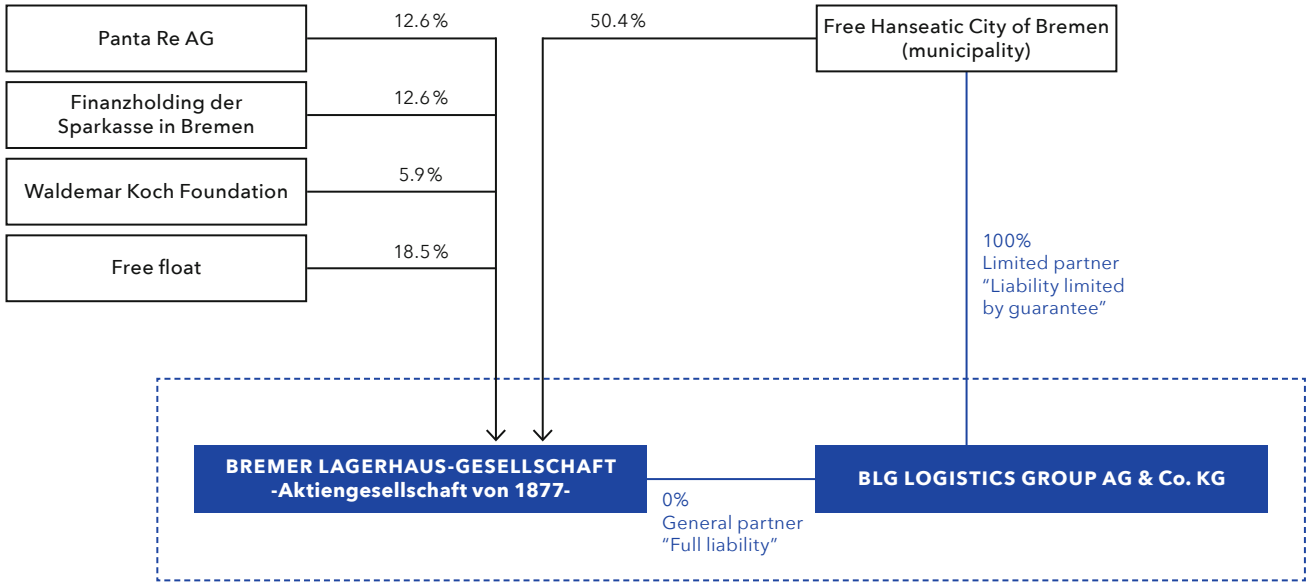
02 Group Management Report

Group Management Report

Fundamental Information about the Group

As the personally liable general partner of BLG LOGISTICS GROUP AG & Co. KG (BLG KG), the listed company BREMER LAGERHAUS-GESELLSCHAFT -Aktiengesellschaft von 1877- (BLG AG) has assumed the management of the BLG Group. These two companies, which are closely linked in legal, commercial and organizational respects, have prepared the consolidated financial statements as joint parents.

BLG AG does not hold any share capital in BLG KG and is also not entitled to participate in the company's profits. It receives remuneration for the liability it has assumed and for its business management activities. All limited partnership shares of BLG KG are held by the Free Hanseatic City of Bremen (municipality). The business of BLG KG is managed by the Board of Management of BLG AG as a body of the general partner. The Board of Management is fully accountable for managing the business in accordance with Section 76 (1) of the German Stock Corporation Act (AktG) and is not subject to instructions from the shareholders.



Legal structure of the Group as of December 31, 2020

Business model and organizational structure

The BLG Group operates externally under the brand BLG LOGISTICS. BLG LOGISTICS is a seaport-oriented logistics service provider with an international network. We have a presence in all the world's growth markets, with over 100 companies and offices in Europe, the Americas, Africa and Asia. We offer our customers in industry and retailing complex logistics system services. Our AUTOMOBILE and CONTAINER Divisions are leaders in Europe. Our CONTRACT Division is among the leading German providers.

As a strategic management holding company, BLG KG focuses on strategic developments at Group level. As a result, the holding company's influence on the operating business is greater than that of a pure financial holding company, but it is also significantly less than in the case of an operational management holding company. The Board of Management members responsible for the three divisions AUTOMOBILE, CONTRACT and CONTAINER

play a special role as an interface to the operating units. The Board of Management determines the Group strategy with vision and mission by creating strategic guidelines at Group level; together with the operating managers, the relevant Board of Management member determines the strategy at division level within the framework of the Group strategy and is responsible for strategic management of the division. The fulfillment of the respective strategies is supported by the central departments.

In accordance with its defined mission, BLG LOGISTICS aims to make logistics simpler for its customers, so that they can focus on their successful market operations.

BLG LOGISTICS operates in three divisions. The reporting also follows this structure.

The AUTOMOBILE and CONTRACT are subdivided into business areas. Responsibility for the operational management of the business areas, including earnings responsibility, lies with the relevant business area managers of the AUTOMOBILE and CONTRACT Divisions, and with the group management of the EUROGATE GmbH & Co. KGaA, KG subgroup for the CONTAINER Division.

AUTOMOBILE Division

The AUTOMOBILE Division is the leading technical and logistics service provider for the international automotive industry. In the 2020 financial year, our worldwide AUTOMOBILE network handled, transported, or technically processed 4.8 million vehicles.

BLG LOGISTICS' AUTOMOBILE Division offers multimodal transport concepts with global logistics reach and dovetails individualized and innovative technical service packages. Distribution takes place by road, rail and inland waterway. In addition to the seaport terminals in Bremen, Bremerhaven, Cuxhaven, Hamburg (Germany) and in Gdansk (Poland), the AUTOMOBILE Division also operates several inland terminals on the Rhine and the Danube. The bases of our truck fleet extend from Paderborn in Germany to Moscow.

BLG AutoRail is a specialist provider of vehicle transport services by rail, with its own fleet of 1,500 open double-deck railroad cars including 200 flat wagons. This means that the logistics supply chain from the vehicle manufacturers to the end customer is fully covered.

Our wheels are constantly turning: BLG's AUTOMOBILE Division consistently supplements its logistics network with smart digital solutions and sustainable concepts for climate-friendly transport.

CONTRACT Division

The CONTRACT Division manages complex projects and offers its customers reliable upstream and downstream logistics solutions. The focus of our know-how and experience lies in procurement, production and distribution logistics, returns and spare parts logistics, as well as freight forwarding services. We offer storage, transport, packing and unpacking services, handle conventional orders, e-commerce issues and also a variety of value added services.

As a logistics architect, we plan, configure and implement customized logistics solutions, ranging from highly automated logistics centers to manual in-house handling.

Our customers are strong brands from industry and retailing, medium-sized companies and the major German and international car manufacturers. We work at our logistics centers and our customers' production facilities and warehouses at over 40 locations in Europe and overseas. Be it automotive parts, railroad components, trainers, printers, fashion, furniture, cookies, bathroom fittings or frozen potato products – our teams of experts devise bespoke service packages for a wide variety of goods.

CONTAINER Division
The CONTAINER Division is represented by the EUROGATE joint venture. The EUROGATE Group, in which BLG LOGISTICS holds a 50 percent stake, is Europe's leading shipping line-independent container terminal group. Together with the Italian terminal operator CONTSHIP Italia, the company operates a network of 12 container terminals from the North Sea to the Mediterranean. Secondary services are also available in the form of intermodal and container-related services.

Changes in the group of consolidated companies
In the AUTOMOBILE Division, BLG Automobile Logistics Italia S.r.l. i. L., Gioia Tauro, Italy, was deconsolidated in the reporting year following entry into liquidation. As part of an internal Group restructuring, BLG WindEnergy Logistics GmbH & Co. KG, Bremerhaven, was absorbed into BLG AutoTerminal Bremerhaven GmbH & Co. KG, Bremerhaven, and was thus no longer included in the group of consolidated companies.

In the CONTRACT Division, BLG Handelslogistik GmbH & Co. KG, Bremen, increased its shareholding in BLG Sports & Fashion Logistics GmbH, Hörsel, by 49 percent to 100 percent in the reporting year. Under a purchase agreement dated November 24, 2020, BLG Industrielogistik GmbH & Co. KG, Bremen, sold its shares in BLG Automotive Logistics of South America Ltda. São Paulo, Brazil. As part of the sale, the shares in BMS Logistica Ltda., São Paulo, Brazil, were also divested.

Research and development

We are working continuously to offer our customers new services and thus support them in aligning their logistics processes with future requirements. At the same time, we place a focus on optimizing the underlying processes across the entire portfolio. The innovations behind this are developed, managed and ultimately translated into product solutions by the Sustainability and Digitalization department. We thus ensure that we remain competitive in the long term and position ourselves vis-à-vis our customers as innovation drivers. In determining the potential of new ideas, we pursue the following approaches:

Technologies, processes or potential solutions whose suitability has not yet been demonstrated are tested in 100-day projects at selected locations or within individual business divisions. Like this, in slightly over three months, we have a proof of concept which is used as a basis for deciding whether the project is transferred to continuous operations, is further tested and optimized in a 6-month sprint, is continued on the basis of an operational project, or is not pursued further.

We implement existing and proven solutions directly in the company context via operational innovation projects.

Lastly, in research and development projects we work with partners from science and industry on brand new, particularly complex concepts. Three new research projects were launched in 2020.

In the reporting year, we completed 11 100-day projects and ten 6-month sprints, including a total of eight with an AI-reference (artificial intelligence). This continues to be our focus – especially in the field of machine learning with a view to deployment in human resources planning and in intelligent document management. In addition to the use of chatbots in recruiting and the development of driverless transport vehicles at the Bremen site, newly implemented projects included process analysis using desktop activity mining as well as automatic capture of the time or duration of processes via sensors. The innovation team also organized numerous workshops on mapping out the digitalization roadmap as well as on various other strategic innovation and digitalization topics. These activities will be continued in 2021.

Further progress was made in the ongoing "SecProPort", IRiS" and "SHARC" research projects in the reporting year. As part of a consortium of eight cooperation partners, we are working in the former on the development of IT security architecture to defend port logistics against cyberattacks.

In the "IRiS" project, we have teamed up with one research partner and two industry partners in looking for solutions to automate the unloading of boxes from containers. The project was scheduled for completion in August 2020, but experienced delays due to the coronavirus pandemic. Contact and at times access restrictions at our partner meant that the robot system could not be assembled, and consequently commissioning, laboratory and field tests had to be postponed. A cost-neutral extension of the project until April 30, 2021 was approved.

The "SHARC" project is concerned with the target to operate the port facilities in Bremerhaven and Bremen CO_2-neutrally by 2023. To this end, a concept for intelligent integration of renewable energy sources into the port energy infrastructure is to be drawn up. Completion of the project has been pushed back from December 2020 to June 30, 2021. A follow-up is planned.

All three projects are funded by the German Federal Ministry of Transport and Digital Infrastructure (BMVI) as part of the IHATEC (Innovative Port Technologies) funding program.

The "Isabella" project was successfully concluded on June 30, 2020. The heart of this project is a multi-touch table that maps a virtual reflection of terminal operations and allows simulation and evaluation of various scenarios, thus increasing transparency in the process organization. On July 1, 2020, the "Isabella 2.0" follow-up project funded by the BMVI got underway with the goal to integrate processes for all means of transportation, i.e. the loading and unloading of trucks, railroad cars and ships, into the "Isabella" control algorithm. The parameterization of the control algorithm using AI methods also plays a role in this. It is also planned to identify further digitalization needs in the context of the project, including appropriate solutions, as well as to develop a virtual training environment for drivers at the terminal with the help of virtual reality technology.

The "KITE" and "INSERT" sponsorship projects were newly launched in 2020. In the former, we are working together with one research partner and two industry partners to develop an AI-based forecasting method for predicting transportation volumes. It is hoped this will reduce the number of empty runs on the part of freight forwarding companies by up to 15 percent and in doing so support the overarching goal to make transport logistics more sustainable by lowering CO_2 emissions. The project is also sponsored by the BMVI.

In the "INSERT" project, which is funded by the European Regional Development Fund (ERDF), we are also working together with three collaboration partners. This involves the development of an assistance system for drafting initial concepts for production and logistics planning, for which corresponding expert knowledge is transferred into an AI-based system. This adaptive system is designed to support planners and thus enhance the quality of the developed concepts. At the same time, we are working to significantly shorten planning processes.

In 2020, BLG LOGISTICS was thus involved in seven consortium projects with a total volume of EUR 18.6 million. All three newly launched projects in the reporting year are concerned with the question of how artificial intelligence can be used in logistics.

Relevant legal and economic factors

BLG LOGISTICS has to observe a wide range of national and international legislation. In addition to regulations under public law, capital market law, employment law including occupational health and safety legislation, transport and customs laws and competition law are particularly relevant to us. Collective pay agreements in Germany are one of the most important economic factors for BLG LOGISTICS, as a large proportion of the workforce is employed in Germany and personnel expenses for our own as well as external staff represent the main cost item. Because our business model is capital-intensive in all divisions, the cost of capital also plays a significant role.

Group control

Financial key figures

As part of BLG LOGISTICS' mission and vision and the sharpening of strategic guidelines, the management system was designed to be as clear and transparent as possible. Internal reporting and remuneration systems are designed stringently for the entire Group according to uniform measurement variables.

The key management indicators of BLG LOGISTICS are:

- **EBT**
  Earnings before taxes (EBT) is the basis for determining profitability, independently of tax effects that cannot be influenced. This is also suitable for measuring profitability in an international comparison.

Key performance indicators Actual/Target/Forecast		2019 Actual	2020 Forecast	**2020 Actual**	2020 Target achievement	2021 Forecast
EBT	EUR thousand	37,544	Significant decline	-116,127	Decline has occurred	Significant improvement
Revenue	EUR thousand	1,158,632	Significantly below previous year	1,065,235	Decline has occurred	Previous year's level
EBT margin	Percent	3.2	Significant decline	-10.9	Decline has occurred	Significant improvement

- **Revenue**
  Group revenue is derived from the consolidated income statement and does not include the revenue of the CONTAINER Division.

- **EBT margin**
  Dividing EBT by revenue produces the EBT margin. This is an indicator of a company's efficiency and profitability.

