ANNUAL REPORT

2019 HAMBURGER HAFEN UND LOGISTIK AKTIENGESELLSCHAFT

HHLA segments

Container

799.7 Mio. €
Revenue

58 %
Share of revenue

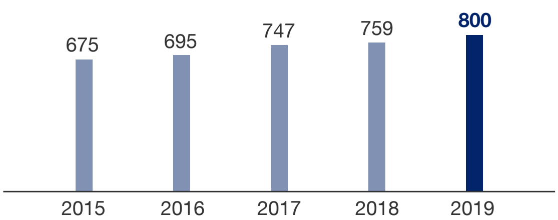
HHLA's container terminals link ships, rail networks and trucks to create an efficient transport chain. The terminals in Hamburg form the most important European hub between Asia and Central/Eastern Europe. HHLA also operates a container terminal in the Ukrainian city of Odessa as well in the Estonian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

Key figures

in € million	2019	2018	Change
Revenue	799.7	758.9	5.4 %
EBITDA	240.2	209.8	14.5 %
EBITDA margin in %	30.0	27.6	2.4 pp
EBIT	141.3	131.6	7.4 %
EBIT margin in %	17.7	17.3	0.4 pp
Container throughput in thousand TEU	7,577	7,336	3.3 %

Revenue

in € million



Intermodal

486.9 Mio. €
Revenue

35 %
Share of revenue

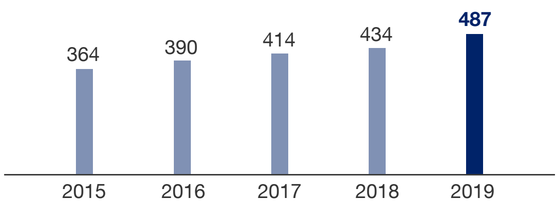
HHLA's rail companies operate a comprehensive transport and terminal network for container transportation and connect ports on the North and Baltic seas, as well as the northern Adriatic, with their hinterland. Transshipments by truck within the Port of Hamburg round off the service portfolio.

Key figures

in € million	2019	2018	Change
Revenue	486.9	433.8	12.3 %
EBITDA	139.0	112.7	23.3 %
EBITDA margin in %	28.6	26.0	2.6 pp
EBIT	99.2	89.1	11.3 %
EBIT margin in %	20.4	20.5	- 0.1 pp
Container transport in thousand TEU	1,565	1,480	5.7 %

Revenue

in € million



Logistics

59.0 Mio. €
Revenue

4 %
Share of revenue

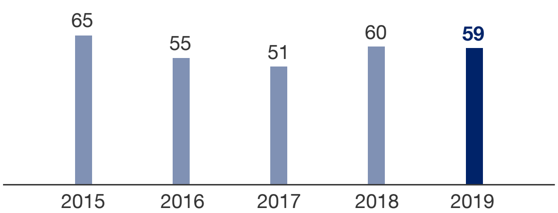
In this segment, HHLA pools a wide range of port-related services such as dry bulk, vehicle and fruit logistics. Its service portfolio comprises both stand-alone logistics services (including airborne services) and entire process chains. HHLA also markets its expertise in infrastructure and project development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

Key figures

in € million	2019	2018	Change
Revenue	59.0	59.8	- 1.4 %
EBITDA	8.5	10.0	- 15.5 %
EBITDA margin in %	14.3	16.7	- 2.4 pp
EBIT	2.5	5.6	- 55.1 %
EBIT margin in %	4.3	9.4	- 5.1 pp
At-equity earnings	3.9	4.4	- 12.1 %

Revenue

in € million



Real Estate

40.2 Mio. €
Revenue

3 %
Share of revenue

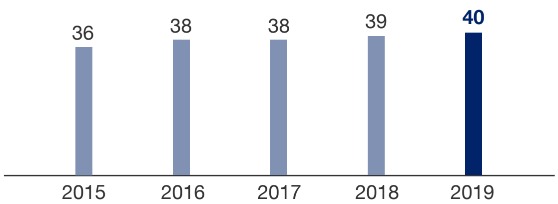
Following the sustainable renovation of Hamburg's landmarked Speicherstadt historical warehouse district to create an exemplary redeveloped quarter, HHLA is committed to intelligent site development and preserving the city's fishing tradition with the Hamburg-Altona fish market.

Key figures

in € million	2019	2018	Change
Revenue	40.2	39.3	2.5 %
EBITDA	23.9	20.7	15.5 %
EBITDA margin in %	59.4	52.7	6.7 pp
EBIT	16.5	15.5	6.5 %
EBIT margin in %	40.9	39.4	1.5 pp

Revenue

in € million



HHLA key figures

in € million	HHLA Group 2019	2018	Change
Revenue and earnings			
Revenue	1,382.6	1,291.1	7.1 %
EBITDA	382.6	318.5	20.2 %
EBITDA margin in %	27.7	24.7	3.0 pp
EBIT	221.2	204.2	8.3 %
EBIT margin in %	16.0	15.8	0.2 pp
Profit after tax	137.1	138.5	- 1.0 %
Profit after tax and minority interests	103.3	112.3	- 8.0 %
Cash flow statement and investments			
Cash flow from operating activities	322.7	232.7	38.7 %
Investments	224.9	141.3	59.2 %
Performance data			
Container throughput in thousand TEU	7,577	7,336	3.3 %
Container transport in thousand TEU	1,565	1,480	5.7 %

in € million	31.12.2019	31.12.2018	Change
Balance sheet			
Balance sheet total	2,610.0	1,972.9	32.3 %
Equity	578.9	614.8	- 5.9 %
Equity ratio in %	22.2	31.2	- 9.0 pp
Employees			
Number of employees	6,296	5,937	6.0 %

	Port Logistics subgroup[1, 2]			Real Estate subgroup[1, 3]		
in € million	2019	2018	Change	2019	2018	Change
Revenue	1,350.0	1,258.5	7.3 %	40.2	39.3	2.5 %
EBITDA	358.7	297.8	20.5 %	23.9	20.7	15.5 %
EBITDA margin in %	26.6	23.7	2.9 pp	59.4	52.7	6.7 pp
EBIT	204.4	188.4	8.5 %	16.5	15.5	6.5 %
EBIT margin in %	15.1	15.0	0.1 pp	40.9	39.4	1.5 pp
Profit after tax and minority interests	93.6	102.9	- 9.0 %	9.7	9.4	3.0 %
Earnings per share in €[4]	1.34	1.47	- 9.0 %	3.57	3.46	3.0 %
Dividend per share in €[5]	0.70	0.80	- 12.5 %	2.10	2.10	0.0 %

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This Annual Report was published on 25 March 2020.
report.hhla.de/annual-report-2019

To our shareholders

Ladies and gentlemen,

The crisis triggered by the coronavirus has reached a dimension at the beginning of the 2020 financial year that has rarely been seen before in the recent past. At breath-taking speed, public life has had to be restricted in order to at least slow the spread of the pandemic. The consequences of this necessary interruption to our usual processes cannot yet be reliably estimated. As a service provider for the industrial nation Germany, Hamburger Hafen und Logistik AG (HHLA) has a special responsibility for maintaining supplies to people and companies. Essential goods and commodities are handled via HHLA's container terminals in the ports of Hamburg, Odessa and Tallinn or transported by the trains of our rail subsidiary Metrans. We supply Germany and many parts of Europe – safely and reliably.

In its 135-year history, HHLA has mastered many a crisis. With our experience and knowledge, we will once again work with determination and courage for a successful future.

This is something we once again successfully achieved in the financial year 2019. We not only met the targets set in our guidance, but in some cases even exceeded them. Provided that the Annual General Meeting on June 10, 2020 agrees, we therefore intend to pay you, our shareholders, a dividend of EUR 0.70 per dividend-entitled A share. At 52 percent, the pay-out ratio is once again within the targeted range we have pledged to uphold. We believe that the proposed dividend is at an appropriate level to preserve HHLA's liquidity in view of the unforeseeable risks surrounding the coronavirus pandemic. HHLA has a solid financial footing – something we intend to preserve in spite of the current shocks to global supply chains. We will therefore review our capital expenditure plans and cost structures and adjust them where necessary. We have sufficient liquid funds to meet our payment obligations.

The successful development of our business depends on stable external conditions. Restoring this stability must be the immediate objective. One thing is certain: there will be no return to the way things were before the pandemic. The face of globalisation will continue to change.

Even before the outbreak of the coronavirus pandemic, the basis for our business was already changing at a faster pace than before. Following a period of concentration and consolidation, our customers now have greater market power, and are also exploiting it. As a result, competition between ports has intensified. Although Germany is a leading industrial nation and an important hub for the handling of goods and commodities, this does not automatically mean that trade routes will pass through the port of Hamburg. The volatility of international trade relations also influences our business.

Exceptional circumstances call for exceptional measures. The German government, the EU Commission and the ECB have all promised substantial financial aid for companies. Rapid and, above all, unbureaucratic assistance will be necessary so that economic life can quickly return to normal after successfully combating the corona pandemic. Naturally, this crisis also offers opportunities. We at HHLA want to seize them.

Despite the drastic deterioration in the market environment, we will therefore continue to work resolutely on achieving our strategic goals. To this end, we will make particular use of the opportunities offered by digitalisation. HHLA is already driving the port's digital transformation. This is demonstrated by the numerous projects we have developed either alone or with our partners. HHLA turns ideas into initiatives which – in addition to our traditional business fields – will generate future growth.

In its 135-year history, HHLA has mastered many a crisis. That is why I can assure you, ladies and gentlemen, that we will once again work with determination and passion to ensure a successful future for HHLA. The trust placed in us by our shareholders is an important and helpful support on this path.

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board


1


2


3


4

1 **Angela Titzrath**
Chairwoman
(CEO)

Responsibility
Corporate development
Corporate communications
Sustainability
Container sales
Intermodal segment
Logistics segment

2 **Jens Hansen**
Chief Operating Officer
(COO)

Responsibility
Container operations
Container engineering
Information systems

3 **Torben Seebold**
Chief Human Resources
Officer (CHRO)

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

4 **Dr. Roland Lappin**
Chief Financial Officer
(CFO)

Responsibility
Finance and controlling
Investor relations
Internal audit
Real Estate segment

Dear shareholders,

In the 2019 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). We continuously monitored the Executive Board's management of business, provided advice on the further strategic development of HHLA and the HHLA Group as well as on important individual measures, and concluded that the management of the company and risk management strategy in place is lawful, proper, appropriate and cost-effective.

Working relationship between the Supervisory Board and 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 HHLA 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 three special meetings in the 2019 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. The other focal points of the meetings during the reporting period can be summarised as follows:

The **financial statements meeting held on 22 March 2019** 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 2018 financial year, as well as the agenda for the 2019 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 2019 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. As a follow-up to this meeting, the Supervisory Board also agreed on the proposed candidate for the election of a new shareholder representative at the Annual General Meeting on 18 June 2019 by way of a written circular.

In our second regular meeting on **7 June 2019**, we addressed preparations for the Annual General Meeting and issues pertaining to the Executive Board and Supervisory Board.

In the two special meetings on **17 and 18 June 2019**, we also primarily considered issues pertaining to the Executive Board and Supervisory Board, particularly the upcoming extension of Executive Board mandates and personnel changes following the appointment of Prof. Dr. Burkhard Schwenker to the Supervisory Board. We also discussed the upcoming changes due to the Act on the Implementation of the Second Shareholder Rights Directive and the new version of the GCGC.

In our regular meeting on **30 August 2019**, we primarily focussed on current business developments as well as on various internal measures and projects in the Container segment and IT.

The focus of this year's strategy meeting on **27 November 2019** was on IT, and IT security in particular, as well as on current and planned IT projects and initiatives.

In our final regular meeting on **13 December 2019**, we routinely dealt with the budget for 2020, the medium-term planning for 2021 to 2024 for the Group and for the two subgroups, the findings of the risk and opportunity inventory and the declaration of compliance with the GCGC. We also discussed two smaller investment plans during this meeting.

As a general rule, regular meetings are attended by all of members of the Supervisory Board and – provided Executive Board matters or internal Supervisory Board topics are not discussed – the members of the Executive Board as well. The average attendance at the meetings of the Supervisory Board and its committees in the reporting period was approximately 89 %. Please see the end of this report for the individual participation ratios.

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 four meetings during the 2019 financial year. At each meeting, the committee deals with the Group's financial performance and its general financial and earnings position. In addition, as in the December meeting, it is 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. One area of focus during the reporting period was on the effects of the first-time application of the new leasing standard, IFRS 16.

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. Other key issues at the various meetings held during the reporting period included a detailed discussion and examination of the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the 2018 financial year (March meeting). This was followed by an in-depth consideration of the six-monthly financial report for 2019 and its review (August meeting). Other areas of focus were the interim reports for the first and third quarters, the organisation and audit remit of Internal Audit, the determination of key issues for the audit of the Annual Report and Consolidated Financial Statements for the 2019 financial year, the findings of the 2019 risk and opportunity inventory, the plans for the 2020 audit and the preparation of the declaration of compliance with the GCGC. 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 developments. Other participants, such as representatives of the auditor or Internal Audit, attend meetings as necessary. The Chairman of the Audit 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 2018 financial year (March meeting). The committee also dealt with the budget for the 2020 financial year and medium-term planning for 2021 to 2024 (December meeting). In each case, its deliberations related to the Real Estate subgroup (S division).

The **Personnel Committee** held six meetings in the reporting period. In addition to preparation for the upcoming staffing decisions – notably, the extension of Mr. Hansen's mandate – the Personnel Committee focussed on the topic of Executive Board remuneration with regard to the Act on the Implementation of the Second Shareholder Rights Directive and the new version of the GCGC.

The **Nomination Committee** met once during the 2019 financial year in order to prepare for the election of a successor to Mr. Westhagemann on the Supervisory Board at the Annual General Meeting on 18 June 2019.

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 of the German Stock Corporation Act (AktG) was prepared together with the Executive Board at the **Audit Committee meeting on 11 November 2019** and adopted by the Supervisory Board at its **meeting on 13 December 2019**. The current declaration of compliance and further information about corporate governance can be found in the declaration on corporate governance in the Management Report. The current declaration and the declarations relating to previous years can also be viewed on HHLA's website at www.hhla.de/corporategovernance. Corporate governance

Training and further education

HHLA supports the members of the Supervisory Board upon their appointment and in terms of training and further education. 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 under the Act on the Implementation of the Second Shareholder Rights Directive, the new version of the GCGC and the effects of accounting standard IFRS 16.

Audit of financial statements

In line with the Audit Committee's recommendation and the Supervisory Board's nomination, the Annual General Meeting on 18 June 2019 elected PricewaterhouseCoopers GmbH Wirtschaftsprufungsgesellschaft, Hamburg (PwC), to conduct the audit of the Annual and consolidated financial statements for the 2019 financial year and to conduct the review of the Condensed Financial Statements and the interim management report of the Group for the first half of the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 distributed 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 20 March 2020 and at the Supervisory Board's financial statements meeting held on 23 March 2020. 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 2019 financial year. Accordingly, we approved the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report at our **meeting on 23 March 2020**. HHLA's Annual Financial Statements for the 2019 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. Finally, following our review, we had no objections to make to the combined separate non-financial report for the 2019 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 20 March 2020 and at the Supervisory Board's meeting on 23 March 2020. Following our own review, which paid particularly close attention to earning trends, financial planning, the shareholders' interests and with a view to protecting liquidity, we endorsed the Executive Board's proposal for appropriation of the distributable profit. Together with the Executive Board, we will propose to the Annual General Meeting that a dividend of € 0.70 per dividend- entitled class A share and € 2.10 per dividend-entitled class S share be distributed from distributable profit for the 2019 financial year.

Personnel changes

On the Executive Board, Mr. Torben Seebold took up his position as a member of the Executive Board in the role of Labour Director on 1 April 2019 as the successor to Mr. Heinz Brandt. During the reporting period, we also extended Mr. Jens Hansen's term of office by five years. Mr. Michael Westhagemann stepped down from the Supervisory Board with effect as of 6 February 2019 as a result of his appointment as Senator for Economic Affairs. In line with the Nomination Committee's recommendation and the candidate proposed by the Supervisory Board, the Annual General Meeting on 18 June 2019 appointed Prof. Dr. Burkhard Schwenker, Chairman of the Advisory Council of Roland Berger GmbH, as Mr. Westhagemann'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, Prof. Dr. Schwenker was also appointed the successor to Mr. Westhagemann on the Finance, Audit and Real Estate Committees. Corporate governance

Individual attendance at meetings of the members of the Supervisory Board in 2019

	Supervisory Board	Finance Committee	Audit Committee	Real Estate Committee	Personnel Committee	Nomination Committee	Total
Prof. Dr. Rüdiger Grube	7 / 7	–	–	–	6 / 6	1 / 1	100 %
Berthold Bose	4 / 7	–	–	–	5 / 6	–	69 %
Dr. Norbert Kloppenburg	6 / 7	4 / 4	5 / 5	–	–	–	94 %
Thomas Lütje	7 / 7	–	–	1 / 2	–	–	89 %
Thomas Mendrzik	6 / 7	3 / 4	4 / 5	–	3 / 6	–	71 %
Dr. Isabella Niklas	6 / 7	–	4 / 5	2 / 2	–	–	93 %
Norbert Paulsen	6 / 7	3 / 4	4 / 5	1 / 2	4 / 6	–	75 %
Sonja Petersen	7 / 7	4 / 4	5 / 5	–	–	–	100 %
Dr. Sibylle Roggencamp	7 / 7	4 / 4	–	2 / 2	5 / 6	1 / 1	95 %
Prof. Dr. Burkhard Schwenker (since 18 June 2019)	4 / 4	2 / 2	2 / 3	1 / 1	–	–	90 %
Maya Schwiegershausen-Güth	7 / 7	–	–	–	–	–	100 %
Dr. Torsten Sevecke	5 / 7	–	–	–	3 / 6	1 / 1	64 %

Mr. Westhagemann is not listed above because no meetings took place until his departure on 6 February 2019.

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 2019 financial year, and our shareholders and business partners for the trust they have placed in us.

Hamburg, 23 March 2020

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 Lütje
Director of sales at HHLA

Thomas Mendrzik
Chairman of the works council of CTA

Dr. Isabella Niklas
Managing Director of 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

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

Prof. Dr. Burkhard Schwenker (since 18 June 2019)
Chairman of the Advisory Council of Roland Berger GmbH

Maya Schwiegershausen-Güth
Trade union secretary, ver.di

Dr. Torsten Sevecke
State Secretary at the Hamburg Ministry for the Economy, Transport and Innovation

Michael Westhagemann (until 6 February 2019)
Senator 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	**2019**	2018
Closing price	24.54	17.33
Performance in %	41.6	- 26.8
Highest price	25.26	24.36
Lowest price	17.33	17.08
Average daily trading volume	51,649	82,330
Dividend per class A share[1]	0.70	0.80
Dividend yield as of 31 December in %	2.9	4.6
Number of listed class A shares in thousand	70,048.8	70,048.8
Market capitalisation as of 31 December in € million	1,719.0	1,213.9
Price-earnings-ratio as of 31 December	18.3	11.8
Earnings per share	1.34	1.47

1 Dividend proposal for 2019

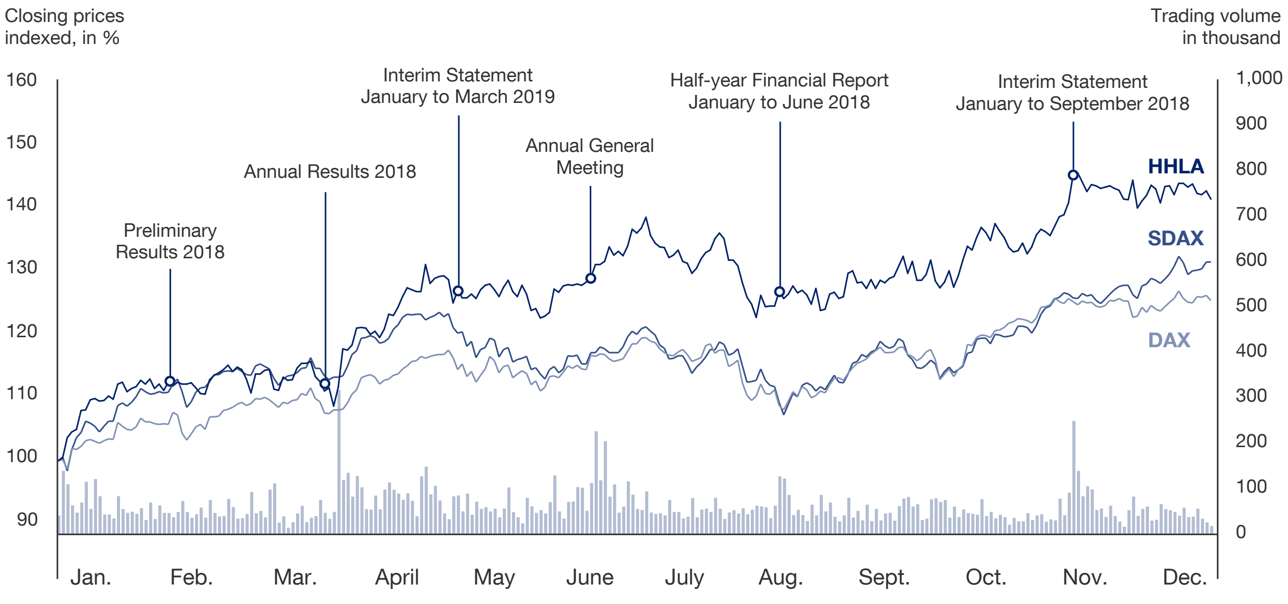
Successful year despite adverse conditions

The economic outlook and political developments seemed to indicate a weak year. But despite fears of recession, the seemingly never-ending tug of war regarding Brexit, growing populism and not least the US-China trade war, 2019 was a surprisingly good year for the world's stock markets. They also benefited from the central banks' decision to step up their expansive monetary policy in the face of flagging economic data. Following a major sell-off at the end of 2018, the German benchmark index started the year in a decidedly upbeat vein. In late March, the DAX gained further momentum following positive economic reports from China and the USA. In May, strong corporate earnings shored up stock prices while the increasingly bitter trade dispute between the USA and China dampened market sentiment. In mid-June, hopes of economic support from the central banks gave the DAX a renewed boost. This mood was further buoyed by positive signs in the tariff dispute. In early July, a series of profit warnings then dampened market sentiment. Share prices were also hit by new tariff threats and a cautious outlook issued by the European Central Bank. It was only in mid-August, after the USA had postponed new tariffs and promised tax breaks, that German shares began to recover. Buoyed by robust corporate earnings and easing tensions in the trade dispute – and in spite of weak economic data in October – this upward trend continued until the end of the year. As a result, the DAX closed at 13,249 points on 30 December 2019, 25.5 % up on the previous year – its highest annual gain since 2013. The SDAX performed even better with an increase of 31.6 % to 12,512 points.

HHLA share outperforms strong market

The HHLA share started 2019 at a year-low price of € 17.33. Within the first few weeks, the share was already outstripping the strong performance of the benchmark indices. Following publication of HHLA's figures for 2018 in late March, the share price temporarily decoupled from the benchmark indices and significantly exceeded the gains achieved by both the DAX and SDAX. It subsequently maintained this lead, even though the share was unable to fully escape market fluctuations over the course of the year. Following publication of the nine-month

Share price development 2019



Source: Datastream

results and an upgrading of guidance for container handling and transport, as well as EBIT growth at segment level for the 2019 financial year in mid-November, the HHLA share reached its year-high of € 25.26 in late November. On the last trading day of the year, 30 December, the HHLA share stood at € 24.54 – and thus 41.6 % above the previous year's closing figure. It exceeded the strong performance of the SDAX by 10 percentage points.

Basic data HHLA class A share

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

Annual General Meeting

The Annual General Meeting of HHLA was held at the Hamburg Messehallen convention centre on 18 June 2019. The Executive Board's invitation was accepted by around 700 shareholders and guests, representing 84.8 % of nominal capital (previous year: 81.8 %).

In her upbeat speech to the shareholders, the Chairwoman of HHLA's Executive Board, Angela Titzrath, stressed that HHLA had asserted its position as a leading European logistics group and had once again achieved profitable growth. Following the acquisition of Estonia's largest terminal operator, TK, the company had also become more international. Titzrath also cited the numerous initiatives with which HHLA was now driving the digital revolution. She highlighted in particular the company's efforts in terms of climate protection and the prudent use of resources.

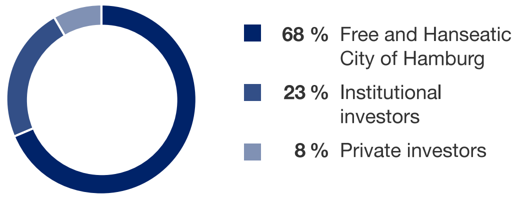
The shareholders formally approved the actions of HHLA's Executive Board and Supervisory Board for the 2018 financial year and appointed Prof. Dr. Burkhard Schwenker, Chairman of the Advisory Council of Roland Berger GmbH, as a new member of the Supervisory Board. The proposal to increase the dividend to € 0.80 (previous year: € 0.67) per listed class A share was also approved. HHLA thus distributed dividends totalling € 56.0 million (previous year: € 41.3 million). This corresponded to a payout ratio of approximately 54 % of the Port Logistics subgroup's net profit after minority interests for the year. The dividends were paid out to the shareholders on 21 June 2019. Based on its closing price of € 22.38 on the day of the Annual General Meeting, the HHLA share achieved a dividend yield of 3.6 %, putting it in the top 20 of the SDAX.

Shareholder base still widely spread

HHLA's shareholder base remained largely stable in 2019. In terms of the listed class A shares, the Free and Hanseatic City of Hamburg remained the company's largest shareholder with an unchanged stake of 68.4 %. The free float portion amounted to 31.6 %. According to the voting rights notifications submitted to HHLA at the end of 2019, no single investor held more than 3 % of the remaining free float shares at this time.

Shareholder structure

as of 31.12.2019



As of the reporting date, ownership shifted slightly in favour of institutional investors. They continued to hold the majority of free float shares at year-end, accounting for 23.2 % of all shares (previous year: 22.9 %). The proportion of nominal capital held by private investors amounted to 8.4 % (previous year: 8.7 %). Overall, HHLA's share capital remained widely distributed among some 26,000 registered shareholders. In regional terms, the largest free float shareholders were based primarily in Germany, the USA, the UK and other countries in continental Europe.

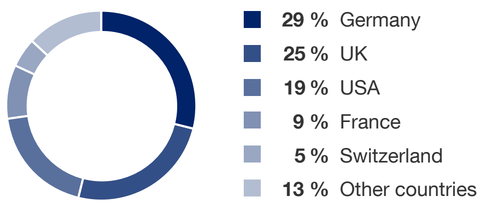
Dialogue with capital market maintained

Rapid reaction times, an ability to provide comprehensive information and an open dialogue with financial analysts and investors remained key to HHLA's investor relations activities in 2019, given the consistently volatile industry environment. In order to serve the needs of both institutional and private investors, HHLA attended a number of investor conferences in the key financial cities of New York, Frankfurt, London and Paris, as well as various private investor events in Germany. These initiatives were supplemented by roadshows in London, Paris and Munich. Investors were also invited to a large number of meetings at the company's headquarters in Hamburg. 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. HHLA also presented its new business fields and innovative products at this year's Capital Markets Day. Under the heading "Transport streams join data streams", HHLA project managers and managing directors gave an insight into their pioneering work and answered detailed questions from financial analysts and investors. Angela Titzrath, Chairwoman of the Executive Board, stressed the competitive advantage for its customers that HHLA's development of digital solutions offered.

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 responds to issues of particular relevance to investors. In the 2019 financial year, HHLA's investors showed great interest in the dredging of the river Elbe, a crucial project for HHLA. In the wake of new shipping alliances and the resulting schedule changes, there were also numerous enquiries about the shifts in volume which might ensue. Other key topics for the capital market were the effects of punitive tariffs being imposed and the development of the Intermodal business.

Contacts with investors

by region in 2019



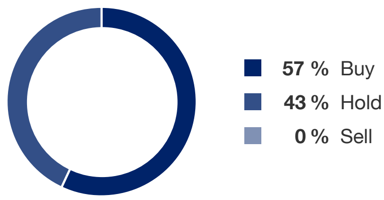
HHLA has provided a full HTML version of its Annual Report since 2016. Online reporting enables all stakeholders to navigate information interactively, search for content in a targeted manner and compile this information as desired. The dedicated investor portal of HHLA's fully revamped website provides a wealth of information on the HHLA share performance, including an interactive share chart and a personalised portfolio calculator. In addition, there is an online service that allows users to register for e-invites to the Annual General Meeting. HHLA also uses the social media channel Twitter to publicise current and future notifications from the company.

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 broad and 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 31.12.2019



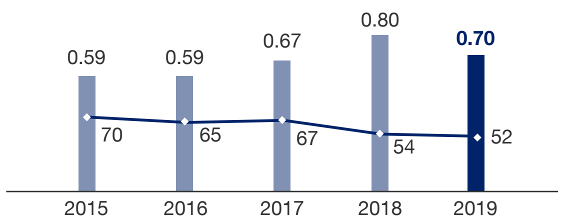
A total of 14 financial analysts covered HHLA's business development and issued reports and recommendations concerning the share. This means that the HHLA share has considerable coverage for an SDAX company. On the reporting date, eight analysts recommended buying the share. They particularly emphasise the successful Intermodal business and growth potential resulting from the forthcoming dredging of the navigation channel. Those analysts who recommend 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 is also tempered by increasingly fierce competition among North Range ports and the potential worsening of current trade conflicts. There were no sell recommendations as of the reporting date.

Dividend proposal for 2019

On the basis of the earnings achieved in 2019, the Executive Board and Supervisory Board will propose a dividend of € 0.70 per class A share at the Annual General Meeting to be held on 10 June 2020. A total of € 49.0 million would therefore be distributed (previous year: € 56.0 million). At 52 %, the payout ratio would be roughly on the previous year's level (previous year: 54 %). HHLA therefore continues to pursue its dividend policy of distributing between 50 and 70 %, where possible, of the Port Logistics subgroup's relevant net profit for the year to its shareholders.

Dividends per listed class A share

in € / payout ratio in %



2019: 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 AG).

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			**Real Estate** subgroup Non-listed class S shares
Container segment	**Intermodal** segment	**Logistics** segment	**Real Estate** segment
Container handling Container transfer between modes of transport (ship, rail, truck) Container-related services (e.g. storage, maintenance, repair)	Container transport via rail and truck in the ports' hinterland Loading and unloading of carriers Operation of inland terminals	Specialist handling of dry bulk, general cargo, vehicles, fruit, etc. New business activities, such as additive manufacturing, airborne logistics services, etc. Consulting and training	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 72,753,334 no-par-value registered shares (no-par-value shares)

of which 70,048,834 class A shares – listed –		of which 2,704,500 class S shares – non-listed –
31.6 %	68.4 %	100 %
Free float 22,128,334 class A shares	**Free and Hanseatic City of Hamburg** Shareholding: 47,920,500 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 30 domestic and 16 foreign subsidiaries and associated firms that make up the consolidated group. In the financial year 2019, HHLA acquired shares in companies in order to expand its digital business activities and extend its Intermodal network. 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 and earnings. 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 second largest of HHLA's segments in terms of revenue and 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 stand-alone and entire process chains for the international procurement and distribution of merchandise, including the operation of handling facilities for dry bulk, motor vehicles and fruit. The company also provides consulting and management services for clients in the international port and transport industry. New business activities, such as additive manufacturing and air-assisted 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

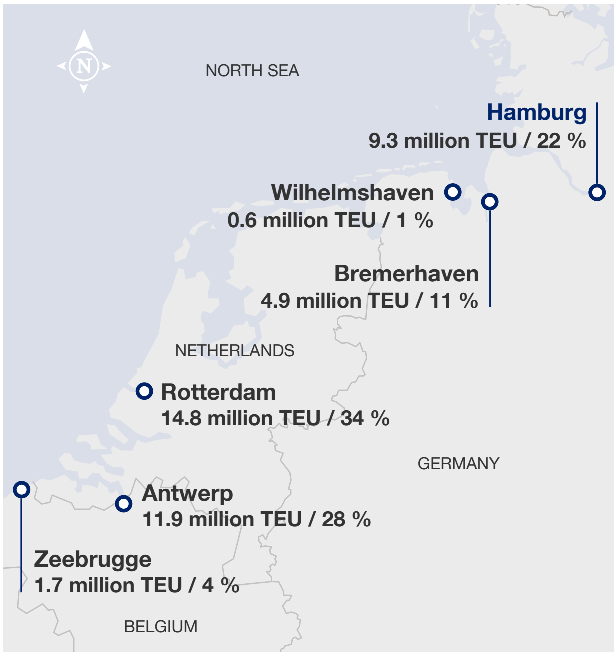
With its listed core business Port Logistics, HHLA operates on the European market for sea freight services. This market offers long-term growth prospects as a number of key Central European countries strengthened their competitiveness after the debt crisis, thereby paving the way for a further increase in foreign trade and consumer spending. Eastern Europe also offers growth potential and stable forecasts. Whether these positive trends materialise depends on the resolution of regional conflicts and the development of fuel and energy prices.

In 2019, uncertainties regarding trade policies and geopolitical tensions had a negative impact on the economy and, above all, on production and trade. As a result of a sluggish economy, the International Monetary Fund (IMF) expects weaker global economic growth in 2019 than in the previous year. Economic environment

Protectionist trade barriers in particular are having an effect on containerised trade and transport volumes. The current easing of the trade dispute between the USA and China, and minor worries regarding a hard Brexit, have both had a positive influence on the latest forecasts. According to IMF estimates, global growth will continue to be positive in 2020 and stronger than in 2019. Business forecast

Container throughput at the North Range ports

Handling volumes and market shares in 2019



Source: Port Authorities / market shares according to own calculation

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. The practice of ocean-going vessels calling directly at ports such as Gdansk and Gothenburg, however, is resulting in more intense competition. Gdansk is exhibiting particularly strong growth and is therefore increasingly competing with 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.

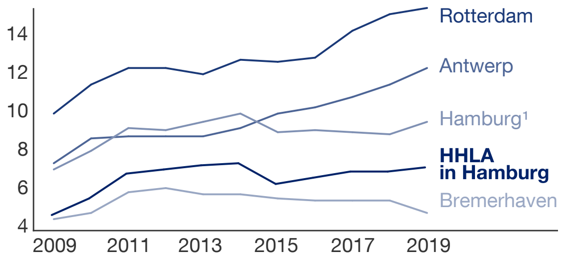
As well as the geographical position and hinterland links of a port, its accessibility from the sea affects the competitive position of terminal operators. Local freight volume in the direct catchment area of each port location plays an important role. Other key competitive factors that influence the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

In late 2019, APM Terminals (APMT) signed a letter of intent regarding the sale of APM Terminals Rotterdam on Maasvlakte 1 to Hutchison Ports. Furthermore, a consortium of PSA International, the state-owned Polish Development Fund (PFR) and the Australian IFM Global Infrastructure Fund acquired the Deepwater Container Terminal Gdansk (DCT) from Macquarie in March 2019. 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 a significant impact on handling volumes. By contrast, the market position for handling volumes that are tied to the natural catchment area onshore is largely stable – given that 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. With a container throughput of 9.3 million TEU, Hamburg ranked 17th among the world's ports in 2019 and is thus the third-largest European container port after Rotterdam and Antwerp. In Hamburg, HHLA expanded its position as the largest container handling firm with a throughput volume of 7.0 million TEU in 2019. The market share of HHLA's container terminals with regard to handling at the Port of Hamburg fell slightly to 75 % (previous year: 79 %). The Far East, Eastern Europe, North America and Scandinavia were the most important shipping regions.

