

Expected financial position

Based on the **liquidity** available as of 31 December 2021, HHLA assumes that it will have sufficient funds at all times to meet its payment obligations.

In order to further increase productivity and expand capacity in the Container and Intermodal segments, **capital expenditure** at Group level is expected to be in the range of € 300 million to € 350 million in 2022. The Port Logistics subgroup will account for € 270 million to € 320 million of this amount. The main focus of capital expenditure in the Container segment will be on the efficient use of existing terminal space at the Port of Hamburg and the expansion of foreign terminals. In the Intermodal segment, investments will focus on the expansion of the Group's own transport and handling capacities. The forecast for capital expenditure is subject to the condition that there are no unplanned delays in additions to assets due to material shortages or long-term disruption to supply chains. HHLA continues to consider the scalability of its capital expenditure and will adjust it – where necessary – to future economic developments in order to safeguard the financial stability of the Group.

HHLA will do everything in its power to protect the lives and well-being of all its employees in Ukraine. A further area of focus for the management is on protecting the health of employees, as well as maintaining all systems that play a key role in the critical infrastructure of the Container and Intermodal segments.

HHLA remains committed to its results-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 reporting system and the boards of the Group's affiliates 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 exist-

ence 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. Its structure is based on the international risk management standard "COSO Enterprise Risk Management (2013)". Key elements of the risk management system are: identifying, assessing, managing, monitoring and reporting risks; clear responsibilities for process participants (Executive Board and 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 (capability)				
< 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). Based on the provisions of the German Act to Strengthen Financial Market Integrity (FISG) with regard

to the appropriateness and effectiveness of risk management systems, specific details emerge when systematically examining the effectiveness of risk management measures.

This is followed by systematic risk aggregation to calculate the Group's risks. Compared with the previous year, the systematisation was enhanced as part of the capability analysis.

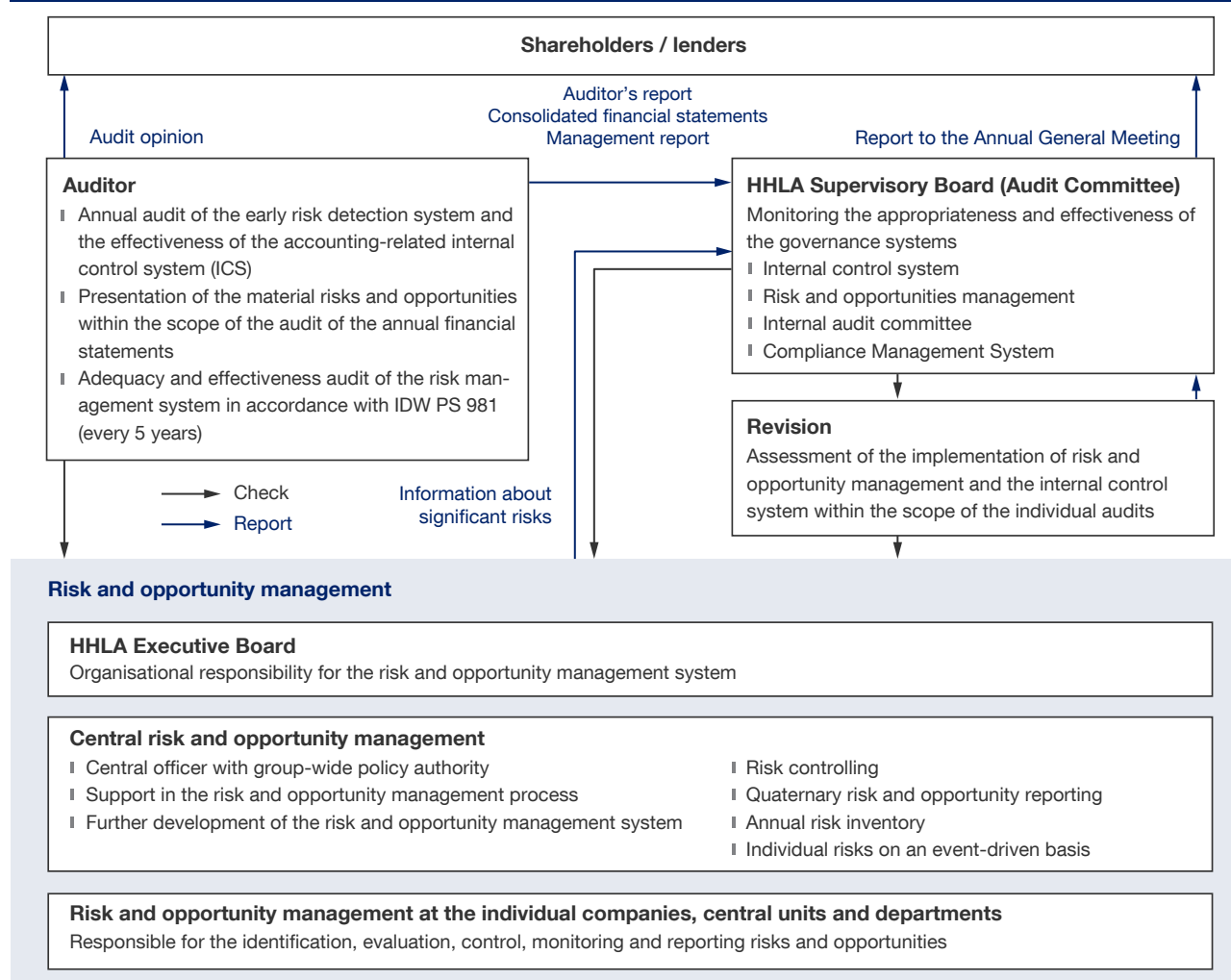
Risks are monitored continuously and any significant changes are reported and documented on a quarterly basis. Additional ad hoc reports are issued whenever material risks emerge, cease to apply, or change. Risks are reported using standard Group-wide reporting formats in order to ensure a consistent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

