GATEWAY TO THE FUTURE

ANNUAL REPORT

2020 HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

HHLA segments

Container

737.5 Mio. €
Revenue

57 %
Share of revenue

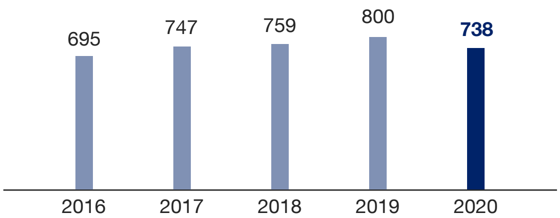
HHLA’s container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa as well in the Estonian city of Tallinn.

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 %

Revenue

in € million



Intermodal

476.8 Mio. €
Revenue

37 %
Share of revenue

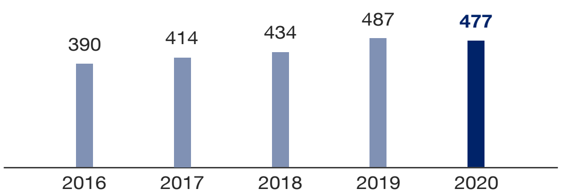
HHLA’s rail companies operate a comprehensive transport and terminal network for container transportation and connect ports on the North and Baltic seas, as well as the northern Adriatic, with their hinterland. Transshipments by truck within the Port of Hamburg round off the service portfolio.

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 %

Revenue

in € million



Logistics

51.4 Mio. €
Revenue

4 %
Share of revenue

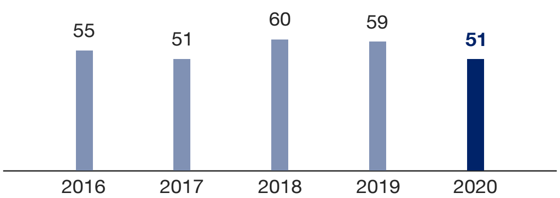
In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. Its service portfolio comprises both stand-alone logistics services (including airborne services) and entire process chains. HHLA also markets its expertise in infrastructure and project development internationally.

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 %

Revenue

in € million



Real Estate

38.1 Mio. €
Revenue

3 %
Share of revenue

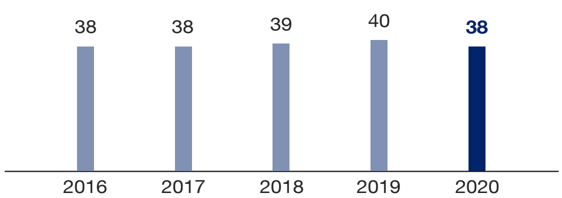
Following the sustainable renovation of Hamburg's landmarked Speicherstadt historical warehouse district to create an exemplary redeveloped quarter, HHLA is committed to intelligent site development and preserving the city's fishing tradition with the Hamburg-Altona fish market.

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

Revenue

in € million



HHLA key figures

in € million	HHLA Group 2020	2019	Change
Revenue and earnings			
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	74.1	137.1	- 45.9 %
Profit after tax and minority interests	42.6	103.3	- 58.8 %
Cash flow statement and investments			
Cash flow from operating activities	291.2	322.7	- 9.7 %
Investments	196.3	224.9	- 12.7 %
Performance data			
Container throughput in thousand TEU	6,776	7,577	- 10.6 %
Container transport in thousand TEU	1,536	1,565	- 1.9 %

in € million	31.12.2020	31.12.2019	Change
Balance sheet			
Balance sheet total	2,591.1	2,610.0	- 0.7 %
Equity	567.0	578.9	- 2.0 %
Equity ratio in %	21.9	22.2	- 0.3 pp
Employees			
Number of employees	6,312	6,296	0.3 %

	Port Logistics subgroup[1, 2]			Real Estate subgroup[1, 3]		
in € million	2020	2019	Change	2020	2019	Change
Revenue	1,269.3	1,350.0	- 6.0 %	38.1	40.2	- 5.3 %
EBITDA	269.4	358.7	- 24.9 %	20.0	23.9	- 16.5 %
EBITDA margin in %	21.2	26.6	- 5.4 pp	52.4	59.4	- 7.0 pp
EBIT	110.3	204.4	- 46.0 %	12.9	16.5	- 21.5 %
EBIT margin in %	8.7	15.1	- 6.4 pp	33.9	40.9	- 7.0 pp
Profit after tax and minority interests	35.3	93.6	- 62.3 %	7.3	9.7	- 24.4 %
Earnings per share in €[4]	0.50	1.34	- 62.3 %	2.70	3.57	- 24.4 %
Dividend per share in €[5]	0.45	0.70	- 35.7 %	2.10	2.10	0.0 %

1 Before consolidation between subgroups
2 Listed class A shares
3 Non-listed class S shares
4 Basic and diluted
5 Dividend proposal for 2020

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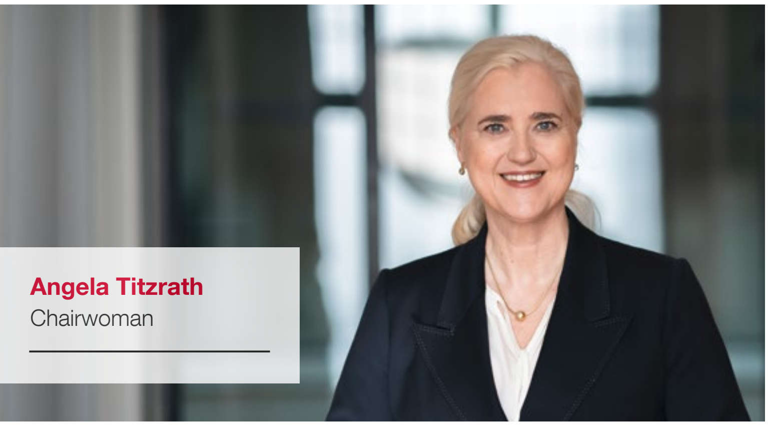
report.hhla.de/annual-report-2020

To our shareholders



Angela Titzrath
Chairwoman

Ladies and gentlemen,

It gives me great pleasure to be able to introduce this Annual Report for 2020 on a positive note: Hamburger Hafen und Logistik AG (HHLA) has weathered the coronavirus pandemic well so far. The company is still in a stable financial position following a challenging financial year and has the necessary resources at its disposal to resolutely withstand the effects of the pandemic.

Thanks to the combined efforts of the entire HHLA Group and its employees, we achieved a positive result in the past financial year. We benefited from the revival of industrial production and trade following global restrictions to curb the spread of the pandemic.

Our market and customers will continue to evolve. This gives rise to a challenge, as we have to evolve with them. What is more: we will actively shape this evolution and help drive it forward.

It was also vital, however, that the operational stability of HHLA was maintained at all times. There was not a single day on which production was brought to a standstill by the pandemic – neither at our facilities in Hamburg, Odessa and Tallinn, nor at our rail subsidiary METRANS. The health and safety measures devised under the leadership of the Executive Board were systematically implemented across the Group. Our customers, as well as consumers and companies, were able to rely on us during this difficult period: "We supply Germany and Europe!" HHLA also proved to be a reliable employer. The health and safety of our employees was maintained and we neither introduced short-time working nor cut wages.

Ladies and gentlemen, we systematically pursued the further development of HHLA even during the crisis. After all, the underlying conditions for our business continue to evolve, regardless of the pandemic. The number of mega-ships with capacities of more than 23,000 standard containers is steadily increasing. In order to maintain our ability to process such ultra-large container vessels in future, we put two further container gantry cranes into operation at Container Terminal Burchardkai last year.

To consolidate the performance and competitiveness of our core business, an efficiency programme has been launched for the container terminals in the Port of Hamburg. € 43 million has been set aside to ensure the systematic and determined implementation of the necessary measures. We also have to adjust to significant growth in the strategic importance of the Adriatic and Mediterranean ports. In order to position itself in this high-growth market, HHLA has acquired a majority stake in a multi-function terminal at the Port of Trieste. In view of the changes taking place across the entire logistics and transport sector, we are expanding our core operations by adding new digital business models. For example, two HHLA container terminals were the first in the world to integrate solutions into their IT landscapes which use machine learning to predict the dwell time of containers at their facilities. An example of our efforts to implement our sustainability strategy is the initiative of our rail subsidiary METRANS. Almost all of the approximately 3,000 container wagons have now been fitted with so-called whisper brakes, which reduce the driving and braking noise of the wagons by half.

We also remain reliable towards you, our shareholders. Subject to the approval of the Annual General Meeting on 10 June 2021, we will distribute a dividend of 45 cent per dividend-entitled class A share. Following last year's example, we once again intend to do this in the form of a scrip dividend – giving you the option to receive a cash payout or new shares.

Ladies and gentlemen, we know that our market and our customers will continue to evolve. And we know that this gives rise to a challenge, as we have to evolve with them. What is more: we will actively shape this evolution and help drive it forward – just as you have come to expect from us.

Yours,

Angela Titzrath
Chairwoman of the Executive Board

Members of the Executive Board

Executive Board (f.l.t.r): **Angela Titzrath, Dr. Roland Lappin, Jens Hansen, Torben Seebold**

Angela Titzrath

Chairwoman

Container sales
Intermodal segment
Logistics segment
Corporate development
Corporate communications
Sustainability

Jens Hansen

Chief Operating Officer

Container operations
Container engineering
Information systems

Dr. Roland Lappin

Chief Financial Officer

Finance and controlling (including Organization)
Investor relations
Internal audit
Real Estate segment

Torben Seebold

Chief Human Resources Officer

Human resources
Purchasing and materials management
Health and safety in the workplace
Legal and insurance (including compliance)

Dear shareholders,

In the 2020 financial year, the Supervisory Board dutifully fulfilled the responsibilities entrusted to it by law, the company's articles of association and rules of procedure, and the German Corporate Governance Code (GCGC) with the necessary diligence. We continuously monitored the Executive Board's management of business, provided advice on the company's further strategic development as well as on important individual measures, and concluded that the management of the company and its risk management process is lawful, proper and appropriate.

Cooperation with the Executive Board

The Supervisory Board was involved in all decisions of major significance for the company. The Executive Board provided us with regular, prompt and comprehensive information on all major developments, especially the situation of the company and the Group, corporate planning, fundamental issues of company policy and strategy, investment plans and personnel. All measures for which the approval of the Supervisory Board or one of its committees was required by law, the articles of association or the Executive Board's rules of procedure were submitted on time. After conducting their own examination and discussions with the Executive Board, the Supervisory Board or Supervisory Board committees approved all such measures. As chairman of the Supervisory Board, I was also regularly in touch with the Executive Board between meetings and was informed about planning and strategy, the current business situation, significant transactions, the risk position, risk management and compliance.

The work of the Supervisory Board

The Supervisory Board held four routine meetings and two special meetings in the 2020 financial year. At routine meetings, we regularly look at the current revenue, earnings and liquidity trend and the current business situation of the company and the individual segments, including the risk position, risk management and compliance. During the meetings, the Executive Board informed the Supervisory Board about the economic, financial and strategic position of the company and the Group, the company's strategy, as well as significant developments and events. During the 2020 financial year, we also continually examined the impact of the COVID-19 pandemic on business operations, the Group's results of operations, net assets and financial position. The other focal points of the meetings during the reporting period can be summarised as follows:

The **financial statements meeting** held on **23 March 2020** focused as scheduled on the auditing and approval of HHLA's Annual Financial Statements, including the individual divisional financial statements for the A and S divisions, the Consolidated Financial Statements including the subgroup financial statements, the Combined Management Report of HHLA and the Group, the Supervisory Board report, the reports on transactions with related parties and on the relationship between the A and S divisions and the separate non-financial report, each for the 2019 financial year, as well as the agenda for the 2020 Annual General Meeting, including the Executive Board's proposal on the appropriation of profit and the candidates proposed for the election of the auditor for the 2020 financial year. Representatives of the auditor were present at the meeting. They reported on the main results of their audit and were available to answer questions. During this meeting, following the detailed discussion of two pertinent agreements, we also approved the further expansion of O'Swaldkai in connection with the planned urban development of the Grasbrook district. One of these agreements was an addendum to the existing lease with the Hamburg Port Authority, which stipulates in particular the early return of sub-areas and the simultaneous extension of the lease for the remaining areas until 2049. The other agreement is with the Hamburg Port Authority and the Free and Hanseatic City of Hamburg and regulates a financial settlement made by the Free and Hanseatic City of Hamburg to HHLA for the described early return of sub-areas and the necessary modification measures. The agreements were concluded on 28 December 2020.

At our second regular meeting on **29 May 2020**, we discussed the impact of the COVID-19 pandemic and the development of our intermodal business in Ukraine. We also discussed ongoing projects and approved two guarantees to the Federal Railway Authority in Germany in connection with the facilitation of expansion measures.

At the special meeting on **2 July 2020**, we were mainly concerned with the acquisition of stock in Piattaforma Logistica Trieste s.r.l. (now HHLA PLT Italy s.r.l.) and approved this following extensive discussion. In this meeting, we approved the decision to hold the Annual General Meeting in a virtual format due to the COVID-19 pandemic, as well as to conclude a precautionary credit line of € 50 million in order to protect our general liquidity. We also agreed, together with the Executive Board, to propose to the Annual General Meeting on 20 August 2020 the option for Class A shareholders to receive their dividend either in cash or as new Class A shares on a pro rata basis (scrip or stock dividends). In addition, we adopted the candidate proposed to the Annual General Meeting for the election of a successor to Dr. Sevecke.

Besides discussing the latest business developments and various internal measures and projects, the main areas addressed in the regular meeting on **19 August 2020** were the preparations for the Annual General Meeting, including the resolutions and documents for the implementation of the scrip or stock dividend. During this meeting we also discussed the planned expansion of one of the METRANS Group's intermodal terminals near Berlin.

At this year's strategy meeting on **11 September 2020**, we primarily dealt with the Container segment – specifically, with the planned measures to strengthen our competitive edge in this segment.

At our final regular meeting on **11 December 2020**, we routinely dealt with the budget for 2021, the medium-term planning for 2022 to 2025 for the Group and for the two subgroups, the findings of the risk and opportunity inventory and the declaration of compliance with the GCGC. As a result of the revision of the GCGC, we also adjusted the Supervisory Board's rules of procedure, the requirement profile for the Supervisory Board and the diversity concept for the Executive Board. During this meeting, we also approved the acquisition of an 80 % stake in iSAM AG and extended Dr. Lappin's mandate by a further five years.

As a general rule, regular meetings are attended by all members of the Supervisory Board and the members of the Executive Board, although the Supervisory Board also meets regularly without the Executive Board, particularly when Executive Board matters or internal Supervisory Board topics are to be discussed. The average attendance at the meetings of the Supervisory Board and its committees in the reporting period was approximately 88.3 %. Please see the end of this report for the individual participation ratios.

With the exception of the above-mentioned discussion of the agreements relating to O'Swaldkai, where Supervisory Board members Dr. Niklas, Dr. Roggencamp and Dr. Sevecke were prohibited from voting under Section 111b (2) of the German Stock Corporation Act (AktG) due to their professional involvement with the majority shareholder, and also did not take part in the discussions as a precautionary measure, no conflicts of interest regarding members of the Executive Board or the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members of the company's Executive Board.

Committee work

The Supervisory Board has set up a total of six committees: the Finance Committee, the Audit Committee, the Real Estate Committee, the Personnel Committee, the Nomination Committee and the Arbitration Committee. Following any committee work, the chairs report to the Supervisory Board about the committees' activities. With the exception of the Nomination Committee, all of the committees include an equal number of shareholder and employee representatives. Corporate governance

The **Finance Committee** held five meetings during the 2020 financial year. At each regular meeting, the committee deals with the Group's financial performance and its general financial and earnings position. Furthermore, as in the December meeting, it is also concerned with the preliminary review of the budget for the coming year and relevant medium-term planning. In addition, the Finance Committee is responsible for the preliminary review of major financing, investment and participation plans. The areas of focus during the reporting period were, firstly, the impact of the COVID-19 pandemic on the company's net assets, financial position and results of operations and, secondly, the various investment projects, particularly the acquisition of stock in Piattaforma Logistica Trieste s.r.l. (now HHLA PLT Italy s.r.l.) and in iSAM AG.

The **Audit Committee** held five meetings in the reporting period. Its work regularly focuses on monitoring accounting and overseeing the accounting process and the audit. This includes monitoring the effectiveness of the audit, the internal control system, the risk management system, the internal audit system and compliance, along with the compliance management system. The committee oversees the selection of the auditor and the auditor's qualifications, efficiency and independent status, and the admissibility of any additional services provided by the auditor (known as non-audit services). To do this, the Audit Committee has adopted a catalogue of basic approved non-audit services by type and scope. The Audit Committee also decides on the external review of non-financial declarations and reports. Key issues during the reporting period included, as scheduled, the discussion and audit of HHLA's Annual Report, Consolidated Financial Statements and the Combined Management Report for the 2019 financial year, the 2020 six-monthly financial report and the interim reports for the first and third quarters of 2020, the work performed by Internal Audit, the determination of key issues for the audit of the Annual Report and Consolidated Financial Statements for the 2020 financial year, the findings of the 2020 risk and opportunity inventory, the plans for the 2021 audit and the preparation of the declaration of compliance with the GCGC. The Audit Committee also continuously monitored the company's liquidity situation during the reporting period with regard to the COVID-19 pandemic. In addition to the representatives of the Executive Board, HHLA's compliance officer also regularly attends the meetings of the Audit Committee, where he speaks about his role and keeps the committee abreast of current

Individual attendance at meetings of the members of the Supervisory Board in 2020

	Supervisory Board	Finance Committee	Audit Committee	Real Estate Committee	Personnel Committee	Nomination Committee	Total
Prof. Dr. Rüdiger Grube	6 / 6	–	–	–	4 / 4	1 / 1	100 %
Berthold Bose	6 / 6	–	–	–	4 / 4	–	100 %
Dr. Norbert Kloppenburg	5 / 6	4 / 5	5 / 5	–	–	–	88 %
Thomas Lütje	6 / 6	–	–	2 / 2	–	–	100 %
Thomas Mendrzik	5 / 6	4 / 5	4 / 5	0 / 2	2 / 4	–	68 %
Dr. Isabella Niklas	6 / 6	–	4 / 5	2 / 2	–	–	92 %
Norbert Paulsen	5 / 6	5 / 5	5 / 5	2 / 2	2 / 4	–	86 %
Sonja Petersen	5 / 6	3 / 5	4 / 5	–	–	–	75 %
Andreas Rieckhof (since 20 August 2020)	2 / 2	–	–	–	2 / 2	0 / 0	100 %
Dr. Sibylle Roggencamp	6 / 6	5 / 5	–	1 / 2	4 / 4	1 / 1	94 %
Prof. Dr. Burkhard Schwenker	5 / 6	5 / 5	5 / 5	2 / 2	–	–	94 %
Maya Schwiegershausen-Güth	6 / 6	–	–	–	–	–	100 %
Dr. Torsten Sevecke (until 20 August 2020)	4 / 4	–	–	–	1 / 2	1 / 1	86 %

developments. Other participants, such as representatives from the auditors or Internal Audit, attend meetings as necessary. The chairperson of the committee is also regularly in touch with the auditor and the chief financial officer between meetings.

The **Real Estate Committee** held two meetings in the reporting period. It focused on the general development of business and the discussion and audit of HHLA's Annual Financial Statements including the separate financial statements of the S division, the Consolidated Financial Statements and the Combined Management Report for the 2019 financial year (March meeting). The committee also dealt with the budget for the 2021 financial year and medium-term planning for 2022 to 2025 (December meeting). In each case, its deliberations related to the Real Estate subgroup (S division).

The **Personnel Committee** held four meetings in the reporting period. In addition to preparing for the upcoming staffing decisions – notably, the extension of Dr. Lappin's mandate – the Personnel Committee focused during the reporting period on the remuneration system for the Executive Board and Supervisory Board with regard to the revision of the AktG and the new version of the GCGC.

The **Nomination Committee** met once during the 2020 financial year in order to prepare for the election of a successor to Dr. Sevecke on the Supervisory Board at the Annual General Meeting on 20 August 2020.

As in previous years, there was no cause for the **Arbitration Committee** to meet during the reporting period.

Corporate governance

The declaration of compliance with the GCGC in accordance with Section 161 AktG was prepared together with the Executive Board at the **Audit Committee meeting on 9 November 2020** and adopted by the Supervisory Board at its **meeting on 11 December 2020**. The current declaration of compliance and further information about corporate governance can be found in the declaration on corporate governance in the Management Report. Corporate governance The current declaration and the declarations relating to previous years can also be viewed on HHLA's website at www.hhla.de/corporategovernance.

Training and professional development

HHLA supports the members of the Supervisory Board upon their appointment and in terms of training and professional development. When taking up a post, the candidate is generally trained in the work of the Supervisory Board, its tasks and the rights and obligations of its members. If required, further introductions or training sessions are provided to cover HHLA's business activities or other relevant topics. During the course of its work, the Supervisory Board is kept informed of relevant topics such as new legal requirements or accounting standards. During the reporting period, this primarily affected the new tasks resulting from the Implementation of the Second Shareholder Rights Directive and the revised version of the GCGC.

Audit of financial statements

In line with the Audit Committee's recommendation and the Supervisory Board's nomination, the Annual General Meeting on 20 August 2020 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg (PwC), to conduct the audit of the Annual and Consolidated Financial Statements for the 2020 financial year. In line with the legal requirements and the recommendations of the GCGC – especially those relating to the auditor's independence – the Audit Committee then assigned the audit and defined its focus areas.

The auditor carried out an audit of HHLA's Annual Financial Statements for the 2020 financial year as provided by the Executive Board, including the divisional financial statements for the A division (Port Logistics subgroup) and the S division (Real Estate subgroup) presented as part of the notes, in line with the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements for the 2020 financial year including the subgroup financial statements for the A and S divisions in accordance 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 HGB, and the Combined Management Report for HHLA and the Group for the 2020 financial year. The auditor issued an unqualified opinion with respect to each of the foregoing.

The auditor also audited the report prepared by the Executive Board of HHLA on company transactions with related parties for the 2020 financial year in line with Section 312 AktG, delivered a written report on the audit findings and, having no objections to make, gave the report the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that (1) the factual statements in the report are correct, (2) the consideration paid by the company for the transactions mentioned in the report was not inappropriately high, and (3) the measures detailed in the report give us no grounds to reach a substantially different opinion to that of the Executive Board."

The auditor also audited the report prepared by the Executive Board in line with Article 4 (5) of the articles of association applied analogously to Section 312 AktG on the relationship between the A and the S divisions for the 2020 financial year, delivered a written report on the audit findings and, having no objections to make, gave the report the following unqualified opinion:

"On the basis of our audit and in our professional opinion we confirm that (1) the factual statements in the report are correct, (2) the consideration paid by the company for the transactions mentioned in the report was not inappropriately high."

Finally, the auditor reviewed the combined separate non-financial report in line with Section 289b et seqq. and Section 315b et seq. HGB to achieve a limited degree of certainty, reported the review findings and issued an unqualified opinion.

Each of the above-mentioned financial statements and reports along with the corresponding audit reports was made available to all members of the Supervisory Board as soon as it had been produced and checked. The documents were subsequently discussed in detail at the meetings of the Audit and Real Estate Committees on 19 March 2021 and at the Supervisory Board's financial statements meeting held on 22 March 2021. Representatives of the auditor took part in the meetings, where they reported on the scope, focal points and key findings of the audit and were available to answer questions. They paid particular attention to the key audit matters described in the certificate along with the audit procedures used and the conclusions regarding the accounting-related internal control and risk management system. Finally, they also reported on the nature and extent of the other services provided by the auditor.

As part of the preliminary review, the Audit and Real Estate Committees closely examined the course of the audit, the auditor's reports and the findings. Once they had completed their examination, they recommended that the Supervisory Board as a whole approve the financial statements and reports. Following a detailed plenary examination of the auditor's reports and findings and the findings of the committees' preliminary review, and based on our own review, we approved the findings of the audit. Following our review, we had no objections to make to the Annual Financial Statements including the divisional financial statements, the Consolidated Financial Statements including the subgroup financial statements, and the Combined Management Report for the 2020 financial year. Accordingly, we approved the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report at our **meeting on 22 March 2021**. HHLA's Annual Financial Statements for the 2020 financial year have therefore been adopted. Following our review, we also had no objections to make to the Executive Board's statements on related parties and on the relationship between the A and S divisions or to the combined separate non-financial report for the 2020 financial year.

The Executive Board's proposal for appropriation of the distributable profit was analysed in detail and discussed with the Executive Board at the meetings of the Audit Committee – for the A division – and the Real Estate Committee – for the S division – on 19 March 2021 and at the Supervisory Board's meeting on 22 March 2021. Following our own review, which paid particularly close attention to earning trends, financial planning and shareholders' interests, and with a view to protecting liquidity, we, alongside the Executive Board, will propose to the Annual General Meeting that a dividend of € 0.45 per dividend-entitled class A share and € 2.10 per dividend-entitled class S share be distributed from distributable profit for the 2020 financial year. There is also the intention this year, too, to give class A shareholders the option of having their dividend paid out either in cash or in new class A shares in the company on a pro rata basis (scrip or stock dividend).

Personnel changes

During the reporting period, the Executive Board extended Dr. Roland Lappin's term of office by five years. Dr. Sevecke stepped down from the Supervisory Board as of the end of the Annual General Meeting on 20 August 2020. In line with the Nomination Committee's recommendation and the candidate proposed by the Supervisory Board, the Annual General Meeting on 20 August 2020 appointed Mr. Andreas Rieckhof, State Secretary of the Hamburg Ministry for Economic and Labour Affairs, as Dr. Sevecke's successor for the remainder of his mandate on the Supervisory Board. In addition to the requirements of the German Stock Corporation Act, the GCGC and the Supervisory Board's rules of procedure, the Nomination Committee and Supervisory Board recommendations each took into account the specifications of the profile of requirements issued by the Supervisory Board. In the course of the personnel changes, Mr. Rieckhof was also appointed the successor to Dr. Sevecke on the Personnel, Nomination and Arbitration Committees. Corporate governance

Finally, on behalf of the Supervisory Board, I would like to take this opportunity to thank the members of the Executive Board and our employees for their hard work in the highly challenging 2020 financial year, and our shareholders and business partners for the trust they have placed in us.

Hamburg, 22 March 2021

The Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board

Members of the Supervisory Board

Prof. Dr. Rüdiger Grube
Chairman of the Supervisory Board
Managing Partner of Rüdiger Grube International Business Leadership GmbH

Berthold Bose
Vice Chairman
Head of ver.di Hamburg

Dr. Norbert Kloppenburg
International investments and financing consultant

Thomas Lutje
Director of Sales at HHLA

Thomas Mendrzik
Employee in the technical area at HHLA Container Terminal Altenwerder GmbH

Dr. Isabella Niklas
Spokeswoman for the management of the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH

Norbert Paulsen
Chairman of the joint works council and the HHLA Group works council

Sonja Petersen
Clerical employee at CTB

Andreas Rieckhof (since 20 August 2020)
State Secretary of the Hamburg Ministry for Economic and Labour Affairs

Dr. Sibylle Roggencamp
Head of the Office for Asset and Investment Management at the Hamburg Ministry of Finance

Professor Burkhard Schwenker
Chairman of the Advisory Council of Roland Berger GmbH

Maya Schwiegershausen-Güth
Trade union secretary, ver.di

Dr. Torsten Sevecke (until 20 August 2020)
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

For current and past members during the reporting period, as well as committee members, please also refer to the Declaration on corporate governance.

The HHLA share

Key figures

in €, class A shares, Xetra	**2020**	2019
Closing price	18.44	24.54
Performance in %	- 24.9	41.6
Highest price	24.54	25.26
Lowest price	10.37	17.33
Average daily trading volume	97,331	51,649
Dividend per class A share[1]	0.45	0.70
Dividend yield as of 31 December in %	2.4	2.9
Number of listed class A shares in thousand	71,700.2	70,048.8
Market capitalisation as of 31 December in € million	1,291.7	1,719.0
Price-earnings-ratio as of 31 December	36.9	18.3
Earnings per share	0.50	1.34

1 Dividend proposal for 2020

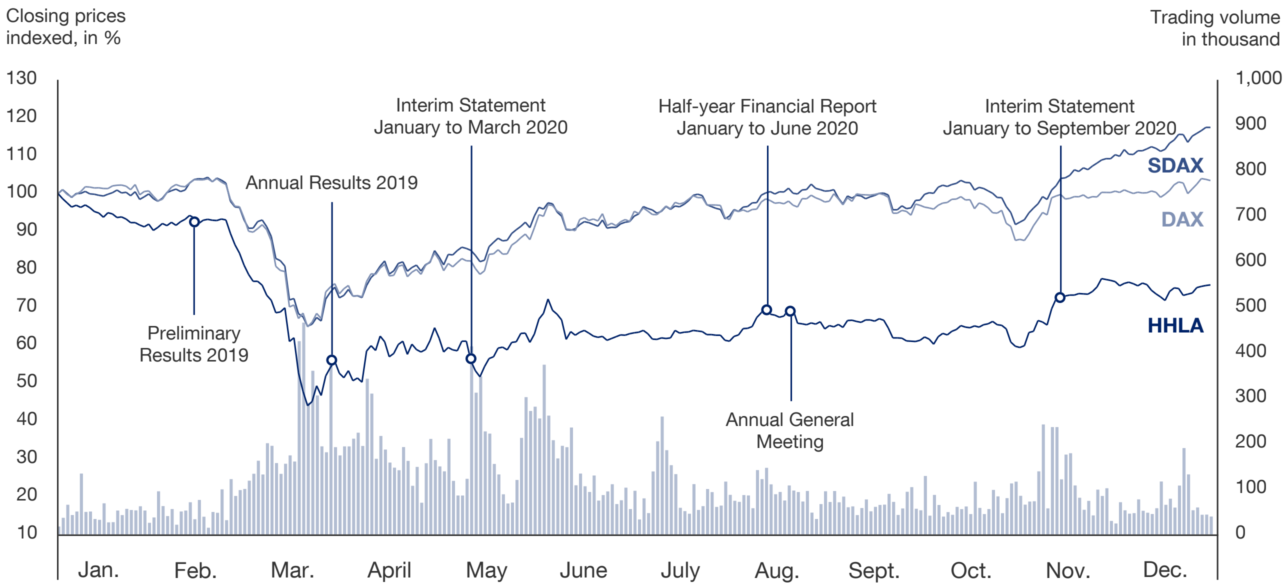
Markets dominated by coronavirus

In 2020, market trading was fundamentally shaped by the development of the coronavirus pandemic. Following a new all-time high of almost 13,800 points for the German benchmark index in mid-February, stock markets around the world suffered historic collapses in March as a result of the global coronavirus pandemic. In mid-March, the DAX fell to almost 8,200 points in intraday trading. By the beginning of the second quarter, however, the markets were already starting to recover. In addition to the measures put in place by the major central banks, the economic rescue packages announced by several governments helped raise hopes of limiting the pandemic's economic impact. However, any positive news – for example regarding infection rates – was frequently offset by devastating economic data. In such an environment, investors were highly unsettled. Despite this highly volatile environment, the benchmark indices continued to gain ground during the third quarter. By the end of the quarter, the DAX had recaptured the psychologically important 13,000-point mark. In the course of the fourth quarter, uncertainties surrounding a further coronavirus lockdown, a possible hard Brexit and the outcome of the US presidential election slowed this upward trend. Despite increasingly positive news, such as the earlier than expected availability of coronavirus vaccines, the markets remained tense. The DAX only started gaining momentum again at the end of the year, when it almost reached a new record high. On 30 December 2020, the German stock market barometer closed at 13,719 points, up 3.5 % on the previous year. The SDAX performed even better over the same period, with an increase of 18.0 % to 14,765 points.

HHLA share under pressure as logistics stock

The HHLA share also reflected the tremendous turmoil on the financial markets in 2020, registering a historic low of € 10.37 in mid-March. The dividend proposal published in late March as part of financial reporting for 2019 was positively received by the market. As a result, the share price recovered slightly despite the negative outlook for the 2020 financial year. Although the HHLA share reflected the general market recovery over the course of the year, it failed to benefit from the upward

Share price development 2020



Source: Datastream

trend to the same degree as the benchmark indices. On publication of the nine-month figures, the share continued to gain ground amid upbeat market sentiment, but was unable to reach its year-opening price. On the last trading day of the year, the HHLA share stood at € 18.44 and was thus 24.9 % down on the previous year's closing figure.

Basic data HHLA class A share

Type of shares	No-par-value registered shares
ISIN / SIC	DE000A0S8488 / A0S848
Symbol	HHFA
Stock exchanges (officially registered)	Frankfurt am Main, Hamburg
Segment	Prime Standard
Sector	Transport & Logistics
Index affiliation	SDAX
Bloomberg / Reuters	HHFA:GR / HHFGn.de

Virtual Annual General Meeting

Due to government regulations regarding large gatherings, the Annual General Meeting originally planned for 10 June with physical attendance was postponed until 20 August 2020 and held virtually.

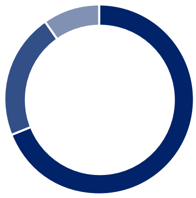
The shareholders formally approved the actions of HHLA's Executive Board and Supervisory Board for the 2019 financial year and elected Andreas Rieckhof, State Secretary of the Ministry for Economics and Innovation of the Free and Hanseatic City of Hamburg, as a new member of the Supervisory Board. The proposal of the Supervisory Board and Executive Board to reduce the dividend per listed class A share to € 0.70 (previous year: € 0.80) was also approved. This corresponds to a year-on-year dividend reduction of 12.5 %. To provide HHLA with additional scope to drive its further development, the shareholders also accepted the proposal for the innovative concept of a scrip dividend. This gives shareholders the option of receiving their dividend in cash or in shares. HHLA distributed dividends to its class A shareholders totalling € 49.0 million (previous year: € 56.0 million). This corresponded to a payout ratio of approximately 52 % of the Port Logistics subgroup's net profit after minority interests for the year, thus remaining within the dividend payout range of 50 to 70 % targeted since the initial public offering. Due to the subscription period, the dividend was paid into shareholders' security accounts on 15 September 2020 – either in cash or in shares. A total of 73 % of shareholders opted to have their dividend paid out in the form of shares. The subscription price was € 15.239. Based on its closing price of € 16.80 on the day of the Annual General Meeting, the HHLA share achieved a dividend yield of 4.2 %, putting it in the top ten of the SDAX.

Shareholder base still widely spread

HHLA's shareholder base remained largely stable in 2020. In terms of the listed class A shares, the Free and Hanseatic City of Hamburg remained the company's largest shareholder with an increased stake of 69.0 % (previously: 68.4 %).

Shareholder structure

as of 31.12.2020



69 % Free and Hanseatic City of Hamburg
21 % Institutional investors
10 % Private investors

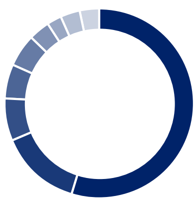
As of 31 December 2020, the free float portion amounted to 31.0 %. According to the voting rights notifications submitted to HHLA at the end of 2020, no single investor held more than 3 % of the remaining free float shares at this time. Among daily traded shares, ownership shifted in favour of private investors as of the reporting date. Although institutional investors continued to hold the majority of free float shares at year-end, accounting for 20.9 % of all shares (previous year: 23.2 %), the proportion of nominal capital held by private investors increased to 10.1 % (previous year: 8.4 %).

Dialogue with capital market maintained

Rapid reaction times and an open dialogue with financial analysts and investors played an even more significant role in HHLA's investor relations activities in 2020, given the volatile industry environment. In order to serve the needs of both institutional and private investors, HHLA used a wide range of digital formats to maintain its dialogue with investors during the coronavirus lockdown. Furthermore, the Executive Board provided details on business developments during quarterly conference calls. There was considerable interest in the information provided and the opportunities offered for discussion.

Regional distribution of institutional investors

as of 31.12.2020



55 % North America incl. Canada
14 % Scandinavia
7 % UK & Ireland
6 % Germany
6 % Benelux
3 % Switzerland
3 % France
3 % Rest of Europe
3 % Rest of the world

With its proactive approach to communications, the Investor Relations department maintains a close dialogue with shareholders and potential investors. In addition to informing interested members of the public, the team also flags up issues of particular relevance to investors within the company. During the 2020 financial year, investors focused on the consequences of the coronavirus pandemic, e.g. the utilisation of terminals, the handling of planned investments and potential cost-cutting measures. Other key topics for the capital market were the progress in dredging the river Elbe – a crucial project for HHLA – and the automation of the HHLA Container Terminal Burchardkai (CTB).

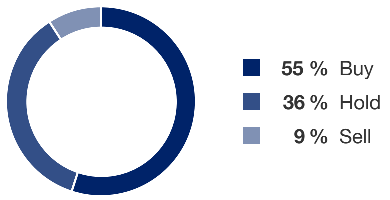
HHLA also provides a variety of digital channels, including its website, the HTML Annual Report and a dedicated investor portal, to inform potential and current investors about the HHLA share performance.

HHLA share still of interest for analysts

Despite changes in the macroeconomic environment resulting from more stringent MiFID II regulations, the HHLA share continues to enjoy well-informed coverage by financial analysts. This gives potential investors the possibility to find out about HHLA's business model and environment through independent analyses. The Executive Board and Investor Relations department therefore remain in close contact with all financial analysts in order to ensure a broad set of opinions.

Recommendations by financial analysts

as of 31.12.2020



A total of eleven financial analysts covered HHLA's business development and issued reports and recommendations concerning the share. As of the reporting date, six analysts recommended buying the share. They particularly emphasised the successful Intermodal business and growth potential resulting from the forthcoming dredging of the navigation channel. Those analysts who recommended holding the share primarily see risks arising from the fact that the river Elbe has still not been dredged, as well as the low level of cost flexibility. Analyst sentiment was also tempered by increasingly fierce competition among North Range ports and the potential worsening of current trade conflicts. As of the reporting date, there was one recommendation to sell.

Sustainability reporting and ratings

In addition to classic financial aspects, so-called non-financial or ESG (Environment, Social, Governance) figures play an increasingly important role in evaluating companies on the capital market. As a responsible company, HHLA has been reporting on its non-financial performance since 2011. In doing so, HHLA goes beyond the legally required disclosures of the non-financial report and issues a separate sustainability report, applying the internationally recognised reporting standards of the Global Reporting Initiative (GRI).

HHLA also champions the 17 Sustainable Development Goals (SDGs) adopted by the United Nations. Balanced Logistics

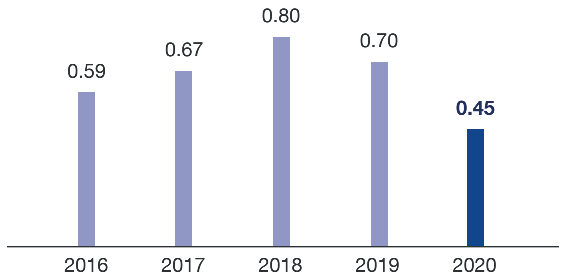
Based on this information, the company's sustainability credentials are regularly evaluated by ratings agencies, such as MSCI, ISS-oekom, S&P Global Ratings ESG, Gaia and the Carbon Disclosure Project (CDP).

Dividend proposal for 2020

The Executive Board and the Supervisory Board will propose to the Annual General Meeting on June 10, 2021, a script dividend of € 0.45 per class A share entitled to dividends. During the determination, the result was adjusted by the change in the restructuring provision affecting net income in the amount of € 43 million. The resulting payout ratio is at the lower end of the payout corridor of 50 to 70 % of the net profit for the year after non-controlling interests. Shareholders will thus again have the option of choosing between cash dividends and subscription to new shares.

Dividend per listed class A share

in €



2020: Dividend proposal

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 %

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

100 %

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

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.

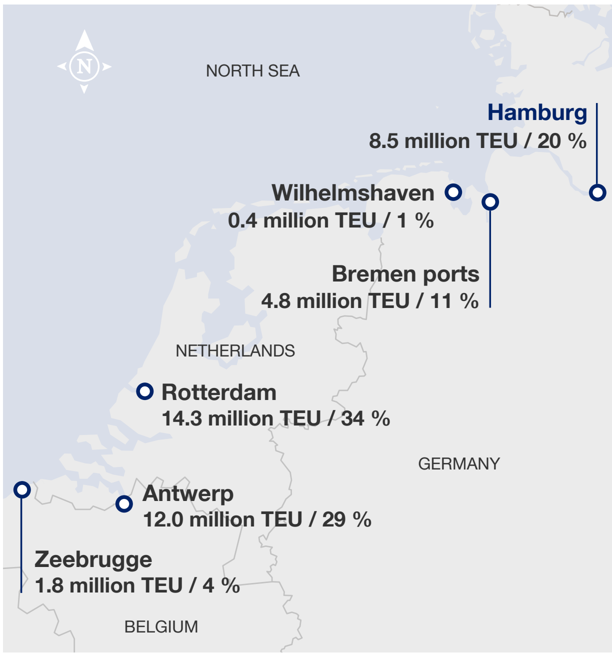
In 2020, the coronavirus pandemic had an adverse impact on the economy – and in particular on manufacturing and trade – albeit to a lesser extent than initially anticipated. The International Monetary Fund (IMF) estimates the year-on-year decline in the economy and global trade in 2020 at 3.5 % and 9.6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

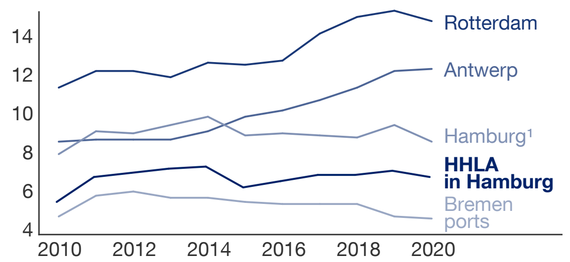
As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the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

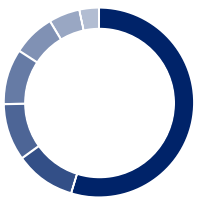
in million TEU



1 incl. HHLA / Source: Port Authorities

Container throughput by shipping region

in the Port of Hamburg, 2020



- 52 % Asia
- 10 % Eastern Europe (Baltic Sea)
- 9 % Scandinavia
- 9 % North America
- 7 % Rest of Europe
- 5 % South America
- 3 % Africa

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.