Container throughput at the largest North Range ports

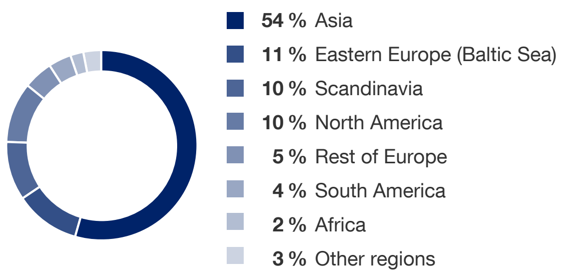
in million TEU



1 incl. HHLA / Source: Port Authorities

Container throughput by shipping region

in the Port of Hamburg, 2019



Source: Hamburg Hafen Marketing e.V.

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 2.7 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 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.

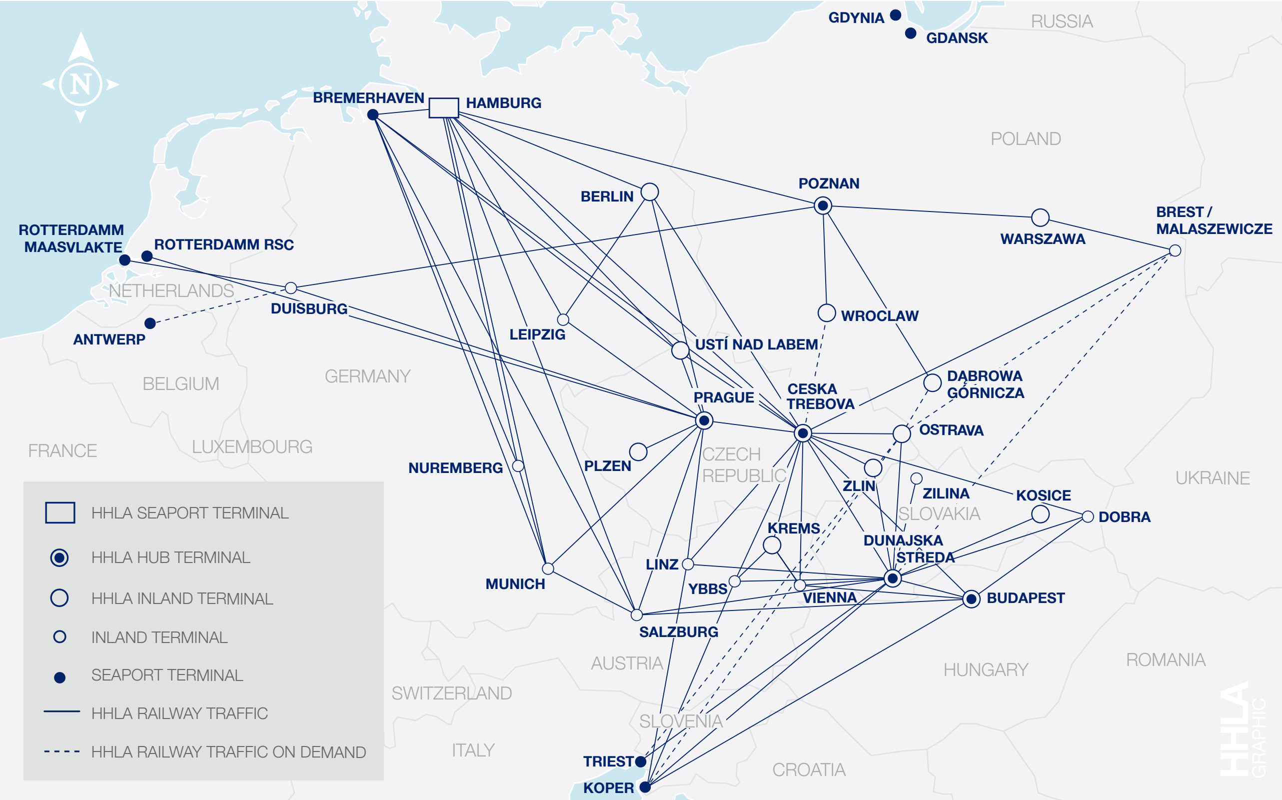
HHLA has proprietary inland terminals in Central and Eastern Europe along with its own container wagons and traction fleet (locomotives). All of these factors play a major role in the company's service offer. This is necessary to enable it to run direct trains with frequent departures and to allow the 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 greater Hamburg metropolitan region in the delivery and collection of containers by truck. Graphic: Intermodal network of HHLA

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, and companies from the creative sector.

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 2019, however, there were no further mergers or acquisitions among the top ten container shipping companies.

Top 10 shipping companies

by carrying capacity in thousand TEU as of 31.12.2019

Shipping company	Alliance 2019	2019
1. APM-Maersk	2M	4,193
2. MSC	2M	3,766
3. COSCO Group (incl. OOCL)	Ocean Alliance	2,938
4. CMA CGM Group	Ocean Alliance	2,696
5. Hapag-Lloyd	THE Alliance	1,718
6. ONE (MOL, NYK, K Line)	THE Alliance	1,581
7. Evergreen	Ocean Alliance	1,277
8. Yang Ming	THE Alliance	647
9. PIL	–	392
10. HMM	2M – associated	389

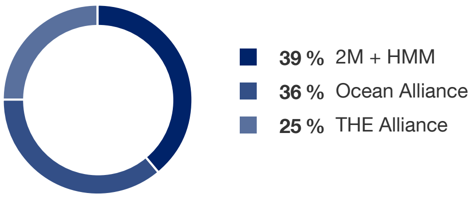
Source: Alphaliner Monthly Monitor, January 2020

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. After Ocean Alliance already extended its current contract until 2027 in the previous year, THE Alliance also renewed its partnership until 2030 and announced that HMM would be joining the alliance from April 2020.

Capacity breakdown by shipping line alliance

on Far East–Europe services as of 31.12.2019



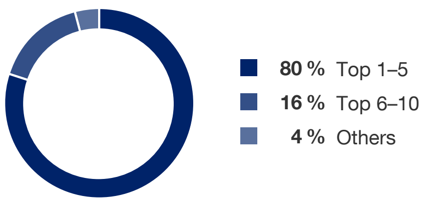
Source: Alphaliner Monthly Monitor, January 2020

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 rose strongly again in the 2019 financial year, taking it to 80 % in total (previous year: 71 %). Due to the completed consolidations, the share of revenue attributable to the ten most important customers of the Hamburg terminals also rose slightly to 96 % (previous year: 92 %). 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 2019



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 based on HPA's general terms and conditions for port-related real estate

For the construction, alteration and operation 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 and water and waterways laws. Construction and extension measures require separate authorisations by the respective authorities, irrespective of the plan approval procedure for the expansion of the handling areas. 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.

Due to the dangers posed by international terrorism, there are strict security precautions at all ports. An essential component of these precautions is the International Ship and Port Facility Security Code (ISPS Code), which requires the internationally standardised installation of measures to prevent terrorist attacks on ocean-going vessels and port facilities. For the operators of port facilities, this involves observing strict access control and implementing numerous other measures for averting danger. In the area of the Port of Hamburg, the aforementioned international provisions are implemented and specified by the German Port Security Act (Hafensicherheitsgesetz – HafenSG).

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 increased sensitivity with regard to safety and environmental concerns, among other issues. In the reporting period, however, there were no amendments to the legal framework with a significant impact on the Group's operating activities or its assets, financial or earnings position.

Corporate strategy

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

The HHLA Executive Board is continuing the business development process launched in 2017. 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.

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.

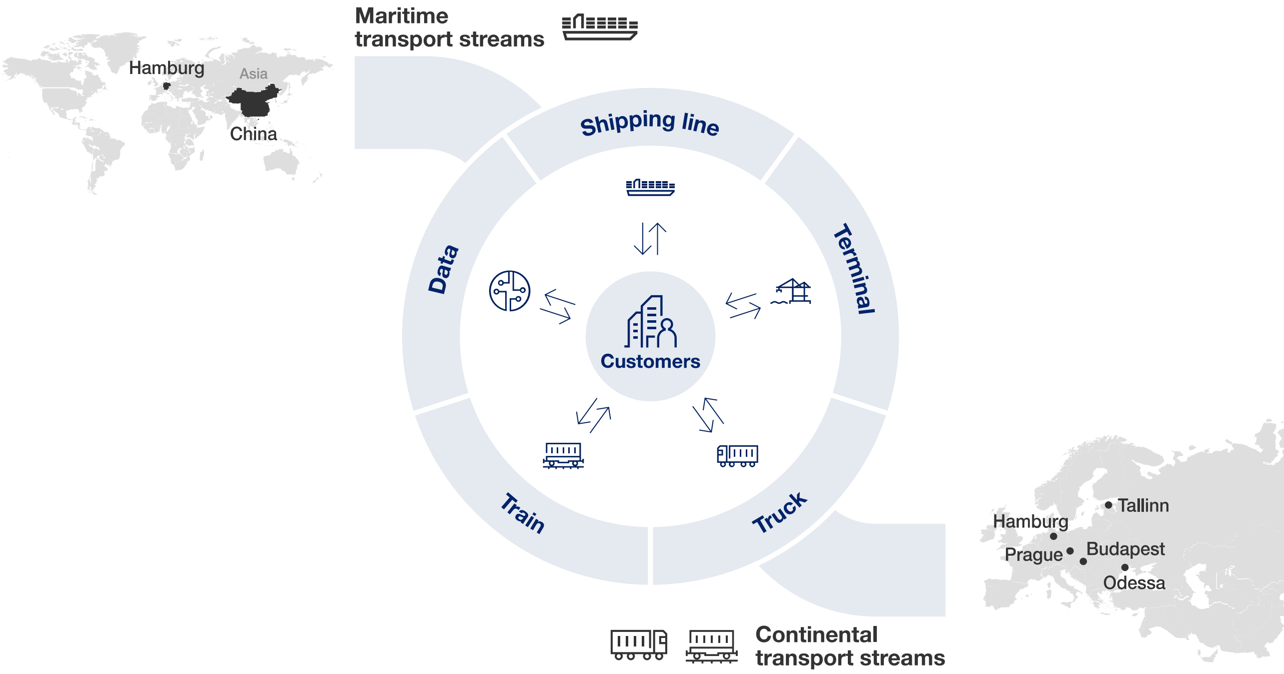
Organisation and corporate culture
The company's organisational structure and corporate culture are being aligned with tomorrow's world. The client is being placed more than ever at the centre of activity.

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 target, HHLA will halve its absolute

The HHLA service network

HHLA connects its customers with maritime and continental transport streams



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.

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 supposed 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. Thanks to 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. Besides enhancing the scope and range of its services, HHLA also focuses on increasing its vertical integration.

With its **Logistics segment**, HHLA aims to strengthen Hamburg's all-purpose port and drive forward its future-oriented diversification. The business prospects of the Frucht- und Kühl-Zentrum, Ulrich Stein and UNIKAI are being further enhanced. HPC Hamburg Port Consulting is positioning itself as a leading international specialist and strategic consultancy for the maritime industry. The segment's potential is being harnessed to develop further services in the logistical and digital value chains.

In addition to purely organic growth, HHLA examines opportunities for acquisitions in order to tap new growth areas along the logistical 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 this way, the company aims to identify and occupy new digital business models.

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 on the basis of a clear strategic alignment and reliable prioritisation. As such, HHLA Real Estate is a much sought-after specialist in its clearly defined areas of expertise.

Corporate and value management

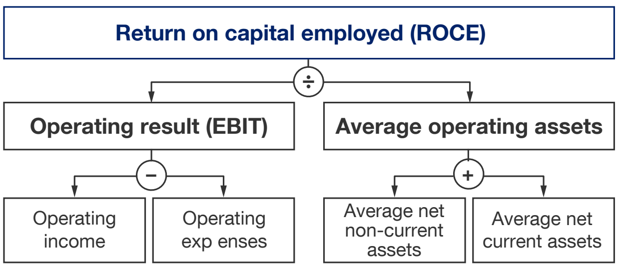
HHLA's primary financial objectives include the long-term, sustainable growth of its enterprise value. HHLA uses a Group-wide value management system for the planning, management and monitoring of its commercial activities. No changes were made to this system in the 2019 financial year.

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.

Value management

ROCE – defining parameters and influential factors



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 2019 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.

The HHLA Group's EBIT rose year-on-year by 8.3 % to € 221.2 million in the 2019 financial year (previous year: € 204.2 million), whereby the rise was mainly attributable to the first-time application of IFRS 16. Earnings position Average operating assets rose by € 655.5 million to € 2,039.4 million in the reporting period (previous year: € 1,383.9 million), whereby the rise resulted chiefly from the first-time application of IFRS 16. Financial position The return on capital employed (ROCE) was therefore down 4.0 percentage points year-on-year at 10.8 % (previous year: 14.8 %), but nonetheless continued to exceed the targeted minimum ROCE of 8.5 % by 2.3 percentage points. The HHLA Group generated a positive value added of € 47.9 million in the 2019 financial year (previous year: € 86.6 million).

Key figures value added

in € million	**2019**	2018	Change
Operating income	1,434.5	1,338.2	7.2 %
Operating expenses	- 1,213.3	- 1,134.0	7.0 %
EBIT	221.2	204.2	8.3 %
Ø Net non-current assets	1,922.3	1,279.4	50.2 %
Ø Net current assets	117.1	104.5	12.1 %
Ø Operating assets	2,039.4	1,383.9	47.4 %
ROCE[1] in %	10.8	14.8	- 4.0 pp
Capital costs before tax[2] in %	8.5	8.5	0.0 pp
Capital costs before tax	173.3	117.6	47.4 %
Value added in %	2.3	6.3	- 4.0 pp
Value added	47.9	86.6	- 44.7 %

1 Due to the first-time application of IFRS 16 in the 2019 financial year, there is no comparability with the previous year.
2 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 2019 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 the 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. 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 will determine 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. The result of the project will be a road map that outlines the necessary future development steps.

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 autonomously within CTA. The operational, infrastructural and IT requirements for the automated handling of self-driving trucks are also to be identified and specified. 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 project is currently in the testing phase, which is scheduled to run until June 2020. This comprises 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 structure of the subsequent field tests from July to December 2020 will be determined by the results of the preparation and testing phases and conducted under conditions similar to customer usage.

AeroInspekt

Storage cranes at the 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 maintaining an unchanged position and exact track guidance. 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 and rectified on a regular basis. This measurement work results in operational interruptions. The IHATEC subsidy project AeroInspekt (automated multi-rotor measurement and inspection system for the rail systems of port handling facilities) – which HHLA is running in conjunction with the Technical University of Braunschweig (TU Braunschweig) – aims to develop a measurement system for crane rails in a fully automated container yard by means of automated multicopter systems and photogrammetric analysis before building and evaluating a corresponding prototype. The aim is not only to achieve significant efficiency gains, but also to optimise the safety of the required and currently time-consuming measurement of crane rails in a fully automated container yard.

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. Since the beginning of 2019, the Hamburg Vessel Coordination Center (HVCC) has been developing a new inland waterway ship platform which incorporates and takes into account the special requirements of inland waterway shipping companies. The IT systems for the new inland shipping platform are being developed by DAKOSY Datenkommunikationssystem AG. Alongside modal 3 Logistik GmbH (an HVCC customer), Deutsche Binnenreederei AG, Carl Robert Eckelmann GmbH and Walter Lauk Ewerführerei GmbH are also partners in the project, which is funded by Hamburg's Departmental Authority for Economic Affairs, Transport and Innovation. The main objectives are to remove inefficiencies within the transport chain and to improve the reliability of handling through prompt, transparent planning for all parties involved: scheduling for the inland waterway shipping company, ship crew, terminals and HVCC all takes place in real time in a single overview and data set. The aim is to enhance inland shipping's position as an effective and environmentally friendly mode of transport and 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 tunnel 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.

Initial plans are for the construction of a transfer station for testing purposes at CTA by October 2021, as well as the development of a transport capsule for standard shipping containers (complete with a section of hyperloop tube). The aim of the prototype is to visualise the handling process in a hyper port and, for example, to illustrate its integration with autonomous vehicles.

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. As things stand, there is currently no alternative drive technology for these tractors with the technical maturity required for industrial use and that can be operated cost-effectively. The primary objective of this project is to develop a system solution for battery-powered electric 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. 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 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 and dry bulk. 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: alongside new sources of revenue and increased customer loyalty, the initiative also seeks to boost productivity and throughput at the terminals. HHLA also feels that AI offers considerable potential when it comes to increasing occupational safety among the workforce.

The first AI pilot project was successfully completed in 2019: AI-based forecasts of container collection times result in increased yard productivity. The collection time of a container 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 unnecessary restacking. In a bid to optimise block storage, an algorithm was developed to forecast container dwell time. It is based on historical data but continuously optimises itself using cutting-edge machine learning methods. Further AI-based projects 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 their performance, the Container Terminals Altenwerder (CTA) and Tollerort (CTT) 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 their successful certification, the terminals once again confirmed their high levels of performance and compliance with all quality standards.

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.

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 in order to increase the degree 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. As a further enhancement, the details provided are processed in a new "key figures cockpit", which, for example, plays a key role when preparing for negotiations.

HHLA is continuing to drive the automation of purchasing processes for day-to-day requirements. In the reporting period, 32.9 % of all purchasing processes were handled fully automatically by means of e-procurement systems (previous year: 25.2 %). 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 2020 financial year. These steps will enable us to drive the further strategic alignment of our purchasing activities.

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. In 2019, equipment and energy accounted for 29.2 % of the Group-wide procurement volume, while information technology (IT) accounted for 14.5 %, construction for 26.7 %, MRO (maintenance, repairs and operations) for 13.9 %, and other indirect services for 15.7 %. The total managed purchasing volume amounted to approximately € 198 million.

Due to its expertise in the procurement of a vast array of heavy machinery and other equipment, the purchasing department helped achieve significant optimisation even outside its managed purchasing volume.

A project launched in 2018 to optimise the department's strategic alignment was systematically continued, with the ongoing support of an external partner. Following a review of existing structures and processes in 2018, the focus in 2019 was placed on the Group-wide harmonisation and restructuring of selected procurement processes. Purchasing employees are working together with the consultants in various project groups in order to achieve the targets set. An ongoing training and development programme which involves all department staff and takes account of the varied requirements is designed to harness, foster and expand their knowledge and experience in the best possible way.

With regard to the defined initiatives, one notable example is the optimisation of fuel purchasing, where processes and purchase costs have been sustainably improved through the use of a VMI concept ("vendor managed inventory").

A further result of the programme is an instrument for identifying and presenting the value added by the purchasing department, which was developed by the employees themselves and has been established within the department. This instrument was used to document the results of key procurement projects.

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

	2015	2016	2017	2018	**2019**
Diesel, petrol and heating oil in million liter	26.3	26.6	27.4	28.4	28.0
Natural gas in million m^3	2.3	2.4	3.6	4.4	8.0
Electricity[1] in million kWh	138.3	139.6	135.6	135.9	123.2
thereof from renewable energies	76.1	73.2	82.8	78.9	78.7
Traction current in million kWh	130.3	150.0	157.5	181.4	185.0
District heating in million kWh	3.2	3.6	3.6	3.7	3.6
District heating supply[2] in million kWh	–	–	–	10.9	33.3

Consumption of natural gas, traction current and district heating in 2019 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: https://report.hhla.de/non-financial-report

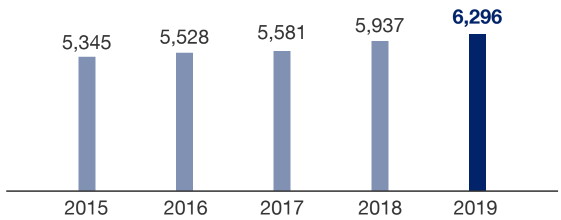
Employees

Development of headcount

HHLA aligns headcount planning with the economic development of its companies. It aims to provide the majority of its 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 the holding company 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 6,296 employees at the end of 2019. This figure rose by 359, or 6.0 %, compared to the previous year. The increase is chiefly attributable to the recruitment of new staff in the Intermodal segment. In addition, HHLA used an annual average of 753 employees of Gesamthafenbetriebs-Gesellschaft (previous year: 760).

Employees by segment

In the Container segment, the number of employees rose to 3,186 as of 31 December 2019. Total headcount was up by 52 year-on-year in the reporting period (previous year: 3,134). This represents an increase of 1.7 %. Due to the expansion of services and the increase in vertical integration, headcount in the Intermodal segment also rose by a further 241 employees in total to 2,243 (previous year: 2,002). Employee numbers in the Logistics segment increased to 167 in the reporting period (previous year: 141). The number of employees at the strategic management holding company increased by 5.5 % to 612 (previous year: 580). In the Real Estate segment, headcount amounted to 88 as of 31 December 2019 (previous year: 80). In both years, this figure includes employees from the management holding company who are assigned to the Real Estate segment.

Employees

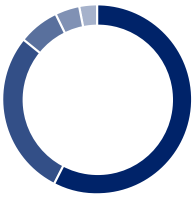
by segments	2019	2018	Change
Container	3,186	3,134	1.7 %
Intermodal	2,243	2,002	12.0 %
Holding/Others	612	580	5.5 %
Logistics	167	141	18.4 %
Real Estate	88	80	10.0 %
HHLA Group	**6,296**	**5,937**	**6.0 %**

Employees by region

In geographical terms, the workforce was concentrated mainly in Germany, with 3,597 employees (previous year: 3,489), the majority of whom worked in Hamburg. This corresponds to a share of 57.1 % (previous year: 58.8 %). The number of staff employed abroad rose by 10.3 % to 2,699 (previous year: 2,448). This is chiefly due to the increase in the Intermodal segment. In Central Europe, headcount grew by 12.5 % to 1,752 (previous year: 1,558). In Ukraine, the number of employees fell by 0.2 % to 460 (previous year: 461).

Employees by region

as of 31.12.2019



57 % Germany
28 % Central Europe[1]
7 % Ukraine
4 % Estonia
3% Other countries

1 Czech Republic, Slovakia, Hungary, Slovenia

Recruitment

In 2019, the number of new employees who had not previously worked for HHLA in Germany, for example via Gesamthafenbetriebs-Gesellschaft mbH Hamburg (GHB), was 204 (previous year: 121). 38 % of them were under 30 years of age (previous year: 40 %).

Recruitments

Number	2019	thereof females	thereof females
< 30 years	78	24	30.8 %
30 – 50 years	104	13	12.5 %
> 50 years	22	5	22.7 %
HHLA Germany	**204**	**42**	**20.6 %**

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

At 4.7 %, the **fluctuation rate** (excluding internal transfers within the Group) in Germany increased slightly year-on-year (previous year: 4.2 %). Of the 169 people who left the company, 40.8 % were retirees (previous year: 41.2 %).

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 15.3 % (previous year: 15.7 %).

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 management declaration

Age structure

The average age of staff in Germany in the reporting period was 44.7 (previous year: 44.6). Male employees had an average age of 45.3, while female employees were 41.4 years old on average. Over half of all employees are aged between 30 and 50.

Age structure

in %	31.12.2019	thereof females	31.12.2018	thereof females
< 30 years	10.6	28.4	10.3	28.1
30 – 50 years	52.3	15.4	52.9	16.8
> 50 years	37.1	11.5	36.8	10.6
HHLA Germany	**100.0**	**15.3**	**100.0**	**15.7**

The average length of service with the company in Germany is approximately 15.3 years.

Average employment period

in years	31.12.2019	31.12.2018
< 30 years	4.9	5.2
30 – 50 years	11.5	11.6
> 50 years	23.5	23.9
HHLA Germany	**15.3**	**15.5**

The percentage of employees with a severe disability (including persons of an equivalent status) was 8.5 % at the end of the reporting period (previous year: 9.8 %).

Personnel development

HHLA invested a total of € 4.6 million in educating and training staff at its locations in Hamburg in 2019 (previous year: € 4.6 million).

As of 31 December 2019, 66 apprentices and 18 students were receiving training in Germany in six different professions and seven dual study courses. 32 % of the 84 apprentices and students were female. The ratio of female students in 2019 was 50 % (previous year: 54 %).

16 of the 17 apprentices (of whom three were on dual study courses) who successfully completed their training in the course of the year were given permanent contracts. A total of 29 new apprentices were taken on at the company's Hamburg facilities in 2019, of whom 28 % were women. At the start of the 2019 academic year, women accounted for 9 % of technical apprentices and 30 % of industrial apprentices.

In total, over 641 events lasting one or more days were held in the reporting period. These included over 509 internal vocational courses conducted by HHLA's own trainers over 2,899 training days. In addition, 132 one- to multi-day events with 1,075 participant days were organised as part of the company's cross-segment seminar programme. 38 % of the participants were women (previous year: 36 %).

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

The latest estimates of the International Monetary Fund (IMF) indicate that global economic expansion slowed noticeably in 2019. Economic growth was hampered in particular by political conflicts such as the trade dispute between the USA and China, as well as the uncertain outcome of Brexit. Nevertheless, the global economy stabilised towards the end of the year, buoyed by positive signals in the trade dispute.

Development of gross domestic product (GDP)

in %	2019	2018
World	2.9	3.6
Advanced economies	1.7	2.2
USA	2.3	2.9
Emerging economies	3.7	4.5
China	6.1	6.6
Russia	1.1	2.3
Eurozone	1.2	1.9
Central and Eastern Europe (emerging european economies)	1.8	3.1
Germany	0.5	1.5
World trade	1.0	3.7

Source: International Monetary Fund (IMF), January 2019

As a result, the IMF expects restrained growth in global gross domestic product (GDP) of 2.9 % for 2019. The advanced economies exhibited weaker growth than in the previous year, due to slower expansion in the United States brought about by a lack of temporary fiscal incentives and weaker export figures. The emerging economies also came under pressure during the course of the year. China only just reached its growth target of 6.0 % to 6.5 % – its slowest growth rate in almost three decades. Following a weak first half of the year, the Russian economy only resumed its upward trend towards the end of the year. For Ukraine, however, the World Bank expects economic growth of 3.6 % on account of the impetus provided by the agricultural and service sectors. Due to a lack of export growth and political strains, the eurozone economy lost further momentum in 2019 and grew by 1.2 % year-on-year. In October 2019, the IMF forecast economic growth of 3.2 % for Estonia in 2019, which is 1.6 percentage points below the prior-year figure. Having shown itself to be surprisingly robust in the face of the weak eurozone economy, underlying economic growth in the Central and Eastern European member states of the European Union (EU) has now begun to slow. The rate of expansion also declined in those Central and Eastern European countries outside the EU, driven primarily by economic turbulence and the geopolitical unpredictability of Turkey. With the upturn in the German economy already having cooled in 2018, economic expansion increasingly faltered over the course of the year. A lack of economic momentum and the trade dispute between the USA and China were reflected in global trade volumes, which only grew marginally by 1.0 % year-on-year.

Sector development

Growth in global container throughput cooled further in 2019. According to the most recent estimates by Drewry, global throughput climbed by 2.3 % last year. This is below expectations, as throughput of 3.0 % for 2019 was still being forecast midway through the year.

Development of container throughput by region

in %	2019	2018
World	2.3	4.9
Europe as a whole	3.3	5.2
North-West Europe	3.4	2.9
Scandinavia and the Baltic region	3.5	11.3
Western Mediterranean	5.0	5.1
Eastern Mediterranean and the Black Sea	1.2	7.9

Source: Drewry Maritime Research, December 2019

The weakening of throughput growth was observed in almost all shipping regions, albeit to different extents. In Europe, growth momentum from North-West Europe and the Western Mediterranean was unable to offset the weaker trend in Scandinavia and the Baltic, the Eastern Mediterranean and the Black Sea. There was even a noticeable year-on-year slowdown in growth in the world's highest-throughput region, Asia. In China, volume at container ports grew by just 1.2 %, which was partly a consequence of the trade dispute with the USA.

Container throughput at Northern European ports

in million TEU	2019	2018	Change
Rotterdam	14.8	14.5	2.1 %
Antwerp	11.9	11.1	6.9 %
Hamburg	9.3	8.7	6.1 %
Bremen ports	4.9	5.5	- 11,4 %
Gdansk	2.1	1.9	6.4 %
Zeebrugge	1.7	1.6	4.8 %
Wilhelmshaven	0.6	0.7	- 2.5 %

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, throughput volume of 9.3 million TEU in the reporting period was up significantly on the previous year (8.7 million TEU). As a result, Hamburg continues to rank third among European container ports, despite the ongoing work to dredge the river Elbe. Europe's largest container port, Rotterdam, handled 14.8 million TEU in 2019, 2.1 % more containers than in the previous year. Container throughput in Antwerp was up 6.9 % year-on-year to 11.9 million TEU. At the ports in Bremen, however, container throughput fell considerably, with 11.4 % less containers compared to 2018. The JadeWeserPort in Wilhelmshaven was also 2.5 % down on the previous year's figure. Container throughput at the Polish and Russian Baltic Sea ports increased once again, although not as strongly as in the previous year.

According to the most recent estimates from September 2019, freight traffic across all modes in Germany will continue its upwards trend from the previous year. Transport volumes are expected to be up slightly by 0.9 % year-on-year, while the rise in traffic performance – transport volume multiplied by the distance travelled – is likely to increase by 1.2 %. Growth in road traffic will be weaker than in the previous year, at 1.1 %. Traffic performance is expected to grow much more slowly than in 2018, at 1.5 %. Due to a significant decline in the transport of metals and metal products, the volume of rail transport is expected to fall by 1.1 %. Traffic performance will also decline by 1.1 %. By contrast, intermodal traffic is expected to benefit from the robust performance in other classes of goods, with strong growth in volume and performance of 3.5 % and 3.1 %, respectively.

Course of business and economic situation

Key figures

in € million	2019	2018	Change
Revenue	1,382.6	1,291.1	7.1 %
EBITDA	382.6	318.5	20.2 %
EBITDA margin in %	27.7	24.7	3.0 pp
EBIT	221.2	204.2	8.3 %
EBIT margin in %	16.0	15.8	0.2 pp
Profit after tax and minority interests	103.3	112.3	- 8.0 %
At-equity earnings	4.5	5.3	- 16.6 %
ROCE in %	10.8	14.8	- 4.0 pp

Overall view of the course of business

Despite an increasingly volatile market environment, the HHLA Group developed very successfully in 2019. Due to growth in overseas volumes and the integration of the acquired Estonian terminal TK Estonia in the middle of the year, there was a moderate increase in container throughput. Container transport significantly exceeded its strong prior-year result, driven by road and rail transport. Developments at HHLA's two largest segments led to significant revenue growth at Group level. The operating result (EBIT) was markedly higher than in the previous year as the initial application of IFRS 16 had a positive impact. Adjusted for this effect, there was a slight year-on-year increase in the operating result (EBIT).

Guidance for the 2019 financial year – last updated by the HHLA Executive Board in the interim statement for the first nine months – was confirmed by and, in some cases, even exceeded by the actual figures. The HHLA Group continued to scale its capital expenditure to actual needs during the reporting period.

Forecast and actual figures

in € million	Actual 31.12.2018	Forecast[1] 27.03.2019	Forecast[1] 13.11.2019	**Actual 31.12.2019**
Container throughput	7,336 thousand TEU	slight	moderate	7,577 thousand TEU
Container transport	1,480 thousand TEU	slight	significant	1,565 thousand TEU
Revenue	1,291.1	slight	significant	1,382.6
EBIT	204.2	significant	significant	221.2
EBIT Container	131.6	at previous year's level	moderate	141.3
EBIT Intermodal	89.1	significant	strong	99.2
Investments	141.3	~ € 200 mn	~ € 200 mn	224.9

1 Expected increase on previous year

As a result of its business trend in 2019, HHLA's financial position at the end of the reporting period on 31 December 2019 remained stable. Changes in lease accounting led to a decrease of 9.0 percentage points in the equity ratio to 22.2 % (previous year: 31.2 %). The gearing ratio rose from 2.5 to 4.0. There were no further refinancing needs as of the balance sheet date.

Notes on the reporting

The initial mandatory application of the new IFRS 16 lease standard as of 1 January 2019 has resulted in major changes to the accounting of the HHLA Group as a lessee. The new IFRS 16 regulations resulted in a € 571.2 million increase in the balance sheet total as of 1 January 2019. In addition to the capitalisation of rights of use amounting to € 542.8 million, deferred tax assets amounting to € 28.4 million resulted from the initial application. On the liabilities side, this is opposed by adjustments to revenue reserves (decrease of € 58.5 million due to the recognition of cumulative effects from the initial application of the standard) and, significantly, by the recognition of lease liabilities (increase of € 637.4 million). The operating result (EBIT) increased year-on-year as a result of the necessary changes in recognition in profit and loss amounting to approximately € 14.4 million. In the cash flow statement, there was a shift between cash flow from operating activities and cash flow from financing activities. While cash flow from operating activities increased, capital outflows from financing activities also rose because higher redemptions of lease liabilities had to be accounted for.

The continued expansionary monetary policy led to a 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. The first-time consolidation of Lüneburg-based Bionic Production AG (after change in legal status: Bionic Production GmbH) took place on the acquisition date of 31 July 2019. The company was included in HHLA's consolidated group for the first time as a fully consolidated company on 30 September 2019 and assigned to the Logistics segment.

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 2019 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).

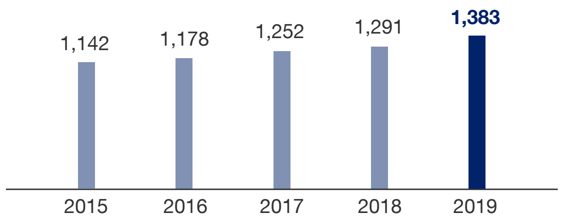
Earnings position

HHLA's **performance data** made encouraging progress in 2019. At 7,577 thousand TEU, there was a moderate year-on-year rise in container throughput of 3.3 % (previous year: 7,336 thousand TEU). At the three Hamburg terminals, the slight increase was due to higher overseas traffic volumes. Prior-year figures of the international terminals are only comparable to a limited extent, as the container terminal in Tallinn was only incorporated into the consolidated group at the end of the second quarter of 2018. At 1,565 thousand TEU, transport volumes even exceeded the high prior-year level with strong growth of 5.7 % (previous year: 1,480 thousand TEU). Both rail and road transport contributed to this growth.

