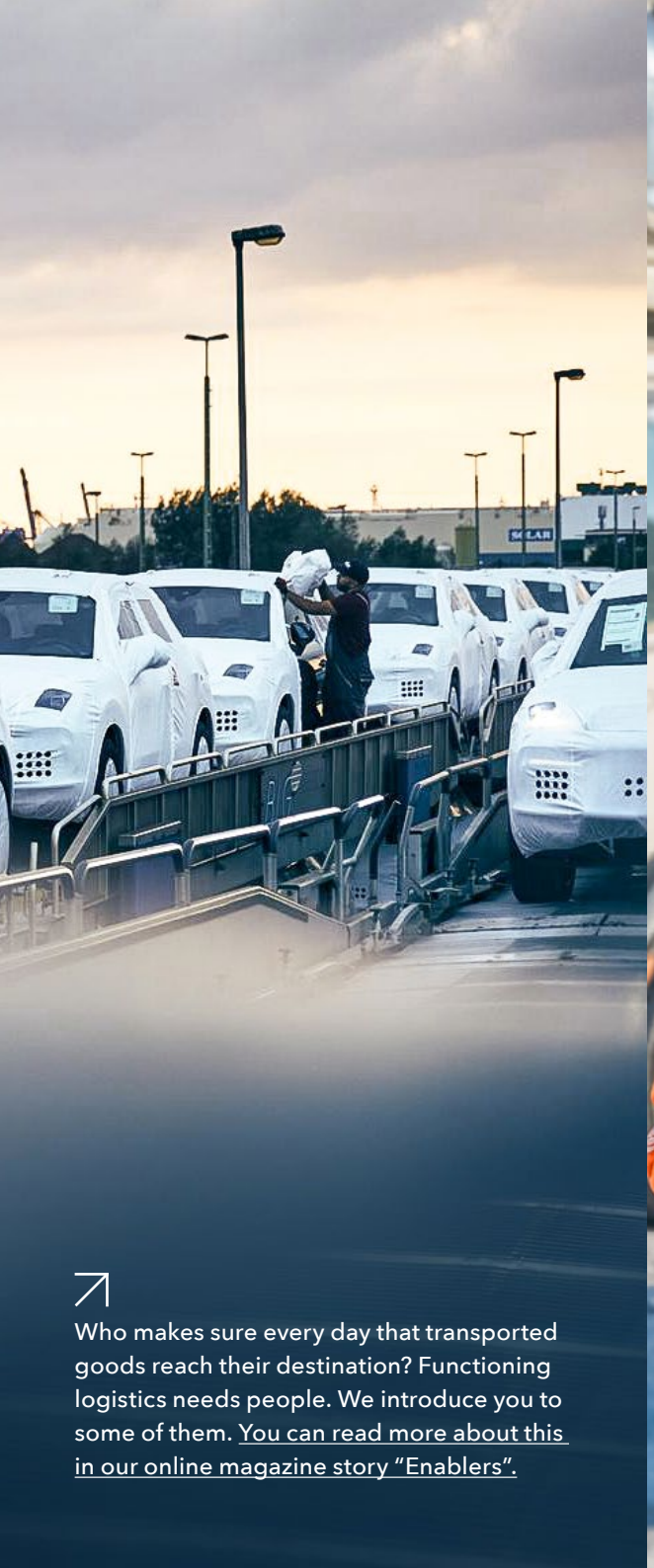


Who makes sure every day that transported goods reach their destination? Functioning logistics needs people. We introduce you to some of them. You can read more about this in our online magazine story "Enablers".