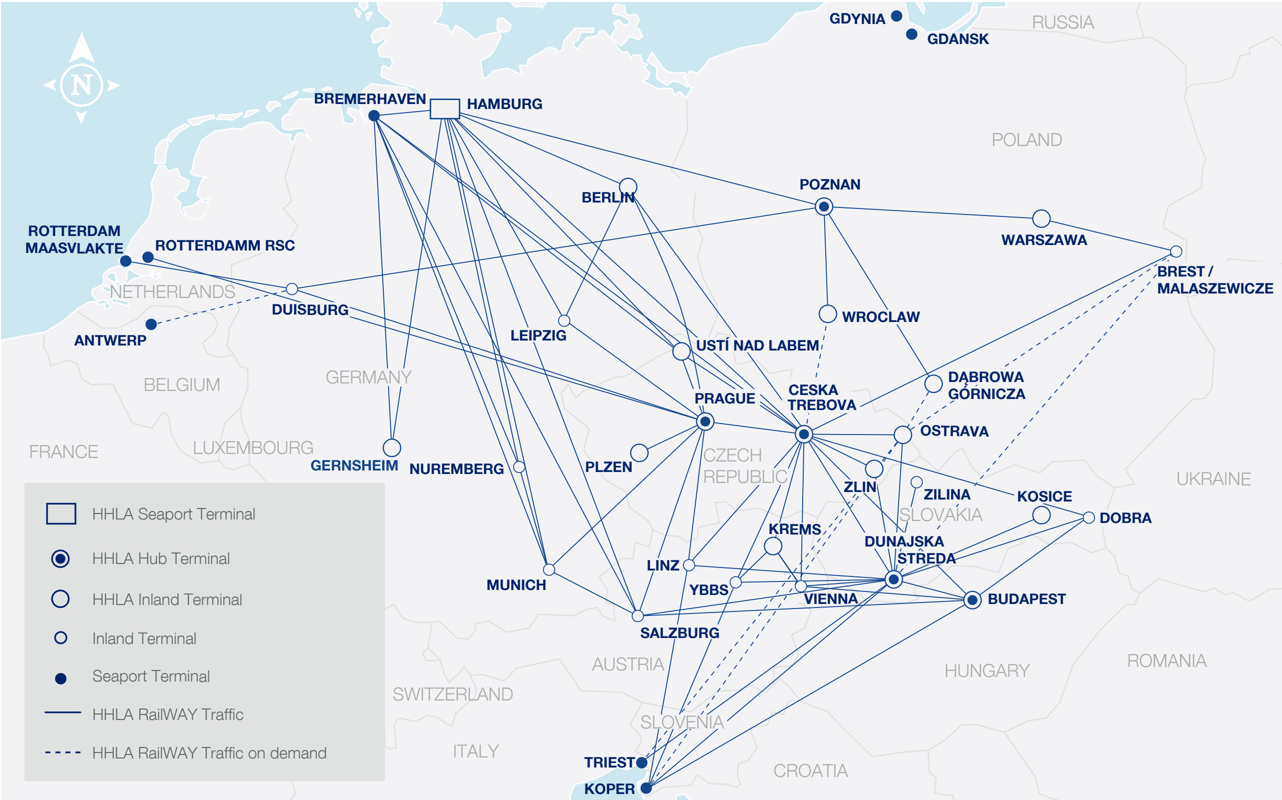
HHLA operates proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offering. This is necessary to enable it to run direct trains with frequent departures and to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

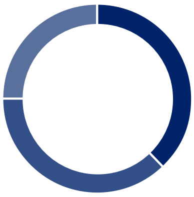
Source: Alphaliner Monthly Monitor, January 2021

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



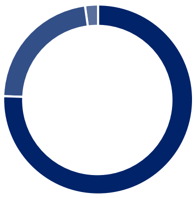
Source: Alphaliner Monthly Monitor, January 2021

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.

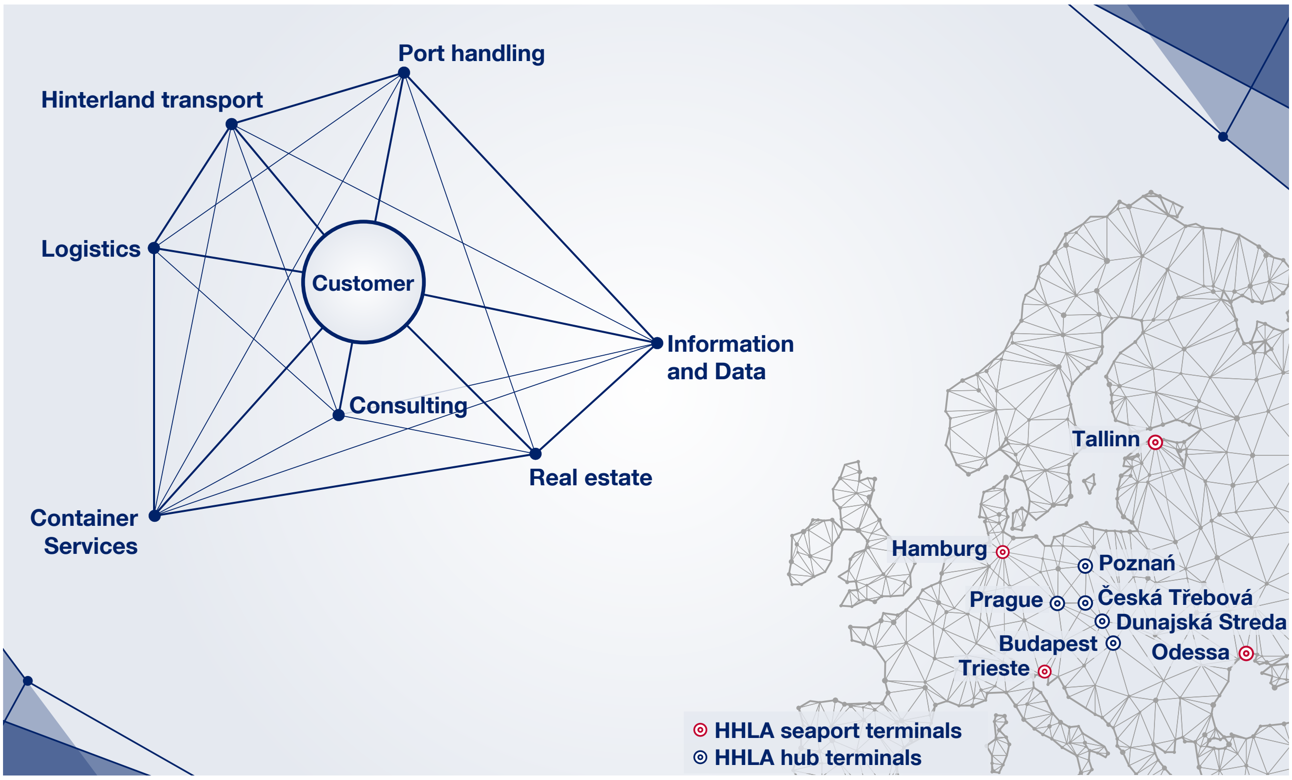
Investments and finance

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.

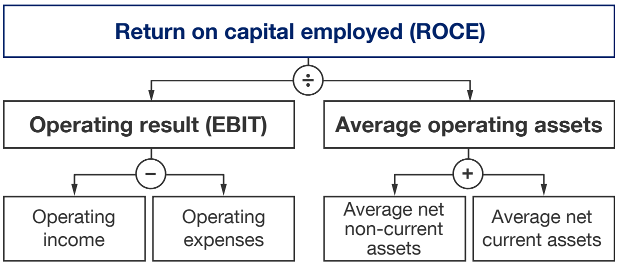
Financial performance indicators

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

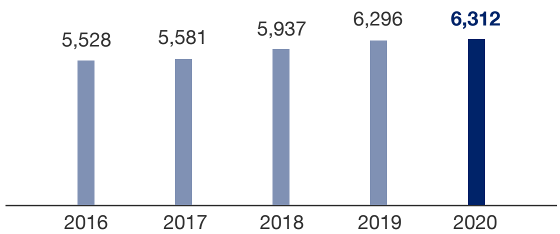
Development of headcount

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

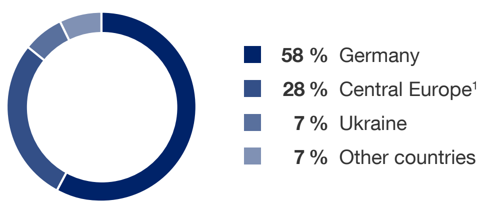
by segments	**2020**	2019	Change
Container	3,132	3,186	- 1.7 %
Intermodal	2,279	2,243	1.6 %
Holding/Others	628	612	2.6 %
Logistics	186	167	11.4 %
Real Estate	87	88	- 1.1 %
HHLA Group	**6,312**	**6,296**	**0.3 %**

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).

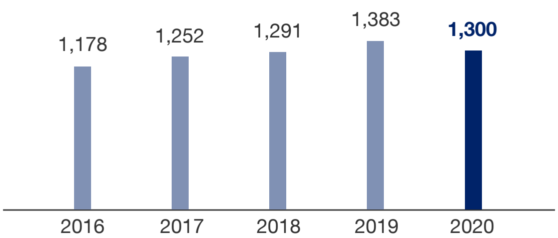
Earnings position

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



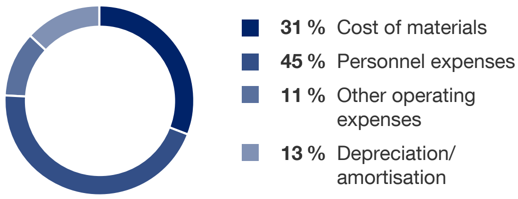
Changes in inventories once again had no material impact in the reporting period. **Own work capitalised** decreased to € 4.6 million (previous year: € 6.2 million).

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 %).

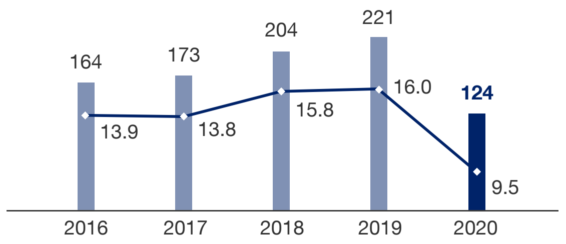
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** fell by 24.4 % to € 289.4 million (previous year: € 382.6 million). There was a correspondingly strong decrease in the EBITDA margin to 22.3 % (previous year: 27.7 %).

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**

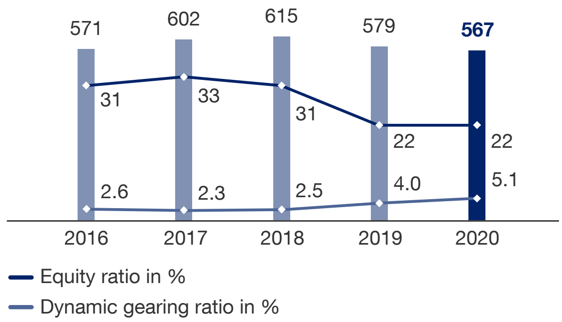
On the assets side of the balance sheet, **non-current assets** rose by € 26.5 million. Investment property rose by € 12.0 million to € 197.1 million due to capital expenditure (previous year: € 185.1 million). Deferred taxes rose year-on-year by € 17.3 million to € 141.4 million (previous year: € 124.1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

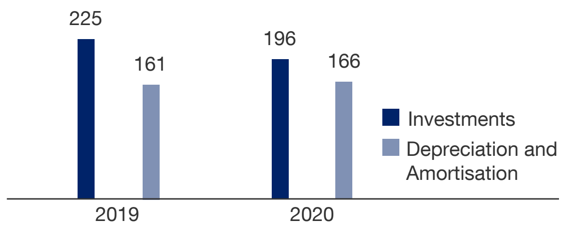
Current liabilities grew by € 18.1 million to € 299.4 million (previous year: € 281.3 million), mainly due to the increase in trade payables and income tax liabilities. The decline in current financial liabilities had an opposing effect.

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

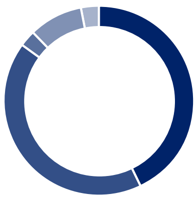


Property, plant and equipment accounted for € 167.6 million (previous year: € 207.0 million) of capital expenditure, while intangible assets accounted for € 7.9 million (previous year: € 10.0 million) and investment property for € 20.8 million (previous year: € 8.0 million).

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



- **43 %** Container
- **42 %** Intermodal
- **3 %** Logistics
- **9 %** Real Estate
- **3 %** Holding/Other

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.

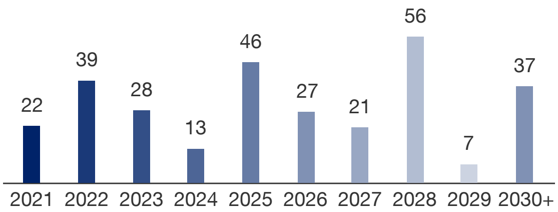
HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium- and long-term loans and leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

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 %

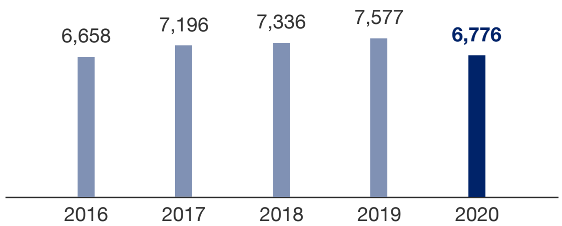
During the 2020 reporting year, the **throughput volume** at HHLA's container terminals decreased significantly by 10.6 % to 6,776 thousand standard containers (TEU) (previous year: 7,577 thousand TEU).

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

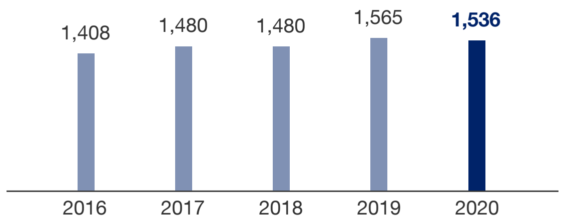
in € million	2020	2019	Change
Revenue	476.8	486.9	- 2.1 %
EBITDA	131.8	139.0	- 5.2 %
EBITDA margin in %	27.7	28.6	- 0.9 pp
EBIT	88.3	99.2	- 11.0 %
EBIT margin in %	18.5	20.4	- 1.9 pp
Container transport in thousand TEU	1,536	1,565	- 1.9 %

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.

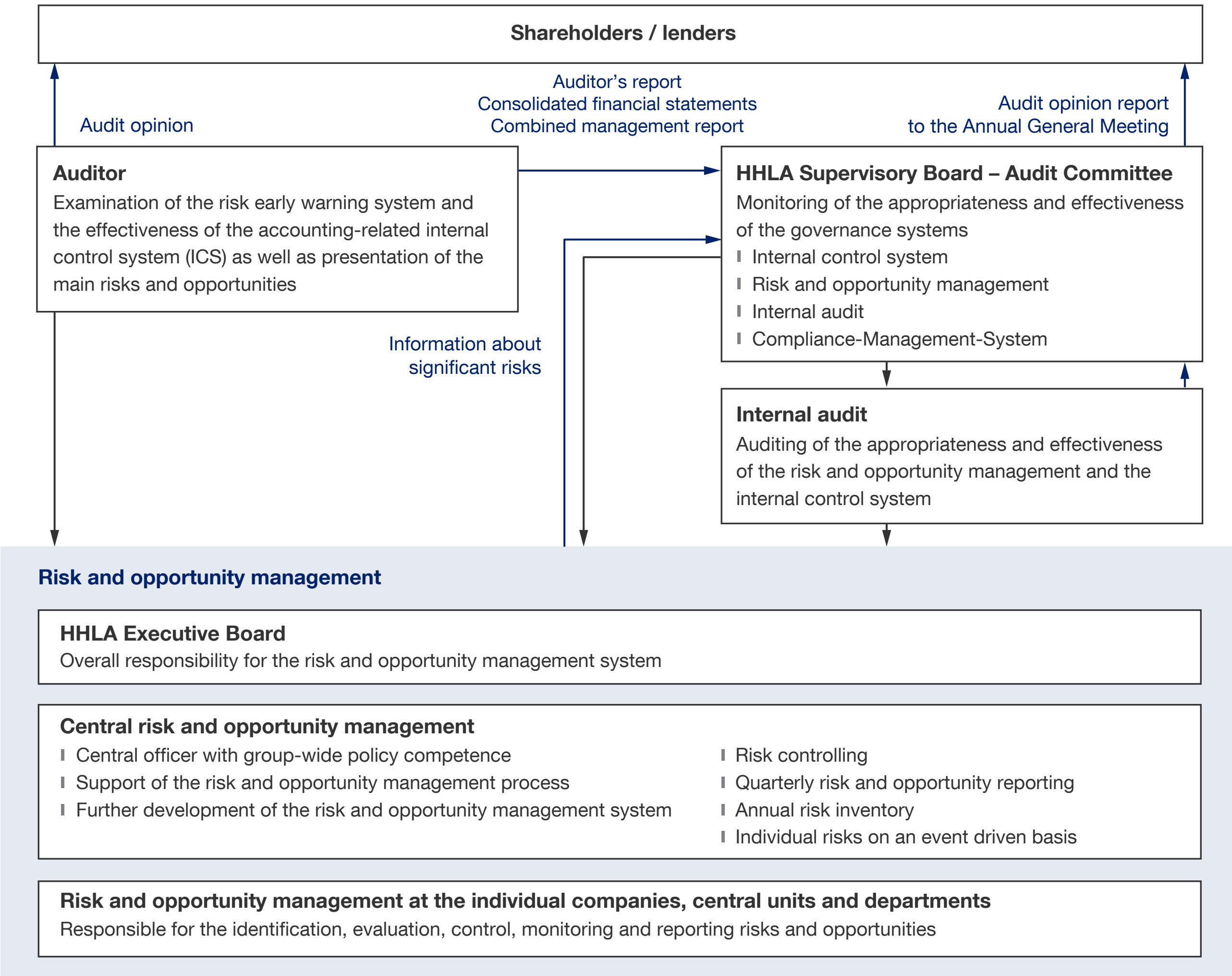
The Internal Audit department is responsible for monitoring HHLA's internal control system and risk and opportunity management for its accounting processes. The external auditor also assesses the effectiveness of the accounting-related internal control system, primarily by carrying out spot checks.

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 clearing system operated by HGV. The A division also utilises the option of investing surplus liquidity with HGV whenever this is advantageous for HHLA AG.

Risk and opportunity report

Business developments at HHLA AG are mostly subject to the same risks and opportunities as those of the HHLA Group. HHLA AG shares in the risks of its subsidiaries and equity investments in line with its respective shareholding.

As the parent company of the HHLA Group, HHLA AG is incorporated into the Group-wide risk and opportunity management system. The risk and opportunity report contained in the combined management report provides a description of the internal control system as required by Section 289 (5) HGB. Risk and opportunity report

Business forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for HHLA AG are reflected in the business forecast for the Group as a whole. It is anticipated that the statements made for the HHLA Group regarding market and revenue developments will largely be mirrored by the revenue of HHLA AG. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA AG's earnings. Business forecast

Expected earnings position in 2021

On the basis of the potential impacts of the global coronavirus pandemic on the expected earnings position of the HHLA Group, as outlined in the business forecast for the Group, HHLA AG anticipates a significant overall improvement in its annual profit compared to the previous year. As for the Group, a reliable forecast for HHLA AG is also still not possible due to the ongoing uncertainty regarding the further development of the pandemic.

Expected financial position in 2021

Based on the liquidity management measures outlined in the business forecast for the Group, HHLA AG expects its financial position to remain stable.

Dividend

As in the previous year, HHLA AG's appropriation of profits is oriented towards the development of earnings in the financial year ended. The distributable profit and stable financial position provide the foundation for a continuation of the company's consistent dividend policy.

Statement of the Executive Board

Under the circumstances known to the Executive Board at the time the transactions listed in the related parties report in accordance with Section 312 AktG were carried out or actions were committed or omitted, the company received adequate consideration for the transaction and was not disadvantaged by committing or refraining from said actions.

In accordance with Article 4 of the articles of association, and with corresponding application of the provisions of Section 312 AktG, the Executive Board must prepare a report on the relationships between the A division and the S division. Under the circumstances known to the Executive Board at the time the legal transactions specified in the report on the relationships between the A division and the S division were completed, both divisions received appropriate consideration. Any expenses and returns that could not be attributed directly to one division were divided among the divisions in line with the articles of association. No steps were taken or omitted at the behest or in the interests of the other division in each case.

Hamburg, 15 March 2021

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath   Jens Hansen

Dr. Roland Lappin   Torben Seebold

Some of the disclosures in the management report – including statements on revenue and earnings trends and on possible changes in the sector or the financial position – contain forward-looking statements. These statements are based on the current best estimates and assumptions of the company. Depending on whether uncertain events materialise, HHLA's actual results, including its earnings and financial position, may differ materially from those explicitly or implicitly assumed or described in these statements.

Detailed index consolidated financial statements

Detailed index notes

Income statement – HHLA Group

in € thousand	Note	2020	2019
Revenue	8.	1,299,831	1,382,625
Changes in inventories	9.	61	131
Own work capitalised	10.	4,587	6,183
Other operating income	11.	50,830	45,583
Cost of materials	12.	- 379,077	- 401,203
Personnel expenses	13.	- 548,098	- 516,119
Other operating expenses	14.	- 138,737	- 134,575
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**289,397**	**382,625**
Depreciation and amortisation	15.	- 165,832	- 161,388
Earnings before interest and taxes (EBIT)		**123,565**	**221,237**
Earnings from associates accounted for using the equity method	16.	3,601	4,458
Interest income	16.	7,241	2,886
Interest expenses	16.	- 35,301	- 42,459
Other financial result	16.	0	0
Financial result	**16.**	**- 24,460**	**- 35,115**
Earnings before tax (EBT)		**99,105**	**186,122**
Income tax	18.	- 24,973	- 49,064
Profit after tax		**74,133**	**137,058**
of which attributable to non-controlling interests	19.	31,558	33,776
of which attributable to shareholders of the parent company		42,575	103,282
Earnings per share, basic and diluted, in €	**20.**		
HHLA Group		0.58	1.42
Port Logistics subgroup		0.50	1.34
Real Estate subgroup		2.70	3.57

Statement of comprehensive income – HHLA Group

in € thousand	Note	2020	2019
Profit after tax		**74,133**	**137,058**
Components which cannot be transferred to the income statement			
Actuarial gains/losses	36.	- 22,376	- 45,625
Deferred taxes	18.	7,221	14,726
Total		**- 15,155**	**- 30,899**
Components which can be transferred to the income statement			
Foreign currency translation differences		- 16,221	8,551
Deferred taxes	18.	- 1	- 26
Other		- 164	79
Total		**- 16,386**	**8,604**
Income and expense recognised directly in equity		**- 31,541**	**- 22,295**
Total comprehensive income		**42,592**	**114,763**
of which attributable to non-controlling interests		31,195	32,706
of which attributable to shareholders of the parent company		11,397	82,057

Income statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2020 Group	2020 Port Logistics	2020 Real Estate	2020 Consolidation
Revenue	1,299,831	1,269,337	38,106	- 7,612
Changes in inventories	61	60	1	0
Own work capitalised	4,587	3,706	0	881
Other operating income	50,830	45,671	6,745	- 1,586
Cost of materials	- 379,077	- 372,150	- 7,590	663
Personnel expenses	- 548,098	- 545,698	- 2,400	0
Other operating expenses	- 138,737	- 131,494	- 14,896	7,653
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**289,397**	**269,432**	**19,966**	**0**
Depreciation and amortisation	- 165,832	- 159,137	- 7,047	352
Earnings before interest and taxes (EBIT)	**123,565**	**110,295**	**12,919**	**352**
Earnings from associates accounted for using the equity method	3,601	3,601	0	0
Interest income	7,241	7,333	31	- 124
Interest expenses	- 35,301	- 32,662	- 2,763	124
Other financial result	0	0	0	0
Financial result	**- 24,460**	**- 21,728**	**- 2,732**	**0**
Earnings before tax (EBT)	**99,105**	**88,567**	**10,187**	**352**
Income tax	- 24,973	- 21,730	- 3,156	- 87
Profit after tax	**74,133**	**66,837**	**7,032**	**265**
of which attributable to non-controlling interests	31,558	31,558	0	
of which attributable to shareholders of the parent company	42,575	35,278	7,297	
Earnings per share, basic and diluted, in €	**0.58**	**0.50**	**2.70**	

Statement of comprehensive income – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2020 Group	2020 Port Logistics	2020 Real Estate	2020 Consolidation
Profit after tax	**74,133**	**66,837**	**7,032**	**265**
Components which cannot be transferred to the income statement				
Actuarial gains/losses	- 22,376	- 21,895	- 481	
Deferred taxes	7,221	7,066	155	
Total	**- 15,155**	**- 14,829**	**- 326**	**0**
Components which can be transferred to the income statement				
Foreign currency translation differences	- 16,221	- 16,221	0	
Deferred taxes	- 1	- 1	0	
Other	- 164	- 164	0	
Total	**- 16,386**	**- 16,386**	**0**	**0**
Income and expense recognised directly in equity	**- 31,541**	**- 31,215**	**- 326**	**0**
Total comprehensive income	**42,592**	**35,622**	**6,706**	**265**
of which attributable to non-controlling interests	31,195	31,195	0	
of which attributable to shareholders of the parent company	11,397	4,427	6,970	

Income statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2019 Group	**2019 Port Logistics**	**2019 Real Estate**	2019 Consolidation
Revenue	1,382,625	1,349,962	40,221	- 7,558
Changes in inventories	131	131	0	0
Own work capitalised	6,183	5,359	0	824
Other operating income	45,583	41,258	5,538	- 1,213
Cost of materials	- 401,203	- 393,909	- 7,966	672
Personnel expenses	- 516,119	- 513,905	- 2,214	0
Other operating expenses	- 134,575	- 130,171	- 11,679	7,275
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**382,625**	**358,725**	**23,900**	**0**
Depreciation and amortisation	- 161,388	- 154,300	- 7,433	345
Earnings before interest and taxes (EBIT)	**221,237**	**204,425**	**16,467**	**345**
Earnings from associates accounted for using the equity method	4,458	4,458	0	0
Interest income	2,886	2,994	35	- 143
Interest expenses	- 42,459	- 39,490	- 3,112	143
Other financial result	0	0	0	0
Financial result	**- 35,115**	**- 32,038**	**- 3,077**	**0**
Earnings before tax (EBT)	**186,122**	**172,387**	**13,390**	**345**
Income tax	- 49,064	- 44,979	- 3,999	- 85
Profit after tax	**137,058**	**127,408**	**9,391**	**260**
of which attributable to non-controlling interests	33,776	33,776	0	
of which attributable to shareholders of the parent company	103,282	93,631	9,651	
Earnings per share, basic and diluted, in €	**1.42**	**1.34**	**3.57**	

Statement of comprehensive income – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2019 Group	**2019 Port Logistics**	**2019 Real Estate**	2019 Consolidation
Profit after tax	**137,058**	**127,408**	**9,391**	**260**
Components which cannot be transferred to the income statement				
Actuarial gains/losses	- 45,625	- 45,361	- 264	
Deferred taxes	14,726	14,641	85	
Total	**- 30,899**	**- 30,720**	**- 179**	**0**
Components which can be transferred to the income statement				
Foreign currency translation differences	8,551	8,551	0	
Deferred taxes	- 26	- 26	0	
Other	79	79	0	
Total	**8,604**	**8,604**	**0**	**0**
Income and expense recognised directly in equity	**- 22,295**	**- 22,116**	**- 179**	**0**
Total comprehensive income	**114,763**	**105,291**	**9,212**	**260**
of which attributable to non-controlling interests	32,706	32,706	0	
of which attributable to shareholders of the parent company	82,057	72,585	9,472	

Balance sheet – HHLA Group

in € thousand	Note	31.12.2020	31.12.2019
ASSETS			
Intangible assets	22.	100,840	104,506
Property, plant and equipment	23.	1,677,635	1,677,256
Investment property	24.	197,138	185,149
Associates accounted for using the equity method	25.	17,418	17,193
Non-current financial assets	26.	16,427	16,177
Deferred taxes	18.	141,420	124,071
Non-current assets		**2,150,879**	**2,124,352**
Inventories	27.	25,554	25,242
Trade receivables	28.	166,913	168,127
Receivables from related parties	29.	85,283	98,805
Current financial assets	30.	3,134	3,579
Other non-financial assets	31.	31,133	29,672
Income tax receivables	32.	1,369	2,201
Cash, cash equivalents and short-term deposits	33.	126,858	158,041
Non-current assets held for sale	34.	0	0
Current assets		**440,245**	**485,667**
Balance sheet total		**2,591,123**	**2,610,019**
EQUITY AND LIABILITIES			
Subscribed capital		74,405	72,753
Port Logistics subgroup		71,700	70,048
Real Estate subgroup		2,705	2,705
Capital reserve		164,599	141,584
Port Logistics subgroup		164,093	141,078
Real Estate subgroup		506	506
Retained earnings		487,544	499,683
Port Logistics subgroup		435,320	449,076
Real Estate subgroup		52,224	50,607
Other comprehensive income		- 155,456	- 124,278
Port Logistics subgroup		- 154,553	- 123,702
Real Estate subgroup		- 903	- 577
Non-controlling interests		- 4,089	- 10,880
Port Logistics subgroup		- 4,089	- 10,880
Real Estate subgroup		0	0
Equity	35.	**567,003**	**578,862**
Pension provisions	36.	531,144	503,239
Other non-current provisions	37.	155,658	114,093
Non-current liabilities to related parties	40.	457,149	485,442
Non-current financial liabilities	38.	558,693	626,335
Deferred taxes	18.	22,069	20,704
Non-current liabilities		**1,724,714**	**1,749,813**
Other current provisions	37.	25,581	24,005
Trade liabilities	39.	90,913	74,879
Current liabilities to related parties	40.	39,552	37,152
Current financial liabilities	38.	88,075	102,351
Other non-financial liabilities	41.	37,512	36,767
Income tax liabilities	42.	17,774	6,190
Current liabilities		**299,406**	**281,344**
Balance sheet total		**2,591,123**	**2,610,019**

Balance sheet – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	31.12.2020 Group	**31.12.2020 Port Logistics**	**31.12.2020 Real Estate**	31.12.2020 Consolidation
ASSETS				
Intangible assets	100,840	100,807	33	0
Property, plant and equipment	1,677,635	1,646,536	18,051	13,048
Investment property	197,138	23,462	197,564	- 23,888
Associates accounted for using the equity method	17,418	17,418	0	0
Non-current financial assets	16,427	12,475	3,952	0
Deferred taxes	141,420	152,686	0	- 11,266
Non-current assets	**2,150,879**	**1,953,384**	**219,600**	**- 22,105**
Inventories	25,554	25,485	70	0
Trade receivables	166,913	165,025	1,887	0
Receivables from related parties	85,283	79,147	7,124	- 988
Current financial assets	3,134	3,040	94	0
Other non-financial assets	31,133	29,540	1,593	0
Income tax receivables	1,369	1,369	809	- 809
Cash, cash equivalents and short-term deposits	126,858	126,264	594	0
Non-current assets held for sale	0	0	0	0
Current assets	**440,245**	**429,869**	**12,172**	**- 1,797**
Balance sheet total	**2,591,123**	**2,383,253**	**231,772**	**- 23,902**
EQUITY AND LIABILITIES				
Subscribed capital	74,405	71,700	2,705	0
Capital reserve	164,599	164,093	506	0
Retained earnings	487,544	435,320	60,368	- 8,144
Other comprehensive income	- 155,456	- 154,553	- 903	0
Non-controlling interests	- 4,089	- 4,089	0	0
Equity	**567,003**	**512,471**	**62,676**	**- 8,144**
Pension provisions	531,144	523,866	7,278	0
Other non-current provisions	155,658	152,645	3,013	0
Non-current liabilities to related parties	457,149	445,633	11,516	0
Non-current financial liabilities	558,693	454,635	104,058	0
Deferred taxes	22,069	15,112	20,918	- 13,961
Non-current liabilities	**1,724,714**	**1,591,891**	**146,784**	**- 13,961**
Other current provisions	25,581	25,515	67	0
Trade liabilities	90,913	81,776	9,137	0
Current liabilities to related parties	39,552	36,357	4,182	- 988
Current financial liabilities	88,075	82,686	5,389	0
Other non-financial liabilities	37,512	36,933	579	0
Income tax liabilities	17,774	15,625	2,958	- 809
Current liabilities	**299,406**	**278,891**	**22,312**	**- 1,797**
Balance sheet total	**2,591,123**	**2,383,253**	**231,772**	**- 23,902**

Balance sheet – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	31.12.2019 Group	**31.12.2019 Port Logistics**	**31.12.2019 Real Estate**	31.12.2019 Consolidation
ASSETS				
Intangible assets	104,506	104,465	41	0
Property, plant and equipment	1,677,256	1,640,617	23,169	13,470
Investment property	185,149	27,645	182,165	- 24,661
Associates accounted for using the equity method	17,193	17,193	0	0
Non-current financial assets	16,177	12,254	3,923	0
Deferred taxes	124,071	134,467	0	- 10,397
Non-current assets	**2,124,352**	**1,936,641**	**209,298**	**- 21,588**
Inventories	25,242	25,184	58	0
Trade receivables	168,127	167,174	953	0
Receivables from related parties	98,805	79,871	20,154	- 1,220
Current financial assets	3,579	3,455	124	0
Other non-financial assets	29,672	28,650	1,022	0
Income tax receivables	2,201	3,165	614	- 1,578
Cash, cash equivalents and short-term deposits	158,041	157,259	782	0
Non-current assets held for sale	0	0	0	0
Current assets	**485,667**	**464,758**	**23,707**	**- 2,798**
Balance sheet total	**2,610,019**	**2,401,399**	**233,005**	**- 24,386**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	499,683	449,076	59,016	- 8,409
Other comprehensive income	- 124,278	- 123,702	- 577	0
Non-controlling interests	- 10,880	- 10,880	0	0
Equity	**578,862**	**525,620**	**61,650**	**- 8,409**
Pension provisions	503,239	496,296	6,943	0
Other non-current provisions	114,093	111,127	2,966	0
Non-current liabilities to related parties	485,442	468,408	17,034	0
Non-current financial liabilities	626,335	518,318	108,017	0
Deferred taxes	20,704	13,940	19,943	- 13,179
Non-current liabilities	**1,749,813**	**1,608,089**	**154,903**	**- 13,179**
Other current provisions	24,005	23,996	9	0
Trade liabilities	74,879	70,560	4,318	0
Current liabilities to related parties	37,152	33,337	5,035	- 1,220
Current financial liabilities	102,351	97,254	5,097	0
Other non-financial liabilities	36,767	35,936	831	0
Income tax liabilities	6,190	6,607	1,162	- 1,578
Current liabilities	**281,344**	**267,690**	**16,452**	**- 2,798**
Balance sheet total	**2,610,019**	**2,401,399**	**233,005**	**- 24,386**

Cash flow statement – HHLA Group

in € thousand	Note	2020	2019
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		123,565	221,237
Depreciation, amortisation, impairment and reversals on non-financial non-current assets		165,832	161,388
Increase (+), decrease (-) in provisions		47,245	393
Gains (-), losses (+) from the disposal of non-current assets		185	- 6,043
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities		- 1,962	12,385
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		1,108	1,466
Interest received		5,503	2,842
Interest paid		- 28,414	- 30,008
Income tax paid		- 21,347	- 43,596
Exchange rate and other effects		- 505	2,601
Cash flow from operating activities		**291,210**	**322,665**
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets, property, plant and equipment and investment property		1,051	9,878
Payments for investments in property, plant and equipment and investment property		- 174,657	- 169,208
Payments for investments in intangible assets	22.	- 7,955	- 9,961
Payments for investments in companies accounted for using the equity method		- 785	0
Proceeds from disposal of non-current financial assets		45	0
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)		0	- 2,007
Proceeds (+), payments (-) for short-term deposits		5,000	- 22,550
Cash flow from investing activities		**- 177,301**	**- 193,848**
3. Cash flow from financing activities			
Payments for capital procurement costs		- 499	0
Dividends paid to shareholders of the parent company	21.	- 29,549	- 61,719
Dividends/settlement obligation paid to non-controlling interests		- 36,197	- 29,661
Payments for the redemption of lease liabilities		- 47,461	- 45,799
Payments for the redemption of (financial) loans		- 37,211	- 39,733
Cash flow from financing activities		**- 150,917**	**- 176,912**
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.–3.)		- 37,008	- 48,096
Change in financial funds due to exchange rates		- 2,167	2,129
Financial funds at the beginning of the period		208,022	253,989
Financial funds at the end of the period	43.	**168,847**	**208,022**

Cash flow statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2020 Group	2020 Port Logistics	2020 Real Estate	2020 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	123,565	110,295	12,919	352
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	165,832	159,137	7,047	- 352
Increase (+), decrease (-) in provisions	47,245	47,382	- 137	
Gains (-), losses (+) from the disposal of non-current assets	185	185	0	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	- 1,962	- 244	- 1,486	- 232
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	1,108	- 3,654	4,530	232
Interest received	5,503	5,596	31	- 124
Interest paid	- 28,414	- 25,844	- 2,694	124
Income tax paid	- 21,347	- 20,923	- 424	
Exchange rate and other effects	- 505	- 505	0	
Cash flow from operating activities	**291,210**	**271,424**	**19,786**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	1,051	715	336	
Payments for investments in property, plant and equipment and investment property	- 174,657	- 157,009	- 17,648	
Payments for investments in intangible assets	- 7,955	- 7,946	- 9	
Payments for investments in companies accounted for using the equity method	- 785	- 785	0	
Proceeds from disposal of non-current financial assets	45	45	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	0	0	0	
Proceeds (+), payments (-) for short-term deposits	5,000	5,000	0	
Cash flow from investing activities	**- 177,301**	**- 159,980**	**- 17,321**	**0**
3. Cash flow from financing activities				
Payments for capital procurement costs	- 499	- 499	0	
Dividends paid to shareholders of the parent company	- 29,549	- 23,870	- 5,679	
Dividends/settlement obligation paid to non-controlling interests	- 36,197	- 36,197	0	
Payments for the redemption of lease liabilities	- 47,461	- 41,414	- 6,047	
Payments for the redemption of (financial) loans	- 37,211	- 33,284	- 3,927	
Cash flow from financing activities	**- 150,917**	**- 135,264**	**- 15,653**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	- 37,008	- 23,820	- 13,188	
Change in financial funds due to exchange rates	- 2,167	- 2,167	0	
Financial funds at the beginning of the period	208,022	187,240	20,782	
Financial funds at the end of the period	**168,847**	**161,253**	**7,594**	**0**

Cash flow statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2019 Group	2019 Port Logistics	2019 Real Estate	2019 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	221,237	204,425	16,467	345
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	161,388	154,300	7,433	- 345
Increase (+), decrease (-) in provisions	393	414	- 21	
Gains (-), losses (+) from the disposal of non-current assets	- 6,043	- 6,043	0	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	12,385	10,985	969	431
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	1,466	1,347	550	- 431
Interest received	2,842	2,950	35	- 143
Interest paid	- 30,008	- 27,231	- 2,920	143
Income tax paid	- 43,596	- 40,752	- 2,844	
Exchange rate and other effects	2,601	2,602	- 1	
Cash flow from operating activities	**322,665**	**302,997**	**19,668**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	9,878	9,876	2	
Payments for investments in property, plant and equipment and investment property	- 169,208	- 161,760	- 7,448	
Payments for investments in intangible assets	- 9,961	- 9,925	- 36	
Payments for investments in companies accounted for using the equity method	0	0	0	
Proceeds from disposal of non-current financial assets	0	0	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 2,007	- 2,007	0	
Proceeds (+), payments (-) for short-term deposits	- 22,550	- 22,550	0	
Cash flow from investing activities	**- 193,848**	**- 186,366**	**- 7,482**	**0**
3. Cash flow from financing activities				
Payments for capital procurement costs	0	0	0	
Dividends paid to shareholders of the parent company	- 61,719	- 56,040	- 5,679	
Dividends/settlement obligation paid to non-controlling interests	- 29,661	- 29,661	0	
Payments for the redemption of lease liabilities	- 45,799	- 42,873	- 2,926	
Payments for the redemption of (financial) loans	- 39,733	- 35,806	- 3,927	
Cash flow from financing activities	**- 176,912**	**- 164,380**	**- 12,532**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	- 48,096	- 47,751	- 345	0
Change in financial funds due to exchange rates	2,129	2,129	0	
Financial funds at the beginning of the period	253,989	232,862	21,127	
Financial funds at the end of the period	**208,022**	**187,240**	**20,782**	**0**

