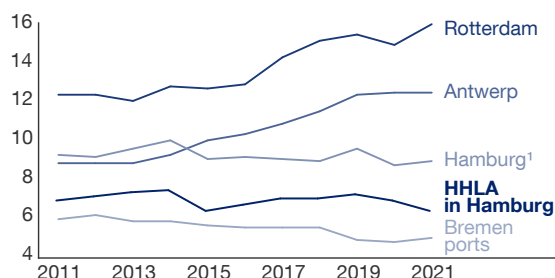
Handling volumes and market shares in 2021



Source: Port Authorities / market shares according to own calculation

Container throughput at the largest North Range ports

in million TEU



¹ Incl. HHLA / Source: Port Authorities

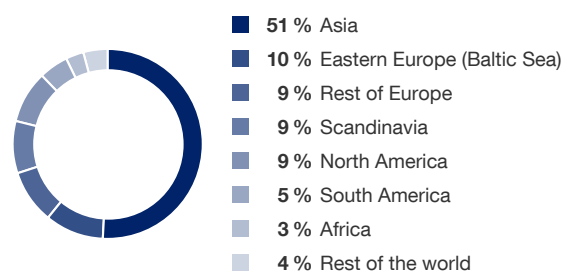
The **Container segment** benefits from the Port of Hamburg's position as the most easterly North Sea port, which makes it the ideal hub for the entire Baltic region and for hinterland traffic to and from Central and Eastern Europe. Furthermore, the long-standing trading relationships between the Port of Hamburg and the Asian markets are advancing Hamburg's role as an important European container hub.

With a container throughput of 8.7 million TEU, Hamburg is expected to rank 19th among ports worldwide in 2021 and thus continues to be the third-largest European container port after Rotterdam and Antwerp. In Hamburg, HHLA remained the largest container handling company with a throughput volume of 6.5 million TEU in 2021 and was able to expand HHLA's market share of throughput in the Port of Hamburg to 74.5 % (previous year: 74.2 %). The Far East, North America, Scandinavia and the Baltic region were the most important shipping regions.

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 2.8 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.

Container throughput by shipping region

in the Port of Hamburg, 2021



Source: Hamburg Hafen Marketing e.V.

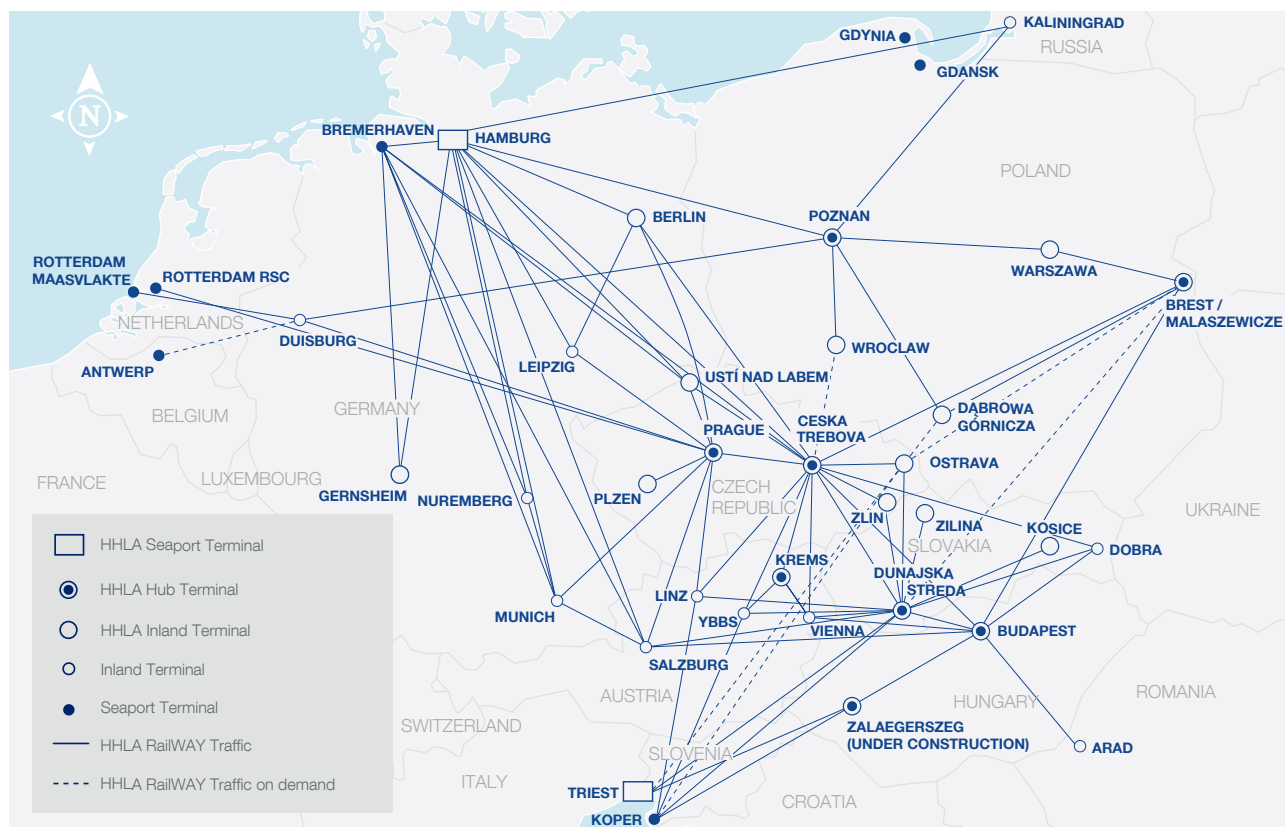
HHLA operates proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offering. This is necessary to enable it to run direct trains with frequent and highly punctual departures. HHLA occupies relevant market positions in the majority of the regions it serves in the field of intermodal transport. 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. Business activities for process automation, additive manufacturing and airborne logistics services complete the portfolio.