Against this background, HHLA Group **revenue** rose by 7.1 % to € 1,382.6 million (previous year: € 1,291.1 million) in the reporting period. In addition to volume growth, this increase resulted in particular from price adjustments, the restructuring of container transports and a higher proportion of hinterland volumes in container throughput. The listed Port Logistics subgroup largely developed in line with the HHLA Group as a whole. Its Container, Intermodal and Logistics segments recorded an overall increase in revenue of 7.3 % to € 1,350.0 million (previous year: € 1,258.5 million). The non-listed Real Estate subgroup achieved slight revenue growth of 2.5 % to € 40.2 million (previous year: € 39.3 million). The Real Estate subgroup thus accounted for 2.4 % of Group revenue.

Revenue

in € million



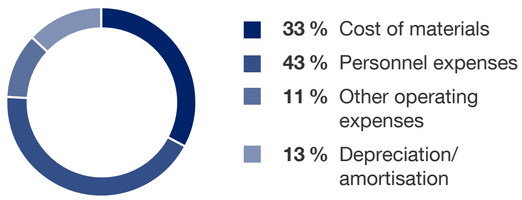
At € 0.1 million, **changes in inventories** once again had no material impact in the reporting period (previous year: € 0.4 million). **Own work capitalised** increased to € 6.2 million (previous year: € 5.2 million).

Other operating income rose by 10.1 % to € 45.6 million (previous year: € 41.4 million).

In line with revenue, **operating expenses** increased significantly by 7.0 % to € 1,213.3 million (previous year: € 1,134.0 million). The prior-year figures do not include expenses for TK Estonia in the first half of the year.

Operating expenses

Expense structure 2019



Compared to the previous year, the **cost of materials** increased significantly by 9.3 % to € 401.2 million (previous year: € 367.1 million). The rise in the cost of materials ratio to 29.0 % (previous year: 28.4 %) was influenced by the changing structure of container transports in the material-intensive Intermodal segment.

Personnel expenses rose by 7.4 % to € 516.1 million (previous year: € 480.6 million). In addition to higher union wage rates, other factors included volume growth in container throughput and transport, as well as the conversion of the company pension scheme. The personnel expense ratio remained virtually unchanged at 37.3 % (previous year: 37.2 %).

Other operating expenses decreased markedly by 21.8 % to € 134.6 million (previous year: € 172.1 million) during the reporting period. The ratio of expenses to revenue decreased to 9.7 % (previous year: 13.3 %). The first-time application of IFRS 16 decreased other operating expenses by € 55.4 million. This was offset above all by a marked increase in consulting expenses.

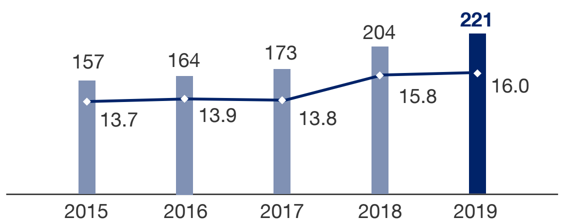
Against the background of these developments, the **operating result before depreciation and amortisation (EBITDA)** rose by 20.2 % to € 382.6 million (previous year: € 318.5 million) and thus much more strongly than revenue. There was a correspondingly strong increase in the EBITDA margin to 27.7 % (previous year: 24.7 %).

Depreciation and amortisation increased significantly by 41.3 % year-on-year and amounted to € 161.4 million (previous year: € 114.2 million). The first-time application of IFRS 16 accounted for € 41.1 million.

The operating result (EBIT) was increased significantly by 8.3 % to € 221.2 million in the reporting period (previous year: € 204.2 million). The first-time application of IFRS 16 had a positive effect on EBIT amounting to € 14.4 million. The EBIT margin increased slightly to 16.0 % (previous year: 15.8 %). In the Port Logistics subgroup, EBIT rose by 8.5 % to € 204.4 million (previous year: € 188.4 million). As a result, the subgroup accounted for 92.4 % (previous year: 92.3 %) of the Group's operating result in the reporting period. In the Real Estate subgroup, EBIT climbed 6.5 % to € 16.5 million (previous year: € 15.5 million). and accounted for 7.6 % of the Group's operating result (previous year: 7.7 %).

Operating result (EBIT)

in € million, EBIT margin in %



Net expenses from the **financial result** increased by € 14.5 million, or 70.2 %, to € 35.1 million (previous year: € 20.6 million). The rise was largely due to the changes in lease accounting from the initial application of IFRS 16, which resulted in increased expenses of € 15.8 million. There was an opposing effect from lower expenses for the revaluation of an equalisation liability payable to a minority shareholder in conjunction with a profit and loss transfer agreement of a subsidiary.

At 26.4 %, the Group's **effective tax rate** was higher than in the previous year (previous year: 24.6 %).

Profit after tax and minority interests decreased by 8.0 % year-on-year to € 103.3 million (previous year: € 112.3 million). Non-controlling interests accounted for € 33.8 million in the 2019 financial year (previous year: € 26.2 million). From a financial point of view, this item includes the expenses mentioned in relation to the financial result associated with revaluing the settlement obligation to a minority shareholder. **Earnings per share** decreased by 8.0 % to € 1.42 (previous year: € 1.54). The listed Port Logistics subgroup posted an 9.0 % decline in earnings per share to € 1.34 (previous year: € 1.47). Earnings per share of the non-listed Real Estate subgroup were up on the prior-year figure at € 3.57 (previous year: € 3.46). As in the previous year, there was no difference between basic and diluted earnings per share in 2019. The return on capital employed (ROCE) was down 4.0 percentage points year-on-year at 10.8 % (previous year: 14.8 %). 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. On this basis, the Executive Board and Supervisory Board will propose at the Annual General Meeting on 10 June 2020 a dividend of € 0.70 per class A share and € 2.10 per class S share. Based on the number of shares with dividend entitlement as of 31 December 2019, the sum to be distributed for listed class A shares would decrease by 12.5 % to € 49.0 million (previous year: € 56.0 million). As in the previous year, the sum to be distributed for non-listed class S shares would amount to € 5.7 million. In relation to the consolidated profit and earnings per share, the dividend payout ratio would be approximately 52 % for the Port Logistics subgroup (previous year: 54 %) and around 59 % for the Real Estate subgroup (previous year: 61 %).

Financial position

Balance sheet analysis

Compared to the previous year, the HHLA Group's **balance sheet total** increased by a total of € 637.1 million to € 2,610.0 million as of 31 December 2019.

Balance sheet structure

in € million	31.12.2019	31.12.2018
Assets		
Non-current assets	2,124.3	1,446.9
Current assets	485.7	526.0
	2,610.0	**1,972.9**
Equity and liabilities		
Equity	578.9	614.8
Non-current liabilities	1,749.8	1,114.7
Current liabilities	281.3	243.4
	2,610.0	**1,972.9**

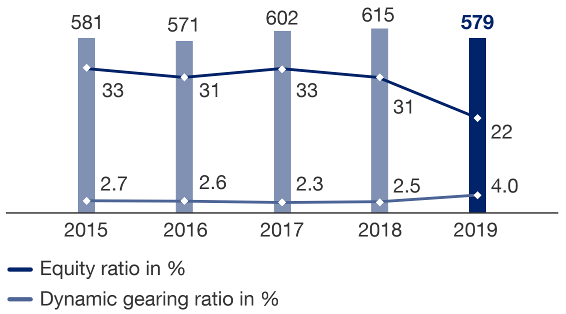
On the assets side of the balance sheet, **non-current assets** rose by € 677.4 million. Property, plant and equipment grew by € 617.0 million to € 1,677.3 million (previous year: € 1,060.3 million). Deferred taxes rose year-on-year by € 41.9 million to € 124.1 million (previous year: € 82.1 million). The rise in both these balance sheet items is mainly due to the first-time application of IFRS 16. Initial application effects of € 571.2 million related to rights of use amounting to € 542.8 million and deferred taxes amounting to € 28.4 million. The increase in property, plant and equipment due to capital expenditure, less amortisation and depreciation, also contributed to the rise in non-current assets.

Current assets decreased by € 40.3 million to € 485.7 million (previous year: € 526.0 million). This decline was primarily attributable to a decrease in trade receivables of € 11.7 million to € 168.1 million (previous year: € 179.8 million), and in cash, cash equivalents and short-term deposits of € 23.5 million to € 158.0 million (previous year: € 181.5 million).

On the liabilities side, **equity** declined by € 35.9 million compared to year-end 2018 to € 578.9 million (previous year: € 614.8 million). The decrease was largely due to the effects of the initial application of IFRS 16 amounting to € 58.5 million, the interest rate-related change of € 30.9 million in actuarial losses including tax effects outside profit or loss, the distribution of dividends and the reclassification of a future financial settlement totalling € 93.2 million as a non-current financial liability. Profit after tax for the reporting period of € 137.1 million had an opposing effect. The equity ratio decreased to 22.2 % (previous year: 31.2 %),

Equity

in € million



Non-current liabilities rose by € 635.2 million to € 1,749.8 million (previous year: € 1,114.7 million). This increase is largely due to the effects of the initial application of IFRS 16 amounting to € 589.4 million. Primarily as a result of the interest rate adjustments, pension provisions increased by € 54.3 million compared to 31 December 2018.

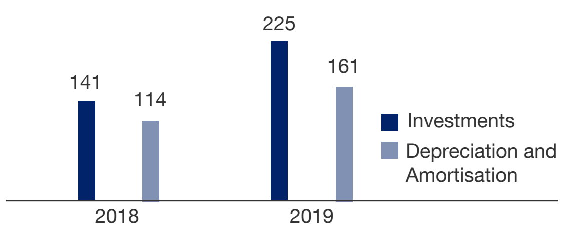
Current liabilities rose by € 37.9 million to € 281.3 million (previous year: € 243.4 million), also primarily due to effects from the initial application of IFRS 16 amounting to € 40.3 million. The decrease in trade liabilities had an opposing effect.

Investment analysis

Capital expenditure in the 2019 financial year totalled € 224.9 million (previous year: € 141.3 million). This figure includes additions of € 55.3 million from rights of use (rent and leases) not recognised as a direct cash expense (previous year: € 2.4 million in finance leases). Capital expenditure focused on extending the Hamburg container terminals and expanding intermodal transport capacities. Investment projects were mainly funded by the operating cash flow generated in the financial year.

Investments, depreciation and amortisation

in € million

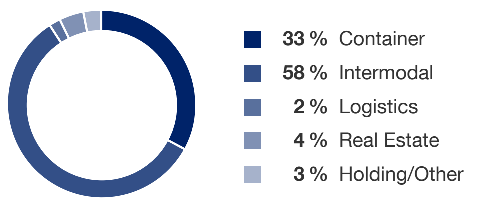


Property, plant and equipment accounted for € 207.0 million (previous year: € 117.3 million) of capital expenditure, while intangible assets accounted for € 10.0 million (previous year: € 11.1 million) and investment property for € 8.0 million (previous year: € 12.9 million).

Investments totalling € 72.8 million were made in the **Container segment** (previous year: € 62.6 million). Capital expenditure was dominated by the procurement of handling equipment and storage capacities at the Hamburg container terminals. The **Intermodal segment** invested € 130.9 million (previous year: € 55.1 million). The METRANS Group accounted for most of this investment volume, mainly for the expansion of the terminal network, wagons and locomotives. Capital expenditure in the **Logistics segment** amounted to € 4.3 million (previous year: € 1.4 million). The **pro forma Holding/Other segment** invested a total of € 7.5 million (previous year: € 14.1 million). A large proportion of capital expenditure was for the migration to a new terminal management system. The **Real Estate segment** invested a total of € 10.0 million (previous year: € 8.4 million), mainly for the development of the Speicherstadt historical warehouse district.

Capital expenditure

by segment in 2019



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 € 99.6 million (previous year: € 107.0 million). This figure includes € 70.4 million (previous year: € 69.6 million) for the capitalisation of property, plant and equipment.

Liquidity analysis

Cash flow from operating activities rose year-on-year from € 232.7 million to € 322.7 million. The increase of € 90.0 million is due to the € 47.2 million increase in depreciation and amortisation which resulted mainly from the initial application of IFRS 16. In contrast to the previous year, a decrease in trade receivables owing to changing customer payment behaviour and a € 42.5 million decrease in current financial assets also led to an increase. At the same time, the improvement in EBIT of € 17.0 million contributed to the increase in cash flow from operating activities. There was an opposing effect from the € 17.8 million, largely due to the first-time application of IFRS 16.

Cash flow from investing activities (outflow) of € 193.8 million was below the prior-year figure of € 203.4 million. This € 9.5 million decrease in cash outflow was mainly due to payments in the previous year for the acquisition of all shares in HHLA TK Estonia AS, Tallinn, Estonia. The year-on-year increase in payments for investments in property, plant and equipment and higher payments for short-term deposits had an opposing effect.

Free cash flow – the total cash flow from operating and investing activities – increased to € 128.9 million (previous year: € 29.3 million).

Cash flow from financing activities (outflow) amounted to € 176.9 million in the reporting period (previous year: € 31.5 million) and was therefore € 145.4 million above the prior-year figure. In contrast to the same period the previous year, no payments were received from the take-up of loans in the reporting period. As a result of the initial application of IFRS 16, there were higher payments for the redemption of lease liabilities compared to the previous year. There was an opposing effect from the payment made to acquire all minority interests in METRANS a.s., Prague, Czech Republic in the previous year.

Liquidity analysis

in € million	2019	2018
Financial funds as of 1 January	**254.0**	**255.6**
Cash flow from operating activities	322.7	232.7
Cash flow from investing activities	- 193.8	- 203.4
Free cash flow	**128.9**	**29.3**
Cash flow from financing activities	- 176.9	- 31.5
Change in financial funds	- 48.1	- 2.2
Change in financial funds due to exchange rates	2.1	0.6
Financial funds as of 31 December	**208.0**	**254.0**
Short-term deposits	45.0	22.4
Available liquidity	253.0	276.4

The HHLA Group had sufficient liquidity as of year-end 2019. There were no liquidity bottlenecks in the course of the financial year. **Financial funds** totalled € 208.0 million as of 31 December 2019 (31 December 2018: € 254.0 million). Including all short-term deposits, the Group's **available liquidity** as of year-end 2019 came to a total of € 253.0 million (previous year: € 276.4 million).

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.

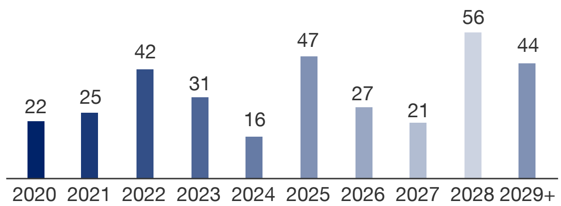
HHLA's business model is dominated by a large proportion of property, plant and equipment with long useful lives. For this reason, HHLA mainly uses medium- and long-term loans and leases to achieve funding with matching maturities. Pension provisions are also available for long-term internal financing.

At € 331.8 million as of the balance sheet date, liabilities to banks were below the prior-year figure of € 369.7 million. The Group did not draw on any additional external financing in the 2019 financial year (previous year: € 136.9 million). During the reporting year, payments for the redemption of loans amounted to € 39.7 million (previous year: € 27.9 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 77 % have fixed interest rates and some 23 % 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 22 % 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 € 485.4 million (previous year: € 105.0 million), mainly resulting from the recognition of the leasing liability to the Hamburg Port Authority (HPA). The year-on-year increase was due to the initial application of the new IFRS 16 lease standard.

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 € 158.0 million (previous year: € 181.5 million) as of the balance sheet date. These funds are mainly invested at German financial institutions with verified high credit ratings as demand deposits, call money and short-term deposits. Current credit lines play a subordinate role due to HHLA having sufficient liquid funds. As of the balance sheet date, the Group had unused credit facilities amounting to € 3.1 million (previous year: € 2.7 million). The credit line utilisation rate was 69.4 % in the period under review (previous year: 72.9 %). In HHLA's view, the Group's solid balance sheet structure would enable more substantial credit facilities to be arranged at any time if its medium-term liquidity planning were to reveal a need. Of the total cash and cash equivalents as of the balance sheet date, an amount of €9.1 million (previous year: €14.5 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 and disposals of companies

With the participation and shareholder agreement of 20 December 2018, HHLA acquired 25.1 % of the shares in Spherie UG (haftungsbeschränkt), Hamburg, as of the transfer date on 1 January 2019. The object of the company is the development, production and distribution of aerial systems exclusively for the capture of 360° sensor data, as well as services connected with the aerial systems to capture 360° sensor data. The company was included in HHLA's consolidated financial statements in the first quarter of 2019 using the equity method and is assigned to the Logistics segment.

On 22 March 2019, HHLA signed a share purchase agreement to acquire 50.1 % of the shares in Bionic Production AG, a non-listed company based in Lüneburg, Germany. The company is active in the construction, design and manufacturing of components using laser additive 3-D printing technologies. The closing of the transaction (corresponding to the acquisition date) was tied to various closing conditions and took place on 31 July 2019. The first-time consolidation of the company took place on the acquisition date. The company was therefore fully consolidated for the first time on 30 September 2019. Effective 29 August 2019, the company changed its legal status to that of a private limited company ("Gesellschaft mit beschränkter Haftung") and is now registered as Bionic Production GmbH.

On 18 November 2019, HHLA and Hyperloop Transportation Technologies, Inc., Culver City, USA, founded the Hamburg-based company Hyperport Cargo Solutions GmbH i. G. Each company holds 50.0 % of the shares. The company's objective is to develop, manufacture, implement, market, sell and distribute hyperloop technology and related technologies for transporting sea freight containers in the field of seaport and hinterland container transport. The joint venture was included in HHLA's consolidated financial statements at year-end using the equity method and is assigned to the Logistics segment.

There were no further acquisitions or disposals of shares in subsidiaries during the reporting year. Notes to the consolidated financial statements, no. 3 Composition of the Group

Changes in the group of consolidated companies

The company TIP Žilina, s.r.o., Dunajska Streda, Slovakia, was included in the HHLA group of consolidated companies for the first time in the first quarter of 2019. This company was founded in 2017 and began operating in the second quarter of 2019.

There were no other changes to the group of consolidated companies. Notes to the consolidated financial statements, no. 3 Composition of the Group

Segment performance

Container segment

Key figures

in € million	2019	2018	Change
Revenue	799.7	758.9	5.4 %
EBITDA	240.2	209.8	14.5 %
EBITDA margin in %	30.0	27.6	2.4 pp
EBIT	141.3	131.6	7.4 %
EBIT margin in %	17.7	17.3	0.4 pp
Container throughput in thousand TEU	7,577	7,336	3.3 %

During the 2019 reporting year, the **throughput volume** at HHLA's container terminals increased moderately by 3.3 % to 7,577 thousand standard containers (TEU) (previous year: 7,336 thousand TEU).

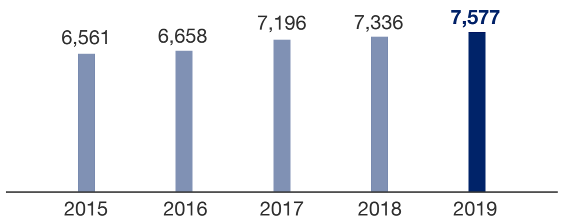
The three **Hamburg container terminals** achieved a slight increase in throughput volume of 1.2 % to 6,964 thousand TEU (previous year: 6,885 thousand TEU). The changes in service structure (addition of several services to North America, disposal of a Far East service) largely offset each other. Due to the realignment, overseas traffic volumes exceeded the prior-year figure by 3.2 %. Feeder traffic with the Baltic region decreased markedly and could not be offset by growth in the

North-West European shipping regions. The proportion of seaborne handling by feeders decreased correspondingly to 22.5 % (previous year: 24.0 %).

Throughput at the **international container terminals** in Tallinn, Estonia, and Odessa, Ukraine, during the reporting period amounted to 613 thousand TEU (previous year: 451 thousand TEU). It should be noted that the figures for the previous year are only partly comparable, as the container terminal in Tallinn was only integrated into the HHLA consolidated group at the end of the second quarter of 2018.

Container throughput

in thousand TEU



Revenue increased by 5.4 % year-on-year to € 799.7 million (previous year: € 758.9 million). This was due in part to the acquisition of the terminal in Tallinn. In the reporting period, average revenue per container handled at the quayside moderately increased year-on-year by 3.7 % as a result of increased performance in the hinterland.

EBIT costs for the segment increased moderately by 5.0 % during the reporting period. This was partly due to a rise in personnel costs. In addition to higher staffing requirements at the Container Terminal Tollerort (CTT) as a result of the launch of new terminal software and additional hinterland volumes, the conversion of the company pension scheme was a key cost driver. A further reason for the increase was the allocation of internal costs for administration services. EBIT costs were also influenced by the costs of HHLA TK Estonia, consolidated at the end of the second quarter of 2018 and thus not included in the prior-year figures for the full year.

The **operating result (EBIT)** rose significantly by 7.4 % to € 141.3 million in the reporting period (previous year: € 131.6 million). Of this increase, approximately € 11.0 million is attributable to the application of IFRS 16. The EBIT margin rose by 0.4 percentage points to 17.7 % (previous year: 17.3 %).

During the reporting year, HHLA further improved the sustainability of its services by investing in climate-friendly handling equipment. For example, energy-saving hybrid straddle carriers were tested at the Container Terminal Tollerort (CTT) and the Container Terminal Burchardkai (CTB). Diesel-powered automated guided vehicles (AGVs) at the 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. Three large container gantry cranes were delivered to CTB at the end of 2019. Two more have been ordered and are due to arrive in the second quarter of 2020. The block storage system was also expanded with the addition of three further automated blocks. The international terminals in Tallinn and Odessa also acquired new handling equipment and drove the consistent expansion of their yard capacities.

Intermodal segment

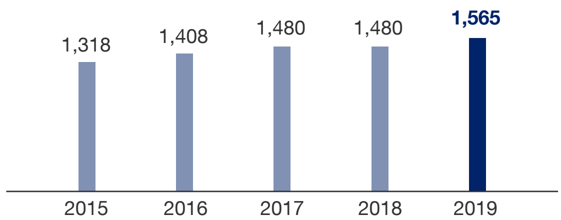
Key figures

in € million	2019	2018	Change
Revenue	486.9	433.8	12.3 %
EBITDA	139.0	112.7	23.3 %
EBITDA margin in %	28.6	26.0	2.6 pp
EBIT	99.2	89.1	11.3 %
EBIT margin in %	20.4	20.5	- 0.1 pp
Container transport in thousand TEU	1,565	1,480	5.7 %

HHLA's transport companies achieved significant growth in the highly competitive market for container traffic in the hinterland of major seaports. **Transport volumes** rose by 5.7 % to 1,565 thousand standard containers (TEU), compared to 1,480 thousand TEU in the previous year. This trend was driven by growth in both rail and road transport. Rail transportation rose year-on-year by 5.6 % to 1,234 thousand TEU (previous year: 1,168 thousand TEU). In particular, there was above-average growth in connections between the north German seaports and the Central and Eastern European hinterland. Traffic to and from Poland also increased significantly following the successful consolidation in the previous year. Despite the challenging market environment, road transport also made very good progress with year-on-year growth of 6.1 % to 331 thousand TEU (previous year: 312 thousand TEU) due to strong growth in delivery volumes.

Container transport

in thousand TEU



With growth of 12.3 % to € 486.9 million (previous year: € 433.8 million), **revenue** performed much better than transport volumes. While the rail share of HHLA's total intermodal transportation was largely unchanged at 78.8 % (previous year: 78.9 %), this strong revenue growth was mainly due to price adjustments combined with a changing freight volume structure.

The **operating result (EBIT)** increased year-on-year to € 99.2 million (previous year: € 89.1 million). This marked increase is primarily due to the positive trend in volume and revenue. Additionally, lower route prices in Germany made it possible to further increase the capacity utilisation of train systems. The application of IFRS 16 did not have a major influence on the positive EBIT trend. At 20.4 %, the EBIT margin was on a par with the previous year (20.5 %).

HHLA continues to invest as needed in the expansion of its intermodal network. The decrease in route prices for German rail freight applied in the middle of the previous year is bolstering the development of the intermodal service portfolio. HHLA's rail subsidiary METRANS put five of its own shunters and three new multi-system locomotives into operation during 2019. It now has more than 100 shunters and locomotives as well as a fleet of over 2,800 container wagons. The network consists of 15 terminals in the hinterland, of which five function as large hub terminals.

Logistics segment

Key figures

in € million	2019	2018	Change
Revenue	59.0	59.8	- 1.4 %
EBITDA	8.5	10.0	- 15.5 %
EBITDA margin in %	14.3	16.7	- 2.4 pp
EBIT	2.5	5.6	- 55.1 %
EBIT margin in %	4.3	9.4	- 5.1 pp
At-equity earnings	3.9	4.4	- 12.1 %

The key financial figures for the Logistics segment include the vehicle logistics, consultancy and airborne logistics services divisions. Since the third quarter of 2019, the new division of additive manufacturing technologies and related logistics services has also been included. The results from dry bulk and fruit logistics are included in at-equity earnings.

The fully consolidated companies reported **revenue** of € 59.0 million, down 1.4 % on the prior-year figure (previous year: € 59.8 million). The decrease is largely due to a significant decline in vehicle logistics, which benefited from temporary additional business in the fourth quarter of 2018. By contrast, revenue from consultancy showed strong growth due to a positive order situation.

At € 2.5 million, the **operating result (EBIT)** fell 55.1 % short of the previous year's figure (previous year: € 5.6 million). In addition to decreased earnings from vehicle logistics as compared with an unusually strong previous year, earnings were affected by future investments in new growth areas. The application of IFRS 16 had no significant effect on the development of the operating result.

Revenues of those companies included in **at-equity earnings** decreased significantly in the reporting period. Total at-equity earnings for 2019 as a whole were 12.1 % below the very good prior-year figure at € 3.9 million (previous year: € 4.4 million). In addition to a decrease in fruit logistics, there was also a significant burden on earnings from bulk materials handling resulting from the initial application of IFRS 16.

Real Estate segment

Key figures

in € million	2019	2018	Change
Revenue	40.2	39.3	2.5 %
EBITDA	23.9	20.7	15.5 %
EBITDA margin in %	59.4	52.7	6.7 pp
EBIT	16.5	15.5	6.5 %
EBIT margin in %	40.9	39.4	1.5 pp

In 2019, Hamburg's office rental market was unable to match the revenue level of the previous year due to a weak fourth quarter. According to Grossmann & Berger's latest market report, 545,000 m² of office space was let in the reporting period, corresponding to a decrease of 7.6 % on the prior-year figure of 590,000 m². One major reason for the decrease in revenue was the ongoing lack of space available. Correspondingly, the vacancy rate on the Hamburg office market was 2.9 % at year-end, 0.6 percentage points down on the previous year (previous year: 3.5 %) and unchanged from the preceding quarter. The low vacancy rate is expected to continue in 2020.

HHLA's properties in Hamburg's Speicherstadt historical warehouse district and the fish market area, however, achieved a further slight increase in **revenue** of 2.5 % to € 40.2 million in 2019 (previous year: € 39.3 million) despite almost full occupancy.

In addition to increased revenue from properties in both districts, the significant rise in the **operating result (EBIT)**, which went up by 6.5 % from € 15.5 million in the previous year to € 16.5 million.

In order to secure the segment's economic success, HHLA will continue to invest in its property portfolio as part of its value-oriented development of the districts.

Events after the balance sheet date

In early January 2020, China announced that a novel coronavirus had been detected in several patients. However, the initial local outbreak of the virus developed relatively quickly into an international pandemic. HHLA evaluated the potential impact of the coronavirus pandemic on the development of business – based on the current state of knowledge – and took this into account in its forecast for expected earnings in 2020. Estimates regarding the further development of the coronavirus pandemic, however, are subject to considerable uncertainty and earnings may therefore differ significantly from the forecast. Business forecast

The outbreak of the virus has not resulted in any effects on the recognition or measurement of the Group's assets and liabilities as of 31 December 2019.

There were no other events of special significance after the balance sheet date 31 December 2019. Notes to the consolidated financial statements, no. 52 Events after the balance sheet date

Business forecast

Macroeconomic environment

At the end of 2019, the global economy showed signs of stabilising – aided by a rapprochement in the trade dispute between the USA and China and the easing of monetary policy. Although research institutes still forecast moderate growth for the global economy, major uncertainties continue to shape the macroeconomic outlook for 2020. In particular, the spread of the coronavirus represents an element of uncertainty whose impact cannot be reliably gauged at present. Other risks for the global economy include an intensification of trade disputes, geopolitical tensions, structural problems in major emerging markets and, above all, concern about the Indian economy. In light of this global economic uncertainty, the International Monetary Fund (IMF) downgraded its outlook for 2020 slightly in January compared to October 2019 but still expects to see a gentle acceleration of economic growth compared to the previous year.

The outlook for the economic regions of particular significance to HHLA varies, with the IMF anticipating slower economic growth of 6.0 % for China in 2020. However, the People's Republic would thus remain the most important driver of global economic growth. By contrast, the economic outlook for Russia has brightened somewhat. Weaker forecasts for the crude oil market, structural bottlenecks and the hampering of trade by sanctions are likely to prevent any strong recovery of the Russian economy, though. A slight economic recovery is also expected for the emerging economies of Central and Eastern Europe. Should reforms recently passed by the new Ukrainian government take effect, the World Bank regards growth of 3.7 % as possible for 2020. According to the most recent IMF estimates of October 2019, Estonian GDP is expected to achieve robust – albeit once again slightly slower – growth of 2.9 %. Macroeconomic output in the eurozone looks set to improve slightly owing to favourable financing terms and an expansionary monetary policy. The IMF expects to see an increase in economic output of the German economy broadly in line with its potential. With regard to global trade volumes, the IMF has lowered its forecast for 2020 by 0.3 percentage points and anticipates a moderate increase of 2.9 %. However, these estimates were issued prior to the coronavirus outbreak.

Growth expectations for GDP

Growth expectation[1] in %	2020	Trend vs. 2019
World	3.3	↗
Advanced economies	1.6	→
USA	2.0	↘
Emerging economies	4.4	↗
China	6.0	→
Russia	1.9	↗
Eurozone	1.3	→
Central and Eastern Europe (emerging european economies)	2.6	↗
Germany	1.1	↗
World trade	2.9	↗

1 prior to effects by the coronavirus outbreak
Source: International Monetary Fund (IMF), January 2020

In early March 2020, the OECD issued its assessment of the potential impact that the coronavirus might have on economic activity. Based on the assumption that the epidemic in China would reach its peak in the first quarter of 2020 and that outbreaks in other countries would prove to be minor and locally contained, global GDP growth might decrease by about 0.5 percentage points to 2.4 % in the current year. China would be hardest hit, with growth slowing to 4.9 % (- 0.8 percentage points), while the USA would be least affected with a decrease in growth of 0.1 percentage points to 1.9 %. Nevertheless, global trading volumes might still decrease by 0.9 % this year.

Growth expectations for GDP

Growth expactation in %	**2020**	Trend vs. 2019
World	2.4	↘
G20	2.7	↘
USA	1.9	↘
China	4.9	↘
Russia	1.2	↘
Eurozone	0.8	↘
Germany	0.3	↘
World trade	- 0.9	↘

Source: OECD Interim Economic Outlook, March 2020

Should the coronavirus spread across most of Asia and the northern hemisphere, however, global GDP growth could decrease by up to 1.75 basis points, while global trading volumes could shrink by as much as 3.75 %.

Sector development

Following only a slight increase in global container throughput in 2019, the market research institute Drewry expects the momentum to increase in 2020 with a growth rate of 3.3 %. However, this forecast does not take into account the latest developments in the trade dispute between the USA and China and the economic impact on global trade of the coronavirus outbreak in China.

In the current financial year, growth will be driven in particular by the shipping regions of Asia (+ 3.4 %), especially South Asia (+ 5.0 %), as well as by Africa (+ 4.2 %) and Latin America (+ 3.4 %). Drewry expects that container throughput growth in China – the Port of Hamburg's most important shipping region – will be stronger in 2020 than in the comparatively weak previous year, but still clearly below 5 %. Meanwhile, the overall outlook for European shipping regions is much less positive. Experts estimate a growth rate for the European shipping region of just 2.8 % in 2020. Weaker throughput growth is affecting almost all shipping regions. Drewry only forecasts year-on-year growth for the ports of the eastern Mediterranean and Black Sea. For all other European shipping regions, estimates are below the prior-year figures. The effects of the coronavirus have not yet been taken into account in these growth forecasts.

In late February, Drewry issued a qualitative assessment of the impact of the coronavirus. The scenario deemed likely at the moment is based on the assumption that China will be able to contain the virus and thus return to normal business and production activities in the course of the second quarter. Should the focus of the coronavirus epidemic be transferred from one end of the supply chain to the other, however, and high-consumption regions such as Europe and North America in particular are affected, Drewry expects a more pronounced decrease in global GDP. However, the severity of the impact depends on how far the outbreak spreads and the extent to which the affected countries are able to contain it. In this scenario, Drewry expects that the global economy will only begin to recover in 2021. At the same time, however, Drewry's experts emphasise that there is currently too much uncertainty to be able to make reliable estimates regarding the actual effects.

Expected container throughput by shipping region

Growth expectation[1] in %	**2020**	Trend vs. 2019
World	3.3	↗
Asia	3.4	↗
China	3.4	↗
Europe as a whole	2.8	↘
North-West Europe	3.0	↘
Scandinavia and the Baltic region	2.8	↘
Western Mediterranean	1.9	↘
Eastern Mediterranean and the Black Sea	3.2	↗

1 prior to effects by the coronavirus outbreak
Source: Drewry Maritime Research, December 2019

Considering the ongoing structural overcapacity at container terminals in the North Range and the Baltic Sea, competition between ports is likely to remain fierce in 2020. As Drewry forecasts a slight decrease in demand for the North European ports, the situation is not expected to ease in 2020. At the same time, the bargaining power of shipping companies in negotiations with the port operators has increased significantly as a result of mergers and acquisitions, as well as the formation of new alliances.

The situation on the container shipping market remains strained. According to estimates of the market research institute AXS Alphaliner, the growth in total capacity of the container ship fleet will continue its downward trend in 2020 as a result of declining orders from shipping companies and delayed deliveries. At 3.1 %, growth in total capacity of the container ship fleet is likely to be slower than that of global demand in the forecasting period. Some 200 ships with a carrying capacity of around 1.1 million TEU are expected to be delivered in 2020. Of these, 20 ships will belong to the +18,000-TEU class. As a result of the introduction of the IMO2020 Directive by the International Maritime Organization (IMO)to reduce the use of low-sulphur fuels, market conditions for the shipping companies will remain challenging in 2020. At the same time, Drewry assumes that shipping companies will be able to transfer the extra burden of these higher bunker costs to their customers and expects growth in average freight rates of 6.6 % for the forecasting period. However, the development of freight rates is extremely dependent on highly volatile crude oil prices, which makes it difficult to forecast bunker costs.