Risk and opportunity management and the internal control system for accounting



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 for its accounting processes by means of individual audits. 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

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 individual audits, Internal Audit reviews the risk management processes and the controls built into these processes. The Supervisory Board of HHLA focuses on the appropriateness and effectiveness of the risk management

system, the internal control system, the compliance management system and the internal audit 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. Risks arising from climate change, primarily in the form of extreme weather events, are also becoming increasingly significant.

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	medium	unlikely	↗
Performance risks	not significant	possible	↗
Legal risks	not significant	unlikely	↗
Strategical risks	–	–	↓

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.

The analysis of the risks and the capability of the Group indicates that 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.

The escalation of the Russia-Ukraine conflict is leading to an increase in risks affecting business activities in Ukraine and overall global economic development. HHLA is in a position to be able to bear these risks. The continued existence of the Group is therefore not at risk.

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 recession prompted by the coronavirus pandemic in 2020, the global economy grew by 5.9 % in 2021. However, the recovery of the global economy increasingly faltered as the year progressed, with the result that 2022 started on a slightly less positive footing. According to the latest estimates of the International Monetary Fund (IMF) in January 2022, the global economy will expand by 4.4 % in 2022. This projection is 0.5 percentage points down on the previous forecast. This forecast is subject to a number of uncertainties: these include the effects of the ongoing coronavirus pandemic – especially disruptions to supply chains and the resulting imbalances in supply and demand – potential structural inflation and energy price increases in Europe caused by supply issues, geopolitical issues and climate policies, as well as the intensifying global economic and geopolitical tension, particularly due to the escalation of the Russia-Ukraine conflict since 24 February 2022.

Due to protectionist tendencies already evident from the trade conflicts between the US and China, for example, the future development of global trade flows remains uncertain. Further factors include additional or extended sanctions against Russia, as well as currency crises and the volatility of the oil and gas prices. **Business forecast/macroeconomic environment**

The growth forecast for China – the most important shipping region for the Port of Hamburg – was downgraded by 0.8 percentage points to 4.8 % compared with the last forecast for 2022. The main reasons for this are China's weaker real estate market, the effects of its zero-COVID-19 strategy and the slower than expected recovery in consumer spending.

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. However, the implications of the ongoing coronavirus pandemic continue to weigh against this at present. In view of the uncertainties surrounding the further progression of the coronavirus pandemic, these opportunities remain unlikely, even if the potential exists for the pandemic to end as COVID-19 becomes endemic. At the time of preparing this report, it was not possible to reliably assess a time frame for these developments. With Russia's attack on Ukraine on 24 February 2022, the crisis situation in Ukraine has escalated. Western sanctions against Russia are currently being tightened. Therefore, last year's opportunities of a gradual lifting of sanctions can be ruled out.