With a population of approximately 1.9 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.

In September 2021, COSCO SHIPPING Ports Limited (CSPL) and HHLA agreed on a non-controlling interest in the HHLA Container Terminal Tollerort (CTT). As a result, CTT will become a "preferred hub" for COSCO SHIPPING Lines in Europe. The approval of the relevant federal authorities was still pending as of the end of 2021.

Top 10 shipping companies

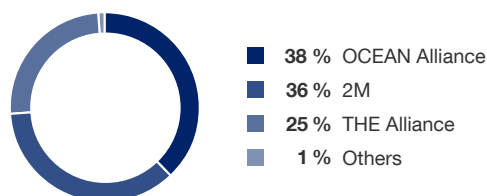
by carrying capacity in thousand TEU as of 31.12.2021

Shipping company	Alliance 2021	2021
1. APM-Maersk	2M	4,281
2. MSC	2M	4,277
3. CMA CGM Group	OCEAN Alliance	3,168
4. COSCO Group (inkl. OOCL)	OCEAN Alliance	2,934
5. Hapag-Lloyd	THE Alliance	1,751
6. ONE (MOL, NYK, K Line)	THE Alliance	1,542
7. Evergreen	OCEAN Alliance	1,478
8. HMM	THE Alliance	820
9. Yang Ming	THE Alliance	662
10. Wan Hai Lines		420

Source: Alphaliner Monthly Monitor, January 2022

Capacity breakdown by shipping line alliance

Weekly Far East–Europe services



Source: Alphaliner Monthly Monitor, January 2022

In the reporting year, HHLA's customer base included nine 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.

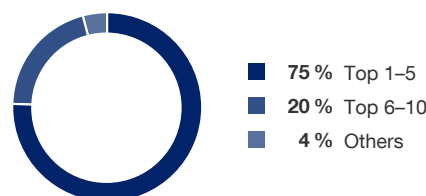
New orders of container ships continued to increase in the reporting year, although not exclusively in the over 18,000-TEU category. Activity also increased in the 12,500-TEU to 18,000-TEU category, as well as in the feeder ship category. Many of these ships were ordered with hybrid propulsion systems and will be delivered in 2023/2024.

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 the Port of Hamburg.

The revenue share attributable to HHLA's five most important customers of its Hamburg container terminals changed only marginally in the 2021 financial year to 75.3 % (previous year: 75.5 %). The revenue share attributable to the ten most important customers of the Hamburg terminals fell slightly to 95.7 % (previous year: 97.7 %). HHLA has maintained commercial relationships with the majority of its most important customers for well over two decades. 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.

Revenue distribution by customer

of the container terminals at the main hub of Hamburg in 2021



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 (Hafensicher-

heitsgesetz – 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 fees as well as rail operation. The main legislation in Germany is the General Railways Act (Allgemeines Eisenbahngesetz – AEG), which sets out the requirements for rail operation, and the Railway Regulation Act (Eisenbahnregulierungsgesetz – ERegG), which, in particular, contains provisions on network access and route pricing. In addition, there are further national, European and – especially for transnational rail transport – international regulations.

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

Corporate strategy

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

The 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 wants to halve its absolute