Statement of changes in equity – HHLA Group

in € thousand

	Parent company					
	Subscribed capital		Capital reserve		Retained earnings	Reserve for foreign currency translation
	A division	S division	A division	S division		
Balance as of 31 December 2018	**70,048**	**2,705**	**141,078**	**506**	**512,369**	**- 68,410**
Adjustment due to first-time adoption of IFRS 16					- 54,249	
Balance as of 1 January 2019	**70,048**	**2,705**	**141,078**	**506**	**458,120**	**- 68,410**
Dividends					- 61,719	
Settlement obligation to shareholders with non-controlling interests						
First-time consolidation of interests in related parties						
Total comprehensive income					103,282	8,566
Balance as of 31 December 2019	**70,048**	**2,705**	**141,078**	**506**	**499,683**	**- 59,844**
Balance as of 31 December 2019	**70,048**	**2,705**	**141,078**	**506**	**499,683**	**- 59,844**
Dividends					- 54,714	
Capital increase less costs of raising capital not recognized in profit or loss	1,651		23,015			
Settlement obligation to shareholders with non-controlling interests						
Total comprehensive income					42,575	- 16,131
Balance as of 31 December 2020	**71,700**	**2,705**	**164,093**	**506**	**487,544**	**- 75,976**

Other comprehensive income						
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other	**Parent company interests**	**Non-controlling interests**	**Total equity**
438	**- 68,725**	**22,125**	**11,519**	**623,653**	**- 8,812**	**614,841**
				- 54,249	- 4,251	- 58,500
438	**- 68,725**	**22,125**	**11,519**	**569,404**	**- 13,063**	**556,341**
				- 61,719	- 1,005	- 62,723
				0	- 30,492	- 30,492
				0	973	973
	- 44,046	14,198	57	82,057	32,706	114,763
438	**- 112,771**	**36,323**	**11,576**	**589,742**	**- 10,880**	**578,862**
438	**- 112,771**	**36,323**	**11,576**	**589,742**	**- 10,880**	**578,862**
				- 54,714	- 1,027	- 55,741
				24,666	0	24,666
				0	- 23,377	- 23,377
	- 21,973	7,090	- 164	11,397	31,195	42,592
438	**- 134,745**	**43,413**	**11,413**	**571,092**	**- 4,089**	**567,003**

Statement of changes in equity – HHLA Port Logistics subgroup (A division)

in € thousand; annex to the notes

	Parent company			
	Subscribed capital	Capital reserve	Retained earnings	Reserve for foreign currency translation
Balance as of 31 December 2018	**70,048**	**141,078**	**464,805**	**- 68,410**
Adjustment due to first-time adoption of IFRS 16			- 53,322	
Balance as of 1 January 2019	**70,048**	**141,078**	**411,484**	**- 68,410**
Dividends			- 56,039	
Settlement obligation to shareholders with non-controlling interests				
First-time consolidation of interests in related parties				
Total comprehensive income subgroup			93,631	8,566
Balance as of 31 December 2019	**70,048**	**141,078**	**449,076**	**- 59,844**
Balance as of 31 December 2019	**70,048**	**141,078**	**449,076**	**- 59,844**
Dividends			- 49,034	
Capital increase less costs of raising capital not recognized in profit or loss	1,651	23,015		
Settlement obligation to shareholders with non-controlling interests				
Total comprehensive income subgroup			35,278	- 16,131
Balance as of 31 December 2020	**71,700**	**164,093**	**435,320**	**- 75,976**

Other comprehensive income						
Cash flow hedges	Actuarial gains/losses	Deferred taxes on changes recognised directly in equity	Other	Parent company interests	Non-controlling interests	Total equity
438	**- 68,138**	**21,935**	**11,519**	**573,276**	**- 8,812**	**564,465**
				- 53,322	- 4,251	- 57,573
438	**- 68,138**	**21,935**	**11,519**	**519,954**	**- 13,063**	**506,892**
				- 56,039	- 1,005	- 57,044
				0	- 30,492	- 30,492
				0	973	973
	- 43,782	14,113	57	72,585	32,706	105,291
438	**- 111,920**	**36,048**	**11,576**	**536,500**	**- 10,880**	**525,620**
438	**- 111,920**	**36,048**	**11,576**	**536,500**	**- 10,880**	**525,620**
				- 49,034	- 1,027	- 50,061
				24,666	0	24,666
				0	- 23,377	- 23,377
	- 21,492	6,935	- 164	4,427	31,195	35,622
438	**- 133,412**	**42,983**	**11,413**	**516,560**	**- 4,089**	**512,471**

Statement of changes in equity – HHLA Real Estate subgroup (S division)

in € thousand; annex to the notes

Balance as of 31 December 2018
Adjustment due to first-time adoption of IFRS 16
Balance as of 1 January 2019
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2019
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2019
Balance as of 31 December 2019
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2020
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2020

Subscribed capital	Capital reserve	Retained earnings	Other comprehensive income: Actuarial gains/losses	Other comprehensive income: Deferred taxes on changes recognised directly in equity	Total equity
2,705	**506**	**56,231**	**- 587**	**189**	**59,045**
		- 927			- 927
2,705	**506**	**55,305**	**- 587**	**189**	**58,118**
		- 5,679			- 5,679
		9,391	- 264	85	9,212
2,705	**506**	**59,016**	**- 851**	**275**	**61,650**
		260			260
		- 8,669			- 8,669
		- 8,409			**- 8,409**
2,705	**506**	**50,607**	**- 851**	**275**	**53,241**
2,705	**506**	**59,016**	**- 851**	**275**	**61,650**
		- 5,679			- 5,679
		7,032	- 481	155	6,706
2,705	**506**	**60,368**	**- 1,333**	**430**	**62,676**
		265			265
		- 8,409			- 8,409
		- 8,144			**- 8,144**
2,705	**506**	**52,224**	**- 1,333**	**430**	**54,532**

Segment report – HHLA Group

in € thousand; business segments;
annex to the notes

	Container		Intermodal		Logistics	
	2020	2019	**2020**	2019	**2020**	2019
Segment revenue						
Segment revenue from non-affiliated third parties	730,199	792,132	475,208	485,073	43,582	50,551
Inter-segment revenue	7,289	7,605	1,560	1,827	7,807	8,428
Total segment revenue	**737,488**	**799,737**	**476,768**	**486,900**	**51,389**	**58,979**
Earnings						
EBITDA	160,366	240,246	131,829	139,032	6,899	8,457
EBITDA margin	21.7 %	30.0 %	27.7 %	28.6 %	13.4 %	14.3 %
EBIT	65,422	141,274	88,268	99,170	- 3,879	2,523
EBIT margin	8.9 %	17.7 %	18.5 %	20.4 %	- 7.5 %	4.3 %
Assets						
Segment assets	1,282,561	1,295,593	614,537	585,120	51,671	55,845
Other segment information						
Investments in property, plant and equipment and investment property	83,922	69,898	81,271	130,052	2,565	3,573
Investments in intangible assets	1,985	2,884	1,380	821	4,471	767
Total investments	**85,907**	**72,782**	**82,651**	**130,873**	**7,036**	**4,340**
Depreciation of property, plant and equipment and investment property	90,873	93,156	43,274	39,654	5,719	5,506
of which impairment	423	0	0	0	0	0
Amortisation of intangible assets	4,071	5,816	287	207	5,059	429
Total amortisation and depreciation	**94,944**	**98,972**	**43,561**	**39,861**	**10,778**	**5,935**
Earnings from associates accounted for using the equity method	209	576	0	0	3,392	3,882
Non-cash items	67,539	21,746	1,300	1,115	1,380	1,484
Container throughput in thousand TEU	6,776	7,577	—	—		
Container transport in thousand TEU	—	—	1,536	1,565		

	Holding/Other		Real Estate subgroup		Total		Consolidation and reconciliation with Group		Group	
			Real Estate							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	15,212	17,116	35,630	37,753	1,299,831	1,382,625	0	0	1,299,831	1,382,625
	136,949	137,668	2,477	2,468	156,082	157,996	- 156,082	- 157,996	0	0
	152,161	**154,784**	**38,106**	**40,221**	**1,455,913**	**1,540,621**				
	- 29,076	- 28,401	19,966	23,900	289,983	383,233	- 586	- 609	289,397	382,625
	- 19.1 %	- 18.3 %	52.4 %	59.4 %						
	- 40,739	- 39,806	12,919	16,467	121,991	219,628	1,574	1,609	123,565	221,237
	- 26.8 %	- 25.7 %	33.9 %	40.9 %						
	200,621	234,240	223,317	211,556	2,372,707	2,382,354	218,416	227,665	2,591,123	2,610,019
	2,988	1,423	17,647	10,009	188,393	214,955	0	0	188,393	214,955
	2,236	6,061	9	36	10,081	10,570	- 2,126	- 609	7,955	9,961
	5,224	**7,484**	**17,656**	**10,045**	**198,474**	**225,525**	**- 2,126**	**- 609**	**196,348**	**224,916**
	9,440	9,090	7,031	7,424	156,336	154,831	- 1,734	- 1,731	154,602	153,099
	0	0	0	0	423	0	0	0	423	0
	2,223	2,314	16	9	11,656	8,775	- 426	- 486	11,230	8,289
	11,663	**11,404**	**7,047**	**7,433**	**167,992**	**163,606**	**- 2,160**	**- 2,217**	**165,832**	**161,388**
	0	0	0	0	3,601	4,458	0	0	3,601	4,458
	17,063	17,642	2,533	644	89,815	42,631	66	- 18	89,881	42,613

Notes to the consolidated financial statements

General notes

1. Basic information on the Group

The Group's parent company (hereinafter also referred to as "HHLA" or "the HHLA Group") is Hamburger Hafen und Logistik Aktiengesellschaft, Bei St. Annen 1, 20457 Hamburg, Germany, registered in the Hamburg Commercial Register under HRB 1902. The holding company above the Group is HGV Hamburger Gesellschaft fur Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV).

The object of the company is, first and foremost, to manage and participate in companies which are active in the provision of services in the areas of transport and logistics, particularly in the economic sectors of sea transport and hinterland traffic, as well as in the acquisition, maintenance, sale, lease, management and development of real estate, particularly real estate in Hamburg's historical Speicherstadt warehouse district and its fish market. In order to support the core area of business described, the company is also authorised to offer and perform services, and develop and manufacture products, systems, installations and solutions (including software), as well as the associated applications, both in this area of business as well as in the additive manufacturing business and information technology as well as related fields. The company is also authorised to carry out all auxiliary transactions and ancillary business related to the object of the company.

Since 1 January 2007, the Group has consisted of the Port Logistics subgroup (A division) and the Real Estate subgroup (S division). The part of the Group that deals with the property in Hamburg's Speicherstadt historical warehouse district and Fischmarkt Hamburg-Altona GmbH is allocated to the Real Estate subgroup (S division). All other parts of the company are allocated together to the Port Logistics subgroup (A division). Individual financial statements are prepared for each division to determine the shareholders' dividend entitlements; these, in line with the company's articles of association, form part of the Notes to the Annual Financial Statements of the parent company.

Information concerning the segments in which the HHLA Group operates is provided in Note 44.

When the shareholders' dividend entitlements are being determined, the expenses and income of HHLA which cannot be attributed directly to one subgroup are divided between the two subgroups according to their shares of revenue. All transfer pricing for services between the two subgroups takes place on an arm's-length basis. Interest must be paid at market rates on liquid funds exchanged between the two subgroups. A notional taxable result is calculated for each subgroup to allocate the taxes paid. The resulting notional tax payment represents the amount of tax which would have been paid had each of the subgroups been separately liable for tax.

To illustrate the results of operations, net assets and financial position of the subgroups, the annex to these Notes contains the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement and the statement of changes in equity for each subgroup.

HHLA's Consolidated Financial Statements for the 2020 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable in the European Union. The provisions contained in Section 315e (1) of the German Commercial Code (HGB) and additional commercial law regulations were also taken into account. The IFRS requirements have been met in full and result in a true and fair view of the results of operations, net assets and financial position of the Group.

For the most part, the accounting and valuation policies, Notes and disclosures relating to the Consolidated Financial Statements for the 2020 financial year are based on the same accounting and valuation principles used for the 2019 Consolidated Financial Statements, with the exception of the effects of the new IFRS accounting standards stated in Note 5. These became mandatory for the Group on 1 January 2020. The accounting and valuation principles applied are explained in Note 6.

The financial year as reported by HHLA and its consolidated subsidiaries is the calendar year. The Consolidated Financial Statements and the disclosures in the Notes have been prepared in euros. Unless otherwise stated, all amounts are in thousands of euros (€ thousand). Due to the use of rounding procedures, it is possible that some figures do not add up to the stated sums.

These HHLA Consolidated Financial Statements for the financial year ending 31 December 2020 were approved by the Executive Board on 15 March 2021 for presentation to the Supervisory Board. It is the Supervisory Board's responsibility to examine the Consolidated Financial Statements and to state whether or not it approves them.

2. Consolidation principles

The Consolidated Financial Statements include the financial statements of HHLA and its significant subsidiaries as of 31 December of each financial year. The assets and liabilities of the domestic and foreign companies consolidated in full or using the equity method are recognised in accordance with the uniform accounting and valuation principles applied in the HHLA Group.

Capital is consolidated at the time of acquisition by setting off the acquisition costs of the investment against the pro rata fair values of the assets acquired and the liabilities and contingent liabilities assumed by the subsidiaries. Previously unreported intangible assets, which can be included in the accounts under IFRS 3 in conjunction with IAS 38, and contingent liabilities are recognised at fair value.

Any positive difference arising in the course of this initial consolidation is capitalised as goodwill and subjected to an annual impairment test. Following a critical assessment, any negative difference is posted to profit and loss. For a detailed explanation of the impairment testing procedure used, please refer to Note 6 and Note 7.

Equity interests held by third parties outside the Group are shown in the balance sheet under the item non-controlling interests within equity capital, see also Note 3 and Note 35.

The acquisition of additional non-controlling interests in consolidated companies is treated as an equity transaction in line with the entity concept and therefore set off directly against equity, taking into account the reduction in interests.

Gains or losses from the disposal of non-controlling interests in consolidated companies are likewise recognised directly in equity without effect on profit and loss insofar as the transaction does not lead to a loss of control. In the case of a loss of control, the remaining interests are measured at fair value or, if applicable, using the equity method.

The effects of intragroup transactions are eliminated in full.

3. Make-up of the Group

Consolidated companies

The group of consolidated companies at HHLA comprises a total of 33 domestic and 18 foreign companies. For a complete list of equity investments in accordance with Section 313 (2) HGB, see also Note 48. The information provided here about the equity and annual net profit recorded by the various companies is taken from the respective annual financial statements, which were prepared in line with national accounting regulations. Information required under IFRS 12.10 and IFRS 12.21 is also included in the details of shareholdings.

Consolidated companies

	Domestic	Foreign	Total
HHLA AG and fully consolidated companies			
1 January 2020	20	16	36
Additions	2	2	4
31 December 2020	**22**	**18**	**40**
Companies reported using the equity method			
1 January 2020	10	0	10
Additions	1	0	1
31 December 2020	**11**	**0**	**11**
Total 31 December 2020	**33**	**18**	**51**

Subsidiaries

The Consolidated Financial Statements comprise the financial statements for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) and its significant subsidiaries. Subsidiaries are companies controlled by the Group. The Group is deemed to control a company if it has a risk exposure or right to fluctuating returns resulting from its involvement in the investee and if it can also use its power over the investee to affect these returns. In particular, HHLA controls an investee if – and only if – all of the characteristics listed in IFRS 10.7 apply. Subsidiaries' financial statements are included in the Consolidated Financial Statements from the time control begins until the time control ends.

Non-controlling interests are valued at the time of acquisition using the relevant share of the acquired company's identifiable net assets. Changes in the Group's shareholding in a subsidiary which do not lead to a loss of control are recorded in the balance sheet as equity transactions.

Subsidiaries with substantial non-controlling interests

Subsidiary	Headquarters	Segment	Equity stake	
			2020	2019
HHLA Container Terminal Altenwerder GmbH	Hamburg	Container	74.9 %	74.9 %

Financial information about the subsidiaries with substantial non-controlling interests

	HHLA Container Terminal Altenwerder GmbH	
in € thousand	**2020**	2019
Percentage of non-controlling interests	25.1 %	25.1 %
Non-current assets	200,017	193,003
Current assets	180,216	203,964
Non-current liabilities	190,668	190,389
Current liabilities	124,694	146,552
Net assets	**64,871**	**60,026**
Book value of non-controlling interests	**- 8,170**	**- 16,501**
Revenue	276,635	293,637
Annual net profit	5,639	1,941
Other comprehensive income	- 794	- 3,083
Total comprehensive income	**4,845**	**- 1,142**
of which attributable to non-controlling interests	1,216	- 287
of which attributable to shareholders of the parent company	3,629	- 855
Cash flow from operating activities	88,966	114,902
Settlement obligation to shareholders of non-controlling interests	- 24,584	- 35,170

Interests in joint ventures

The Group holds interests in joint ventures. As per IFRS 11, a joint venture is subject to a joint contractual agreement between two or more parties to carry out an economic activity which is subject to joint control. Joint control is the contractually agreed division of managerial responsibilities for this arrangement. It only exists if the decisions associated with this business activity require the unanimous consent of the parties involved in joint management.

The HHLA Group holds more than half of the voting rights in the companies HHLA Frucht- und Kühl-Zentrum GmbH, Ulrich Stein Gesellschaft mit beschränkter Haftung and HVCC Hamburg Vessel Coordination Center GmbH yet has no controlling influence as the companies are effectively jointly managed. This is due primarily to the equal representation of the essential corporate bodies (management and/or Supervisory Board).

Aggregate financial information about individually not material joint ventures

in € thousand	**2020**	2019
Group share of profit or loss	3,434	3,941
Group share of other comprehensive income	- 43	- 135
Group share of comprehensive income	**3,391**	**3,806**

No unrecorded losses relating to joint ventures were incurred either in the reporting year or on a cumulative basis.

Aggregate book value of joint ventures

in € thousand	31.12.2020	31.12.2019
Aggregate book value	**13,230**	**12,848**

Interests in associated companies

Companies designated as associated companies are those over which the shareholder has a material influence. At the same time, it is neither a subsidiary nor an interest in a joint venture. A material influence is assumed when it is possible to be involved in the associated company's financial and commercial decisions without exercising a controlling influence. This is generally the case when 20 to 50 % of the voting rights are held, either directly or indirectly.

HHLA does not provide information on associated companies as per IFRS 12 because the relevant companies are of minor importance overall for the Group. HHLA does not believe that this has a negative impact on the statement concerning the nature of interests in other companies and the associated risks. The effects of these interests on the results of operations, net assets and financial position of the HHLA Group are insignificant.

Accounting for interests in joint ventures and associates

Interests in joint ventures and associates are accounted for using the equity method. With the equity method, the share in each joint venture and/or associated company is first stated at acquisition cost. Instead of being amortised, any goodwill recognised within the carrying amount of the investment when it is reported in the balance sheet for the first time is subject to an impairment test for the entire carrying amount of the investment if there are any indications of possible impairment.

As from the acquisition date, HHLA's interest in the results of the joint venture or associated company is recorded in the consolidated income statement, while its interest in changes in equity is recorded directly in equity. These cumulative changes affect the carrying amount of the interest in the joint venture or associated company. As soon as HHLA's share in the company's losses exceeds the carrying amount of the investment, however, HHLA records no further shares in the losses unless HHLA has entered into obligations to that effect or has made payments for the joint venture or associated company.

Significant results from transactions between HHLA and the joint venture or associated company are eliminated in proportion to the interest in the company.

Acquisitions, disposals and other changes to the consolidated group

With the partnership agreement of 16 January 2020, HHLA International GmbH, Hamburg, with 25.0 % of the share capital, and SC Container Terminal Odessa, Odessa, Ukraine, with 75.0 % of the share capital, founded the Limited Liability Company "HHLA Intermodal Ukraine", Odessa, Ukraine. The object of the company includes rail freight traffic, freight traffic services for vehicle, maritime and river transport services, warehousing services and auxiliary services for overland transport. Its inclusion in the HHLA group of consolidated companies took place on 30 September 2020 as a fully consolidated subsidiary.

With the partnership agreement of 22 January 2020, the limited liability company "HHLA Intermodal Ukraine", Odessa, Ukraine, with 100 % of the share capital, founded the Limited Liability Company "Ukrainian Intermodal Company", Odessa, Ukraine. The object of the company includes rail freight traffic, freight traffic services for vehicle, maritime and river transport services, warehousing services and auxiliary services for overland transport. Its inclusion in the HHLA group of consolidated companies took place on 30 September 2020 as a fully consolidated subsidiary.

With the partnership agreement of 1 July 2020, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) 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 fields of transport and logistics, specifically the development and operation of an online portal for providing information and making arrangements and bookings in the area of intermodal transport chains and combined transport. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a fully consolidated subsidiary.

With the partnership agreement of 24 September 2020, METRANS a.s., Prague, Czech Republic, founded the company METRANS Umschlagsgesellschaft mbH, Hamburg. The object of the company is the installation and operation of intermodal container terminals, as well as all related auxiliary transactions and ancillary business. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a fully consolidated subsidiary.

With the share purchase and transfer agreement dated 17 December 2020, HHLA Sky GmbH, Hamburg, acquired 29.7 % of the shares in Third Element Aviation GmbH, Bielefeld. The object of the company is the development, manufacture and distribution of unmanned flight systems and similar systems, as well as related components and accessories, for commercial, non-military applications, as well as the trading of related components and the provision of related services. Its inclusion in the HHLA group of consolidated companies took place on 31 December 2020 as a joint venture consolidated using the equity method, and it is assigned to the Logistics segment.

On 28 September 2020, HHLA International GmbH, Hamburg, signed a shareholding and partnership agreement for the acquisition of 50.01 % of shares in Piattaforma Logistica Trieste S.r.l., Trieste, Italy (PLT). The object of the company is the planning, construction, maintenance and management of the logistics platform between Scalo Legnami and the former Italsider steelworks in the port centre of Trieste. Among other things, this includes conducting operations as a port company, storing materials and goods on behalf of third parties and the promotion, organisation, management and marketing of all services in connection with the exchange of goods, particularly intermodal exchange by ship, train and overland transport and the use of terminals that are equipped for goods transport and logistics of all kinds. The closing of the transaction (corresponding to the acquisition date) is tied to various closing conditions and took place on 7 January 2021. On the same date, the company was renamed HHLA PLT Italy S.r.l. The first-time consolidation of the company took place on the acquisition date. The purchase price (transferred consideration) was paid in euros.

In connection with the acquisition of the shares, a capital increase of € 12,008 thousand was carried out. The contracts also provide for various options on both the buyer and seller sides, some of which are mutually dependent. In the medium term, HHLA PLT Italy has various options for expanding the existing infrastructure and, as a result, HHLA has the option of successively increasing its stake by taking over shares from the existing shareholders in conjunction with further capital increases. If these options for expansion are not exercised, the existing shareholders have the option of selling their remaining shares to HHLA for € 21,000 thousand or maintaining the status quo. The exercise of the options for expansion and thus their entry into force are subject to the approval of HHLA's Supervisory Board. An overall valuation of the transaction has not yet been carried out.

The following tables depicts the consideration transferred for the acquisition of the company and the values of the assets identified, and liabilities acquired, on the basis of the acquisition of 50.01 % of the shares on the date of acquisition:

Composition of the consideration transferred

in € thousand	
Basic purchase price	5,500
Capital increase (pro rata)	6,003
Consideration transferred	**11,503**

Preliminary fair value of assets and liabilities (identifiable net assets) and derivation of the thus preliminary goodwill

in € thousand	100 %	HHLA stake 50.01 %
Cash and cash equivalents	**536**	**268**
Customer relationships	937	469
Carrying amount of net assets acquired	4,900	2,450
Deferred taxes	- 261	- 131
Preliminary fair value of assets and liabilities (identifiable net assets)	**6,112**	**3,057**
Plus preliminary derived goodwill		8,446
Transferred consideration		**11,503**

The fair values of the acquired assets and assumed liabilities have only been determined on a provisional and possibly incomplete basis, as, for example, the measurement of the underlying figures is taken from the non-audited Consolidated Financial Statements. The final measurement has yet to be completed, meaning that changes to the fair values may still occur. This would result in a change in preliminary goodwill.

The preliminary derived goodwill of € 8,446 thousand based on the acquisition of 50.01% of the shares reflects the future development of the newly built terminal, as well as the existing general cargo activities and the associated establishment and expansion of customer relations. Besides participating in the growth of activities, HHLA has the prospect of further expanding its rail operations in the Intermodal segment in the Mediterranean and offering customers holistic transport solutions. The goodwill has been allocated to the Container segment. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

The acquired customer relations in the amount of € 937 thousand relate to general cargo.

The fair value of trade receivables amounts to € 1,688 thousand and is collectable in full.

The proportionate net assets of the non-controlling interests recognised in the course of the business combination amount to € 3,055 thousand based on the acquisition of 50.01% of the shares. This valuation is based on the same criteria that were used to value the acquired assets and liabilities.

With the shareholding and partnership agreement of 16 December 2020, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) acquired 80.0 % of shares in iSAM AG, Mühlheim an der Ruhr. The object of the company is the development and distribution of IT software and the distribution of IT hardware; consultancy on the development of internal IT concepts, the design and implementation of system solutions, as well as consultancy, development and production with regard to automation concepts in manufacturing, trading and service companies. The closing of the transaction (corresponding to the acquisition date) is tied to various closing conditions and took place on 19 January 2021. The first-time consolidation of the company took place on the acquisition date.

In the event that existing shareholders wish to sell shares in the company, HHLA has a pre-emptive and co-sale right.

The following table depicts the values of the assets identified, and liabilities acquired, on the date of acquisition:

Preliminary fair value of assets and liabilities (identifiable net assets) and derivation of the thus preliminary goodwill

in € thousand	100 %	HHLA stake 80.0 %
Cash and cash equivalents	**2,745**	**2,196**
Property, plant and equipment	2,852	2,282
Technologies	1,581	1,265
Customer relationships and other intangible assets	1,137	910
Tax loss carryforwards	860	688
Carrying amount of net assets acquired	371	297
Deferred taxes	- 938	- 750
Preliminary fair value of assets and liabilities (identifiable net assets)	**8,608**	**6,886**
Plus preliminary derived goodwill		7,514
Transferred consideration		**14,400**

The fair values of the acquired assets and assumed liabilities have only been determined on a provisional and possibly incomplete basis, as, for example, the measurement of the underlying figures is taken from the non-audited Consolidated Financial Statements. The final measurement has yet to be completed, meaning that changes to the fair values may still occur. This would result in a change in preliminary goodwill.

The preliminary derived goodwill in the amount of € 7,514 thousand reflects the opportunity to participate in the future development of the Group and the leveraging of synergies for HHLA's own operations (process optimisations in the area of container handling, strengthening customer loyalty, cross-selling potential). The goodwill has been allocated to the Logistics segment. It is not anticipated that a portion of the recorded goodwill will be tax deductible.

The acquired technologies in the amount of € 1,581 thousand reflect the software solutions developed and marketed by the company to automate process chains in a variety of industries (steel, transport and logistics, and aviation).

Customer relations exist with big-name companies in the logistics, commodities, mining and aviation industries. Thanks to the company's long history stretching back to 1983, the software solutions sold under the iSAM brand since 2002 together with the corresponding hardware solutions for the automation of process chains are well known in the relevant industries.

Subject to a preliminary assessment pursuant to Section 8c (1) sentence 7 of the German Corporation Tax Act (KStG), it is possible to recognise loss carryforwards that can be used for tax purposes.

The fair value of trade receivables amounts to € 744 thousand and is collectable in full.

The fair value of non-controlling interests recorded during the company acquisition stands at € 1,722 thousand. This valuation is based on the same criteria that were used to value the acquired assets and liabilities.

There were no other acquisitions, disposals of shares in subsidiaries or changes to the group of consolidated companies.

4. Foreign currency translation

Monetary assets and liabilities in the separate financial statements for the consolidated companies, which are prepared in local currency, are converted to a foreign currency at the rate applicable on the balance sheet date. The resulting currency differences are recognised in the result for the period.

Non-monetary items held at historical cost in a foreign currency are translated at the applicable rate on the transaction date. Non-monetary items held at fair value in a foreign currency are translated at the rate applicable on the date fair value was measured.

Exchange rate gains and losses recognised in the income statement on foreign currency items resulted in expenses of € 619 thousand in the financial year, largely due to the exchange rate development of the Polish zloty (previous year: profit of € 538 thousand, largely due to the exchange rate development of the Czech koruna).

The concept of functional currency according to IAS 21 is applied when translating all annual financial statements of foreign affiliates prepared in a foreign currency. As the subsidiaries in question are generally independent in terms of their financial, economic and organisational activities, the functional currency is the respective national currency. As of the balance sheet date, the assets and liabilities of these subsidiaries are converted to euros at the rate prevailing on the reporting date. Income and expenses are translated at the weighted average rate for the financial year. Equity components are converted at their respective historical rates when they occur. Any translation differences are recognised as a separate component of equity outside profit or loss. If Group companies leave the group of consolidated companies, the associated translation difference is reversed through profit and loss.

The proportion of equity attributable to shareholders of the parent company fell, with the change recognised directly in equity, by € 16,131 thousand (previous year: an increase of € 8,566 thousand), largely due to the devaluation of the Ukrainian currency in the amount of € 14,367 thousand (previous year: appreciation of € 8,483 thousand).

Foreign currency translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO-Code	**31.12.2020**	31.12.2019	**2020**	2019
Czech crown	CZK	26.242	25.408	26.414	25.666
Georgian lari	GEL	4.023	3.210	3.569	3.164
Hungarian forint	HUF	363.890	330.530	352.200	325.492
Polish zloty	PLN	4.560	4.257	4.452	4.299
Ukrainian hryvnia	UAH	34.740	26.422	30.847	28.991

5. Effects of new accounting standards

Revised and new IASB/IFRIC standards and interpretations that were mandatory for the first time in the financial year under review.

Standard	Content and significance
Amendments to References to the Conceptual Framework in IFRS Standards	In March 2018, the IASB published its revised conceptual framework for financial reporting. The revised version contains extensive amendments to the earlier conceptual framework. The standards affected by the amendments are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Amendments to the references within the IFRS listed above are particularly affected by the endorsement process, which has an editorial character. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2019/2075 dated 29 November 2019. The effective date is 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.
Amendments to IAS 1 and IAS 8 Definition of Material	In October 2018, the IASB published amendments with regard to the definition of the materiality of information in financial statements in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. With these changes, a consistent and precisely defined understanding of the materiality of information in financial statements has been created and supplemented with examples. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2019/2104 dated 29 November 2019. The effective date is 1 January 2020. First-time application resulted in no significant changes to the Consolidated Financial Statements.
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	The IASB published these amendments in September 2019 in order to dispel uncertainty surrounding the possible implications of the so-called "IBOR reform" for financial reporting. In particular, these amendments relate to certain reliefs in respect of hedge accounting regulations and must be applied to all hedging relationships that are affected by the reform of the benchmark interest rate. Further disclosures are foreseen in respect of the extent to which companies' hedging relationships are affected by the amendments. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2020/34 dated 15 January 2020. The effective date is 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.
Amendments to IFRS 3 Definition of a Business	In October 2018, the IASB published an amendment to IFRS 3 Business Combinations with regard to the definition of a business. With this amendment, the IASB clarifies that a business consists of a group of activities and assets that covers at least one resource input and a substantial process that, together, result in output. Furthermore, with regard to performance (output), the definition is narrowed to focus on goods and services provided to customers and excludes the reference to cost reductions. The new provisions also include an optional "concentration test", which aims to facilitate the identification of a business. The amendment is applicable to business combinations where the date of acquisition is either on or after 1 January 2020. First-time application had no impact on the Consolidated Financial Statements.

Amendments to standards that can be applied on a voluntary basis for the financial year under review but were not adopted by HHLA:

Standard	Content and significance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The changes in the second phase of the IBOR reform are designed to help reporting parties provide useful information in respect of the upcoming changes in connection with the IBOR reform. They supplement the provisions of the first phase and generally apply in the event that a benchmark interest rate is replaced with another benchmark rate. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2021/25 dated 13 January 2021. The amendments are mandatory for financial years beginning on or after 1 January 2021. Early adoption is permitted.
Amendment to IFRS 16 Covid-19-Related Rent Concessions (Amendment to IFRS 16)	In May 2020, the IASB published an amendment to IFRS 16 with regulations on Covid-19-related rent concessions. The EU enacted these amendments in its legislation with Commission Regulation (EU) 2020/1434 dated 9 October 2020. Under certain circumstances, the amendment provides lessees with a temporary exemption from assessing whether a rent concession granted in connection with the coronavirus pandemic constitutes a lease modification. This makes it possible for the lessee to recognise these rent concessions as though there were no modifications to the lease rather than in accordance with the regulations for lease modifications. This relief shall only be applicable in respect of rent concessions that reduce rent payments due in the period up to 30 June 2021. The provisions of the EU regulation are applicable by 1 June 2020 at the latest for financial years beginning on or after 1 January 2020.

Standards and interpretations that have been passed by the IASB but not yet adopted by the EU and are not applied by HHLA. Early adoption would, however, require an EU endorsement.

Standard	Content and significance
Amendments to IFRS 3, IAS 16 and IAS 37 Annual Improvements 2018–2020	On 14 May 2020, the IASB approved a narrow set of amendments to three standards along with the annual improvements. The resulting amendments serve to clarify the wording or correct minor consequences, errors or conflicts between the requirements in the standards. The **Amendments to IFRS 3** Business Combinations update a reference within IFRS 3 to the Conceptual Framework, without changing the accounting requirements for business combinations. The **Amendments to IAS 16** Property, Plant and Equipment prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to its intended location or condition (e.g. product samples). Instead, such proceeds and the related costs are to be recognised in profit or loss. The **Amendments to IAS 37** Provisions, Contingent Liabilities and Contingent Assets clarify which costs an entity must consider when assessing whether a contract is onerous. They also regulate the definition of the cost of fulfilling. The **Annual Improvements** result in minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. All amendments come into force on 1 January 2022. Early adoption is permitted.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	On 23 January 2020, the IASB published a narrow set of amendments to IAS 1 Presentation of Financial Statements in order to clarify how debt and other liabilities should be classified as current or non-current. The amendments clarify the existing requirements but do not change them, meaning that it is not expected that they will have a significant influence on entities' annual financial statements. They may, however, result in reclassifications. In order to give entities time to prepare for the amendments, the IASB set 1 January 2022 as the effective date. As a response to the coronavirus pandemic, the IASB deferred the effective date by one year on 15 July 2020 in order to give entities more time to implement the classification changes. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	On 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments will require an entity to only present its "material" accounting policies in the Notes. In order to be "material", the accounting policy must be connected with material transactions or other events and there must be a reason for the presentation. The guidance in Practice Statement 2 has been adapted accordingly. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors published by the IASB on 12 February 2021 clarifies how entitles can better distinguish between changes in accounting policies and changes in accounting estimates. It includes the definition that an accounting estimate is always related to a measurement uncertainty for a financial figure in the financial statements. The amendments are mandatory for financial years beginning on or after 1 January 2023. Early adoption is permitted.
Amendment to IFRS 16: Covid-19-Related Rent Concessions after 30 June 2021	In February 2021, the IASB issued a proposal to extend the application period for the amendment to IFRS 16 approved in May 2020 in respect of Covid-19-related rent concessions in order to provide lessees with continued relief in terms of the accounting of concessions, such as rent deferrals or rent reductions, that have been granted as a direct result of the outbreak of the coronavirus pandemic. Due to the ongoing coronavirus pandemic, the proposal is to extend the current applicability to rental payments due on or before 30 June 2022. The amendments will be implemented shortly and are applicable to financial years beginning on or after 1 April 2021. Early adoption is permitted.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The IASB approved amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in September 2014. These clarify how unrealised gains from transactions between an investor and a joint venture or an associate should be reported. The EFRAG announced in February 2015 that the process of endorsing these amendments had been suspended for the time being because inconsistencies had been identified between the amended standard and the existing IAS 28. The effective date – previously 1 January 2016 – has been postponed indefinitely until the inconsistencies have been resolved.

Standards and interpretations that have no relevance for HHLA's Consolidated Financial Statements.

Standard	Content and significance
IFRS 17	Insurance Contracts

6. Accounting and valuation principles

The annual financial statements of the companies included in the Consolidated Financial Statements are based on uniform accounting and valuation principles. The following specific accounting and valuation principles were applied.

Intangible assets

Intangible assets are capitalised if the assets are identifiable, a future inflow of benefits can be expected and the acquisition and production costs can be ascertained reliably. Intangible assets acquired in return for payment are recognised at acquisition cost. Intangible assets with a finite useful life are amortised over their economic life. The Group reviews the underlying amortisation methods and the useful lives of its intangible assets with a finite useful life as of each balance sheet date.

Intangible assets with an indefinite useful life are subjected to an impairment test at least once a year. If necessary, value adjustments are made in line with future expectations. In the reporting period, there were no intangible assets with an indefinite useful life apart from derivative goodwill.

Internally generated intangible assets are recognised at the costs incurred in their development phase between the time when technological and economic feasibility is determined and production. Costs include all directly attributable costs incurred during the development phase.

The capitalised amount of development costs is subject to an impairment test at least once per year if the asset is not yet in use or if there is evidence of impairment during the course of the year.

Useful life of intangible assets

in years	**2020**	2019
Software	3 – 10	3 – 10

Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation, amortisation and impairment. The costs of ongoing maintenance are recognised immediately in profit and loss. The production costs include specific expenses and appropriate portions of attributable production overheads. Demolition obligations are included in the acquisition or production costs at the present value of the obligation as of the time when it arises and an equivalent provision is recognised at the same time. The HHLA Group does not use the revaluation method of accounting. The carrying amounts for property, plant and equipment are tested for impairment if there is evidence that the carrying amount of an asset exceeds its recoverable amount.

Depreciation is carried out on a straight-line basis over an asset's economic life.

The following table shows the principal useful lives which are assumed:

Useful life of property, plant and equipment

in years	**2020**	2019
Buildings	10 – 70	10 – 70
Technical equipment and machinery	5 – 25	5 – 25
Other plant, operating and office equipment	3 – 20	3 – 20

Borrowing costs

According to IAS 23, borrowing costs which can be directly attributed to the acquisition or production of a qualifying asset are capitalised as a component of the acquisition or production cost of the asset in question. Borrowing costs which cannot be directly attributed to a qualifying asset are recognised as an expense at the time they are incurred.

Investment property

Investment property consists of buildings held for the purpose of generating rental income or for capital gain, and not for supplying goods or services, for administrative purposes or for sale as part of normal business operations.

IAS 40 stipulates that investment property be held at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenses are capitalised if they result in an increase in the investment property's value in use. The useful lives applied are the same as those for property, plant and equipment used by the Group.

The fair values of these properties are disclosed separately in Note 24.

The carrying amounts for investment property are tested for impairment if there is evidence that the carrying amount of an asset exceeds its recoverable amount.

Impairment of assets

As of each balance sheet date, the Group determines whether there are any indications that an asset may be impaired. If there are such indications, or if an annual impairment test is required, as in the case of goodwill, the Group estimates the recoverable amount. This is ascertained as the higher of the fair value of the asset less selling costs and its value in use. The recoverable amount must be determined for each asset individually unless the asset does not generate cash inflows which are largely independent of those generated by other assets or groups of assets. In this case, the recoverable amount of the smallest cash-generating unit (CGU) must be determined. If the carrying amount of an asset exceeds its recoverable amount, the asset is deemed to be impaired and is written down to its recoverable amount. At HHLA, the recoverable amount is generally calculated based on the fair value less selling costs of the cash-generating unit or asset using the discounted cash flow method. This involves discounting estimated future cash flows to their present value using a discount rate after tax which reflects current market expectations of the interest curve and the specific risks of the asset.

The following table shows the discount rate for each cash-generating unit:

Discount rate per cash generating unit

in %	**2020**	2019
CTT/Rosshafen	4.9	5.1
HCCR	4.9	5.1
METRANS	5.4	5.6
HHLA TK Estonia	5.6	5.8
Bionic	8.7	11.7

The cash flow forecasts in the Group's current plans, which are usually for the next five years, are used to determine future cash flows. If new information is available when the financial statements are produced, it is taken into account. A growth factor of 1.0 % (previous year: 1.0 %) was applied in the reporting year. When forecasting cash flows, the Group takes future market and sector expectations as well as past experience into account in its planning. Cash flows are primarily determined on the basis of anticipated volumes and income along with the cost structure arising from the level of capacity utilisation achieved and the technology used.

On each reporting date, an assessment is made as to whether an impairment loss recognised in prior periods no longer exists or has decreased. If there are such indications, the recoverable amount is estimated. Previously recognised impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is raised to its recoverable amount. This higher carrying amount may not exceed the amount which would have been determined, less depreciation or amortisation, if no impairment losses had been recognised in prior years. Any such reversals must be recognised immediately in profit and loss for the period. Following a reversal, the amount of depreciation or amortisation must be adjusted in subsequent periods in order to write down the adjusted carrying amount of the asset, less any residual value, systematically over its remaining useful life.

Impairment losses on goodwill are not reversed.

Financial assets

Depending on the business model under which assets are held and the composition of related payment flows, financial assets are classified at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss.