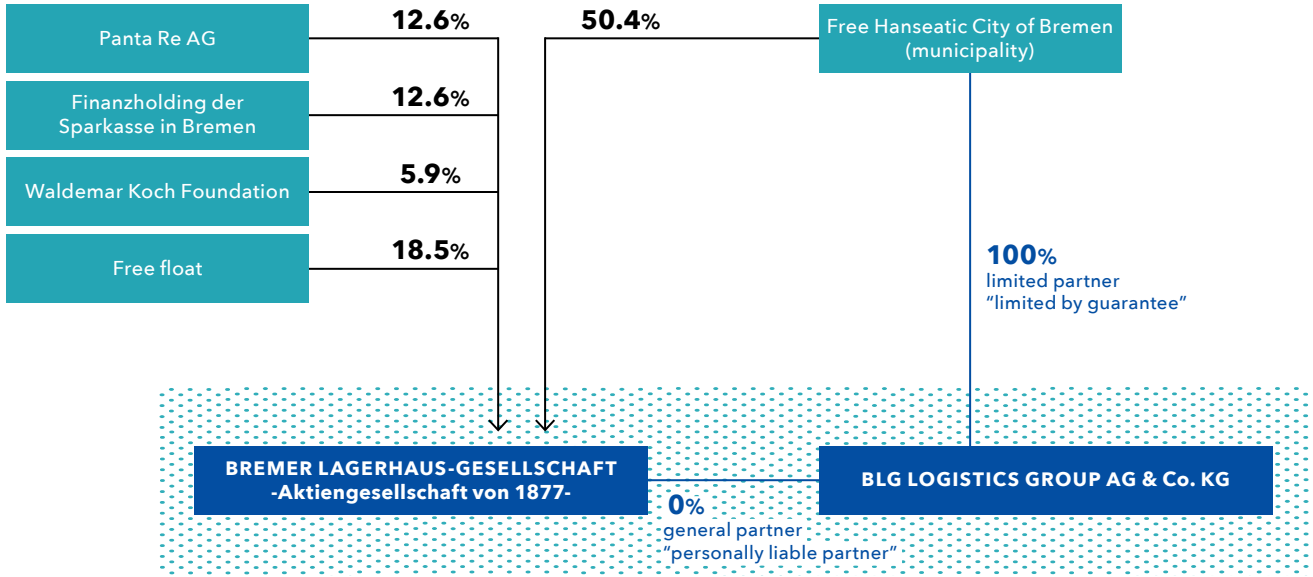
Group Management Report

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 governing 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, 2022.

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.

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 by creating strategic guidelines at Group level; together with the operations managers, the relevant Board of Management member determines the strategy at division level within the framework of the Group strategy and is responsible for the strategic management of the division. 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 being successful in the market.

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

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

AUTOMOBILE Division

The AUTOMOBILE Division is a leading technical and logistics service provider for the international automotive industry. In the 2022 financial year, our worldwide AUTOMOBILE network handled, transported or technically processed 4.7 million vehicles.

In this division, BLG LOGISTICS offers multimodal transport concepts with global logistics reach and dovetails customized 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 (all Germany) and in Gdansk (Poland), the AUTOMOBILE Division also operates several inland terminals on the Rhine and the Danube. Our truck fleet bases extend right across Europe.

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 never stop 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 our customers reliable logistics solutions. The focus of our know-how and experience lies in procurement, production and distribution logistics as well as in reverse and spare parts logistics. We offer storage, transport, packing and unpacking services, handle conventional orders, e-commerce issues and also a variety of value-added services.

As logistics architects, we design, configure, implement and operate customized logistics solutions, ranging from highly automated logistics centers to manual in-house handling. Project management is our core competence, and sustainability plus agreed, reliable quality are our top priorities.

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 plants at over 40 locations in Europe and overseas. Be it automotive parts, railroad components, sportswear, printers, fashion, furniture, foodstuffs, sanitary fixtures and fittings or frozen products – our teams of experts put together customized 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 a shipping line–independent container terminal group with operations predominantly in Europe. Together with the Italian terminal operator CONTSHIP Italia, the company operates a network of 11 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

AUTOMOBILE Division
Against the background of the de facto loss of control in connection with the Russian war of aggression, BLG Logistics Automobile St. Petersburg Co. Ltd., St. Petersburg, Russia, was deconsolidated with effect from December 31, 2022.

In June 2022, BLG AutoTerminal Bremerhaven GmbH & Co. KG, Bremerhaven, founded BLG GLOVIS GmbH, Bremerhaven, as a joint venture with the shipping company Hyundai GLOVIS. Hyundai GLOVIS will in the coming years use BLG AutoTerminal Bremerhaven as a European hub for its automobile transports between Asia and Europe. The aim of the joint venture is to bundle volumes and thus optimize the logistics chains of automobile manufacturers, taking into account transit times, costs and environmental influences.

Under contract of May 18, 2022, BLG Automobile Logistics Süd-/Osteuropa GmbH, Bremen, sold its shares in Autoterminal Slask Logistic Sp. z o. o., Dabrowa Gornicza, Poland.

CONTRACT Division
Owing to the discontinuation of business operations, BLG AUTO LOGISTICS OF SOUTH AFRICA (Pty) Ltd., Port Elizabeth, South Africa, was deconsolidated with effect from December 31, 2022.

In order to expand its business activities, BLG Logistics of South Africa (Pty) Ltd., Port Elizabeth, South Africa founded Autovision South Africa (Pty) Ltd., Port Elizabeth, South Africa, together with partners. The object of the joint venture is the provision of value-creating activities, such as painting car parts.

Research and development

In order to make our customers' logistics processes fit for the future, we are committed to developing new solutions on an ongoing basis. At the same time, we focus on continuous process optimization across the entire service portfolio.