The table compares the expected key performance indicators with the key figures achieved in the financial year and shows the forecast for the following financial year. For the corresponding explanations, please refer to the ▸Report on economic position and to the ▸Outlook.

Non-financial key figures

The non-financial key figures are individual control variables depending on the operating business unit. This includes measurement variables such as vehicle handling, processed quantities and container handling. In order to assess future developments, we rely on a continuous dialog with customers and closely monitor overall economic developments in order to be able to react to changes at an early stage.

No non-financial key figures are used for management at Group level.

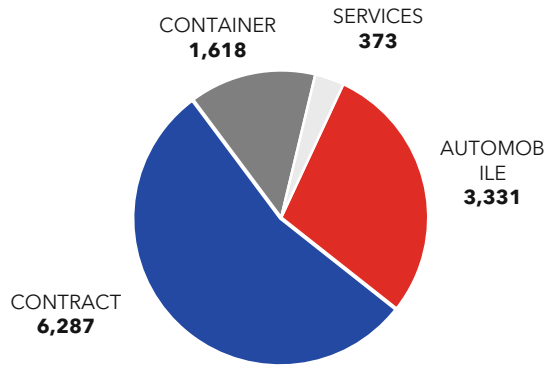
Non-financial performance indicators

Employees[1]

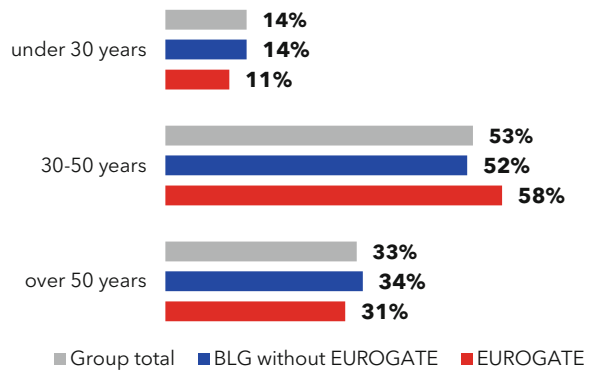
As an international seaport-oriented logistics service provider, BLG LOGISTICS requires committed, motivated and skilled employees in order to be successful in the market over the long term and to meet the continuous challenges of globalization and demographic change. Since the 2019 financial year, this has been underscored by a wide range of measures and campaigns under the motto "#SuccessDependsOnEverybody" spanning all levels from temporary employees to the Board of Management and all areas and locations of BLG LOGISTICS.

[1] The following employee numbers are defined in accordance with Section 267 (5) HGB.

Employees 2020



Employees by age group



In order to attract, develop and retain its employees, BLG LOGISTICS aims to consistently maintain its image as an attractive company on the labor market. That is why our personnel policies include options for maintaining a work-life balance and specific health management mechanisms, as well as performance-related pay and targeted training opportunities.

The successful implementation of a clear and forward-looking strategy largely depends on BLG LOGISTICS' management. Our leadership principles and our corporate values support the achievement of a shared understanding of leadership at all levels.

In the reporting year, the average number of employees (excluding the CONTAINER Division) decreased by 76 persons year-on-year, which is equivalent to 0.8 percent. The decline in the CONTRACT Division is due, among other things, to the customary switch of service providers in contract logistics. This ran counter to new hires in connection with business expansion.

The number of persons employed by the Group, excluding the Board of Management and apprentices, is shown in the table, broken down by division, and in accordance with Section 267 (5) HGB (annual average).

Employees by division	**2020**	2019	Percentage change
AUTOMOBILE Division	**3,331**	**3,308**	**0.7**
of which blue-collar workers	2,852	2,835	
of which white-collar workers	479	473	
CONTRACT Division	**6,287**	**6,393**	**-1.7**
of which blue-collar workers	4,902	5,024	
of which white-collar workers	1,385	1,369	
CONTAINER Division	**1,618**	**1,653**	**-2.1**
of which blue-collar workers	1,146	1,183	
of which white-collar workers	472	470	
Segment employees	**11,236**	**11,354**	**-1.0**
of which blue-collar workers	8,900	9,042	
of which white-collar workers	2,336	2,312	
Services	**373**	**366**	**1.9**
of which blue-collar workers	0	0	
of which white-collar workers	373	366	
Employees incl. CONTAINER Division	**11,609**	**11,720**	**-0.9**
of which blue-collar workers	8,900	9,042	
of which white-collar workers	2,709	2,678	
Less employees of the CONTAINER Division	**-1,618**	**-1,653**	**-2.1**
of which blue-collar workers	-1,146	-1,183	
of which white-collar workers	-472	-470	
Employees of BLG LOGISTICS	**9,991**	**10,067**	**-0.8**
of which blue-collar workers	7,754	7,859	
of which white-collar workers	2,237	2,208	

Non-financial report

In accordance with the provisions of the Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Reports (CSR Directive Implementation Act), BLG LOGISTICS has prepared a non-financial Group statement in accordance with Section 315b HGB since the 2017 financial year. This statement is integrated into the sustainability report as a separate non-financial report, which can be downloaded from ↗ *reporting.blg-logistics.com*. Our 2020 sustainability report also reports in detail on other non-financial topics.

Management and control

Corporate governance statement
In accordance with German statutory requirements, the auditor only audited the existence of disclosures on corporate governance within the meaning of Section 315d HGB. They are shown on ▸pages 16 ff. of this financial report, with the corporate governance statement in accordance with Section 315d HGB.

Takeover-related disclosures in accordance with Section 315a (1) HGB
The takeover-related disclosures are presented on ▸page 24.

Remuneration report
The remuneration report in accordance with Section 315a (2) HGB is presented on ▸pages 25 ff.

Report on Economic Position

Macroeconomic conditions

Global economy shaped by the coronavirus pandemic
At the start of 2020, the dominant topics in the global economy were the trade conflict between the US and China, uncertainty over Brexit, the weak demand for investment goods and the existing "automotive crisis". However, due to the coronavirus crisis, which came to Germany in a big way in February 2020 and is still having a significant impact on the global economy and global goods flows, these issues have faded into the background.

Industry, already weakening at the start of 2020, showed first signs of a recovery, only to face the worst economic collapse in German post-war history with the onset of the coronavirus pandemic. Many nations and trading partners imposed contact restrictions and plant shutdowns, which led to interruptions in cross-border supply chains and a slump in global demand.

Following the first easing of restrictions over the summer of 2020, a rapid recovery set in supported by government and central bank relief measures, which in the third quarter allowed the global economy to recoup a sizeable part of the severe downturn in production levels suffered during the first half of the year.

With the renewed rise in infections toward the end of the year, combined with tighter containment measures that placed a strain on economic and social activities, the global economic recovery was again brought to a standstill in the fourth quarter.

Sources for this section:
Deutsche Bundesbank, Monthly Report, January and February 2021
IfW Kiel, Kiel Institute Economic Outlook, No. 73 (2020|Q4)
IMK, IMK Report No. 164, January 2021

German GDP down by around 5 percent in 2020
The COVID year 2020 was also a turbulent one for the German economy. From February to April, industrial production fell by almost 30 percent, in large part also due to the interruption of international supply chains and the collapse in global demand. Household spending also shrank considerably as a result of the contact restrictions and lack of consumption opportunities. Thanks to the rapid response of policymakers in Germany and at European level, it was possible to prevent even greater declines.

With the easing of the containment measures, supply chains back up and running and economic revival also abroad, the German economy was able to catch up significantly, especially in the third quarter. This domestic recovery was short-lived, however, and was once again slowed – albeit not as severely as in spring 2020 – by the second wave of the pandemic, which grew stronger at the end of the year, and the tightening of measures to contain the resurgent infection rates. Bricks-and-mortar retail outlets were particularly affected by the renewed closures.

Year-on-year change in real GDP

The impact of the coronavirus pandemic on the labor market was, by and large, relatively limited thanks to the measures taken to safeguard jobs (e.g. short-time working arrangements), and the number of unemployed rose only slightly. The trade deal struck between the European Union and the United Kingdom also had a stabilizing effect on the economy. In this environment, German GDP was down by around 5 percent in 2020.

Sources for this section:
Deutsche Bundesbank, Monthly Report, January and February 2021
IfW Kiel, Kiel Institute Economic Outlook, No. 74 (2020|Q4)
IMK, IMK Report No. 163, December 2020

Situation in the logistics sector
During the coronavirus crisis in particular, the logistics sector acts as a major link between manufacturers, retailers and consumers and additionally is a provider of production-related services. In addition to the traditional freight forwarding business, its strengths include the provision of logistics services in connection with the delivery, production and distribution of goods.

The demands on logistics are changing at an ever-increasing pace. These changes are being driven by ongoing globalization, shorter product life cycles,

urbanization and new technologies. As a result, the sector continues to benefit from the increasing demand for logistics services, which is amplified by the growth in e-commerce business and returns processing in the business-to-consumer segment. Challenges concern in particular continued pressure on margins, demographic trends and the resulting competition for professionals, managers and young talents. There is also the growing importance of online retailing, which has once again been amplified during the coronavirus pandemic, increasing customer requirements with regard to speed, flexibility and the quality of supply, and increasing environmental awareness among the population. The sector is currently experiencing staff shortages particularly in the areas of warehouse workers, vehicle drivers and IT managers.

In addition, logistics companies are expected to be very willing to invest and highly innovative in the area of outsourcing activities. A key focus here is to invest in transshipment, distribution and order-picking centers in conveniently situated locations. Because contracts with customers often have terms of only a few years, space and handling equipment are often rented or leased. This avoids tying up capital in the long-term and significantly increases the flexibility of the logistics service provider.

Increasing customer demand has led to a significantly greater use of consistent information and communication technology along the process chains. Logistics service providers must increasingly adapt business models to changes such as the increasing influence of the ongoing digitalization of process chains.

The specific challenges for logistics service providers as a result of the coronavirus crisis forecast in last year's report and repeated below for the most part proved accurate:

- Additional safety measures made logistics more expensive
- Plant closures in the automotive industry reduced transports and handling volume
- The basis for necessary investments fell away
- Imbalances in freight transport at the seaports result in additional costs
- Contract logistics is suffering from manufacturers' suspended production and general economic demand
- Coronavirus precautions are resulting in staff shortages

With many customers in the logistics industry inevitably reporting lower volumes, the stable fixed costs resulted in a high burden in the first months of the coronavirus crisis. By contrast, e-commerce business grew at an above-average rate.

In line with the German and global economic situation, the SCI Logistics Barometer fell significantly in spring 2020. However, the business situation of the transport and logistics companies surveyed stabilized toward the end of the year and the SCI Logistics Barometer leveled out at the figure for the end of 2019. A large majority of 87 percent rated the current business situation as "normal" or "good" in December 2020. The logistics industry as a whole expects prices and costs to increase. Against the background of the problematic COVID year 2020, more than two thirds of companies surveyed expect a more favorable business performance in 2021.

The German Logistics Association (BVL) Logistics Indicator also shows a V-shaped development for 2020. However, the optimism expressed in the third quarter waned toward the end of the year and on balance in December the logistics service providers were slightly pessimistic with regard to the performance trend for the coming six months. With respect to the revenue development in the second half of the year, however, the majority were more positive. After falling heavily in March and April, the truck toll mileage index also steadily recovered.

A high number of employees in Germany work in logistics professions in retail and at logistics service providers. Aside from its economic strength and its large population, the importance of the German market can be partly attributed to the fact that a large share of economic output is accounted for by industry and retailing. Other reasons include the traditionally high export share, its central position in Europe and the resulting hub function that it fulfills. The quality of its transport infrastructure and its significant logistics expertise also contribute to making Germany highly attractive as a logistics location.

Sources for this section:

BVL Logistics Indicator, 4th Quarter 2020, December 14, 2020 including commentary

SCI Verkehr, SCI Logistics Barometer, December 2020

Board of Management's overall assessment of the business environment

In light of the coronavirus crisis, BLG LOGISTICS closed the 2020 financial year with a very substantial loss overall. Due to the idle business of many of our customers in the lockdown months of March to May alone, we incurred a loss in the double-digit millions. This was compounded by measurement adjustments and risk provisioning necessitated by the coronavirus pandemic.

The business development at the beginning of 2020 was largely in line with our expectations. However, the fallout from the COVID-19 crisis with its historic ramifications for the world economy, global trade flows and BLG LOGISTICS' customers was immediately felt in terms of volumes and results. The production standstill in the automotive industry hit us particularly hard in terms of handling, transport, technical processing and car parts logistics. However, other business segments with customers from retailing and industry, among others, were also severely affected. Many locations with e-commerce activities, on the other hand, developed positively in spite of the crisis. Container handling also suffered from the impact of the coronavirus pandemic, although not as severely as expected. As our employees' health and safety is of primary importance to us, we also incurred extensive expenses for protective measures and adjustments to operating procedures.

From the summer of 2020, we also began to feel the effects of the economic upturn and volumes and earnings increased perceptibly.

At the end of March 2020, it was still impossible to predict the advance of the coronavirus pandemic. As things stood at the time, we predicted a considerable reduction in EBT, revenue and the EBT margin. Against the background described, this development occurred in the 2020 reporting year.

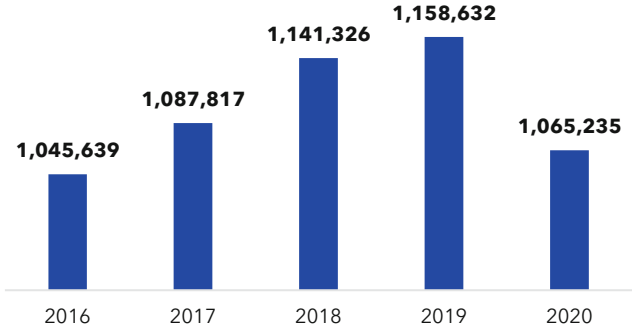
Despite the clear loss, on the whole BLG LOGISTICS came through the crisis better than had been anticipated in spring 2020. There was sufficient liquidity at all times and the number of employees also remained stable. We were helped in the pandemic by the fact that we have diversified our business more and more in recent years and have established a broad customer base.