Business models

IFRS 9 distinguishes between three kinds of business model:

Hold to collect

The objective of this business model is to hold debt instruments, generate contractual cash flows (e.g. interest income) and, upon maturity, to collect the nominal value. In this business model, subsequent measurement is performed at amortised cost, applying the effective interest rate method.

Hold to collect and sell

If debt instruments are held under this business model, the objective is to collect contractual cash flows or to sell the debt instruments. The debt instruments are measured at fair value, with market value fluctuations recorded in equity.

Hold for trading

If debt instruments are held primarily to generate short-term price gains, they are to be assigned to this business model. This category also includes financial assets that do not meet the requirements of the two business models outlined above. Consequently, the debt instruments are measured at fair value through profit and loss.

Nature of payment flows

Alongside the business model, the nature of the contractual cash flows is material. These should only reflect the time value of money and the credit risk of the counterparty. If the interest payments do not meet these criteria, the related debt instruments are assigned to the business model “Hold for trading”.

Classification of financial assets

Classification in accordance with IFRS 9

	Business model	Measurement categories
Financial assets	Hold to collect and sell	Fair value through other comprehensive income (no recycling)
Financial assets	Hold for trading	Fair value through profit or loss
Financial assets	Hold to collect	Amortised cost
Trade receivables	Hold to collect	Amortised cost
Receivables from related parties	Hold to collect	Amortised cost
Cash, cash equivalents and short-term deposits	Hold to collect	Amortised cost

Impairment of financial assets

Pursuant to IFRS 9, losses will be recorded not only once they occur but also as soon as they are expected, depending on whether the default risk of financial assets has worsened significantly since their acquisition. If there is a significant deterioration and if the default risk is not to be classified as “low” on the balance sheet date, all expected losses over the entire term are to be recorded from this point. Otherwise, only the expected losses over the term of the instrument need to be taken into account that result from potential future loss events within the next twelve months.

Exceptions apply in respect of trade receivables and leasing receivables. For these assets, all expected losses over the entire term must (if they do not contain any significant financing components) or may (if they do contain significant financing components) be taken into account regardless of the change in the default risk.

On each balance sheet date, the Group determines whether a financial asset or a portfolio is impaired. For a detailed description of this method, please see Note 47.

Inventories

Inventories include raw materials, consumables and supplies, work in progress, finished products and merchandise. They are initially recognised at acquisition or production cost. Measurement at the balance sheet date is made at the lower of cost and net realisable value. Standard sequences of consumption procedures are not used for valuation. Work in progress is performed over a period stipulated in the relevant contract. Input-based methods are used to determine the level of progress. As such, HHLA recognises revenues on the basis of the endeavours or inputs of the company to fulfil its performance obligation (e.g. hours worked or costs incurred) in relation to the total inputs expected to fulfil this performance obligation. HHLA only recognises the income of a performance obligation fulfilled over a certain period of time if the progress towards complete fulfilment of the performance obligation can be deemed appropriate.

Liabilities

All financial liabilities are to be measured at amortised cost, applying the effective interest rate method. As soon as HHLA becomes a contracting party, financial liabilities are to be recognised. A liability is derecognised as a result of repayment, buy-back or debt relief. The liability is measured at fair value at the time of acquisition, with acquisition costs constituting the most suitable valuation benchmark. Subsequent measurement of financial liabilities is performed at amortised cost, applying the effective interest rate method.

Throughput-dependent share of earnings attributable to non-controlling interests

Background

A profit and loss transfer agreement is in place between the companies HHLA Container-Terminal Altenwerder GmbH (CTA), Hamburg, and Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), Hamburg. On the basis of this agreement, Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) pledges to pay a financial settlement to the non-controlling interest in the CTA Group for the duration of the agreement. The amount of the financial settlement is based largely on earnings and the throughput handled. Should throughput reach a certain level, it is possible for the proportion of earnings allocated to the financial settlement to exceed the share which would result from the non-controlling shareholder’s stake in the companies. Unless the profit and loss transfer agreement is terminated, it will be extended for a further year at a time.

Classification as a compound financial instrument

As a profit and loss transfer agreement has been concluded, the interest held by the non-controlling shareholder is classified as a compound financial instrument as per IAS 32.28 because it contains both debt and equity components. These components must be split and entered as either equity or borrowed capital depending on their classification.

Initial measurement

When it was first entered in 2010, the amount of equity to be reported for the non-controlling interests was calculated by deducting the fair value of the debt component. The fair value of the debt component in the form of this financial settlement was established by discounting the anticipated resulting cash outflows during the original term of the profit and loss transfer agreement.

When this debt component was first recorded under financial liabilities Note 38, it was recognised directly in equity and reduced non-controlling interests within equity as a result Note 35.

In the event of the profit and loss transfer agreement being extended, this will give rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2020. This means the company has a further obligation to pay a financial settlement for the 2021 financial year. This obligation must also be reported at fair value directly in equity within financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent measurement

Financial liabilities arising from the obligation to pay this financial settlement are recorded in the balance sheet at amortised cost. Changes resulting from the expected cash outflows are recognised in profit and loss. The changes result from adjustments to reflect the actual shares in the CTA Group’s earnings and changes in the anticipated future development of the CTA Group. An interest rate of 6.72 % is used for recognising the expected financial settlement for the 2021 financial year in the reporting year (previous year for the 2020 financial year: 6.73 %). Earnings recognised through profit and loss totalling € 5,909 thousand (previous year: expenses of

€ 2,525 thousand) are recorded in financial income Note 16 and only impact non-controlling interests in the CTA Group. This figure includes income of € 7,961 thousand (previous year: expenses of € 736 thousand) from an adjustment to reflect the actual share of earnings and expenses of € 2,052 thousand arising from the discounting payment obligation recognised in the previous year (previous year: € 1,789 thousand).

Development in non-controlling interests held in the CTA Group

in € thousand	
As of 31 December 2009 prior to conclusion of the profit and loss transfer agreement	**44,617**
As of 31 December 2018, taking actual share of earnings and adjustments to settlement obligation into account	**- 13,924**
Actual share of earnings for 2019	35,170
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 2,525
Other adjustments	- 4,696
Comprehensive income reported in equity	27,949
Reclassification of the settlement obligation for 2020 to financial liabilities	- 30,492
As of 31 December 2019, taking actual share of earnings and adjustments to settlement obligation into account	**- 16,467**
Actual share of earnings for 2020	24,584
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	5,909
Other adjustments	1,437
Comprehensive income reported in equity	31,930
Reclassification of the settlement obligation for 2021 to financial liabilities	- 23,377
As of 31 December 2020, taking actual share of earnings and adjustments to settlement obligation into account	**- 7,914**

Development in financial liabilities arising from settlement obligations

in € thousand	
As of 31 December 2018 with continuation of settlement obligation	**61,300**
Payment of actual share of earnings for 2018	- 28,656
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	2,525
Reclassification of settlement obligation for 2020 from non-controlling interests	30,492
As of 31 December 2019 with continuation of settlement obligation	**65,661**
Payment of actual share of earnings for 2019	- 35,170
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 5,909
Reclassification of settlement obligation for 2021 from non-controlling interests	23,377
As of 31 December 2020 with continuation of settlement obligation	**47,959**

Provisions

A provision is formed if the Group has a present (legal or factual) obligation arising from past events, the settlement of which is likely to result in an outflow of resources embodying economic benefits, and if the amount required to settle the obligation can be estimated reliably. The provision is formed for the amount expected to be necessary to settle the obligation, including future increases in prices and costs. If the Group anticipates at least a partial reimbursement of an amount made as a provision (e.g. in the case of an insurance contract), the reimbursement is recognised as a separate asset only if it is virtually certain. The expenses arising from recognising the provision are disclosed in the income statement after the reimbursement has been deducted. If the interest effect is substantial, non-current provisions are discounted before tax at an interest rate which reflects the specific risks associated with the liability. In the event of discounting, the increase in the amount of the provision over time is recognised under interest expenses.

Pensions and other post-employment benefits

Pension obligations

Pensions and similar obligations include the Group's benefit obligations under defined benefit obligations. Provisions for pension obligations are calculated in accordance with IAS 19 (revised 2011) using the projected unit credit method. Actuarial gains and losses are taken directly to equity and recognised in other comprehensive income, after accounting for deferred taxes. Service expense affecting net income is recognised in personnel expenses and the interest proportion of the addition to provisions is recognised in the financial result.

Actuarial opinions are commissioned annually to measure pension obligations.

Phased early retirement obligations

The compensation to be paid in the release phase of the so-called block model is recognised as provisions for phased early retirement. It is recognised pro rata over the working period over which the entitlements accrue. Since 1 January 2013 and in accordance with IAS 19 (revised 2011), provisions for supplementary amounts have only been accrued pro rata over the required service period, which regularly ends when the passive phase begins.

Actuarial opinions are commissioned annually to measure compensation obligations in the release phase of the block model and supplementary amounts.

If payment obligations do not become payable until after twelve months' time because of entitlements in the block model or supplementary amounts, they are recognised at their present value.

Leases

HHLA is applying IFRS 16 for the first time on the financial year beginning 1 January 2019. A lease is a contract that entitles one party to use an identifiable asset of the other party for a certain period of time in exchange for payment of a fee.

As the lessee

Pursuant to IFRS 16, the Group generally recognises assets for the usage rights of the leased assets, and liabilities for the payment obligations entered into, for all leases on the balance sheet at their present value. The lessee makes the following payments over the course of the usage period for the leased asset:

- Fixed payments without lease incentives
- Variable lease payments that are pegged to an index or interest rate
- Anticipated residual value payments from residual value guarantees
- The exercise price of a purchase option, if exercise thereof is deemed sufficiently certain
- Compensation payments incurred if the lessee exercises a termination option

Lease payments are discounted using the interest rate on which the lease is based, insofar as this rate can be determined. Otherwise, the incremental borrowing rate of the lessee (HHLA Group) will be included in the discounting.

During initial measurement, rights of use are valued at cost on the date of provision. This includes:

- the amount arising from initial measurement of the lease liability;
- the lease payments made at the time of, or prior to, provision, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- costs arising from demolition obligations.

Subsequent measurement shall be based on amortised cost. Amortisation on rights of use is recognised on a straight-line basis over the expected useful life or the term of the lease agreement, whichever is shorter. Lease liabilities are carried at their carrying amount using the effective interest rate method.

Lease payments arising from short-term leases, leases for low-value assets, and variable lease payments are recognised on a straight-line accrual basis as an expense on the income statement.

As the lessor

The HHLA Group lets properties in and around the Port of Hamburg as well as office properties, warehouses and other commercial space. The rental contracts are classified as operating leases, as the main risks and potential rewards of the properties remain with the Group. The properties are therefore held as investment properties at amortised cost.

Rental income from investment properties is recognised on a straight-line basis over the term of the leases.

Recognition of income and expenses

Income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be determined reliably. The following criteria must also be met for income to be recognised:

Sale of goods and merchandise

A five-step model – in which the contract with a customer, the performance obligation and the transaction price are identified – is used to determine the time and amount at which revenue is to be recorded pursuant to IFRS 15. The model stipulates that revenue is to be recorded at the time control over goods or services passes from the company to the buyer and at the amount to which the company is expected to be entitled (acquisition of power of disposal).

Provision of services

Income from services is recognised in accordance with the extent to which the service has been provided over time or, if not applicable, at a point in time. If recorded over time, the extent to which the service has been provided is determined by the number of hours worked as of the balance sheet date as a percentage of the total number of hours estimated for the project. If the result of a service transaction cannot be estimated reliably, income is recognised only to the extent that the expenses incurred are eligible for reimbursement.

Interest

Interest income and interest expenses are recognised when they are accrued or incurred.

Dividends

Income from dividends is recognised in profit and loss when the Group has a legal right to payment. This does not apply to dividends distributed by companies accounted for using the equity method.

Income and expenses

Operating expenses are recognised in profit or loss when the service is rendered or when the expense is incurred. Income and expenses resulting from identical transactions or events are recognised in the same period. Rental expenses are recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised when there is reasonable certainty that they will be granted and the company fulfils the necessary conditions. Grants paid as reimbursement for expenses are recognised as income over the period necessary to offset them against the expenses for which they are intended to compensate. If grants relate to an asset, they are generally deducted from the asset's cost of purchase and recognised in profit and loss on a straight-line basis by reducing the depreciation for the asset over its useful life. The conditions for the subsidies include obligations to operate the subsidised equipment for a retention period of 5 to 20 years, observe certain operating criteria and provide the subsidising body with evidence for the use of the funds.

There is sufficient certainty that all the conditions have been or will be fulfilled for the government grants totalling € 58,601 thousand which were paid to HHLA in the period between 2001 and 2020. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 13,416 thousand in government grants in the reporting year. Of this amount, € 8,106 thousand was recognised in other operating income Note 11.

Taxes

Current claims for tax rebates and tax liabilities

Current claims for tax rebates and tax liabilities for the financial year and prior periods are measured at the amount for which a rebate is expected from, or payment must be made to, the tax authorities. The tax rates and tax legislation in force as of the balance sheet date are used to determine the amount.

Deferred taxes

Deferred taxes are recognised by using the balance sheet liabilities method on all temporary differences as of the reporting date between the carrying amount of an asset or liability in the balance sheet and the amount for tax purposes, as well as on tax loss carry-forwards.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry-forwards proportionate to the probability that taxable income will be available to offset against the deductible temporary differences and the unused tax loss carry-forwards.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to use against the deferred tax asset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised proportionate to the likelihood that future taxable profits will make it possible to use deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realised or the liability is met. Tax rates (and tax regulations) are applied if they have already been enacted as of the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity, likewise not affecting net income.

Deferred tax assets and liabilities are netted only if the deferred taxes relate to income taxes for the same tax authority and the current taxes may also be set off against one another.

Derivative financial instruments and hedging transactions

During the reporting period, the Group did not conduct any hedging transactions to hedge fair value or net investments in a foreign operation. Furthermore, no exchange rate transactions were concluded or conducted that constitute an effective hedging relationship.

7. Significant assumptions and estimates

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make estimates and assess individual facts and circumstances. The estimates made are based on past experience and other relevant factors and on a going concern basis.

The amounts which actually arise may differ from those resulting from estimates and assumptions.

The accounting and valuation principles applied are explained in Note 6. Material assumptions and estimates affect the following issues:

Business combinations

The fair value of the assets acquired and liabilities and contingent liabilities assumed as a result of business combinations must be estimated. For this purpose, HHLA either relies on the opinions of independent external experts or calculates the fair value internally using suitable calculation models. These are normally based on discounted cash flows. Depending on the nature of the assets or the availability of information, market price, capital value and cost-oriented valuation methods are applied.

Goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimate of the fair value generally used at HHLA less selling costs of the cash-generating units to which the goodwill has been allocated. To estimate the fair value less selling costs, the Group must forecast the likely future cash flows from the cash-generating unit and also choose an appropriate discount rate with which to calculate the present value of these cash flows. Unforeseeable changes may mean that the assumptions used during planning are no longer appropriate, making it necessary to adjust plans. An impairment loss could be incurred as a result. For more information, please refer to Note 22.

Investment property

The fair value of investment property must be disclosed in the Notes. HHLA carries out its own calculations to determine the fair value of this property. Industry-standard discounted cash flow methods are applied. The calculations are based on assumptions about applicable interest rates and the amount and time frame of expected future cash flows which these assets can generate. Detailed information is available in Note 24.

Pension provisions

Actuarial opinions are commissioned annually to determine the expenses for pensions and similar obligations. These calculations include assumptions about demographic changes, salary and pension increases, and interest, inflation and fluctuation rates. Because these assumptions are long term in nature, the observations are assumed to be characterised by material uncertainties. More detailed information is available in Note 36.

Demolition obligations

Provisions for demolition obligations result from obligations to be met at the end of the lease term under long-term lease agreements with the Free and Hanseatic City of Hamburg. All HHLA Group companies in the Port of Hamburg are obliged to return leased land free of all buildings owned by them at the end of the lease term. To calculate the amount of the provision, it was assumed that the obligation would be carried out in full for all leased property, with the exception of buildings designated as historical landmarks in the Speicherstadt historical warehouse district. The calculations are based on assumptions concerning the amount of demolition work necessary, interest rates and inflation. For more information, please refer to Note 37.

Restructuring provisions

HHLA has formed provisions for restructuring as part of an efficiency programme in the Container segment. The measures reflected in the provision comprise the conclusion of phased early retirement contracts with a leave of absence during the active phase. The start of the active phase is contingent on a minimum length of service of five years. The measurement of the provision is largely determined by the number of employees to be considered, the overall scope of the phased early retirement model, which is structured as a block model, the leave of absence period during the active phase and the leave of absence quota. HHLA has made estimates based on the announcements and implementation plans. For more information, please refer to Note 37.

Provisions for phased early retirement

All employees who have signed, or are expected to sign, an agreement are taken into consideration when recognising and measuring provisions for phased early retirement. The number of employees expected to sign is an estimate. The appraisal reports are also based on actuarial assumptions. For more information, please refer to Note 37.

Leases

Some lease agreements include renewal options. When determining contractual terms, all facts and circumstances are taken into consideration that offer an economic incentive to exercise renewal options. Changes to the contractual term arising from the exercise of such options are factored into the contractual term if they are sufficiently certain. For more information, please refer to Note 45.

Non-current and current financial liabilities

In addition to liabilities from leases, this item includes financial settlement obligations to shareholders with non-controlling interests in consolidated subsidiaries. These liabilities exist because HHLA has concluded a profit and loss transfer agreement with a subsidiary, which entitles non-controlling interests to receive financial settlements, see Note 6. The parameters used to calculate this amount are subject to significant uncertainties which can cause figures to fluctuate accordingly. More detailed information is available in Note 38.

Calculating fair value

The fair value measured for financial and non-financial assets and liabilities is regularly reviewed by the Group.

The Group also regularly reviews key unobservable input factors and valuation adjustments. When the fair value of an asset or liability is calculated, the Group uses observable market data whenever possible. Based on the input factors used during valuation, the fair values calculated are classified as belonging to different levels of the fair value hierarchy:

Fair value hierarchy

	Content and significance
Level 1	Listed prices (non-adjusted) on active markets for identical assets or liabilities
Level 2	Valuation parameters which do not involve the listed prices included in level 1 but which are observable for the asset or liability either directly (i.e. as a price) or indirectly (i.e. as determined through prices)
Level 3	Valuation parameters for assets or liabilities which are not based on observable market data

The Group records any transfers between the various levels of the fair value hierarchy at the end of the reporting period in which the amendment was made.

For details of the valuation methods and input parameters used to measure the fair value of the various assets and liabilities, please see Note 24 and Note 47.

Notes to the income statement

8. Revenue

In the segment report, the revenue is broken down by segment, including inter-segment revenue. The revenue is broken down by region in Note 44 of the notes to the segment report. This note also contains segment-specific details on the type of revenue.

9. Changes in inventories

Changes in inventories

in € thousand	2020	2019
	61	**131**

Changes in inventories relate to changes in the inventories of finished products and work in progress.

10. Own work capitalised

Own work capitalised

in € thousand	2020	2019
	4,587	**6,183**

As in the previous year, own work capitalised results mainly from development activities and from technical work capitalised in the course of construction work.

11. Other operating income

Other operating income

in € thousand	2020	2019
Income from reimbursements	15,627	8,104
Income from compensation	3,130	3,703
Income from reversal of other provisions	2,218	3,078
Income from exchange rate differences	1,402	1,298
Proceeds on disposal of property, plant and equipment	373	6,187
Other	28,080	23,213
	50,830	**45,583**

As in the previous year, income from reimbursements related primarily to costs which were passed on in connection with leases. In the reporting period, higher reimbursed subsidies were received compared to the previous year.

Income from compensation includes income from contractual penalties.

Proceeds from the disposal of property, plant and equipment in the previous year mainly relate to the sale of wagons.

Other operating income includes income from the outsourcing of personnel of € 5,212 thousand (previous year: € 4,628 thousand), income from staff catering of € 2,592 thousand (previous year: € 2,934 thousand) and a gain in the reporting period arising from the derecognition through profit and loss of a liability from a contingent consideration in the amount of € 4,327 thousand that occurred in connection with the acquisition of shares in Bionic Production GmbH, Lüneburg. This liability from the contingent consideration was derecognised as a result of a new agreement with the seller in the second quarter of 2020. The matter comes within the economic context of the development described in Note 22 and the resulting impairment loss in the second quarter. Furthermore, other operating income also includes numerous smaller individual items.

12. Cost of materials

Cost of materials

in € thousand	2020	2019
Raw materials, consumables and supplies	92,618	99,617
Purchased service	285,584	300,576
Leasing costs	875	1,010
	379,077	**401,203**

The expenses for purchased services mainly consist of the cost of rail services purchased by the Intermodal segment.

For further details of leases, please refer to Note 45.

13. Personnel expenses

Personnel expenses

in € thousand	2020	2019
Wages and salaries	362,775	353,143
Staff deployment	55,831	75,987
Social security contributions and benefits	114,287	71,081
Service expense	14,062	15,097
Other retirement benefit expenses	1,143	811
	548,098	**516,119**

The direct remuneration paid to members of the Executive Board totalled € 3,182 thousand for the financial year 2020 (previous year: € 3,060 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in Note 48.

The rise in personnel expenses in the year under review is due to increases in union wage rates and a larger headcount.

Due to the decrease in capacity utilisation at the container terminals in Hamburg, which was mainly caused by the coronavirus pandemic, there was a decline in expenses for staff deployment.

Social security contributions and benefits rose on account of the addition to a provision for restructuring as part of an efficiency programme. Social security contributions include payments towards the public pension scheme amounting to € 30,509 thousand (previous year: € 29,759 thousand) and payments to the German pension insurance scheme.

Service expense includes payments from defined benefit pension commitments and similar obligations, see Note 36.

Average number of employees of fully consolidated companies

	2020	2019
Employees receiving wages	3,359	3,273
Salaried staff	2,869	2,796
Trainees	70	73
	6,298	**6,142**

In addition, the Group used an annual average of 548 employees (previous year: 753) of Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg (GHB).

14. Other operating expenses

Other operating expenses

in € thousand	2020	2019
Consultancy, services, insurance and auditing expenses	50,229	48,071
External maintenance services	46,775	43,360
Leasing costs	7,211	9,472
Other personnel expenses	3,519	3,479
Travel expenses, advertising and promotional costs	2,982	4,840
Impairment losses on financial assets	2,731	1,064
External and internal cleaning costs	2,529	2,551
Other taxes	2,440	2,924
Postage and telecommunications costs	1,828	1,604
Other venture expenses	1,426	827
Expenses from exchange rate differences	1,353	520
Losses on the disposal of property, plant and equipment	558	144
Other	15,156	15,719
	138,737	**134,575**

Expenses for consultancy, services, insurance and auditing increased, mainly due to an increased need for project-related consultancy.

Expenses for external maintenance services mainly increased due to higher real estate-related maintenance expenses and a greater need for maintenance to the IT infrastructure.

The HHLA Group regards the impairment losses on financial assets listed above as immaterial and has therefore decided not to show them separately in the income statement. The increase in expenses is chiefly attributable to a greater need for adjustments to trade receivables as a consequence of the prevailing coronavirus pandemic in the reporting year.

Other operating expenses also include numerous smaller individual items.

15. Depreciation and amortisation

Depreciation and amortisation

in € thousand	2020	2019
Intangible assets	11,230	8,289
Property, plant and equipment	146,053	144,311
Investment property	8,549	8,788
	165,832	**161,388**

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule, see Note 22, Note 23 and Note 24.

16. Financial result

Financial result

in € thousand	2020	2019
Earnings from associates accounted for using the equity method	**3,601**	**4,458**
Income from the adjustment of settlement obligations to shareholders with non-controlling interests	5,909	0
Income from exchange rate differences	709	606
Interest income from non-affiliated companies and non-consolidated affiliated companies	579	1,485
Interest income from bank balances	44	90
Income from currency hedging instruments at fair value	0	705
Interest income	**7,241**	**2,886**
Interest included in lease payments	21,581	22,016
Interest expenses on bank liabilities	5,303	6,253
Interest portion of pension provisions	3,520	7,158
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,625	1,836
Expenses from exchange rate differences	1,377	845
Interest portion of other provisions	1,012	1,826
Expenses from currency hedging instruments at fair value	883	0
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	0	2,525
Interest expenses	**35,301**	**42,459**
Net interest income	**- 28,060**	**- 39,573**
Income from other equity investments	0	0
Other financial result	**0**	**0**
	- 24,460	**- 35,115**

Earnings from companies accounted for using the equity method relate to the pro rata annual earnings of the joint ventures and associates, see also Note 25.

For information on gains (previous year: expenses) from the adjustment of settlement obligations to shareholders with non-controlling interests, see Note 6.

See Note 38 for information about the interest conditions related to interest expenses associated with liabilities to banks.

17. Research and development costs

Research and development costs of € 4,412 thousand were incurred in the 2020 financial year (previous year: € 5,526 thousand). These primarily relate to the development of air-assisted logistics services, as well as research as part of the subsidy programme for Innovative Port Technologies (IHATEC).

18. Income tax

Paid or outstanding income taxes and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, a solidarity surcharge and trade tax. Companies domiciled in Germany pay corporation tax of 15.0 % and a solidarity surcharge of 5.5 % of the corporation tax expense. These companies and German-based subsidiaries in the legal form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax does not reduce the amount of a limited company's profits on which corporation tax is payable.

Income tax

In € thousand	2020	2019
Deferred taxes on temporary differences	**- 9,357**	**- 759**
of which domestic	- 10,955	- 1,901
of which foreign	1,598	1,142
Deferred taxes on losses carried forward	**452**	**578**
of which domestic	0	0
of which foreign	452	578
Total deferred taxes	**- 8,905**	**- 181**
Current income tax expense	**33,878**	**49,245**
of which domestic	19,511	29,562
of which foreign	14,367	19,683
	24,973	**49,064**

Current income tax expenses include tax expenses from other accounting periods amounting to € 1,189 thousand (previous year: € 1,223 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards.

Deferred taxes recognised in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
in € thousand	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Intangible assets	0	0	5,194	5,084
Property, plant and equipment	0	0	28,728	25,724
Investment property	0	0	9,346	10,057
Other assets	1,833	1,867	3,626	1,978
Pension and other provisions	129,874	108,684	1,204	1,374
Other liabilities	35,730	36,674	394	500
Tax losses carried forward	406	859	0	0
	167,843	**148,084**	**48,492**	**44,717**
Netted amounts	- 26,423	- 24,013	- 26,423	- 24,013
	141,420	**124,071**	**22,069**	**20,704**

Reconciliation between the income tax and hypothetical tax based on the IFRS result and the Group's applicable tax rate

in € thousand	2020	2019
Earnings before tax (EBT)	**99,105**	**186,122**
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	31,991	60,080
Tax income (-), tax expenses (+) for prior years	1,233	144
Tax-free income	2,331	780
Non-deductible expenses	1,983	2,070
Trade tax additions and reductions	- 624	64
Permanent differences	- 1,498	38
Differences in tax rates	- 12,811	- 14,907
Impairment losses in deferred tax assets	2,393	819
Other tax effects	- 25	- 24
Income tax	**24,973**	**49,064**

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realisation. A tax rate of 32.28 % was used for the calculations in both 2020 and 2019. This is made up of corporation tax at 15.0 %, a solidarity surcharge of 5.5 % of the corporation tax, and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies generally do not pay trade tax. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to € 1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

Permanent differences only include items for which no deferred taxes are recognized due to their permanent nature. The change compared to the previous year results, among other things, from the impairment loss recognized in the reporting year on the goodwill of the Bionic CGU, see also Note 22.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognised on tax loss carry-forwards and temporary differences if it is sufficiently certain that they can be realised in the near future. The Group has no domestic corporation tax loss carry-forwards and no domestic trade tax loss carry-forwards for which deferred tax assets are recognised. Deferred taxes of € 406 thousand (previous year: € 859 thousand) are recognised on foreign tax loss carry-forwards of € 2,138 thousand (previous year: € 4,521 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 7,955 thousand (previous year: € 2,671 thousand), domestic trade tax loss carry-forwards of € 23,956 thousand (previous year: € 13,752 thousand) and foreign tax loss carry-forwards of € 20,950 thousand (previous year: € 14,609 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 43,459 thousand (previous year: € 36,239 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions and unrealised gains/losses arising from financial assets measured at fair value.

Deferred taxes recognised in the statement of comprehensive income

	Gross		Taxes		Net	
in € thousand	**2020**	2019	**2020**	2019	**2020**	2019
Actuarial gains/losses	- 22,376	- 45,625	7,220	14,727	- 15,156	- 30,898
Unrealised gains/losses on available-for-sale financial assets	- 164	79	0	- 26	- 164	53
	- 22,540	**- 45,546**	**7,220**	**14,701**	**- 15,320**	**- 30,845**

19. Share of results attributable to non-controlling interests

Profits attributable to non-controlling interests amounting to € 31,558 thousand (previous year: € 33,776 thousand) mainly relate to non-controlling shareholders of HHLA Container Terminal Altenwerder GmbH, Hamburg (CTA). Their share of earnings decreased due to CTA's lower actual share of earnings. This was offset by interest revenue (previous year: interest expenses) arising from the measurement of a settlement obligation to a non-controlling shareholder.

20. Earnings per share

Basic earnings per share in €

	Group		Port Logistics subgroup		Real Estate subgroup	
	2020	2019	**2020**	2019	**2020**	2019
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	42,575	103,282	35,278	93,631	7,297	9,651
Number of common shares in circulation (weighted average)	73,240,627	72,753,334	70,536,127	70,048,834	2,704,500	2,704,500
	0.58	**1.42**	**0.50**	**1.34**	**2.70**	**3.57**

In the financial year, a capital increase in return for contribution in kind was carried out in connection with the dividend distribution to holders of Class A shares. As part of this capital increase, 1,651,381 new no-par-value registered Class A shares were issued to holders of Class A shares, with each share representing € 1.00 of the share capital. This was accounted for accordingly in the figures for the reporting year in respect of the weighted average of common shares in circulation for the Group as a whole and for the Port Logistics subgroup. For more information, see Note 21 and Note 35.

Basic earnings per share are calculated in accordance with IAS 33 by dividing the profit after tax and minority interests attributable to the shareholders of the parent company by the average number of shares.

The diluted earnings per share are identical to the basic EPS, as there were no conversion or option rights in circulation during the financial year.

21. Dividend per share

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. This is calculated in accordance with the German Commercial Code (HGB).

A resolution was passed at the Annual General Meeting held on 20 August 2020 to distribute a portion of the distributable profit for the 2019 financial year through the payment of a dividend to holders of common shares in the amount of € 0.70 per Class A share and € 2.10 per Class S share. On the basis of a subscription offer to all holders of Class A shares, Class A shareholders were granted the right to assert the dividend entitlements arising from the resolution on the appropriation of net income on a pro rata basis in the amount of € 0.49 (pro rata dividend entitlement) as a contribution in kind for the granting of new Class A shares from a capital increase from Authorised Capital I (Section 3 [4] of the articles of association) (share dividend). The remaining portion of the dividend in the amount of € 0.21 was paid in cash – irrespective of the exercise of the option right by Class A shareholders. No corresponding option right was granted to holders of Class S shares.

The option right in favour of the share dividend was exercised for a total of 51,357,949 Class A shares. On the basis of the subscription ratio, the subscription price and further regulations governing the share dividend, a total of 1,651,381 new Class A shares, each representing € 1.00 of the company's share capital, were issued from Authorised Capital I. The share capital of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) now amounts to 74,404,715 shares: 71,700,215 Class A shares and an unchanged 2,704,500 Class S shares. For further information, please refer to Note 35. The cash payment of the dividend totalling € 23,869 thousand was made following expiry of the subscription period on 15 September 2020.

The remaining undistributed profit was carried forward to new account.

For the reporting period, the Executive Board and the Supervisory Board will propose to the Annual General Meeting on 10 June 2021 the distribution of a scrip dividend of € 0.45 (previous year: € 0.70) per dividend-entitled listed Class A share and a cash dividend of € 2.10 (previous year: € 2.10) per non-listed Class S share. Based on the number of dividend-entitled shares as of 31 December 2020, this is equivalent to a distribution of € 32,265 thousand for the Port Logistics subgroup and € 5,679 thousand for the Real Estate subgroup.

Notes to the balance sheet

22. Intangible assets

Development of intangible assets

in € thousand	Goodwill	Software	Internally developed software	Other intangible assets	Payments made on account	Total
Carrying amount as of 1 January 2019	**46,517**	**5,221**	**26,066**	**9,424**	**2,525**	**89,753**
Acquisition or production cost						
1 January 2019	46,517	62,775	74,182	11,479	2,525	197,478
Additions	9,019	1,365	6,933	666	997	18,980
Disposals		- 3,762	- 8,784			- 12,546
Reclassifications		2,001		298	- 2,415	- 116
Changes in scope of consolidation/consolidation method		47		4,001		4,048
Effects of changes in exchange rates		458		- 12	37	483
31 December 2019	**55,536**	**62,884**	**72,331**	**16,432**	**1,144**	**208,327**
Accumulated depreciation, amortisation and impairment						
1 January 2019	0	57,554	48,116	2,055	0	107,725
Additions		3,162	3,994	1,133		8,289
Disposals		- 3,758	- 8,784			- 12,542
Reclassifications						0
Changes in scope of consolidation/consolidation method						0
Effects of changes in exchange rates		346		3		349
31 December 2019	**0**	**57,304**	**43,326**	**3,191**	**0**	**103,821**
Carrying amount as of 31 December 2019	**55,536**	**5,580**	**29,005**	**13,241**	**1,144**	**104,506**
Carrying amount as of 1 January 2020	**55,536**	**5,580**	**29,005**	**13,241**	**1,144**	**104,506**
Acquisition or production cost						
1 January 2020	55,536	62,884	72,331	16,432	1,144	208,327
Additions		1,630	3,049	290	2,986	7,955
Disposals		- 295		- 4	- 5	- 304
Reclassifications		526		187	- 715	- 2
Changes in scope of consolidation/consolidation method						0
Effects of changes in exchange rates		- 784		- 152	- 67	- 1,003
31 December 2020	**55,536**	**63,961**	**75,380**	**16,753**	**3,343**	**214,973**
Accumulated depreciation, amortisation and impairment						
1 January 2020	0	57,304	43,326	3,191	0	103,821
Additions	4,037	2,336	3,187	1,670		11,230
Disposals		- 295		- 4		- 299
Reclassifications						0
Changes in scope of consolidations/consolidation method						0
Effects of changes in exchange rates		- 601		- 18		- 619
31 December 2020	**4,037**	**58,744**	**46,513**	**4,839**	**0**	**114,133**
Carrying amount as of 31 December 2020	**51,499**	**5,217**	**28,867**	**11,914**	**3,343**	**100,840**

Carrying amounts for goodwill by segments

in € thousand	31.12.2020	31.12.2019
Container	45,005	45,005
Intermodal	1,512	1,512
Logistics	4,982	9,019
	51,499	**55,536**

The goodwill of the cash-generating unit (CGU) CTT/Rosshafen in the amount of € 35,525 thousand, the CGU HHLA TK Estonia in the amount of € 7,587 thousand and the CGU HCCR in the amount of € 1,893 thousand is attributable to the Container segment.

The goodwill attributable to the Logistics segment resulted from the acquisition of Bionic Production GmbH, Lüneburg (Bionic). Due to the global impact of the coronavirus pandemic and delays to certain projects, the Executive Board of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) recalculated the recoverable amount of the CGU Bionic in the second quarter at € 15,628 thousand. An impairment loss in the amount of € 4,037 thousand was recorded for the CGU Bionic, reducing the carrying amount of the goodwill attributable to the CGU Bionic to € 4,982 thousand (previous year: € 9,019 thousand). The matter comes within the economic context of the derecognition through profit and loss of a liability arising from a contingent consideration measured at fair value, which results in other operating income in the amount of € 4,327 thousand, see also Note 11.

The recoverable amount was determined using the fair value less costs of sale. The measurement is classed as level 3 of the fair value hierarchy due to the non-observable inputs used in the measurement.

The management approach and key assumptions for determining fair value less costs to sell

Unobservable input factor	Values assigned to the key assumption as of 30 June 2020 (31 December 2019)	Approach to determining the assumption
Disposal costs	319 thousand € (516 thousand €)	Estimated on the basis of the company's experience with the sale of assets
Cash flow forecast period	9 years (10 years)	9-year forecast approved by the Executive Board of HHLA AG, prepared by the management
Capitalisation interest rate	9.12 % (11.65 %)	Illustrates the specific risks
Long term growth rate	1 % (1 %)	Denotes the weighted average growth rate used to extrapolate cash flows beyond the forecast period

As of the measurement date of 31 December 2020 and as part of the annual review of goodwill for the CGU Bionic, the recoverable amount was once again calculated as the fair value less costs of sale using the discounted cash flow method. The discount rate after tax is 8.7 % (previous year: 11.7 %). A growth factor of 1.0 % (previous year: 1.0 %) was applied.

Based on the estimate used, the recoverable amount for the CGU Bionic is approx. € 1.6 million higher than the carrying amount for valuation purposes. As the recoverable amount is close to the carrying amount, the management considers it possible that there could be a change in material assumptions which would lead to the carrying amount exceeding the recoverable amount.

The overview below shows the necessary change in the various material valuation parameters which would lead to the recoverable amount being the same as the carrying amount:

Valuation parameters

in % / pp	Necessary change
Discount rate	+ 0.5 pp
Growth factor	- 1.3 pp
EBIT*	- 6.5 %

* Change applies to the detailed planning for the first 9 years and the going concern value.

Additions of internally developed software in the reporting period mainly relate to the migration of a new terminal management system.

23. Property, plant and equipment

Development of property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2019	**955,605**	**306,303**	**268,996**	**72,237**	**1,603,140**
Acquisition or production cost					
31 December 2018	848,812	906,166	561,699	81,504	2,398,181
Adjustment due to first-time adoption of IFRS 16	502,405	208	49,532	- 9,267	542,878
1 January 2019	1,351,217	906,374	611,231	72,237	2,941,059
Additions	54,055	19,943	65,479	73,890	213,367
Disposals	- 3,713	- 42,792	- 30,621	- 606	- 77,732
Reclassifications	8,961	12,361	17,770	- 38,976	116
Changes in scope of consolidation/consolidation method	328	84	142		554
Effects of changes in exchange rates	5,699	3,443	961	1,836	11,939
31 December 2019	**1,416,547**	**899,413**	**664,962**	**108,381**	**3,089,303**
Accumulated depreciation, amortisation and impairment					
1 January 2019	395,612	600,071	342,235	0	1,337,919
Additions	61,975	40,384	41,952		144,311
Disposals	- 3,501	- 41,879	- 28,529		- 73,909
Reclassifications					0
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	1,162	2,139	425		3,726
31 December 2019	**455,248**	**600,715**	**356,083**	**0**	**1,412,046**
Carrying amount as of 31 December 2019	**961,299**	**298,698**	**308,879**	**108,381**	**1,677,257**
Carrying amount as of 1 January 2020	**961,299**	**298,698**	**308,879**	**108,381**	**1,677,257**
Acquisition or production cost					
1 January 2020	1,416,547	899,413	664,962	108,381	3,089,303
Additions	13,780	35,173	65,013	53,660	167,626
Disposals	- 2,340	- 10,293	- 24,202	- 112	- 36,947
Reclassifications	16,058	43,767	23,160	- 82,983	2
Changes in scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 11,563	- 6,048	- 1,871	- 4,104	- 23,586
31 December 2020	**1,432,482**	**962,012**	**727,061**	**74,842**	**3,196,398**
Accumulated depreciation, amortisation and impairment					
1 January 2020	455,248	600,715	356,083	0	1,412,046
Additions	62,080	41,306	42,667		146,053
Disposals	- 1,942	- 10,006	- 20,295		- 32,243
Reclassifications					0
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	- 2,572	- 3,611	- 911		- 7,094
31 December 2020	**512,814**	**628,404**	**377,544**	**0**	**1,518,763**
Carrying amount as of 31 December 2020	**919,668**	**333,607**	**349,517**	**74,842**	**1,677,635**

See Note 45 for further details regarding the existing restrictions in connection with leases.

Additions in the reporting period primarily comprise capital expenditure for the procurement of handling equipment and the expansion of warehouse capacities at the Hamburg container terminals, as well as the capital expenditure of the METRANS Group for the acquisition of locomotives and wagons in order to increase performance capability and the reach of hinterland connections.

Disposals in the reporting period mainly relate to the sale/scrapping of handling equipment.

The effects of changes in exchange rates mainly include the exchange rate changes of the Ukrainian currency.

Impairment losses on property, plant and equipment totalling € 423 thousand (previous year: € 0 thousand) were recognised in the reporting year.

Buildings, surfacing and movable non-current assets with a carrying amount of € 4,755 thousand (previous year: € 5,251 thousand) have been pledged as collateral in connection with loans taken up by the Group.

As of the balance sheet date, the Group had obligations of € 85,030 thousand (previous year: € 87,529 thousand) from outstanding purchase commitments attributable to investments in property, plant and equipment.