The market research institute Drewry recently downgraded its forecast for global container throughput for 2022 and now expects growth of 4.6 %. This estimate is also subject to increased uncertainty due to the ongoing disruptions to supply chains, the dangers of inflation and and currently escalated Russia-Ukraine conflict. The associated volume and capacity risks remain relevant for HHLA but are still classified as unlikely for the time being. **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.

With the escalation of the Russia-Ukraine conflict, a (partial) loss of Russia-related transport and handling volumes in the Container and Intermodal segments is to be expected. **Business forecast/Group performance**

Competitive environment

The competitive environment on Europe's northern coast is characterised by fragmentation on the one hand and the increasing influence of shipping companies on terminals on the other. Competition remains fierce. Reliability and a high degree of quayside productivity, even under corona conditions, coupled with attractive container services and competitive prices are central to the active positioning of Hamburg's container terminals. Clear objectives for increased productivity and improved operating costs have been defined as part of the transformation process. These are to be implemented step by step up to 2025. 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 fierce competition for container transport by rail remains high as a result of various observable market trends, such as plans announced by shipping companies and logistics firms to establish their own transport routes. For HHLA's intermodal subsidiaries, the risk of volume being re-routed and revenue being lost is therefore higher than in the previous year once again.

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. In the Intermodal segment, the reliability and punctuality of train connections, the scalability of the shuttle system, the expansion of the terminal network and a competitive cost base remain key prerequisites for the expected growth of rail transportation. Investments in its own hub terminals, such as the start of construction on another hub terminal in Hungary in September 2021, and the investment in the logistics company CL EUROPORT in Malaszewicze in early January 2022 will 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. During the coronavirus pandemic and in view of the surge in demand in some shipping regions, there was strong competition for shipping capacities and a resulting spike in freight rates. HHLA's shipping customers benefited considerably from this trend and are currently reporting record results.

As a result, 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. The risks resulting from significant changes to the current service structure are higher than in the previous year and are 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. For CTT, the planned 35 % minority stake of CSPL – making Tollerort a preferred hub for COSCO traffic in Europe – can provide long-term planning and employment security. The approval of the federal authorities for this is still pending. 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.

Energy price increases

Fossil fuels are exposed to procurement price risks as a result of geopolitical factors and environmental policy measures. These risks can have an adverse effect on the earnings of the energy-intensive Container and Intermodal segments. The escalation of the Russia-Ukraine conflict increases the risk of rising energy prices. [Business forecast/macroeconomic environment](#)

HHLA is therefore taking steps to increase energy efficiency and pursuing a strategically focused procurement policy that favours electricity from climate-neutral production.

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. In addition, decisions were taken by the German government in 2021 to cut track costs. Further measures will also be implemented in the coming years to increase the proportion of rail transport in the modal split. Any risks that the profitability of rail firms may be impaired by a track pricing policy that does not take a neutral approach to carriers and distorts competition, thereby potentially increasing traction/track costs, do not represent significant risks for HHLA at present. [Risks and opportunities/1. Market environment; 3. Other risk and opportunity factors, 7. 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

Impairment of investments

An economic trend that falls short of expectations may require adjustments to the valuation of assets. The high level of fixed costs associated with this business model, for example, means that it might not be possible to compensate fully for divergences in earnings caused by underutilised capacity in the short term if demand for HHLA's services fails to materialise as expected. HHLA regularly checks for any impairment of its assets and makes adjustments where necessary. The risk of the escalation of the Russia-Ukraine conflict having an impact on the earnings position and the financial position cannot be ruled out. In the interests of risk-adequate action, HHLA has taken account of corresponding risks by taking out insurance or federal guarantees where possible. The risk assessment continues to indicate a medium level of damage: this is due to consistently fierce competition at the Port of Hamburg, the typically limited ability to forecast the progress of new business activities of start-ups, the uncertain effects of the escalated Russia-Ukraine conflict and the rising discounting interest rates for impairment testing that have been prompted by inflation expectations. The likelihood of the risk materialising is regarded as possible.

Currency risks

As the bulk of HHLA's services are rendered within the euro-zone, 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, especially in view of the escalated Russia-Ukraine conflict. The corresponding exchange rate risks are subject to increased uncertainties in the course of the future development of the global coronavirus pandemic and in particular due to the escalation of the Russia-Ukraine conflict at the time of the report. There are also exchange rate risks related to the measurement of euro loans at companies which pay dividends in local

currency. The extent of these risks is influenced by both the development of exchange rates and the development of the loan portfolio. At present, the risks are lower than in the previous year; in the medium term, however, the risks could increase again, in particular due to the planned expansion of Intermodal activities.