In addition, even in 2020 BLG LOGISTICS managed to keep moving. We opened new locations, expanded existing ones and focused intensively on the topic of climate protection. We will be a climate-neutral company by 2030. We are also consistently pursuing our digitalization and innovation strategy and in this context are addressing topics such as artificial intelligence.

Even though 2021 will still be characterized by challenging conditions and question marks, we are working intensively to constantly improve BLG LOGISTICS' overall financial situation and, despite the crisis, consider ourselves well positioned for the future. This assessment is based on the results of the consolidated financial statements for 2020 and takes into account the business performance up to the time the group management report was prepared in 2021. The business development at the beginning of 2021 is largely in line with our expectations.

Business performance

Results of operations



Revenue development in EUR thousand

In the 2020 financial year, Group revenue decreased by EUR 93,397,000 year-on-year to EUR 1,065,235,000. This is almost entirely explained by the drop in volumes due to the coronavirus pandemic, with the result that all business divisions saw declines in the 2020 financial year.

The decrease in revenue of EUR 82,357,000 to EUR 521,377,000 in the AUTOMOBILE Division is the result of the burdens on the automotive industry. The impact of the coronavirus pandemic has led to the biggest crisis since the Second World War, causing sales to plummet by around one quarter. Alongside other business areas with customers in industry and retailing, this also affected car parts logistics in the CONTRACT Division. Here, total revenue decreased by EUR 11,313,000 to EUR 552,621,000. The positive development of our

locations with e-commerce prevented this decline from being higher. Apart from the lower volumes as a result of the coronavirus pandemic, the high level of competitive pressure and, hand in hand with this, declining average selling prices continued to have a dampening effect on the revenue development in the CONTAINER Division. Revenue fell in the 2020 financial year by EUR 18,782,000 to EUR 263,522,000. Since the EUROGATE Group is included in the consolidated financial statements using the equity method, this revenue is not included in the reported Group revenue.

In addition to the competitive pressure, the CONTAINER Division was impacted in particular by high impairment losses on non-current financial assets (EUR 37.0 million; 50 percent stake) and restructuring expenses for the individual entities (EUR 20.9 million). Consequently, companies accounted for using the equity method reported a substantial net loss for the period. For more information, please refer to the notes below relating to the CONTAINER Division.

Overall, with -13.9 percent, the cost of materials fell more sharply than revenue (-8.1 percent). In addition to lower purchased services, this is also accounted for by EUR 21,529,000 (17.4 percent) less in the cost for external personnel due to the coronavirus pandemic in the 2020 financial year.

The decline in other income (EUR 18,988,000) year on year is attributable with EUR 11,683,000 to lower income from disposals of property, plant and equipment and with EUR 2,211,000 to lower income from the reversal of provisions.

Personnel expenses rose in the reporting year to EUR 455,476,000 (previous year: EUR 452,245,000). The reduced expenses for wages and salaries due to the slight decline in the number of employees and temporary short-time work were not sufficient to compensate for the

Revenue by segment **EUR thousand**	**2020**	2019	Absolute change	Percentage change
AUTOMOBILE	521,377	603,734	-82,357	-13.6
CONTRACT	552,621	563,934	-11,313	-2.0
CONTAINER	263,522	282,304	-18,782	-6.7
Reconciliation	-272,285	-291,340	19,055	6.5
Group total	**1,065,235**	**1,158,632**	**-93,397**	**-8.1**

Key figures for the results of operations **EUR thousand**	**2020**	2019	Absolute change	Percentage change
Revenue	**1,065,235**	**1,158,632**	**-93,397**	**-8.1**
Other income	46,190	65,178	-18,988	-29.1
Share in profit (loss) of companies accounted for using the equity method	-61,705	22,787	-84,492	-370.8
Cost of materials	-454,905	-528,184	73,279	13.9
Personnel expenses	-455,476	-452,245	-3,231	-0.7
Other expenses	-131,577	-130,869	-708	-0.5
Depreciation and amortization expense, impairment losses	-115,432	-88,869	-26,563	-29.9
EBIT	-107,670	46,430	-154,101	-331.9
Financial result	-8,457	-8,886	429	4.8
EBT	**-116,127**	**37,544**	**-153,671**	**-409.3**
EBT margin (in %)	**-10.9**	**3.2**	**-14.1**	**-435.1**
Consolidated profit or loss for the period	-120,174	32,588	-152,762	-468.8

EBT by segment **EUR thousand**	**2020**	2019	Absolute change	Percentage change
AUTOMOBILE	-8,998	19,324	-28,322	-146.6
CONTRACT	-13,891	7,436	-21,327	-286.8
CONTAINER	-67,274	23,699	-90,973	-383.9
Reconciliation	-25,964	-12,915	-13,049	-101.0
Group total	**-116,127**	**37,544**	**-153,671**	**-409.3**

increased post-employment, other employee benefit and anniversary costs.

Depreciation and amortization expense rose by EUR 26,563,000 in the 2020 financial year. This increase resulted with EUR 25,160,000 from impairments and relates in particular with EUR 10,795,000 to the goodwill of BLG Sports & Fashion and with EUR 8,754,000 to the goodwill of CGU Spedition.

The financial result improved slightly on the previous year by EUR 429,000 to EUR -8,457,000. The slightly lower interest income was overcompensated by the EUR 1,556,000 lower expenses from the interest cost of provisions and liabilities.

Against the background of the described conditions, earnings before taxes (EBT) decreased very sharply by EUR 153,671,000 to EUR -116,127,000 in large part due to the effects of the coronavirus pandemic. Correspondingly, the EBT margin is -10.9 percent (previous year: 3.2 percent).

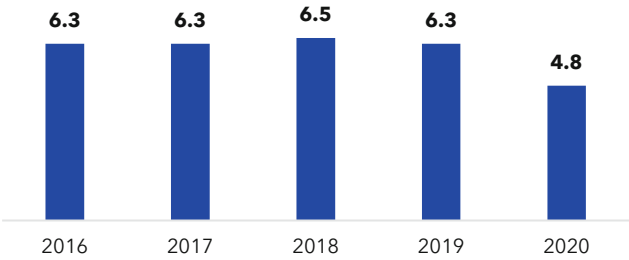
Income taxes in the reporting year were EUR 4,047,000 (previous year: EUR 4,956,000). Current taxes in fact increased by EUR 2,131,000, as in the previous year they were offset by reimbursements for prior periods amounting to EUR 4,868,000. Furthermore, in particular the positive change in deferred taxes (EUR 3,040,000) also had an effect.

Accordingly, consolidated net profit for the period fell sharply by EUR 152,762,000 to EUR -120,174,000 year-on-year.

AUTOMOBILE Division

EUR thousand	2020	2019
Revenue	521,377	603,734
EBT	-8,998	19,324
EBT margin (in %)	-1.7	3.2

The AUTOMOBILE Division is the leading technical and logistics service provider for the international automotive industry. In this business area, the company offers multimodal transport concepts with global logistics reach and dovetails individualized and innovative technical service packages.



Vehicles handled (in millions)

The impact of the coronavirus pandemic led to the biggest crisis in the automotive sector since the Second World War. On top of the already challenging transition from combustion engines to the new era of alternative drives and connectivity, our customers' sales deteriorated by a quarter. This had a direct effect on the volumes of all business areas in the AUTOMOBILE Division. Consequently, in the 2020 financial year the volume of vehicles handled in the division's network was considerably lower than in the previous year at 4.8 million (previous year: 6.3 million vehicles).

Seaport terminals business area

In the seaport terminals business area, the volume of cars handled decreased significantly. At our largest transshipment facility, AutoTerminal Bremerhaven, 1.7 million vehicles (previous year: 2.1 million) were handled, transported, and technically processed in 2020, which was around 20 percent down on the previous year. Our car terminal in Cuxhaven reported a similar percentage decline. The coronavirus pandemic also had a significant impact on material costs and productivity as a result of the important and necessary hygiene and social distancing measures.

Despite the volume reductions, a comparatively better level was achieved in the area of seaport terminal technology. Appropriate measures such as short-time work had a mitigating effect on the business area's clearly negative earnings.

XXL Logistics business area

The handling volume in the XXL Logistics business area was lower than in the previous year due to the impact of the coronavirus pandemic and the flagging global economy (Bremerhaven location: 1.1 million metric tons; previous year: 1.3 million metric tons). While volumes picked up again considerably from midyear, they were still subject to high fluctuations, especially at our Bremerhaven facility. On a cumulative basis, there has been a shift in volumes toward lower value-added business. The Neustadt port site in Bremen reported high tonnages at times (especially for forest products) and a

correspondingly high staffing level. A high rate of sick leave, the need to hire additional external staff and the social distancing and hygiene measures had a counteractive effect on productivity, resulting in a drop in tonnage from 1.35 million metric tons to 1.2 million metric tons.

In the wind energy sector, external order volume again failed to materialize. Overall, the business area posted a slightly negative year-end result.

The XXL Logistics business area was dissolved at the end of 2020. The WindEnergy and High&Heavy cargo handling segments in Bremerhaven will in the future be included in the seaport terminals business area and the expertise bundled in heavy goods handling. The BLG Cargo location at Neustadt port in Bremen will also be assigned to the seaport terminals business area from 2021.

Inland terminals business area

Despite high volume reductions as a result of the coronavirus pandemic, the inland terminal business area was able to sustain its upward momentum and closed the year with a positive result. The Kelheim location in particular made a considerable contribution to earnings thanks to high volumes and significant vertical integration. Increased activities in the areas of lessors, fleets and remarketing contributed to the positive earnings result.

Car transport and AutoRail business areas

Despite the adverse effects of the coronavirus pandemic, the car transport and AutoRail business areas also closed the 2020 financial year with a positive result. Despite volume downturns of 20 to 30 percent, new, cross-border transports were gained. The recovery of the global economy from midyear on also led to increased traffic and capacity utilization. Negative factors in the form of necessary improvements to the rail infrastructure and expansion of the route network continue to exist.

The CarShipping sector, which includes car transport by special inland waterway vessels, also made a positive contribution to the earnings of the car transport business area in 2020, due in particular to special orders.

Southern/Eastern Europe business area

In the Southern/Eastern Europe business area, terminal and transport business in Gdansk/Poland and transport business in St. Petersburg/Russia developed positively despite the coronavirus crisis. In particular, empty vehicle mileage was reduced and international transports to former CIS countries were expanded. The business area's other locations performed as could be expected in light of the prevailing circumstances. On balance, the business area was therefore able to close the year with an almost neutral result.

Due to the developments described above and the high volume reductions above all in the seaport terminals business area, EBT in the AUTOMOBILE Division decreased year-on-year from EUR 19,324,000 to EUR -8,998,000.

CONTRACT Division

EUR thousand	2020	2019
Revenue	552,621	563,934
EBT	-13,891	7,436
EBT margin (in %)	-2.5	1.3

The CONTRACT Division manages complex projects and offers its customers reliable upstream and downstream logistics solutions. We work at our logistics centers and our customers' production facilities and warehouses at over 40 locations in Europe and overseas.

Industrial logistics (Europe) business area

Due to the effects of the coronavirus pandemic with plant shutdowns and volume reductions on the part of our customers, the industrial logistics (Europe) business area also performed well below the original targets. From the middle of the 2020 financial year, the direct impact of the global coronavirus pandemic gradually diminished and operating business at most of our locations picked up again steadily. However, the production volumes of our customers, particularly from the automotive sector, have in some cases fallen on a sustained basis. It was possible to mitigate the effects of this through countermeasures such as cost reductions and process improvements.

In Bremen, we were able to expand our business with our most important automotive customer on a long-term basis. At the Stuttgart and Berlin/Brandenburg locations, new businesses successfully started up. The business area closed the financial year with a significant loss.

Industrial logistics (overseas) business area

All of our customers and locations in the industrial logistics (overseas) business area were affected by government-imposed lockdowns and the slow production restarts. However, from midyear onwards our locations in the US, South Africa, Malaysia and India saw improvements. The new Retail Services sector in the US was able to mitigate the clearly negative earnings performance of the business area overall.

Retail logistics business area

The retail logistics business area stood out in the crisis for its positive business development in the reporting year. Although the closure of bricks-and-mortar retail outlets during the lockdown led to declines in the textiles and furniture segments in particular, those locations with e-commerce activities fared extremely well. Our Bremen, Elsdorf, Emmerich and Frankfurt locations in particular surpassed expectations. We also successfully forged ahead with the start-up phase of our large-scale new facilities in Schlüchtern and Schlüsselfeld/Geiselwind. The Sports & Fashion sector, on the other hand, suffered substantial losses as expectations regarding the new businesses were not yet met, and restructuring and other non-recurring costs also had a negative impact on earnings.

Overall, the retail logistics business area outperformed the projected earnings targets in 2020 and closed the financial year on a positive note.

Freight forwarding business area

Gross forwarding revenue in the freight forwarding business area plummeted as a result of the coronavirus pandemic. Sea and air freight volumes were also still lacking. This situation was confounded by equipment bottlenecks (in particular in sea freight) and an extreme price war, especially in air freight. Despite exploiting cost-saving potential, it was not possible to prevent the business area from closing the year with a substantial loss.

As a result of the developments described, EBT in the CONTRACT Division shrank year-on-year by EUR 21,327,000 to EUR -13,891,000.

CONTAINER Division

EUR thousand	2020	2019
Revenue	263,522	282,304
EBT	-67,274	23,699
EBT margin (in %)	-25.5	8.4

The CONTAINER Division of BLG LOGISTICS is represented by half of the company shares in the joint venture EUROGATE GmbH & Co. KGaA, KG. This company operates, in some cases with partners, container terminals in Bremerhaven, Hamburg and Wilhelmshaven (Germany), at the Italian locations La Spezia, Ravenna and Salerno, and in Limassol (Cyprus), Lisbon (Portugal), Tangier (Morocco) and Ust-Luga (Russia). The EUROGATE Group also has holdings in a number of inland terminals and railway operating companies.

The CONTAINER Division's business mainly involves container handling. Intermodal services, such as the carriage of sea containers to and from the terminals, repairs, depot storage and trading of containers, cargomodal services and technical services are also offered as secondary services.

The decline in revenue in the EUROGATE Group, despite increased volume growth at both the EUROGATE Container Terminal Bremerhaven GmbH multi-user terminal and at EUROGATE Container Terminal Hamburg GmbH, is attributable to a significant decrease in average prices per container.