Development of rights of use included in property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount as of 1 January 2019	**593,690**	**14,804**	**84,057**	**692,552**
Acquisition or production cost				
31 December 2018	108,197	16,860	45,618	170,675
Adjustment due to first-time adoption of IFRS 16	502,405	208	49,532	552,145
1 January 2019	610,602	17,068	95,150	722,820
Additions	46,334	495	9,577	56,406
Disposals			- 2,562	- 2,562
Reclassifications		2,036		2,036
Changes in scope of consolidation/consolidation method	328			328
Effects of changes in exchange rates	1,352	11	97	1,460
31 December 2019	**658,617**	**19,609**	**102,262**	**780,488**
Accumulated depreciation, amortisation and impairment				
1 January 2019	16,912	2,264	11,093	30,268
Additions	31,013	1,928	17,318	50,259
Disposals			- 1,679	- 1,679
Reclassifications		- 197		- 197
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	72		36	108
31 December 2019	**47,997**	**3,995**	**26,768**	**78,760**
Carrying amount as of 31 December 2019	**610,620**	**15,614**	**75,494**	**701,729**
Carrying amount as of 1 January 2020	**610,620**	**15,614**	**75,494**	**701,729**
Acquisition or production cost				
1 January 2020	658,617	19,609	102,262	780,488
Additions	912	642	6,188	7,742
Disposals	- 151	- 5	- 8,925	- 9,081
Reclassifications		- 628		- 628
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 4,052	- 54	- 292	- 4,398
31 December 2020	**655,326**	**19,564**	**99,233**	**774,123**
Accumulated depreciation, amortisation and impairment				
1 January 2020	47,997	3,995	26,768	78,760
Additions	31,271	2,011	15,757	49,039
Disposals	- 15		- 5,154	- 5,169
Reclassifications		- 101		- 101
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	- 268	- 12	- 86	- 366
31 December 2020	**78,985**	**5,893**	**37,285**	**122,163**
Carrying amount as of 31 December 2020	**576,341**	**13,671**	**61,948**	**651,960**

24. Investment property

Development of investment property

in € thousand	Investment property	Payments on account and plants under construction	Total
Carrying amount as of 1 January 2019	**181,059**	**3,665**	**184,724**
Acquisition or production cost			
1 January 2019	341,095	3,665	344,760
Additions	2,478	6,743	9,221
Disposals		- 8	- 8
Reclassifications			0
31 December 2019	**343,573**	**10,400**	**353,973**
Accumulated depreciation, amortisation and impairment			
1 January 2019	160,036	0	160,036
Additions	8,788		8,788
Disposals			0
Reclassifications			0
31 December 2019	**168,824**	**0**	**168,824**
Carrying amount as of 31 December 2019	**174,749**	**10,400**	**185,149**
Carrying amount as of 1 January 2020	**174,749**	**10,400**	**185,149**
Acquisition or production cost			
1 January 2020	343,573	10,400	353,973
Additions	308	20,532	20,840
Disposals		- 302	- 302
Reclassifications	365	- 365	0
31 December 2020	**344,246**	**30,265**	**374,511**
Accumulated depreciation, amortisation and impairment			
1 January 2020	168,824	0	168,824
Additions	8,549		8,549
Disposals			0
Reclassifications			0
31 December 2020	**177,373**	**0**	**177,373**
Carrying amount as of 31 December 2020	**166,873**	**30,265**	**197,138**

Investment property mainly relates to warehouses converted to office space and other commercial real estate in Hamburg's Speicherstadt historical warehouse district, as well as logistics warehouses and surfaced areas.

The additions in the reporting period relate mainly to conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 51,847 thousand (previous year: € 52,870 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 17,988 thousand in the reporting year (previous year: € 18,919 thousand).

Fair value is calculated and measured annually by HHLA's Real Estate segment. The associated inputs are classified as level 3 in the fair value hierarchy, see Note 7.

Fair value reconciliation

in € thousand	2020	2019
As of 1 January	625,006	618,616
Change in fair value (not realised)	- 20,517	6,390
As of 31 December	**604,489**	**625,006**

The valuation method used to measure the fair value of investment property as well as the key unobservable input factors applied

Valuation method	Key unobservable input factors	Relationship between key unobservable input factors and measurement at fair value The estimated fair value would increase (fall) if
Fair values are measured by applying the discounted cash flow method (DCF method) to the forecast net cash flows from managing the properties. This method is based on detailed forecasts of ten years or up to the end of the useful lives of properties with a remaining useful life of less than ten years. The cash flows are discounted using standard market interest rates. Property-specific fair value is determined on the basis of property-specific measurement criteria.	Contractually agreed rental income	the contractually agreed rental income was higher (lower)
	Expected rent increases	the expected rent increases were higher (lower)
	Vacancy periods	the vacancy periods were shorter (longer)
	Level of occupancy	the level of occupancy was higher (lower)
	Rent-free periods	the rent-free periods were shorter (longer)
	Possible termination of the tenancy agreement	tenancy agreements were not terminated (were terminated)
	Re-leasing	the property was re-leased sooner (later)
	Operating, management and maintenance costs	operating, management and maintenance costs were lower (higher)
	Rent for the land	the rent was lower (higher)
	Discount rate (4.13 to 7.51 % p.a.)	the risk-adjusted discount rate was lower (higher)

Regarding existing restrictions on the disposal and use of buildings in connection with the renting of the associated properties from the Free and Hanseatic City of Hamburg, see the explanatory remarks on leases in Note 45.

25. Associates accounted for using the equity method

Associates accounted for using the equity method

in € thousand	31.12.2020	31.12.2019
Interests in joint ventures	13,230	12,848
Interests in associates companies	4,188	4,345
	17,418	**17,193**

Interests in joint ventures comprise Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, HHLA Frucht- und Kühl-Zentrum GmbH, Ulrich Stein Gesellschaft mit beschränkter Haftung, ARS-UNIKAI GmbH, Kombi-Transeuropa Terminal Hamburg GmbH, HVCC Hamburg Vessel Coordination Center GmbH, Spherie UG (haftungsbeschränkt) and Hyperport Cargo Solutions GmbH i. G. Third Element Aviation GmbH has been included in the HHLA Consolidated Financial Statements as of the fourth quarter of 2020.

Interests in associated companies include the shares in CuxPort GmbH and the shares in DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH.

The higher interests reported than in the previous year are largely due to the earnings recorded in financial income for the various companies at equity less the dividends received, see Note 16.

For more information, please refer to Note 3.

26. Non-current financial assets

Non-current financial assets

in € thousand	31.12.2020	31.12.2019
Securities	5,779	5,677
Shares in affiliated companies	54	54
Other equity investments	98	309
Other non-current financial assets	10,496	10,137
	16,427	**16,177**

In the reporting year – as in the previous year – the securities relating to insolvency insurance for phased early retirement entitlements were netted out against the corresponding phased early retirement obligations because they fulfil the conditions for plan assets as per IAS 19 (revised 2011). The securities portfolio recognised as plan assets in the financial year amounted to € 143 thousand (previous year: € 173 thousand), see Note 37. Before offsetting, this results in a securities portfolio of € 5,922 thousand (previous year: € 5,850 thousand).

The shares in affiliated companies include shares in companies which are of minor importance for giving a true and fair view of the Group's results of operations, net assets and financial position and are therefore not consolidated.

Other long-term equity investments include shares in companies which are included in the Consolidated Financial Statements neither as an affiliate nor using the equity method due to their minor importance. Such shareholdings are usually up to 50 %. The year-on-year change results mainly from one-off valuation allowances.

Other non-current financial assets primarily include receivables from a graduated rent totalling € 3,687 thousand (previous year: € 4,006 thousand), as well as receivables from relief funds totalling € 2,614 thousand (previous year: € 2,625 thousand).

27. Inventories

Inventories

in € thousand	31.12.2020	31.12.2019
Raw materials, consumables and supplies	22,257	22,005
Work in progress	2,323	2,579
Finished products and merchandise	974	658
	25,554	**25,242**

Impairment losses on inventories recognised as an expense amount to € 1,616 thousand (previous year: € 1,111 thousand). This expense is reported under cost of materials, see Note 12.

28. Trade receivables

Trade receivables

in € thousand	31.12.2020	31.12.2019
	166,913	**168,127**

Trade receivables are receivables from customers that are fulfilled in connection with normal business operations. In respect of the overwhelming majority of customers, they are usually due within 30 days and are therefore classed as current.

No trade receivables were assigned as collateral for financial liabilities, either in the year under review or in the previous year. Collateral for trade receivables is only held to a minor extent (e.g. rental guarantees).

Details of the structure and valuation allowances for trade receivables can be found in Note 47.

29. Receivables from related parties

Receivables from related parties

in € thousand	31.12.2020	31.12.2019
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	82,000	95,000
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	1,099	952
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH	1,022	1,194
Receivables from Free and Hanseatic City of Hamburg (FHH)	262	464
Receivables from other related parties	900	1,195
	85,283	**98,805**

Receivables from HGV include € 82,000 thousand from existing cash clearing (previous year: € 95,000 thousand).

30. Current financial assets

Current financial assets

in € thousand	31.12.2020	31.12.2019
Current receivables from employees	1,405	1,393
Current reimbursement claims against insurers	104	250
Other current financial assets	1,625	1,936
	3,134	**3,579**

31. Other non-financial assets

Other non-financial assets

in € thousand	31.12.2020	31.12.2019
Current tax credit	14,451	17,051
Credits issued due to contractual arrangements	4,050	103
Payments on account	2,729	3,061
Other	9,903	9,457
	31,133	**29,672**

Current tax credits fell year-on-year, mainly due to lower value added tax receivables.

32. Income tax receivables

Income tax receivables

in € thousand	31.12.2020	31.12.2019
	1,369	**2,201**

Income tax receivables consist of tax receivables resulting from tax assessments and advance tax payments.

33. Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits

in € thousand	31.12.2020	31.12.2019
Cash and cash equivalents with a maturity of up to 3 months	5,975	23,131
Short-term deposits with a maturity of 4–12 months	40,000	45,000
Bank balances and cash in hand	80,883	89,910
	126,858	**158,041**

Cash, cash equivalents and short-term deposits are made up of cash in hand and various bank balances in different currencies.

Cash and short-term deposits of € 3,679 thousand (previous year: € 9,147 thousand) are subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 54,309 thousand (previous year: € 3,063 thousand) and had met all the conditions for their use. Due to sufficient liquidity, the line of credit in the amount of € 50,000 thousand was not used.

34. Non-current assets held for sale

There were no non-current assets held for sale either in the reporting period or in the previous year.

35. Equity

Changes in the individual components of equity for the reporting period and the previous year are shown in the statements of changes in equity.

Subscribed capital

As of the balance sheet date, HHLA's share capital consists of two different share classes: Class A shares and Class S shares. Subscribed capital totals € 74,405 thousand (31 December 2019: € 72,753 thousand), divided into 71,700,215 Class A shares (31 December 2019: 70,048,834 Class A shares) and 2,704,500 Class S shares; each no-par-value share represents € 1.00 of the share capital on paper. The share capital has been fully paid in.

In the course of the stock flotation on 2 November 2007, 22,000,000 Class A shares were placed on the market. This corresponds to a free float of approx. 30 % of the company's share capital. As of the balance sheet date, the Free and Hanseatic City of Hamburg holds 70.11 % of the voting rights through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (31 December 2019: 69.58 %).

In the financial year, a capital increase was carried out in connection with the dividend distribution to holders of Class A shares. A resolution was passed at the Annual General Meeting held on 20 August 2020 to distribute a portion of the distributable profit for the 2019 financial year through the payment of a dividend to holders of common shares in the amount of € 0.70 per Class A share and € 2.10 per Class S share. On the basis of a subscription offer to all holders of Class A shares, Class A shareholders were granted the right to assert the dividend entitlements arising from the resolution on the appropriation of net income on a pro rata basis in the amount of € 0.49 (pro rata dividend entitlement) as a contribution in kind for the granting of new Class A shares from a capital increase from Authorised Capital I (Section 3 [4] of the articles of association) (share dividend). The remaining portion of the dividend in the amount of € 0.21 was paid in cash – irrespective of the exercise of the option right by Class A shareholders. No corresponding option right was granted to holders of Class S shares.

The option right in favour of the share dividend was exercised for a total of 51,357,949 Class A shares. On the basis of the subscription ratio, the subscription price and further regulations governing the share dividend, a total of 1,651,381 new Class A shares, each representing € 1.00 of the company's share capital, were issued from Authorised Capital I. The share capital of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) now amounts to 74,404,715 shares: 71,700,215 Class A shares and an unchanged 2,704,500 Class S shares. For further information, please refer to Note 21. The remaining undistributed profit was carried forward to new account.

In September 2020, shareholder dividend entitlements in the amount of € 25,165 thousand were thus asserted from Authorised Capital I. Following deduction of the incurred transaction costs recognised directly in equity, capital reserves rose by € 23,015 thousand to € 164,599 thousand.

Authorised capital

As of the balance sheet date, the company has Authorised Capital I for the issue of Class A shares and Authorised Capital II for the issue of Class S shares.

Authorised Capital I

Using Authorised Capital I (cf. Article 3 [4] of the articles of association) and subject to the approval of the Supervisory Board, the Executive Board is still authorised – following the partial utilisation of Authorised Capital I in connection with the scrip dividend – 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 for subscription in cash and/or in kind in one or more stages. The statutory subscription rights of holders of Class S shares shall be excluded. The Executive Board is additionally authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of holders of Class A shares in those cases covered in more detail in the resolution, such as issue for contributions in kind. 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.

Authorised Capital II

Using Authorised Capital II (cf. Article 3 [5] of the articles of association), the Executive Board is authorised, subject to the approval of the Supervisory Board, 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 for subscription in cash and/or in kind in one or more stages. 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.

Other authorisations

The Annual General Meeting of HHLA held 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 and/or convertible bonds or combinations of these instruments (hereinafter known collectively as "debenture bonds") with a total nominal value of up to € 300,000,000.00 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 bonds with warrants and/or convertible bonds. The respective terms 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. The detailed terms of the resolution state that shareholders' subscription rights may also be excluded when the debenture bonds are issued. As per Article 3 (6) of the articles of association, conditional capital of € 10,000,000.00 is available to service warrants and conversion rights and obligations as well as any tender rights. This is made up of 10,000,000 new registered Class A shares.

The Annual General Meeting held on 16 June 2016 additionally authorised the company's Executive Board to purchase Class A treasury shares up to a maximum of 10 % of the portion of the company's share capital accounted for by Class A shares at the time of the resolution or, if lower, at the time the authorisation is exercised. In addition to being sold on the stock exchange or offered to all shareholders in line with their shareholdings, the Class A treasury shares acquired under this authorisation or previous authorisations may – subject to the approval of the Supervisory Board – be used in the cases stipulated by the resolution excluding other shareholders' subscription rights and/or be redeemed either in whole or in part without the need for an additional resolution by the Annual General Meeting. This authorisation expires on 15 June 2021. The authorisation may be used for any legally permissible purpose, except for trading in treasury shares.

HHLA does not currently hold any treasury shares. There are no plans to buy back shares.

Capital reserve

The Group's capital reserve includes premiums from share issues and the associated costs of issue, which are deducted from the capital reserve. It also comprises premiums from capital increases at subsidiaries with non-controlling interests, premiums from a reserve increase from an employee stock purchase plan and premiums from a capital increase in connection with a dividend distribution for Class A shares for contributions in kind.

Retained earnings

Retained earnings include net profits from prior years for companies included in the Consolidated Financial Statements, insofar as these were not distributed as dividends. This item also encompasses differences between HGB and IFRS as of 1 January 2006 (the transitional date).

Other comprehensive income

In accordance with the currently applicable version of IAS 19 (revised 2011), the HHLA Group's other comprehensive income includes all actuarial gains and losses from defined benefit pension plans. This item additionally comprises changes in the fair value of hedging instruments (cash flow hedges) and the corresponding tax effects.

The reserve for translation differences enables the recognition of differences arising on the translation of financial statements for foreign subsidiaries.

Non-controlling interests

Non-controlling interests comprise outside interests in the Group companies' consolidated equity.

As per the provisions of IAS 32, non-controlling interests are reduced mainly by the reclassification of a minority shareholder's future estimated entitlements to financial settlements as financial liabilities for the term of the profit and loss transfer agreement, see Note 6 and Note 38. This was chiefly offset by the inclusion of current total comprehensive income.

Notes on capital management

Capital management at the HHLA Group aims to ensure the Group's long-term financial stability and flexibility in order to safeguard the Group's growth and enable its shareholders to reasonably participate in its success. Balance sheet equity is the primary benchmark in this regard. The key value-oriented performance indicator at the HHLA Group is the return on capital employed (ROCE). The equity ratio is also monitored in order to maintain a stable capital structure.

Equity ratio

in %	**31.12.2020**	31.12.2019
Equity in € thousand	567,003	578,862
Total assets in € thousand	2,591,123	2,610,019
	21.9 %	**22.2 %**

The decline in equity is primarily attributable to the dividend payouts of € 55,741 thousand, the reclassification of a future financial settlement totalling € 23,377 thousand as a non-current financial liability, the interest-related change of € 15,155 thousand in actuarial losses including tax effects not recognised in profit or loss and the change of € 16,221 thousand in the reserve for translation differences. This was offset by the capital increase from the dividend payment in return for non-cash contributions amounting to € 24,666 thousand and the pandemic-related decline in net income of € 74,133 thousand in the reporting period.

External minimum capital requirements were fulfilled at all agreed audit points throughout the reporting year. See Note 38 for more information.

36. Pension provisions

Pension provisions

Provisions for pensions and similar obligations are formed for commitments arising from both vested rights to future pension payments and current payments to active and former members of HHLA Group companies in Germany and any surviving dependants who are entitled to receive such benefits. A distinction is made between defined benefit and defined contribution company pension plans.

Defined benefit pension plans

In the case of defined benefit plans, the Group is obliged to make the agreed payments to current and former employees. HHLA's pension scheme is financed by both provisions and funds.

Company retirement benefits are paid on the basis of various entitlements. As well as individual agreements, this is primarily the collective company pension agreement (BRTV). As part of the harmonisation of existing pension schemes, the "HHLA capital plan" labour agreement has also been introduced with effect from 1 January 2018.

The BRTV is a total benefit plan. HHLA guarantees the participating employees a certain amount of benefits, which are made up of the statutory pension and the company pension. The amount of total benefits is determined by a variable percentage (according to years of service) of a fictitious net payment in the final wage or salary band based on the applicable social security data contribution levels for the year 1999. The current contribution assessment ceiling is always taken into account.

The HHLA capital plan provides employees with a uniform and transparent pension scheme that offers a high degree of flexibility, both in terms of paying in and in the payout/benefit phase. Payments made into the HHLA capital plan are funded from gross income (deferred compensation). As such, the employees forgo a part of their untaxed income at the time they pay into the scheme in favour of future retirement savings. 27.50 % is added to the contributions paid in as part of the deferred compensation scheme. Furthermore, an annual interest rate of 3.00 % is guaranteed in respect of the contributions.

Based on these pension plans, the Group forms provisions for pensions and similar obligations for the amount of expected future retirement and surviving dependants' pensions and/or savings for future retirement and surviving dependants. External actuaries calculate the amount of the obligation using the projected unit credit method.

Amounts recognised for pension commitments

in € thousand	**31.12.2020**	31.12.2019
Present value of pension obligations	530,771	502,874
Obligations from working lifetime accounts	373	365
	531,144	**503,239**

Pension obligations

The balance sheet shows the full present value of pension obligations including actuarial gains and losses. The reported pension obligation relates to an unfinanced plan.

Development of the present value of pension obligations

in € thousand	**2020**	2019
Present value of pension obligations as of 1 January	**502,874**	**448,161**
Contributions of capital plan participants	7,899	6,247
Current service expense	13,891	12,627
Past service expense	168	2,466
Interest expense	3,537	7,191
Pension payments	- 20,053	- 19,781
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 8,407	- 12,077
Actuarial gains (-), losses (+) due to amendments in financial assumptions	30,862	58,040
Present value of pension obligations as of 31 December	**530,771**	**502,874**

Present value of the defined benefit pension obligations split by various groups of beneficiaries

in %	**2020**	2019
Current employees	39.9	40.3
Former employees	1.4	1.3
Pensioners	58.7	58.4
	100.0	**100.0**

As of 31 December 2020, the weighted average term of the defined benefit obligation was 13.4/17.4 years (previous year: 13.9/18.3 years).

In addition, reimbursement rights of € 2,672 thousand (previous year: € 2,625 thousand) were concluded to cover the corresponding pension obligations. The expected income from these reimbursement rights amounts to € 18 thousand in the year under review, whereas the actual income amounts to € 184 thousand. In the 2020 financial year, € 137 thousand was paid out in reimbursement rights.

Pension obligations recognised in the income statement

in € thousand	2020	2019
Current service expense	13,891	12,627
Past service expense	168	2,466
Interest expenses	3,537	7,191
	17,596	**22,284**

Development of actuarial gains / losses from pensions obligations

in € thousand	2020	2019
Actuarial gains (+), losses (-) as of 1 January	**- 114,657**	**- 68,694**
Changes in the financial year due to amendments in experience-based assumptions	8,407	12,077
Changes in the financial year due to amendments in financial assumptions	- 30,862	- 58,040
Actuarial gains (+), losses (-) as of 31 December	**- 137,112**	**- 114,657**

Key actuarial assumptions to determine the present value of the pension obligations

in %	31.12.2020	31.12.2019
Discount rate (capital plan)	0.30	0.80
Discount rate (others)	0.20	0.70
Projected salary increase	2.00	3.00
Adjustment of current pensions (excluding BRTV)	2.00	2.00
Adjustment of social security pension according to pension insurance report of the year	2020	2019

The biometric data is drawn from the 2018 G mortality tables by Professor Klaus Heubeck.

For shorter maturities, HHLA derives the interest rates used for discounting from high-quality corporate bonds. For longer maturities, the forward projection of the interest rate curve reflects the Deutsche Bundesbank's curve for German government bonds.

Sensitivity analysis: pension obligations

	Change in parameter			Effect on present value		
		31.12.2020	31.12.2019	in € thousand	**31.12.2020**	31.12.2019
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	35,183	32,990
	Decrease of	0.5 %	0.5 %	Increase of	39,268	36,781
Payment trend	Increase of	0.5 %	0.5 %	Increase of	2,078	2,675
	Decrease of	0.5 %	0.5 %	Decrease of	2,050	2,634
Adjustment to social security	Decrease of	20.0 %	20.0 %	Increase of	829	1,145
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	13,629	12,696
Contributions of capital plan participants	Increase of	50.0 %	50.0 %	Increase of	9,746	7,490
	Decrease of	50.0 %	50.0 %	Decrease of	9,380	7,306
Adjustment of current pensions (excluding BRTV)	Increase of	0.5 %	0.5 %	Increase of	776	756
	Decrease of	0.5 %	0.5 %	Decrease of	713	695

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Payments for pension obligations

In the 2020 financial year, HHLA made pension payments for plans totalling € 20,053 thousand (previous year: € 19,781 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected pension payments

in years in € thousand	
2021	20,602
2022	20,658
2023	20,553
2024	20,253
2025	19,927
	101,993

Obligations from working lifetime accounts

In the 2006 financial year, the affiliated companies in Germany undertook to set up working lifetime accounts due to collective labour agreements. Staff could elect to have time and remuneration components deposited in money market or investment funds by the Group until 31 December 2013. Capital has been invested within the company since 1 January 2014. The funds saved in the employee's account are used to give them paid leave before they enter retirement. The amount of pay to which employees are entitled during their early retirement depends on the amount of funds saved, which in turn depends on the performance of the fund assets – based on the model for contributions up to 31 December 2013 and taking the 3.00 % return guaranteed in the collective labour agreement into account for contributions as of 1 January 2014 – plus other contractually agreed social benefits during the early retirement phase.

The portion of the obligation covered by the funds saved is reported at the funds' fair value. The additional benefits arising from collective labour agreements which are not covered by the funds saved are reported at the full present value of the obligation including actuarial gains and losses.

As part of the harmonisation of existing pension schemes, which was completed in 2018, the existing funds from working lifetime accounts were largely transferred to the HHLA capital plan. The obligations arising from the remaining existing funds will fall steadily over time.

Allocation of benefit commitments from working lifetime accounts

in € thousand	**31.12.2020**	31.12.2019
Present value of obligations from working lifetime accounts	607	626
Present value of plan assets from working lifetime accounts (fund shares)	- 234	- 261
Uncovered allocations	**373**	**365**

Development of the present value of the obligations from working lifetime accounts

in € thousand	**2020**	2019
Present value of the obligations from working lifetime accounts as of 1 January	**626**	**1,124**
Current service expense	3	4
Interest expenses	2	7
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	20	- 229
Actuarial gains (-), losses (+) due to amendments in financial assumptions	8	8
Capital payments	- 52	- 288
Present value of the obligations from working lifetime accounts as of 31 December	**607**	**626**

As of 31 December 2020, the weighted average term of the defined benefit obligation was 5.9 years (previous year: 6.3 years).

Development of the fair value of plan assets from working lifetime accounts

in € thousand	2020	2019
Fair value of plan assets from working lifetime accounts as of 1 January	**261**	**355**
Expected income from plan assets	1	2
Actuarial gains (+), losses (-) due to amendments in experience-based assumptions	4	46
Capital payments	- 32	- 142
Fair value of plan assets from working lifetime accounts as of 31 December	**234**	**261**

The plan assets consist solely of shares in money market and investment funds. Losses of € 27 thousand were recorded on the plan assets in the financial year (previous year: € 93 thousand).

Obligations from working lifetime accounts recognised in the income statement

in € thousand	2020	2019
Current service expense	3	4
Interest expenses	2	7
Expected income from the plan assets	- 1	- 2
	4	**9**

Development of actuarial gains/losses of obligations from working lifetime accounts

in € thousand	2020	2019
Actuarial gains (+), losses (-) as of 1 January	**178**	**- 89**
Changes in the financial year due to amendments in experience-based assumptions	- 16	275
Changes in the financial year due to amendments in financial assumptions	- 8	- 8
Actuarial gains (+), losses (-) as of 31 December	**154**	**178**

Key actuarial assumptions to determine obligations from working lifetime accounts

in %	31.12.2020	31.12.2019
Discount rate	- 0.10	0.30
Projected salary increase	2.00	3.00

The biometric data is drawn from the 2018 G mortality tables by Professor Klaus Heubeck, taking into account age-related fluctuation.

Sensitivity analysis: obligations from working lifetime accounts

	Change in parameter			Effect on present value			
		31.12.2020	31.12.2019	in € thousand	**31.12.2020**		31.12.2019
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	9	Decrease of	10
	Decrease of	0.5 %	0.5 %	Increase of	10	Increase of	11
Expected mortality	Decrease of	10.0 %	10.0 %	Decrease of	16	Decrease of	18

Actuarial calculations for the valuation parameters classed as material are performed in isolation, i.e. if several parameters change simultaneously, the individual effects are not cumulative due to correlation. In the case of a change to the parameters, a linear trend for the defined benefit obligation cannot be drawn from the sensitivities stated.

Until 31 December 2013, the obligations from working lifetime accounts were financed by paying a portion of employees' remuneration into the unit-linked pension plan. Capital has been invested within the company since 1 January 2014.

Portfolio for obligations from working lifetime accounts

in %	2020	2019
Money market funds/Annuity funds	100	99
Mixed funds	0	1
	100	**100**

Payments for obligations from working lifetime accounts

In the financial year under review, HHLA made payments for plans totalling € 52 thousand (previous year: € 288 thousand). In return, the company acquired corresponding securities holdings worth € 32 thousand (previous year: € 142 thousand). The outflow of funds therefore amounted to € 20 thousand in the year under review (previous year: € 146 thousand).

Expected payments for obligations from working lifetime accounts related to the existing pension scheme which are not hedged by securities

in years in € thousand	
2021	45
2022	27
2023	21
2024	16
2025	18
	127

Defined contribution pension plans

In the case of defined contribution plans, the relevant companies merely make payments to dedicated funds. There are no further obligations. HHLA does not incur any financial or actuarial risks arising from these commitments.

The costs incurred in connection with pension funds which are to be regarded as defined contribution pension plans amounted to € 3,196 thousand in the reporting year (previous year: € 3,518 thousand).

HHLA paid € 30,509 thousand (previous year: € 29,759 thousand) into the state pension system as its employer's contribution.

37. Other non-current and current provisions

Other non-current and current provisions

	Non-current provisions		Current provisions		Total	
in € thousand	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Demolition obligations	86,490	83,100	0	0	86,490	83,100
Restructuring reserve	52,883	15,475	8,551	6,030	61,434	21,505
Bonuses and single payments	0	0	9,220	8,832	9,220	8,832
Insurance excesses	0	0	4,073	2,496	4,073	2,496
Anniversaries	3,496	3,262	241	167	3,737	3,429
Legal fees and litigation expenses	0	0	1,110	620	1,110	620
Phased early retirement	98	81	90	67	188	148
Other	12,691	12,175	2,296	5,793	14,987	17,968
	155,658	**114,093**	**25,581**	**24,005**	**181,239**	**138,098**

Demolition obligations

The demolition obligations relate to HHLA's Container, Logistics and Real Estate segments and are discounted at a rate of 1.5 % p.a. (previous year: 1.5 % p.a.). In the reporting year, an anticipated price increase of 2.0 % (previous year: 2.0 %) was used to calculate the provisions shown. This rate is derived from the German construction cost index. The outflow of these resources is expected in the period 2025–2045.

Restructuring provisions

The restructuring provisions relate to reorganising the Logistics segment and organisational restructuring in the Container segment. The outflow of funds will take place between 2021 and 2031. For further information on the additions, please refer to Note 13.

Bonuses and single payments

Provisions for bonuses and one-off payments largely consist of provisions for Executive Board members and other senior staff. The funds will become payable in the 2021 financial year.

Insurance excesses

This obligation relates to provisions largely created by the Group's parent company to allow for potential cases of damage or loss which go beyond the existing insurance cover. The funds will become payable in the 2021 financial year.

Anniversaries

The provisions for anniversaries relate to Group employees' contractual entitlement to anniversary gratuities. The amount recognised is determined by an actuarial opinion. A discount rate of 0.20 % p.a. (previous year: 0.70 % p.a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2021–2060.

Legal fees and litigation expenses

As of the balance sheet date and as in the previous year, the obligations reported consisted mainly of provisions for legal risks associated with pending proceedings. The outflow of these resources is expected in the 2021 financial year.

Phased early retirement

Provisions for phased early retirement consist of HHLA's obligations from the entitlements accrued during the beneficiaries' working period, plus a supplementary amount added pro rata temporis.

The securities holdings acquired in connection with phased early retirement contracts are classified as plan assets under IAS 19 (revised 2011). They were therefore offset against the phased early retirement obligations included in the provisions. The corresponding figure of € 143 thousand (previous year: € 173 thousand) therefore reduces the provisions reported, see Note 26. In addition to this, pledged bank balances serve to cover the obligations in existence as of the balance sheet date. The amount of the provision was determined using a discount rate of - 0.2 % p.a. (previous year: - 0.2 % p.a.). The outflow of these resources is expected in the period 2021–2026.

Other

Other provisions relate largely to obligations arising from individual contractual agreements with members of staff. The main outflow of funds will take place between 2021 and 2028.

Development of other non-current and current provisions

in € thousand	01.01.2020	Additions	Accured interest	Used	Reversed	Currency translation effects	31.12.2020
Demolition obligations	83,100	3,093	977	421	258		86,490
Restructuring reserve	21,505	44,376	5	3,130	1,323		61,434
Bonuses and single payments	8,832	9,220		8,543	289		9,220
Insurance excesses	2,496	2,276		676	22		4,073
Anniversaries	3,429	595	24	311			3,737
Legal fees and litigation expenses	620	490					1,110
Phased early retirement	148	303		262			188
Other	17,968	4,211	6	6,873	326		14,987
	138,098	**64,565**	**1,012**	**20,217**	**2,218**	**0**	**181,239**

38. Non-current and current financial liabilities

Non-current and current financial liabilities as of 31 December 2020

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	22,569	125,497	147,034	295,100
Lease liabilities	22,811	80,416	161,286	264,513
Liabilities arising from settlement obligations	24,584	23,377	0	47,961
Other loans	0	656	15,000	15,656
Liabilities towards employees	10,069	0	0	10,069
Other non-current and current financial liabilities	8,042	5,126	301	13,469
	88,075	**235,072**	**323,621**	**646,768**

Non-current and current financial liabilities as of 31 December 2019

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from bank loans	22,771	115,071	193,945	331,787
Lease liabilities	26,017	98,924	157,842	282,783
Liabilities arising from settlement obligations	35,170	30,492	0	65,662
Other loans	0	282	15,500	15,782
Liabilities towards employees	10,223	0	0	10,223
Other non-current and current financial liabilities	8,170	14,118	161	22,449
	102,351	**258,887**	**367,448**	**728,686**

Amounts due to banks include interest of € 938 thousand accrued up to the balance sheet date (previous year: € 1,017 thousand).

The liabilities from leases represent the discounted value of future payments for movable non-current assets.

More information on the settlement obligation can be found in Note 6 and Note 35.

Other loans chiefly comprise a € 5,500 thousand loan granted to a minority shareholder (previous year: € 6,000 thousand) as well as promissory note loans of € 9,500 thousand (previous year: € 9,500 thousand) issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 4,755 thousand (previous year: € 5,251 thousand) have been pledged as collateral for interest-bearing loans. The collateral agreements provide that the assets are transferred to the banks until the loans and interest have been repaid in full and that they have a right to dispose of the assets if the borrower is in arrears with payments of interest and principal.

The liabilities towards employees consist primarily of wages and salaries.

Terms of liabilities from bank loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU[1]	**Carrying amount as of 31.12.2020 in € thousand**
fixed	0,00 – 2,36 %	EUR	2025 and later	193,966	170,011
fixed	n/a	EUR	2024	0	0
fixed	1.46 %	EUR	2023	15,000	15,000
fixed	1,28 – 4,22 %	EUR	2022	102,926	43,735
fixed	2.83 %	EUR	2021	34,257	13,703
floating	floating + margin	EUR	2021	123,791	51,713
					294,162

1 TCU = Thousand Currency Units

The floating interest rates are EURIBOR rates with maturities of one to six months.

Financial liabilities for which fair value is not equivalent to the carrying amount

	Carrying amount		Fair value	
in € thousand	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Fixed-interest bearing loans	**242,449**	**253,927**	**243,277**	**267,627**

Interest rates of 1.5 to 2.4 % p.a. (previous year: 0.5 to 1.4 % p.a.) were used to measure the fair value of fixed interest-bearing loans. The interest rates are derived from the risk-free rate depending on maturity plus a premium according to the credit rating and maturity. They therefore constitute market rates. The average interest rate for the reported liabilities from bank loans was 1.6 % in the reporting year (previous year: 1.6 %).

As a result of borrowing, certain affiliates have covenants linked to key balance sheet figures and collateral. Violating these covenants would authorise the lender to demand additional collateral, a change to the conditions or the repayment of the loan. In order to prevent such steps, HHLA constantly monitors compliance with the covenants and, where required, implements measures to ensure that all conditions of the loan are met. As of the balance sheet date, the corresponding borrowings totalled € 45,601 thousand (previous year: € 72,401 thousand).

Maturity of bank loans

in € thousand	
Up to 1 year	21,630
1 year to 2 years	38,713
2 years to 3 years	27,922
3 years to 4 years	12,826
4 years to 5 years	46,037
Over 5 years	147,034
	294,162

For more details of the liquidity risk, please refer to Note 47.

39. Trade liabilities

Trade liabilities

in € thousand	31.12.2020	31.12.2019
	90,913	**74,879**

Trade liabilities from the financial year are only owed to third parties. As in the previous year, the total amount is due within one year.

40. Non-current and current liabilities to related parties

Non-current and current liabilities to related parties as of 31 December 2020

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from leases to HPA	27,295	94,700	350,932	472,927
Liabilities from leases to FEG Fischereihafenentwicklungsgesellschaft mbH & Co. KG	860	3,576	2,780	7,216
Liabilities from leases to Landesbetrieb Immobilienmanagement und Grundvermögen	1,229	3,563	1,598	6,390
Liabilities from leases to related parties	**29,384**	**101,839**	**355,310**	**486,533**
Other Liabilities to HHLA Frucht- und Kühl-Zentrum GmbH	5,000	0	0	5,000
Other liabilities to other related parties	5,168	0	0	5,168
Other liabilities to related parties	**10,168**	**0**	**0**	**10,168**
	39,552	**101,839**	**355,310**	**496,701**

Non-current and current liabilities to related parties as of 31 December 2019

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	Total
Liabilities from leases to HPA	21,897	94,306	374,102	490,305
Liabilities from leases to Landesbetrieb Immobilienmanagement und Grundvermögen	1,741	5,871	3,947	11,559
Liabilities from leases to FEG Fischereihafenentwicklungsgesellschaft mbH & Co. KG	848	3,522	3,694	8,064
Liabilities from leases to related parties	**24,486**	**103,699**	**381,743**	**509,928**
Other liabilities to HPA	3,691	0	0	3,691
Other Liabilities to HHLA Frucht- und Kühl-Zentrum GmbH	3,044	0	0	3,044
Other liabilities to related parties	5,931	0	0	5,931
Other liabilities to related parties	**12,666**	**0**	**0**	**12,666**
	37,152	**103,699**	**381,743**	**522,594**

The decline in recognised liabilities is primarily due to the planned redemption of lease liabilities and the expiry of lease terms. For more details, see also Note 45 and Note 48.

For more details of the liquidity risk, please refer to Note 47.

41. Other non-financial liabilities

Other non-financial liabilities

in € thousand	**31.12.2020**	31.12.2019
Liabilities to employees	14,627	13,817
Tax liabilities	9,827	9,931
Employers' liability insurance premiums	4,540	4,663
Social security payables	2,559	2,618
Advance payments received for orders	2,759	2,104
Port workers' welfare fund (Hafenfonds)	1,216	1,342
Other	1,984	2,292
	37,512	**36,767**

Liabilities towards employees include liabilities arising from accrued leave and outstanding bonus payments.

All other non-financial liabilities have a remaining term of up to one year.

42. Income tax liabilities

Income tax liabilities

in € thousand	**31.12.2020**	31.12.2019
	17,774	**6,190**

Income tax liabilities result from expected additional payments for corporation tax, solidarity surcharge and trade tax.

When preparing the Annual Financial Statements, provisions are made for the corresponding amounts of corporation tax, solidarity surcharge and trade tax on the basis of the tax and legal situation known at the time of preparation.

Notes to the cash flow statement

43. Notes to the cash flow statement

Free cash flow

The balance of the cash inflow from operating activities and the cash outflow from investing activities makes up the free cash flow. This indicates what cash resources are available for dividend distribution or the redemption of existing loans. The free cash flow fell year-on-year by € 14,908 thousand to € 113,909 thousand. Significant changes resulted from both the cash flow from operating activities and the cash flow from investing activities. The fall in cash flow from operating activities was mainly due to the year-on-year decline in the operating result (EBIT). This was offset by the year-on-year increase in provisions and the reduction in income tax payments. The cash outflow from investing activities was lower than in the previous year. This decline was mainly the result of payments received for short-term deposits (previous year: payouts). The decrease in payments received for the disposal of intangible assets, property, plant and equipment and investment property had an opposing effect.

Change in liabilities from financing activities

The balance of the proceeds from the issuance of bonds and the taking out of (financial) loans, as well as the balance of payments for the redemption of (financial) loans, produces the change in liabilities from financing activities pursuant to IAS 7. In the reporting year, the Group made payments for the redemption of (financial) loans in the amount of € 37,211 thousand (previous year: € 39,733 thousand). The change in the liabilities from financing activities is reflected in the decrease in liabilities to banks in the amount of € 36,687 thousand (previous year: € 37,869 thousand), see also Note 38. The balance of the proceeds from the issuance of bonds and the taking out of (financial) loans, as well as the balance of payments for the redemption of (financial) loans to other lenders, has been recognised as a change in the liabilities from financing activities in the amount of € 603 thousand (previous year: € 1,853 thousand). Exchange rate effects and other effects are insignificant.

Financial funds

Financial funds include cash in hand and bank balances with a remaining term of up to three months and receivables and liabilities relating to HGV. Receivables from HGV are overnight deposits available on demand. They are recognised at nominal value.

Financial funds

in € thousand	**31.12.2020**	31.12.2019
Cash and cash equivalents with a maturity up to 3 months	5,975	23,131
Short-term deposits with a maturity of 4–12 months	40,000	45,000
Bank balances and cash in hand	80,883	89,910
Cash, cash equivalents and short-term deposits	**126,858**	**158,041**
Receivables from HGV	82,000	95,000
Overdrafts	- 11	- 19
Short-term deposits with a maturity of 4–12 months	- 40,000	- 45,000
Financial funds at the end of the period	**168,847**	**208,022**

Notes to the segment report

44. Notes to the segment report

The segment report is presented as an annex to the Notes to the Consolidated Financial Statements.

The Group's segment report is prepared in accordance with the provisions of IFRS 8 and requires reporting on the basis of the internal reports to the Executive Board for the purpose of controlling commercial activities. The segment performance indicator used is the internationally customary key figure EBIT (earnings before interest and taxes), which serves to measure the success in each segment and therefore aids internal control.

The accounting and valuation principles applied for internal reporting comply with the principles applied by the Group described in Note 6 "Accounting and valuation principles".

In line with the Group's reporting structure for management purposes and in accordance with the definition in IFRS 8, the following four independently organised and managed segments were identified:

Container

The Container segment pools the Group's container handling operations. The Group's services in this segment consist primarily of handling container ships and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort) and further container terminals in Odessa, Ukraine, and Tallinn, Estonia. The portfolio is rounded off by supplementary container services, such as maintenance and repairs provided by its subsidiary HCCR.