In view of the steady increase in ship sizes and the resulting rise in container volumes per ship call, the pressure on terminals and hinterland transport systems will continue to grow.

Expected freight traffic in Germany by modes of transport

Growth expectation in Germany in %	2020	Trend vs. 2019
Transport volumes	**1.7**	↗
Road traffic	1.9	↗
Railway traffic	1.3	↗
Multi-modal traffic	4.6	↗
Traffic performance	**2.5**	↗
Road traffic	2.7	↗
Railway traffic	2.5	↗
Multi-modal traffic	4.6	↗

Source: Floating medium-term forecast for freight and passenger transport on behalf of the Federal Ministry of Transport and Digital Infrastructure, September 2019

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 September 2019 anticipates accelerated growth for the entire German freight market in 2020. For all modes of freight traffic, experts expect a strong year-on-year increase in both transport volumes and traffic performance (transport volume multiplied by the distance travelled). All carriers are likely to benefit from this accelerated growth. With regard to road freight, transport volumes are expected to increase by 1.9 % and traffic performance by 2.7 % in 2020. Rail freight looks set to return to its longer-term growth trajectory following a few weak years. After a decrease of 1.1 % the previous year, an increase of 1.3 % in rail freight is estimated for the forecasting period. At the same time, traffic performance is once again expected to achieve growth of 2.5 % in 2020. Multi-modal traffic looks set to develop even more dynamically, with volume and performance both expected to increase by 4.6 %.

Expected Group performance

Comparison with the forecast of the previous year

The forecast published in the 2018 Annual Report was exceeded in terms of container handling and container transport volumes, as well as for revenue. The figure for operating result (EBIT) developed in line with expectations. Capital expenditure also exceeded the forecast due to catch-up effects. Course of business and economic situation

Expected earnings position

The worldwide coronavirus pandemic has led to extraordinary measures being implemented to prevent the spread of the virus.

In the countries affected, these measures aim to minimise social contact between people. Both at a national level and in international transportation, this is leading to a contraction in economic activity whose true impact and duration cannot be reliably gauged.

The contraction is affecting all areas of the economy, including international trade, which is critical to HHLA.

It is not possible to make any reliable forecasts under these conditions, but we can assume that revenue and operating result (EBIT) for the **Port Logistics subgroup** will be strongly below previous year. This is primarily due to the possible at least temporarily sharp declines in container throughput and transport.

The operating result (EBIT) of the **Real Estate subgroup** is also considered to be possibly significantly below the previous year's figure. At a **Group** level, we can expect to see a strong decrease in the operating result (EBIT) due to the effects mentioned above.

Expected financial position

Owing to the uncertainty described above, HHLA's financial management focuses on securing liquidity. For this purpose, HHLA will continually review and adjust its investments and cost development.

Due to the liquidity available on 31 December 2019 and the measures mentioned above, and based on feasible estimates for 2020 as a whole, HHLA assumes that its liquidity should enable the company to meet all its payment obligations despite the burden caused by the coronavirus pandemic.

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.

Risk and opportunity report

Management of risk 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

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 significant 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. 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.

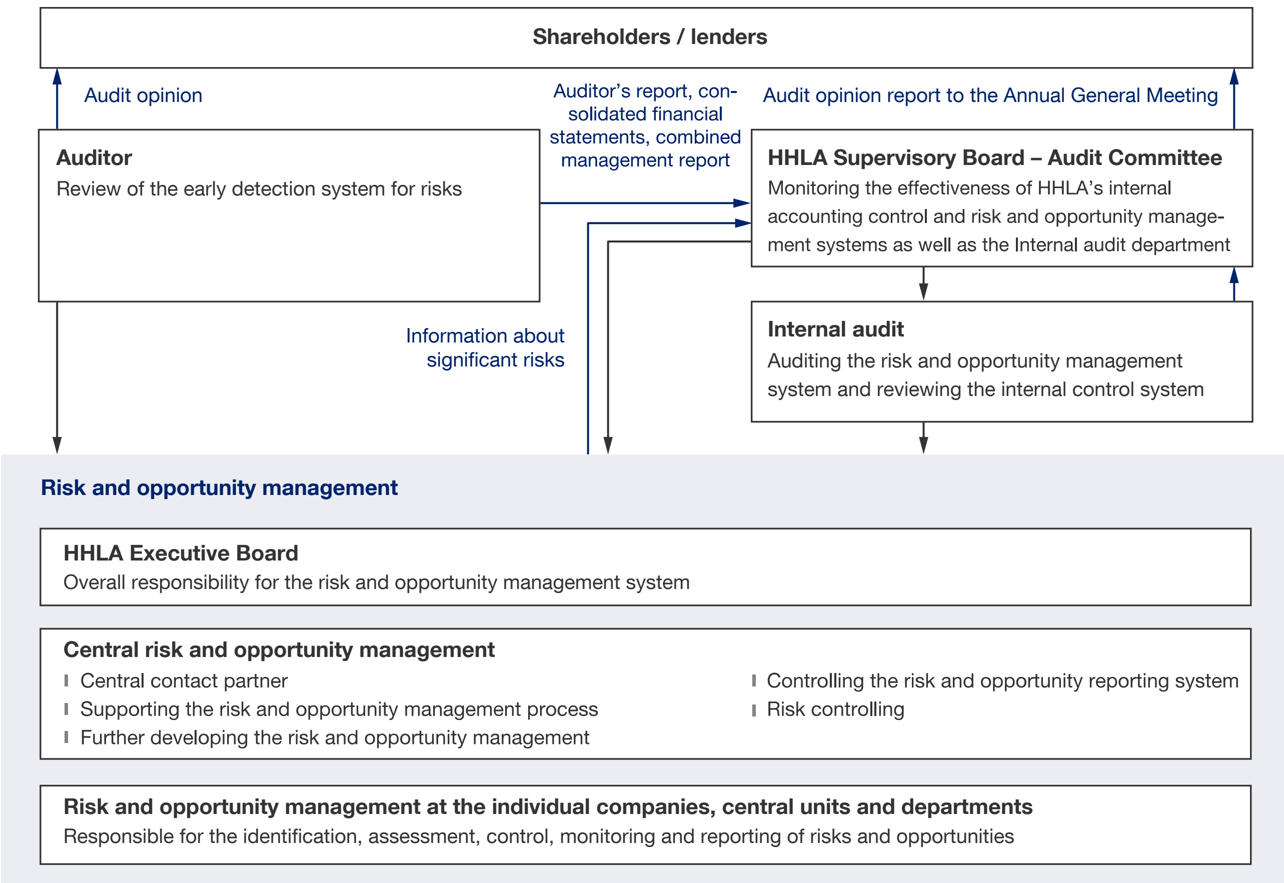
HHLA's internal accounting control and risk and opportunity management system is based on the criteria set out in the "Internal Control – Integrated Framework" working paper published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Accounting processes are assessed to 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.

Internal 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,

Risk and opportunity management and the internal control system for accounting



it is impossible to fully guarantee that accounting standards will always be met or that every incorrect statement will always be avoided or identified.

Significant regulations and controls

Accounting tasks and functions are clearly defined within the Group. There is a clear functional demarcation between accounts payable and accounts receivable as well as the preparation of separate financial statements and the preparation of consolidated financial statements. There is also a clear demarcation between these departments and the respective segment accounting. Separating execution, settlement and authorisation functions and giving these responsibilities to different members of staff reduces the risk of fraud. Multi-stage approval and authorisation thresholds for ordering, payment transactions and accounting are employed across the Group. These include using the double-checking principle. There is a single accounting manual that covers the consistent application and documentation of accounting rules for the entire Group. Other accounting guidelines are also in place. Like the accounting manual, they are reviewed regularly and updated if necessary.

Most bookkeeping procedures are recorded using accounting systems developed by SAP. For the purpose of preparing HHLA's consolidated financial statements, affiliates add more information to their separate financial statements to form standardised report packages, which are then fed into the SAP ECCS consolidation module for all Group companies.

Measures are in place to protect the IT systems from unauthorised access. Access rights are granted in line with each user's role. Only those departments responsible for mapping transactions are given write access. Departments responsible for processing information use read access. The principles of function-related authorisations are defined in a set of SAP authorisation guidelines. These form part of a comprehensive IT security guideline, which regulates general access to the IT systems.

External service providers are used for pension reports, fiscal issues and for other reports and projects if necessary.

The specific formal requirements for the consolidation process pertaining to the consolidated financial statements are clearly defined. In addition to a definition of the consolidated group, there are also detailed rules requiring affiliates to use a standardised and complete report package. There are also specific provisions regarding the recording and handling of Group clearing transactions and subsequent balance reconciliations, or the determination of the fair value of shareholdings. As part of the consolidation process, the Group accounting team analyses the separate financial statements submitted by affiliates and corrects them if necessary. Incorrect information is identified and corrected as necessary using control mechanisms already defined in the SAP ECCS system or using system-based plausibility checks.

Independent monitoring

During their 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 following risk reporting represents the level of knowledge prior to the worldwide spread of the coronavirus. We refer to the **busines forecast** **for the effects of the coronavirus pandemic on the expected earnings situation.**

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, ongoing geopolitical tensions, developments on the market and in the competitive environment as well as uncertainties regarding the implementation of infrastructure projects. 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, prompting a ramping up of the corresponding security measures.

The overview below summarises the main individual 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	massiv	unlikely	↗
Financial risks	medium	unlikely	→
Other risks	medium	unlikely	→
IT risks	medium	unlikely	↗
Strategical risks	medium	unlikely	→
Legal 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 key risks and opportunities identified at Group level, taking into account any measures which have been put in place. No other significant 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.

Research institutes continue to forecast moderate growth for the global economy in the years ahead, although the projections for 2020 were repeatedly downgraded during the 2019 financial year and remain below the prior-year figures. This is due to the current protectionist tendencies and geopolitical tensions. In Europe, for example, a continued source of uncertainty is the impact of a no-deal Brexit and the development of the Italian debt crisis. The direct impact of Brexit is not significant for HHLA, as the proportion of containers coming from or going to the UK handled by our Hamburg terminals is very low. Due to protectionist tendencies – as evidenced by the current tariff disputes – the future development of global trade flows remains uncertain, even though the conflict between the USA and China eased towards the end of 2019. Moreover, the global economic climate is burdened by global geopolitical risks, the termination of the INF Treaty on arms control in August 2019 and the crisis in the Middle East. Further factors include additional or extended sanctions against Russia, as well as currency crises and the volatility of the oil price. Economic environment

A slight fall in economic growth is expected for China – the most important shipping region for the Port of Hamburg – in 2020. More significantly, however, this growth will be primarily driven by domestic demand and will only support global trade to a minor extent. It is too early to make a reliable estimate of the expected risks resulting from the coronavirus.

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.

The market research institute Drewry has revised its outlook for container traffic due to the further downgrading of forecasts for the global economy. While Drewry does expect growth in global container throughput and the Northern Europe–Asia trade route, which is particularly important to HHLA, in 2020, it believes that this growth will be slower than in previous forecasts. This estimate does not yet include the possible effects of the coronavirus outbreak in China. The associated volume and capacity risks thus remain relevant for HHLA but are still classed as unlikely.

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.

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. For HHLA's Intermodal subsidiaries, the risk of volumes 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 have operated in a tough competitive environment for container liner shipping for several years now. This is mainly due to structurally related idle capacities and low freight rates. Cost pressure and the resulting consolidation pressure on shipping companies will remain high in future.

Due to the ongoing restructuring of alliances and services on the Asia–Europe trades, a process which began in 2017, there are still risks and opportunities for HHLA 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. However, major changes in the current consortium structure are considered unlikely at present.

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. Under certain circumstances, this may lead to operational restrictions. Furthermore, unplanned price rises introduced by strategic IT suppliers cannot be ruled out. 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. Due to a shift in the Group's risk focus, the risks associated with increased traction/track costs are, unlike in the previous year, not currently classed as significant for the HHLA Group but are still recorded and monitored. 3. Other risk and opportunity factors, 4. IT risks

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 therefore require adjustments to the valuation of assets (mainly property, plant and equipment and financial 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 risks such as a devaluation of the Ukrainian currency, the hryvnia, compared to the budget estimate. However, the Group's assessment of currency risks has decreased compared to the previous year, due mainly to the rising value of the Ukrainian hryvnia over the past 18 months. 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 the market uncertainty, the liquidity and earnings position of shipping companies improved in 2019 compared to the previous year. This was mainly due to lower bunker costs and better management of utilised ship capacities in line with the prevailing demand situation. However, as a result of the ongoing disequilibrium between trading volumes and ship space, the unpredictability of bunker due to the IMO 2020 regulation and the volatility of freight rates, the risk of customer insolvencies – with the corresponding loss of throughput and receivables – remains relevant, especially in the Container segment. The risk assessment remains largely unchanged from the previous year and is still regarded as unlikely.

HHLA uses credit checks to reduce del credere collection risks. Active receivables management is used to enable the precise monitoring of receivables and payment patterns.

Pension obligations

The monetary policy decisions of the European Central Bank may lead to a further reduction in the relevant reference 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. In light of the expected interest rate trend, the potential damage amount has increased compared to the prior-year assessment. HHLA monitors interest trends so that it can adjust its provisions as necessary.

The court proceedings concerning the recognition of further entitlements beyond the previous regulations have been concluded in HHLA's favour.

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.

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 of the Speicherstadt historical warehouse district have been, or are being, comprehensively overhauled and refurbished by HHLA. The development of portfolio properties is a highly complex undertaking for planners and contractors alike.

Due to this complexity, defects in the planning and work carried out by contractors cannot be excluded – despite extensive quality assurance measures. HHLA ensures that any defects are rectified swiftly, comprehensively and sustainably, 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 increased compared to the previous year and are therefore included with the Group's significant risks for the first time.

Investment options

In addition to organic growth, HHLA systematically examines and evaluates acquisition opportunities. Potential equity investments focus on port projects in attractive growth markets. 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.

Digitalisation

Based on HHLA's ambition to drive the port's digital transformation process, further innovations in the field of digitalisation are to be initiated and implemented with the aim of enhancing the company's value. HHLA therefore invests in accelerators such as the Next Logistics Accelerator and Next Commerce Accelerator, and holds direct equity stakes in highly promising start-ups. This may result in opportunities to generate additional value added.

Technological innovations

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. It is therefore driving projects such as the testing of a transfer station for a hyperloop tunnel and the use of drones. Research and development The initiation of further projects may result in additional opportunities for boosting efficiency and value added in future.

4. IT risks

In the event of a cyberattack, e.g. in the form of destruction or ransoming of data, temporary restrictions or failures in IT applications and increased costs 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. Dredging work has begun and is expected to be completed by the beginning of 2021. Planning permission was obtained in August 2018, when the third supplementary planning decision was issued. The suit brought against the planning decision by environmental associations in September 2018 will be heard again in May 2020 but is not currently expected to delay the project. The shipping companies may, however, continue to reschedule their megaship liner services during the construction phase and traffic could bypass the Port of Hamburg – possibly permanently. This would result in a corresponding loss in earnings, but is still viewed as unlikely.

As well as swiftly dredging the navigation channel, 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. Deficits and delays in the expansion of the rail network, for example, could lead to the weakening of Hamburg's competitiveness as a rail port. In the Intermodal segment, there may be additional costs or delays due to bottlenecks in the rail network. This may result from 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. Projects of special significance for HHLA also include the future replacement of the Köhlbrand Bridge, whose useful life looks set to end in 2030, 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.

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 system-based business partner screening tool – which will also facilitate the Group-wide, standardised, risk-oriented screening of HHLA's business partners in future – also helps 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. 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.

Conversely, new regulations may also lead to opportunities that mainly boost the market potential of technological innovations, e.g. of HHLA Sky by increasing access to airspace.

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 and purposes that it pursues. The Executive Board and Supervisory Board once again took great care to ensure the recommendations and suggestions of the Code were met in the 2019 financial year and submitted their annual declaration of compliance in accordance with Section 161 AktG on 13 December 2019. 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 7 December 2018 (the date on which the previous declaration of compliance was issued), HHLA complied with the recommendations of the German Corporate Governance Code ("the Code" or "GCGC") in the version dated 7 February 2017 with the following exceptions. Furthermore, HHLA shall comply with the Code in the future with the following exceptions:

In February 2017, sentence 2 was added to Section 4.2.3 (2) GCGC, which recommends that the long-term assessment basis used for variable executive remuneration should fundamentally be forward-looking. 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 is already geared towards sustainable development in its current form. Regardless of this, the Supervisory Board will also address whether the variable remuneration of the Executive Board should be adjusted in future in its currently ongoing review of the Executive Board remuneration system.

Hamburg, 13 December 2019
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, particularly insider 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, the business partner screening system currently being introduced helps to reduce compliance risks by facilitating a risk-oriented assessment of business partners. Overall coordination of the CMS is performed by the Group Compliance Officer, who reports directly to the Executive Board and synchronises his or her 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 position of the company and the Group, 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. 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 German 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, developing a personnel 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 and the Supervisory Board work in a spirit of mutual trust in the interests of the company. It provides with regular, timely and comprehensive information on all matters that are relevant for the company or the Group. 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. Transactions of material importance between Group companies and members of the Executive Board and parties and companies related to them must be performed on an arm's-length basis and require the approval of the Supervisory Board. Other duties, especially supervisory board posts at companies outside the Group, also require the approval of the Supervisory Board. **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. At present, there are four members of the Executive Board. 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

Along with the professional skills and experience of the Executive Board members, the Supervisory Board 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. The objectives below serve as guidelines for long-term succession planning and the selection of suitable candidates.

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 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;

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

- 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 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 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 not only consider 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 2019 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 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).

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 also 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 attributable to the Real Estate division.

Personnel Committee

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

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 specifying the remuneration of the Executive Board and the examination of the remuneration system for the Executive Board, and handles the Executive Board contracts, provided the German Stock Corporation Act (AktG) does not require the full council of the Supervisory Board to handle these responsibilities.

Nomination Committee

Members: Prof. Dr. Rüdiger Grube (Chair), Dr. Torsten Sevecke (Vice Chair), Dr. Sibylle Roggencamp

Responsibilities: In line with the statutory requirements, the recommendations of the Code, the skills matrix agreed by the Supervisory Board for the Executive 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, Dr. Torsten Sevecke

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 has approved a requirement profile for HHLA's Supervisory Board. In addition to key legal requirements and the recommendations of the Code concerning supervisory board composition, this 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.

The requirement profile below was approved in December 2017. In light of the latest version of the Code, the Supervisory Board will review the aforementioned goals and requirements in a timely fashion and amend them where necessary.

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. As well as ensuring its members fulfil professional and personal requirements, the Supervisory Board believes that diversity aspects 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; and
- compliance with the limits on mandates set out in Section 100 AktG and Section 5.4.5 sentence 2 GCGC.

Available time

Each Supervisory Board member ensures that they have the time needed to properly fulfil a Supervisory Board mandate. 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 – especially in the case of reviewing the documents relating to the annual and consolidated financial statements. 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.

Duration of membership and age limit

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 logistics industry – 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 logistics business, ideally in the port logistics and intermodal sectors, including the relevant markets and clients' needs;
- operations and technology, including IT systems 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
- applying 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 should have at least two independent members from amongst the shareholders, as defined in Section 5.4.2 GCGC. Furthermore, the Supervisory Board assumes that the fact employee representatives speak for the staff and are employed by the company does not as such jeopardise their independence and that employee representatives should not therefore be viewed as dependent per se. Instead, they are expected to consider the material circumstances in each case.

To prevent potential conflicts of interest, no more than two former Executive Board members should sit on the Supervisory Board. In addition, 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.

Should any conflicts of interest arise – especially as a result of an advisory role or seat on an executive body involving customers, suppliers, creditors or other third parties – the Supervisory Board member in question is obliged to disclose these to the Supervisory Board. The Supervisory Board provides information on conflicts of interest and their treatment in its yearly 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 period of office.

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 at least 40 % 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 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 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 more than three terms of office on the Supervisory Board. The Supervisory Board currently has three independent members from amongst its shareholders: Prof. Dr. Grube, Dr. Kloppenburg and Prof. Dr. Schwenker. Dr. Kloppenburg also has expert knowledge and experience in the fields of accounting, auditing and internal control processes and therefore fulfils 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 (as amended in the event that amendments are carried out during the revision of the Code) 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 when electing shareholder representatives. 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 activities of the Supervisory Board and its committees, as well as the Supervisory Board's cooperation with the Executive Board in the reporting period, can be found in the Report of the Supervisory Board. Further information on the composition of the Supervisory Board and its committees can be found at the end of this section. Lastly, curricula vitae for the current members of the Supervisory Board are published on the company's website, www.hhla.de. These are updated each year.

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 2019, women accounted for 27 % of the first management level and 22 % of the second management level.

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 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 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/agm 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 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 2019 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. 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.

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)
- Evonik Industries AG, Essen[3]
- 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]
- 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]
- 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 30.04.2021

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

Torben Seebold
Chief Human Resources Officer (since 01.04.2019)

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

Vice Chairman of the works council of 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

Managing Director of 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)
- 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

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)
- 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]
- FreightHub GmbH, Berlin (until 18.04.2019)
- 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

Trade union secretary, ver.di

Supervisory Board member since: June 2017

Other mandates[1]
- Hapag-Lloyd AG, Hamburg[3]

Dr. Torsten Sevecke
Doctorate in law, Hamburg

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

Supervisory Board member since: June 2018

Other mandates[1]
- 4Free AG, Hamburg
- Erneuerbare Energien Hamburg Clusteragentur GmbH[5] (Chair)
- Hamburg Messe und Congress GmbH[5] (since 10.09.19) (Chair)
- Hamburg Tourismus GmbH[5] (since 24.01.2019) (Chair)
- Hamburgische Investitions- und Förderbank AöR[5]
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH[5]
- HIW Hamburg Invest Wirtschaftsförderungsgesellschaft mbH[5] (Chair)
- Life Science Nord Management GmbH[5] (Chair)
- Logistik-Initiative Hamburg Management GmbH[5] (until 31.05.2019)
- ReGe Hamburg Projekt-Realisierungsgesellschaft mbH[5]
- ZAL Zentrum für Angewandte Luftfahrtforschung GmbH[5] (Chair)

Members who departed in 2019

Heinz Brandt
Former member of the Executive Board

Legal assessor, Bremen
Member of the Executive Board (Chief Human Resources Officer) of Hamburger Hafen and Logistik AG

First appointed: 2009
Departed on: 31.03.2019

Further mandates[1] (until 31.03.2019)
- Gesamthafenbetriebs-Gesellschaft mbH, Hamburg (Chair)
- HHLA-Personal-Service GmbH[2] (Chair)
- HPC Hamburg Port Consulting GmbH[2]
- Verwaltungsausschuss für den Hafenfonds der Gesamthafenbetriebs-Gesellschaft, Hamburg

Michael Westhagemann
Former member of the Supervisory Board

Computer scientist, Hamburg
Senator at the Hamburg Ministry for the Economy, Transport and Innovation

First elected: 2017
Departed on: 06.02.2019

Further mandates[1] (until 06.02.2019)
- HafenCity Hamburg GmbH[5]
- Hamburg Marketing GmbH[5] (Chair)
- Hamburg Port Authority AöR[5] (Chair)
- Hamburger Hochbahn AG[5] (Chair)

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

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 the recommendations of the German Corporate Governance Code, 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.

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 initiated a review of the remuneration system for the Executive Board, which is expected to be completed by the end of 2020.

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 2019 financial year amounted to approximately € 3.1 million (previous year: approximately € 3.0 million). Former members of the Executive Board and their surviving dependants received benefits totalling € 1,096,949 (previous year: € 1,008,923). Total provisions of € 28,783,941 were recognised for pension obligations to former members of the Executive Board and their surviving dependants (previous year: € 23,239,497).

Level of remuneration for Executive Board members according to different scenarios

As of: 31 December 2019

	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

Individual remuneration of the Executive Board

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

Angela Titzrath, Chairwoman of the Executive Board

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	461,250	461,250	461,250	450,000	461,250	450,000
Other benefits	13,859	13,859	13,859	13,859	13,859	13,859
Total	**475,109**	**475,109**	**475,109**	**463,859**	**475,109**	**463,859**
One-year variable remuneration[1, 2]	434,988	0	461,250	406,450	461,250	400,391
Other	0	0	0	0	0	0
Total remuneration[5]	**910,097**	**475,109**	**936,359**	**870,309**	**936,359**	**864,250**
Service cost[3, 4]	2,796,735	2,796,735	2,796,735	355,898	2,796,735	355,898
Total expenses	**3,706,832**	**3,271,844**	**3,733,094**	**1,226,207**	**3,733,094**	**1,220,148**

Heinz Brandt, Executive Board member (until 31 March 2019)

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	87,500	87,500	87,500	350,000	87,500	350,000
Other benefits	3,410	3,410	3,410	13,359	3,410	13,359
Total	**90,910**	**90,910**	**90,910**	**363,359**	**90,910**	**363,359**
One-year variable remuneration[1, 2]	87,341	0	87,500	326,450	87,500	323,974
Other	0	0	0	0	0	0
Total remuneration[5]	**178,251**	**90,910**	**178,410**	**689,809**	**178,410**	**687,333**
Service cost[3]	0	0	0	269,655	0	269,655
Total expenses	**178,251**	**90,910**	**178,410**	**959,464**	**178,410**	**956,988**

Jens Hansen, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	350,000	350,000	350,000	350,000	350,000	350,000
Other benefits	18,624	18,624	18,624	18,624	18,624	18,624
Total	**368,624**	**368,624**	**368,624**	**368,624**	**368,624**	**368,624**
One-year variable remuneration[1, 2]	350,000	0	350,000	350,000	350,000	350,000
Other	0	0	0	0	0	0
Total remuneration[5]	**718,624**	**368,624**	**718,624**	**718,624**	**718,624**	**718,624**
Service cost[3]	35,000	35,000	35,000	35,000	35,000	35,000
Total expenses	**753,624**	**403,624**	**753,624**	**753,624**	**753,624**	**753,624**

Dr. Roland Lappin, Executive Board member

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	360,000	360,000	360,000	350,000	360,000	350,000
Other benefits	10,782	10,782	10,782	10,782	10,782	10,782
Total	**370,782**	**370,782**	**370,782**	**360,782**	**370,782**	**360,782**
One-year variable remuneration[1, 2]	360,000	0	360,000	326,450	360,000	323,974
Other	0	0	0	0	0	0
Total remuneration[5]	**730,782**	**370,782**	**730,782**	**687,232**	**730,782**	**684,756**
Service cost[3]	195,110	195,110	195,110	207,878	195,110	207,878
Total expenses	**925,892**	**565,892**	**925,892**	**895,110**	**925,892**	**892,634**

Torben Seebold, Executive Board member (since 1 April 2019)

	Benefits granted (target)				Allocation	
in €	**2019**	2019 Minimum	2019 Maximum	2018	**2019**	2018
Fixed remuneration	236,250	236,250	236,250	0	236,250	0
Other benefits	23,671	23,671	23,671	0	23,671	0
Total	**259,921**	**259,921**	**259,921**	**0**	**259,921**	**0**
One-year variable remuneration[1, 2]	236,250	0	236,250	0	236,250	0
Other	0	0	0	0	0	0
Total remuneration[5]	**496,171**	**259,921**	**496,171**	**0**	**496,171**	**0**
Service cost[3]	23,625	23,625	23,625	0	23,625	0
Total expenses	**519,796**	**283,546**	**519,796**	**0**	**519,796**	**0**

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

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

3 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)

4 Service costs for 2019 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, 2019

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

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 belong to 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 belonged to 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 € 305,875 (previous year: € 309,292).

Additional information on takeover law and explanatory notes

1. The subscribed capital of the company amounts to € 72,753,334.00. It is divided into 72,753,334 registered no-par-value shares with a pro-rata share of the company's share capital of € 1.00. Of this amount, 70,048,834 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]	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Prof. Dr. Rüdiger Grube	40,500	40,500	9,375	5,000	3,500	3,500	53,375	49,000
Berthold Bose	20,250	20,250	2,500	2,500	2,250	3,500	25,000	26,250
Dr. Norbert Kloppenburg	13,500	13,500	7,500	7,500	3,750	3,750	24,750	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	4,250	4,750	27,750	28,250
Dr. Isabella Niklas[2]	13,500	7,875	7,500	3,125	3,250	1,750	24,250	12,750
Norbert Paulsen	13,500	13,500	10,000	10,000	4,500	5,250	28,000	28,750
Sonja Petersen	13,500	13,500	5,000	5,000	4,000	3,000	22,500	21,500
Dr. Sibylle Roggencamp	13,500	13,500	10,000	10,000	4,750	5,000	28,250	28,500
Maya Schwiegershausen-Güth	13,500	13,500	0	0	1,750	1,750	15,250	15,250
Dr. Torsten Sevecke[2]	13,500	7,875	5,000	1,458	2,250	2,250	20,750	11,583
Prof. Dr. Burkhard Schwenker[3]	7,875	0	4,375	0	2,250	0	14,500	0
Michael Westhagemann[4]	2,250	13,500	1,250	7,500	0	3,250	3,500	24,250
Total	**192,375**	**199,125**	**75,000**	**69,166**	**38,500**	**41,000**	**305,875**	**309,292**

1 All figures exclude VAT
2 Since 12 June 2018 (Annual General Meeting 2018)
3 Until 18 June 2019 (Annual General Meeting 2019)
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 of the German Co-Determination Act (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 was authorised by the Annual General Meeting on 21 June 2017 to increase the company's share capital until 20 June 2022 by up to € 35,024,417.00 by issuing up to 35,024,417 new registered class A shares for 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 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.

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. Notes to the consolidated financial statements, no. 9 Changes in inventories

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) 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 30 domestic and 16 foreign subsidiaries that make up the consolidated group. In the 2019 financial year, HHLA AG acquired shares in companies in order to expand its digital business activities and extend its intermodal network. 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 1,055 employees as of 31 December 2019 (previous year: 1,045). Of this number, 271 received wages (previous year: 290), 719 received a salary (previous year: 714) and 65 were apprentices (previous year: 41). Of the 1,055 staff members, 452 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. Economic environment

Earnings position

Key figures

in € million	2019	2018	Change
Revenue	136.0	122.8	10.7 %
Other income and expenses	- 163.4	- 156.1	- 4.7 %
Operating result	- 27.4	- 33.3	17.7 %
Financial result	- 28.5	- 27.2	- 4.8 %
Result from equity investments	143.4	125.6	14.2 %
Income taxes	- 11.7	- 8.9	- 31.5 %
Net profit	75.8	56.2	34.9 %

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 € 136.0 million in the reporting period (previous year: € 122.8 million). The rise of € 13.2 million resulted from services billed to subsidiaries of HHLA AG.

Other income and expenses reduced earnings by an additional € 7.3 million compared with the previous year. This was largely due to expenses for the development of strategic initiatives, as well as income from the reversal of provisions recognised in the previous year.

The year-on-year decrease in the **financial result** resulted mainly from increased interest expenses due to the issuance of promissory note loans and registered bonds.

The development of **income from equity investments** was primarily due to the performance of the Intermodal segment. The net profits of HHLA's affiliates and equity investments recognised in profit or loss rose year-on-year by € 17.8 million to € 143.4 million (previous year: € 125.6 million).

The € 2.8 million increase in **income taxes** stemmed mainly from the rise in the operating and financial result.

The company's **annual net profit** amounted to € 75.8 million in the reporting period (previous year: € 56.2 million). The A division accounted for € 66.6 million of this amount (previous year: € 47.7 million) and the S division for € 9.2 million (previous year: € 8.5 million).

Forecast and actual figures

in € million	Actual 2018	Forecast 2019	**Actual 2019**
Net profit	56.2	At previous year's level	75.8

The difference between the actual annual net profit and the forecast is mainly attributable to the development of income from equity investments.

Assets

Balance sheet structure

in € million	**31.12.2019**	31.12.2018
Assets		
Intangible assets and property, plant and equipment	32.4	29.8
Financial assets	444.5	424.8
Other assets	718.5	695.7
Balance sheet total	**1,195.4**	**1,150.3**
Equity and liabilities		
Equity	492.2	478.1
Pension provisions	330.1	323.9
Other liabilities	373.1	348.3
Balance sheet total	**1,195.4**	**1,150.3**
Equity ratio in %	41.2	41.6
Intensity of investments in %	2.7	2.6

The carrying amounts of **intangible assets** and **property, plant and equipment** totalled € 32.4 million at the end of the reporting period (previous year: € 29.8 million). Capital expenditure amounted to € 6.9 million in the reporting period (previous year: € 9.8 million). Capital expenditure focused mainly on expanding the IT landscape.

The increase in **financial assets** of € 19.7 million to € 444.5 million was primarily due to the above-mentioned expansion of digital business activities.

Development in pension provisions

in € thousand	**2019**	2018
Carrying amount on 1 January	**323,888**	**309,575**
Transfer amount[1]	0	4,296
Expense recognised in profit and loss	25,301	29,210
Pension payments	- 19,079	- 19,193
Carrying amount on 31 December	**330,110**	**323,888**

1 In the previous year, a transfer amount resulted from the harmonisation of the existing pension scheme.

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 2.71 % set by Deutsche Bundesbank was applied for the reporting year (previous year: 3.21 %).

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 € 330.1 million at the end of the reporting period (previous year: € 323.9 million).