The Group's EBT (50 percent) is considerably below the previous year's level and at EUR -67,274,000 (previous year: EUR 23,699) showed a substantial loss. In addition to declining average selling prices and pandemic-related factors influencing handling development, the development of earnings also reflected above-average cost increases. Earnings in the 2020 financial year were also weighed down by substantial non-recurring expenses due to impairment losses on non-current financial assets in the amount of EUR 37.0 million (50 percent stake) and extraordinary expense for the restructuring of individual entities (EUR 20.9 million). With sharply decreasing and negative income from associates, a net loss of EUR 60.6 million was reported for the 2020 financial year (previous year: net profit of EUR 22.8 million). For the reasons mentioned above, earnings in the 2020 financial year were significantly lower than originally forecast.

EARNINGS FOR 2020

-116.1 million	1,065 million	-10.9%
EBT	Revenue	EBT margin

Comparison of results of operations in 2020 with the forecast for the 2020 financial year

	Forecast 2020	Actual 2020
EBT	Significant decline	Significant decline
Revenue	Significantly below the previous year's level	Significantly below the previous year's level
EBT margin	Significant decline	Significant decline

At the time of preparing the previous year's 2019 report, it was not yet possible to foresee the extent to which the coronavirus pandemic would impact our business. We were already predicting that the coronavirus crisis would have a severe negative effect on volumes, revenue and earnings. In addition, existing uncertainties such as the trade conflict between the US and China, the further course of Brexit, the weak demand for investment goods and the existing "automotive crisis" took their toll.

Against this background, we assumed that EBT and the EBT margin would decline significantly and that earnings would be considerably below the previous year's level. Our forecasts were based on assumptions that deviated in part from the conditions that occurred in the 2020 financial year.

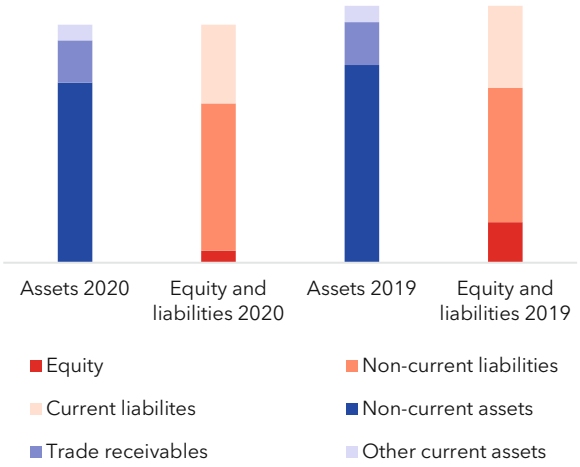
Given the effects on operating business described above and the additional measurement adjustments to be made, our forecast proved accurate. As expected, EBT declined significantly by EUR 153,671,000 to EUR -116,127,000. At EUR 1,065,235, revenue was down considerably on the previous year's level by around 8.1 percent. Corresponding to earnings, the EBT margin is -10.9 percent (previous year: 3.2 percent).

In the AUTOMOBILE Division, EBT was down in particular because of the impact of plant closures in the automotive sector and consumer reticence. This was compounded by the "automotive crisis" that was already evident before the onset of the coronavirus pandemic. Among other things, the automotive industry is challenged by the transition from combustion engines to alternative drive systems. The positive earnings results in the inland terminals, car transports and AutoRail business areas were not sufficient to compensate for the large reduction in volumes and associated losses at the seaport terminals. The XXL Logistics business area also faced declining and fluctuating volumes. Important and necessary hygiene and social distancing measures designed to protect the health of our employees, customers and suppliers had an adverse effect on productivity in this division, which closed the 2020 financial year with EBT of EUR -8,998,000.

In the CONTRACT Division, the drop in earnings was attributable in particular to the industrial logistics (Europe and overseas) business areas with their many customers from the automotive sector. They were especially hard hit as a result of the lockdown measures and the knock-on effects of the coronavirus pandemic. The retail logistics business area developed positively during the crisis and had a mitigating effect on the negative earnings performance of the division as a whole. Although the closure of bricks-and-mortar retail outlets led to declining volumes in the textiles and furniture segments, those locations with e-commerce activities contributed significantly to the positive result. Freight forwarding suffered from volume shortages and fierce competition during the financial year. This results in EBT of EUR -13,891,000 for the CONTRACT Division, which is substantially lower than in the previous year.

Total throughput volumes and revenue in the CONTAINER Division were below the previous year's level as a result of the meanwhile lower volumes due to the coronavirus pandemic and persistently fierce competition. A significant earnings downturn had been forecast for the EUROGATE Group for the 2020 financial year; however, earnings (EBT) were further depressed compared with the original forecast due to extraordinary expense for restructuring as well as the unanticipated impairment losses on non-current financial assets and, at EUR -67,274,000, were down sharply.

Net assets



Structure of statement of financial position

In the reporting year, total assets amounted to EUR 1,194,093,000 and were therefore significantly below the previous year's figure of EUR 1,288,303,000. Of the reduction of EUR 94,210,000, EUR 59,510,000 alone was attributable to equity-accounted investments. In particular, the earnings of the CONTAINER Division described above reduced the recognition amount.

Accordingly, non-current assets fell by EUR 88,135,000 in total to EUR 903,201,000. The increase in non-current assets of EUR 107,758,000 due to investments in non-current intangible assets and property plant, and equipment (of which EUR 37,868,000 non-cash) compares to divestments of EUR 19,174,000 and depreciation and amortization expense in the amount of EUR 115,432,000, which was EUR 26,563,000 higher (due to impairments, see above). The capitalization ratio increased to 50.5 percent, a rise of 1.4 percentage points compared to December 31, 2019.

A detailed breakdown of the fair values of financial assets and liabilities and disclosures on hedging instruments can be found in ▸note 32 to the consolidated financial statements.

Key figures for net assets **EUR thousand**	**2020**	2019	Absolute change	Percentage change
Total assets	1,194,093	1,288,303	-94,210	-7.3
Capitalization ratio (in %)	50.5	49.2	1.4	2.8
Working capital ratio (in %)	73.5	72.2	1.3	1.8
Equity	59,741	203,364	-143,622	-70.6
Equity ratio (in %)	5.0	16.0	-11.0	-69.0
Net debt	676,904	611,895	65,010	10.6

EUR thousand	**Carrying amount 12/31/2020**	Carrying amount 12/31/2019	Absolute change	Percentage change
Non-current loans	167,436	104,711	62,725	59.9
Finance lease liabilities	536,420	556,491	-20,071	-3.6
Total	**703,856**	**661,202**	**42,654**	**6.5**

Net debt **EUR thousand**	**2020**	2019	Absolute change	Percentage change
Non-current loans	146,387	86,117	60,270	70.0
Other non-current financial liabilities	513,305	511,562	1,743	0.3
Current financial liabilities	228,297	232,634	-4,336	-1.9
Financial liabilities	**887,990**	**830,313**	**57,678**	**6.9**
Non-current finance receivables	197,729	196,849	880	0.4
Cash and cash equivalents	13,357	21,569	-8,212	-38.1
Net debt	**676,904**	**611,895**	**65,010**	**10.6**

The Group's net debt increased to EUR 676,904,000 in the 2020 financial year (previous year: EUR 611,895,000). This is mainly due to the increase in non-current loans taken out of EUR 62,725,000 to EUR 167,436,000. Thus, among other things, current liabilities were settled and investments were financed.

Financial position

Based on the earnings before taxes of EUR -116,127,000 achieved in 2020, a cash flow of EUR 27,264,000 was generated from operating activities (previous year: EUR 65,701,000). The free cash flow of EUR -5,625,000 was in the negative range and EUR 75,142,000 below the previous year's figure of EUR 69,517,000.

The lower earnings before taxes described in the results of operations (change EUR -153,671,000) was the main reason for the reduction in cash flow from operating activities. Due to the indirect method of calculation, the impairment losses in the amount of EUR 25,160,000 (see remarks above) as well as the negative earnings of companies accounted for using the equity method (EUR -61,705,000) had a contrary effect.

Cash flow from investing activities changed by EUR -36,704,000 to EUR -32,889,000 in the reporting year. This is due mainly to a EUR 26,701,000 decline in proceeds from dividends received. In addition, capital expenditure on property, plant and equipment and intangible assets increased by EUR 15,504,000 in total. Lower investments in companies accounted for using the equity method had the opposite effect.

Cash flow from financing activities improved significantly by EUR 57,367,000 to EUR -14,706,000 in the reporting year. Increased proceeds from financial loans (change EUR 75,342,000) were offset by increased repayment of short-term financing from investees (EUR 45,267,000).

In total, cash and cash equivalents decreased by EUR 22,354,000 to EUR -63,941,000 in the financial year.

Outstanding investments are financed taking into account the operating cash flows generated in the divisions, and, subject to the capital market situation, from equity, from non-current loans and through leasing.

As of the reporting date, lines of credit to the value of EUR 51.5 million had been agreed but not used.

A detailed statement of cash flows can be found in the ▸Consolidated financial statements. Disclosures on the statement of cash flows can also be found in ▸note 37 to the consolidated financial statements.

Key figures for the financial position EUR thousand	**2020**	2019	Absolute change	Percentage change
Cash inflow from operating activities	27,264	65,702	-38,438	-58.5
Cash in-/outflow from investing activities	-32,889	3,815	-36,704	-962.1
Free cash flow	**-5,625**	**69,517**	**-75,142**	**-108.1**
Cash in-/outflow from financing activities	-14,706	-72,073	57,367	79.6
Net cash change in cash and cash equivalents	**-20,331**	**-2,556**	**-17,775**	**-695.4**
Effect of exchange rate changes on cash and cash equivalents	-2,024	595	-2,619	-440.2
Cash and cash equivalents at start of financial year	-41,586	-39,626	-1,960	-4.9
Cash and cash equivalents at end of financial year	**-63,941**	**-41,587**	**-22,353**	**-53.7**
Composition of cash and cash equivalents				
Cash	13,357	21,569	-8,212	-38.1
Current liabilities to banks	-77,298	-63,156	-14,142	-22.4
Cash and cash equivalents at end of financial year	**-63,941**	**-41,587**	**-22,354**	**-53.8**

Opportunity and Risk Report

Opportunity and risk management principles

Corporate activity is accompanied by opportunities and risks. For BLG LOGISTICS, the responsible management of possible opportunities and risks is a core element of sound corporate governance. Our opportunities and risks policy aims to increase the company's value without taking any inappropriately high risks.

Opportunities

Uncertain events that increase the company's value and may be the outcome of developments that are more favorable than planned.

Risks

Possible future developments that are unfavorable to the attainment of short-term strategic goals or that are hazardous or even threaten the existence of the company through a reduction in the company's value.

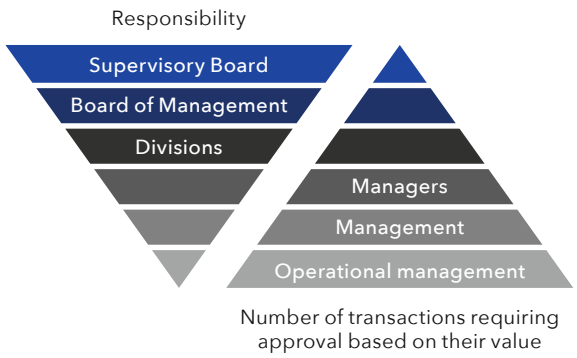
Risk management in BLG LOGISTICS is mainly derived from the goals and strategies of the individual business areas. It aims to recognize potential risks in good time, take suitable countermeasures to avert the threat of damage to the company and eliminate any threat to the company's continued existence.

The strategic orientation of BLG LOGISTICS, which operates both within Germany and internationally, is highly diversified. Thus the structure of having three divisions together with a number of associated business areas leads to a certain degree of autonomy. Significant capital expenditure is mainly substantiated and backed up through contracts with customers.

Opportunity and risk management system

The Board of Management is responsible for the opportunity and risk management system. The Supervisory Board and the Audit Committee monitor and examine the system to ensure it is appropriate and effective. The responsibility for identifying and managing significant risks and opportunities is managed centrally within BLG LOGISTICS. Different levels and organizational units are integrated into the system.

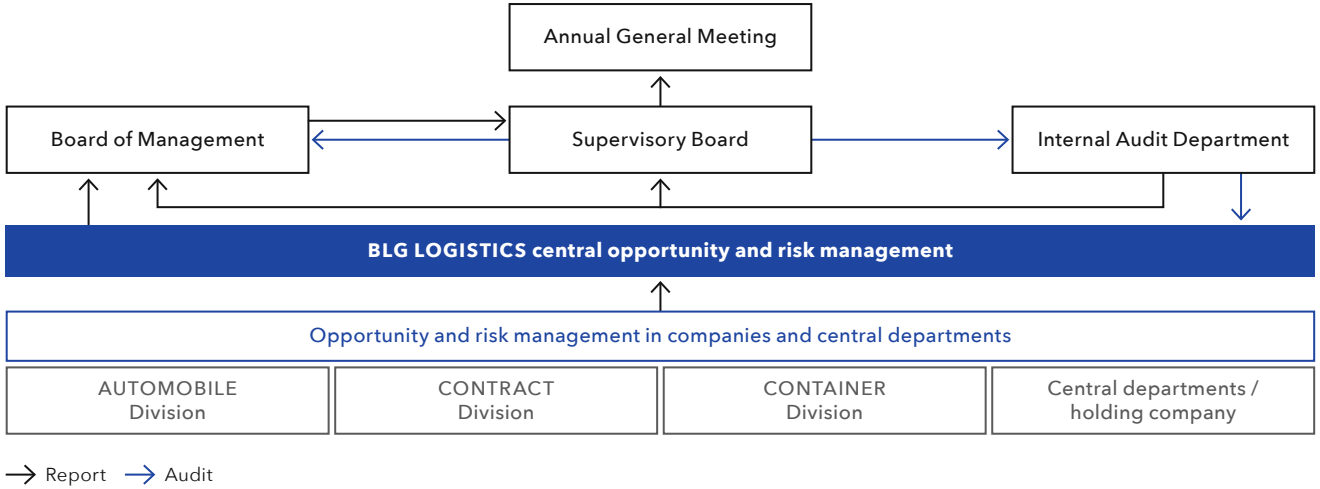
The relationship between expertise and frequency of decision-making can be seen in the following diagram:



Communication channel and responsibilities in BLG LOGISTICS' opportunity and risk management system

In order for us to achieve our goals, measured by earnings before taxes (EBT), the broad spectrum of our logistics services requires the early identification of potential opportunities and risks. The Board of Management and the managers, as well as the Supervisory Board, receive monthly reporting on the key figures of BLG LOGISTICS. This is intended to ensure the creation of added value over the long term and to prevent any threat to the company's continued existence. The central components of the opportunity and risk management system are therefore the planning and management process, the rules within the Group, and reporting. We give special consideration to opportunities and risks arising from strategic decisions, from the markets, from the operating activities and from financing and liquidity.