The Container segment mainly generates handling revenue at points in time. It also generates rental income over time. Furthermore, individual HHLA customers have contractual rebate entitlements arising from income generated at points in time.

Intermodal

As a core element of HHLA's business model, which is vertically integrated along the transportation chain, the Intermodal segment provides a comprehensive seaport-hinterland rail and truck network. The rail company METRANS and the trucking firm CTD complete HHLA's range of services in this field.

As transport income, the revenue of this segment is classed as income generated at points in time. There are also rebate obligations in respect of individual customers.

Logistics

The Logistics segment encompasses specialist handling services, digital business activities and consulting. Its service portfolio comprises stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise. The segment also provides consulting and management services for clients in the international port and transport sectors. Additive manufacturing and airborne logistics services round off the portfolio.

The revenue generated from special handling services is classed as revenue generated at points in time. This segment also generates income over time, chiefly from consultancy and letting services. Immaterial rebate obligations apply in respect of individual customers.

Real Estate

This segment is equivalent to the Real Estate subgroup. Its business activities encompass services such as the development, letting and management of properties. These include real estate in the Speicherstadt historical warehouse district and on the northern banks of the river Elbe (fish market area). Furthermore, industrial logistics properties and land in and around the Port of Hamburg are managed by the Holding/Other division.

The revenue from this segment is rental income generated over time.

The Holding/Other division used for segment reporting does not represent an independent business segment as defined by IFRS 8. However, it has been allocated to the segments within the Port Logistics subgroup in order to provide a complete and clear picture.

Due to the structure of the Group, it is necessary to issue a large number of invoices for inter-segmental services. These predominantly relate to the use of real estate, IT services, administrative services, workshop services and staff provided by the holding company. As a rule, services are valued at cost price. Transfer prices may not exceed the market price of the service in question. If the company providing the service predominantly sells the relevant service on the market outside the Group, it may charge the market price, even if the cost price is lower.

The details of the reconciliation of the segment variables with the corresponding Group variables are as follows:

Earnings

The reconciliation of the segment variable EBIT to consolidated earnings before taxes (EBT) incorporates transactions between the segments and the subgroups for which consolidation is mandatory, along with the proportion of companies accounted for using the equity method, net interest income and the other financial result.

Reconciliation of the segment EBIT with consolidated earnings before taxes (EBT)

in € thousand	**2020**	2019
Total segment earnings (EBIT)	**121,991**	**219,628**
Elimination of business relations between segments and subgroups	1,574	1,609
Group earnings (EBIT)	**123,565**	**221,237**
Earnings from associates accounted for using the equity method	3,601	4,458
Net interest	- 28,060	- 39,573
Earnings before tax (EBT)	**99,105**	**186,122**

Segment assets

The reconciliation of segment assets to Group assets incorporates not only items and financial investments for which consolidation is mandatory, but also claims arising from current and deferred income taxes and financial funds which are not to be assigned to segment assets.

Reconciliation of the segment assets with Group assets

in € thousand	**31.12.2020**	31.12.2019
Segment assets	**2,372,707**	**2,382,354**
Elimination of business relations between segments and subgroups	- 734,184	- 745,757
Current assets before consolidation	665,383	671,553
Financial assets	17,570	17,556
Deferred tax assets	141,420	124,071
Tax receivables	1,369	2,201
Cash, cash equivalents and short-term deposits	126,858	158,041
Group assets	**2,591,123**	**2,610,019**

Other segment information

The reconciliation to Group investments totalling € - 2,126 thousand (previous year: € - 609 thousand) eliminates the internal invoices for services to generate intangible assets between segments.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,160 thousand (previous year: € - 2,217 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounts to € 66 thousand (previous year: € - 18 thousand).

Information about geographical regions

For information by region, the segment revenue and disclosures on non-current segment assets are broken down in accordance with the affiliates' respective locations.

Information about geographical regions

	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
in € thousand	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Segment income	800,118	866,962	462,077	471,074	37,636	44,589	1,299,831	1,382,625	0	0	1,299,831	1,382,625
Non-current segment assets	1,243,894	1,252,953	699,163	670,883	48,832	59,740	1,991,889	1,983,576	599,234	626,443	2,591,123	2,610,019
Investments in non-current segment assets	106,798	81,182	82,371	130,545	7,179	14,040	196,348	225,767	0	851	196,348	224,916

The reconciliation of long-term segment assets to Group assets includes, in addition to consolidation items between the segments, in particular current assets, financial assets as well as current and deferred income taxes.

Information about key clients

Revenue of € 216,888 thousand (previous year: € 245,320 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.

Other notes

45. Leases

Leases as a lessee

For further information about leases within the HHLA Group, please see Notes 6, 12, 14, 16, 23, 38 and 40.

Basic recognition of leases

Pursuant to IFRS 16, all leases are to be recognised on the balance sheet. The following significant leases currently exist within the HHLA Group:

The Group has concluded various lease agreements for a number of properties, technical facilities, and operating and office equipment. Among other things, these agreements relate to land, quay walls, lifting and ground-handling vehicles, container wagons and chassis, as well as IT hardware. In some cases, they include renewal and put options. The renewal options are always for the lessee; the put options can be used by the respective lessor to force a sale.

Leases recognised under liabilities to related parties

The Group rents mega-ship berths from the owner of the port areas, the Hamburg Port Authority (HPA), which is a related party, see Note 48. The fixed lease initially runs until 2036, but HHLA anticipates that the lease terms of these assets will extend over 50 years (as in the past). The agreements make provisions for the allocation of liability in the event of nullity and the associated premature termination of the lease as a result of conflict with EU law. The Executive Board of HHLA believes the risk of a conflict with EU law is currently very low.

Agreements exist between the Free and Hanseatic City of Hamburg and/or HPA and the HHLA Group for the lease of land and quay walls in the Port of Hamburg and in the Speicherstadt historical warehouse district by companies in the HHLA Group. The main agreements expire between 2025 and 2036. Under the terms of the agreements, the lease payments are generally reviewed every five years on the basis of price developments in relevant competing ports or based on appropriate rental indices. The expected rent increases for the past periods are included in the liabilities from leases. The rent increases for 2020 have been postponed to July 1, 2021. The postponement did not have any material impact on the consolidated financial statements. Leasing expenses for the space in the Speicherstadt historical warehouse district are partly linked to the development of Group income from subletting these buildings.

Without the prior approval of the lessor, the leased areas may not be relet and the buildings on them belonging to HHLA may not be sold or let. Major changes to the terms of subletting agreements also require the approval of the lessor.

Leases recognised under non-current and current financial liabilities

There are also leases relating to real estate and movable property at the container terminal in Odessa, Ukraine. On the whole, the rents payable for this are fixed and will only change during the course of the agreement as a result of future inflation. The company will not have purchase options at the end of the lease agreements. The respective lease agreements have remaining terms of between 1 and 33 years.

There are also significant leases for real estate at the container terminal in Tallinn, Estonia. On the whole, the rents payable for this are fixed and will only change during the course of the agreement as a result of future inflation. The company will not have purchase options at the end of the lease agreements. The respective lease agreements will expire in 2062.

The METRANS Group has concluded lease agreements for various motor vehicles and items of technical equipment. These leases have an average term of three to ten years and some include renewal options. The leases concluded for individual items of real estate have a term of up to 30 years and some of them also include renewal options. The lessee takes on no obligations when signing these leases. The METRANS Group also rents a terminal facility for a period of 30 years as part of a concession agreement.

Short-term lease agreements and leases for low-value assets

The Group rents technical equipment, motor vehicles, IT equipment, office furniture, etc. over terms of between one and three years. These lease agreements are either short term or (and) pertain to items of low value. In such cases, HHLA reports neither the rights of use nor lease liabilities. The following table shows the effects of leases in the income statement:

Leases in the income statement

in T€	2020	2019
Cost of materials and other operating expenses		
Expenses from non-current leases	7,004	9,505
Expenses from leases for low-value assets	785	569
Expenses from variable lease payments	297	408
Amortisation and depreciation		
Amortisation and depreciation of rights of use	49,039	50,259
Financial result		
Interest expenses from leasing liabilities	21,581	22,016

Future unrecognized cash outflows

The table below shows the future cash outflows which may be incurred by the lessee and which may not have been recognized when measuring the lease liability:

Future unrecognized cash outflows

in € thousand	31.12.2020	31.12.2019
Future variable lease payments	10,006	10,644
Extension and termination options	761	1,213
Residual value guarantees	19	23
Leases not yet begun	119	0
	10,905	**11,880**

Leases as a lessor

The Group has signed lease agreements for letting its investment properties on a commercial basis, see Note 24. HHLA has categorised these leases as operating leases because virtually none of the risks and potential rewards associated with ownership are transferred to the Group. The investment properties consist of office space, facilities and a commercial property not used by the Group. These leases have remaining uncancellable lease terms of between 1 and 15 years. After the end of the uncancellable lease period, some contracts give tenants the option of extending the lease for a period of between two years and a maximum of three times five years. Some leases contain a clause under which the rent can be increased in line with market conditions.

In the financial year, income of € 58,504 thousand (previous year: € 61,552 thousand) was earned from letting property, plant and equipment and investment property.

The table below is a maturity analysis of the receivables from operating leases and shows the undiscounted lease payments to be received after the end of the reporting period.

Due dates of receivables from operating leases

in € thousand	31.12.2020	31.12.2019
Up to 1 year	32,412	32,210
1 year to 2 years	27,739	26,599
2 years to 3 years	17,633	23,681
3 years to 4 years	13,666	14,211
4 years to 5 years	11,177	11,139
Over 5 years	43,021	35,585
	145,648	**143,425**

From the lessor's perspective, there are no lease agreements categorised as finance leases.

46. Contingent liabilities and other financial obligations

No provisions were formed for the following contingent liabilities because it was deemed highly unlikely that they would be utilised.

Contingent liabilities

in € thousand	31.12.2020	31.12.2019
Guarantees	38,820	29,338
Comfort letters	0	0
	38,820	**29,338**

Within a one-year period from 31 December 2020, HHLA can make use of the existing guarantees up to a maximum amount of € 56,480 thousand.

The following other financial obligations existed on the reporting date:

Other financial obligations

in € thousand	31.12.2020	31.12.2019
Outstanding purchase commitments	125,009	119,166
Other	53,420	59,415
	178,429	**178,581**

Of the obligations from outstanding purchase commitments, € 85,030 thousand (previous year: € 87,529 thousand) is attributable to investments in property, plant and equipment and € 3,425 thousand (previous year: € 1,833 thousand) is attributable to investments in intangible assets.

47. Management of financial risks

To finance its business activities, the Group uses short-, medium- and long-term bank loans, lease and hire-purchase agreements, as well as cash and short-term deposits. The Group has access to various other financial assets and liabilities, such as trade payables and receivables which arise directly from its business.

Interest rate and market price risk

As a result of its financing activities, the Group is exposed to an interest rate risk which principally stems from medium- to long-term borrowing at floating rates of interest.

Managing the Group's interest expenses involves a combination of fixed- and floating-rate debt, depending on the market.

The consolidated companies did not hold any interest rate swaps as of the balance sheet date.

As of the balance sheet date, 82.4 % (previous year: 76.8 %) of the Group's borrowing was at fixed interest rates.

The fixed-interest financial instruments are not held at fair value and are therefore not subject to market price risks on the balance sheet.

Market price risks can, however, affect securities and equity investments in particular. Due to the minor scope of these instruments, the risk is deemed insignificant.

A change in the variable interest rate affects the interest expenses arising from floating-rate loans and the interest income from overnight deposits and time deposit investments.

If the variable interest rate had been 0.5 percentage points higher as of the balance sheet date, interest expenses arising from floating-rate loans would have been € 259 thousand p.a. higher (previous year: € 384 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been € 1,038 thousand p.a. higher (previous year: € 1,265 thousand p.a.).

There are no effects on equity.

Exchange rate risk

Due to investments in countries outside the eurozone, changes in exchange rates can affect the balance sheet. Foreign currency risks on individual transactions are hedged by currency futures or currency options if a market analysis requires it. The hedging transactions are in the same currencies as the hedged item. The Group only concludes currency futures contracts when specific claims or obligations exist, or can be expected with reasonable assurance.

On the balance sheet date, there were currency hedging instruments with a volume of € 26.0 million (previous year: € 49.5 million) and maturities of up to 13 months. As of 31 December 2020, the market value was € 249 thousand (previous year: € 1,132 thousand). In the reporting year, changes in value from these currency hedging transactions, which constitute financial assets and/or liabilities held at fair value through profit and loss, were recognised in the income statement. These instruments do not constitute effective hedging relationships as per IFRS 9.

Revenue in the HHLA Group is predominantly invoiced in euros or in the national currencies of the European affiliates. Investments in these countries are largely transacted in euros.

Commodity price risk

The Group is primarily exposed to a commodity price risk when purchasing fuel. Depending on the market situation, the Group can arrange price hedges for part of its fuel requirements. This was not the case at the balance sheet date or on 31 December 2019.

In addition to the market risks mentioned, there are also financial risks in the form of credit and liquidity risks.

Credit risk / default risk

The Group only maintains customer relationships on a credit basis with recognised, creditworthy third parties. Clients who wish to complete transactions with the Group on a credit basis are subject to a credit check. Receivables are also monitored on an ongoing basis and impairment allowances are made if risks are identified, such that the Group is not exposed to any additional significant default risks on receivables. The maximum default risk for the trade receivables and other financial receivables is theoretically the carrying amount for the individual receivable. There is no significant concentration of default risks with individual customers.

In respect of some receivables, the Group may obtain securities in the form of guarantees that may be drawn upon as part of contractual arrangements if the counterparty falls into payment default.

The Group applies the simplified approach pursuant to IFRS 9 in order to measure expected credit losses, i.e. the expected lifetime credit losses are applied for trade receivables and contract assets. In order to measure the expected credit losses, trade receivables and contract assets are consolidated on the basis of shared credit risk characteristics and the number of days overdue.

The contract assets held by HHLA are deemed insignificant.

The expected losses given default are based on the payment profiles of the transactions over a period of twelve months prior to 31 December 2020 and the corresponding historic defaults in this period. Furthermore, HHLA factors anticipated changes to the economic environment into its calculations of these losses given default. Due to the continued uncertainty in the macroeconomic environment, HHLA has increased the existing expected loss ratio for trade receivables in the 91–180-day range by 30 %. Furthermore, HHLA has observed trade receivables on a case-by-case basis and made valuation allowances where necessary. The impact on the Consolidated Financial Statements is immaterial. On this basis, the following impairment was calculated on trade receivables as of 31 December 2020 and 31 December 2019:

Determination of impairment on trade receivables as of 31 December 2020

in € thousand	not due	1 - 90 days overdue	91 - 180 days overdue	181 - 270 days overdue	271 - 360 days overdue	more than 360 days overdue	Total
Trade receivables before impairment	131,370	35,678	1,849	10	321	994	170,222
Expected losses	0.45 %	0.85 %	58.57 %	100.00 %	100.00 %	100.00 %	
Impairment of the reporting year	597	304	1,083	10	321	994	3,309
Trade receivables after impairment							**166,913**

Determination of impairment on trade receivables as of 31 December 2019

in € thousand	not due	1 - 90 days overdue	91 - 180 days overdue	181 - 270 days overdue	271 - 360 days overdue	more than 360 days overdue	Total
Trade receivables before impairment	129,776	37,888	737	420	226	2,299	171,346
Expected losses	0.10 %	0.25 %	6.92 %	100.00 %	100.00 %	100.00 %	
Impairment of the previous year	130	93	51	420	226	2,299	3,219
Trade receivables after impairment							**168,127**

Impairments on trade receivables showed the following trends:

Development of the valuation allowances on trade receivables

in € thousand	2020	2019
Valuation allowances as of 1 January	**3,219**	**3,323**
Additions (valuation allowances recognised as expenses)	2,731	1,064
Used	- 1,263	- 601
Reversals	- 1,378	- 567
Valuation allowances as of 31 December	**3,309**	**3,219**

Trade receivables are derecognised when a reasonable assessment indicates that there is no prospect of them being realised. The indicators that point to no prospect of realisation following a reasonable assessment include the failure of a debtor to commit to a repayment plan agreed with the Group and the failure to make contractually agreed payments after being in arrears for 360 days.

Impairment losses on trade receivables are shown as other operating expenses in the operating result. Amounts that have been written off, but that are then generated in subsequent periods, are recognised as other operating income.

The default risk in the case of derivative financial instruments and cash, cash equivalents and short-term deposits is, in theory, that of counterparty default and is therefore equivalent to the carrying amounts of the individual financial instruments. The risk of default can be considered very low since the Group as a rule only conducts derivative financial transactions and liquid investments with counterparties with good credit ratings. In addition, credit risks may arise if the contingent liabilities listed in Note 46 are incurred.

Liquidity risk

The Group guarantees sufficient liquidity at all times with the help of medium-term liquidity planning, by diversifying the maturities of loans and leases, and by means of existing lines of credit and funding commitments. If covenants have been agreed for individual loans, they are monitored on an ongoing basis to make sure they are being complied with. HHLA will introduce measures it deems necessary to ensure that the covenants are met.

For details of the maturities of financial liabilities and liabilities to related parties, please refer to the table of residual maturities for non-current and current financial liabilities under Note 38 and the summary of non-current and current liabilities to related parties under Note 40.

Expected liquidity outflows due to future interest payments for loans and for liabilities from leases

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Outflow of liquidity for future interest payments on fixed-interest loans	4,437	4,710	13,598	15,135	8,692	11,592	26,727	31,437
Outflow of liquidity for future interest payments on floating-rate loans	127	438	197	722	0	13	324	1,173
For liabilities from leases	20,633	21,854	74,059	79,625	241,557	263,081	336,249	364,560
	25,197	**27,002**	**87,854**	**95,482**	**250,249**	**274,686**	**363,300**	**397,170**

The consolidated companies did not hold any interest rate swaps as of the balance sheet date, so no interest outflows are anticipated in this regard.

Financial instruments

Carrying amounts and fair values

The tables below show the carrying amounts and fair value of financial assets and financial liabilities, as well as their level in the fair value hierarchy, see also Note 6 and Note 7.

For financial assets and financial liabilities not held at fair value, there is no disclosure of the fair value in the fair value hierarchy where the carrying amount serves as a reasonable approximation of the fair value.

Financial assets as of 31 December 2020

	Carrying amount				Fair value			
in € thousand	Amortised cost	Fair value through profit or loss	Fair value through other compre-hensive income	**Balance sheet value**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value								
Financial assets		249	5,931	6,180	6,180			6,180
	0	**249**	**5,931**	**6,180**				
Financial assets not measured at fair value								
Financial assets	13,381			13,381				
Trade receivables	166,913			166,913				
Receivables from related parties	85,283			85,283				
Cash, cash equivalents and short-term deposits	126,858			126,858				
	392,435	**0**	**0**	**392,435**				

Financial liabilities as of 31 December 2020

in € thousand	Carrying amount: Amortised cost	Carrying amount: Fair value through profit or loss	Balance sheet value	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Total
Financial liabilities measured at fair value							
Financial liabilities			**0**				
	0	**0**	**0**				
Financial liabilities not measured at fair value							
Financial liabilities	**646,768**		**646,768**				
Liabilities from bank loans	295,100		295,100		295,929		295,929
Liabilities from leases	264,513		264,513				
Liabilities from Settlement obligation, non-current	23,377		23,377			23,377	23,377
Liabilities from Settlement obligation, current	24,584		24,584				
Other financial liabilities, non-current	21,083		21,083		21,083		21,083
Other financial liabilities, current	18,111		18,111				
Trade liabilities	**90,913**		**90,913**				
Liabilities to related parties	**496,701**		**496,701**				
Liabilities from leases	486,533		486,533				
Other Liabilities to related parties	10,168		10,168				
	1,234,382		**1,234,382**				

Financial assets as of 31 December 2019

in € thousand	Carrying amount: Amortised cost	Carrying amount: Fair value through profit or loss	Carrying amount: Fair value through other compre-hensive income	Balance sheet value	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Total
Financial assets measured at fair value								
Financial assets		1,132	6,040	7,172	7,172			7,172
	0	**1,132**	**6,040**	**7,172**				
Financial assets not measured at fair value								
Financial assets	12,584			12,584				
Trade receivables	168,127			168,127				
Receivables from related parties	98,805			98,805				
Cash, cash equivalents and short-term deposits	158,041			158,041				
	437,557	**0**	**0**	**437,557**				

Financial liabilities as of 31 December 2019

	Carrying amount			Fair value			
in € thousand	Amortised cost	Fair value through profit or loss	**Balance sheet value**	Level 1	Level 2	Level 3	**Total**
Financial liabilities measured at fair value							
Financial liabilities		**4,113**	**4,113**			**4,113**	**4,113**
	0	**4,113**	**4,113**				
Financial liabilities not measured at fair value							
Financial liabilities	**724,573**		**724,573**				
Liabilities from bank loans	331,787		331,787		345,487		345,487
Liabilities from leases	282,783		282,783				
Liabilities from Settlement obligation, non-current	30,492		30,492			30,492	30,492
Liabilities from Settlement obligation, current	35,170		35,170				
Other financial liabilities, non-current	30,061		30,061		30,061		30,061
Other financial liabilities, current	14,280		14,280				
Trade liabilities	**74,879**		**74,879**				
Liabilities to related parties	**522,594**		**522,594**				
Liabilities from leases	509,928		509,928				
Other Liabilities to related parties	12,666		12,666				
	1,322,046	**0**	**1,322,046**				

If there are no material differences between the carrying amounts and fair values of the financial instruments reported under non-current financial liabilities with details of fair value, they are recognised at their carrying amount. Otherwise, the fair value must be stated.

Changes in value were reported under financial income in the income statement on financial assets in the amount of € 249 thousand (previous year: € 1,132 thousand) that are held at fair value through profit and loss, see Note 16.

Valuation methods and key unobservable input factors for calculating fair value

The table below shows the valuation methods used for level 2 and level 3 fair value measurement and the key unobservable input factors utilised.

Financial instruments not measured at fair value

Type	Valuation method	Key unobservable input factors
Financial liabilities (liabilities from bank loans and other financial liabilities, non-current)	Discounted cash flows	Not applicable
Financial liabilities (liabilities from settlement obligations, non-current)	Discounted cash flows	Annual result (estimated)

There was no reclassification between the individual valuation levels in the reporting year.

48. Related party disclosures

IAS 24 defines related parties as companies and individuals which directly or indirectly control or exert significant influence over the Group or over which the Group has control, joint control or significant influence.

The shareholder HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV), and its shareholder, the Free and Hanseatic City of Hamburg (FHH), companies over which the shareholder or the Free and Hanseatic City of Hamburg has control or significant influence, the members of HHLA's Executive and Supervisory Boards, and the subsidiaries, associates and joint ventures in the Group are therefore defined as related parties. HGV is the parent company of HHLA, which publishes Consolidated Financial Statements. These are published in the electronic version of the German Federal Gazette under HRB 16106. Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) is the parent company of the Group.

Transactions with not fully consolidated related parties

	Income		Expenses		Receivables		Liabilities	
in € thousand	**2020**	2019	**2020**	2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Companies with control over the Group	1,286	104	780	1,070	82,262	95,464	0	0
Non-consolidated subsidiaries	0	0	353	352	0	79	51	111
Joint ventures	19,582	20,375	15,299	15,553	2,344	2,472	8,651	6,501
Associated companies	200	551	0	0	79	30	77	77
Other transactions with related parties	6,024	7,119	9,429	9,826	598	760	487,922	515,905
	27,092	**28,149**	**25,861**	**26,801**	**85,283**	**98,805**	**496,701**	**522,594**

The receivables from companies with a controlling interest mainly relate to receivables from cash clearing with HGV, see Note 29. HHLA's receivables accrued interest at a rate of 0.00 % p.a. (previous year: 0.00 % p.a.) in the reporting period.

The transactions with joint ventures pertain to transactions with companies accounted for using the equity method. This primarily affects the companies HHLA Frucht- und Kühl-Zentrum GmbH and Kombi-Transeuropa Terminal Hamburg GmbH.

Lease liabilities, primarily for the lease of land and quay walls from Hamburg Port Authority (HPA), are included in other transactions with related parties. For more details, see also Note 40 and Note 45.

Furthermore, HGV and the Free and Hanseatic City of Hamburg as parties related to HHLA have provided various comfort letters and guarantees to lender banks for loans granted to companies in the Group. The nominal amount of the associated liabilities from bank loans is € 103,000 thousand (previous year: € 103,000 thousand), of which approx. € 40,453 thousand was still outstanding on the balance sheet date (previous year: € 46,246 thousand) plus interest.

With effect from 18 October 2007, a partial loss compensation agreement was concluded between HHLA and HGV. HGV hereby undertakes to assume each annual deficit posted by the HHLA Real Estate subgroup as per commercial law during the term of the agreement. This applies insofar as the deficit is not compensated for by transferring amounts from retained earnings, other revenue reserves or the capital reserve which were carried forward as profit or transferred to these reserves during the term of the contract in accordance with Section 272 (2) (4) HGB.

Expenses and income from related parties are on standard market terms. The amounts outstanding at year-end are not secured and – with the exception of overnight funds in clearing – do not attract interest.

On 28 December 2020, HHLA concluded two agreements related to spaces leased by HHLA from HPA in the O'Swaldkai terminal. These consist of a three-party agreement ("Trilateral Agreement") with HPA and FHH and an amendment contract to an existing lease contract between HHLA and HPA ("Amendment Contract"). HHLA's Supervisory Board has given its consent to the Trilateral Agreement and the Amendment Contract.

The Trilateral Agreement and Amendment Contract regulate the following:

As a result of FHH's planned urban development of the Grasbrook district and with the aim of securing the location for HHLA for the long term, the areas that HHLA leases at the O'Swaldkai terminal will be reduced in size; in exchange, the lease agreement for the remaining areas will be extended ahead of time until 2049. During this process, there will also be a partially retroactive, future adjustment of the annual net basic lease fee. Taking into account the reduction in area, the present value of lease payments for the term of the amended lease agreement is € 99.1 million. HHLA will receive financial compensation, especially for the early return of sub-areas and to carry out necessary modification measures to ensure that its operations at the O'Swaldkai terminal can be maintained at the same level. The compensation is capped at a maximum of € 120 million, including value added tax. Under certain circumstances, this amount may be increased by up to € 10 million, including value added tax. The precise amount will be determined by an independent appraiser. The Trilateral Agreement and Amendment Contract are contingent upon conditions precedent being met.

No loans or comparable benefits were granted to the members of the Executive and Supervisory Boards in the reporting year or in the previous year.

The disclosures on the amount of equity and the earnings of the individual companies published in the list of shareholdings in the 2020 financial year will be included with the previous year's dates for foreign companies. This is due to a delay in the preparation process for the Consolidated Financial Statements.

List of HHLA's shareholdings by business sector as of 31 December 2020

Name and headquarters of the company	Share of capital held directly in %	Share of capital held indirectly in %	Equity in € thousand	Result for the financial year: Year	Result for the financial year: in € thousand
Port Logistics subgroup					
Container segment					
HHLA Container Terminal Burchardkai GmbH, Hamburg[1, 2, 3b]	100.0		76,961	2020	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2020	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]	100.0		1,942	2020	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]	100.0		34,741	2020	0
HHLA Rosshafen Terminal GmbH, Hamburg[1, 2, 3a]		100.0	26,208	2020	0
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]	74.9		80,433	2020	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2020	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	320	2020	135
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]	66.0		100	2020	0
CuxPort GmbH, Cuxhaven[4]	25.1		14,421	2019	940
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		42	2020	4
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		13	2020	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,148	2020	371
HHLA International GmbH, Hamburg[1, 2, 3b]	100.0		8,360	2020	0
HHLA TK Estonia AS, Tallinn/Estland[1]		100.0	59,314	2019	3,085
SC Container Terminal Odessa, Odessa/Ukraine[1]		100.0	60,033	2019	13,408
Intermodal segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2020	0
HHLA Project Logistics LLC, Poti/Georgien[1]		75.0	1,667	2019	423
LLC "HHLA Intermodal Ukraine", Odessa/Ukraine[1]		100.0	–	2019	–
LLC "Ukrainian Intermodal Company", Odessa/Ukraine[1]		100.0	–	2019	–
METRANS a.s., Prag/Tschechien[1]	100.0		286,442	2019	57,829
METRANS Adria D.O.O., Koper/Slowenien[1]		100.0	1,291	2019	471
METRANS (Danubia) a.s., Dunajská Streda/Slowakei[1]		100.0	108,729	2019	15,600
METRANS (Danubia) Kft., Győr/Ungarn[1]		100.0	2,001	2019	465
METRANS Danubia Krems GmbH, Krems an der Donau/Österreich[1]		100.0	552	2019	107
METRANS D.O.O., Rijeka/Kroatien[1, 5]		100.0	11	2019	3
METRANS DYKO Rail Repair Shop s.r.o., Prag/Tschechien[1]		100.0	6,670	2019	928
METRANS İSTANBUL STI, Istanbul/Türkei[1]		100.0	- 73	2019	- 5
METRANS Konténer Kft., Budapest/Ungarn[1]		100.0	10,254	2019	1,325
METRANS (Polonia) Sp.z o.o, Warschau/Polen[1]		100.0	8,850	2019	3,459
METRANS Rail s.r.o., Prag/Tschechien[1]		100.0	3,832	2019	3,331
METRANS Rail (Deutschland) GmbH, Leipzig[1]		100.0	9,111	2020	2,088
METRANS Umschlagsgesellschaft mbH, Hamburg[1]		100.0	22	2020	- 3
TIP Žilina, s.r.o., Dunajská Streda/Slowakei[1]		100.0	- 2,334	2019	- 2,325
UniverTrans Kft., Budapest/Ungarn[1]		100.0	2,369	2019	758
METRANS Railprofi Austria GmbH, Krems an der Donau/Österreich[1]		80.0	1,260	2019	1,190
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		43	2020	2
IPN Inland Port Network GmbH & Co. KG, Hamburg[5]	50.0		60	2020	- 3

Name and headquarters of the company	Share of capital held directly in %	Share of capital held indirectly in %	Equity in € thousand	Result for the financial year Year	Result for the financial year in € thousand
Logistics segment					
Bionic Production GmbH, Lüneburg[1]	50.1		3,167	2020	- 2,314
HPC Hamburg Port Consulting GmbH, Hamburg[1, 2, 3a]	100.0		1,023	2020	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg, Hamburg[1]	51.0		9,993	2020	548
ARS-UNIKAI GmbH, Hamburg[4]		25.5	36	2020	- 14
HHLA Sky GmbH, Hamburg[1]	100.0		54	2020	- 2,282
Third Element Aviation GmbH, Bielefeld[4]		29.7	356	2020	- 11
modility GmbH, Hamburg[1]	100.0		1,428	2020	- 322
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		20,366	2020	38
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		914	2020	311
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49.0		n/a	2020	n/a
Hyperport Cargo Solutions GmbH i.G., Hamburg[4]	50.0		–	2020	–
Spherie UG (haftungsbeschränkt), Hamburg[4]	25.1		316	2019	- 375
Holding/other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2020	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3b]	100.0		45	2020	0
Real Estate subgroup					
Real Estate segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2020	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		37	2020	- 59
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2020	1,263
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2020	6,647

1 Controlled companies.

2 Profit and loss transfer agreements were held in these companies in 2020.

3a The non-disclosure option provided for in section 264 (3) of the German Commercial Code (HGB) was used for these companies.

3b The non-disclosure option and the option of non-inclusion in the Management Report provided for in section 264 (3) of the German Commercial Code (HGB) were used for these companies.

3c The non-disclosure option and the option of non-inclusion in the Management Report and the notes provided for in section 264 (3) of the German Commercial Code (HGB) were used for these companies.

3d The non-disclosure option provided for in section 264b of the German Commercial Code (HGB) was used for these companies.

4 Companies recognised using the equity method.

5 Due to the overall minor importance of these companies, they are not recognised in the consolidated financial statements or accounted for using the equity method, instead, they are reported as shares in affiliated companies or as other participations.

Remuneration for key management personnel

IAS 24 requires the remuneration of key management personnel to be disclosed. This relates to the active Executive Board and the Supervisory Board. Apart from the details provided below, there were no notifiable transactions with related parties or their close relatives in the 2020 financial year.

For further details of the remuneration paid to individual Executive and Supervisory Board members, please see the remuneration report, which forms part of the Combined Management Report.

Remuneration for active members of the Executive and Supervisory Boards

Remuneration for active members of the Executive and Supervisory Boards

	Executive Board		Supervisory Board	
in € thousand	**2020**	2019	**2020**	2019
Short-term remuneration	3,182	3,060	312	306
of which is non-perfomance-related	1,620	1,565	–	–
of which is perfomance-related	1,562	1,495	–	–
Benefits due after termination of the contract	1,537	3,050	–	–
	4,719	**6,110**	**312**	**306**

The performance-related portion of the Executive Board's remuneration had not been paid as of the balance sheet date.

In the 2020 financial year, the short-term benefits payable to the Supervisory Board totalled € 312 thousand (previous year: € 306 thousand). Fixed basic salaries accounted for € 197 thousand (previous year: € 192 thousand) of this, remuneration for committee work made up € 77 thousand (previous year: € 75 thousand) and € 38 thousand (previous year: € 39 thousand) consisted of meeting fees.

The past service cost resulting from pension provisions for active members of the Executive Board is reported as post-employment benefits. As of the reporting date, the associated obligation stood at € 11,471 thousand (previous year: € 9,831 thousand).

The Executive Board members' individual pension entitlements as per HGB are as follows:

Individual pension claims of members of the management board in accordance with German Commercial Code (HGB)

in € thousand	**31.12.2020**	31.12.2019
Angela Titzrath	3,260	2,451
Dr. Roland Lappin	4,017	3,756
	7,277	**6,207**

Former members of the Executive Board

Benefits totalling € 1,139 thousand (previous year: € 1,097 thousand) were paid to former members of the Executive Board and their surviving dependants. The defined benefit obligation for current pensions calculated in accordance with International Financial Reporting Standards amounts to € 30,329 thousand (previous year: € 28,784 thousand).

49. Board members and mandates

The members of the company boards and their mandates are listed in the Combined Management Report under corporate governance in the Corporate Governance Declaration.

50. German Corporate Governance Code

HHLA has based its corporate governance on the recommendations of the German Corporate Governance Code (the Code) as published on 16 December 2019. Information on corporate governance at HHLA and a detailed report on the amount and structure of the remuneration paid to the Supervisory Board and Executive Board can be found in the Combined Management Report and Note 48 of this report. The Executive Board and Supervisory Board discussed matters of corporate governance in 2020 and on 11 December 2020 issued the 2020 declaration of compliance in accordance with Section 161 AktG, which is permanently available to shareholders on the company's website at www.hhla.de.

51. Auditing fees

In both the reporting year and the previous year, fees for auditing the financial statements primarily consisted of fees for the audit of the Consolidated Financial Statements, the audits of the financial statements of Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) and its domestic subsidiaries, and the review of the interim financial statements. The other certification services primarily encompass the review of the non-financial report pursuant to ISAE 3000 (revised), the review of the compliance management system as well as the review of key financial figures, in particular according to the Renewable Energy Sources Act (EEG) and the Combined Heat and Power Act (KWKG). The tax advisory services include training services on reporting obligations in connection with international tax structuring. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2020 financial year, as in the previous year.

Auditing fees

in € thousand	**2020**	2019
Audit of financial statements	557	536
Other certification services	68	43
Tax advisory services	10	0
Other services	0	37
	635	**616**

52. 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 Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) of 80.0 % of shares in iSAM AG, Mülheim an der Ruhr, was completed after the balance sheet date on 19 January 2021.

Both companies will be included in HHLA's group of consolidated companies as of 31 March 2021. For further information, please refer to Note 3.

There were no other events of special significance after the balance sheet date of 31 December 2020.

Hamburg, 15 March 2021

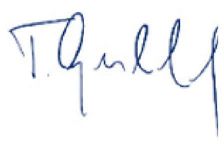
Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board


Angela Titzrath


Jens Hansen


Dr. Roland Lappin


Torben Seebold

Annual financial statements of HHLA AG

The Annual Financial Statements and Combined Management Report of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, for the 2020 financial year have been prepared according to the provisions of German commercial law and have been endorsed with an unqualified auditor's opinion by the auditors of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

Income statement for the period from 1 January to 31 December 2020

in €	**2020**	2019
Revenue	133,493,943.37	135,967,384.49
Increase or decrease in work in progress	105,468.11	109,495.96
Own work capitalised	655,771.79	1,957,070.30
Other operating income	1,984,131.21	1,975,209.15
of which income from translation differences	35,790.60	27,699.45
Cost of materials	13,289,876.55	12,976,431.36
Expenses for raw materials, consumables, supplies and purchased merchandise	6,649,719.08	6,117,010.40
Expenses for purchased services	6,640,157.47	6,859,420.96
Personnel expenses	105,629,192.12	104,517,016.02
Wages and salaries	92,061,979.17	93,420,439.17
Social security contributions and expenses for pension and similar benefits	13,567,212.95	11,096,576.85
of which for pensions	- 1,688,757.89	- 4,040,547.65
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	4,741,915.26	4,284,374.49
Other operating expenses	84,428,005.94	45,419,995.05
of which expenses from translation differences	42,539.21	45,202.10
Income from profit transfer agreements	62,462,586.74	76,635,365.54
Income from equity participations	52,975,480.68	75,927,461.35
of which from affiliated companies	48,731,638.03	71,322,068.73
Other interest and similar income	3,910,849.49	3,273,618.09
of which from affiliated companies	3,868,910.52	3,257,748.45
Depreciation and amortisation on financial assets	166,488.30	1,354.41
Expenses from assumed losses	20,541,820.77	9,180,190.35
Interest and similar expenses	27,636,182.32	31,813,989.43
of which from accrued interest	24,219,021.54	28,635,598.85
Taxes on income	- 11,860,691.87	11,730,494.82
of which income from the change unrecognised taxes	23,136,730.52	5,970,245.62
Profit after tax	**11,015,442.00**	**75,921,758.95**
Other taxes	160,501.03	163,378.44
Net profit for the year	**10,854,940.97**	**75,758,380.51**
Profit carried forward from the previous year	219,363,530.44	205,323,667.13
Dividend distributed	54,713,633.80	61,718,517.20
Unappropriated profit	**175,504,837.61**	**219,363,530.44**

Balance sheet as of 31 December 2020

in €	31.12.2020	31.12.2019
ASSETS		
Intangible assets		
Internally generated industrial and similar rights and values	7,554,946.10	8,292,258.01
Purchased software	667,840.50	1,297,897.46
Assets in development	15,360,344.10	14,038,255.68
	23,583,130.70	**23,628,411.15**
Property, plant and equipment		
Land, equivalent land rights and buildings, including buildings on leased land	4,308,873.28	5,021,265.41
Technical equipment and machinery	969,190.94	1,033,230.27
Other plant, operating and office equipment	3,272,261.95	2,723,386.93
Payments made on account and plant under construction	385,148.22	0.00
	8,935,474.39	**8,777,882.61**
Financial assets		
Interests in affiliated companies	426,119,324.71	428,621,877.58
Loans to affiliated companies	5,500,000.00	6,000,000.00
Equity investments	9,364,387.19	9,165,875.49
Non-current securities	715,785.13	688,137.55
	441,699,497.03	**444,475,890.62**
Non-current assets	**474,218,102.12**	**476,882,184.38**
Inventories		
Raw materials, consumables and supplies	245,314.50	177,887.75
Work in progress	747,312.27	641,844.16
	992,626.77	**819,731.91**
Receivables and other assets		
Trade receivables	1,079,427.43	1,562,395.25
Receivables from the Free and Hanseatic City of Hamburg	250.00	0.00
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg	82,000,000.00	95,000,000.00
Receivables from affiliated companies	468,521,236.06	436,698,236.72
Receivables from investee companies	0.00	30,000.00
Other assets	8,211,348.89	9,494,861.65
thereof with a maturity of more than one year	66,568.00	11,204.00
	559,812,262.38	**542,785,493.62**
Cash and cash equivalents	**92,754,484.24**	**112,276,338.48**
Current assets	**653,559,373.39**	**655,881,564.01**
Accruals and deferrals	**1,024,319.17**	**678,921.92**
Deferred tax assets	**86,642,059.56**	**61,963,762.26**
Balance sheet total	**1,215,443,854.24**	**1,195,406,432.57**

in €	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
Equity		
Subscribed capital		
Port Logistics subgroup	71,700,215.00	70,048,834.00
Real Estate subgroup	2,704,500.00	2,704,500.00
	74,404,715.00	**72,753,334.00**
Capital reserve		
Port Logistics subgroup	160,285,484.69	136,771,470.63
Real Estate subgroup	506,206.26	506,206.26
	160,791,690.95	**137,277,676.89**
Statutory reserve		
Port Logistics subgroup	5,125,000.00	5,125,000.00
Real Estate subgroup	205,000.00	205,000.00
	5,330,000.00	**5,330,000.00**
Other earnings reserves		
Port Logistics subgroup	57,218,380.36	56,105,325.36
Real Estate subgroup	1,322,353.86	1,322,353.86
	58,540,734.22	**57,427,679.22**
Retained earnings	**63,870,734.22**	**62,757,679.22**
Unappropriated profit		
Port Logistics subgroup	137,107,716.31	181,303,432.76
Real Estate subgroup	38,397,121.30	38,060,097.68
	175,504,837.61	**219,363,530.44**
Equity	**474,571,977.78**	**492,152,220.55**
Provisions		
Provisions for pensions and similar obligations	334,760,818.15	330,109,748.67
Tax provisions	2,107,471.28	3,433,423.21
Other provisions	87,512,153.67	47,072,415.24
	424,380,443.10	**380,615,587.12**
Liabilities		
Liabilities from bank loans	166,180,586.77	166,203,904.87
Payments on account	709,028.27	586,458.16
Trade liabilities	3,428,756.93	3,484,713.57
Liabilities towards the Free and Hanseatic City of Hamburg	9,946.67	558.79
Liabilities towards affiliated companies	82,738,215.55	78,202,268.88
Liabilities towards investee companies	6,254,298.23	3,892,730.35
Other liabilities	47,348,407.76	60,874,308.88
of which from taxes	8,467,933.09	2,656,592.42
of which for social security	291,858.39	453,238.79
	306,669,240.18	**313,244,943.50**
Deferred tax liabilities	**9,822,193.18**	**9,393,681.40**
Balance sheet total	**1,215,443,854.24**	**1,195,406,432.57**

Independent auditor’s report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

To Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hamburger Hafen und Logistik Aktiengesellschaft, which is combined with the Company’s management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill
2. Recognition and measurement of pension obligations and other termination benefits as well as plan assets
3. Restructuring measures

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. In the Company’s consolidated financial statements goodwill amounting in total to EUR 51,499 thousand (2.0 % of total assets) is reported under the "Intangible assets" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the ongoing coronavirus crisis on the Group’s business. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that, even after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 4,037 thousand with respect to the Bionic cash-generating unit.