Financial position

Liquidity analysis

in € million	**2019**	2018
Financial funds as of 1 January	**416.1**	**388.4**
Cash flow from operating activities	103.7	38.2
Cash flow from investing activities	- 26.7	- 58.2
Cash flow from financing activities	- 61.7	47.7
Financial funds as of 31 December	**431.4**	**416.1**
of which receivables from subsidiaries	224.1	192.3
of which cash and cash equivalents	207.3	223.8

Cash flow from operating activities totalled € 103.7 million in the reporting period (previous year: € 38.2 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 € 224.1 million (previous year: € 192.3 million), cash and cash equivalents in the form of bank balances totalling € 112.3 million (previous year: € 128.8 million) – of which € 45.0 million (previous year: € 20.0 million) was short-term bank deposits – and clearing receivables of € 95.0 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. Management of risk and opportunities

Business forecast

Outlook

Due to its close ties with the affiliated companies and its weight within the Group, the expectations for Hamburger Hafen und Logistik Aktiengesellschaft (HHLA) 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 the holding company. Furthermore, the income from equity investments is expected to make a substantial contribution towards HHLA's earnings. Business forecast

Expected earnings position in 2020

Based on the possible effects of the global coronavirus pandemic described in the Group's business forecast on the expected earnings situation of the HHLA Group, HHLA AG expects the annual profit to decline sharply compared to the previous year. As with the Group, a reliable forecast is not possible at HHLA AG due to the current developments. Business forecast

Expected financial position in 2020

Based on the liquidity control measures described in the Group's business forecast , HHLA AG expects its financial position to remain stable. Business forecast

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, 23 March 2020

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	**2019**	2018
Revenue	8.	1,382,625	1,291,136
Changes in inventories	9.	131	448
Own work capitalised	10.	6,183	5,209
Other operating income	11.	45,583	41,414
Cost of materials	12.	- 401,203	- 367,103
Personnel expenses	13.	- 516,119	- 480,580
Other operating expenses	14.	- 134,575	- 172,072
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**382,625**	**318,452**
Depreciation and amortisation	15.	- 161,388	- 114,232
Earnings before interest and taxes (EBIT)		**221,237**	**204,220**
Earnings from associates accounted for using the equity method	16.	4,458	5,347
Interest income	16.	2,886	2,128
Interest expenses	16.	- 42,459	- 28,111
Other financial result	16.	0	0
Financial result	**16.**	**- 35,115**	**- 20,636**
Earnings before tax (EBT)		**186,122**	**183,584**
Income tax	18.	- 49,064	- 45,110
Profit after tax		**137,058**	**138,474**
of which attributable to non-controlling interests	19.	33,776	26,193
of which attributable to shareholders of the parent company		103,282	112,281
Earnings per share, basic and diluted, in €	**20.**		
HHLA Group		1.42	1.54
Port Logistics subgroup		1.34	1.47
Real Estate subgroup		3.57	3.46

Statement of comprehensive income – HHLA Group

in € thousand	Note	**2019**	2018
Profit after tax		**137,058**	**138,474**
Components which cannot be transferred to the income statement			
Actuarial gains/losses	36.	- 45,625	11,603
Deferred taxes	18.	14,726	- 3,747
Total		**- 30,899**	**7,856**
Components which can be transferred to the income statement			
Cash flow hedges	47.	0	33
Foreign currency translation differences		8,551	1,625
Deferred taxes	18.	- 26	36
Other		79	- 124
Total		**8,604**	**1,571**
Income and expense recognised directly in equity		**- 22,295**	**9,427**
Total comprehensive income		**114,763**	**147,900**
of which attributable to non-controlling interests		32,706	26,247
of which attributable to shareholders of the parent company		82,057	121,653

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**	
Components which can be transferred to the income statement				
Cash flow hedges	0	0	0	
Foreign currency translation differences	8,551	8,551	0	
Deferred taxes	- 26	- 26	0	
Other	79	79	0	
Total	**8,604**	**8,604**	**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	

Income statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	2018 Port Logistics	2018 Real Estate	2018 Consolidation
Revenue	1,291,136	1,258,519	39,251	- 6,634
Changes in inventories	448	448	0	0
Own work capitalised	5,209	4,481	0	728
Other operating income	41,414	37,429	5,743	- 1,758
Cost of materials	- 367,103	- 359,903	- 7,848	648
Personnel expenses	- 480,580	- 478,365	- 2,215	0
Other operating expenses	- 172,072	- 164,841	- 14,247	7,016
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**318,452**	**297,768**	**20,684**	**0**
Depreciation and amortisation	- 114,232	- 109,350	- 5,225	343
Earnings before interest and taxes (EBIT)	**204,220**	**188,418**	**15,459**	**343**
Earnings from associates accounted for using the equity method	5,347	5,347	0	0
Interest income	2,128	2,240	50	- 162
Interest expenses	- 28,111	- 25,570	- 2,703	162
Other financial result	0	0	0	0
Financial result	**- 20,636**	**- 17,983**	**- 2,653**	**0**
Earnings before tax (EBT)	**183,584**	**170,435**	**12,806**	**343**
Income tax	- 45,110	- 41,332	- 3,693	- 85
Profit after tax	**138,474**	**129,103**	**9,113**	**258**
of which attributable to non-controlling interests	26,193	26,193	0	
of which attributable to shareholders of the parent company	112,281	102,910	9,371	
Earnings per share, basic and diluted, in €	**1.54**	**1.47**	**3.46**	

Statement of comprehensive income – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	2018 Port Logistics	2018 Real Estate	2018 Consolidation
Profit after tax	**138,474**	**129,103**	**9,113**	**258**
Components which cannot be transferred to the income statement				
Actuarial gains/losses	11,603	11,809	- 206	
Deferred taxes	- 3,747	- 3,814	67	
Total	**7,856**	**7,995**	**- 139**	
Components which can be transferred to the income statement				
Cash flow hedges	33	33	0	
Foreign currency translation differences	1,625	1,625	0	
Deferred taxes	36	36	0	
Other	- 124	- 124	0	
Total	**1,571**	**1,571**	**0**	
Income and expense recognised directly in equity	**9,427**	**9,566**	**- 139**	**0**
Total comprehensive income	**147,900**	**138,669**	**8,973**	**258**
of which attributable to non-controlling interests	26,247	26,247	0	
of which attributable to shareholders of the parent company	121,653	112,421	9,231	

Balance sheet – HHLA Group

in € thousand	Note	31.12.2019	31.12.2018
ASSETS			
Intangible assets	22.	104,506	89,753
Property, plant and equipment	23.	1,677,256	1,060,262
Investment property	24.	185,149	184,724
Associates accounted for using the equity method	25.	17,193	16,463
Non-current financial assets	26.	16,177	13,618
Deferred taxes	18.	124,071	82,126
Non-current assets		**2,124,352**	**1,446,946**
Inventories	27.	25,242	22,997
Trade receivables	28.	168,127	179,824
Receivables from related parties	29.	98,805	100,244
Current financial assets	30.	3,579	4,062
Other assets	31.	29,672	30,758
Income tax receivables	32.	2,201	6,656
Cash, cash equivalents and short-term deposits	33.	158,041	181,460
Non-current assets held for sale	34.	0	0
Current assets		**485,667**	**526,001**
Balance sheet total		**2,610,019**	**1,972,947**
EQUITY AND LIABILITIES			
Subscribed capital		72,753	72,753
Port Logistics subgroup		70,048	70,048
Real Estate subgroup		2,705	2,705
Capital reserve		141,584	141,584
Port Logistics subgroup		141,078	141,078
Real Estate subgroup		506	506
Retained earnings		499,683	512,369
Port Logistics subgroup		449,076	464,806
Real Estate subgroup		50,607	47,563
Other comprehensive income		- 124,278	- 103,053
Port Logistics subgroup		- 123,702	- 102,655
Real Estate subgroup		- 577	- 398
Non-controlling interests		- 10,880	- 8,812
Port Logistics subgroup		- 10,880	- 8,812
Real Estate subgroup		0	0
Equity	35.	**578,862**	**614,841**
Pension provisions	36.	503,239	448,930
Other non-current provisions	37.	114,093	110,138
Non-current liabilities to related parties	40.	485,442	104,999
Non-current financial liabilities	38.	626,335	429,886
Deferred taxes	18.	20,704	20,704
Non-current liabilities		**1,749,813**	**1,114,657**
Other current provisions	37.	24,005	28,045
Trade liabilities	39.	74,879	87,043
Current liabilities to related parties	40.	37,152	7,940
Current financial liabilities	38.	102,351	82,684
Other liabilities	41.	36,767	32,800
Income tax liabilities	42.	6,190	4,937
Current liabilities		**281,344**	**243,449**
Balance sheet total		**2,610,019**	**1,972,947**

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 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 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**

Balance sheet – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	31.12.2018 Group	**31.12.2018 Port Logistics**	**31.12.2018 Real Estate**	31.12.2018 Consolidation
ASSETS				
Intangible assets	89,753	89,739	14	0
Property, plant and equipment	1,060,262	1,042,010	4,359	13,893
Investment property	184,724	30,444	179,710	- 25,430
Associates accounted for using the equity method	16,463	16,463	0	0
Non-current financial assets	13,618	9,505	4,113	0
Deferred taxes	82,126	92,371	0	- 10,245
Non-current assets	**1,446,946**	**1,280,532**	**188,196**	**- 21,782**
Inventories	22,997	22,949	48	0
Trade receivables	179,824	178,624	1,200	0
Receivables from related parties	100,244	80,571	20,462	- 789
Current financial assets	4,062	3,959	103	0
Other assets	30,758	29,483	1,275	0
Income tax receivables	6,656	6,869	612	- 825
Cash, cash equivalents and short-term deposits	181,460	180,312	1,148	0
Non-current assets held for sale	0	0	0	0
Current assets	**526,001**	**502,767**	**24,848**	**- 1,614**
Balance sheet total	**1,972,947**	**1,783,299**	**213,044**	**- 23,396**
EQUITY AND LIABILITIES				
Subscribed capital	72,753	70,048	2,705	0
Capital reserve	141,584	141,078	506	0
Retained earnings	512,369	464,806	56,231	- 8,668
Other comprehensive income	- 103,053	- 102,655	- 398	0
Non-controlling interests	- 8,812	- 8,812	0	0
Equity	**614,841**	**564,465**	**59,045**	**- 8,668**
Pension provisions	448,930	442,114	6,816	0
Other non-current provisions	110,138	107,724	2,414	0
Non-current liabilities to related parties	104,999	104,999	0	0
Non-current financial liabilities	429,886	317,968	111,918	0
Deferred taxes	20,704	14,382	19,435	- 13,113
Non-current liabilities	**1,114,657**	**987,187**	**140,583**	**- 13,113**
Other current provisions	28,045	27,846	199	0
Trade liabilities	87,043	82,560	4,483	0
Current liabilities to related parties	7,940	7,545	1,184	- 789
Current financial liabilities	82,684	77,509	5,175	0
Other liabilities	32,800	31,463	1,337	0
Income tax liabilities	4,937	4,724	1,038	- 825
Current liabilities	**243,449**	**231,647**	**13,416**	**- 1,614**
Balance sheet total	**1,972,947**	**1,783,299**	**213,044**	**- 23,396**

Cash flow statement – HHLA Group

in € thousand	Note	2019	2018
1. Cash flow from operating activities			
Earnings before interest and taxes (EBIT)		221,237	204,220
Depreciation, amortisation, impairment and reversals on non-financial non-current assets		161,388	114,232
Increase (+), decrease (-) in provisions		393	- 6,042
Gains (-), losses (+) from the disposal of non-current assets		- 6,043	- 3,492
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities		12,385	- 30,149
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities		1,466	7,121
Interest received		2,842	1,623
Interest paid		- 30,008	- 12,192
Income tax paid		- 43,596	- 48,275
Exchange rate and other effects		2,601	5,665
Cash flow from operating activities		**322,665**	**232,711**
2. Cash flow from investing activities			
Proceeds from disposal of intangible assets, property, plant and equipment and investment property		9,878	5,324
Payments for investments in property, plant and equipment and investment property		- 169,208	- 126,516
Payments for investments in intangible assets	22.	- 9,961	- 11,110
Proceeds from disposal of non-current financial assets		0	4,154
Payments for investments in non-current financial assets		0	- 210
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)		- 2,007	- 72,562
Proceeds (+), payments (-) for short-term deposits		- 22,550	- 2,450
Cash flow from investing activities		**- 193,848**	**- 203,370**
3. Cash flow from financing activities			
Payments for equity repatriation		0	- 342
Payments for increasing interests in fully consolidated companies		0	- 51,845
Dividends paid to shareholders of the parent company	21.	- 61,719	- 52,342
Dividends/settlement obligation paid to non-controlling interests		- 29,661	- 31,183
Payments for the redemption of lease liabilities		- 45,799	- 4,827
Proceeds from the issuance of bonds and (financial) loans		0	136,924
Payments for the redemption of (financial) loans		- 39,733	- 27,867
Cash flow from financing activities		**- 176,912**	**- 31,482**
4. Financial funds at the end of the period			
Change in financial funds (subtotals 1.–3.)		- 48,096	- 2,141
Change in financial funds due to exchange rates		2,129	616
Financial funds at the beginning of the period		253,989	255,514
Financial funds at the end of the period	43.	**208,022**	**253,989**

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	
Proceeds from disposal of non-current financial assets	0	0	0	
Payments for investments in 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 equity repatriation	0	0	0	
Payments for increasing interests in fully consolidated companies	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	
Proceeds from the issuance of bonds and (financial) loans	0	0	0	
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	
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**

Cash flow statement – HHLA subgroups

in € thousand; Port Logistics subgroup and Real Estate subgroup; annex to the notes	2018 Group	2018 Port Logistics	2018 Real Estate	2018 Consolidation
1. Cash flow from operating activities				
Earnings before interest and taxes (EBIT)	204,220	188,418	15,459	343
Depreciation, amortisation, impairment and reversals on non-financial non-current assets	114,232	109,350	5,225	- 343
Increase (+), decrease (-) in provisions	- 6,042	- 5,810	- 232	
Gains (-), losses (+) from the disposal of non-current assets	- 3,492	- 3,489	- 3	
Increase (-), decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	- 30,149	- 35,879	2,526	3,204
Increase (+), decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	7,121	10,711	- 386	- 3,204
Interest received	1,623	1,735	50	- 162
Interest paid	- 12,192	- 9,759	- 2,595	162
Income tax paid	- 48,275	- 46,160	- 2,115	
Exchange rate and other effects	5,665	5,666	- 1	
Cash flow from operating activities	**232,711**	**214,783**	**17,928**	**0**
2. Cash flow from investing activities				
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	5,324	5,288	36	
Payments for investments in property, plant and equipment and investment property	- 126,516	- 118,142	- 8,374	
Payments for investments in intangible assets	- 11,110	- 11,099	- 11	
Proceeds from disposal of non-current financial assets	4,154	4,154	0	
Payments for investments in non-current financial assets	- 210	- 210	0	
Payments for acquiring interests in consolidated companies and other business units (including funds purchased)	- 72,562	- 72,562	0	
Proceeds (+), payments (-) for short-term deposits	- 2,450	- 2,450	0	
Cash flow from investing activities	**- 203,370**	**- 195,021**	**- 8,349**	**0**
3. Cash flow from financing activities				
Payments for equity repatriation	- 342	- 342	0	
Payments for increasing interests in fully consolidated companies	- 51,845	- 51,845	0	
Dividends paid to shareholders of the parent company	- 52,342	- 46,933	- 5,409	
Dividends/settlement obligation paid to non-controlling interests	- 31,183	- 31,183	0	
Payments for the redemption of lease liabilities	- 4,827	- 4,827	0	
Proceeds from the issuance of bonds and (financial) loans	136,924	126,924	10,000	
Payments for the redemption of (financial) loans	- 27,867	- 23,941	- 3,926	
Cash flow from financing activities	**- 31,482**	**- 32,147**	**665**	**0**
4. Financial funds at the end of the period				
Change in financial funds (subtotals 1.–3.)	- 2,141	- 12,385	10,244	0
Change in financial funds due to exchange rates	616	616	0	
Financial funds at the beginning of the period	255,514	244,631	10,883	
Financial funds at the end of the period	**253,989**	**232,862**	**21,127**	**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 2017	**70,048**	**2,705**	**141,078**	**506**	**469,672**	**- 70,041**
Adjustment due to first-time adoption of IFRS 9					68	
Balance as of 1 January 2018	**70,048**	**2,705**	**141,078**	**506**	**469,740**	**- 70,041**
Dividends					- 52,342	
Settlement obligation to shareholders with non-controlling interests						
Acquisition of non-controlling interests in consolidated companies					- 17,311	
First-time consolidation of interests in related parties						
Total comprehensive income					112,281	1,617
Other changes					1	14
Balance as of 31 December 2018	**70,048**	**2,705**	**141,078**	**506**	**512,369**	**- 68,410**
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**

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
405	**- 80,248**	**25,813**	**11,633**	**571,570**	**30,790**	**602,359**
				68	34	102
405	**- 80,248**	**25,813**	**11,633**	**571,638**	**30,823**	**602,461**
				- 52,342	- 283	- 52,625
				0	- 32,645	- 32,645
				- 17,311	- 32,597	-49,908
				0	- 342	-342
33	11,523	- 3,688	- 114	121,653	26,247	147,900
				15	- 15	0
438	**- 68,725**	**22,125**	**11,519**	**623,653**	**- 8,812**	**614,841**
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**

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 2017	**70,048**	**141,078**	**426,068**	**- 70,041**
Adjustment due to first-time adoption of IFRS 9			70	
Balance as of 1 January 2018	**70,048**	**141,078**	**426,138**	**- 70,041**
Dividends			- 46,933	
Settlement obligation to shareholders with non-controlling interests				
Acquisition of non-controlling interests in consolidated companies			- 17,311	
First-time consolidation of interests in related parties				
Total comprehensive income subgroup			102,910	1,617
Other changes			1	14
Balance as of 31 December 2018	**70,048**	**141,078**	**464,805**	**- 68,410**
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**

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
405	**- 79,867**	**25,690**	**11,633**	**525,014**	**30,790**	**555,803**
				70	34	103
405	**- 79,867**	**25,690**	**11,633**	**525,084**	**30,823**	**555,907**
				- 46,933	- 283	- 47,216
				0	- 32,645	- 32,645
				- 17,311	- 32,597	- 49,908
				0	- 342	- 342
33	11,729	- 3,755	- 114	112,421	26,247	138,669
				15	- 15	0
438	**- 68,138**	**21,935**	**11,519**	**573,276**	**- 8,812**	**564,465**
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**

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

in € thousand; annex to the notes

Balance as of 31 December 2017
Adjustment due to first-time adoption of IFRS 9
Balance as of 1 January 2018
Dividends
Total comprehensive income subgroup
Balance as of 31 December 2018
Plus income statement consolidation effect
Less balance sheet consolidation effect
Total effects of consolidation
Balance as of 31 December 2018
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

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	52,530	- 381	123	55,482
		- 2			- 2
2,705	506	52,528	- 381	123	55,480
		- 5,409			- 5,409
		9,113	- 206	67	8,973
2,705	506	56,231	- 587	189	59,045
		258			258
		- 8,926			- 8,926
		- 8,668			- 8,668
2,705	506	47,563	- 587	189	50,376
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

Segment report – HHLA Group

in € thousand; business segments; annex to the notes	Port Logistics subgroup					
	Container		Intermodal		Logistics	
	2019	2018	**2019**	2018	**2019**	2018
Segment revenue						
Segment revenue from non-affiliated third parties	792,132	751,687	485,073	432,398	50,551	53,370
Inter-segment revenue	7,605	7,222	1,827	1,363	8,428	6,469
Total segment revenue	**799,737**	**758,909**	**486,900**	**433,761**	**58,979**	**59,839**
Earnings						
EBITDA[1]	240,246	209,767	139,032	112,735	8,457	10,008
EBITDA margin[1]	30.0 %	27.6 %	28.6 %	26.0 %	14.3 %	16.7 %
EBIT[1]	141,274	131,574	99,170	89,104	2,523	5,614
EBIT margin[1]	17.7 %	17.3 %	20.4 %	20.5 %	4.3 %	9.4 %
Assets						
Segment assets[1]	1,295,593	888,926	585,120	436,082	55,845	41,984
Other segment information						
Investments in property, plant and equipment and investment property[1]	69,898	61,187	130,052	54,793	3,573	413
Investments in intangible assets	2,884	1,463	821	279	767	951
Total investments[1]	**72,782**	**62,650**	**130,873**	**55,072**	**4,340**	**1,364**
Depreciation of property, plant and equipment and investment property[1]	93,156	71,895	39,654	23,433	5,506	4,336
of which impairment	0	2	0	0	0	0
Amortisation of intangible assets	5,816	6,299	207	198	429	59
Total amortisation and depreciation[1]	**98,972**	**78,194**	**39,861**	**23,631**	**5,935**	**4,395**
Earnings from associates accounted for using the equity method	576	929	0	0	3,882	4,418
Non-cash items	21,746	19,583	1,115	655	1,484	845
Container throughput in thousand TEU	7,577	7,336	–	–		
Container transport in thousand TEU	–	–	1,565	1,480		

1 Due to the first-time application of IFRS 16 in the 2019 financial year, there is no comparability with the previous year.

	Holding/Other		Real Estate subgroup Real Estate		Total		Consolidation and reconciliation with Group		Group	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	17,116	16,859	37,753	36,822	1,382,625	1,291,136	0	0	1,382,625	1,291,136
	137,668	127,584	2,468	2,429	157,996	145,067	- 157,996	- 145,067	0	0
	154,784	**144,443**	**40,221**	**39,251**	**1,540,621**	**1,436,203**				
	- 28,401	- 34,538	23,900	20,684	383,233	318,655	- 609	- 204	382,625	318,452
	- 18.3 %	- 23.9 %	59.4 %	52.7 %						
	- 39,806	- 39,475	16,467	15,459	219,628	202,275	1,609	1,945	221,237	204,220
	- 25.7 %	- 27.3 %	40.9 %	39.4 %						
	234,240	189,891	211,556	207,072	2,382,354	1,763,955	227,665	208,992	2,610,019	1,972,947
	1,423	5,382	10,009	8,374	214,955	130,149	0	0	214,955	130,149
	6,061	8,714	36	11	10,570	11,419	- 609	- 309	9,961	11,110
	7,484	**14,096**	**10,045**	**8,385**	**225,525**	**141,568**	**- 609**	**- 309**	**224,916**	**141,259**
	9,090	3,585	7,424	5,215	154,831	108,463	- 1,731	- 1,729	153,099	106,734
	0	0	0	0	0	2	0	0	0	2
	2,314	1,352	9	10	8,775	7,918	- 486	- 420	8,289	7,498
	11,404	**4,937**	**7,433**	**5,225**	**163,606**	**116,381**	**- 2,217**	**- 2,149**	**161,388**	**114,232**
	0	0	0	0	4,458	5,347	0	0	4,458	5,347
	17,642	16,726	644	607	42,631	38,416	- 18	44	42,613	38,460

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 für 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 2019 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, as well as the notes and disclosures, about the Consolidated Financial Statements for the 2019 financial year are based on the same accounting and valuation principles used for the 2018 Consolidated Financial Statements. Exceptions are the effects of new IFRS accounting standards stated in Note 5. Use of these became mandatory for the Group on 1 January 2019. 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 2019 were approved by the Executive Board on 23 March 2020 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 30 domestic and 16 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 2019	19	15	34
Additions	1	1	2
31 December 2019	**20**	**16**	**36**
Companies reported using the equity method			
1 January 2019	8	0	8
Additions	2	0	2
31 December 2019	**10**	**0**	**10**
Total 31 December 2019	**30**	**16**	**46**

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**	
			2019	2018
HHLA Container Terminal Altenwerder GmbH	Hamburg, Germany	Container	74.9 %	74.9 %

Financial information about the subsidiaries with substantial non-controlling interests

	HHLA Container Terminal Altenwerder GmbH	
in € thousand	**2019**	2018
Percentage of non-controlling interests	25.1 %	25.1 %
Non-current assets	193,003	83,638
Current assets	203,964	186,990
Non-current liabilities	190,389	61,336
Current liabilities	146,552	131,189
Net assets	**60,026**	**78,103**
Book value of non-controlling interests	**- 16,501**	**- 14,117**
Revenue	293,637	260,624
Annual net profit	1,941	1,413
Other comprehensive income	- 3,083	124
Total comprehensive income	**- 1,142**	**1,537**
of which attributable to non-controlling interests	- 287	386
of which attributable to shareholders of the parent company	- 855	1,151
Cash flow from operating activities	114,902	108,616
Settlement obligation to holders of non-controlling interests	- 35,170	- 28,656

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	**2019**	2018
Group share of profit or loss	3,941	4,443
Group share of other comprehensive income	- 135	77
Group share of comprehensive income	**3,806**	**4,520**

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	**31.12.2019**	31.12.2018
Aggregate book value	**12,848**	**12,212**

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.

Company acquisitions, disposals and other changes to the group of consolidated companies

The company TIP Žilina, s.r.o., Dunajska Streda, Slovakia, was included in the HHLA group of consolidated companies for the first time in the first quarter of 2019. This company was founded in 2017 and began operating in the second quarter of 2019.

With the participation and shareholder agreement of 20 December 2018, HHLA acquired 25.1 % of the shares in Spherie UG (haftungsbeschränkt), Hamburg, as of the transfer date on 1 January 2019. The object of the company is the development, production and distribution of aerial systems exclusively for the capture of 360º sensor data, as well as services connected with the aerial systems to capture 360º sensor data. The company was included in HHLA's Consolidated Financial Statements in the first quarter of 2019 using the equity method and is assigned to the Logistics segment.

On 22 March 2019, HHLA signed a share purchase agreement to acquire 50.1 % of the shares in Bionic Production AG, a non-listed company based in Lüneburg, Germany. The company is active in the field of construction, design and the manufacture of components made using laser additives via 3-D printing technologies. The closing of the transaction (i.e. acquisition date) was tied to various closing conditions and took place on 31 July 2019. The first-time consolidation of the company took place on the acquisition date. The company was therefore fully consolidated for the first time on 30 September 2019. Effective 29 August 2019, the company became a Gesellschaft mit beschränkter Haftung and is now registered as Bionic Production GmbH.

The following tables summarise the consideration transferred for the acquisition of the company and the values of the assets identified, and liabilities acquired, on the date of acquisition:

Composition of the consideration transferred

in € thousand	
Present value Basic purchase price	6,062
Fair value of contingent consideration	3,934
Consideration transferred	**9,996**

The basic purchase price of € 6,100 thousand is payable between 2019 and 2023 in five tranches at intervals of twelve months each, with the first tranche payable on 31 July 2019. The calculation of the recognised present value is based on a discount rate of 0.44 %.

The amount of the contingent consideration, with a maximum amount of € 7,000 thousand, is based on the cumulative total of EBITs for the financial years 2021 up to and including 2023. The fair value of the contingent consideration was discounted at a discount rate of 11.28 % and stands at € 3,934 thousand. The total value of estimated EBITs is below the EBIT targets set.

Likewise, the vendor makes the irrevocable offer to the buyer that the buyer may also gradually buy all or some of the shares held by the vendor in the company. The buyer may exercise the call option at its actual value at any time before 30 June 2024.

Fair value of assets and liabilities

in € thousand	100 %	HHLA stake 50.1 %
Cash and cash equivalents	**993**	**498**
Property, plant and equipment	554	278
Technologies	3,505	1,756
Customer relationships	367	184
Brand and other intangible assets	175	88
Non-current assets	2	1
Current assets	857	429
Non-current liabilities	- 245	- 123
Current liabilities	- 2,968	- 1,487
Deferred taxes	- 1,292	- 647
Acquired identifiable net assets	**1,950**	**977**
Plus goodwill		9,019
Sum of transferred consideration		**9,996**

The derived goodwill in the amount of € 9,019 thousand reflects the further technological development and the planned establishment and expansion of customer relations in light of the anticipated market penetration of 3-D printing technologies. HHLA can therefore share in new technologies which have the potential to be deployed in the wider port and logistics sector in the future. 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 € 3,505 thousand relate to solutions in the fields of 3-D printing and intelligent welding.

The fair value of trade receivables amounts to € 512 thousand and is collectable in full.

The fair value of non-controlling interests recorded during the company acquisition stands at € 973 thousand. This valuation is based on the same criteria that were used to value the acquired assets and liabilities.

Between 31 July and 31 December 2019, the acquired business operations contributed to the HHLA Group's result with revenue of € 847 thousand and a loss of € 745 thousand. Had the acquisition taken place on 1 January 2019, the consolidated revenue in the consolidated income statement would have been € 415 thousand higher and the consolidated loss would have been € 1,081 thousand higher. When calculating these amounts, the Executive Board assumed that the adjustments to fair values performed as of the acquisition date would still have remained valid in the event of an acquisition on 1 January 2019.

On 18 November 2019, HHLA and Hyperloop Transportation Technologies, Inc., Culver City, US, founded the Hamburg-based company Hyperport Cargo Solutions GmbH i.G. Each company holds a 50.0 % share. The company's objective is to develop, manufacture, implement, market, sell and distribute hyperloop technology and thus also related technologies for transporting sea freight containers with regard to seaports and hinterland container transports. The joint venture was included in HHLA's Consolidated Financial Statements at year-end using the equity method and is assigned to the Logistics segment.

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 a profit of € 538 thousand in the financial year, largely due to the exchange rate development of the Czech koruna (previous year: profit of € 35 thousand, largely due to the exchange rate development of the Czech koruna and the Polish zloty).

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 rose, with the change recognised directly in equity, by € 8,566 thousand (previous year: an increase of € 1,617 thousand), largely due to the appreciation of the Ukrainian currency in the amount of € 8,483 thousand (previous year: appreciation of € 1,761 thousand).

Foreign currency translation

		Spot rate = 1€		Average annual rate = 1€	
Currency	ISO-Code	**31.12.2019**	31.12.2018	**2019**	2018
Czech crown	CZK	25.408	25.724	25.666	25.664
Georgian lari	GEL	3.210	3.070	3.164	3.003
Hungarian forint	HUF	330.530	320.980	325.492	319.097
Polish zloty	PLN	4.257	4.301	4.299	4.260
Ukrainian hryvnia	UAH	26.422	31.714	28.991	32.350

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 IAS 28 Long-term Interests in Associates and Joint Ventures	The aim of the amendments, which were published in October 2017, is to clarify that an entity must apply IFRS 9 Financial Instruments to all long-term interests in an associate or joint venture, irrespective of the accounting method. The EU enacted this clarification in its legislation with Commission Regulation (EU) 2019/237 dated 8 February 2019. The amendments take effect for reporting periods that begin on or after 1 January 2019. First-time application had no impact on the Consolidated Financial Statements.
IFRS 16 Leases	The IASB published IFRS 16 Leases in January 2016. This standard supersedes the previously valid IAS 17 Leases and has introduced significant accounting changes for lessees. In general, all leases are now to be recognised as rights of use for accounting purposes. In terms of the reporting of assets for which the Group is the lessor, no adjustments are necessary on account of the application of the new leasing standard. The new rules aim to help improve the transparency of financial reporting and break down existing information imbalances. The EU enacted this standard in its legislation with Commission Regulation (EU) 2017/1986 dated 31 October 2017. The effective date is 1 January 2019. The HHLA Group applied the standard for the financial year beginning on 1 January 2019 using the modified retrospective approach. With this method, the comparative prior-year figures are not adjusted; changeover effects are therefore recognised as adjustments to revenue reserves as of 1 January 2019. As part of the modified retrospective approach, an incremental borrowing rate of 2.5 % as of 1 January 2019 has been used to calculate the lease liability. Within Germany, the incremental borrowing rate ranges between 0.4 % and 2.2 %. As a result of the materiality of longer-term lease agreements, the average German incremental borrowing rate is 2.0 %. Outside of Germany, this value ranges between 2.1 % and 12.7 %. As a result of the higher proportion of countries with lower financing costs, the average incremental borrowing rate outside of Germany is 3.5 %. In respect of many of the contracts, HHLA recognises the usage rights for leased assets in the amount of the corresponding lease liabilities at first-time application, meaning that no equity effects will arise at this time. Due to their material importance, usage rights for rental agreements for space at the Port of Hamburg, which were previously recognised as operating leases, will be recognised at their carrying amounts, as though IFRS 16 had applied since the start of the lease. This results in significant changeover effects as of 1 January 2019, which are shown as adjustments to revenue reserves. The new lease standard was implemented via a Group-wide project. The effects of first-time application on the balance sheet are shown below this table. Until now, expenses from operating leases had always been recognised under other operating expenses on the income statement. Since 1 January 2019, however, depreciation and amortisation on the right of use and interest expenses have been shown for the lease liability. In the reporting year, this change in terms of recognition has resulted in an increase in EBIT of some € 14.4 million compared with the previous year. In the cash flow statement, there is a shift between cash flow from operating activities and cash flow from financing activities. While EBIT and thus operating cash flow have increased, the capital outflows from financing activities have also risen because higher redemptions of lease liabilities also had to be accounted for.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The IASB published these amendments to IFRS 9 in October 2017. They are designed to facilitate measurement at amortised cost/fair value through other comprehensive income, even for financial assets that do not meet the payment flow criterion (SPPI, “solely payments of principal and interest”). These relate to financial assets with prepayment features that involve one party receiving or paying appropriate compensation in the event of termination (appropriate negative fee). The EU enacted this standard in its legislation with Commission Regulation (EU) 2018/498 dated 22 March 2018. First-time application had no impact on the Consolidated Financial Statements.
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	In accordance with IAS 19, pension obligations are to be measured based on updated assumptions in the event of a plan amendment, curtailment or settlement. This amendment clarifies that, after such an event, the past service cost and net interest for the remainder of the period must be taken into account based on updated assumptions. First-time application had no impact on the Consolidated Financial Statements of HHLA.

IFRIC 23 Accounting for Uncertainties in Income Taxes	The interpretation published in June 2017 clarifies the accounting treatment of uncertainties relating to income tax treatment under IAS 12. The interpretation is to be applied to taxable profit (tax losses), unused tax losses, unused tax credits and tax rates. The EU enacted this standard in its legislation with Commission Regulation (EU) 2018/1595 dated 23 October 2018. First-time application had no impact on the Consolidated Financial Statements.
Improvements to IFRS 2015–2017 Cycle	These clarifications were published in December 2017 and apply to four standards. Based on the amendments to IFRS 3 Business Combinations, the principles governing successive business combinations are to be applied when an entity obtains control over a business operation in which it previously held an interest as part of a joint operation. IFRS 11: If an entity obtains joint control of a business operation in which it previously held an interest as part of a joint operation, the previously held interest will not be remeasured. The amendments to IAS 12 Income Taxes deal with the income tax consequences of dividend payments. The amendments to IAS 23 Borrowing Costs clarify that, in connection with the calculation of the capitalisation rate, the cost associated with debt taken out specifically in connection with the acquisition of the qualifying assets is not to be included until the asset is completed if a company has generally borrowed funds to purchase qualifying assets. The aforementioned clarifications had no significant impact on the Consolidated Financial Statements.

The following table shows the reconciliation of carrying amounts from IAS 17 to IFRS 16:

Reconciliation of carrying amounts from IAS 17 to IFRS 16

in € thousand	Carrying amounts according as at 31 December 2018	Reclassifi-cations of finance leases	Adjustments due to IFRS 16 (modified retroactively, Option a)	Adjustments due to IFRS 16 (modified retroactively, Option b)	**Carrying amounts according to IFRS 16 as at 01 January 2019**
Assets					
Property, plant and equipment					
Land/buildings	453,200	- 91,285			361,915
Rights of use - Land/buildings	0	91,285	341,384	161,021	593,690
Technical equipment and machinery	306,095	- 14,596			291,499
Rights of use - Technical equipment and machinery	0	14,596		208	14,804
Other plant, operating and office equipment	219,464	- 34,525			184,939
Rights of use - Other plant, operating and office equipment	0	34,525		49,532	84,057
Payments on account and plants under construction	81,504			- 9,267	72,237
Deferred taxes	82,126		28,356		110,482
Equity and liabilities					
Equity					
Retained earnings of the parent company	512,369		- 55,252	1,003	458,120
Non-controlling interests	- 8,812		- 4,250		- 13,062
Other non-current provisions	110,138			- 5,920	104,218
Other non-current provisions from leases	5,920			- 5,920	0
Non-current liabilities to related parties	104,999		408,193		513,192
Liabilities from leases Maturity 1 to 5 years	2,796		97,120		99,916
Liabilities from leases Maturity over 5 years	102,203		311,073		413,276
Non-current financial liabilities	429,886			187,170	617,056
Liabilities from leases Maturity 1 to 5 years	10,839			56,414	67,253
Liabilities from leases Maturity over 5 years	22,946			130,756	153,702
Other current provisions	28,045		- 1,371	- 371	26,303
Other current provisions from leases	1,742		- 1,371	- 371	0
Current liabilities to related parties	7,940		22,420		30,360
Liabilities from leases	471		22,420		22,891
Current financial liabilities	82,684			19,612	102,296
Liabilities from leases	5,124			19,612	24,736

Option a): Assets are measured using the incremental borrowing rate at the date of transition as if IFRS 16 had been applied from the inception of the lease (IFRS 16.C8 (b) (i)).
Option b): The asset is measured at the same value as the liability at the time of initial application (IFRS 16.C8 (b) (ii)).