Opportunity and risk management at BLG LOGISTICS



BLG LOGISTICS' principles of risk management are documented and published in a guideline. Risk managers and risk coordinators are appointed in the divisions and in the central and administrative departments in order to ensure that the risk management system runs efficiently. This ensures that risks and risk mitigating measures (risk avoidance and reduction, or the transfer of risk through insurance) and opportunities are identified and evaluated in the area of the business where they actually arise. The centrally implemented risk management department is responsible for coordinating the Group-wide identification, assessment and documenting of opportunities and risks. An IT-supported risk management system serves as the basis for this.

The risks and the related measures defined within the strategy which we currently believe could have a material adverse effect on our net assets, financial position and results of operations are identified, assessed and monitored on an ongoing basis in the sense of a permanent inventory. These are not necessarily the only risks to which BLG LOGISTICS is exposed. Other influences of which we are not yet aware or which we do not yet consider to be significant may also affect our business activities but are not included in the risk report.

The Internal Audit department is also integrated in risk communication within BLG LOGISTICS as a process-independent monitoring entity.

As a company with international operations and a broad spectrum of different services, BLG LOGISTICS is exposed to a variety of risks. These are analyzed through ongoing monitoring of both the macroeconomic environment and, especially, global logistics trends, and are taken into account in business decisions. Services and infrastructure risks as well as financial risks comprise the majority of the overall risks.

Insurance policies are taken out where available and economically viable in order to minimize the financial effects of possible damage. The cover provided and amount insured under these policies is examined on an ongoing basis.

In order to counteract potential risks which could arise in particular under a wide range of geographic, employment, cartel, customs, capital market, tax, contractual, environmental and competition regulations and legislation, BLG LOGISTICS bases its decisions and the design of its business processes on comprehensive legal advice, as well as on input from in-house and external experts. To the extent that legal risks relate to past circumstances, necessary accounting provisions are created and their appropriateness examined at regular intervals.

Aims and methods of financial risk management

The principal financial instruments used to finance the Group include non-current borrowings, current loans and cash, including short-term deposits with banks. The focus is on financing the operations of BLG LOGISTICS. BLG LOGISTICS has access to a range of other financial

instruments, such as trade receivables and payables, that arise directly as part of its operations.

Financial risk management is the responsibility of the Treasury department, whose tasks and objectives are described in a guideline approved by the Board of Management. The central task besides managing liquidity and arranging financing is the minimization of financial risks at Group level. This includes preparing and analyzing financing and hedging strategies and contracting hedging instruments.

The material risks for the Group resulting from financial instruments are credit risks, foreign currency risks, liquidity risks and interest rate risks. The Board of Management creates risk management guidelines for each of these risks, which are summarized below, and verifies compliance with these guidelines. At Group level the existing market price risk for all financial instruments is also monitored.

Capital risk management

An important capital management goal for BLG LOGISTICS is to ensure the ability of the company to continue as a going concern in order to provide earnings to shareholders and to provide other stakeholders with the benefits to which they are entitled. Additional goals are to optimize liquidity security and maintain an optimum capital structure in order to reduce the costs of capital in general and the refinancing risk in particular in the long term.

BLG LOGISTICS monitors its capital on the basis of the equity ratio and other key figures. Assurances have been made to all partner banks with regard to equal treatment and the change-of-control clause.

In 2020, the strategy continued to be to secure access to external funds at acceptable costs.

Description of the main features of the internal control and risk management system with regard to the accounting process in accordance with Section 315 (4) HGB

Definition and elements of the internal control and risk management system

The internal control system of BLG LOGISTICS with regard to the accounting process includes all principles, procedures and measures to ensure the correct and legally compliant recognition, measurement and presentation of business transactions in the financial statements. The aim is to avoid any material misstatements in accounting and external reporting.

Since the internal control system is an integral component of risk management, it is presented in a condensed form.

The internal management and monitoring systems are components of the internal control system. The Board of Management of BLG LOGISTICS has assigned responsibility for the internal management system in particular to the Financial Services department (incl. financial controlling, finance and accounting), which cooperates closely under one management and with a focus on processes.

The internal monitoring system comprises controls that are both integrated into and independent of the accounting process. The controls integrated into the process particularly include the dual control principle, the separation of functions between related departments (particularly creditor and treasury management) and IT-supported controls, as well as the involvement of internal departments such as Legal or Tax departments and of external experts.

Controls that are independent of the process are carried out by the Internal Audit department (e.g. compliance with the authority and signature guideline and the purchasing guideline), the Quality Management department and the Supervisory Board, in the latter case principally through its Audit Committee. The Audit Committee concerns itself in particular with the accounting for the company and the Group, including reporting. The activities of the Audit Committee also focus on the risk situation, the further development of risk management and compliance issues. This also includes the effectiveness of the internal control system.

Process-independent audit activities are also performed by external auditing bodies such as the auditing company or the external tax auditor. With regard to the financial reporting process, the audit of the annual and consolidated financial statements by the auditing company forms the main component of the process-independent review.

Accounting-related risks
Accounting-related risks can arise, for example, through the conclusion of unusual or complex business dealings or the processing of non-routine transactions.

Potential risks also result from discretionary scope in the recognition and measurement of assets and liabilities, or from the effect of estimates on the annual financial statements, such as for provisions or contingent liabilities.

Accounting process and measures to ensure its correctness
Business transactions are generally accounted for in the separate financial statements of the subsidiaries of BLG LOGISTICS using the standard software SAP R/3. The consolidated financial statements are prepared using the SAP consolidation module EC-CS, with the separate financial statements of the companies included in the consolidation being combined, if necessary after adjustment to comply with international financial reporting standards. The separate financial statements of foreign subsidiaries and domestic subsidiaries not integrated into the SAP system are included on the basis of the standardized, Excel-based reporting packages audited by audit firms, which are transferred into the EC-CS consolidation system by way of flexible uploads. This is a standard interface in SAP.

BLG LOGISTICS has issued accounting guidelines for financial reporting in accordance with International Financial Reporting Standards (IFRSs) to ensure consistent recognition and measurement. In addition to general principles, these guidelines cover in particular accounting principles and methods and regulations on the income statement, consolidation principles and special topics. To ensure the implementation of consistent, standardized and efficient accounting and financial reporting, guidelines for uniform Group-wide accounting have also been drawn up. Impairment tests for the Group's cash-generating units are carried out centrally. This ensures that consistent and standardized measurement criteria are used, especially the underlying interest rates. The same applies to the specification of the parameters to be used for the measurement of pension provisions and other provisions based on expert opinions.

When preparing the debt consolidation, internal balances are regularly reconciled in order to clarify and remedy any differences in good time. At Group level, in addition to a validation by the system of the data reported in the separate financial statements, the reporting packages in particular are tested for plausibility and adjusted if necessary.

The disclosures in the notes to the consolidated financial statements are produced mainly from the EC-CS consolidation system and enhanced by additional information on the subsidiaries.

In addition, supporting disclosure management software is used for preparing material separate financial statements and the consolidated financial statements, which uses a uniform data pool and includes validations, history traceability and a clearly defined workflow. A high degree of automation significantly reduces the risk of error and increases efficiency.

Special software is used for tax accounting. Current and deferred taxes are calculated at the level of the individual subsidiaries and the recoverability of the deferred tax assets is tested. Current and deferred taxes to be recognized are thus calculated at the Group level in the statement of financial position and in the income statement, taking into account the effects of consolidation.

Qualifying notes
The internal control and risk management system ensures the correctness of the accounting process and compliance with the relevant legal requirements.

Discretionary decisions, controls containing errors, or malicious acts may, however, limit the effectiveness of the internal control and risk management system, with the effect that the systems established cannot guarantee with absolute certainty that the risks will be identified and managed.

Opportunities

Our business model
As an international Group with three divisions and their business areas, BLG LOGISTICS is exposed to a wide range of trends in the various national and international markets. Based on the business development described in this report and the company's position, the current macroeconomic conditions present various potential opportunities. The effects of sustainable positive economic trends are of overriding importance here. The development of innovative solutions for our customers in the context of future-oriented research projects also has a

high priority. For further information, please refer to the "Research and development" section.

We also want to make optimum use of opportunities in the various fields of activity that open up to us in future. The premise for this remains our network, and the innovative intermodal offering in the AUTOMOBILE Division.

The established business models in the trade and industrial logistics business areas offer the CONTRACT Division sales and acquisition opportunities combined with additional automation and digitalization activities in Germany and the rest of Europe. The individual business areas benefit from a continuing growth market because our customers want to improve their own cost structures and make them more flexible through increased outsourcing.

The CONTAINER Division continues to hold that deepening the shipping channel in the Elbe and Outer Weser Rivers for the purpose of securing and positioning the German ports in the North Range is urgently necessary so that ever larger container vessels can call at Bremerhaven and Hamburg without hindrance. The nautical problems caused by the continuing increase in the number of ever larger container ships in Hamburg especially did not improve in the 2020 financial year. Now that the fairway adjustment measures have got underway in the Elbe River, the nautical difficulties will be qualified somewhat following the widening and deepening of the shipping channel. If one or both of these measures should fail or be delayed further, this may have a not inconsiderable negative impact on future cargo handling development at these locations.

However, the CONTAINER Division can offer its customers an excellent alternative with Germany's only deep-water port, EUROGATE Container Terminal Wilhelmshaven, and its facilities for the handling of container ships with corresponding deep-water access.

Strategic opportunities

AUTOMOBILE Division: We support our customers in the areas of electric mobility and alternative drive systems

Our customers are backing a sustainable and more environmentally friendly future by constructing electric vehicles. Electric mobility is the key to climate-neutral mobility.

BLG's AUTOMOBILE Division consistently supplements its logistics network with smart digital solutions and sustainable concepts for climate-friendly transport. Thus, we are currently converting our car terminal in Hamburg to make it climate neutral. And we actively advise and support our customers in the area of electric mobility. Alongside sustainability, digitalization is the big topic of the future for the automotive and logistics industries. BLG LOGISTICS is contributing to this by working with partners on a research project to develop complex planning and management tools for car terminals (see remarks below).

In the reporting year, we also expanded the Dodendorf location from a car transportation base into an independent car terminal. It was also developed into an electric mobility location, with an area extension already planned for 2021. Here and at other terminals, BLG LOGISTICS provides services for various manufacturers, including handling, technical processing, quality assurance and customs clearance for electric vehicles, and in this way contributes to the energy transition, while at the same exploiting for itself the opportunities arising from the development of alternative drive systems. In this, we benefit from our international network for handling, technical processing and transport using various modes of transportation (road, rail, inland waterway). We thus cover global logistics for finished vehicles, from the manufacturer to the dealer.

AUTOMOBILE Division: Artificial intelligence supports vehicle handling, "Isabella 2.0" started

In the Isabella research project, an intelligent planning and management system for logistics handling and the movement of cars at the seaports and inland ports was developed and prototypically tested at BLG AutoTerminal Bremerhaven. Isabella concentrated on the terminal processes and internal car shunting activities. Isabella 2.0 is now to integrate the external means of transportation railroad, ships and trucks, including their loading and unloading, and systematically expand the management system and the simulation environment to cover all handling processes. Relevant process parameters, such as the time required for individual process steps or systematically derived route utilization, are determined from operationally acquired data, increasing plannability and hence the efficiency of operational driving processes. BLG LOGISTICS acts in this research project as application partner and overall project leader.

CONTRACT Division: Securing and expanding services for e-commerce and fashion logistics in the retail logistics business area

BLG LOGISTICS has acquired the relevant experience and expertise over the years, especially in the handling of large-scale logistics projects, and has continuously extended this knowledge to a growing number of customers and locations in order to remain a competent, innovative contact partner for its customers in this area.

There was a lot of movement across the CONTRACT Division in 2020 – and this is set to continue in 2021. We acquired new customers or significantly expanded business with existing customers throughout Germany. Based on this development, we continue to see good opportunities for the future and are pursuing the goal of further expanding logistics activities in the field of e-commerce, developing the entire value chain in this area and driving potential equity investments and acquisitions.

CONTRACT Division and Group: Mission Climate and sustainable logistics center as flagship project

The topic of climate protection is right at the top of the agenda - in politics as well as in many companies. We are no exception. The German government is aiming to attain extensive climate neutrality for Germany by 2050; the same target exists at European level. As a logistics company, we want to play our part – and at the same time support our customers in improving their own climate footprint.

We are on a shared mission to protect our climate. Our target is to make BLG LOGISTICS a climate-neutral company by 2030. We are having our absolute target scientifically assessed and certified by the independent Science Based Targets initiative (SBTi). BLG LOGISTICS is thus the first German logistics provider with scientifically recognized climate protection targets.

At the Güterverkehrszentrum (GVZ) in Bremen, Germany's largest cargo distribution center, BLG LOGISTICS is planning a new location for industrial logistics. From "C3 Bremen", BLG LOGISTICS will provide sustainable and efficient supplies to the foreign assembly plants of a major car manufacturer. With intelligent intralogistics planning and efficient workflows, logistics handling will be tailored to customers' needs. The processes inside the new facility are being designed in line with the lean management principle, supported by cutting-edge automation and digitalization systems. In addition to a comprehensive energy concept, which envisages CO_2-neutral operation of the premises, it is hoped to obtain DGNB certification in Gold as a climate-positive building (DGNB = Deutsche Gesellschaft für Nachhaltiges Bauen – German Association for Sustainable Building). Among other things, it is planned to install a photovoltaic system on the entire roof area. The heating system and hot water production is to be supplemented by a solar thermal plant, and the building shell is consciously being insulated to an above-average standard.