The outcome of this valuation is dependent to a large extent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions but also the impacts of the coronavirus pandemic, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also assessed the executive directors’ estimate as to the impact of the coronavirus pandemic on the Group’s business and evaluated how this was taken into consideration in calculating the future cash inflows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, and assessed the calculation model.

In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes relating to the cash-generating unit for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating unit including the allocated goodwill.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company’s disclosures on goodwill are contained in the section entitled "Intangible assets" of the notes to the consolidated financial statements.

2. Recognition and measurement of pension obligations and other termination benefits as well as plan assets

1. In the Company’s consolidated financial statements obligations from pensions, capital plans and working lives amounting to EUR 531,144 thousand (20.5 % of total assets) are reported under the "Pension provisions" balance sheet item, comprising the net amount of the obligations from various pension plans and obligations from capital plans and working lives amounting to EUR 531,378 thousand and the fair value of plan assets amounting to EUR 234 thousand. The majority of these provisions relate to old-age and transitional pension commitments in Germany. Obligations under defined benefit plans are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The average life expectancy was calculated as of December 31, 2020 based on the mortality tables published by Heubeck-Richttafeln GmbH (Heubeck 2018 G mortality tables). Furthermore, the discount rate must be determined by reference to the yield on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since sufficient long-term corporate bonds do not exist. The plan assets are measured at fair value, which in turn involves estimation uncertainties.

From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company’s executive directors.

2. As part of our audit we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts, among other things. We also examined the specific features of the actuarial calculations and assessed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with the standard and appropriateness, in addition to other procedures. In addition, we analyzed the development of the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The disclosures relating to pension obligations and other post-employment benefits as well as plan assets are contained in the section entitled "Pension provisions" of the notes to the consolidated financial statements.

3. Restructuring measures

1. The Company resolved restructuring measures in financial year 2020 as part of an efficiency program to enhance its competitiveness. In the consolidated financial statements restructuring provisions amounting to EUR 44,376 thousand (1.7 % of total assets) in respect of these measures are reported under the "Other provisions" balance sheet item. This efficiency program is designed to permanently reduce personnel expenses. Among other measures set out in the program, the number of employees will be reduced. In financial year 2020, the Company reached agreement with the employee representative committees on a program to implement the restructuring in a socially responsible manner by means of partial retirement arrangements. These partial retirement arrangements, with pro rata release from duties while still in the active phase, form the basis of the Company’s planned staff reductions. In order for a restructuring provision to be recognized, the general recognition criteria for provisions pursuant to IAS 37.14 must be satisfied, which are further specified for restructuring measures within the meaning of IAS 37.10 by the regulations in IAS 37.70 *et seq*. The provisions of IAS 19.153ff. are to be applied for the valuation of the partial retirement arrangements on which the restructuring is based. The Company consequently recognized a restructuring provision after reaching an agreement with the employee representative committees in 2020. In our view, this matter was of particular significance in the context of our audit as the recognition of restructuring provisions is to a large extent based on estimates and assumptions made by the executive directors and these have a significant influence on the recognition and/or amount of any provisions to be recognized.

2. As part of our audit, we assessed whether the individual recognition criteria were met and whether the measurement of the restructuring provision was appropriate. To that end, we obtained and evaluated relevant evidence from the executive directors of the Company. We also assessed the information that the employee representatives had received from the executive directors. In addition, we considered the measurements of the individual components of provisions carried out by the Company with respect to their appropriateness and methodology and the transparency of the values determined. At the same time, we obtained an understanding of the underlying source data, value parameters and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. We furthermore reviewed on a test basis the correctness of the source data input into the calculations. We were able to satisfy ourselves that the matter and the estimates and assumptions made by the executive directors in connection

with the recognition and measurement of a restructuring provision were sufficiently documented and substantiated. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures relating to restructuring provisions are contained in the section entitled "Other non-current and current provisions" in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the "Corporate Governance" section of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file hhlaag_KA_LB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on August 20, 2020. We were engaged by the supervisory board on December 21, 2020. We have been the group auditor of Hamburger Hafen und Logistik Aktiengesellschaft, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, March 17, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Christoph Fehling
Wirtschaftsprüfer
(German Public Auditor)

sgd. ppa. Martin Kleinfeldt
Wirtschaftsprüfer
(German Public Auditor)

Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the coming financial year.

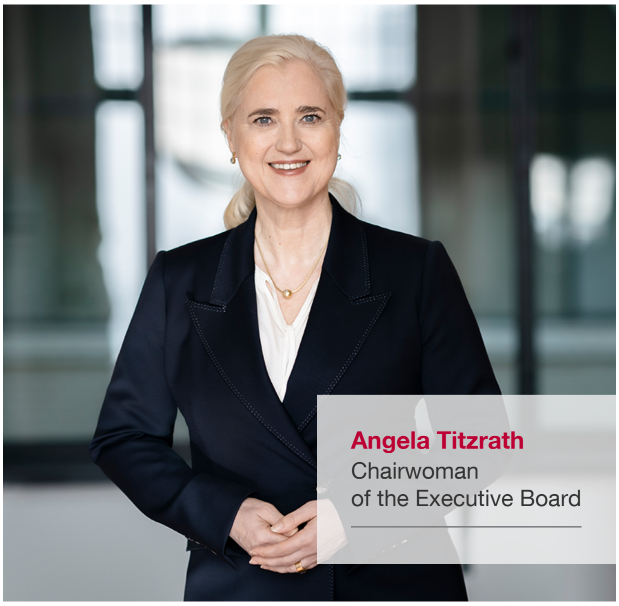
Hamburg, 15 March 2021

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

Angela Titzrath | Jens Hansen | Dr. Roland Lappin | Torben Seebold

Sustainability



Angela Titzrath
Chairwoman
of the Executive Board

Ladies and gentlemen,

The current coronavirus pandemic has one positive side effect: according to calculations of the Hamburg-based market research institute Statista, global CO_2 emissions dropped by seven percent in 2020 compared with the previous year. This corresponds to 2.4 billion tonnes of CO_2. As welcome as this reduction is, it will at best slow global warming, but by no means stop it. In fact, there is reason to fear that emissions may suddenly leap again when mobility and the movement of goods are no longer restricted by lockdowns. The fight against the coronavirus pandemic is a significant drain on resources, but this cannot be used as an excuse to neglect other global challenges such as climate change. The coronavirus pandemic and climate change have one thing in common: neither crisis respects national borders and can therefore only be overcome if everyone pulls together in a concerted effort.

Hamburger Hafen und Logistik AG (HHLA) has been making an effective contribution towards climate protection for many years. HHLA's sustainability management strategy is not contingent on crises or the economic situation, but an integral element of our business activities. Our claim to be the "gateway to the future" is not limited to strengthening our position as one of Europe's leading logistics companies. For us, shaping the future also means taking a responsible approach and acting sustainably, if for no other reason than that it is in our own interests. After all, the destruction of our environment would also mean the destruction of our business model. In this way, we can create added value for our clients, our employees, our shareholders, our community and our company – while at the same time reducing our environmental footprint. For us, Balanced Logistics means finding the right balance between our economic success, good working conditions, our social responsibility, and environmental and climate protection. Each is a prerequisite for the others: we will only have the means and the opportunity to invest in our most important resource, our employees, and meet our responsibilities to society and the environment if we also make good returns.

And as you can read in this sustainability report, we successfully did this again in the 2020 financial year – despite the exceptional conditions. For example, we achieved a further reduction in our CO_2 emissions. The Container Terminal Altenwerder (CTA) was once again certified climate-neutral – the first in the world. Our product "HHLA Pure" offers customers a solution for climate-neutral transportation between the Port of Hamburg and the hinterland. We have started replacing diesel-powered vehicles used for container transport at the terminal with battery-powered versions.

We are convinced that the future of HHLA is based not only on technological innovation, but above all on sustainable innovation. This means that we review not only the benefit for our business of every innovation and new technical development, but also the sustainability aspect.

Regardless of the unusual circumstances that we and most companies are experiencing as a result of the coronavirus pandemic, we are upholding our target of achieving largely climate-neutral production by 2040. Similarly, our promise to halve our CO_2 emissions by 2030 compared with 2018 still holds. A Statista survey of the sustainability activities of 2,000 major companies ranked HHLA among the top 30 most sustainable companies in Germany. We see this as a confirmation of the success of our "Balanced Logistics" approach. At the same time, this recognition serves as an obligation to maintain the intensity of our efforts. In order to improve further, we also aim to learn from others. We therefore actively engage with environmental associations, organisations and initiatives, and invite them to share their experiences.

Yours,

Angela Titzrath
Chairwoman of the Executive Board

Balanced Logistics
FOR SUSTAINABLE SOLUTIONS

The CTA is the world's first certified climate-neutral container terminal.

Balanced Logistics – for sustainable solutions

As a company with a long tradition and a wealth of experience, HHLA is highly engaged with addressing social developments. Sustainability has therefore been anchored deep in our company DNA for a long time. HHLA is committed to being both economically successful as well as socially and ecologically responsible. This ambition has been implemented with "Balanced Logistics", even in the midst of the challenging conditions of 2020.

In implementing its "Balanced Logistics" sustainability strategy, HHLA is strengthening its commitment to bringing together environmental, social and economic responsibility. Each is a prerequisite for the others: Economic success creates the means and opportunities to be able to invest in the needs of our employees and in climate-friendly technologies, as well as to fulfil our commitment to a policy of social and environmental responsibility.

HHLA sees innovation and process efficiency as crucial factors in developing sustainable solutions, being environmentally responsible and operating successfully in line with its self-image as the "gateway to the future". In order to implement its goals in a systematic way, HHLA has categorised its initiatives into nine different fields of activity and established the relevant guidelines and targets.

Open dialogue is essential for reconciling different stakeholder interests and developing a mutual understanding. Sustainable growth in logistics requires inspiration and constructive contributions from many different sides.

For example, the infrastructure for automated, battery-powered guided vehicles (AGVs) at the CTA has been further expanded.

HHLA implemented its sustainability strategy consistently, including under the specific challenges posed by the coronavirus pandemic, and it is aiming to become climate-neutral by 2040.

A total of six new green electricity charging points now supply the AGV fleet. The proportion of AGVs powered by lithium-ion batteries was also increased from 50 percent to 65 percent this year. By the end of 2022, all 100 vehicles in the fleet should have been switched over to climate-friendly drive systems.

HHLA's fields of activity and its contribution to the 17 United Nations Sustainable Development Goals

In September 2015, the United Nations passed Agenda 2030. This formulated 17 goals for sustainable global development which will shape economic development while taking into account social justice and the earth's environmental limits. Within the framework of its sustainability strategy, HHLA supports all goals that correspond to its social activities. These include in particular quality education (SDG 4), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9) and climate action (SDG 13).

Climate-friendly logistics chains

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION

Area optimisation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
15 LIFE ON LAND

Climate protection and energy efficiency

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

Climate and resource protection

6 CLEAN WATER AND SANITATION
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Working world

4 QUALITY EDUCATION
5 GENDER EQUALITY
10 REDUCED INEQUALITIES

Health and occupational safety

3 GOOD HEALTH AND WELL-BEING

Social responsibility

4 QUALITY EDUCATION
11 SUSTAINABLE CITIES AND COMMUNITIES

Added value and innovation

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

Business partners

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

For more information about the latest HHLA initiatives and sustainability projects, please visit:

report.hhla.de/balanced-logistics

Sustainability strategy

Sustainable business practices are an integral part of HHLA's business model. As one of Europe's leading logistics companies, HHLA links port terminals with hinterland networks to create climate-friendly logistics chains. These links facilitate the environmentally beneficial transportation of significant freight volumes while achieving economic added value for HHLA as a company. By implementing its **Balanced Logistics** sustainability strategy, HHLA is highlighting its commitment to reconciling ecological, social and economic responsibility. Group overview, business activities

Responsible corporate governance forms the basis for implementing our areas for action. The sustainability strategy is applied to nine fields of activity. In addition to climate-friendly logistics chains, the main focus is on area optimisation, climate protection and energy efficiency – all reflected in the company's targets. HHLA wants to halve its absolute CO_2 emissions by 2030 and achieve climate neutrality by 2040. The base year is 2018.

Compliance, data privacy, respecting human rights, and combating corruption and bribery are seen as the fundamental requirements for sustainable business activities.

Sustainability organisation and dialogue

At Group level, the sustainability team reports directly to the Chairwoman of the Executive Board. Persons are appointed to be responsible for the individual topics. These are coordinated across all departments by the sustainability team. Prof. Schaltegger from the Leuphana University of Lüneburg supports HHLA in an advisory capacity. Various working groups provide a forum for discussing and approving sustainability issues and measures across the Group, as well as for regularly evaluating and updating the existing stakeholder structure.

HHLA engages in regular dialogue with its stakeholders, including customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, suppliers, potential and existing shareholders and investors, associations and institutions, research institutes, political decision makers, NGOs, local residents close to the terminals and interested members of the public. The Annual Report is an established medium that supplements this regular dialogue and takes the stakeholder groups' interests into account. Materiality analysis

"Balanced Logistics" sustainability strategy

	Fields of activity	Guidelines
Ecology	Climate-friendly logistics chains	We create climate- and environmentally friendly logistics chains.
	Area optimisation	We use the port and logistics areas as efficiently as possible.
	Climate protection and energy efficiency	We reduce our CO_2 emissions through energy efficiency and innovation.
	Environmental and resource protection	We reduce our environmental impact and conserve natural resources.
Society	Working world	We invest in vocational education and training with tailored staff development programmes.
	Health and occupational safety	We ensure safe and fair working conditions and promote health-conscious behaviour.
	Social commitment	We engage in dialogue with society to discuss and provide information on topics related to port logistics.
Economy	Added value and innovation	We make an ongoing and significant contribution to added value and thus raise prosperity at all locations.
	Business partners	We offer tailor-made solutions and work responsibly with our suppliers.
Governance	A company can only achieve sustainable success if it behaves in a responsible and legally compliant manner. Compliance, data privacy, respecting human rights, and combating corruption and bribery are seen as the fundamental requirements for sustainable corporate governance.	

Principles and reporting standards

HHLA's commitment to sustainability is binding, transparent, measurable and comparable. The Sustainability Report documents the ecological, social and economic performance of the company. It also highlights how sustainability contributes to the company's long-term success and which values HHLA creates for its customers, employees, shareholders, business partners and the public.

Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) adopted by the United Nations are championed by HHLA. The following Sustainable Development Goals correspond most closely to our business activities and contribute towards solving global challenges:

- SDG 4: Quality education
- SDG 7: Affordable and clean energy
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 13: Climate action

HHLA's business activities affect the following SDGs to a limited degree:

- SDG 3: Good health and well-being
- SDG 5: Gender equality
- SDG 6: Clean water and sanitation
- SDG 10: Reduced inequalities
- SDG 11: Sustainable cities and communities
- SDG 12: Responsible consumption and production
- SDG 15: Life on land
- SDG 16: Peace and justice
- SDG 17: Partnerships for the goals

The SDGs not listed here are also supported by HHLA, but its business activities have little impact on these goals.

Notes on GRI reporting

HHLA applies the Global Reporting Initiative (GRI) standards on sustainability reporting, the most commonly used standards of their kind in the world. In doing so, HHLA also facilities comparison at an international level. This report was prepared in accordance with the "Comprehensive" reporting option.

Defining the content for this report

The Sustainability Report is part of the HHLA Annual Report, whose structure is regulated by the disclosure obligation for public limited companies as defined by the German Commercial Code (HGB). The concept of an integrated report includes annual financial and sustainability reporting. It illustrates the interaction between economic, ecological and social factors and their relevance to the company's long-term success.

In order to determine the material sustainability topics, HHLA once again conducted a materiality analysis in December 2018 in the form of an international online survey for stakeholders. Materiality analysis

The key issues for sustainability reporting were validated using the results of this survey. In the course of refining the sustainability strategy, adjustments were made to the previous fields of activity. HHLA has also formulated new goals for its contribution towards conserving resources and protecting the climate. The amended sustainability strategy will now be implemented under the heading Balanced Logistics. Our sustainability reporting is based on the fields of activity of this strategy. Sustainability strategy

Data collection and calculation methods

Financial statements and reports

All data and information was collected from the respective units responsible for such information using representative methods for the reporting period. HHLA prepares its consolidated financial statements and Interim Reports in accordance with International Financial Reporting Standards (IFRS). This Annual Report provides further information on IFRS in the notes to the consolidated financial statements. Notes to the consolidated financial statements, no. 2 Consolidation principles

The separate financial statements of HHLA AG are prepared in line with the accounting regulations of the German Commercial Code (HGB). The appropriation of profits is based solely on the separate financial statements.

Sustainability performance indicators

Sustainability-relevant key figures are fed into the internal management information system on a monthly basis and analysed. The Executive Board receives a corresponding report. The sustainability performance indicators are calculated every year and published in the Management Report section of the Annual Report, having been signed off by the auditors. This ensures the reliability of the data. Data comparability and consistency is guaranteed by complying with widely used international reporting standards (e.g. the Greenhouse Gas Protocol). Sustainability performance indicators

Risk and opportunity management

Opportunities and risks are analysed using a comprehensive risk management system. Compliance with corporate guidelines as well as with relevant and recognised national and international industry standards is regarded as an essential part of corporate governance at HHLA. Workflows and processes are structured in line with these regulations. External audits at various HHLA companies (including ISO 14001, ISO 9001, ISO 50001 and CTQI [Container Terminal Quality Indicator]) confirm compliance with recognised international standards. Risk and opportunity report

Forward-looking statements

Unless otherwise stated, the key figures and information in this report concern the entire Group including associated companies in which the company has a majority holding. Some sections contain forward-looking statements. These estimates and statements were made to the best of our knowledge and in good faith. Future global economic conditions, legislation, market conditions, competitors' activities and other factors are not within the control of HHLA.

External audit

The combined management report of the HHLA Group and HHLA AG, as well as the consolidated financial statements and notes, were audited by PricewaterhouseCoopers (PwC). Audit opinion

The sections of the Sustainability Report which form part of the non-financial report were also audited.

GRI Content Index

The 2020 Annual Report was prepared in accordance with the international guidelines of the Global Reporting Initiative (GRI) according to GRI Standards: "Comprehensive" option.

Within the scope of the GRI Content Index Service, GRI Services checked whether the GRI Content Index was presented clearly and coherently and that the references for all disclosures were consistent with the corresponding sections of the report. The GRI Content Index refers to parts in this Annual Report or sections of the HHLA website that provide information about individual GRI indicators. The index is available exclusively online at report.hhla.de/gri.

Notes on the non-financial report

Report framework

HHLA reports on the HHLA Group and HHLA AG in the form of a combined separate non-financial report (hereinafter "non-financial report"), the contents of which are embedded in the Sustainability Report. The non-financial report serves to fulfil the statutory requirements arising for HHLA in connection with the Act to Strengthen Companies' Non-Financial Disclosure in their Management Reports and Group Management Reports (known as the CSR Directive Implementation Act for short, hereinafter CSR-RUG).

The following sections are compulsory parts of the non-financial report which are relevant for audit purposes:

- Sustainability strategy
- Sustainability organisation and dialogue
- Principles and reporting standards / information about the non-financial report
- Materiality analysis
- Ecology: area optimisation
- Ecology: climate protection and energy efficiency
- Society: working world / staffing levels
- Society: working world / staff development
- Society: health and occupational safety
- Governance: combating bribery and corruption

The compulsory sections of the non-financial report are also labelled as "Part of the non-financial report" in the online Annual Report. A summary of all content relevant to the non-financial report is also available as a PDF document from the download centre of the online Annual Report: report.hhla.de/non-financial-report

The reporting period is the 2020 financial year (1 January to 31 December 2020). The data presented generally refers to this period or the facts and figures at the end of the reporting period. If information refers to a different period of time, this is explicitly stated. The report is published once a year. The last Sustainability Report was published on 25 March 2020 as part of the Annual Report. Unless otherwise stated, the key figures and information in this report concern the entire group of consolidated companies.

Application of frameworks

HHLA's non-financial reporting is based on the content requirements of the GRI Standards.

For the purposes of non-financial reporting, HHLA follows the content requirements of the Global Reporting Initiative (GRI). In the description of the concepts required by the HGB, the GRI standard "GRI 101: Basics" was taken into account for the materiality analysis. The GRI standard "GRI 103: Management Approach" applies to the following parts of the report:

- Ecology: climate protection and energy efficiency
- Society: working world / staffing levels
- Society: working world / staff development
- Society: health and occupational safety
- Governance: combating bribery and corruption

These parts of the report are compared in the GRI Content Index. report.hhla.de/gri

Determining the content of the non-financial report

HHLA regularly carries out a materiality analysis to determine the most important sustainability topics. This was conducted by means of an international online survey of stakeholders in December 2018. The results of this survey were used to determine the key issues for sustainability reporting in 2019. It includes all topics identified as material. Materiality analysis

For the purpose of preparing the non-financial report in compliance with CSR-RUG, the material fields of activity identified in accordance with GRI were aligned with the requirements of the German Commercial Code (HGB). The table below reconciles the five reportable minimum aspects with the fields of activity which are material for HHLA.

Reconciliation of the reportable minimum aspects with the material aspects and issues of relevance to HHLA

Business model	Business Model as per CSR-RUG
Environmental aspects	Ecology / Land Conservation Ecology: Climate protection and energy efficiency
Employee aspects	Working world / Headcount Working world / Personnel development Occupational health and safety
Social aspects Respecting human rights	HHLA takes its responsibility in dealing with social aspects that concern business partners, shareholders and the general public very seriously. However, all of the topics relating to these aspects were excluded due to a lack of commercial relevance based on double materiality considerations as defined in Section 289c (3) of the German Commercial Code (HGB). Materiality Analysis / Reconciliation of Key Issues with the German Commercial Code
Combating bribery and corruption	Governance: Combating Bribery and Corruption

As a port and transport logistics company, HHLA acts as a service provider within the transport chains of its clients. HHLA's own supply chains are limited to procuring capital and consumer goods (e.g. locomotives and port handling equipment), which largely originate from countries within Europe. Purchasing and materials management

Business model in accordance with CSR-RUG

Hamburger Hafen und Logistik AG is a leading European port and transport logistics company. It operates container terminals in the ports of Hamburg, Tallinn (Muuga) and Odessa. The Intermodal companies of HHLA provide efficient transport systems and have their own terminals in the hinterland of the ports. The Logistics segment comprises an extensive array of port and consultancy services. Group overview / business activities

Reportable risks in accordance with CSR-RUG

HHLA has a comprehensive risk management system and an internal control system. Risk and opportunity report / risk and opportunity management

After applying the net method to identify reportable risks in accordance with CSR-RUG, HHLA is not aware of any reportable non-financial risks that are highly likely to have serious negative consequences for the reportable aspects now or in the future.

Connections with the figures stated in the annual and consolidated financial statements

No material connections with the amounts stated in the separate and consolidated financial statements required for comprehension were identified.

External audit of the non-financial report

This non-financial report was the subject of a limited assurance engagement according to ISAE 3000 (Revised) by the independent auditing firm PricewaterhouseCoopers (PwC), which issued an unqualified opinion. Auditor's report

References

References to details not contained in the combined management report serve to provide further information and do not form part of the non-financial report.

Materiality analysis

The nature of HHLA's business means it has a large number of stakeholders with a variety of expectations and demands. In order to understand these expectations and demands more fully, HHLA once again conducted a materiality analysis in December 2018, in which the sustainability topics of potential relevance to its internal and external stakeholders were examined. The collection and evaluation of the data was based on the Global Reporting Initiative (GRI 101: Foundation 2016) guidelines.

The stakeholder survey process

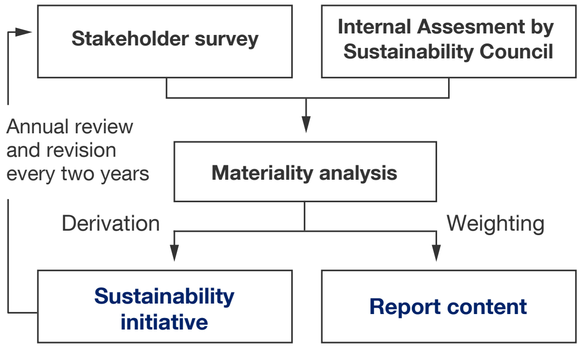
At a meeting of the Sustainability Council, HHLA's most significant stakeholders were first identified. This was initially based on internal sources, such as a list of key customers. The main stakeholders identified were customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, business partners and suppliers, the media, potential and existing shareholders, associations and institutions, research institutes, political decision makers, NGOs, and local residents close to the terminals.

Secondly, a list of topics known to be relevant to both internal and external stakeholders was drawn up and structured in accordance with the central fields of activity of HHLA's sustainability strategy. Sustainability strategy

A two-week online survey using a standard questionnaire was then carried out worldwide. External stakeholders from all of the groups identified, as well as managers from a number of different divisions, took part in the survey.

In total, approximately 100 people rated topics of potential relevance to HHLA, particularly customers, business partners, suppliers and HHLA staff. All stakeholder groups participated in the survey. Stakeholders also had the chance to rate the importance of topics, as well as add to them or make comments on them. The results of the stakeholder survey were checked internally and presented to the Executive Board. They were also used to refine HHLA's sustainability strategy under the Balanced Logistics heading and to define the fields of activity.

The materiality analysis process



Results of the stakeholder survey

The materiality matrix shows the ranking of all relevant sustainability topics. The assessments provided by external stakeholders are combined with those of internal stakeholders in the matrix. The result is a prioritisation of the topics. Key aspects are considered material if they are relevant from the point of view of internal and/or external stakeholders.

The long-term alignment of the corporate strategy, the long-term increase in enterprise value and prudent business practices were all rated as very material. Compliance with competition law, high occupational safety standards for employees and business partners, ensuring a high level of data protection, establishing a Code of Conduct which ensures non-discriminatory behaviour amongst staff and towards third parties, continual improvements in process and service quality, energy efficiency, waste avoidance and environmentally appropriate disposal, area optimisation, climate-friendly logistics chains, continuous improvement, minimising resource consumption and setting technological standards were all rated as highly material. With a clear majority, the main reasons stated for HHLA's sustainable approach were long-term, stable economic development and a reduction of environmental effects. The majority of those surveyed considered themselves generally well informed regarding sustainability topics.

The results of the most recent stakeholder survey largely correspond with the results of the previous stakeholder survey. Due to the high correlation of external and internal stakeholders' ratings of potentially relevant topics, only slight adjustments had to be made to the weighting of topics compared with the previous results. None of the potentially relevant topics were rated as immaterial or less material. The results were integrated into those fields of activity of HHLA's sustainability strategy which are defined as being most relevant.

Results of the materiality analysis

In line with the guidelines of the Global Reporting Initiative (GRI), a comprehensive materiality analysis was carried out in December 2018.

The results are displayed in the following table. The topics have been assigned to the fields of activity determined by HHLA's Balanced Logistics sustainability strategy. The topics "minimising light emissions", "stable dividend distribution" and "importance of sustainability for investors" were rated as "material to a certain extent". None of the potentially relevant topics covered were rated as immaterial or hardly material.

Reconciliation of material topics with the German Commercial Code (HGB)

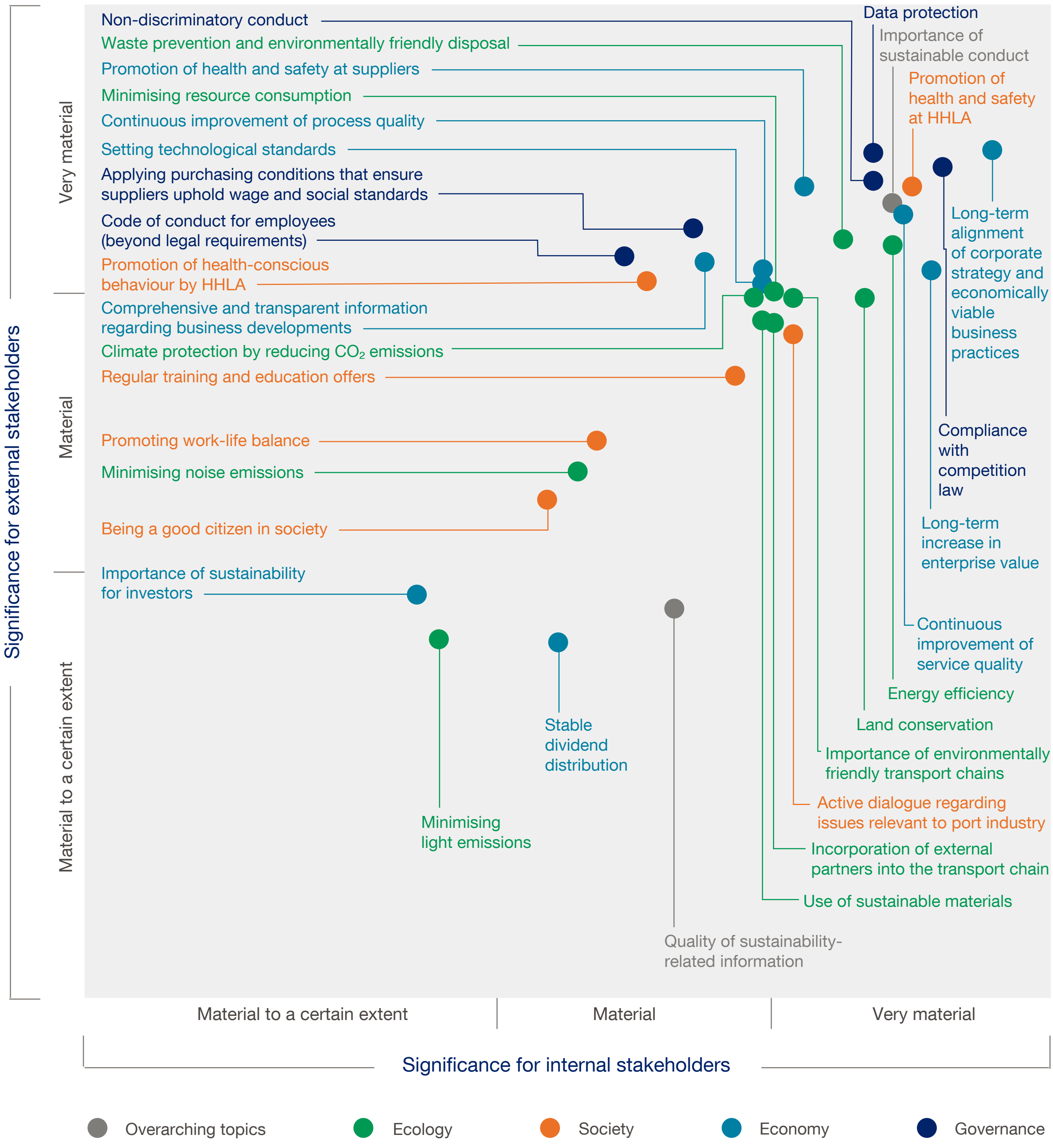
For the preparation of the non-financial report in accordance with CSR-RUG, the issues identified as material or very material in the HHLA materiality analysis were checked for commercial relevance and degree of impact by a specialist body and prioritised in line with the double materiality clause set out in Section 289c (3) HGB. As a result, some issues which were rated as very material in the stakeholder survey are considered non-reportable due to a lack of commercial relevance under CSR-RUG. Information about the non-financial report, determining the content of the non-financial report

Materiality analysis

		Relevance for the stakeholders asked	
	Fields of activity	Material	Very material
General		Quality of sustainability-related information	Importance of sustainable conduct
Ecology	Climate-friendly logistics chains	Incorporation of external partners into the transport chain	Importance of climate-friendly logistics chains
	Land conservation		Land conservation
	Climate protection and energy efficiency	Climate protection by reducing CO_2 emissions	Energy efficiency
	Environmental and resource protection	Use of sustainable material Minimising noise emission	Minimising resource consumption Waste prevention and environmentally appropriate disposal
Society	Health and safety	Promotion of health-conscious behaviour by HHLA	Promotion of health and saftey at HHLA
	Working environment	Promoting work-life balance Regular training and education offers	
	Corporate citizenship	Active dialogue regarding issues relevant to port industry Being a good citizen in society	
Economy	Added value and innovation	Comprehensive and transparent communication regarding business developments	Long-term alignment of corporate strategy and economically viable business practices Long-term increase in enterprise value Setting technological standards
	Business partners		Continuous improvement of process quality Continuous improvement of service quality Promotion of health and safety at suppliers
Governance	Compliance	Code of conduct for employees (beyond legal requirements) Applying purchasing conditions that ensure suppliers uphold wage and social standards	Non-discriminatory dealings Data protection Competition compliant behavior

Materiality matrix (outcome of the most recent stakeholder survey)

Evaluating the relevance of sustainability topics for HHLA



Ecology

Climate friendly logistic chains

The reduction of transport-related CO_2 emissions is a major global challenge as further growth in transport volumes is forecast. This is often associated with a rise in CO_2 emissions as fossil fuels continue to be the main source of energy for the global movement of goods. Of these emissions, a comparatively low 2.7 % is attributable to seaborne transport, which accounts for over 90 % of the global trade in goods. As a result of their enormous capacity of up to 23,000 standard containers, seagoing vessels offer the best carbon footprint per tonne of goods transported. Rail transport is considered the most environmentally advantageous mode of transport on land. HHLA's **business model of linking the two most environmentally advantageous modes of transport, ships and trains, to create climate-friendly logistics chains** is its most important contribution towards sustainability and climate and environmental protection. This involves linking the Northern European and Adriatic ports with Central and Eastern Europe via a highly efficient intermodal network. The linkage of ocean-going vessels with feeders, inland waterway ships, barges and rail requires nothing less than the organisation of ideal multimodal transport chains. These transport chains save energy and infrastructure while causing comparatively little noise and fewer accidents. Hamburg's location deep inland is a further advantage, as the river Elbe is an environmentally friendly transport route.

HHLA also integrates other stakeholders into its creation of climate-friendly logistics chains. As the central, neutral and industry-wide coordination point for mega-ship, feeder and inland waterway vessel traffic in the Port of Hamburg, the **Hamburg Vessel Coordination Center (HVCC**) offers terminals and shipping companies operational coordination services to optimise the emissions of arriving and departing ships.

With its **HHLA Pure** product, HHLA offers its customers certified, climate-neutral container transport and container handling for all Hamburg container terminals and most routes in the METRANS network.

Area optimisation

The use of land for transport and housing has one of the biggest environmental impacts as land is a valuable, but limited, resource. The efficient use of port and logistics areas through high **land usage productivity** and increased storage capacity on existing space are therefore measures that HHLA uses to reduce the use of land for transport and building developments. When investing in the demand-oriented expansion of its port terminals, HHLA is guided by its commitment to using scarce port and logistics areas as efficiently as possible. With regard to the efficient use of port areas, HHLA focuses on expanding storage capacity and boosting its quayside handling capacity.

At the Container Terminal Burchardkai (CTB), for example, **storage capacity is being increased** by the space-conserving expansion of the yard crane system. By condensing the container storage areas, the storage capacity of the existing space can be significantly increased in line with demand.

As well as increasing storage capacity by more concentrated storage, thus optimising land usage**, the expansion of quayside handling capacity** is an important element for the efficient use of space at the terminals. HHLA has significantly increased its quayside efficiency by means of an extensive expansion programme, including the use of state-of-the-art tandem container gantry cranes which can move up to four 20-foot containers simultaneously. Enhancing quay-wall productivity in this way without using additional space enables the company to handle a larger number of containers.

In addition to space-saving yard crane systems and efficient handling equipment, effective **processes** also make a key contribution towards increasing the efficiency of the existing areas. This combination of increased storage capacity with efficient equipment and processes makes it possible to cope with peak workloads in the existing areas.

For its network between the seaports and the Eastern European and South-Eastern European inland terminals, HHLA subsidiary METRANS uses wagons specially designed for maritime logistics. These 80-foot wagons offer the ideal combination of wagon/train length and **carrying capacity.** As a result, a block train operating a shuttle service can transport as many as 100 standard containers – more than would be possible with comparable wagons. This high carrying capacity per train makes optimum use of the existing infrastructure at the seaport, inland terminals and railway sidings.

Climate protection and energy efficiency

HHLA has reported on its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative that manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information available to the public.

HHLA **calculates its CO_2 emissions** on the basis of the Greenhouse Gas Protocol Corporate Standard (Revised Edition), a global standard for recording greenhouse gas emissions. Within the HHLA Group, emissions mainly relate to CO_2. These are primarily influenced by throughput and transport volumes, traction services provided by the Group's own locomotives and the use of electricity from renewable sources. In line with the Greenhouse Gas Protocol, electricity procured separately from renewable sources was classified as carbon neutral in the calculation of specific emissions. For the calculation of absolute emissions, the CO_2 emissions, which are lower due to the use of electricity from renewable sources, are shown separately. The power needed by a terminal depends largely on the number of seaborne containers it handles and the number of containers transported over land by rail and truck. HHLA uses seaborne and onshore throughput in containers as an effective indicator to determine specific CO_2 emissions in line with the recommendations of the European Economics Environment Group (EEEG). The recommendations of the EEEG are also taken into account in the Global Logistics Emission Council (GLEC) Framework 2.0. HHLA had set itself the target of reducing specific CO_2 emissions – the CO_2 emissions per container handled – by at least 30 % by 2020. The base year is 2008. This aim was surpassed significantly in 2020 with a value of 42.8 % (previous year: 38.7 %). Specific CO_2 emissions fell by 6.7 % in 2020 compared to the previous year.

In 2019, HHLA set itself a new **climate protection target**: to reduce absolute CO_2 emissions by at least 50 % by 2030 and **to become fully climate-neutral by 2040.** The base year is 2018. In a comparison between the base year and the reporting period, absolute CO_2 emissions decreased by 9.0 % to 154,954 t (previous year: 170,346 t).

A three-year average showing annual trends in specific CO_2 emissions forms part of the targets agreed with the Executive Board. This is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance, remuneration report

Including the use of electricity from renewable energy sources, which led to a 23,787 t reduction in CO_2 emissions, **absolute CO_2 emissions** decreased by 7.3 % to 154,954 t (previous year: 167,186 t). The development of CO_2 emissions at the different segments of HHLA varied. While the Container segment reported a significant year-on-year decrease in throughput volume, with a corresponding reduction in energy consumption and greenhouse gas emissions, transport volumes in the Intermodal segment remained almost constant. The increased use of METRANS' own traction fleet of environmentally friendly electric multi-system locomotives is reflected in the 6.9 GWh increase of traction current consumption. Traction-related CO_2 emissions remained virtually unchanged at 66,055 t (previous year: 66,312 t). Electricity from renewable energy sources is used for traction in Austria. Among the four purely container-based terminals operated by HHLA, CO_2 emissions decreased due to the significant decline in throughput volumes and the continuation of projects aimed at reducing emissions. At 54,548 t, CO_2 emissions decreased year-on-year by 10.8 % in the reporting period (previous year: 63,936 t). This already takes into account the use of electricity from renewable energy sources. Activities organised and carried out at our terminals by third parties that resulted in CO_2 emissions are not included in the statistics.

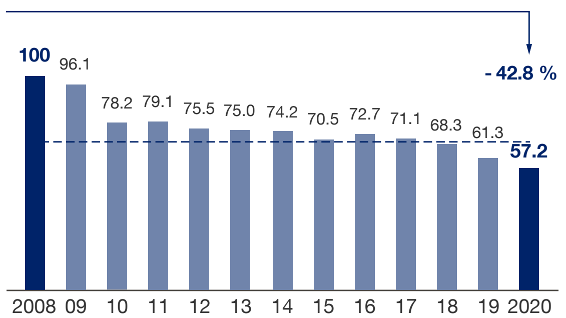
The Container Terminal Altenwerder (CTA), which was the world's first container terminal to be certified climate-neutral in 2019, was recertified by TÜV Nord in the reporting period. To achieve climate neutrality, all unavoidable CO_2 emissions resulting from container throughput, amounting to 19,619 t and including Scope 3 emissions, are offset via Gold Standard projects.