The focus in the reporting year was on the further development of the innovation process, which resulted in closer cooperation between the innovation team and the operating divisions. In the future, the Technology department will assume responsibility in the CONTRACT Division for the development of MVPs (minimum viable products) based on new technologies and their subsequent implementation. This covers topics such as autonomous driving, robots, cobots, AMR (autonomous mobile robots) and new work. For digitalization activities in the context of data strategies (data warehouse), AI/BI or digital workflows, "digital services" have been pooled in a newly established team within the central IT department since 2022, thus giving them a clearer focus.

We are also continuing to collaborate in research and development projects with partners from science and industry on brand new, particularly complex concepts. Seven such projects were undertaken in 2022.

The "INSERT" project, funded by the European Regional Development Fund, was successfully completed on November 30, 2022 after a project duration of 2.5 years. The goal was to develop an AI-based assistance system for drafting initial concepts for production and logistics planning. Through collaboration with the planner and the prototype developed in the project, it was possible to significantly shorten planning processes and enhance the planning quality of the developed concepts. The four project partners are conducting a close dialog on possible follow-up activities and the further development of the new tool.

Building on the results of the earlier successful "Isabella" project, the "Isabella 2.0" project launched on July 1, 2020 was continued in the reporting year. The goal is to integrate the loading and unloading of trucks, railroad cars and ships into the previously developed intelligent management approach. To this end, further digitalization needs were identified and solutions designed. For example, a dedicated app is being developed to display the loading plan, including loading sequence management. A dashboard for visualizing Isabella processes is also in the pipeline. Training programs with existing and newly developed content will be supported in the future by a virtual training environment.

The development of the demonstrator was the focus of the "KITE" research project in 2022. In the demonstrator, vehicles, existing transport orders, freight exchange orders and AI-generated forecast orders are combined to optimize transport routes. The goal is to reduce emissions, for example, by avoiding empty runs. In addition, the AI identifies upselling opportunities that will allow currently unserved regions to be developed in a targeted manner. A broad database of historical transport data was created for the artificial intelligence.

The "PortSkill 4.0" project launched in 2021 was also continued in the reporting year. One focus here was to survey and analyze the existing job profiles in the port environment. Studies and analyses were also conducted on the basis of expert interviews, surveys, workshops and literature research to determine whether and to what extent technical developments and innovations are suitable for possible application in the port environment. The next step is to collate the results of the two analyses to define future job profiles in the port and, on this basis, develop initial training concepts.

"MEXOT," a new IHATEC (Innovative Port Technologies) research project was launched on January 1, 2022. The aim is to ensure the holistic ergonomic design of technical workstations and upstream picking activities. For this purpose, passive exoskeletons are being fitted with measuring sensors and coupled with customizable driverless transport vehicles (DTV), for example to enable (semi-)automated materials allocation. The ergonomics data will be used to develop an incentive platform that gives employees direct personal feedback and integrates gamification approaches to increase motivation.

The "Mobility2Grid (M2G) research campus" and "HyBit" projects were also launched in the reporting year. Mobility2Grid is funded by the Federal Ministry of Education and Research (BMBF) and was launched on March 1, 2022. In collaboration with many other research and industry partners, the goal through to February 28, 2027 is to develop efficient and networked systems for a climate-neutral city. The ultimate goal of BLG LOGISTICS is to demonstrate the feasibility of an electric tractor unit with a megawatt charging system in continuous operation. Its use is being trialed with the plant supplies for a customer based at the supplier logistics center in Falkensee.

The "HyBit" research project started on September 1, 2022 and is the initial step toward development of a hydrogen hub in Bremen. The central research question is how hydrogen hubs can contribute to a sustainable and climate-neutral Europe. BLG LOGISTICS' project activities focus on cluster mobility and logistics. The aim of the project is to develop a methodology for analyzing and assessing various hydrogen deployment options, which BLG LOGISTICS will test under real-world conditions. BLG LOGISTICS will also participate in identifying potential pilot applications for the use of hydrogen and roughly map these out. HyBit involves a consortium of 18 partners and will run for 4.5 years.

In 2022, BLG LOGISTICS thus participated in a total of seven cooperation projects with a total project volume of EUR 57.6 million.

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 a major cost item. Because our business model is capital-intensive in all divisions, the cost of capital also plays a significant role.

Group control

Management indicators

The key management indicators of BLG LOGISTICS that we apply throughout the Group form the basis for our operational and strategic management decisions. We use them to set targets, measure the company' performance and determine the variable compensation of managerial staff and non-tariff employees – among other factors.