CONTAINER Division: Back to former strength with the "Future EUROGATE" transformation project

In the reporting year, the first internal validation and prioritization steps were taken toward implementing the operational measures planned as part of the transformation process and the relevant employee representatives in the individual companies informed accordingly. From the start of the 2021 financial year, under the working title "Future EUROGATE", this transformation and the accompanying implementation of a wide range of cost-saving measures and negotiation of organizational measures designed to increase efficiency and productivity will take center stage at the core companies of the EUROGATE Group. These negotiations require the full participation of the management and all employee representatives and a strong sense of responsibility on the part of all those involved in order to achieve the savings target of EUR 84 million p.a. with full recognition through profit or loss as early as possible, but no later than the 2024 financial year, and like this to secure the competitiveness and a viable and sustainable basis for the future of the EUROGATE Group.

Failure to implement the planned cost savings as well as productivity and efficiency improvements in the course of the transformation, or to do so only to a lesser extent, would seriously jeopardize the competitiveness and future viability of the EUROGATE Group. The negotiations began at the start of 2021 and the management is confident of being able to successfully implement the planned measures and associated positive effects within the foreseen timeframe.

Other opportunities

BLG LOGISTICS had first developed and set mandatory climate change targets in the 2012 financial year. These aimed to reduce the company's carbon footprint by 20 percent up to 2020 compared to 2011 (measured in terms of revenue). We had already surpassed this in 2019 with 29.6 percent. Motivated by this success and increased demands, we have set new, further-reaching targets. By 2030, we want to reduce our own greenhouse gas emissions by at least 30 percent in absolute terms compared with 2018 and the greenhouse gas emissions in our supply chain by 15 percent. BLG LOGISTICS will offset the remaining emissions through certified climate protection projects. This will make us a climate-neutral company by 2030. You will find more information in our Sustainability Report at *reporting.blg-logistics.com*

With this, BLG LOGISTICS is increasing transparency with regard to its climate footprint and boosting its credentials in the area of climate-neutral logistics. This also presents the opportunity to offer its target group climate-neutral services that do not burden their climate footprint.

Risks

Ongoing effects of the coronavirus crisis

The coronavirus crisis and the resulting government measures to contain the pandemic are having a significant impact on volumes and earnings in all business divisions and business areas of BLG LOGISTICS. The original forecasts for the 2020 financial year will therefore not be achieved and the 2021 financial year will continue to be characterized by the ongoing restrictions. We present our current estimates in our ▸Outlook.

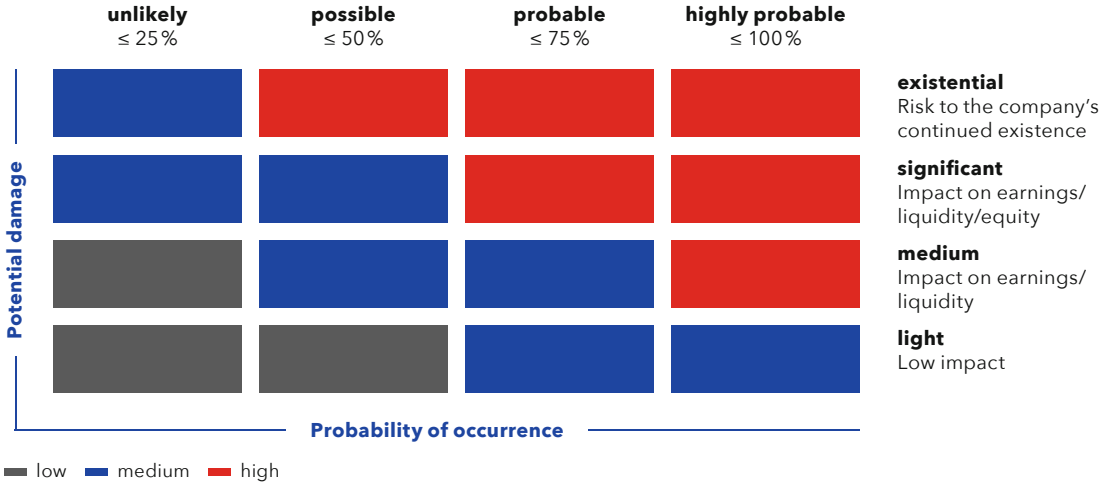
In the AUTOMOBILE and CONTAINER Divisions, import and export restrictions have an influence on the sequence of processes in the flows of goods. In the reporting year, volumes in some cases deteriorated by up to 80 percent, thus directly affecting revenue. In the CONTRACT Division, too, closures of service sectors in some business areas have led to substantial revenue losses due to lacking volumes. To compensate for the impacts of COVID-19, containment measures such as introducing short-time work, reducing the number of temporary staff, suspending investment activities and deferring the release of government grants have been put in place.

A sustained deterioration in the earnings situation may lead to impairment of non-current financial assets in the context of the measurement of goodwill.

Risk categories and individual risks

From the risk types defined for BLG LOGISTICS, the material risks for BLG LOGISTICS by risk category are described in the following sections. In selecting materiality, risks are included that would have a noticeable effect on the company's net assets, financial position and results of operations if they were to occur. In principle, the assessment is made on the basis of scenarios, taking into account all known influencing factors from opportunities and risks.

Risk matrix



Risk	Potential damage	Probability of occurrence	Trend compared with previous year
Strategic risks	significant	unlikely	→
Market risks	existential	unlikely	↗
Political, legal and social risks	medium	possible	→
Service and infrastructure risks	significant	unlikely	→
Financial risks	medium	unlikely	↗

The necessary measures or provisions are then derived from the spectrum of the best and worst expectations. A standardization process has been specified for this procedure which involves dividing the risks into the categories of strategic risks, market risks, political, legal and social risks, performance and infrastructure risks, and financial and other risks.

Unless otherwise apparent, the risks shown are linked to the affected segment.

An overview of material risks is presented in the table.

Strategic risks

Risks from acquisitions and investments

In recent years, BLG LOGISTICS has grown through various acquisitions both in Germany and abroad. As part of process and quality management, a uniform guideline (M&A guideline) on the procedure to be followed for all share purchases has been drawn up for this purpose. This draws on both in-house and external advisers. This ensures that all risks associated with an acquisition or investment are taken into consideration and assessed.

Despite this, in particular political, legal or economic risks associated with share purchases in other European countries cannot be ruled out. The social environment when sourcing employee capacity and integrating the relevant third-party company culture into the structures and processes of BLG LOGISTICS present specific challenges. The strategic direction of the AUTOMOBILE Division towards Eastern Europe poses risks particularly in the area of economic capital maintenance and safeguarding service expertise. This circumstance is taken into account by our own "Southern/Eastern Europe" business area, in which professional, language and consulting abilities are bundled together.

Investments made in the past may entail a requirement for subsequent decisions, assuming continuation of the strategic decisions and statements made with the investments. The required subsequent investments associated with these decisions must be considered and evaluated overall under new premises, due to partly changed market and macroeconomic conditions. If these changed conditions continue in the long term, there may

be future requirements for BLG LOGISTICS to write-down the entire investment.

Market risks

Threat to market position and competitive advantages
The AUTOMOBILE Division continues to devote particular attention to competition with car terminal operators at the Western European ports, the growing significance of the Baltic Sea ports in short-sea transport and the Southern ports.

The contractually agreed prices for seaport cargo handling coupled with the persistently strong competitive pressure represent continuous challenges for us.

Due to the increasing shareholdings of shipping companies in seaport terminals, the internal optimization of shipping companies may result in further shifts in volumes at the expense of the Bremerhaven seaport terminal.

For seaport logistics in break bulk cargo business and project logistics the risks are essentially connected with the overcapacities at the North Sea ports and the related high competition and price pressure.

In the CONTRACT Division the principal risks are rapid replaceability and substitutability as a service provider. In the industrial logistics and retail logistics business areas there is a strong dependence on a single large customer. The logistics services performed there are, as a rule, personnel-intensive. In addition, customers are applying significant price pressure. We meet these challenges through extensive customer-specific optimizations, longer contract periods and continued development of the customer base.

In the CONTAINER Division, in addition to the macroeconomic trends, there are further influences and risks which affect future handling and transport demand and the associated handling volumes of our container terminals. As in the previous years, these include

- commissioning additional terminal handling capacity in the North Range and in the Baltic region,
- commissioning additional large container vessels and related operational challenges in ship handling (peak situations),
- the market, network and process changes resulting from the changes in the structure of the shipping company consortia, and
- price structures in the market.

In terms of customers, possible insolvencies could have an effect on shipping company consortia and on the structure of services and volumes.

After HMM switched from the 2M alliance to THE Alliance in the fall of 2019, three major consortia have continued unchanged to dominate market activity on the customer side:

- 2M with the individual shipping companies Maersk and MSC
- Ocean Alliance with the individual shipping companies CMA CGM, COSCO, Evergreen, and OOCL
- THE Alliance with the individual shipping companies Hapag-Lloyd, HMM, ONE, and Yang Ming.

The trend on the part of the shipping lines to commission additional large container vessels, in the meantime in excess of 23,000 TEUs, continues unabated. In light of this trend, the number of large container ships docking at the terminals of the EUROGATE Group can be expected to further increase.

Because the container terminals still have free capacity, at least in the medium term, the market power of the remaining consortia or shipping companies is increasing as a result of consolidation, as is the associated pressure on revenue and the need to identify and implement further cost reductions and efficiency improvements at the container terminals as well as for standardization and automation measures.

Dependency on the economic cycle and macroeconomic risks

As a logistics service provider with a global focus, BLG LOGISTICS is highly dependent on production and the associated flow of goods in the global economy. The dependency on both the manufacturing industry and on consumer behavior can be viewed as the largest risk. In addition to the current significant impediments due to the impact and constraints resulting from the coronavirus pandemic, other influencing factors on our business in this area are high energy and raw material costs, increasing restrictions on international trade, persistent foreign trade imbalances and the increase in political conflicts.

Due to the coronavirus pandemic and the related protective measures taken by many governments, many supply chains have been disrupted and there is a reluctance to invest and consume. The longer it takes for the global economy and daily life to return to normality, the greater the impacts on our business will be, as many of our locations are likely to experience volume declines, especially those dependent on the automotive industry. In addition to consumer reticence and disrupted supply chains, the latter is also affected by the transition from the combustion engine to alternative drive systems.

Ultimately it could be years before economic activity returns to pre-crisis levels and we may in the future have to learn to live with new virus mutations and pandemics.

With the election of the new president of the United States, it is likely that the trade disputes between the US and the EU will relax again – in contrast to the conflicts between the US and China, which can continue to have an impact on the global economy and consequently also on our business activities.

The completion of Brexit, including the still-to-be-negotiated future relationship between the EU and the United Kingdom, will not in our current estimate have a significant impact on our business. The same applies to the continuing low-interest rate phase.

Changes to legislation and in taxes or duties in individual countries may also have a significantly damaging effect on international trade and result in considerable risks for BLG LOGISTICS. However, due to the diversification referred to and described at the start of the Risk management section, there is no risk to the company's continued existence.

The persistent shortage of skilled personnel and an above-average susceptibility to insolvency among both service providers and customers involved in straightforward transport and logistics services present further general risks for BLG LOGISTICS.

Sector risks

The growth markets in Asia, Africa, South America, the US and Central and Eastern Europe are particularly important with regard to the global development of finished vehicle logistics. These markets still have high potential, but the economic conditions in some countries in these regions are impeding the expansion of the logistics businesses located there.

The risk of a shift, particularly of the transportation of goods by commercial vehicles to other modes of transport, cannot be completely ruled out.

Western Europe is the main market for BLG LOGISTICS. Through the opening up of Western Europe to the East, increasing volumes of Eastern European transport capacity have accessed our main market, leading to tough competition and a slump in prices. There is also a dependency on the volume of exports of the automotive industry in Europe to overseas. The markets of China, the US, Japan and Korea are of special significance.

Employment in car parts logistics (industrial business area) is dependent on production in the foreign plants of the German original equipment manufacturers (OEMs) that are supplied with parts via our logistics centers worldwide. There is a continued tendency in this area to be dependent on just a few major customers.

Political, legal and social risks

Legal and political environment

It cannot be ruled out that the company could be hit with additional transport costs due to a price increase on the international crude oil markets, tolls, other traffic routing levies or additional tax burdens which cannot be passed on directly to our customers without being recognized as an expense.

Because of the United Kingdom's exit from the European Union ("Brexit") and the single market, it cannot be ruled out that this will also have negative effects on BLG LOGISTICS' customers and their goods flows. However, no material risks are currently identifiable here.

The ongoing trade dispute between the US and China may affect our customers' business and have a knock-on effect

for BLG LOGISTICS in terms of volumes. At present, however, these effects cannot be conclusively assessed and quantified.

Contract risks
Significant contract risks result from the fact that the maturities of contracts with customers often do not match those relating to property leasing. Contracts with customers generally have significantly shorter maturities than rental contracts on real estate.

The subsequent change to market conditions and related effects on the logistics processes agreed with customers often have an effect on the contractual relationship agreed with the customer. The range of services offered to the customer and the prices calculated no longer match the services requested and commissioned by the customer. The resulting differences generally lead to risks and, thus, also to losses which can only be clarified with the customer through subsequent lengthy negotiations. Due to the obligation to fulfill the contract and thus provide services, further work is carried out for the customer during negotiations, because otherwise further risks would arise due to compensation for downtime. This fact, alongside the dependency on the automotive industry at many of our locations, led to significant losses during the coronavirus crisis in the 2020 financial year, especially in the seaport terminals and industrial logistics business areas.

Risk provisions have been recognized for risks from onerous contracts. The size of the risks may increase significantly as a result of changes in circumstances over time. Based on our current estimation, a risk of this kind should be viewed as low.

Service and infrastructure risks

Risks from business relationships
In all operating divisions, close customer relationships and the short, demanding contractual periods and conditions, especially with some large customers, make it necessary to monitor changes in economic trends and the demand and product life cycles especially closely.