The reconciliation of off-balance sheet lease obligations as of 31 December 2018 with lease obligations recorded on the balance sheet as of 1 January 2019 is as follows:

Reconciliation

in € thousand	
Minimum lease payments due to non-cancellable operating leases as of 31 December 2018	1,015,936
Minimum lease payments on finance lease liabilities as of 31 December 2018	271,275
Less application facilitation for short-term leases	- 8,214
Less application facilitation for leases of low value assets	- 209
Less conditional rental payments	- 112,997
Less other	- 34,535
Gross lease liabilities under IFRS 16 as of 1 January 2019	**1,131,256**
Less interest portion included in lease liabilities	- 349,482
Lease liabilities according to IFRS 16 as of January 2019	**781,774**
Less present value of liabilities from finance leases according to IAS 17 as of 31 December 2018	- 144,379
Additional lease liabilities due to the first-time adoption of IFRS 16 as of 1 January 2019	**637,395**

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

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 amendments are to be observed as of 1 January 2020. Early adoption is permitted.
Amendments to IAS 1 and IAS 8 Definition of Materiality	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 amendments are to be observed as of 1 January 2020. Early adoption is permitted.
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 amendments are to be applied for reporting periods beginning on or after 1 January 2020. Early adoption is permitted.

Standards and interpretations that have been passed by the IASB but not yet adopted by the EU and are not applied by HHLA.

Standard	Content and significance
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. 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.

During the reporting period, the economic life of some assets in the asset class “Software” was extended to ten years. This adjustment relates solely to assets acquired in the reporting period and has no significant effect on the results of operations, net assets and financial position of the Group.

Useful life of intangible assets

in years	2019	2018
Software	3 - 10	3 - 7

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.

During the reporting period, the economic lives of certain assets in the asset class "Technical equipment and machinery" were remeasured. The range of useful lives shown in the table below did not change as a result. The positive effect arising from the adjustment of useful lives amounts to € 911 thousand. These adjustments do not have a material impact on the Group's results of operations, net assets and financial position.

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

Useful life of property, plant and equipment

in years	**2019**	2018
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. As of the balance sheet date, the interest rate for discounting was between 5.1 and 5.8 % p.a. (previous year: 4.8 and 5.8 % p.a.). 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. Growth factors of 1.0 % (previous year: 1.0 %) were 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 (securities)	Hold to collect and sell	Fair value through profit or loss (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
Other financial receivables	Hold for trading	Fair value through profit or loss
Other financial receivables	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

In the 2010 financial year, profit and loss transfer agreements were signed between the subsidiaries HHLA Container-Terminal Altenwerder GmbH, Hamburg (CTA), and HHLA CTA Besitzgesellschaft mbH, Hamburg (CTAB), on the one hand and HHLA Container Terminals GmbH, Hamburg, on the other. In the profit and loss transfer agreements, HHCT pledges to pay a financial settlement to the non-controlling interest in the above-mentioned companies 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. CTA merged with CTAB with retroactive effect as of 1 January 2014 based on a merger agreement dated 5 August 2014. As a result, there is now just one profit and loss transfer agreement. On the same date, CTA Besitzgesellschaft mbH was renamed HHLA Container Terminal Altenwerder GmbH. As a result of the merger of HHCT with Hamburger Hafen und Logistik Aktiengesellschaft (HHLA), a profit and loss transfer agreement with effect as of 1 January 2017 was transferred to HHLA in August 2017.

Classification as a compound financial instrument

As profit and loss transfer agreements have 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 these financial settlements was established by discounting the anticipated resulting cash outflows during the five-year term of the profit and loss transfer agreement.

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

From the 2014 financial year onwards, extending the profit and loss transfer agreement gives rise to an obligation to pay a financial settlement for the following year. The profit and loss transfer agreement was not terminated in 2019. This means the company has a further obligation to pay a financial settlement for the 2020 financial year. This obligation must also be reported at fair value directly in equity within other financial liabilities by discounting the anticipated cash outflows in the year under review. It reduces non-controlling interests within equity accordingly.

Subsequent measurement

From 2011 onwards, other 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 6.73 % is used for recognising the expected financial settlement for the 2020 financial year in the reporting year (previous year for the 2019 financial year: 5.48 %). Expenses recognised through profit and loss totalling € 2,525 thousand (previous year: € 6,036 thousand) are recorded in financial income Note 16 and only impact non-controlling interests in the CTA Group. This figure includes expenses of € 736 thousand (previous year: € 4,805 thousand) from an adjustment to reflect the actual share of earnings, and expenses of € 1,789 thousand arising from the discounting of the payment obligation recognised in the previous year (previous year: € 1,231 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 2017, taking actual share of earnings and adjustments to settlement obligation into account	**- 4,394**
Actual share in the CTA Group's earnings for 2018	28,656
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	- 6,036
Other adjustments	495
Comprehensive income reported in equity	23,115
Reclassification of the settlement obligation for 2019 to other financial obligations	- 32,645
As of 31 December 2018, taking actual share of earnings and adjustments to settlement obligation into account	**- 13,924**
Actual share in the CTA Group's 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 other financial obligations	- 30,492
As of 31 December 2019, taking actual share of earnings and adjustments to settlement obligation into account	**- 16,467**

Development in other financial liabilities arising from settlement obligations

in € thousand	
As of 31 December 2017 with continuation of settlement obligation	**53,519**
Payment of actual share of earnings for 2017	- 30,900
Impact on financial income through profit and loss resulting from adjustment of the settlement obligation	6,036
Reclassification of settlement obligation for 2019 from non-controlling interests	32,645
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**

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 retirement 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. For details of the accounting methods used prior to 1 January 2019 (i.e. in accordance with IAS 17 and IFRIC 4), please refer to the 2018 HHLA Annual Report.

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 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 € 53,291 thousand which were paid to HHLA in the period between 2001 and 2019. These grants have been deducted from the cost of purchasing the subsidised investments. The HHLA Group received € 2,796 thousand in government grants in the reporting year.

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.

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 in 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	**2019**	2018
	131	448

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	**2019**	2018
	6,183	5,209

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	**2019**	2018
Income from other accounting periods	11,210	8,310
Income from reimbursements	8,104	8,269
Proceeds on disposal of property, plant and equipment	6,187	3,626
Income from compensation	3,703	1,682
Income from reversal of other provisions	3,078	6,609
Income from exchange rate differences	1,298	1,057
Other	12,003	11,861
	45,583	**41,414**

As in the previous year, income from other accounting periods includes income from the reversal of other liabilities from previous periods.

As in the previous year, income from reimbursements relates primarily to costs which were passed on in connection with leases and to subsidy reimbursements in the reporting year.

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

In the reporting year, income from compensation includes income from contractual penalties.

Other operating income includes income from the outsourcing of personnel of € 4,628 thousand (previous year: € 4,115 thousand), income from staff catering of € 2,934 thousand (previous year: € 2,843 thousand) and income from the sale of supplies of € 738 thousand (previous year: € 1,094 thousand). Furthermore, other operating income also includes numerous smaller individual items.

12. Cost of materials

Cost of materials

in € thousand	2019	2018
Raw materials, consumables and supplies	99,617	94,263
Purchased service	300,576	270,975
Leasing costs	1,010	1,865
	401,203	**367,103**

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	2019	2018
Wages and salaries	353,143	332,089
Staff deployment	75,987	73,353
Social security contributions and benefits	71,081	67,717
Service expense	15,097	6,898
Other retirement benefit expenses	811	523
	516,119	**480,580**

The direct remuneration paid to members of the Executive Board totalled € 3,060 thousand for the 2019 financial year (previous year: € 2,955 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 chiefly due to increases in union wage rates and a larger headcount.

Social security contributions and benefits rose commensurate to expenses for wages and salaries. Social security contributions include payments towards the public pension scheme amounting to € 29,759 thousand (previous year: € 28,286 thousand) and payments to the German pension insurance scheme.

Service expense includes payments from defined benefit pension commitments and similar obligations. The increase in these expenses is attributable to higher contributions to the HHLA capital plan, see Note 36.

Average number of employees of fully consolidated companies

	2019	2018
Employees receiving wages	3,273	3,048
Salaried staff	2,796	2,665
Trainees	73	65
	6,142	**5,778**

In addition, the Group used an annual average of 753 employees (previous year: 760) of Gesamthafenbetriebs Gesellschaft m.b.H., Hamburg (GHB).

14. Other operating expenses

Other operating expenses

in € thousand	2019	2018
Consultancy, services, insurance and auditing expenses	48,071	39,789
External maintenance services	43,360	41,755
Leasing costs	9,472	58,295
Travel expenses, advertising and promotional costs	4,840	4,375
Other personnel expenses	3,479	4,239
Expenses from other accounting periods	3,300	2,125
Other taxes	2,924	3,125
External and internal cleaning costs	2,551	2,230
Postage and telecommunications costs	1,604	1,568
Other venture expenses	984	2,608
Impairment losses on financial assets	907	998
Expenses from exchange rate differences	520	912
Losses on the disposal of property, plant and equipment	144	134
Other	12,419	9,919
	134,575	**172,072**

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

The introduction of IFRS 16 led to a reduction in leasing expenses. Detailed information is available in Note 45.

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.

Other operating expenses also include numerous smaller individual items.

15. Depreciation and amortisation

Depreciation and amortisation

in € thousand	2019	2018
Intangible assets	8,289	7,498
Property, plant and equipment	144,311	98,679
Investment property	8,788	8,056
	161,388	**114,232**

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	2019	2018
Earnings from associates accounted for using the equity method	**4,458**	**5,347**
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,485	1,228
Income from currency hedging instruments at fair value	705	0
Income from exchange rate differences	606	837
Interest income from bank balances	90	63
Interest income	**2,886**	**2,128**
Interest included in lease payments	22,016	5,336
Interest portion of pension provisions	7,158	6,512
Interest expenses on bank liabilities	6,253	5,312
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	2,525	6,036
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,836	1,310
Interest portion of other provisions	1,826	1,789
Expenses from exchange rate differences	845	947
Expenses from currency hedging instruments at fair value	0	869
Interest expenses	**42,459**	**28,111**
Net interest income	**- 39,573**	**- 25,983**
Income from other equity investments	0	0
Other financial result	**0**	**0**
	- 35,115	**- 20,636**

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.

The increase in the interest included in lease payments results from the application of IFRS 16 from 1 January 2019 onwards.

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

For information on expenses from the adjustment of settlement obligations to shareholders with non-controlling interests, see Note 6.

17. Research and development costs

Research and development costs of € 5,526 thousand were incurred in the 2019 financial year (previous year: € 1,648 thousand). These primarily relate to 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	2019	2018
Deferred taxes on temporary differences	**- 759**	**1,752**
of which domestic	- 1,901	1,750
of which foreign	1,142	2
Deferred taxes on losses carried forward	**578**	**- 1,436**
of which domestic	0	0
of which foreign	578	- 1,436
Total deferred taxes	**- 181**	**316**
Current income tax expense	**49,245**	**44,794**
of which domestic	29,562	26,424
of which foreign	19,683	18,370
	49,064	**45,110**

Current income tax expenses include tax expenses from other accounting periods amounting to € 1,223 thousand (previous year: € - 517 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	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Intangible assets	0	0	5,084	3,168
Property, plant and equipment	0	0	25,724	17,809
Investment property	0	0	10,057	10,136
Financial assets	0	0	1,642	2,496
Inventories	153	963	0	0
Receivables and other assets	1,714	1,876	336	1,008
Pension and other provisions	108,228	89,174	912	858
Liabilities	37,130	7,270	962	3,822
Tax losses carried forward	859	1,436	0	0
	148,084	**100,719**	**44,717**	**39,297**
Netted amounts	- 24,013	- 18,593	- 24,013	- 18,593
	124,071	**82,126**	**20,704**	**20,704**

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

in € thousand	2019	2018
Earnings before tax (EBT)	**186,122**	**183,584**
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	60,080	59,261
Tax income (-), tax expenses (+) for prior years	144	- 455
Tax-free income	780	48
Non-deductible expenses	2,070	1,398
Trade tax additions and reductions	64	70
Permanent differences	38	1,113
Differences in tax rates	- 14,907	- 14,565
Impairment losses in deferred tax assets	819	- 1,824
Other tax effects	- 24	64
Income tax	**49,064**	**45,110**

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 2019 and 2018. 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 %.

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. Deferred taxes of € 859 thousand (previous year: € 1,436 thousand) are recognised on foreign tax loss carry-forwards of € 4,521 thousand (previous year: € 7,560 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 2,671 thousand (previous year: € 515 thousand), domestic trade tax loss carry-forwards of € 13,752 thousand (previous year: € 7,969 thousand) and foreign tax loss carry-forwards of € 14,609 thousand (previous year: € 11,244 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 36,239 thousand (previous year: € 21,538 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 available-for-sale financial assets.

Deferred taxes recognised in the statement of comprehensive income

	Gross		Taxes		Net	
in € thousand	2019	2018	2019	2018	2019	2018
Actuarial gains/losses	- 45,625	11,603	14,727	- 3,747	- 30,898	7,856
Cash flow hedges	0	33	0	- 11	0	22
Unrealised gains/losses on available-for-sale financial assets	79	- 124	- 26	47	53	- 77
	- 45,546	**11,512**	**14,701**	**- 3,711**	**- 30,845**	**7,801**

19. Share of results attributable to non-controlling interests

Profits attributable to non-controlling interests amounting to € 33,776 thousand (previous year: € 26,193 thousand) mainly relate to non-controlling shareholders of the CTA Group. This share of earnings increased due to the higher actual share of earnings attributable to the CTA Group and the year-on-year decline in interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder. The previous year's figure still included a share of results attributable to non-controlling interests in the METRANS Group.

20. Earnings per share

Basic earnings per share in €

	Group		Port Logistics subgroup		Real Estate subgroup	
	2019	2018	**2019**	2018	**2019**	2018
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	103,858	112,281	94,207	102,910	9,651	9,371
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.43	**1.54**	**1.34**	**1.47**	**3.57**	**3.46**

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 18 June 2019 to distribute a dividend of € 61,719 thousand to holders of common shares in the reporting year for the 2018 financial year (previous year: € 52,342 thousand). At the time of the distribution, the number of shares entitled to dividends amounted to 72,753,334, of which 70,048,834 are to be attributed to the Port Logistics subgroup (A division) and 2,704,500 to the Real Estate subgroup (S division). This resulted in dividends of € 0.80 per Class A share and € 2.10 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2020, dividends per share of € 0.70 for the Port Logistics subgroup and € 2.10 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2019, this is equivalent to a distribution amount of € 49,034 thousand for the Port Logistics subgroup and of € 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 2018	**38,930**	**6,421**	**22,013**	**858**	**1,457**	**69,679**
Acquisition or production cost						
1 January 2018	38,930	64,870	66,524	2,261	1,457	174,042
Additions	7,587	1,901	7,676	93	1,440	18,697
Disposals		- 4,456	- 18		- 6	- 4,480
Reclassifications		366		1,160	- 366	1,160
Changes in scope of consolidation/consolidation method		3		8,004		8,007
Effects of changes in exchange rates		91		- 39		52
31 December 2018	**46,517**	**62,775**	**74,182**	**11,479**	**2,525**	**197,478**
Accumulated depreciation, amortisation and impairment						
1 January 2018	0	58,449	44,511	1,403	0	104,363
Additions		3,505	3,605	388		7,498
Disposals		- 4,456				- 4,456
Reclassifications				267		267
Changes in scope of consolidation/consolidation method						0
Effects of changes in exchange rates		56		- 3		53
31 December 2018	**0**	**57,554**	**48,116**	**2,055**	**0**	**107,725**
Carrying amount as of 31 December 2018	**46,517**	**5,221**	**26,066**	**9,424**	**2,525**	**89,753**
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 consolidations/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**

In the Container segment, goodwill of € 35,525 thousand is attributable to the cash-generating unit (CGU) CTT/Rosshafen and further goodwill of € 1,893 thousand is attributable to the CGU HCCR. Of the CGU CTT/Rosshafen's goodwill, € 30,929 thousand was generated by the acquisition of all the shares in HHLA Rosshafen Terminal GmbH, Hamburg, in 2006. Goodwill is primarily derived from additional strategic options to expand the Group's handling activities at the sites rented long-term by the company. Derived goodwill of € 7,587 thousand from the acquisition of HHLA TK Estonia AS, Tallinn, Estonia, in 2018 is also attributable to the Container segment.

The derived goodwill attributable to the Logistics segment in the amount of € 9,019 thousand arising from the acquisition of Bionic Production GmbH, Lüneburg, reflects the further technological development and the planned establishment and expansion of customer relations in light of the anticipated market penetration of 3-D printing technologies. HHLA can therefore share in new technologies which have the potential to be deployed in the wider port and logistics sector in the future. For further details, please refer to Note 3.

Carrying amounts for goodwill by segments

in € thousand	**31.12.2019**	31.12.2018
Container	45,005	45,005
Intermodal	1,512	1,512
Logistics	9,019	0
	55,536	**46,517**

The changes in the scope of consolidation of other intangible assets in the amount of € 4,001 thousand mainly include acquired technologies of Bionic Production GmbH of € 3,505 thousand. These technologies relate to 3-D printing and intelligent welding solutions. The previous year's figure mainly includes customer-related intangible assets (customer relations) in the amount of € 7,361 thousand relating to the simplified access of HHLA TK Estonia AS to an existing customer base.

Additions and disposals of internally developed software mainly relate to the migration of a new terminal management system and the associated replacement of the previous 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 2018	**430,952**	**307,038**	**184,528**	**52,033**	**974,551**
Acquisition or production cost					
1 January 2018	794,883	877,057	512,736	52,033	2,236,709
Additions	8,984	16,341	28,274	66,415	120,014
Disposals	- 1,818	- 6,130	- 16,651	- 168	- 24,767
Reclassifications	13,760	- 4,665	37,161	- 47,416	- 1,160
Changes in scope of consolidation/consolidation method	32,395	23,010	62	10,583	66,050
Effects of changes in exchange rates	608	553	117	57	1,335
31 December 2018	**848,812**	**906,166**	**561,699**	**81,504**	**2,398,181**
Accumulated depreciation, amortisation and impairment					
1 January 2018	363,931	570,019	328,208	0	1,262,158
Additions	31,261	39,409	28,009		98,679
Disposals	- 1,670	- 5,368	- 15,921		- 22,959
Reclassifications	2,060	- 4,229	1,902		- 267
Changes to scope of consolidation/consolidation method					0
Effects of changes in exchange rates	30	240	37		307
31 December 2018	**395,612**	**600,071**	**342,235**	**0**	**1,337,919**
Carrying amount as of 31 December 2018	**453,200**	**306,095**	**219,464**	**81,504**	**1,060,262**
Carrying amount as of 1 January 2019[1]	**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**

1 Including the adjustment due to first-time adoption of IFRS 16

For more information on adjustment due to first-time adoption of IFRS 16, see Note 5. See Note 45 for further details regarding the existing restrictions in connection with leases.

Additions result largely from investments for the procurement of yard cranes and heavy machinery for horizontal transport at the container terminals in Hamburg, investments to expand the terminal network, and investments to extend intermodal transport capacities through the acquisition of wagons and locomotives in the METRANS Group.

Disposals in the financial year under review mainly relate to the sale/scrapping of handling equipment.

Changes to the consolidated group in the financial year relate solely to the subsidiary Bionic Production GmbH, Lüneburg, which was included in the Consolidated Financial Statements for the first time (previous year: HHLA TK Estonia AS, Tallinn, Estonia).

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

No write-downs were made on property, plant and equipment in the year under review (previous year: € 2 thousand).

Buildings, surfacing and movable non-current assets with a carrying amount of € 5,251 thousand (previous year: € 7,333 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 € 70,398 thousand (previous year: € 69,550 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 previous year: assets from leases)

in € thousand	Land and buildings	Technical equipment and machinery	Other plant, operating and office equipment	Total
Carrying amount as of 1 January 2018	**93,450**	**7,343**	**36,416**	**137,209**
Acquisition or production cost				
1 January 2018	108,176	8,010	45,969	162,155
Additions		332	2,071	2,403
Disposals			- 2,422	- 2,422
Reclassifications		612		612
Changes in scope of consolidation/consolidation method		7,906		7,906
Effects of changes in exchange rates	21			21
31 December 2018	**108,197**	**16,860**	**45,618**	**170,675**
Accumulated depreciation, amortisation and impairment				
1 January 2018	14,726	667	9,553	24,946
Additions	2,181	1,597	3,962	7,740
Disposals			- 2,422	- 2,422
Reclassifications				0
Changes in scope of consolidation/consolidation method				0
Effects of changes in exchange rates	5			5
31 December 2018	**16,912**	**2,264**	**11,093**	**30,268**
Carrying amount as of 31 December 2018	**91,285**	**14,596**	**34,525**	**140,407**
Carrying amount as of 1 January 2019[1]	**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**

1 Including the adjustment due to first-time adoption of IFRS 16

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 2018	**172,838**	**7,046**	**179,884**
Acquisition or production cost			
1 January 2018	324,818	7,046	331,864
Additions	10,537	2,359	12,896
Disposals			0
Reclassifications	5,740	- 5,740	0
31 December 2018	**341,095**	**3,665**	**344,760**
Accumulated depreciation, amortisation and impairment			
1 January 2018	151,980	0	151,980
Additions	8,056		8,056
Disposals			0
Reclassifications			0
31 December 2018	**160,036**	**0**	**160,036**
Carrying amount as of 31 December 2018	**181,059**	**3,665**	**184,724**
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**

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.

As in the previous year, additions mainly result from conversion costs in connection with changes of use.

Rental income from investment property at the end of the financial year was € 52,870 thousand (previous year: € 50,870 thousand). The direct operating expenses for investment property, which are fully attributable to rental income, amounted to € 18,919 thousand (previous year: € 17,082 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	2019	2018
As of 1 January	618,616	651,292
Change in fair value (not realised)	6,390	- 32,676
As of 31 December	**625,006**	**618,616**

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 (3.61 to 7.01 % 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	31.12.2019	31.12.2018
Interests in joint ventures	12,848	12,211
Interests in associates companies	4,345	4,252
	17,193	**16,463**

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 and HVCC Hamburg Vessel Coordination Center GmbH. From the first quarter of 2019 onwards, Spherie UG (haftungsbeschränkt) was included in the HHLA Consolidated Financial Statements, with Hyperport Cargo Solutions GmbH i.G. included from the fourth quarter of 2019 onwards.

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

The interests reported are higher than in the previous year, due largely 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	**31.12.2019**	31.12.2018
Securities	5,677	2,414
Shares in affiliated companies	54	59
Other equity investments	309	661
Other non-current financial assets	10,137	10,484
	16,177	**13,618**

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 € 173 thousand (previous year: € 316 thousand), see Note 37. Before offsetting, this results in a securities portfolio of € 5,850 thousand (previous year: € 2,730 thousand).

The shares in affiliated companies include shares in Group 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 non-current financial assets primarily include receivables from a graduated rent totalling € 4,273 thousand (previous year: € 4,079 thousand), as well as receivables from relief funds totalling € 2,625 thousand (previous year: € 2,441 thousand).

27. Inventories

Inventories

in € thousand	**31.12.2019**	31.12.2018
Raw materials, consumables and supplies	22,005	20,026
Work in progress	2,579	2,554
Finished products and merchandise	658	417
	25,242	**22,997**

Impairment losses on inventories recognised as an expense amount to € 1,111 thousand (previous year: € 991 thousand). This expense is reported under cost of materials, see Note 12.

28. Trade receivables

Trade receivables

in € thousand	**31.12.2019**	31.12.2018
	168,127	179,824

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. Trade receivables are initially recognised at fair value in the amount of the unconditional consideration unless they contain significant financing components. The Group holds trade receivables for the purpose of generating the contractually agreed cash flows and therefore subsequently measures them at amortised cost, applying the effective interest rate method.

Due to the short-term nature of the recognised trade receivables, the carrying amount is the same as the fair value.

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 impairment allowances for trade receivables can be found in Note 47.

29. Receivables from related parties

Receivables from related parties

in € thousand	**31.12.2019**	31.12.2018
Receivables from HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV)	95,000	95,000
Receivables from Kombi-Transeuropa Terminal Hamburg GmbH	1,194	1,331
Receivables from HHLA Frucht- und Kühl-Zentrum GmbH	952	1,748
Receivables from Free and Hanseatic City of Hamburg (FHH)	464	1,402
Other receivables from related parties	1,195	763
	98,805	**100,244**

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

30. Current financial assets

Current financial assets

in € thousand	**31.12.2019**	31.12.2018
Current receivables from employees	1,393	1,366
Current reimbursement claims against insurers	250	115
Other	1,936	2,581
	3,579	**4,062**

31. Other assets

Other assets

in € thousand	**31.12.2019**	31.12.2018
Current tax credit	17,051	19,914
Payments on account	3,061	3,034
Other	9,560	7,810
	29,672	**30,758**

Current tax credits were lower than in the previous year. This was largely because value added tax receivables were down.

32. Income tax receivables

Income tax receivables

in € thousand	31.12.2019	31.12.2018
	2,201	6,656

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	31.12.2019	31.12.2018
Cash and cash equivalents with a maturity of up to 3 months	23,131	25,683
Short-term deposits with a maturity of 4–12 months	45,000	22,450
Bank balances and cash in hand	89,910	133,327
	158,041	**181,460**

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 € 9,147 thousand (previous year: € 14,507 thousand) are subject to foreign exchange outflow restrictions.

As of the balance sheet date, the Group had unused lines of credit amounting to € 3,063 thousand (previous year: € 2,713 thousand) and had met all the conditions for their use. HHLA is confident that the Group has sufficient credit lines at its disposal whenever required.

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 2019 and 2018 financial years 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 classes of share: Class A shares and Class S shares. Subscribed capital totals € 72,753 thousand, divided into 70,048,834 Class A shares and 2,704,500 Class S shares; each no-par-value share represents € 1.00 of 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 HHLA's share capital. As of the balance sheet date, the Free and Hanseatic City of Hamburg holds 69.58 % of the voting rights through the company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg.

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.

Using Authorised Capital I (cf. Article 3 [4] 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 € 35,024,417.00 by issuing up to 35,024,417 new registered Class A shares for subscription in cash and/or in kind in one or more stages. The statutory subscription rights of the 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.

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. This 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 and a reserve increase from an employee stock purchase plan.

As of the reporting date, the HHLA Group had capital reserves of € 141,584 thousand (previous year: € 141,584 thousand).

Retained earnings

Retained earnings include net profits from prior years for companies included in the Consolidated Financial Statements, as far 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 and totalled € - 10,880 thousand at the end of the financial year (previous year: € - 8,812 thousand).

As per IAS 32, non-controlling interests are reduced by the reclassification of a minority shareholder's future estimated entitlements to financial settlements as other financial liabilities for the term of the profit and loss transfer agreement, see Note 6 and Note 38. The effects of the first-time application of IFRS 16 also resulted in a reduction in non-controlling interests. This was offset by the inclusion of current earnings.

Notes on capital management

Capital management at HHLA 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 %	**31.12.2019**	31.12.2018
Equity in € thousand	578,862	614,841
Total assets in € thousand	2,610,019	1,972,947
	22.2 %	**31.2 %**

The reduction in equity is primarily due to the effects of the first-time application of IFRS 16 to the amount of € 58.5 million and due to the distribution of dividends and the reclassification of a future financial settlement as long-term liabilities. This was countered by the total comprehensive income for the reporting period. The increase in total assets resulting from the initial application of IFRS 16 led to a much lower equity ratio than in the previous year.

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 obligations

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.

As part of the harmonisation of existing pension schemes, which was completed in 2018, the pension obligations attributable to the company's active employees (which originally comprised so-called "port pensions") were transferred to the HHLA capital plan.

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. The resulting initial components as of 1 January 2018 result from the aforementioned transfer of port pensions and the transfer of existing funds from working lifetime accounts.

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 benefit commitments

in € thousand	**31.12.2019**	31.12.2018
Present value of pension commitments	502,874	448,161
Obligations from working lifetime accounts	365	769
	503,239	**448,930**

Pension commitments

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	**2019**	2018
Present value of pension obligations as of 1 January	**448,161**	**426,943**
Transfer capital plan	0	36,513
Contributions of capital plan participants	6,247	2,416
Current service expense	12,627	6,887
Past service expense	2,466	0
Interest expense	7,191	6,532
Pension payments	- 19,781	- 19,762
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 12,077	- 5,708
Actuarial gains (-), losses (+) due to amendments in financial assumptions	58,040	- 10,865
Actuarial gains (-), losses (+) due to amendments in demographic assumptions	0	5,205
Present value of pension obligations as of 31 December	**502,874**	**448,161**

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

in %	**2019**	2018
Current employees	40.3	37.9
Former employees	1.3	1.4
Pensioners	58.4	60.7
	100.0	**100.0**

As of 31 December 2019, the weighted average term of the defined benefit obligation was 13.9 to 18.3 years (previous year: 14.1 to 19.2 years).

In addition, reimbursement rights of € 2,625 thousand (previous year: € 2,441 thousand) were concluded to cover the corresponding pension obligations. The expected income from these reimbursement rights amounts to € 38 thousand in the year under review, whereas the actual income amounts to € 311 thousand. In the 2019 financial year, € 126 thousand was paid out in reimbursement rights.

Pension obligations recognised in the income statement

in € thousand	2019	2018
Current service expense	12,627	6,887
Past service expense	2,466	0
Interest expenses	7,191	6,532
	22,284	**13,419**

Development of actuarial gains / losses from pensions obligations

in € thousand	2019	2018
Actuarial gains (+), losses (-) as of 1 January	**- 68,694**	**- 75,424**
Transfer capital plan	0	- 4,638
Changes in the financial year due to amendments in experience-based assumptions	12,077	5,708
Changes in the financial year due to amendments in financial assumptions	- 58,040	10,865
Changes in the financial year due to amendments in demographic assumptions	0	- 5,205
Actuarial gains (+), losses (-) as of 31 December	**- 114,657**	**- 68,694**

Key actuarial assumptions to determine pension obligations

in %	31.12.2019	31.12.2018
Discount rate (capital plan)	0.80	1.80
Discount rate (others)	0.70	1.60
Projected salary increase	3.00	3.00
Adjustment of social security pension according to pension insurance report of the year	2019	2018

The biometric data is drawn from the 2018 G mortality tables by Prof. 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		
		31.12.2019	31.12.2018	in € thousand	31.12.2019	31.12.2018
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	32,990	27,762
	Decrease of	0.5 %	0.5 %	Increase of	36,781	30,828
Payment trend	Increase of	0.5 %	0.5 %	Increase of	2,675	2,858
	Decrease of	0.5 %	0.5 %	Decrease of	2,634	2,809
Adjustment to social security	Decrease of	20.0 %	20.0 %	Increase of	1,145	1,251
Expected mortality	Decrease of	10.0 %	10.0 %	Increase of	12,696	11,064
Contributions of capital plan participants	Increase of	50.0 %	50.0 %	Increase of	7,490	2,189
	Decrease of	50.0 %	50.0 %	Decrease of	7,306	2,198

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 2019 financial year, HHLA made pension payments for plans totalling € 19,781 thousand (previous year: € 19,762 thousand). HHLA anticipates the following payments for pension plans over the next five years.

Expected pension payments

in years in € thousand	
2020	20,296
2021	22,860
2022	22,231
2023	22,259
2024	22,822
	110,468

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

in € thousand	**31.12.2019**	31.12.2018
Present value of obligations	626	1,124
Present value of plan assets (fund shares)	- 261	- 355
Uncovered allocations	**365**	**769**

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

in € thousand	**2019**	2018
Present value of the obligations from working lifetime accounts as of 1 January	**1,124**	**35,272**
Transfer capital plan	0	- 33,462
Current service expense	4	11
Interest expenses	7	26
Actuarial gains (-), losses (+) due to amendments in experience-based assumptions	- 229	- 304
Actuarial gains (-), losses (+) due to amendments in financial assumptions	8	28
Actuarial gains (-), losses (+) due to amendments in demographic assumptions	0	19
Capital payments	- 288	- 466
Present value of the obligations from working lifetime accounts as of 31 December	**626**	**1,124**

As of 31 December 2019, the weighted average term of the defined benefit obligation was 6.3 years (previous year: 5.0 years).

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

in € thousand	2019	2018
Fair value of plan assets from working lifetime accounts as of 1 January	**355**	**13,290**
Release due to transfer capital plan	0	- 12,419
Expected income from plan assets	2	11
Actuarial gains (+), losses (-) due to amendments in experience-based assumptions	46	- 105
Capital payments	- 142	- 422
Fair value of plan assets from working lifetime accounts as of 31 December	**261**	**355**

The plan assets consist solely of shares in money market and investment funds. Losses of € 93 thousand were recorded on the plan assets in the financial year (previous year: gains of € 140 thousand).

Obligations from working lifetime accounts recognised in the income statement

in € thousand	2019	2018
Current service expense	4	11
Interest expenses	7	26
Expected income from the plan assets	- 2	- 11
	9	**26**

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

in € thousand	2019	2018
Actuarial gains (+), losses (-) as of 1 January	**- 89**	**- 4,879**
Transfer capital plan	0	4,638
Changes in the financial year due to amendments in experience-based assumptions	275	199
Changes in the financial year due to amendments in financial assumptions	- 8	- 28
Changes in the financial year due to amendments in demographic assumptions	0	- 19
Actuarial gains (+), losses (-) as of 31 December	**178**	**- 89**

Key actuarial assumptions to determine obligations from working lifetime accounts

in %	31.12.2019	31.12.2018
Discount rate	0.30	0.70
Projected salary increase	3.00	3.00

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

Sensitivity analysis: obligations from working lifetime accounts

	Change in parameter			Effect on present value			
		31.12.2019	31.12.2018	in € thousand	**31.12.2019**		31.12.2018
Discount rate	Increase of	0.5 %	0.5 %	Decrease of	10	Decrease of	15
	Decrease of	0.5 %	0.5 %	Increase of	11	Increase of	16
Expected mortality	Decrease of	10.0 %	10.0 %	Decrease of	18	Decrease of	19

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 %	2019	2018
Money market funds/Annuity funds	99	99
Mixed funds	1	1
	100	**100**

Payments for obligations from working lifetime accounts

In the financial year under review, HHLA made payments for plans totalling € 288 thousand (previous year: € 466 thousand). In return, the company acquired corresponding securities holdings worth € 142 thousand (previous year: € 422 thousand). The outflow of funds therefore totalled € 146 thousand in the year under review (previous year: € 44 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	
2020	243
2021	24
2022	29
2023	22
2024	16
	334

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 € 3,518 thousand in the reporting year (previous year: € 4,639 thousand).