The core management indicators are:

Revenue

Group revenue is derived from the consolidated statement of profit or loss and other comprehensive income and does not include the revenue of the CONTAINER Division.

EBIT

On account of the significant contribution of the CONTAINER Division to earnings, income from equity investments is also included in EBIT.

Earnings before income and taxes (EBIT) is calculated at BLG LOGISTICS as follows:

+ Revenue
+ Other income
– Cost of materials
– Personnel expenses
– Depreciation, amortization and impairments
– Other expenses
+/– Net investment income

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.

EBT margin

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

RoCE

Return on capital employed (RoCE) is a key indicator that measures how efficiently and profitably a company uses its capital. It is calculated by dividing EBIT by the capital employed. Capital employed at BLG LOGISTICS includes the following components:

+ Non-current assets (incl. financial assets)
+ Inventories
+ Trade receivables
– Trade payables

The key performance indicators revenue, EBIT, EBT and EBT margin are also determined within the scope of internal monthly reporting as well as within the scope of corporate planning and forecasts. RoCE is only reported on a Group-wide basis and will only in the future be included in monthly reporting.

In addition to the above-mentioned indicators, the variable remuneration of the Board of Management and, from the 2023 financial year, also of non-tariff employees, is also measured against the targets for CO_2 emissions, the 1,000-employee rate based on work-related accidents, and the proportion of trainees in the total workforce. The other financial and non-financial key performance indicators are individual management variables depending on the operating business unit. This includes measurement variables such as vehicle handling, processed quantities, energy consumption or 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 in a timely manner.

For explanations regarding the forecast key performance indicators and the degree to which they were reached in the 2022 financial year, please refer to the ▸Report on Economic Position. The forecast for the current year is explained in the ▸Outlook.

Non-financial performance indicators

The number of persons employed in the divisions, excluding the Board of Management as well as apprentices and trainees, is shown in the table, broken down by division, pursuant to Section 267 (5) HGB (annual average):

Employees by division	**2022**	2021	Percentage change
AUTOMOBILE Division	**3,235**	**3,397**	**-4.8**
of which blue-collar workers	2,767	2,920	
of which white-collar workers	468	477	
CONTRACT Division	**6,266**	**6,599**	**-5.0**
of which blue-collar workers	4,959	5,292	
of which white-collar workers	1,307	1,307	
CONTAINER Division	**1,605**	**1,582**	**1.5**
of which blue-collar workers	1,149	1,122	
of which white-collar workers	456	460	
Segment employees	**11,106**	**11,578**	**-4.1**
of which blue-collar workers	8,875	9,334	
of which white-collar workers	2,231	2,244	
Services	**386**	**374**	**3.2**
of which blue-collar workers	0	0	
of which white-collar workers	386	374	
Employees incl. CONTAINER Division	**11,492**	**11,952**	**-3.8**
of which blue-collar workers	8,875	9,334	
of which white-collar workers	2,617	2,618	
Less employees of the CONTAINER Division	**-1,605**	**-1,582**	**1.5**
of which blue-collar workers	-1,149	-1,122	
of which white-collar workers	-456	-460	
Employees of BLG LOGISTICS	**9,887**	**10,370**	**-4.7**
of which blue-collar workers	7,726	8,212	
of which white-collar workers	2,161	2,158	

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.

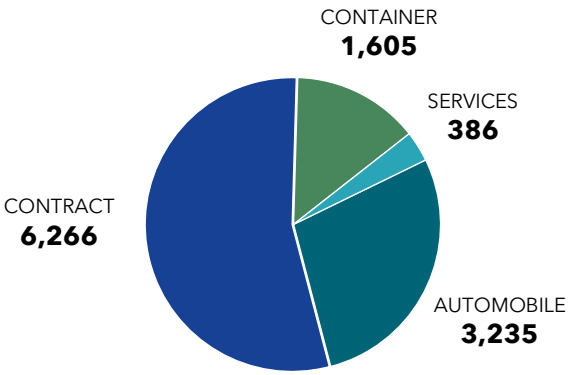
In order to attract, develop and retain its employees, BLG LOGISTICS aims to consistently maintain its image as an attractive company on the labor market. That is why our personnel policies include options for maintaining a work-life balance and specific health management mechanisms, as well as performance-related 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 us in achieving a shared understanding of leadership at all levels.