Infrastructure capacity and security
High fluctuations in volumes at our customers can lead to temporary capacity bottlenecks at our indoor and outdoor facilities. We have actively searched the market and have found additional third-party indoor and outdoor capacity. This will be leased for a fee, if required.

In contrast, when there is lower usage of our in-house capacity, no short-term alternative usage is normally generated. This results in a negative effect from fixed costs that is not covered by income.

Indoor and outdoor facilities and transport and handling equipment are regularly serviced and repaired at fixed intervals. This ensures that we can provide services on an ongoing basis.

Personnel risks
Due to the high personnel- and capital-intensive nature of our logistics services, there are, in principle, risks relating to the negative effect of high fixed costs when facilities and personnel are not being used. This has had a particular impact during the coronavirus pandemic, where volumes declined or failed to materialize in many places.

Our goal is to minimize personnel risks in respect of socio-demographic change, age structure, and the skills and turnover of the workforce. To this end, the acquisition of skilled personnel is coordinated and implemented through measures such as close cooperation with training providers and a consistent staff development policy from the training of first-time employees to the retraining of the long-term unemployed.

This staff development, which necessarily has a long-term orientation, harbors certain personnel cost risks in the event that business development does not occur as planned in the medium term. However, flexibility is achieved through the use of blue-collar workers provided by the Gesamt-Hafen-Betriebe (GHBV) employment agency in Bremen and Hamburg and other agency personnel. This ensures that the personnel requirement can, to a certain extent, be adapted flexibly to the development of the business. The demographic changes in the employment market also have a fundamental influence on the available staff and therefore on the flexibility and availability of qualified personnel at GHBV. These changes can lead to sustained deficits for GHBV, which it may be possible to offset by affiliated member companies and thus essentially also by BLG LOGISTICS. We have made appropriate provision for this.

The company has found that competition for skilled personnel remains intense. In order to secure and strengthen our position in this area, we are using our HR management activities to emphasize the attractiveness of BLG LOGISTICS as an employer and are aiming to retain skilled employees and managers in the company over the long term. In addition to performance-related pay and social benefits, we are also focusing particularly on future diversification at BLG LOGISTICS through trainee programs, multi-disciplinary career paths, deployment in different Group companies and attractive training and development courses. We limit employee turnover risks by means of timely succession planning.

Demands on the part of employee representatives for structural changes in the use of temporary workers in favor of permanent employees lead to increased basic costs. At the same time, this leaves only a limited amount of the cost flexibility required to balance out economic fluctuations.

IT risks

Information technology is an important success factor for our logistics and service processes. The systems must be accessible and available at all times, and any unauthorized access to data and data manipulation must be eliminated. Delivery of new software with faults or not on time must also be avoided. Our services require the use of permanently updated or even newly developed software. However, delays and insufficient functionality can never be completely ruled out when developing and putting new, complex applications into operation. Efficient project management from design through to launch reduces this risk. We currently expect there to be only minor effects on a few business areas in this respect.

The increasing frequency of Internet attacks (cybercrime), both globally and on specific targets, is a constant threat and danger to BLG LOGISTICS. BLG LOGISTICS is well positioned to address these risks as it uses the latest antivirus software in conjunction with its own structured IT organization. Ongoing monitoring, control, updating and adaptation of these structures and systems is vital. In addition, the AUTOMOBILE, CONTRACT and CONTAINER Divisions have insurance against cyber risks, as economic damage caused by a cyberattack cannot be ruled out despite the extensive security measures.

Financial risks

Credit risk

The Group's credit risk mainly results from trade receivables. The amounts shown in the consolidated statement of financial position do not include allowance accounts for expected credit losses, which were determined on the basis of the historical credit loss rates of the last five years, adjusted for management estimates regarding the future development of the economic environment. Due to the ongoing monitoring of receivables by the management, BLG LOGISTICS is not currently exposed to any significant credit risks.

The credit risk in respect of cash and derivative financial instruments is limited because these are currently held exclusively at banks that have been awarded high credit ratings from international rating agencies, that are highly secure thanks to a joint liability scheme and/or at which there are offsetting opportunities via non-current borrowings.

Foreign currency risk

With very few exceptions, the Group companies operate in the eurozone and invoice only in euros. In this respect, currency risk could only arise in isolated cases, such as from foreign dividend income or the purchase of goods and services from abroad. An interest rate and currency swap has been concluded to hedge against the foreign currency risk from a variable USD loan granted in the context of Group financing.

Liquidity risk

Liquidity risks may arise from payment bottlenecks and the resulting higher financing costs. The Group's liquidity is ensured by central cash management at the level of BLG KG. All significant subsidiaries are included in cash management. Due to the centralized management of capital expenditure and credit management, financial resources (loans/leases) can be provided in good time to meet all payment requirements.

Assurances have been made to all partner banks with regard to equal treatment and the change-of-control clause.

Regarding the coronavirus pandemic, we expect business to bounce back in 2021. Nevertheless, considerable uncertainties remain with respect to future developments. On the basis of the estimates currently possible for the 2021 financial year, we assume that, despite possible pandemic-induced burdens, the liquidity of BLG LOGISTICS will continue to be sufficient to allow payment obligations to be met at all times.

Interest rate risk

The interest rate risk to which BLG LOGISTICS is exposed arises primarily from non-current loans and other non-current financial liabilities. Interest rate risks are managed with a combination of fixed-interest and variable-interest loan capital. The majority of the liabilities to banks have been concluded over the long term or fixed interest rates have been agreed through to the end of the financing term, either originally as part of the loan agreements or via interest rate swaps which have been concluded within micro-hedges for individual variable-interest loans. In addition, against the backdrop of the low interest rate, which is attractive for investments, a portion of the financing requirement of the coming years was hedged by agreeing forward interest rate swaps. The plan is to take out loans from partner banks totaling EUR 90 million in tranches of up to EUR 15 million each within six years, beginning in 2019. Further information is presented in ▸note 32/the "Derivative financial instruments" section of the consolidated financial statements.

Interest rate risks are disclosed via sensitivity analyses in accordance with IFRS 7. These show the effects of changes in the market interest rate on interest payments, interest income and expenses, other income items and on equity. The interest rate sensitivity analyses are based on the following assumptions.

With regard to non-derivative financial instruments with fixed interest rates, market interest rate changes only affect profit or loss if these financial instruments are measured at fair value. All fixed-interest financial instruments measured at amortized cost are not subject to interest rate risks within the meaning of IFRS 7. This applies to all fixed-interest loan liabilities of BLG LOGISTICS, including finance lease liabilities. When hedging interest rate risks in the form of cash flow hedge-designated interest rate swaps, changes to the cash flows and to the contributions to earnings induced by changes to the market interest rate of the hedged primary financial instruments and the interest rate swaps balance each other out almost completely, effectively eliminating the interest rate risk.

Gains or losses from remeasurement of hedging instruments to fair value are credited or charged directly to the hedging reserve in equity and are therefore included in the equity-related sensitivity calculation. Changes in the market interest rate of non-derivative variable-interest financial instruments whose interest payments are not structured as hedged items as part of cash flow hedges against interest rate risks have an effect on net interest income (expense) and are therefore included in the calculation of income-related sensitivities.

From today's perspective, the likelihood of the financial risks described arising in BLG LOGISTICS is estimated to be low.

Further disclosures on the management of financial risks can be found in ▸note 32.

Other risks

There are currently no other identifiable risks that could have a long-term negative influence on the company's development. There are currently no potential risks to the company's continued existence as a going concern such as excessive indebtedness, insolvency or other risks that could significantly impact on the company's net assets, financial position and results of operations. The material risks for BLG LOGISTICS currently result from the ongoing coronavirus pandemic and its ramifications for the supply chains and volumes of our customers, which have a significant knock-on effect on our business. Against this backdrop, the sovereign debt crises in the US and Europe, the trade conflict between the US and China and the geopolitical unrest with its effect on the real economy have faded into the background, but are not yet overcome. A renewed exacerbation of the risk situation in these areas cannot be ruled out.

Assessment of the overall risk situation

Since the coronavirus pandemic began, it has significantly determined the risk structure of BLG LOGISTICS. In the previous year, there was a high level of uncertainty regarding how it would pan out. That is still the case today. The overall risk situation has therefore changed to the extent that the impacts of the coronavirus pandemic have been taken into account in the existing business processes and the economy has adapted to the changed situation. Nevertheless, major disruptions to global goods flows and therefore to logistics processes and services could still arise in the future. A high level of uncertainty still exists with regard to the effects on the associated supply chains of BLG LOGISTICS' customers due to the fact that the economy and daily life have not yet returned to normal. A temporary fluctuation in volumes is therefore expected in the 2021 financial year. The coronavirus crisis will continue to have a marked effect on the economic and financial situation of BLG LOGISTICS in 2021, albeit to a lesser extent than in 2020. We have assessed the probable effects and taken necessary steps. In our assessment, the BLG Group is therefore in a good position to meet the continuing challenges posed by the crisis.

Another major factor is the successful implementation of the transformation, including the related cost savings as well as productivity and efficiency improvements, within the CONTAINER Division. Failure to implement these, or to do so only to a lesser extent, would seriously jeopardize the competitiveness and future viability of the EUROGATE Group.

Based on our risk management system and consistent assessments by the Board of Management, there were no foreseeable risks in the reporting period that could jeopardize the company's continued existence, either individually or as a whole. Against the background of our medium-term planning and the coronavirus pandemic, and accounting for the measures already taken, there are currently no indications of strategic or operational risks for future development that pose a threat to the continued existence of the company.

Outlook

Future direction of the Group

Retention of the business model

A fundamental change in our business model is not currently planned. One strategic priority will be the further expansion of the AUTOMOBILE and CONTRACT Divisions. Our goal is to be profitable in all business areas and to continue to grow. We intend to grow our shares in existing markets, open up new markets and win new customers by continuing our acquisition activities, developing collaborations in a targeted manner and establishing strategic partnerships. We will also extend our value chains in the business areas. Moreover, we will seek to improve productivity in all areas, also in the crisis, through consistent process and quality management, the use of opportunities arising from digitalization, and strict cost management.

Expected macroeconomic conditions

Economic growth forecast for 2021

Following the historic downturn of the global economy in 2020, a marked economic recovery is projected for 2021. However, the leading economic research institutes diverge considerably when it comes to the anticipated strength of this growth, and the forecasts have to be continuously adjusted against the background of the uncertain further progression of the coronavirus pandemic.

The momentum of the global economic recovery has slowed somewhat during recent months due to the second wave of the pandemic and the corresponding measures on the part of governments aimed at containing the spread of infection. In Germany, massive constraints were imposed on parts of the services sector (hospitality, leisure industry) in particular, weighing heavy on the economy. The order situation in the manufacturing industry has picked up considerably in recent months, allowing production to be successively ramped up again. The avoidance of supply chain disruptions this time around prevented a new massive slump over the winter. Tighter border controls or similar measures could in individual instances lead to renewed impediments to production.

Following the approval of vaccines and the increasing proportion of the population receiving them, as well as the gradual return to normality, economists assume that the hoped-for economic recovery will kick in especially in the second half of 2021. With interest rates still low and financial policy income support measures still in place, there is also likely to be a renewed surge in private consumption and a corresponding desire to meet pent-up demand.

Democrat Joe Biden's victory in the US presidential elections has substantially lessened the risk of an escalating transatlantic trade conflict. Additional positive signals are emerging from China, which has coped better economically with the coronavirus pandemic than the Europeans. Indices point to above-average economic growth here, which would favor Germany's export-oriented industry. This would also benefit substantially from a recovery of the global economy, which would create a framework for deferred economic investments.

The EU's and the German government's ambitious targets for lowering greenhouse gas emissions will create a massive need for investments and development in the coming years. This presents huge challenges for the automotive industry in particular, as well as for other large parts of German industry. The medium-term shift away from the combustion engine to electric drive technology entails enormous changes in the production and workflows. Another factor of uncertainty affecting the forecast is the impact of Brexit.

Sources for this section:
IMK, IMK Report No. 164, January 2021
IfW Kiel, Kiel Institute Economic Outlook, No. 73 (2020|Q4)
Tagesschau.de, "Hoffnung auf Erholung der Wirtschaft", December 31, 2020, 5:51 p.m.

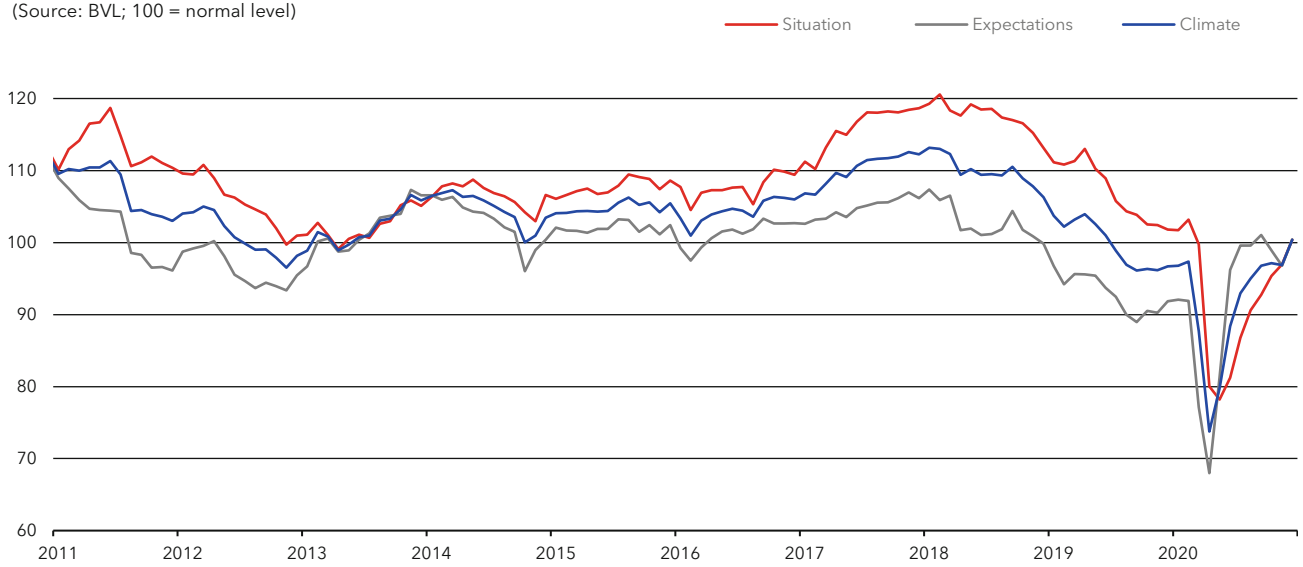
Logistics industry hopes for a positive year

According to the SCI Logistics Barometer (December 2020), the business situation of the transport and logistics companies surveyed stabilized toward the end of 2020, leveling out at the previous year's figure. On the back of the difficult COVID year 2020, expectations for the 2021 financial year are mostly positive. Nevertheless, in the short term, with a view to the lockdown measures at the start of the year, we can expect there to be a strong impact on day-to-day business operations.