HHLA paid € 29,759 thousand (previous year: € 28,286 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	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Demolition obligations	83,100	74,417	0	0	83,100	74,417
Restructuring reserve	15,475	14,167	6,030	7,456	21,505	21,623
Bonuses and single payments	0	0	8,832	8,036	8,832	8,036
Anniversaries	3,262	2,808	167	281	3,429	3,089
Expected increases in rents	0	0	3,095	3,808	3,095	3,808
Insurance excesses	0	0	2,496	3,156	2,496	3,156
Legal fees and litigation expenses	0	620	620	0	620	620
Phased early retirement	81	149	67	308	148	457
Provisions for contingent losses	0	5,919	0	371	0	6,290
Other	12,175	12,058	2,698	4,629	14,873	16,687
	114,093	**110,138**	**24,005**	**28,045**	**138,098**	**138,183**

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: 2.0 % 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 2025–2036.

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 2020 and 2028.

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 2020 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 0.70 % p.a. (previous year: 1.60 % p.a.) was used for the calculation. The outflow of these resources is expected to take place in the period 2020–2059.

Expected increases in rents

The provision for expected increases in rents was formed for future changes in rents. The funds will become payable in the 2020 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 2020 financial year.

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 2020 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 € 173 thousand (previous year: € 316 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: 0.0 % p.a.). The outflow of these resources is expected in the period 2020–2026.

Provisions for impending losses

The provisions for impending losses from the previous year related to expenses arising from an onerous lease for a terminal site. As a result of the initial application of IFRS 16, an impairment on the rights of use for property, plant and equipment and the transfer of provisions were recognised directly in equity.

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 2020 and 2028.

Development of other non-current and current provisions

in € thousand	01.01.2019	Additions	Transfer IFRS 16	Accured interest	Used	Reversed	Currency translation effects	31.12.2019
Demolition obligations	74,417	8,122		1,670	650	459		83,100
Restructuring reserve	21,623	3,791		76	3,335	650		21,505
Bonuses and single payments	8,036	8,832			7,861	175		8,832
Anniversaries	3,089	596		49	305			3,429
Expected increases in rents	3,808	1,080			1,779	14		3,095
Insurance excesses	3,156	1,871			2,416	115		2,496
Legal fees and litigation expenses	620							620
Phased early retirement	457	232			541			148
Provisions for contingent losses	6,290		- 6,290					0
Other	16,687	4,549		31	4,799	1,665	70	14,873
	138,183	**29,073**	**- 6,290**	**1,826**	**21,686**	**3,078**	**70**	**138,098**

38. Non-current and current financial liabilities

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
Other loans	0	282	15,500	15,782
Liabilities towards employees	10,223	0	0	10,223
Other financial liabilities	43,340	44,610	161	88,111
	102,351	**258,887**	**367,448**	**728,686**

Non-current and current financial liabilities as of 31 December 2018

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities from bank loans	26,386	125,504	217,766	369,656
Lease liabilities	5,124	10,839	22,946	38,909
Other loans	0	374	17,250	17,624
Liabilities towards employees	10,858	0	0	10,858
Other financial liabilities	40,316	34,958	249	75,523
	82,684	**171,675**	**258,211**	**512,570**

Liabilities to banks also include interest of € 1,017 thousand accrued up to the balance sheet date (previous year: € 1,077 thousand). In the previous year, transaction costs of € 71 thousand, incurred by taking out loans, increased the liabilities to banks for the duration of the loan.

The liabilities from leases represent the discounted value of future payments for movable non-current assets. The increase was a result of the initial application of IFRS 16.

Other loans comprise a € 6.0 million loan granted to a minority shareholder (previous year: € 7.8 million) as well as promissory note loans of € 9.5 million (previous year: € 9.5 million) issued to other creditors.

Buildings, surfacing and movable non-current assets with a carrying amount of € 5,251 thousand (previous year: € 7,333 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.

The other financial liabilities include a settlement obligation to other shareholders. This entitlement to a financial settlement amounts to € 65,662 thousand for the financial years 2019 and 2020 (previous year: € 61,300 thousand for the financial years 2018 and 2019), see also Note 6 and Note 35.

Terms of liabilities from bank loans

Interest condition	Interest rate	Currency	Remaining fixed interest period	Nominal value in TCU[1]	**Carrying amount as of 31.12.2019 in € thousand**
fixed	0.78 - 2.36 %	EUR	2024 and later	177,093	167,262
fixed	1.46 %	EUR	2023	15,000	15,000
fixed	1.28 - 4.22 %	EUR	2022	102,926	49,169
fixed	2.83 %	EUR	2021	34,257	15,073
fixed	2.76 %	EUR	2020	16,873	7,424
floating	floating + margin	EUR	2020	123,791	76,842
					330,770

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	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Long-term interest-bearing loan	253,927	279,209	267,627	280,893

Interest rates of 0.5 to 1.4 % p.a. (previous year: 1.0 to 2.3 % 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: 1.7 %).

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 € 72,401 thousand (previous year: € 84,861 thousand).

Maturity of bank loans

in € thousand	
Up to 1 year	21,754
1 year to 2 years	25,125
2 years to 3 years	42,208
3 years to 4 years	31,417
4 years to 5 years	16,321
Over 5 years	193,945
	330,770

39. Trade liabilities

Trade liabilities

in € thousand	**31.12.2019**	31.12.2018
	74,879	87,043

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 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
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
	37,152	**103,699**	**381,743**	**522,594**

Non-current and current liabilities to related parties as of 31 December 2018

in € thousand	Maturity up to 1 year	Maturity 1 to 5 years	Maturity over 5 years	**Total**
Liabilities from leases to HPA	471	2,796	102,203	105,470
Other liabilities to related parties	7,469	0	0	7,469
	7,940	**2,796**	**102,203**	**112,939**

The increase in lease liabilities was the result of the initial application of IFRS 16. For more details, see Note 45 and Note 48.

41. Other liabilities

Other liabilities

in € thousand	**31.12.2019**	31.12.2018
Liabilities to employees	13,817	11,837
Tax liabilities	9,931	9,221
Employers' liability insurance premiums	4,663	4,466
Social security payables	2,618	1,963
Advance payments received for orders	2,104	2,316
Port workers' welfare fund (Hafenfonds)	1,342	1,281
Other	2,292	1,716
	36,767	**32,800**

The development of liabilities towards employees is primarily linked to the increased number of employees. Liabilities towards employees includes liabilities arising from accrued leave and outstanding bonus payments.

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

42. Income tax liabilities

Income tax liabilities

in € thousand	**31.12.2019**	31.12.2018
	6,190	4,937

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 rose year-on-year from € 29,341 thousand to € 128,817 thousand. The most substantial changes resulted from operating cash flow. A higher operating result (EBIT) and higher depreciation, amortisation and write-downs had a positive effect on the development of cash inflow from operating activities. In contrast, increased interest paid brought about a decrease in cash flow. These changes primarily resulted from the initial application of IFRS 16. Furthermore, lower receivables led to an increase in operating cash flow. Under cash outflow from investing activities, the effects from investments, payments for business combinations and changes in short-term deposits in profit or loss meant that cash flow remained practically the same as in the previous year.

Change in liabilities from financing activities

The balance of the proceeds from the issuance of bonds and (financial) loans and 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 € 39,733 thousand (previous year: € 27,867 thousand). While proceeds from the issuance of bonds and (financial) loans came to € 136,924 thousand the previous year, there were no proceeds during the reporting year. This change in the liabilities from financing activities is reflected in the decrease in liabilities to banks in the amount of € 37,869 thousand (previous year: increase of € 112,777 thousand), see also Note 38. The balance of the proceeds from the issuance of bonds and (financial) loans and 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 € 1,853 thousand (previous year: € - 2,897 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	**31.12.2019**	31.12.2018
Cash and cash equivalents with a maturity up to 3 months	23,131	25,683
Short-term deposits with a maturity of 4–12 months	45,000	22,450
Bank balances and cash in hand	89,910	133,327
Cash, cash equivalents and short-term deposits	**158,041**	**181,460**
Receivables from HGV	95,000	95,000
Overdrafts	- 19	- 21
Short-term deposits with a maturity of 4–12 months	- 45,000	- 22,450
Financial funds at the end of the period	**208,022**	**253,989**

Notes to the segment report

44. Notes to the segment report

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 independent 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 storage fee and 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)[1]

in € thousand	**2019**	2018
Total segment earnings (EBIT)	**219,628**	**202,275**
Elimination of business relations between segments and subgroups	1,609	1,945
Group earnings (EBIT)	**221,237**	**204,220**
Earnings from associates accounted for using the equity method	4,458	5,347
Net interest	- 39,573	- 25,983
Earnings before tax (EBT)	**186,122**	**183,584**

1 Due to the first-time application of IFRS 16 in the 2019 financial year, no comparison with the previous year is possible

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[1]

in € thousand	**31.12.2019**	31.12.2018
Segment assets	**2,382,354**	**1,763,954**
Elimination of business relations between segments and subgroups	- 745,757	- 660,679
Current assets before consolidation	671,553	582,247
Financial assets	17,556	17,183
Deferred tax assets	124,071	82,126
Tax receivables	2,201	6,656
Cash, cash equivalents and short-term deposits	158,041	181,460
Group assets	**2,610,019**	**1,972,947**

1 Due to the first-time application of IFRS 16 in the 2019 financial year, no comparison with the previous year is possible

Other segment information

The reconciliation to Group investments totalling € - 609 thousand (previous year: € - 309 thousand) eliminates the internal invoices for services to generate intangible assets between segments.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,217 thousand (previous year: € - 2,149 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 € - 18 thousand (previous year: € 44 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	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment income	866,962	835,022	471,074	415,201	44,589	40,913	1,382,625	1,291,136	0	0	1,382,625	1,291,136
Non-current segment assets[1]	1,252,953	904,819	670,883	414,277	59,740	28,542	1,983,576	1,347,638	626,443	625,309	2,610,019	1,972,947
Investments in non-current segment assets[1]	81,182	80,328	130,545	56,910	14,040	4,021	225,767	141,259	851	0	224,916	141,259

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.

1 Due to the first-time application of IFRS 16 in the 2019 financial year, no comparison with the previous year is possible

Information about key clients

Revenue of € 245,320 thousand (previous year: € 205,756 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 12, 14, 16, 23, 38 and 40.

Previous finance leases

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

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 contracts 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.

The METRANS Group rents a terminal facility for a period of 30 years as part of a concession agreement.

Previous operating leases

Contracts 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 contracts expire between 2025 and 2036. Under the terms of the contracts, 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. Provisions are made for the anticipated increases in lease payments. 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 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.

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.

Future consideration of existing and new leases

Until 31 December 2018, leases were measured and recognised in accordance with the requirements of IAS 17 and IFRIC 4. This resulted in a distinction being made between operating and finance leases and whether they are recognised in profit and loss or in the balance sheet.

As of 1 January 2019, the previous requirements have been replaced by IFRS 16. According to this standard, all leases are to be recognised on the balance sheet. For more details, please see the explanations under Note 5 and Note 6.

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 on the income statement and other comprehensive income:

Leases in the income statement

in € thousand	2019
Cost of materials and other operating expenses	
Expenses from non-current leases	9,505
Expenses from leases for low-value assets	569
Expenses from variable lease payments	408
Amortisation and depreciation	
Amortisation and depreciation of rights of use	50,259
Financial result	
Interest expenses from leasing liabilities	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 recognised when measuring the lease liability:

Future unrecognized cash outflows

in € thousand	31.12.2019
Future variable lease payments	10,644
Extension and termination options	1,213
Residual value guarantees	23
	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 16 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 € 61,552 thousand (previous year: € 59,611 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 accordance with IFRS 16 as of 31 December 2019

in € thousand	
Up to 1 year	32,210
1 year to 2 years	26,599
2 years to 3 years	23,681
3 years to 4 years	14,211
4 years to 5 years	11,139
Over 5 years	35,585
	143,425

Due dates of receivables from operating leases in accordance with IAS 17 as of 31 December 2018

in € thousand	
Up to 1 year	30,707
1 year to 5 years	78,571
Over 5 years	62,950
	172,228

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	**31.12.2019**	31.12.2018
Guarantees	29,338	29,014
Comfort letters	0	0
	29,338	**29,014**

The following other financial obligations existed on the reporting date:

Other financial obligations

in € thousand	**31.12.2019**	31.12.2018
Outstanding purchase commitments	99,555	106,989
Other	59,415	21,648
	158,970	**128,637**

Of the obligations from outstanding purchase commitments, € 70,398 thousand (previous year: € 69,550 thousand) is attributable to investments in property, plant and equipment and € 1,833 thousand (previous year: € 2,420 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, 76.8 % (previous year: 75.7 %) 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 € 384 thousand p.a. higher (previous year: € 447 thousand p.a.) and interest income from overnight deposits and time deposit investments would have been by up to € 1,265 thousand p.a. higher (previous year: € 1,369 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 € 49.5 million (previous year: € 19.5 million) and maturities of up to 25 months. As of 31 December 2019, the market value was € 1,132 thousand (previous year: € 425 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 2018.

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 2019 and the corresponding historic defaults in this period. On this basis, the following impairment was calculated on trade receivables as of 31 December 2019 and 31 December 2018:

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 day 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 reporting year	130	93	51	420	226	2,299	3,219
Trade receivables after impairment							**168,127**

Determination of impairment on trade receivables as of 31 December 2018

in € thousand	not due	1 - 90 days overdue	91 - 180 days overdue	181 - 270 days overdue	271 - 360 days overdue	more than 360 day overdue	Total
Trade receivables before impairment	128,395	50,952	666	393	193	2,548	183,147
Expected losses	0.14 %	0.92 %	30.48 %	23.92 %	22.80 %	91.80 %	
Impairment of the previous year	176	467	203	94	44	2,339	3,323
Trade receivables after impairment							**179,824**

Impairments on trade receivables showed the following trends:

Development of the valuation allowances on trade receivables

in € thousand	**2019**	2018
Valuation allowances as of 1 January	**3,323**	**3,114**
Additions (valuation allowances recognised as expenses)	1,064	998
Used	- 601	- 268
Reversals	- 567	- 521
Valuation allowances as of 31 December	**3,219**	**3,323**

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 for a default period of more than 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 very 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 on liabilities to banks and other loans, lease liabilities, financial liabilities towards employees and other financial liabilities, please refer to the table of residual maturities for non-current and current financial liabilities in Note 38.

Expected liquidity outflows due to future interest payments

	Up to 1 year		1 to 5 years		Over 5 years		Total	
in € thousand	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Outflow of liquidity for future interest payments on fixed-interest loans	4,710	5,469	15,135	18,126	11,592	15,652	31,437	39,247
Outflow of liquidity for future interest payments on floating-rate loans	438	588	722	1,092	13	81	1,173	1,761
	5,148	**6,057**	**15,857**	**19,218**	**11,605**	**15,733**	**32,610**	**41,008**

The fully 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 values of financial assets and financial liabilities, as well as their level in the fair value hierarchy, see also Note 6 and Note 7.

They do not include any information on financial assets held at fair value or financial liabilities which have not been measured at fair value, where the carrying amount serves as a reasonable approximation of the fair value.

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	Carrying amount: Balance sheet value	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: 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

in € thousand	Carrying amount: Amortised cost	Carrying amount: Fair value through profit or loss	Carrying amount: Balance sheet value	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial liabilities measured at fair value							
Financial liabilities			**0**				
	0	**0**	**0**				
Financial liabilities not measured at fair value							
Financial liabilities	**728,686**		**728,686**				
Liabilities from bank loans	331,787		331,787		345,487		345,487
Liabilities from leases	282,783		282,783				
Settlement obligation, non-current	30,492		30,492		30,492		30,492
Settlement obligation, current	35,170		35,170				
Other financial liabilities	48,454		48,454		48,454		48,454
Trade liabilities	**74,879**		**74,879**				
Liabilities to related parties	**522,594**		**522,594**				
Liabilities from leases	509,928		509,928				
Other	12,666		12,666				
	1,326,159	**0**	**1,326,159**				

Financial assets as of 31 December 2018

in € thousand	Carrying amount: Amortised cost	Carrying amount: Fair value through profit or loss	Carrying amount: Fair value through other compre-hensive income	Carrying amount: **Balance sheet value**	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: **Total**
Financial assets measured at fair value								
Financial assets		425	5,061	5,486	5,486			5,486
	0	**425**	**5,061**	**5,486**				
Financial assets not measured at fair value								
Financial assets	12,194			12,194				
Trade receivables	179,824			179,824				
Receivables from related parties	100,244			100,244				
Cash, cash equivalents and short-term deposits	181,460			181,460				
	473,722	**0**	**0**	**473,722**				

Financial liabilities as of 31 December 2018

in € thousand	Carrying amount: Amortised cost	Carrying amount: Fair value through profit or loss	Carrying amount: **Balance sheet value**	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: **Total**
Financial liabilities measured at fair value							
Financial liabilities			**0**				
	0	**0**	**0**				
Financial liabilities not measured at fair value							
Financial liabilities	**512,570**		**512,570**				
Liabilities from bank loans	369,656		369,656		371,340		371,340
Liabilities from leases	38,909		38,909		38,909		38,909
Settlement obligation, non-current	32,645		32,645		32,645		32,645
Settlement obligation, current	28,655		28,655				
Other financial liabilities	42,705		42,705		42,705		42,705
Trade liabilities	**87,043**		**87,043**				
Liabilities to related parties	**112,939**		**112,939**				
Liabilities from leases	105,470		105,470		140,337		140,337
Other	7,469		7,469				
	712,552	0	**712,552**				

Where 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.

In the reporting period, changes in value were reported in the income statement on financial assets and/or liabilities in the amount of € 1,132 thousand (previous year: € 425 thousand) that are held at fair value through profit and loss.

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, lease liabilities, settlement obligations)	Discounted cash flows	Not applicable
Liabilities to related parties (lease liabilities included in this item)	Discounted cash flows: The valuation model utilises the present value, taking into account contractually agreed increases in rent. Discount rates represent an adequate interest rate according to the current risk.	Not applicable

There was no reclassification between the individual valuation levels in the financial year under review.

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 Group's subsidiaries, associates and joint ventures 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	**2019**	2018	**2019**	2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Companies with control over the Group	104	33	1,070	553	95,464	96,402	0	0
Non-consolidated subsidiaries	0	1	352	252	79	117	111	42
Joint ventures	20,375	19,267	15,553	14,099	2,472	3,311	6,501	2,209
Associated companies	551	938	0	0	30	0	77	81
Other transactions with related parties	7,119	4,698	9,826	37,918	760	414	515,905	110,607
	28,149	**24,937**	**26,801**	**52,822**	**98,805**	**100,244**	**522,594**	**112,939**

The receivables from companies with a controlling interest relate to receivables from cash clearing with HGV totalling € 95,000 thousand (previous year: € 95,000 thousand). HHLA's receivables accrued interest at a rate of 0.00 % p.a. (previous year: 0.00 % p.a.) in the reporting period. The interest rates for HHLA's liabilities were 0.10 % p.a. (previous year: 0.10 % p.a.).

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.

Expenses reported in the previous year as other transactions with related parties mostly include rent for land and quay walls in the Port of Hamburg and the Speicherstadt historical warehouse district. The decrease in these expenses was due to the introduction of IFRS 16. Detailed information is available in Note 45.

Lease liabilities amounting to € 509,928 thousand (previous year: € 105,470 thousand), primarily for the lease of land and quay walls from the Hamburg Port Authority (HPA), are included in other transactions with related parties. The increase in these liabilities was the result of the initial application of IFRS 16. 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: € 123,000 thousand), of which around € 46,246 thousand was still outstanding on the balance sheet date (previous year: € 65,789 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.

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.

List of HHLA's shareholdings by business sector as of 31 December 2019

Name and headquarters of the company	Share of capital held		Equity	Result for the financial year	
	directly in %	indirectly in %	in € thousand	Year	in € thousand
Port Logistics subgroup					
Container segment					
HHLA Container Terminal Burchardkai GmbH, Hamburg[1, 2, 3b]	100.0		76,961	2019	0
Service Center Burchardkai GmbH, Hamburg[1, 2, 3c]		100.0	26	2019	0
HCCR Hamburger Container- und Chassis-Reparatur-Gesellschaft mbH, Hamburg[1, 2, 3b]	100.0		1,942	2019	0
HHLA Container Terminal Tollerort GmbH, Hamburg[1, 2, 3b]	100.0		34,741	2019	0
HHLA Rosshafen Terminal GmbH, Hamburg[1]		100.0	29,854	2019	2,533
HHLA Container Terminal Altenwerder GmbH, Hamburg[1, 2, 3b]	74.9		80,433	2019	0
SCA Service Center Altenwerder GmbH, Hamburg[1, 2, 3c]		74.9	601	2019	0
Kombi-Transeuropa Terminal Hamburg GmbH, Hamburg[4]		37.5	272	2019	113
HVCC Hamburg Vessel Coordination Center GmbH, Hamburg[4]	66.0		100	2019	0
CuxPort GmbH, Cuxhaven[4]	25.1		14,326	2019	845
Cuxcargo Hafenbetrieb GmbH & Co. KG, Cuxhaven[5]	50.0		39	2019	4
Cuxcargo Hafenbetrieb Verwaltungs-GmbH, Cuxhaven[5]	50.0		13	2019	0
DHU Gesellschaft Datenverarbeitung Hamburger Umschlagsbetriebe mbH, Hamburg[4]	40.4		1,577	2019	800
HHLA International GmbH, Hamburg[1, 2, 3b]	100.0		8,360	2019	0
HHLA TK Estonia AS, Tallinn/Estonia[1]		100.0	59,314	2019	3,085
SC Container Terminal Odessa, Odessa/Ukraine[1]		100.0	58,296	2019	13,653
Intermodal segment					
CTD Container-Transport-Dienst GmbH, Hamburg[1, 2, 3c]	100.0		1,256	2019	0
HHLA Project Logistics LLC, Poti/Georgia[1]		75.0	1,463	2019	224
METRANS a.s., Prague/Czech Republic[1]	100.0		286,439	2019	57,829
METRANS Adria D.O.O., Koper/Slovenia[1]		100.0	1,291	2019	471
METRANS (Danubia) a.s., Dunajská Streda/Slovakia[1]		100.0	108,729	2019	15,600
METRANS (Danubia) Kft., Győr/Hungary[1]		100.0	2,001	2019	465
METRANS Danubia Krems GmbH, Krems an der Donau/Austria[1]		100.0	552	2019	107
METRANS D.O.O., Rijeka/Croatia[1, 5]		100.0	11	2019	3
METRANS DYKO Rail Repair Shop s.r.o., Prague/Czech Republic[1]		100.0	6,607	2019	911
METRANS İSTANBUL STI, Istanbul/Turkey[1]		100.0	- 73	2019	- 5
METRANS Konténer Kft., Budapest/Hungary[1]		100.0	10,246	2019	1,389
METRANS (Polonia) Sp.z o.o, Warsaw/Poland[1]		100.0	9,685	2019	3,494
METRANS Rail s.r.o., Prague/Czech Republic[1]		100.0	3,832	2019	3,331
METRANS Rail (Deutschland) GmbH, Leipzig[1]		100.0	7,025	2019	2,719
TIP Žilina, s.r.o., Dunajská Streda/Slovakia[1]		100.0	- 2,334	2019	- 2,325
UniverTrans Kft., Budapest/Hungary[1]		100.0	2,369	2019	758
METRANS Railprofi Austria GmbH, Krems an der Donau/Austria[1]		80.0	1,260	2019	1,190
IPN Inland Port Network Verwaltungsgesellschaft mbH, Hamburg[5]	50.0		41	2019	2
IPN Inland Port Network GmbH & Co. KG, Hamburg[5]	50.0		63	2019	- 3

Name and headquarters of the company	Share of capital held		Equity	Result for the financial year	
	directly in %	indirectly in %	in € thousand	Year	in € thousand
Logistics segment					
Bionic Production GmbH, Lüneburg[1]	50.1		5,481	2019	- 1,376
HPC Hamburg Port Consulting GmbH, Hamburg[1, 2, 3a]	100.0		1,023	2019	0
UNIKAI Lagerei- und Speditionsgesellschaft mbH, Hamburg[1]	51.0		11,056	2019	1,611
ARS-UNIKAI GmbH, Hamburg[4]		25.5	49	2019	- 13
HHLA Sky GmbH, Hamburg[1]	100.0		336	2019	- 781
HHLA Frucht- und Kühl-Zentrum GmbH, Hamburg[4]	51.0		20,953	2019	625
Ulrich Stein Gesellschaft mit beschränkter Haftung, Hamburg[4]	51.0		955	2019	351
Hansaport Hafenbetriebsgesellschaft mit beschränkter Haftung, Hamburg[3b, 4]	49.0		n/a	2019	n/a
Hyperport Cargo Solutions GmbH i.G., Hamburg[4]	50.0		–	2019	–
Spherie UG (haftungsbeschränkt), Hamburg[4]	25.1		318	2019	- 374
Holding/other					
GHL Zweite Gesellschaft für Hafen- und Lagereiimmobilien-Verwaltung mbH, Hamburg[1, 2, 3c]	100.0		3,609	2019	0
HHLA-Personal-Service GmbH, Hamburg[1, 2, 3b]	100.0		45	2019	0
Real Estate subgroup					
Real Estate segment					
Fischmarkt Hamburg-Altona Gesellschaft mit beschränkter Haftung, Hamburg[1, 2, 3a]	100.0		4,518	2019	0
HHLA Immobilien Speicherstadt GmbH, Hamburg[1, 5]	100.0		96	2019	8
HHLA 1. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		14,305	2019	2,326
HHLA 2. Speicherstadt Immobilien GmbH & Co. KG, Hamburg[1, 3d]	100.0		69,185	2019	8,151

1 Controlled companies.
2 Profit and loss transfer agreements were held in these companies in 2019.
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 minor importance of these companies, they are not recognised using the equity method in the Consolidated Financial Statements or as non-consolidated companies, but rather as equity investments.

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 2019 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	**2019**	2018	**2019**	2018
Short-term remuneration	3,060	2,955	306	309
of which is non-perfomance-related	1,565	1,557	–	–
of which is perfomance-related	1,495	1,398	–	–
Benefits due after termination of the contract	3,050	868	–	–
	6,110	3,823	306	309

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

In the 2019 financial year, the short-term benefits payable to the Supervisory Board totalled € 306 thousand (previous year: € 309 thousand). Fixed basic salaries accounted for € 192 thousand (previous year: € 199 thousand) of this, remuneration for committee work made up € 75 thousand (previous year: € 69 thousand) and € 39 thousand (previous year: € 41 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 € 9,831 thousand (previous year: € 9,797 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	**31.12.2019**	31.12.2018
Angela Titzrath	2,451	472
Dr. Roland Lappin	3,756	3,123
Heinz Brandt	0	3,667
	6,207	**7,262**

Former members of the Executive Board

Benefits totalling € 1,097 thousand (previous year: € 1,009 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 € 28,784 thousand (previous year: € 23,239 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 7 February 2017. 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 2019 and on 13 December 2019 issued the 2019 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. They also cover the project-related reviews relating to the introduction of IFRS 16. The other certification services primarily encompass the review of the non-financial report pursuant to ISAE 3000 (Revised). Other services were also rendered in the form of workshops relating to strategic projects. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed as the auditor for the 2019 financial year, as in the previous year.

Auditing fees

in € thousand	**2019**	2018
Audit of financial statements	536	514
Other certification services	43	81
Tax advisory services	0	0
Other services	37	1
	616	**596**

52. Events after the balance sheet date

In early January 2020, China announced that a novel coronavirus had been detected in several patients. However, the initial local outbreak of the virus developed relatively quickly into an international pandemic. HHLA evaluated the potential impact of the coronavirus pandemic on the development of business – based on the current state of knowledge – and took this into account in its forecast for expected earnings in 2020. Estimates regarding the further development of the coronavirus pandemic, however, are subject to considerable uncertainty and earnings may therefore differ significantly from the forecast. Please see the business forecast, which forms part of the Combined Management Report. The outbreak of the virus has not resulted in any effects on the recognition or measurement of the Group's assets and liabilities as of 31 December 2019.

There were no other events of special significance after the balance sheet date 31 December 2019.

Hamburg, 23 March 2020

Hamburger Hafen und Logistik Aktiengesellschaft

A. Titzrath | J. Hansen | R. Lappin | T. Seebold

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 2019 financial year have been prepared according to the provisions of German commercial law and have been endorsed with an unrestricted auditor's certificate by the auditors of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

Income statement for the period from 1 January to 31 December 2019

in €	2019	2018
Revenue	135,967,384.49	122,806,739.79
Increase or decrease in work in progress	109,495.96	171,220.87
Own work capitalised	1,957,070.30	1,919,035.12
Other operating income	1,975,209.15	5,379,657.84
of which income from translation differences	27,699.45	85,491.19
Cost of materials	12,976,431.36	9,585,029.74
Expenses for raw materials, consumables, supplies and purchased merchandise	6,117,010.40	3,871,651.42
Expenses for purchased services	6,859,420.96	5,713,378.32
Personnel expenses	104,517,016.02	109,754,411.77
Wages and salaries	93,420,439.17	93,254,715.56
Social security contributions and expenses for pension and similar benefits	11,096,576.85	16,499,696.21
of which for pensions	- 4,040,547.65	1,572,581.65
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	4,284,374.49	3,203,278.24
Other operating expenses	45,419,995.05	40,727,875.38
of which expenses from translation differences	45,202.10	128,397.59
Income from profit transfer agreements	76,635,365.54	74,126,076.77
Income from equity participations	75,927,461.35	54,995,343.51
of which from affiliated companies	71,322,068.73	50,851,251.53
Other interest and similar income	3,273,618.09	3,360,819.81
of which from affiliated companies	3,257,748.45	3,308,001.90
Depreciation and amortisation on financial assets	1,354.41	154,662.32
Expenses from assumed losses	9,180,190.35	3,545,937.06
Interest and similar expenses	31,813,989.43	30,539,874.97
of which to affiliated companies	0.00	3,768.28
of which from accrued interest	28,635,598.85	28,730,030.17
Taxes on income	11,730,494.82	8,864,892.30
of which income from the change unrecognised taxes	5,970,245.62	3,996,677.30
Profit after tax	**75,921,758.95**	**56,382,931.93**
Other taxes	163,378.44	205,056.03
Net profit for the year	**75,758,380.51**	**56,177,875.90**
Profit carried forward from the previous year	205,323,667.13	201,487,510.01
Dividend distributed	61,718,517.20	52,341,718.78
Unappropriated profit	**219,363,530.44**	**205,323,667.13**

Balance sheet

in €	31.12.2019	31.12.2018
ASSETS		
Intangible assets		
Internally generated industrial and similar rights and values	8,292,258.01	799,470.84
Purchased software	1,297,897.46	2,243,818.30
Assets in development	14,038,255.68	16,832,773.10
	23,628,411.15	**19,876,062.24**
Property, plant and equipment		
Land, equivalent land rights and buildings, including buildings on leased land	5,021,265.41	5,327,819.90
Technical equipment and machinery	1,033,230.27	1,172,018.32
Other plant, operating and office equipment	2,723,386.93	3,136,156.24
Payments made on account and plant under construction	0.00	256,201.01
	8,777,882.61	**9,892,195.47**
Financial assets		
Interests in affiliated companies	428,621,877.58	408,502,681.58
Loans to affiliated companies	6,000,000.00	7,750,000.00
Equity investments	9,165,875.49	8,505,133.90
Non-current securities	688,137.55	0.00
	444,475,890.62	**424,757,815.48**
Non-current assets	**476,882,184.38**	**454,526,073.19**
Inventories		
Raw materials, consumables and supplies	177,887.75	200,342.63
Work in progress	641,844.16	532,348.20
	819,731.91	**732,690.83**
Receivables and other assets		
Trade receivables	1,562,395.25	1,202,630.61
Receivables from the Free and Hanseatic City of Hamburg	0.00	357.00
Receivables from the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg	95,000,000.00	95,000,000.00
Receivables from affiliated companies	436,698,236.72	400,080,111.18
Receivables from investee companies	30,000.00	1,350,191.04
Other assets	9,494,861.65	13,020,633.42
thereof with a maturity of more than one year	11,204.00	58,704.20
	542,785,493.62	**510,653,923.25**
Cash and cash equivalents	**112,276,338.48**	**128,831,062.50**
Current assets	**655,881,564.01**	**640,217,676.58**
Accruals and deferrals	**678,921.92**	**761,806.11**
Deferred tax assets	**61,963,762.26**	**54,793,360.62**
Balance sheet total	**1,195,406,432.57**	**1,150,298,916.50**

in €	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
Equity		
Subscribed capital		
Port Logistics subgroup	70,048,834.00	70,048,834.00
Real Estate subgroup	2,704,500.00	2,704,500.00
	72,753,334.00	**72,753,334.00**
Capital reserve		
Port Logistics subgroup	136,771,470.63	136,771,470.63
Real Estate subgroup	506,206.26	506,206.26
	137,277,676.89	**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	56,105,325.36	56,105,325.36
Real Estate subgroup	1,322,353.86	1,322,353.86
	57,427,679.22	**57,427,679.22**
Retained earnings	**62,757,679.22**	**62,757,679.22**
Unappropriated profit		
Port Logistics subgroup	181,303,432.76	170,730,884.56
Real Estate subgroup	38,060,097.68	34,592,782.57
	219,363,530.44	**205,323,667.13**
Equity	**492,152,220.55**	**478,112,357.24**
Provisions		
Provisions for pensions and similar obligations	330,109,748.67	323,887,934.84
Tax provisions	3,433,423.21	342,266.85
Other provisions	47,072,415.24	48,531,380.35
	380,615,587.12	**372,761,582.04**
Liabilities		
Liabilities from bank loans	166,203,904.87	166,180,586.97
Payments on account	586,458.16	519,348.20
Trade liabilities	3,484,713.57	3,484,449.22
Liabilities towards the Free and Hanseatic City of Hamburg	558.79	6,262.00
Liabilities towards affiliated companies	78,202,268.88	75,617,821.05
Liabilities towards investee companies	3,892,730.35	761,577.87
Other liabilities	60,874,308.88	44,661,406.53
of which from taxes	2,656,592.42	2,054,437.03
of which for social security	453,238.79	582,518.59
	313,244,943.50	**291,231,451.84**
Deferred tax liabilities	**9,393,681.40**	**8,193,525.38**
Balance sheet total	**1,195,406,432.57**	**1,150,298,916.50**

Independent auditor’s report

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, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, 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, 2019. 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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, 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, 2019. 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 post-employment benefits as well as plan assets

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 € 55,536 thousand 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 has been 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 planning of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent 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, 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 planning of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We discussed and examined supplementary adjustments to the medium-term planning for the purposes of the impairment test with the members of the Company’s staff responsible. 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 focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. 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 post-employment benefits as well as plan assets

1. In the Company’s consolidated financial statements pension provisions and obligations from capital plan and working lives amounting to € 503,239 thousand are reported under the “Pension provisions” balance sheet item, comprising the net amount of the obligations from various pension plans and obligations from capital plan and working lives amounting to € 503,500 thousand and the fair value of plan assets amounting to € 261 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. With regard to the average life expectancy, the Life Expectancy Tables issued by Heubeck-Richttafeln-GmbH (Heubeck 2018 G Life Expectancy Tables) are used as of December 31, 2019. 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 making estimates that are subject to estimation uncertainties. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant 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 standard conformity 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 Company's disclosures relating to the 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.