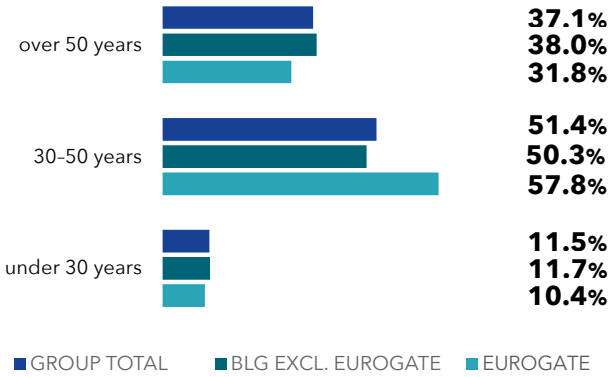
In the reporting year, the average number of employees (excluding the CONTAINER Division) decreased by 483 persons year on year, which is equivalent to 4.7 percent.

This reflected in particular the loss of the Leipzig location in the CONTRACT Division, which was no longer included in the statistics for the 2022 financial year due to a switch of service provider, as is customary in contract logistics. On the other hand, new employees were hired in the 2022 financial year at new locations in BLG LOGISTICS' retail logistics business area. In the AUTOMOBILE Division, the aftereffects of the coronavirus pandemic (falling demand, difficulties in obtaining parts, reluctance to buy, etc.) resulted in lower staffing requirements, so that, for example, vacant positions were not immediately filled and fixed-term contracts were not extended.

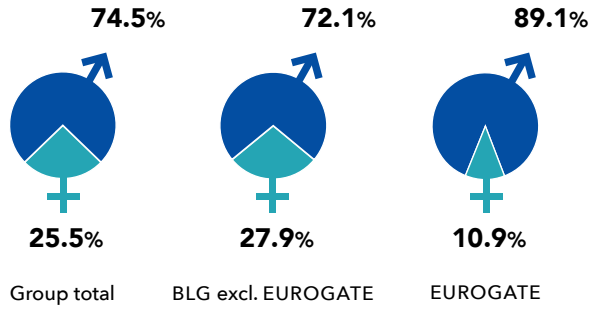
Employees 2022



Employees by age group



Employees by gender*



* In the past, we have only categorized our workforce into men and women, but we are aware that not everybody self-identifies with either of these genders. To date, only a few of our own workforce have identified as diverse. As we are currently talking about a proportion of less than 0.1 percent, we do not yet explicitly include this group in our statistics. However, in the interests of equal representation, we will continue to monitor this aspect.

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 2022 sustainability report also details other non-financial topics.

Report on Economic Position

Macroeconomic conditions

Multiple crisis environment hampers global economy
At the beginning of 2022, it appeared that we could slowly put the coronavirus pandemic and production obstacles such as supply bottlenecks for components behind us, and the outlook for the business year was quite positive.

This did not, however, hail in a period of strong economic expansion. The Russian invasion of Ukraine in February 2022 had an unprecedented impact on the global economy. The escalation in Ukraine brought about a crunch on energy supplies and sent energy prices through the roof – especially in the summer of 2022. Many other goods also became more expensive, and inflation in many countries rose to levels not seen in 50 years.

In addition to the continuing uncertainties triggered by the war in Ukraine, monetary policy, which was tightened in the face of inflationary pressure, also had a braking effect on the global economy. The major central banks responded to the significant rise in inflation by raising key interest rates at a historically steep rate.

After a weak first half-year, the rise in global output temporarily strengthened in the third quarter, driven in particular by the absence of curbing effects such as the extensive pandemic-related lockdowns in China.

The situation on the energy markets also eased noticeably toward the end of the year, while governments introduced further fiscal measures to provide relief for private households and companies. Nevertheless, global economic momentum diminished significantly by year-end, with the major national economies in particular now facing a phase of weak economic activity.

Sources for this section:
Deutsche Bundesbank, Monthly Report, January and February 2023
IfW Kiel, Kiel Institute Economic Outlook, No. 97 (2022|Q4)
IMK, IMK Report No. 178, December 2022

German GDP up by around 1.9 percent in 2022

Year-on-year comparison of change in real GDP

The situation in Germany was similar to that described for the global economy. High inflation and uncertainty surrounding the war in Ukraine also weighed on the German economy. By year-end, the situation had brightened to the extent that wholesale prices for electricity and gas had fallen – although they remained at a high level. According to surveys by the ifo Institute, the business climate also improved. Despite the economic cooling off, the labor market is proving robust, mainly on the back of continued high demand for skilled labor.

Overall, gross domestic product (GDP) rose by around 1.9 percent in this environment, slightly exceeding the pre-pandemic level. The catch-up effects in connection with the post-pandemic reopening of the economy were, however, constrained by Russia's war of aggression on Ukraine and the resulting new supply chain problems, coupled with high inflation and uncertainties regarding energy supplies.