The ifo-BVL Logistics Indicator presented a similar picture at the end of 2020. The optimism expressed in the third quarter waned toward the end of the year and on balance the logistics service providers were slightly pessimistic with regard to the performance trend for the coming six months. The current economic situation continues to be strongly influenced by developments related to the coronavirus pandemic. Thus the business development of the transport and logistics companies surveyed will still be characterized by many uncertainties in the first half of 2021. This is compounded by the structural problems that major branches of industry, such as the automotive and mechanical engineering sectors as well as manufacturing, are experiencing. Growth impulses are coming from the consumer goods industry and retailing (especially e-commerce). It is not expected that the 2019 level will be reached again before 2023.

In post-COVID times, the topics of sustainability and digitalization will move back into the focus and generate capital expenditure in these areas. There will continue to be staff shortages in 2021, particularly in the areas of IT managers, warehouse workers, drivers and other skilled employees and managers.

BUSINESS CLIMATE AMONG LOGISTICS PROVIDERS
(Source: BVL; 100 = normal level)



Nevertheless, the logistics industry will continue to benefit from a strong, export-oriented German industry and Germany's excellent position as a logistics center. Until the implementation of the Federal Transport Infrastructure Plan 2030, which has been adopted, the maintenance of infrastructure remains another major challenge.

Sources for this section:

BVL Logistics Indicator, 4th Quarter 2020, December 14, 2020 including commentary

BVL-blog dated October 20, 2020, www.bvl.de, "Die Entwicklung der Logistik in 2021 – Prognose der Logistikweisen"

SCI Verkehr, SCI Logistics Barometer, December 2020

Development of the BLG Group in the following year

AUTOMOBILE Division

Seaport terminals business area

In the AUTOMOBILE Division, imports and exports will remain a determining factor for volumes at seaports. The seaport terminals business area was hit especially hard by the coronavirus pandemic. We expect that handling volumes, which declined sharply in 2020, will rise again in the 2021 financial year (Bremerhaven location: significantly; Cuxhaven: moderately), but will not yet reach the level of 2019.

Further earnings improvements will be achieved through the implementation of IT projects and increased vertical integration.

The XXL Logistics business area was dissolved at the end of 2020. The WindEnergy and High&Heavy cargo handling segments in Bremerhaven are now included in the seaport terminals business area.

As the influences of the coronavirus pandemic become evident with a certain delay through a decline in the demand for and production of industrial goods, we are anticipating the High&Heavy volume at the Bremerhaven site to decline by around 10 percent compared with 2020. We aim to counteract this by increasing vertical integration (for example packaging activities).

At the Neustadt port in Bremen (without allocation to individual business areas), we are expecting overall handling volumes to remain constant.

Inland terminals business area

Due to the continued difficult market situation for new vehicles in Germany and Western Europe, we want to further expand the processing of newer used vehicles and fleet customers in the mobility segment at our inland terminals. A decline in quantities of new vehicles can thus be partially compensated for by greater technical value creation.

At our Kelheim location, we will install a new car rack in 2021.

Car transport business area

On the assumption of a market recovery in 2021, we are also predicting a marked increase in the transport volumes by road. In a contrary trend, however, intensified crowding out is leading to persistent and permanent price pressure. To enable us to respond flexibly to fluctuations in capacity utilization, we intend to slightly reduce deployment of our own vehicle fleet and fall back on subcontractors instead.

AutoRail business area

In line with the general market expectation and a further shift from road to rail transport, we are anticipating a substantial year-on-year volume increase. We want to further expand the repair business for third parties, above all in the area of mobile maintenance.

The sophisticated technology of the young BLG wagon fleet enables internationally flexible use for transportation of all passenger car and SUV models, across manufacturers and countries. BLG currently owns around 1,500 car transport wagons. In addition to the agreed regular transport services, ad hoc transport is a regular part of the portfolio thanks to the outstanding functionality of our wagons. Dimensions and weights, particularly among SUVs, will require the rail logistics industry to make a significant investment in wagon fleets in the coming years. With its fleet, BLG is well positioned for the future.

Southern/Eastern Europe business area

A strong focus lies on the transportation of new vehicles by truck to former CIS countries.

In general, we expect an increase in volumes in the Eastern European business area with our existing and with new customers.

CONTRACT Division

Overall, in the CONTRACT Division, the price pressure on logistics service providers is permanently increasing and margins are declining accordingly. Due to the high level of competition and the existence of overcapacities, personnel cost increases as a result of collective bargaining agreements cannot always be passed on in full to customers through price increases. In addition, there is still a high tendency among customers to make all costs as variable as possible. In return, however, no quantity guarantees are provided by the customers.

Industrial logistics (Europe) business area

In addition to the general uncertainty surrounding a sustained economic recovery, the 2021 financial year will also be characterized by effects such as calculated start-up costs for numerous new businesses that we were able to acquire at our Bremen, Berlin/Brandenburg and Waiblingen locations (all automotive sector). We also significantly expanded our business with existing customers at other locations.

Economic trends in the industrial logistics (Europe) business area will continue to be affected in the automotive logistics area by the development of the coronavirus pandemic, consumer reticence brought on by the crisis and the shift to alternative drive systems. A renewed tightening of measures to stem the spread of the coronavirus, for example through border closures, could lead to renewed plant shutdowns with severe ripple effects for our volumes.

We intend to expand our activities in the areas of spare parts and battery logistics. In addition, with "C3 Bremen", we are planning a new location from where we will provide sustainable and efficient supplies to the foreign assembly plants of a car manufacturer.

Overall, we expect business to develop stably to positively at most locations. However, given the unpredictability of the pandemic, we are expecting 2021 to be a transitional year that is still subject to numerous risks.

Industrial logistics (overseas) business area

For 2021, we anticipate a continuation of the recovery following the considerable impacts of the coronavirus pandemic on this business area in 2020. At the US location, an upswing could be felt from midyear 2020. Furthermore, we won a new customer from the retail segment, which opened up a new service opportunity. In addition to combating COVID, South Africa is suffering from a severe recession. This also has an adverse effect on the production volumes at our locations, so that we are expecting the recovery here to be slow.

In India, one customer is now handling their own business due to the coronavirus pandemic. On the other hand, we opened a new logistics center for a long-standing customer. In Malaysia, we are assuming a stable development.

Retail logistics business area

The development of the retail logistics business area is characterized by stable existing business, the implementation of various large-scale projects (Geiselwind, Schlüchtern, Ochtrup locations) and the restructuring and turnaround at the Hörsel site (Sports & Fashion area). A sales drive is planned to bring the Hörsel site back up to full capacity in 2021. Additional earnings improvements are expected to result from restructuring measures and outside space optimizations.

Freight forwarding business area

BLG LOGISTICS has decided to place a strategic focus on national and international business in the AUTOMOBILE, CONTRACT and CONTAINER Divisions going forward. The nine freight forwarding locations of BLG International Forwarding with around 100 employees (previously CONTRACT Division) will from the start of April 2021 be integrated into the existing network of Rhenus Air & Ocean in Germany. Not affected by the takeover is the Bremen freight forwarding location, which concentrates on overland transport, heavy goods transports, project business and sea freight.

CONTAINER Division

Despite the temporarily satisfactory shipping rates and low bunker price, the container shipping companies continue to be under high competitive pressure in the short to medium term to sustainably and adequately utilize the increasing tonnage of shipowners. Not least due to the increasing number of ever larger container ships being built, the container terminals face uncertainties as a result of the operational risks described above.

Here, further cooperation and concentration among the container shipping lines could have an impact. As a result, continuing price pressure on the container terminals cannot be ruled out.

From today's perspective, we are anticipating a slight volume increase – albeit with a rising transshipment portion – for the 2021 financial year for EUROGATE Container Terminal Hamburg, due to the year-round handling of Ocean Alliance's FAL-1 flagship service, which has only been calling at the terminal since spring 2020.

For the Bremerhaven site, we are currently expecting a slight rise in handling volumes in 2021.

Achieving reasonable capacity utilization of the EUROGATE Container Terminal Wilhelmshaven remains of high importance for the EUROGATE Group. However, in light of the increasing size of ships and the associated nautical restrictions of the shipping channels of the Outer Weser and Elbe Rivers – even after completion of the deepening and widening measures there – Wilhelmshaven is increasingly predestined for the handling of large container ships.

In view of the fact that the leading container shipping companies will put additional vessels, now with a capacity of > 23,000 TEUs, into operation in the coming years, the Wilhelmshaven site has a good chance of acquiring further liner services over the medium term.

For the Wilhelmshaven site, we are currently not expecting handling activity to pick up in 2021. An improvement in the capacity utilization situation will from today's perspective not take place until the medium term at the earliest.

For the individual companies in the EUROGATE Group, the 2021 financial year will be dominated by the transformation, which has the in-house working title "Future EUROGATE", and the accompanying implementation of cost-saving measures and negotiation with the respective employee representatives of organizational measures designed to increase efficiency and productivity.

The development of handling volumes at the EUROGATE locations may be adversely affected by the further development of the coronavirus pandemic, which in turn depends on the development of mass vaccinations and the possible tightening of the current containment measures.

Given the macroeconomic conditions affecting the subsidiaries and equity investments described above, along with the exceptional items (impairment losses on non-current financial assets and provisions for restructuring expenses) included in the previous year's result, the CONTAINER Division is expected to generate significantly improved net profit in slightly positive territory for 2021.

The division's overall profit is strongly influenced by the earnings of the container terminals and by handling volumes and throughput rates as well as cost structures, which are key determinants here. It is therefore a prerequisite that the implementation of first restructuring measures already leads to corresponding earnings improvements in the 2021 financial year.

Central departments

Administrative costs in the central departments of BLG are reviewed constantly. In order to meet the efficiency requirements and make our internal processes and systems fit for the future, objectives such as digitalization and automation are being implemented and developed intensively.

Planned capital expenditure

We adjust our investment plans to the constantly changing market conditions, paying particular attention to our liquidity and results of operations. Significant expansion, process optimization and replacement investments are planned in the coming year in the AUTOMOBILE Division, e.g. for the continuous replacement of older trucks and the buyback of car wagons from leasing in the car transport and AutoRail business area. In the seaport and inland terminals business areas, capital expenditure mainly relates to various measures to expand and modernize spaces and buildings and the upgrading of handling equipment. In addition, investments will be made to optimize the division's IT network. In the CONTRACT Division, capital expenditure relates to the development and expansion of new logistics centers and the expansion of existing businesses in the areas of industrial and retail logistics. In the central departments, a major investment is planned among other things for the renewal of the ERP system in the area of finance. An investment volume of around EUR 119 million is planned for the necessary expansion and replacement investments and for investments in process optimization. This capital expenditure will be mainly financed through borrowing.

Overall statement on the expected development of the Group

EUR thousand	Actual 2020	Forecast 2021
EBT	-116,127	Significant improvement; Almost break-even result
Revenue	1,065,235	At previous year's level
EBT margin (in percent)	-10.9	Significant improvement; Slightly negative

At the time of preparing this report, we were still in the middle of the pandemic. The year ahead will continue to be very much determined by challenging conditions. The further progress of the inoculation program and a return to pre-COVID normality is not foreseeable at present. Disruptions in the supply chain and goods flows caused by the coronavirus pandemic (for example due to stricter border controls) could once more lead to a sharp downturn in earnings. Projections are difficult in this environment, all the more so since our customers' planning also has many question marks. Hence at BLG LOGISTICS we are also "driving on sight". However, we expect 2021 to be significantly better.

The other uncertainties, such as the trade conflict between the US and China, the still-to-be-negotiated Brexit conditions, the ambitious CO_2 reduction targets and the further development of the "automotive crisis", could still exacerbate the situation.

On the basis of the forecasts described, we expect revenue to increase slightly in the AUTOMOBILE and CONTAINER Divisions. In the CONTRACT Division, the lost revenue in the freight forwarding business area will have the opposite effect and could lead to a slight decline. Total revenue of BLG LOGISTICS will therefore be at around the same level as in the 2020 financial year.

As things currently stand, we expect BLG LOGISTICS to see a considerable improvement in EBT in the 2021 financial year. We are aiming for a year-end result narrowly in the plus column. In line with this, the EBT margin will also improve significantly, but will probably remain below break-even. The longer and more intensively the restrictive measures introduced in response to the coronavirus pandemic last, the greater the negative impact on earnings will be.

Expected changes for 2021

↑	→	↑
EBT	**Revenue**	**EBT margin**
Significant improvement	At previous year's level	Significant improvement

In view of the uncertain conditions and on the basis of the estimates currently possible for the 2021 financial year, the Board of Management assumes that, despite the burden of the pandemic, the liquidity of BLG LOGISTICS will be sufficient to allow payment obligations to be met at all times.

We pursue the goal of an earnings-related and consistent dividend policy. Therefore, depending on business performance, we will continue to allow our shareholders to participate appropriately in earnings.

This annual report was prepared on the basis of German Accounting Standard 20 (DRS 20) in the current version. Apart from historical financial information, it contains statements on the future development of the business and the business performance of BLG LOGISTICS which are based on estimates, forecasts and expectations, and can be identified by wording such as "assume", "expect" or similar terms. These statements may, of course, vary from actual future events or developments. We are not under any obligation to update these forward-looking statements with new information.