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 corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

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 and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 18, 2019. We were engaged by the supervisory board on December 20, 2019. 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, 23 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Claus Brandt
Wirtschaftsprüfer
(German Public Auditor)

sgd. Christoph Fehling
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, 23 March 2019

Hamburger Hafen und Logistik Aktiengesellschaft

The Executive Board

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

Sustainability

Ladies and gentlemen,

Sustainable business practices have been part of the DNA of Hamburger Hafen und Logistik AG for many years now. This 2019 Sustainability Report clearly describes our efforts and what we have achieved so far. As a leading port and logistics Group based in Hamburg with sites across Europe, we are very aware of our responsibility for humanity, nature and the environment. And we therefore set ourselves correspondingly ambitious targets. Whether we're discussing innovations for our core business fields – container handling and intermodal – or investments in digital business fields of the future, our decisions are always guided by both the environmental and economic benefit. We have created the Balanced Logistics sustainability brand to use in those areas which demonstrate "this is where HHLA is implementing its sustainability strategy". Balanced Logistics means we find the right balance between economic success, good working conditions, social responsibility, and environmental and climate protection. All four of these elements are equally important to us. Each is a prerequisite for the others: we will only have the means to invest in our most important resource, our employees, and meet our responsibilities for society and the environment if we also have economic success.

Anyone familiar with HHLA knows that we do not simply rest on our laurels. However, we only set ourselves targets that are realistic and measurable. Our climate is not going to improve by announcing future plans, but by acting wisely in the here and now. Furthermore, we need to overcome the "non-communication" between climate change deniers and those demanding immediate, radical action. HHLA actively engages with environmental associations, organisations and initiatives. We listen carefully to understand where we can improve. At the same time, however, we try to ensure a proper assessment of our capabilities and resources. Sharing experience and cooperating with partners is just as important for us when it comes to climate protection as it is for other topics. For example, we actively support the alliance between the Senate of the Free and Hanseatic City of Hamburg and the Hamburg Federation of Industry, which aims to improve conditions for companies in Hamburg, to strengthen partnerships between research and industry, and to promote the technological development of climate-friendly production methods. HHLA will support this package of measures with its initiatives of its own. In doing so, we can draw on a wealth of experience and projects that we have already successfully implemented. By investing in environmentally friendly technologies and optimising our processes, we have been able to reduce our specific CO_2 emissions by 38.7 percent since 2008.

Angela Titzrath
Chairwoman
of the Executive Board

After carefully evaluating our options and accounting for expected technical innovations, we believe it is possible for the entire HHLA Group to become climate-neutral by 2040. We have therefore made this our goal. By 2030, we want to halve our absolute CO_2 emissions on the basis of the 2018 figures.

The successful growth of HHLA is based on its ability to identify trends in good time and to develop the relevant solutions. With this in mind, we are also stepping up the implementation of our sustainability strategy in order to raise the energy efficiency of our processes, conserve resources and steadily reduce emissions.

Yours,

A. Titzrath

Angela Titzrath
Chairwoman of the Executive Board

HHLA
Balanced Logistics
FOR SUSTAINABLE SOLUTIONS

Balanced Logistics – for sustainable solutions

As a company that takes its responsibilities seriously, HHLA's sustainability programme stands for Balanced Logistics – a firm commitment to be both economically successful as well as socially and ecologically responsible.

With the implementation of its Balanced Logistics sustainability strategy, HHLA is demonstrating its commitment to reconciling environmental, social and economic responsibility. Each is a prerequisite for the others: economic success provides the company with the means and opportunity to invest in its employees and climate-friendly technologies, while at the same time maintaining its responsibility to society and the environment.

HHLA regards innovation and process efficiency as crucial elements for developing sustainable solutions, acting in an environmentally responsible manner and operating successfully in line with its self-image as the "Gateway to the Future". In order to systematically implement its goals, HHLA pools its initiatives in nine different fields of activity with their own guidelines and targets.

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

HHLA has set itself the goal of becoming a climate-neutral Group by 2040.

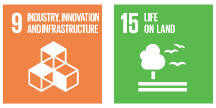
For example, the field of climate-friendly logistics chains goes beyond optimising our own processes and technology. In particular, networking with other logistics players offers further potential for joint solutions. HHLA pursues this path, for example, by integrating various stakeholders along the supply chains, by exchanging data, and by undertaking joint research projects with manufacturers, the scientific community and other companies.

HHLA's fields of activity and its contribution to the 17 United Nations sustainability goals

In September 2015, the United Nations passed its Agenda 2030. It 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 business 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).

Environmentally friendly logistics chains

Area optimisation



Climate protection and energy efficiency

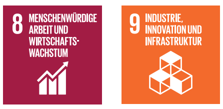
Environment and resource protection

Working world

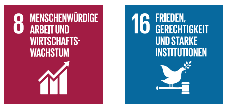
Health and occupational safety

Social responsibility

Added value and innovation



Business partners



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

https://report.hhla.de/balanced-logistics

Sustainability strategy*

Sustainable business practices are an integral part of HHLA's business model. As a leading European logistics company, 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. The implementation of HHLA's sustainability strategy under the **Balanced Logistics**, HHLA is highlighting its commitment to reconciling environmental, 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

Sustainability strategy "Balanced Logistics"

	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 (SDGs)

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, environmental 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 its 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 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. 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. Management of risk and opportunities

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. Audit opinion

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

GRI Content Index

The 2019 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 contained 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 disclosures. The index is available exclusively online at https://report.hhla.de/gri.

Information about 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: https://report.hhla.de/non-financial-report

https://report.hhla.de/annual-report-2018/servicepages/downloads/files/HHLA_AR18_Non-financial-report.pdf

The reporting period is the 2019 financial year (1 January to 31 December 2019). 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 27 March 2019 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

For the purposes of the non-financial report, HHLA prepared its materiality analysis in line with the requirements of the GRI Standards.

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
	Occupational health and safety
Social aspects	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
Respecting human rights	
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 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 fundamental connections were identified with the figures stated in the annual and consolidated financial statements which would be needed to understand the data.

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 winter 2018, in which 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) guidelines.

The stakeholder survey process

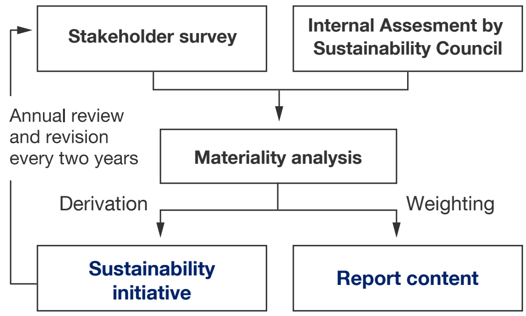
At a meeting of the Sustainability Council, HHLA's most significant stakeholders were first identified. This was initially based on internal sources, such as a list of key customers. The main stakeholders identified were customers (e.g. shipping companies), customers' customers (e.g. forwarders), employees, 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 emission", "stable dividend distribution" and "importance of sustainability for investors" were rated as "only material to a certain extent". None of the potentially relevant topics covered were rated as immaterial or not very material.

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

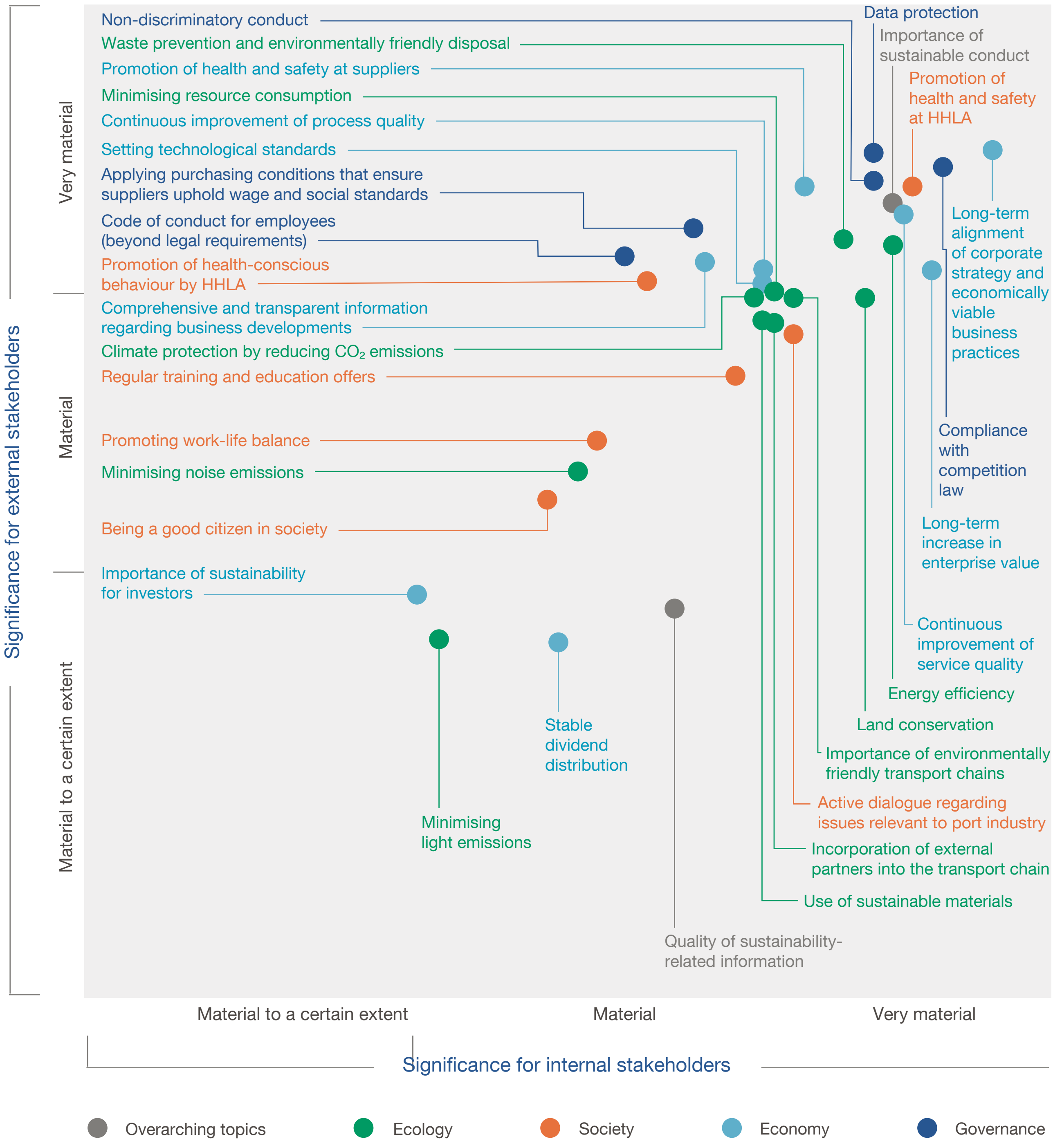
For the preparation of the non-financial report in accordance with CSR-RUG, the issues identified as material or very material in the HHLA materiality analysis were checked for commercial relevance and degree of impact by a specialist body and prioritised in line with the double materiality clause set 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	
	Social commitment	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 Setting technological standards Long-term increase in enterprise value
	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 transport volumes are rising and thus in most cases also the CO_2 emissions. 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, 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 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 the infrastructure while causing comparatively little noise and fewer accidents. Added to this is Hamburg's location advantage deep in the hinterland, thanks to the river Elbe as 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 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 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, 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 terminals and railway sidings.

Climate protection and energy efficiency*

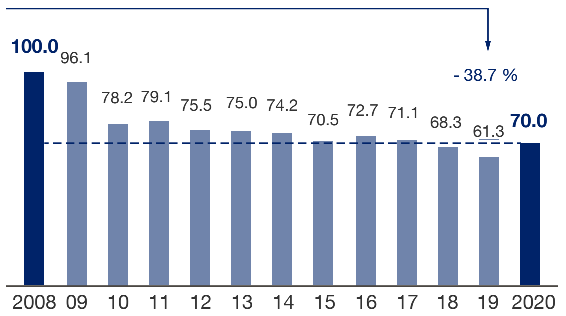
HHLA has reported on its carbon footprint regularly since 2008 as part of the international Carbon Disclosure Project (CDP). The CDP is a non-profit initiative that manages one of the world's largest databases of corporate greenhouse gas emissions on behalf of institutional investors and makes this information 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 working group are also taken into account in the Global Logistics Emission Council (GLEC) Framework 2.0. HHLA 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 2019 with a value of 38.7 % (previous year: 31.7 %). Specific CO_2 emissions fell by 10.3 % in 2019 compared to the previous year.

HHLA set itself a new climate protection target in the reporting year: to reduce absolute CO_2 emissions by at least 50 % by 2030 and to become fully climate neutral by 2040. The base year is 2008.

Specific CO_2 emissions since 2008

Climate protection target: 30 % or more reduction by 2020

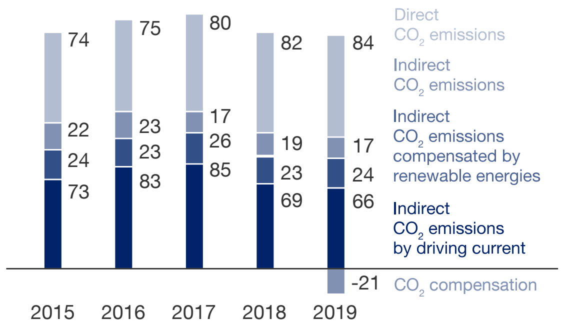


A three-year average showing annual trends in specific CO_2 emissions forms part of the targets agreed with the Executive Board. This is taken into account when determining Executive Board remuneration. Achieving the agreed target range triggers the payment of a corresponding bonus. Corporate governance, remuneration report

Including the use of electricity from renewable energy sources, which led to a 23,834 t reduction in CO_2 emissions, absolute CO_2 emissions decreased by 3,160 t from 170,346 t, or by 1.9 % (previous year: 167,186 t). This decrease in CO_2 emissions was achieved despite the rise in throughput and transport volumes and the use of our own traction fleet. Moreover, CO_2 emissions of the terminal operator HHLA TK in Estonia, acquired in the second half of 2018, were included in the calculations for the first time. The increased use of METRANS' own traction fleet of environmentally friendly electric multi-system locomotives is reflected in the 3.6 GWh increase of traction current consumption. Traction-related CO_2 emissions decreased year-on-year by 2,255 t. This was due in particular to the use of electricity from renewable energy sources for traction in Austria. Among the four purely container-based terminals operated by HHLA, CO_2 emissions were also lowered despite a slight increase in the volumes handled. At 63,936 t, CO_2 emissions were reduced year-on-year by 7.1 %, or 4,874 T€ , in the reporting period (previous year: 59,062 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.

Direct and indirect CO_2 emissions

in thousand tonnes



The Container Terminal Altenwerder (CTA) was the world's first container terminal to certified climate-neutral by TÜV Nord. To achieve climate neutrality, all unavoidable CO_2 emissions resulting from container throughput, amounting to 20,963 t and including Scope 3 emissions, are offset via Gold Standard projects.

Launched during the reporting period and certified by TÜV Nord, HHLA Pure offers customers climate-neutral container handling and transportation. 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. This includes exchanging existing equipment, such as uninterruptible power supply systems, for more energy-efficient ones, temporarily switching off power-consuming components as required, and the training of employees.

Direct and indirect energy consumption and supply

	2015	2016	2017	2018	**2019**
Diesel, petrol and heating oil in million liter	26.3	26.6	27.4	28.4	28.0
Natural gas in million m^3	2.3	2.4	3.6	4.4	8.0
Electricity[1] in million kWh	138.3	139.6	135.6	135.9	123.2
thereof from renewable energies	76.1	73.2	82.8	78.9	78.7
Traction current in million kWh	130.3	150.0	157.5	181.4	185.0
District heating in million kWh	3.2	3.6	3.6	3.7	3.6
District heating supply[2] in million kWh	–	–	–	10.9	33.3

Consumption of natural gas, traction current and district heating in 2019 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 year, 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 23,834 t tonnes (previous year: 22,812 t). At the Container Terminal Tollerort (CTT), a photovoltaic system installed and operated by the energy supplier Hamburg Energie Solar produced 108,280 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 2019, the fleet of all-electric cars grew to 89 (previous year: 81). 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 550,000 km each year and thus reduce CO_2 emissions by approximately 175 tonnes.

In the course of switching to low-emission or locally emission-free machines and equipment, a total of 49 straddle carriers and automated guided vehicles (AGVs) were put into operation during the reporting year. Of the 49 vehicles, 37 are all-electric AGVs and 12 are low-emission straddle carriers. For the first time, the fleet of straddle carriers now includes several vehicles with innovative hybrid technology. These vehicles 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 15 %. The all-electric AGVs are equipped with fast-charging lithium-ion batteries and replace the existing diesel-powered AGVs. 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. The locomotives, which are allowed to operate in Austria, the Czech Republic, Germany, Hungary, Poland and Slovakia, are in the process of being rolled out. One additional low-emission hybrid locomotive for heavy shunting has also been ordered.

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 and covering all HHLA companies with measurable energy consumption in Germany and Poland, was audited with no objections during the reporting year.

Environmental and resource protection

Waste and recycling

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.

Excluding construction waste, the amount of waste produced at the German sites decreased by 9.7 % to 8,328 tonnes in the reporting period (previous year: 9,221 t). The amount of hazardous waste decreased at more than twice this rate, falling 20.8 % during the reporting period to 1,500 t (previous year: 1,895 t).

The biggest absolute decrease in waste volume was for fruit waste. 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 it primarily includes goods that were already unfit for sale when they reached Hamburg. At 30.6 %, this type of waste accounts for the largest proportion of waste overall. Fruit waste decreased year-on-year by 826 t to 2,547 t (previous year: 3,373 t). The majority of this waste, 1,552 t, was used by an external biogas plant in order to generate electricity. Nearly 280,000 kWh of electricity were produced without CO_2 in this way in 2019.

With a slight 1.4 % increase to 1,112 t, the amount of commercial waste was virtually unchanged, as was the third largest type of waste, mixed metals, with a 1.2 % decrease to 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. Paper and cardboard packaging decreased year-on-year by 13.1 % to 695 t and represented the fourth largest type of waste.

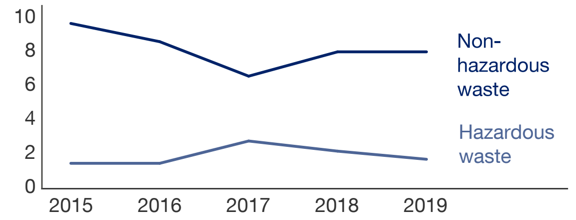
With regard to hazardous waste, the amount of sludge from oil/water separators amounted to 524 t (previous year: 1,065 t). This type of waste primarily results from the cleaning of straddle carriers and other large equipment with pressure washers and is the fifth-largest waste category. The significant decrease by nearly 51 % on last year is due to the increased use of a water treatment plant at the Container Terminal Burchardkai.

At 399 t, residual waste is for the sixth-largest type of waste. The amount of scrap wood and building timber for disposal decreased in the reporting year by 13 %, or 55 t, to 359 t.

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 48 % to 31,566 t. The use of slag from waste incineration plants accounted for the largest percentage of this total – 35.5 % or 11,195 t. 10,222 t of recycled building materials were used for the sustainable resurfacing of the Container Terminal Altenwerder. At 34.1 % or 10,759 t, the second-largest share was accounted for by construction materials from asphalt recycling, followed by slag from waste incineration plants that was bonded with cement and used to expand the area used for the yard crane system. This accounted for 8,170 t or 25.9 % of the recycled building materials. A concrete-mineral aggregate accounted for 4.6 % or 1,442 t of total recycled building materials.

Developments in the volume of waste

in thousand tonnes

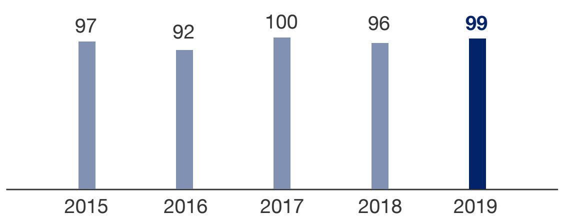


Water consumption

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 rose by 1.6 % to 98,895 m^3 in 2019 (previous year: 97,344 m^3). This slight increase is primarily due to the fact that the terminal operator HHLA TK was included in the statistics for the first time in 2019. 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

HR strategy

People and the organisation are at the heart of our personnel work. Highly competent and hard-working managers and employees form the foundation of our success. Long-term qualitative and quantitative personnel planning and development strategies for the entire company have been established in Hamburg. The ongoing development of specialist, management and project careers, and the permeability between different career paths are the central aims of our HR strategy. The numerous options to create a work–life balance according to the employee's current circumstances and the ongoing development of working-time systems form the cornerstone for long employee service at HHLA.

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 specialist department provides suitable HR and organisational development programmes for staff on all career paths and at all levels of the hierarchy within the German companies. 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.

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 6,296 employees at the end of 2019. Compared with the previous year's total, the number of employees increased by 359, or 6.0 %. In addition, HHLA employed an annual average of 753 people of Gesamthafenbetriebs-Gesellschaft (previous year: 760).

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 € 4.6 million in educating and training staff at its locations in Hamburg in 2019 (previous year: € 4.6 million).

As of 31 December 2019, 66 apprentices and 18 students were receiving training in Germany in six different professions and seven dual study courses. 32 % of the 84 apprentices and students were female. The ratio of female students in 2019 was 50 % (previous year: 54 %).

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)

All CPD activities at HHLA are designed to develop the professional, methodical and social skills of specialist staff and managers in line with demand. There is a particular focus on management training which, in turn, concentrates on providing the skills to manage increasingly complex systems. Agile methods and equipping staff to work on complex projects are at the heart of most offerings.

All internal seminars are open to staff from various departments and companies. These seminars also help foster an understanding of the diverse tasks, roles and functions in the Group's various business fields.

Based on the Qualification Opportunities Act, the "Pilots of the Future" in-house training programme was designed in cooperation with the Maritime Competence Centre (ma-co) to provide specific training for specialist staff and managers which will enable them to support innovation processes and digital transformation within the HHLA Group. 18 employees are among the first intake. The training programme will be systematically expanded in order to strengthen the ability of our workforce to adapt to change during the digital revolution.

The need for container handling operators is met via in-house training. Much of this training is delivered on a one-to-one basis using the handling equipment or live IT systems within operations. As the operational handling processes are constantly evolving, there is also an ongoing need for hands-on continuing professional development with practical relevance. The training opportunities for operative managers are geared towards development within the organisation via a change in the leadership culture and teaching professional and methodical skills.

In total, over 641 events lasting one or more days were held in the reporting period. These included more than 509 internal vocational courses conducted by HHLA's own trainers over 2,899 training days. In addition, 132 events lasting one or more days with 1,075 participant days were organised as part of the company's cross-segment seminar programme. 38 % of the participants were women (previous year: 36 %).

Vocational training and studying

HHLA offers a range of apprenticeships and dual study courses based on human resource planning at the companies in Hamburg. The focus is on technical and commercial occupations.

Cooperation agreements with vocational colleges, specialised grammar schools and secondary schools were further intensified to maintain a steady flow of suitable candidates for professions with a focus on mathematics, IT, science and technology. To further increase the proportion of female apprentices within these fields, 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. In 2019, the company participated in ten fairs in the greater Hamburg area.

Training is enhanced by supplementary offerings to prepare for future demands within HHLA's operating environment. In addition to subject-based instruction, apprentices and dual study course students learn about interdisciplinary collaboration right from the start of their training. In these supplementary courses, the apprentices and students take on responsibility and learn about solution-based work approaches. Digital expertise is also fostered as part of agile project management and by evaluating new technologies, such as augmented reality and 3D printing.

The "Intercultural skills in day-to-day work" seminar, designed in cooperation with the Maritime Competence Centre (ma-co), has now been firmly integrated into apprenticeships at HHLA. It aims to strengthen the social skills of apprentices and dual study course students, and to promote their personal development and their understanding of other cultures. Two dual study course students also did internships at the terminals in Odessa and Tallinn. Furthermore, eight apprentices and dual study course students took part in volunteering projects in various countries around the world organised by the international student organisation AIESEC.

Contracts, remuneration and additional benefits

Collective labour agreements

Collective labour agreements govern pay and working conditions for 87.2 % of employees in Germany (previous year: 88.9 %).

In May 2019, the parties to the labour 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 2.7 % from 1 June 2019 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.

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 labour agreements, comprise variable remuneration components and are linked with training requirements for the company and staff.

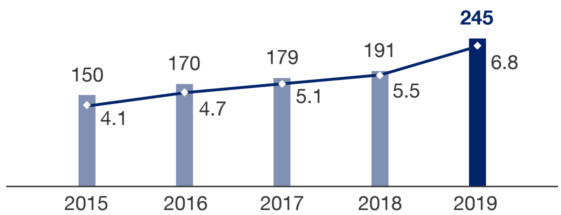
ROCE – return on capital employed – is also a significant parameter for determining variable remuneration components for executives and employees not covered by labour agreements. Performance-related remuneration components at executive level are calculated over a period of several years. This further enhances the focus on sustainable, long-term targets.

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. In 2019, a total of 245 employees took up the option of working part-time (previous year: 191) – 54 more than in 2018. At the end of 2019, the ratio of part-time workers at HHLA in Germany increased to 6.8 % (31 December 2019: 5.5 %). The percentage of men in part-time employment rose to 33.5 % (previous year: 30.9 %). At the holding company, where most roles are clerical, the ratio of part-time workers (excluding apprentices) was 18.6 % (previous year: 16.8 %).

HHLA employees working part-time in Germany

as of 31.12 / part-time share in %



Company pension scheme

With the signing of the labour agreement on company pension schemes under the HHLA capital plan, the HHLA company pension scheme has now been completely reorganised and further developed. Since the introduction of the new system in 2018, employees 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 2019, more than half of entitled employees benefited 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. The company strives to continually improve occupational safety in the workplace and considers this an important task for its managers. When examining early indicators that staff would benefit from health promotion measures, psychological stress is also taken into account.

HHLA uses modern technologies to achieve constant improvements: for example, a software-based occupational safety management system is used to monitor all targets and measures.

With the aim of further reducing the risk of accidents and raising awareness of occupational safety among both employees and managers, occupational safety campaigns and workshops are regularly held at HHLA company sites. These cover issues such as fire prevention, hazardous substances and ergonomics. In order to create 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 2019, there were 77 notifiable accidents (excluding accidents when commuting) at the companies in Hamburg in which HHLA owns a stake of over 50 % (previous year: 83). This represents a decline of 7.2 %.

Occupational health

As part of its health promotion efforts, HHLA strives to develop an occupational health management system which reflects everyday needs and to systematically integrate these measures into company processes.

The collaborative project GESIOP (health management from an inter-organisational perspective) was completed in 2019. HHLA was actively involved as a partner in the MEgA project ("measures and recommendations for the healthy workplace of the future"), funded by the German Federal Ministry of Education and Research (BMBF). BMBF funding focuses on developing application-oriented approaches for preventive health-based workplace design and transferring these approaches into practice. As part of the GESIOP project, concepts and tools for gauging the quality of company health management systems are developed. Together with the other project partners and universities, HHLA was then involved in the active project work at the final conference and the final publication in order to share its learnings from the project with a wider public. During the project, HHLA implemented a Group-wide process for assessing the risk of psychological stress, followed by a method for testing the effectiveness of measures, which was reviewed in a pilot project. The findings were used to create binding, Group-wide procedural instructions that have been valid throughout the Group since 2019. Other partnerships with companies from the health care sector were also intensified as a result of the project.

A further example of how HHLA promotes good health is its partnership with the start-up 25ways, which has developed a digital mobility platform. By supporting this pilot project, HHLA is promoting the use of health-oriented and environmentally friendly modes of transport for commuters. A range of options, such as free trial periods for various types of bicycles, encourages employees to embrace new and healthier behaviour. The company also supports the "Cycle to Work" campaign of the German health insurer AOK.

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.

Already well-established at all company locations, HHLA's highly popular Health Days focus on different topics each year with new information and ideas to try out.

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. In the reporting year, more than 1,400 schoolchildren visited HHLA facilities as part of this educational project.

In addition to this educational project, HHLA also organised an event with high-profile experts entitled: "What will join the container? Transport flows in the digital transformation."

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 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 rose by 5.9 % to € 715.8 million in the 2019 financial year (previous year: € 676.0 million). At 50.7 %, the added value ratio was roughly on a par with the prior year (previous year: 50.8 %).

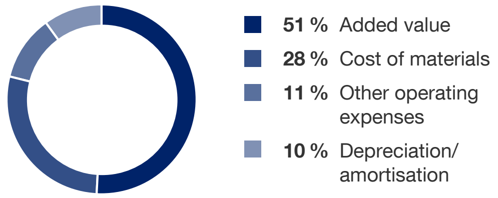
Value added in the HHLA Group

in € million	**2019**	2018	Change
Employees	523.3	487.1	7.4 %
Shareholders	137.1	138.5	- 1.0 %
Public authorities	49.1	45.1	8.8 %
Lenders	6.3	5.3	17.7 %
Total	**715.8**	**676.0**	**5.9 %**

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, 73.1 % or € 523.3 million, went to employees.

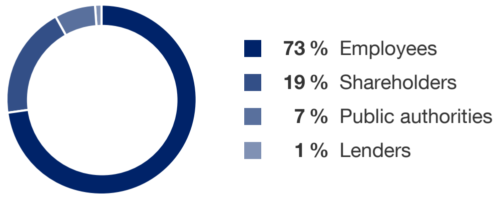
Source of added value

Production value 2019: € 1,411 million = 100 %



Application of added value

Net added value 2019: € 716 million = 100 %



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 is currently launching a Group-wide Supplier Code of Conduct that summarises the main principles of behaviour.

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 management declaration 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, training in anti-corruption topics was mostly provided to HHLA employees involved with international consultancy projects and in procurement.

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

During the reporting period, the launch of an IT-based business partner screening system began. 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 being rolled out specifically includes respect for human rights.

Audit opinion

Independent practitioner's report on a limited assurance engagement on non-financial reporting

To HHLA AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report (hereinafter "non-financial report") pursuant to Sections 289b (3) and 315b (3) HGB for the period from 1 January 2019 to 31 December 2019 of HHLA AG, Hamburg (hereinafter "the company").

Responsibilities of the executive directors

The executive directors of the company are responsible for the preparation of the non-financial report in accordance with Sections 315c in conjunction with 289c to 289e HGB.

This responsibility of the company's executive directors includes the selection and application of suitable 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 controls 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 Chartered Auditors (Berufssatzung fur Wirtschaftsprufer und vereidigte Buchprufer, BS WP/vBP) as well as the Standard on Quality Control 1 published by the Institute of Public Auditors in Germany (IDW): Requirements to quality control for audit firms (IDW Qualitatssicherungsstandard 1: Anforderungen an die Qualitatssicherung in der Wirtschaftspruferpraxis – 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 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 information 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 1 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with Sections 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 organisation and 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 Group management report; and
- 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 1 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with Sections 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, 23 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke p.p. Meike Beenken
Auditor

Glossary

Logistics terms

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 2020

Annual Report 2019
Analyst Conference Call

12 May 2020

Interim Statement January–March 2020
Analyst Conference Call

10 June 2020

Annual General Meeting

12 August 2020

Half-year Financial Report January–June 2020
Analyst Conference Call

12 November 2020

Interim Statement January–September 2020
Analyst Conference Call

Imprint

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HHLA multi-year overview

in € million	2015	2016	2017	2018	2019
Revenue					
Port Logistics subgroup	1,111.0	1,146.0	1,220.3	1,258.5	1,350.0
Real Estate subgroup	36.5	37.0	37.9	39.3	40.2
Consolidation	- 5.7	- 6.0	- 6.4	- 6.6	- 7.6
HHLA Group	**1,141.8**	**1,177.7**	**1,251.8**	**1,291.1**	**1,382.6**
EBITDA					
Port Logistics subgroup	261.2	265.3	274.5	297.8	358.7
Real Estate subgroup	20.2	21.1	21.3	20.7	23.9
Consolidation	0.0	0.0	0.0	0.0	0.0
HHLA Group	**281.4**	**286.4**	**295.8**	**318.5**	**382.6**
EBITDA margin in %	24.6	24.3	23.6	24.7	27.7
EBIT					
Port Logistics subgroup	141.1	147.6	156.6	188.4	204.4
Real Estate subgroup	15.2	16.0	16.3	15.5	16.5
Consolidation	0.3	0.3	0.3	0.3	0.3
HHLA Group	**156.5**	**164.0**	**173.2**	**204.2**	**221.2**
EBIT margin in %	13.7	13.9	13.8	15.8	16.0
Profit after tax	**95.8**	**105.1**	**105.9**	**138.5**	**137.1**
Profit after tax and after non-controlling interests	66.7	73.0	81.1	112.3	103.3
Cash flow/investments/depreciation and amortisation					
Cash flow from operating activities	195.3	234.6	275.5	232.7	322.7
Cash flow from investing activities	- 130.2	- 48.9	- 131.2	- 203.4	- 193.8
Cash flow from financing activities	- 82.7	- 122.4	- 119.0	- 31.5	- 176.9
Investments	145.5	138.3	142.6	141.3	224.9
Depreciation and amortisation	124.9	122.4	122.6	114.2	161.4
Assets and liabilities					
Non-current assets	1,305.8	1,329.0	1,348.0	1,446.9	2,124.4
Current assets	444.6	483.9	487.3	526.0	485.7
Equity	580.6	570.8	602.4	614.8	578.9
Equity ratio in %	33.2	31.5	32.8	31.2	22.2
Pension provisions	415.6	460.5	448.9	448.9	503.2
Other non-current assets	563.6	567.6	544.9	665.7	1,246.6
Current liabilities	190.6	214.0	239.1	243.4	281.3
Dynamic gearing ratio	2.7	2.6	2.3	2.5	4.0
Total assets	**1,750.4**	**1,812.9**	**1,835.3**	**1,972.9**	**2,610.0**
Employees					
Employees as of 31 December	5,345	5,528	5,581	5,937	6,296
Performance data					
Container throughput in million TEU	6.6	6.7	7.2	7.3	7.6
Container transport in million TEU	1.3	1.4	1.5	1.5	1.6

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