Sources for this section:
Deutsche Bundesbank, Monthly Report, January and February 2023
IfW Kiel, Kiel Institute Economic Outlook, No. 98 (2022|Q4)

Situation in the logistics sector

The demands on logistics are changing at an ever-increasing pace. These changes are being driven by ongoing globalization, shorter product life cycles, digitalization and urbanization. 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 reverse logistics processing in the business-to-consumer segment. Challenges concern in particular continued pressure on margins, demographic trends and growing competition in the search for specialists, managers and young talents. Other factors are the 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 raised environmental awareness among the population. The sector is currently experiencing staff shortages particularly in the areas of warehouse workers, vehicle drivers, engine drivers and IT managers.

In addition, when it comes to outsourcing activities, logistics companies are expected to be very willing to invest and highly innovative. A key focus here is to invest in transshipment, distribution and order-picking centers in conveniently situated locations. Contracts with customers are frequently concluded with terms of only a few years and space and handling equipment are often rented or leased.

Increasing customer requirements have greatly expanded the use of end-to-end information and communication technology along the process chains. Logistics service providers must increasingly adapt to changes such as the growing role of advancing automation and digitalization of process chains.

The logistics industry in Germany is the largest sector of the economy after the automotive industry and commerce. This is attributable to the fact that as a logistics location, Germany generates a large share of its economic output in industry and the retail sector. 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 the available expertise in logistics technology also contribute to making Germany an attractive logistics location.

The war in Ukraine, energy costs, inflation, skills shortages, climate change and enduring pandemic conditions – these multiple crises of 2022 also made for a very challenging business environment in the logistics sector.

The business model of the global economy is based on finely tuned and seamlessly interwoven logistics spanning the globe. This global network of supply chains is very fragile and was already put to the test with COVID-19. In line with economic activity, the SCI LOGISTICS BAROMETER performance indicator was at a similarly negative level at the end of 2022 as at the beginning of the coronavirus pandemic in March 2020, a development significantly influenced by the war in Ukraine. Looking back, the business situation continued to stabilize in the final months of the 2022 financial year, with a majority characterizing the current economic situation as "normal" (71 percent) or "good" (16 percent) in December 2022. The shortage of skilled workers and the resulting dearth of suitable applicants pose additional difficulties for the logistics industry.

The German Logistics Association (BVL) Logistics Indicator also developed negatively in 2022 (see also the graphic chart in the ▸Outlook) and the business climate remained well short of its full potential. Demand momentum fell off sharply in recent months and the order backlog was frequently characterized as too low, with the catch-up effects seen in the previous months having been largely absorbed and in many sectors fears of a prolonged period of weak demand setting in. This was compounded by increasing cost pressure due to persistently high inflation.

Global goods flows by container ship suffered considerable disruptions in the 2021 financial year and well into 2022. The reasons for this are manifold and were presented in the prior-period Annual Report. At year-end 2022, supply chains were increasingly returning to normal – in particular due to lower transport volumes as a result of consumer restraint, the threat of recession, and other factors.

Sources for this section:

BVL Logistics Indicator, 4th Quarter 2022, including commentary

SCI Verkehr, SCI Logistics Barometer, December 2022

NDR.de dated 12/29/2022 "Schifffahrtsbilanz 2022: Schwierige Zeiten für Reeder," retrieved on February 1, 2023; 4:05 p.m.

Board of Management's overall assessment of the business environment

BLG LOGISTICS started 2022 with the hope of light at the end of the coronavirus tunnel, unaware that the next crises were brewing on the horizon. Since February, we have been waking up in a new world every day. The crisis has become the norm rather than an exception. The war in Ukraine, energy costs, inflation, skills shortages, climate change and enduring pandemic conditions – these multiple crises made for a very challenging business environment.

Nevertheless, BLG LOGISTICS closed the 2022 financial year considerably better than anticipated, which was a respectable achievement given the large number of crises and challenges. However, we know that the economic uncertainties will continue to grow in 2023 – and are preparing accordingly.

The situation in the AUTOMOBILE Division remains tense. The reasons for this are in many cases due to problems in the industry:

- stocks of slow movers and unfinished vehicles waiting for missing parts such as semiconductors, cable harnesses and wiring systems, leading to heavily utilized storage areas and low productivity;
- bottlenecks in the provision of traction locomotives for road and rail vehicles;
- lower volumes and fewer sailings due to plant closures, parts shortages and erratic shipping schedules.