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

Bad debt losses

Despite market uncertainty due to the coronavirus pandemic, the liquidity and earnings position of shipping companies improved in 2021. [Risks and opportunities/1. Market environment](#)

In the Container segment, the risk of customer insolvency – with the corresponding loss of throughput and receivables – is currently regarded as very unlikely. The corresponding risks are thus immaterial in the reporting period. As a result, the potential scale of damage due to the risk of bad debt losses has decreased considerably. However, as uncertainties remain with regard to further pandemic-related economic downturns, the development of bunker costs and volatile freight rates, this risk continues to be monitored.

As a result of the coronavirus pandemic, rent default risks have arisen and with them the risk of costs for any necessary modification or renovation of rented space for Logistics properties and in the Speicherstadt historical warehouse district. 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. It is therefore considered unlikely that this risk will materialise (previous year: possible).

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 prompt a renewed increase in the actuarial loss, coupled with a fall in the equity ratio. In view of current interest rate developments, the risk assessment indicates a lower probability of a further reduction of the current interest rate level. As a result, the potential scale of damage has decreased strongly compared to the previous year. Against the backdrop of the coronavirus pandemic and its impact on monetary policy, the likelihood of the risk material-

ising 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.

Extreme weather events

The number of extreme weather events around the world has risen as a result of climate change. Exceptionally severe storms or heavy rainfall may also damage port infrastructure and rail networks in Europe. Intermodal transport operations in particular may be adversely affected by the weather-related closure of track sections. A high level of flexibility is required with regard to operating equipment and personnel to maintain rail-based container transportation. Operations in the Intermodal segment are systematically geared towards ensuring that customers receive the agreed service level, even in challenging weather conditions. Temporary increases in additional costs caused by specific events cannot be ruled out.

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 7 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. In addition, a majority stake was acquired in the logistics company CL EUROPORT in Malaszewicze near the Belarusian border in early January 2022, thereby adding a further hub to the freight transport network within Central and Eastern Europe as well as for Eurasian transportation. **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 innovative business activities along the material and digital logistics value chain. One example of this is the "modility" booking portal, a platform that simplifies 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. At the same time, they are associated with certain start-up costs and an entrepreneurial risk that has been given due consideration and weighed up against the corresponding opportunities. **Research and development**

4. IT risks

HHLA's business processes rely heavily on the availability and security of IT applications. 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. In view of the rising number of cyber attacks on companies, particularly against the backdrop of the escalated Russia-Ukraine conflict, the risk that HHLA will also be affected by a damaging attack has risen.

5. Service provision risks

Service provision risks are higher than in the previous year, primarily due to the deterioration of external conditions in the construction sector and the ongoing internal transformation processes.

Due to the current construction boom and the global shortage of building materials, there are currently price calculation risks for construction projects in the Speicherstadt historical warehouse district for which contracts have not yet been awarded. Measures such as the close involvement of Purchasing in the projects serve to optimise costs. Nevertheless, it is currently considered likely that the risk will materialise.

Disputes relating to collective bargaining or transformation processes may lead to interruptions or delays to operations, with a corresponding impact on earnings, in particular in the Container and Intermodal segments. As external strikes are relevant in the Intermodal segment, communication with customers and flexibility with regard to routing are effective measures for reducing the potential scale of damage. In the Container segment, internal industrial action cannot be ruled out. These are counteracted by means of extensive communication about the process stages and the close involvement of the works council.

Moreover, transformation processes and the corresponding achievement of planned project targets may be delayed. Here, too, we aim to prevent any delays by taking extensive communication measures and ensuring the close involvement of all parties.

Furthermore, the 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, can still not be ruled out. 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.

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. This also applies to HHLA's Supplier Code of Conduct, which is now used throughout the Group.

Process risks

Changes in the initial assumptions or general conditions may cause projects to fall significantly short of the underlying economic feasibility calculation. This in turn may necessitate the termination of long-term contracts and potentially result in legal disputes. HHLA adopts preventive measures, including the use of legal expertise, to prevent or resolve such disputes.

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.

7. 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 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 may 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 of having its own rolling stock helps to ensure that any impact on earnings from such events is not currently a material risk for the HHLA Group. However, projects of special significance for HHLA in the medium term include the future replacement of the Köhlbrand Bridge with a tunnel by the end of 2034, 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.

Corporate management declaration

The following section contains the joint **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 2021 financial year and submit-