There was strong customer demand for the product HHLA Pure for the climate-neutral handling and transportation of containers during the reporting period. The product was certified as climate-neutral by TÜV Nord in 2019. For this product, the CO_2 emissions resulting from handling and transportation within the HHLA network are offset via compensation projects.

A wide range of projects to boost energy efficiency and thus lower CO_2 emissions were carried out by individual HHLA companies in the reporting period. These include the ongoing conversion to more energy-efficient technologies, such as LED

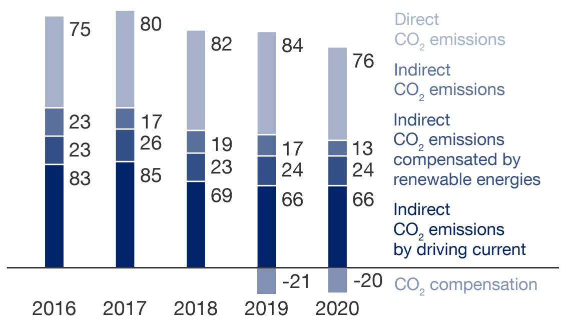
Specific CO_2 emissions since 2008

Climate protection target: 30 % or more reduction by 2020



Direct and indirect CO_2 emissions

in thousand tonnes



lighting, the installation of energy-consuming components that can be controlled according to demand, the reduction of the maximum speed of handling equipment and the training of staff.

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

A long-term increase in the percentage of electricity used within the Group's energy mix will enable the company to utilise more renewable energies and thereby substantially reduce its carbon footprint. HHLA is therefore converting more and more of its equipment and machinery at the terminals to electricity. Such equipment and machinery produces fewer emissions and less noise and is also easier to service. The electricity required by all office buildings and workshops in Hamburg occupied by HHLA, the CTA, the all-electric yard crane system at the Container Terminal Burchardkai (CTB) and for the rail gantry cranes at the Container Terminal Burchardkai (CTB) and the Container Terminal Tollerort (CTT) comes from renewable energy sources. In the reporting period, additional quantities of renewable energies were procured, largely to compensate for CO_2 emissions from the operation of a CHP unit. During the reporting period, these measures reduced CO_2 emissions by 23,787 t (previous year: 23,834 t). At the Container Terminal Tollerort (CTT), a photovoltaic system installed and operated by the energy supplier Hamburg Energie Solar produced 94,690 kWh of CO_2-free electricity in the reporting period.

Energy-efficient equipment, systems, machinery and processes not only reduce local emissions, but also have economic benefits. With this in mind, HHLA pays particular attention to the use of energy-efficient, low-emission machinery and equipment when it makes new and replacement investments. In 2020, the fleet of all-electric cars grew to 93 (previous year: 89). HHLA's electric vehicles are powered by renewable electricity and are a quiet, low-maintenance solution that do not generate any local emissions. The electric vehicles cover a distance of over 600,000 km each year and thus reduce CO_2 emissions by approximately 190 t.

In the course of switching to low-emission or locally emission-free machines and equipment, a total of 18 straddle carriers and automated guided vehicles (AGVs) were put into operation during the reporting period. Of the 18 vehicles, 16 are all-electric AGVs and two are low-emission straddle carriers. The two hybrid straddle carriers have a much smaller and more efficient combustion engine, combined with a large battery. Together with the electric wheel hub motors, this results in fuel savings of over 20 %. The all-electric AGVs are equipped with fast-charging lithium-ion batteries and replace the existing diesel-powered AGVs. The fast-charging AGVs are replenished with electricity at highly automated charging points. Six of these innovative charging units were installed at Container Terminal Altenwerder (CTA) in the reporting period. In addition to switching to low-emission or locally emission-free machines and equipment at its port terminals, METRANS continued its fleet expansion by ordering ten multi-system locomotives for use in international freight traffic within Central and Eastern Europe. One additional low-emission hybrid locomotive for heavy shunting in the Port of Hamburg has also been added to the fleet.

In addition, the computer-aided optimisation of container storage positions minimises the distance travelled by transport equipment, thereby reducing energy consumption and noise pollution. The use of retreaded tyres for various container handling equipment and the on-site cleaning and reuse of used oils also improve the utilisation of resources.

The existing energy management system, certified according to DIN ISO 50001:2011, which comprises all HHLA companies with measurable energy consumption in Germany, was adapted to DIN ISO 50001:2018, audited and certified during the reporting period.

Environmental and resource protection

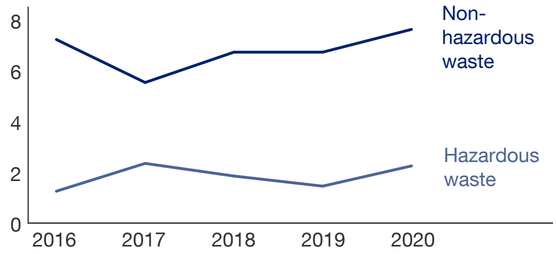
Waste

HHLA's efforts to conserve resources is demonstrated by its waste management system and the use of recycled building materials for the maintenance of its terminal areas. With regard to waste management, HHLA reduces refuse and separates rubbish for recycling wherever possible so that reusable waste can be fed back into the resource cycle. Due to the fluctuation in throughput volumes at the various HHLA terminals, the quantities of each waste type can vary widely from one year to the next.

The **total amount of waste** produced at the German sites, including waste from a construction project, increased by 18.8 % to 9,940 t in the reporting period (previous year: 8,366 t). This increase is primarily due to two effects: the rise in fruit waste and waste from necessary soil decontamination.

Developments in the volume of waste

in thousand tonnes



Non-hazardous waste

Fruit waste, which accounts for the largest percentage of waste at around 40 %, increased by approximately 56 % to 3,975 t in the 2020 financial year (previous year: 2,547 t). This type of waste includes fruit – such as bananas or pineapple – no longer suitable for consumption or processing. HHLA has no influence on the amount of such waste, as the fruit is already unfit for sale when it arrives in Hamburg and has to be disposed of. Most of this waste, 2,441 t (previous year: 1,552 t), was used by an external biogas plant in order to generate electricity. 486,451 kWh of electricity were produced without CO_2 in this way in the reporting period.

The **mixed metals** waste category was the second-largest by volume during the reporting period, with a decrease of 9.4 % to 946 t (previous year: 1,044 t). This type of waste includes items such as steel cables from container gantry cranes or yard cranes that are not longer fit for use. This type of waste is fully recycled.

Packaging made from paper, cardboard and mixed paper decreased year-on-year by 5.6 % to 655 t (previous year: 695 t) and represented the third-largest type of waste. The volume of commercial waste for pretreatment and mixed packaging decreased by 48.8 % to 570 t (previous year: 1,112 t). This significant reduction is due to a reclassification of commercial waste for thermal use (difficult or impossible to sort). Together with the other new type of waste, residual waste, which accounts for 245 t, this new category of waste accounting for 264 t explains the marked decrease in commercial waste by 543 t. **Scrap wood and building timber** represented the fifth-largest category of non-hazardous waste with a year-on-year decrease of 12.9 % to 313 t (previous year: 359 t).

Hazardous waste

The second significant effect that influenced the total waste volume trend in the reporting period was a **soil decontamination project** that resulted in the disposal of 610 t of hazardous soil.

The second-largest waste type in the hazardous waste category was **sludge from oil/water separators**, which amounted to 510 t (previous year: 524 t). This type of waste primarily results from the cleaning of straddle carriers and other large equipment with pressure washers and is the fifth-largest waste category.

Recycling

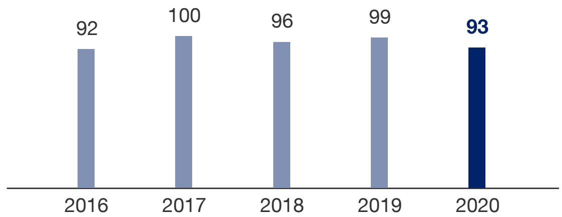
After energy, the next largest direct material input at HHLA is **construction materials**. These are used in the form of recycled building materials to maintain existing terminal areas and to prepare other areas for different purposes. The use of recycled building materials increased year-on-year by 16.2 % to 36,695 t (previous year: 31,566 t). The use of asphalt recycling accounted for the largest share of this total (43.1 %). 6,027 t of recycled building materials were used for the expansion of the Container Terminal Tollerort (CTT) and 4,380 t for the sustainable resurfacing of the Container Terminal Altenwerder (CTA). Electric furnace slag accounted for the second-largest share (15.9 %), followed by slag from waste incineration plants that was utilised to expand the area used for the yard crane system at the Container Terminal Burchardkai (CTB), as well as for the sustainable resurfacing of the CTA. This accounted for 14.1 % of the recycled building materials. 12.1 % of the recycled building materials used were attributable to slag from waste incineration plants that was bonded with cement to build the storage blocks at CTB. 9.5 % of the recycled building materials were used as milled asphalt (bonded with cement) for block storage renovation at CTA. The remaining 5.4 % was attributable to a concrete-mineral aggregate for the block storage at CTB.

Water consumption

Water is mostly used in the HHLA Group to clean large-scale equipment and containers, as well as for employee hygiene. Compared to the previous year, the amount of water consumed by operations in Germany, Estonia, Poland, Slovakia, the Czech Republic and Ukraine fell by 6.2 % to 92,727 m^3 in 2020 (previous year: 98,895 m^3). At most sites, this decrease was due to fewer employees being on site. Many employees were already given the option of working from home from March 2020 onwards. HHLA's facilities draw water from the public supply network.

Water consumption

in dam^3



HHLA locations: Germany, Estonia, Poland, the Czech Republic, Slovakia and Ukraine

Society

Working world

Strategic HR management

Organisation and control

HR management is established as a central division at Executive Board level. This organisational structure ensures that strategic HR guidelines can also be implemented throughout the Group. The performance of both specialist staff and managers is systematically enhanced and developed and continuously overseen by the HR management team. The same applies to all organisational development measures.

HR strategy

During the reporting period, strategic plans were drawn up for five identified areas of action in the HR department and adopted by the Executive Board. The strategic objectives include, for example, developing new recruitment strategies and enhancing HHLA as an employer brand. Moreover, existing resources in the field of HR are to be aligned more effectively in future with the aid of innovative technologies, methods and concepts, and the range of services offered is to be continuously expanded. Participation-oriented co-determination processes are also to be further refined in cooperation with the co-determination partners, managers and employees, in order to shape the future-proof conditions for HHLA's entrepreneurial success. In addition to cultivating existing potential and creating an effective learning culture within the company, staff development also plays a key role in developing the organisation and corporate culture. Another major component of strategic planning is therefore the targeted promotion of digital networking and cooperation between all those involved within the Group. In this way, staff are encouraged to exchange knowledge, thus helping to drive the long-term development of corporate culture.

Diversity management

Diversity management has been an integral part of strategic HR management for many years now. HHLA believes that a balanced mix of cultures, genders and age groups forms the foundation for commercial success. The company strives to achieve such diversity in all of its companies. This applies in particular to temporary cross-company working and project groups.

Headcount

HHLA had a total of 6,312 employees at the end of 2020. Compared with the previous year's total, the number of employees increased by 16, or 0.3 %. In addition, HHLA used the services of an annual average of 549 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 753).

The three-year average headcount trend is one of the targets agreed with the Executive Board and is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance, remuneration report

Further details on headcount development can be found in the management report. Employees, staffing levels

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 %).

Further details on the employee structure can be found in the management report. Employees / employee structure

The three-year average of the annual trend in expenditure for initial training, in-company training and continuing professional development in relation to headcount is one of the targets agreed with the Executive Board and is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance / remuneration report

Continuing professional development (CPD)

In 2020, staff development at HHLA in Germany focused on the development of new formats as well as on the adaptation of existing and new training formats in response to the coronavirus pandemic.

In total, over 691 events lasting one or more days were held in the reporting period, some of which were in digital format as a result of the coronavirus pandemic. Of the training and education measures available, over 540 internal vocational courses were 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, 35 % of participants were female.

The continuation of successfully implemented training opportunities for developing specialist staff and managers, for agile project management and for developing new focus areas in training and education with regard to future skills required at HHLA remain the key strategic aims for the current and future years.

Closely accompanying the change processes of several digital transformation projects was a focal point of staff development and the promotion of more network-oriented and cross-functional cooperation within the HHLA Group. This is illustrated by the following examples.

The introduction of the latest generation of **Microsoft products** aims to make cooperation more efficient, more transparent and of better quality.

The **SAP-S4/HANA launch project**, which involves HHLA delivery processes being reviewed and, if necessary, redeveloped as part of an "end-to-end" approach, is aimed at making responsibility for successful change management part of staff development right from the start.

Prior to the launch of the new terminal operating software NAVIS N4, 54 employees are being trained to become multipliers as part of the **Fit4Future Pilots** scheme. This training measure was certified and supported by the Agentur für Arbeit (Federal Employment Agency) on the basis of the Qualification Opportunities Act. In four one-week modules, employees are trained to become points of contact to help guide their colleagues on site through the changes to processes brought about by the digital transformation.

The first intake of the **"Future Pilots"** internal training programme launched in late 2019 in partnership with the Maritime Competence Centre (ma-co) successfully graduated in 2020 and a second group has already started. In the course of various modules, specialist staff and managers were specifically trained in handling innovation processes and the digital transformation of the HHLA Group.

During the reporting period, the **"Future Workshop"** project was also launched at the Container Terminal Altenwerder (CTA). Together with those responsible in operations and members of the works council, the aim is to come up with ideas for the future of work at the port. In an unbiased and innovative atmosphere, this format will hopefully address issues that will lead to a shared outlook for the future.

Vocational training and studying

HHLA offers a **range of apprenticeships and dual study courses** based on human resource planning at the companies in Hamburg. While vocational training focuses on technical and commercial occupations, dual study courses offer qualifications in business administration, as well as in technical subjects and IT.

Existing partnerships with vocational colleges, specialised grammar schools and secondary schools were used again in 2020 to recruit suitable candidates for the so-called **STEM professions** (science, technology, engineering and mathematics). To further increase the proportion of female apprentices in STEM professions, technical internships were offered in particular to schoolgirls. The careers in which the company offers apprenticeships are presented at **training fairs** and schools by the respective departments with the aid of current apprentices. Since many on-site visits were not possible due to restrictions resulting from the coronavirus pandemic, many events were held digitally. This enabled the company to participate in five fairs in the Hamburg Metropolitan Region in 2020.

Training is enhanced by supplementary offerings to prepare for future demands within HHLA's operating environment. Apprentices and dual study course students take responsibility in various projects, enabling them to expand their **project and digital skills**. In cross-functional teams, they help design the company's employer branding and social media presence of the careers website for their own target group. During a dedicated training week, dual study course students carried out a digital design thinking workshop to address the question of how they could contribute to the innovative strength and creative power of HHLA.

Contracts, remuneration and additional benefits

Collective bargaining agreements

Collective bargaining agreements govern pay and working conditions for 86.4 % of employees in **Germany** (previous year: 87.2 %). The proportion of employment contracts of indefinite duration (excluding apprenticeship contracts) was 96.4 % (previous year: 96.1 %).

In November 2020, the parties to the collective bargaining agreement – the Association of German Seaport Operators (Zentralverband der deutschen Seehafenbetriebe e.V, or ZDS) and the trade union ver.di – agreed wage table increases of 1.0 % from 1 October 2020 with a twelve-month term for port workers at companies that operate at German seaports. Similar deals have been reached for further wage agreements of the HHLA Group in Germany.

Collective bargaining agreements govern pay and working conditions for 26.3 % of employees in the **foreign subsidiaries**. 92.6 % of all employment contracts are of indefinite duration.

Appraisal and remuneration systems

The appraisal systems at the German companies contain both bottom-up and top-down components. Some of them are laid out in collective bargaining agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

The **management assessment system** at HHLA was realigned during the reporting period. In addition to existing components of remuneration such as ROCE (return on capital employed) and EBIT, segment and company-specific parameters were adopted as new target categories. The assessment of the individual performance of executives was also expanded to include newly defined leadership principles.

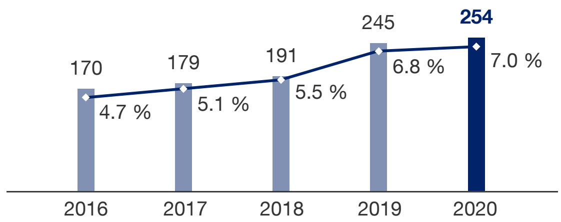
The aim of the realignment of the **variable remuneration system** is to promote cross-functional cooperation alongside increased networking and interdepartmental process orientation in order to provide long-term support for the cultural shift at HHLA.

Flexible working models

A growing number of people across all employee groups and hierarchy levels in Germany are taking up the option of working part-time to tailor their working hours to different life stages. Offering **part-time work** is therefore an important way of retaining staff at the company. Allowing staff to adapt their working hours helps them to reconcile their professional and family commitments, look after close relatives or do charity work.

HHLA employees working part-time in Germany

as of 31.12, part-time share in %



In 2020, a total of 254 employees took up the option of working part-time (previous year: 245). At the end of 2020, the **ratio of part-time workers** at HHLA in Germany increased to 7.0 % (31 December 2019: 6.8 %). The percentage of men in part-time employment rose to 35.8 % (previous year: 33.5 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was 17.8 % (previous year: 18.6 %). At HHLA's foreign subsidiaries, the ratio of part-time work was 1 % during the reporting period.

Company pension scheme

Since the complete reorganisation and development of **company pension schemes** in 2018, employees in Germany now have even more flexibility in terms of shaping their working lifetimes. Both individual early retirement solutions and various options for lump-sum payouts upon retirement boost the appeal of company pension schemes for employees.

Existing claims from models such as the working lifetime account and the so-called "port pension" have been transferred to the **HHLA capital plan**. By pooling these provisions within a single system, HHLA is also more closely aligned with rising employee needs with regard to transparency. In 2020, 60 % of entitled employees were already benefiting from this pension system.

More detailed information about the workforce can be found in the Employees section of the combined group management report.

Occupational health and safety

Occupational safety

Numerous preventive measures and guidelines are in place to ensure that staff from both HHLA and external companies, customers, suppliers and visitors do not come to bodily harm, which is a key concern for HHLA.

HHLA uses modern technologies to achieve constant improvements in occupational safety: for example, a software-based occupational safety management system is used to monitor all targets and measures and a greater focus is put on e-learning systems.

In order to strengthen the perception of occupational safety as a management task, a pilot project was launched during the reporting period to raise safety awareness and develop a behavioural safety culture at one of the Hamburg container terminals. In workshops, managers are trained how to show appreciation and recognition in order to actively integrate occupational safety into management practices and communication with employees. The aim is to sustainably reduce lost working days and the number of accidents at work.

Regular occupational safety campaigns dealing with topics such as fire prevention, hazardous substances and ergonomics continue to be carried out at the HHLA company sites. In order to compile meaningful accident statistics, accidents at all HHLA companies in Hamburg are taken into account and recorded using a standardised reporting system. These also include accidents not directly linked to container handling (e.g. in workshops). The reasons for changes or fluctuations are carefully analysed in order to quickly initiate structured preventive measures.

In 2020, there were 79 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 % (previous year: 77). This represents an increase of 2.6 %.

Occupational health

As part of its health promotion efforts, HHLA strives to develop a workable occupational health management system which reflects everyday needs and to systematically integrate these measures into company processes.

Furthermore, with the aid of targeted communication and information strategies, HHLA actively promotes existing health care services, such as social counselling and flu vaccinations. This has led to increased awareness of these services among employees.

In addition, the coronavirus pandemic posed particular challenges for HHLA's occupational safety strategy in 2020. In order to address this, a coronavirus crisis team was established under the leadership of the Executive Board with a coronavirus task force based at the management holding company. Their jointly developed hygiene concept includes, for example, classic social distancing and hygiene regulations, mandatory mask-wearing and a one-way system on all access routes at HHLA. Cleaning intervals were also increased and cleaning materials were provided in the case of hot desking.

Furthermore, measures were adopted that were tailored to the specific characteristics of the different working environments at HHLA. In order to keep the number of contacts to a minimum, the concept for blue-collar activities, for example, ensured that there were no more shift overlaps and that employees worked in fixed groups and smaller teams than before. In addition, quarantine managers were installed at all sites in Germany to conduct contact tracing quickly and directly in the event of an infection.

The rules regarding working from home put in place in late 2019, and thus before the start of the coronavirus pandemic, served as a basis for quickly and consistently implementing further remote working regulations during the pandemic.

As a result of the swift and consistent implementation of coronavirus measures, beyond the legal requirements, the incidence of infections at all HHLA divisions in Germany was kept to a minimum and HHLA's facilities remained fully operational throughout both lockdowns. This underlines the efficacy of the package of measures.

The coronavirus task force also worked with the Group works council to define rules regarding the timing of time-off entitlements in order to be able to assign time off during quieter operational phases. In addition to the rules regarding working from home, multi-shift work was also made possible in administrative areas such as the management holding company.

Corporate citizenship

Regional responsibility

Approximately one in ten jobs in Hamburg has some connection with cargo handling at the Port of Hamburg. This means that the port and associated industries are major employers in the greater Hamburg metropolitan region. HHLA handles over three-quarters of Hamburg's container throughput or more than half of the total throughput in tonnes. The company therefore sees itself as an integral part of economic development in the greater Hamburg metropolitan region. It is well aware of its responsibility towards society both here and at all its other sites.

Social dialogue

HHLA engages in regular dialogue with its stakeholders. Sustainability strategy The company also promotes a number of educational projects focusing on the port and logistics.

Recognising the link between the port, logistics and the water helps us understand the global division of labour and the importance of sustainable business activities. HHLA's support for educational projects focuses on the **"Hafen-Scouts"**. This project was jointly initiated by HHLA, the Hafenmuseum Hamburg and the State Institute for Teacher Training and School Development in 2015. It teaches fourth-grade schoolchildren about the transportation of goods around the world, how the port works and what careers the port offers. During the reporting period, this project could only be held to a limited extent due to the coronavirus pandemic. The project recorded a total of 482 participants in 2020.

Economy

Added value and innovation

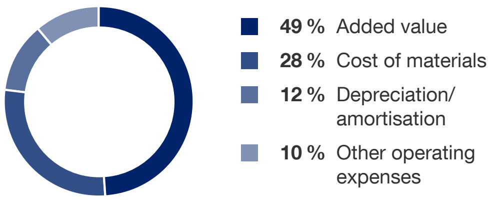
As the largest port in Germany by far, the Port of Hamburg directly and indirectly employs over 165,000 people in the greater Hamburg metropolitan region. It is one of the most important economic factors of northern Germany and, as a hub of international trade, plays an extremely important role for Germany's entire economic system. HHLA wants to make a lasting contribution to the prosperity of those societies where its facilities are located.

Added value

Net added value decreased during the 2020 financial year as a result of the pandemic and fell 8.3 % year-on-year to € 656.0 million (previous year: € 715.6 million). At 49.0 %, the added value ratio was slightly down year-on-year (previous year: 50.7 %).

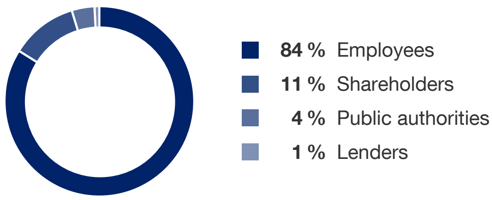
Source of added value

Production value 2020: € 1,340 million



Application of added value

Net added value 2020: € 656 million



Value added in the HHLA Group

in € million	2020	2019	Change
Employees	551.6	523.3	5.4 %
Shareholders	74.1	137.1	- 45.9 %
Public authorities	25.0	49.1	- 49.1 %
Lenders	5.3	6.3	- 15.2 %
Total	**656.0**	**715.6**	**- 8.3 %**

Net added value serves as an indicator of the economic value creation of a business activity. It is calculated by taking the production value and deducting all intermediate inputs, depreciation and amortisation. Added value is shared between employees, shareholders, the state (taxes) and lenders. The largest proportion, 84.1 % or € 551.6 million, went to employees.

Innovation

HHLA has considered itself a start-up since it was founded in 1885. Without innovation and the drive to continually engage with new trends and technologies, HHLA's path would not have been successful. Today, the company is primarily concerned with the opportunities for modern logistics offered by automation and digitalisation. Research and development

Business partners

In its relationships with business partners, HHLA strives for **integrity, fairness, responsibility and sustainability**. In order to minimise the risks that may occur at the start of, and during, a business relationship, HHLA implements a Group-wide **business partner screening system**. The system facilitates the recurring risk-based analysis and assessment of business relationships and possible measures to reduce risks. Purchasing and materials management

In particular, HHLA expects its suppliers to subscribe to a company policy in line with the above values and to comply with all applicable laws. In this context, HHLA has launched a Group-wide **Supplier Code of Conduct** that summarises the main principles of behaviour.

Tax

Approach to taxation

Integrity and legally compliant conduct are firmly anchored within HHLA. This also applies to the fulfilment of our tax obligations. As a company with international activities, HHLA is subject to the tax laws of the respective national jurisdictions in which it operates. HHLA pays the taxes incurred in line with the relevant legal requirements of the countries in which the company operates. To this end, the Group has established structures and processes to ensure the continuous monitoring of and compliance with tax law requirements, and cultivates a transparent and open dialogue with the relevant tax authorities.

In 2020, the Group's **effective tax rate** stood at 25.3 % (previous year: 26.4 %). Income tax expenses for the HHLA Group amounted to € 24.9 million in 2020 (previous year: € 49.1 million), of which around 34 % (previous year: 56 %) was attributable to Germany and around 66 % (previous year: 44 %) to the foreign subsidiaries.

Tax compliance management system (TCMS)

An experienced team of tax experts in Hamburg and in the local subsidiaries ensures that potential tax risks are identified in good time. The **monitoring process for compliance with tax requirements** is an integral part of the internal control system (ICS). Risk and opportunity management system

Tax risks may arise for HHLA as a result of tax audits, changes in tax legislation or other factors that may have an effect on the effective tax rate and liquidity. If tax burdens are expected by the company, they are taken into account – where they are quantifiable – by forming the relevant provisions.

In order to prevent potential tax risks, HHLA's tax processes will in future be monitored and controlled by a **tax compliance management system (TCMS)**. HHLA started implementing the TCMS in 2019. The system is expected to be fully integrated by 2022. In doing so, the HHLA Group fulfils the requirement under German tax law for companies to implement such a compliance management system in order to protect the company and its legal representatives.

Reporting standards

As an international company with Group revenue of over € 750 million, HHLA is subject to the duty to report certain country-specific key figures. This is known as **country-by-country reporting** and is based on an initiative of the Organisation for Economic Cooperation and Development (OECD).

In this context, HHLA AG shares tax information every year with the **Federal Central Tax Office** for all Group companies located outside Germany as part of its legal requirement. This information includes revenue, earnings before taxes, income tax payments and the income taxes incurred, ensuring the transparent reporting of all company results and tax payments in the countries in which HHLA or its affiliated companies are active.

HHLA fully complies with the reporting and transparency requirements of the **DAC6 reporting** system introduced by the European Union (EU) and has implemented the relevant technical solutions.

Governance

Combating corruption and bribery

A company can only achieve sustainable success if it behaves in a responsible and legally compliant manner. With this in mind, **compliance** with legal requirements and internal company guidelines is a key part of HHLA's corporate governance policy. Corporate governance report

HHLA strives to achieve this prime objective by establishing, coordinating and constantly further enhancing its Group-wide **compliance management system (CMS)**. It has also set itself the goal of identifying key compliance risks, assessing them on an ongoing basis, and minimising them by implementing suitable measures and processes. Furthermore, the CMS aims to raise awareness among HHLA Group employees regarding the need to comply with both the legal requirements relevant to their work and internal guidelines. By doing so, it sets out to foster an appropriate level of risk awareness within the workforce with a view to preventing compliance violations.

The functions of HHLA's CMS are carried out centrally by a **Group Compliance Officer**, who reports to the Executive Board member responsible for compliance – currently the Labour Director or Chief Human Resources Officer – and the Supervisory Board's Audit Committee, as well as decentrally by local compliance contact partners and officers, who report to the Group Compliance Officer.

HHLA's CMS centres on a **Code of Conduct** that goes beyond the statutory requirements by formulating overriding principles on relevant topics for compliance, such as fair conduct in the competitive environment and dealing with conflicts of interest or sensitive corporate information. The HHLA Code of Conduct can be accessed online at www.hhla.de/compliance.

Preventing corruption is another key issue addressed in the Code of Conduct. In the course of its activities, HHLA is constantly in contact with business partners and officials at different levels – especially in Germany, Central and Eastern Europe, and Asia. The aim of the in-depth anti-corruption guidelines is to help employees assess situations with potential corruption implications in their day-to-day work in order to effectively prevent corrupt behaviour and the associated consequences for both employees and the company. The anti-corruption guidelines provide staff with the necessary knowledge about granting or accepting benefits to or from business partners and officials. Practical examples are used by way of illustration.

The Code of Conduct obliges employees to pass on any information they may have about misconduct at the company. Third parties can also use the **compliance hotline** for whistleblowing. All information received is treated confidentially and callers can choose to remain anonymous. Moreover, the anti-corruption guidelines state that staff must seek advice or report violations if they have any doubts or suspicions.

Training courses and internal corporate media constantly provide employees with information on important aspects of the Code of Conduct and associated issues, such as corruption prevention and how they are expected to behave in accordance with the anti-corruption guidelines. During the reporting period, online training in anti-corruption topics was provided to employees in regular contact with business partners and officials.

The **number of incidents** is constantly documented and monitored as part of the CMS using an internal reporting system. This enables the company to adjust its risk assessment should there be an increase, for example, and to introduce appropriate measures, such as more communication and adapting processes in its internal control system.

The responsibility of each individual to comply with the provisions laid down by regulators, professional associations and the government, both within the company itself and in dealings with contractual partners, is also stated in **HHLA's own in-house purchasing guidelines**, in combination with HHLA's externally applicable purchasing guidelines. The focus here is on analysing and evaluating relationships with suppliers in terms of their reliability, quality, innovativeness, cost structures, economic stability, occupational safety, sustainability and compliance. Selecting suppliers on the basis of these criteria also helps to prevent corruption. Purchasing and materials management

A **Supplier Code of Conduct** was launched during the reporting period and enshrined in the purchasing guidelines. The Supplier Code of Conduct also includes anti-corruption regulations.

During the reporting period, the launch of an IT-based **business partner screening system** was continued. This will facilitate the risk-based assessment of HHLA's business partners, e.g. with regard to compliant behaviour in their international business dealings. Business partners

Respect for human rights

Ensuring our employees act in a lawful fashion guided by integrity also means protecting human rights. HHLA only has sites in Europe and more than 95 % of HHLA's suppliers are based in the European Union, where human rights are a prime concern and enshrined in both local and European laws. Furthermore, the principles of the UN Global Compact are reflected in the **Code of Conduct** and HHLA's comprehensive guidelines, such as its health and safety guidelines. As an overarching set of rules, the Code of Conduct includes the following principles:

- integrity as a central value, a commitment to diversity and the rejection of all forms of discrimination in our interactions with one another
- guidance on lawful behaviour, particularly to prevent corruption in dealings with business partners and officials
- protecting the health and safety of employees in the workplace. Occupational safety is a priority for HHLA and we have set ourselves the goal of remaining a leader in this regard
- protecting the environment and sustainable business practices, promoting environmental awareness and accelerating the development and acceptance of environmentally friendly technologies through the HHLA sustainability strategy Sustainability strategy

Additionally, HHLA actively encourages worker co-determination and safeguards both the **freedom of association** and the **right to collective bargaining.**

The risk-oriented **business partner screening system** currently being introduced by HHLA in the field of third-party compliance also contributes towards the early detection of potential human rights risks. Equally, the **Supplier Code of Conduct** that has been rolled out specifically includes respect for human rights.

On the basis of the National Action Plan on Business and Human Rights, HHLA issued its first Declaration of Principles for the Respect and Observance of Human Rights during the reporting period. In 2020, the focus of these efforts was on the systematic, regular recording of the risks of human rights violations within the Group. Communication activities focused on the topics of diversity and the condemnation of all forms of discrimination and racism.

Audit opinion

Independent Practitioner’s Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To HHLA AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of HHLA AG, Hamburg, (hereinafter the “Company”) for the period from 1 January to 31 December 2020 (hereinafter the “Non-financial Report”).

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company’s executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer“: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company’s Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner’s judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 17 March 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

ppa. Meike Beenken

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

Glossary

Specialist terminology

Automated guided vehicle (AGV)
A fully automatic, driverless transport vehicle which carries containers back and forth between the container gantry cranes on the quayside and the block storage yard at the HHLA Container Terminal Altenwerder.

Block storage
Automated block storage is used at the HHLA Container Terminals Altenwerder and Burchardkai to stack containers in a compact and efficient manner. Containers are stacked in several storage blocks. Rail-mounted gantry cranes are used to transport and stow the boxes.

ConRo ship
A vessel which can transport both containers and rolling cargo (see “RoRo”).

Container gantry crane
A crane system used to load and discharge container ships. As ships are becoming larger and larger, the latest container gantry cranes have much higher, longer jibs to match.

Feeder/Feeder ship
Vessels which carry smaller numbers of containers to ports. From Hamburg, feeders are primarily used to transport boxes to the Baltic region.

Hinterland
A port’s catchment area.

Hub terminal (Hinterland)
A terminal which bundles and distributes consignments as handling hub. HHLA’s rail companies operate hub terminals like this in Ceska Trebova, Budapest, Dunajska Streda, Poznan and Prague.

Intermodal/Intermodal systems
Transportation via several modes of transport (water, rail, road) combining the specific advantages of the respective carriers.

North range
The North European coast. In the broadest geographic sense, this is where all the international ports in Northern Europe from Le Havre to Hamburg can be found. The four largest ports are Hamburg, Bremerhaven, Rotterdam and Antwerp.

Portal crane (also called a rail gantry crane or storage crane)
Crane units spanning their working area like a gantry, often operating on rails. Also called a storage crane when used at a block storage facility, or a rail gantry crane when used to handle rail cargo.

RoRo
Short for “roll on, roll off”, RoRo is a means of loading cargo which can simply be rolled or driven onto or off a ship. Most rolling cargo consists of cars of trucks, but project cargo is also transported in this way on special trailers.

Shuttle train
A train which travels back and forth on one route with the same arrangement of wagons, eliminating the need for time-consuming shunting. HHLA’s rail subsidiaries operate shuttle trains between the seaports and the hub terminals (hinterland).

Spreader
Weighing several tonnes, the spreader is the part of a container gantry crane or other crane used to grip then lift or lower containers.

Standard container
A TEU is a 20-foot standard container, used as a unit for measuring container volumes. A 20-foot standard container is 6.06 metres long, 2.44 metres wide and 2.59 metres high.

Straddle carrier (also called a van carrier or VC)
A vehicle used to transport containers at the terminals. The driver manoeuvres their straddle carrier into position above a container and lifts it up. The vehicles can stack containers up to four high.

Tandem gantry crane
A highly efficient container gantry crane capable of unloading or loading two 40-foot containers or four 20-foot containers in a single movement. HHLA uses gantry cranes of this kind at the Container Terminal Burchardkai.

Terminal
In maritime logistics, a terminal is a facility where freight transported by various modes of transport is handled.

TEU (twenty-foot equivalent unit)
A TEU is a 20-foot standard container, used as a unit for measuring container volumes. A 20-foot standard container is 6.06 metres long, 2.44 metres wide and 2.59 metres high.

Traction
The action of a locomotive pulling a train.

Transport performance
A performance indicator used for rail traffic, calculated as the product of the volume transported and the distance covered.

Ultra large vessel (ULV)
A mega-ship that is at least 330 metres long and/or 45 metres wide. This type of vessel is increasingly being used on routes between the Far East and Northern Europe in particular.

Financial terms

At-equity earnings
Proportionate profit after tax attributable to a joint venture or an associated company, reported in the income statement under financial income.

Average operating assets
Average net non-current assets (intangible assets, property, plant and equipment, investment property) + average net current assets (inventories + trade receivables – trade liabilities).

Cost of capital
Expenses associated with the use of funds as equity or borrowed capital.

DBO (defined benefit obligation)
Defined benefit pension obligation relating to the pension entitlements of active and former employees, including probable future changes to pensions and salaries, earned and measured as of the reporting date.

Dynamic gearing ratio
Financial debt (pension provisions + non-current and current liabilities to related parties + non-current and current financial liabilities – cash, cash equivalents, short-term deposits and receivables from HGV [cash pooling]) / EBITDA.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBT
Earnings before tax.

Economy of scale
A rule of economics which says that higher production quantities go hand in hand with lower unit costs.

Equity ratio
Equity / balance sheet total.

Financial result
Interest income – interest expenses +/– earnings from companies accounted for using the equity method +/– other financial result.

IAS
International accounting standards.

IFRS
International financial reporting standards.

Impairment test
Assessment of an asset's value in accordance with IFRS.

Investments
Payments for investments in property, plant and equipment, investment property and intangible assets.

Operating cash flow
According to literature on IFRS key figures: EBIT – taxes + depreciation and amortisation – write-backs +/– changes in non-current provisions (excl. interest portion) +/– gain/loss on the disposal of property, plant and equipment + changes in working capital.

Revenue
Revenue from sales or lettings and from services rendered, less sales deductions and VAT.

ROCE (return on capital employed before taxes)
EBIT / Average operating assets.

Value added
Production value – intermediate inputs (cost of materials, depreciation and amortisation, and other operating expenses); the value added generated is shared between the HHLA Group's stakeholders, such as employees, shareholders, lenders and the local community.

Financial calendar

25 March 2021

Annual Report 2020
Analyst Conference Call

12 May 2021

Interim Statement January–March 2021
Analyst Conference Call

10 June 2021

Annual General Meeting

12 August 2021

Half-year Financial Report January–June 2021
Analyst Conference Call

11 November 2021

Interim Statement January–September 2021
Analyst Conference Call

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Published by

Hamburger Hafen und Logistik AG
Bei St. Annen 1
20457 Hamburg
Phone +49 40 3088 – 0
Fax +49 40 3088 – 3355
info@hhla.de
www.hhla.de

Investor relations
Phone +49 40 3088 – 3100
Fax +49 40 3088 – 55 3100
investor-relations@hhla.de

Corporate communications
Phone +49 40 3088 – 3520
Fax +49 40 3088 – 3355
unternehmenskommunikation@hhla.de

Design and implementation

nexxar gmbh, Vienna
www.nexxar.com

Photography

Thies Rätzke
Nele Martensen

HHLA multi-year overview

in € million	2016	2017	2018	2019	2020
Revenue					
Port Logistics subgroup	1,146.0	1,220.3	1,258.5	1,350.0	1,269.3
Real Estate subgroup	37.0	37.9	39.3	40.2	38.1
Consolidation	- 6.0	- 6.4	- 6.6	- 7.6	- 7.6
HHLA Group	**1,177.7**	**1,251.8**	**1,291.1**	**1,382.6**	**1,299.8**
EBITDA					
Port Logistics subgroup	265.3	274.5	297.8	358.7	269.4
Real Estate subgroup	21.1	21.3	20.7	23.9	20.0
Consolidation	0.0	0.0	0.0	0.0	0.0
HHLA Group	**286.4**	**295.8**	**318.5**	**382.6**	**289.4**
EBITDA margin in %	24.3	23.6	24.7	27.7	22.3
EBIT					
Port Logistics subgroup	147.6	156.6	188.4	204.4	110.3
Real Estate subgroup	16.0	16.3	15.5	16.5	12.9
Consolidation	0.3	0.3	0.3	0.3	0.4
HHLA Group	**164.0**	**173.2**	**204.2**	**221.2**	**123.6**
EBIT margin in %	13.9	13.8	15.8	16.0	9.5
Profit after tax	**105.1**	**105.9**	**138.5**	**137.1**	**74.1**
Profit after tax and after non-controlling interests	73.0	81.1	112.3	103.3	42.6
Cash flow/investments/depreciation and amortisation					
Cash flow from operating activities	234.6	275.5	232.7	322.7	291.2
Cash flow from investing activities	- 48.9	- 131.2	- 203.4	- 193.8	- 177.3
Cash flow from financing activities	- 122.4	- 119.0	- 31.5	- 176.9	- 150.9
Investments	138.3	142.6	141.3	224.9	196.3
Depreciation and amortisation	122.4	122.6	114.2	161.4	165.8
Assets and liabilities					
Non-current assets	1,329.0	1,348.0	1,446.9	2,124.4	2,150.9
Current assets	483.9	487.3	526.0	485.7	440.2
Equity	570.8	602.4	614.8	578.9	567.0
Equity ratio in %	31.5	32.8	31.2	22.2	21.9
Pension provisions	460.5	448.9	448.9	503.2	531.1
Other non-current assets	567.6	544.9	665.7	1,246.6	1,193.6
Current liabilities	214.0	239.1	243.4	281.3	299.4
Dynamic gearing ratio	2.6	2.3	2.5	4.0	5.1
Total assets	**1,812.9**	**1,835.3**	**1,972.9**	**2,610.0**	**2,591.1**
Employees					
Employees as of 31.12.	5,528	5,581	5,937	6,296	6,312
Performance data					
Container throughput in million TEU	6.7	7.2	7.3	7.6	6.8
Container transport in million TEU	1.4	1.5	1.5	1.6	1.5

HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT
Bei St. Annen 1, 20457 Hamburg
Telephone: +49 40 3088-0, Fax: +49 40 3088-3355, www.hhla.de, info@hhla.de