The causes thus often lie beyond the ports, yet this is where the problems are most visible. Ports are the hubs of logistics. Rail and road converge on the quayside, and in the latter case the situation is additionally complex. While demand for transport capacities by rail is, on the one hand, high, there are constraints due to bottlenecks in the provision of traction locomotives by rail transport companies. These are mainly due to a shortage of locomotive drivers, a large number of construction sites on the Europe-wide track network and the prioritization of other goods on the railroads. The limitations on rail capacities are leading to high demand for truck transport as an alternative. However, in the trucking sector, too, capacities are very tight, resulting among other things from the high shortage of truck drivers.

BLG AutoTerminals Bremerhaven has been undergoing restructuring since mid-2022. As part of this process, an employment protection contract was agreed with the collective bargaining parties. The primary goal is to ensure the long-term stability of the Bremerhaven site even without a collective agreement to safeguard employment. To achieve this, efficient processes and modern structures are essential for a site the size of our terminal.

The CONTRACT Division provides contract logistics at more than 40 locations in Germany and around the world. In the past, contract logistics was divided into the industrial logistics and retail logistics business areas, but now the division has been given a new organizational structure. From 2023 on, the locations and countries will be integrated into a regional structure.

Consumer goods and e-commerce services in particular were again in demand. We responded to rising energy prices at an early stage and concluded cost-sharing agreements with our customers.

Since December 1, 2022, Matthias Magnor has been responsible as Chief Operating Officer (COO) for the AUTOMOBILE and CONTRACT Divisions. The closer cooperation between these two divisions allows us to network capacities and expertise and at the same time leverage synergy effects.

Although handling volumes in the CONTAINER Division at the two smallest EUROGATE terminals in Germany were slightly above plan in 2022, the three largest terminals, and thus the German sites as a whole, fell well short of expectations. However, this was more than offset by extremely high storage fees. While positive, these storage fees are one-time effects and therefore only have a temporary impact.

The industry is currently undergoing structural and lasting changes. Competition for container volumes is becoming increasingly tough, making it imperative to forge ahead with implementing the transformation measures aimed at stabilizing the future of the EUROGATE Group.

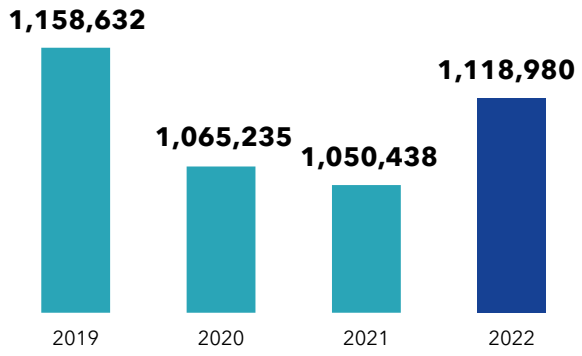
The trend on the part of the shipping lines to commission additional ultra-large container vessels continues unabated. Given this trend, the EUROGATE is also expected to see an increase in the number of ultra-large container ships calling at its terminals.

BLG LOGISTICS has leveraged the opportunities presented to us by the pandemic and initiated many changes that make us – even in times of multiple crises – robust, adaptable and fit for the future. Nevertheless, the market environment remains volatile. To enable us to meet these challenges, we are continuing to relentlessly tackle topics such as flexibility, digitalization, automation and sustainability and are working intensively to constantly improve BLG LOGISTICS' economic position.

This assessment is based on the results of the consolidated financial statements for 2022 and takes into account business performance up to the time the group management report was drawn up in 2023. The business development at the beginning of 2023 was in line with our expectations.

Business performance

Financial performance



Revenue development in EUR thousand

In the 2022 financial year, Group revenue increased by EUR 68,542 thousand year on year to EUR 1,118,980 thousand. This increase was attributable with EUR 61,793 thousand to the AUTOMOBILE Division, and was mainly due to higher revenues in the transport segment and to storage fees.

Furthermore, handling volumes and thus revenue development at the Neustädter Hafen site in Bremen increased.

The increase in the CONTRACT Division amounted to EUR 5,393 thousand. This was due in particular to the expansion of our business in the Sports & Fashion area.

In the CONTAINER Division, handling volumes (in TEUs) decreased by 2.8 percent overall on the back of the tense global economic situation. Nevertheless, disruptions in the global supply chains and the shipping companies' diverging schedules resulted in a significant temporary increase in storage fees, so that revenue in the 2022 financial year rose by EUR 39,143 thousand to EUR 345,098 thousand. Since the EUROGATE Group, which represents the CONTAINER Division, is included in the consolidated financial statements using the equity method, this revenue is not included in the reported Group revenue.

Revenue by segment EUR thousand	**2022**	2021	Absolute change	Percentage change
AUTOMOBILE	579,768	517,975	61,793	11.9
CONTRACT	548,192	542,799	5,393	1.0
CONTAINER	345,098	305,955	39,143	12.8
Reconciliation[1]	-354,078	-316,291	-37,787	-11.9
Group total	**1,118,980**	**1,050,438**	**68,542**	**6.5**

[1] The "Reconciliation" line presented here and in the following tables includes the derecognition of the CONTAINER Division (due to equity accounting) and the figures for the central departments (Services).

Indicators relating to financial performance EUR thousand	**2022**	2021	Absolute change	Percentage change
Revenue	**1,118,980**	**1,050,438**	**68,542**	**6.5**
Other income	53,868	55,199	-1,331	-2.4
Net income (net loss) of companies accounted for using the equity method"	75,596	62,302	13,294	21.3
Cost of materials	-462,018	-423,763	-38,255	-9.0
Personnel expenses	-475,075	-479,303	4,228	0.9
Other expenses	-159,770	-122,541	-37,229	-30.4
Depreciation and amortization expense, impairment losses	-86,999	-80,825	-6,174	-7.6
EBIT	**64,582**	**61,507**	**3,075**	**5.0**
Net financial income/net finance costs	-8,860	-9,281	421	4.5
EBT	**55,722**	**52,226**	**3,496**	**6.7**
EBT margin (in %)	**5.0**	**5.0**	**0.0**	**0.0**
Consolidated net profit for the period	51,606	50,566	1,040	2.1

Other income was down only slightly year on year (EUR 1,331 thousand). Income from the disposal of property, plant and equipment was EUR 7,089 thousand lower than in the previous year due principally to the sale of the high-bay warehouse facility at the Bremen location in the previous year (retail logistics business area). In contrast, income from the reversal of provisions relating to various one-off items rose by EUR 6,235 thousand.

Net profit from equity-accounted entities primarily included the net investment income from the measurement of EUROGATE GmbH & Co. KGaA, KG (EUROGATE) accounted for using the equity method with EUR 76,705 thousand (previous year: EUR 61,879 thousand). For further information, please refer to the remarks below relating to the CONTAINER Division. This was contrasted in the reporting year by expenses for write-downs of the carrying amounts of investments accounted for using the equity method in the amount of EUR 2,109 thousand.

With 9.0 percent, the cost of materials increased slightly more than revenue (6.5 percent) due to general price increases in particular for external staff, materials and energy in an environment of high inflation.

Personnel expenses decreased in the reporting year to EUR 475,075 thousand (previous year: EUR 479,303 thousand). This corresponded to the reduction in the number of employees (excluding the CONTAINER Division) by 483. This reflected in particular the loss of the Leipzig location in the CONTRACT Division, which was no longer included in the 2022 financial year due to a switch of service provider, as is customary in contract logistics.

Other expenses in the reporting year increased by EUR 37,229 thousand and, in addition to general cost increases due to high inflation, reflected expenses for the recognition of provisions for expected losses and infrastructure measures in the reporting year. Consulting costs also increased slightly as a result of our involvement in various projects to make us future proof.

Depreciation and amortization expense and impairment rose by EUR 6,174 thousand in the 2022 financial year. While depreciation and amortization expense was slightly lower (EUR 1,446 thousand) year on year, impairment losses rose substantially. In the reporting year impairment losses amounting to EUR 7,836 thousand were attributable to write-downs of software.

Net financial income/net finance costs improved compared with the previous year by EUR 421 thousand to EUR –8,860 thousand. The improvement was attributable to higher interest income from lease contracts with customers. Higher interest rates for non-current loans and other financial liabilities resulting from the increase in the general level of interest rates had an opposite effect.

[2] On account of the significant contribution of the CONTAINER Division to earnings, income from equity investments is included in EBIT.

EBIT by segment EUR thousand	**2022**	2021	Absolute change	Percentage change
AUTOMOBILE	-2,293	7,573	-9,866	-130.3
CONTRACT	12,415	12,489	-74	-0.6
CONTAINER	90,560	74,152	16,408	22.1
Reconciliation	-36,100	-32,707	-3,393	-10.4
Group total	**64,582**	**61,507**	**3,075**	**5.0**

EBT by segment EUR thousand	**2022**	2021	Absolute change	Percentage change
AUTOMOBILE	-11,696	-1,076	-10,620	-987.0
CONTRACT	11,256	8,717	2,539	29.1
CONTAINER	80,030	69,825	10,205	14.6
Reconciliation	-23,868	-25,240	1,372	5.4
Group total	**55,722**	**52,226**	**3,496**	**6.7**

Overall, net profit increased slightly compared with the previous year. This was attributable exclusively to the high net investment income from the CONTAINER Division, which compensated for the lower-than-expected earnings in the AUTOMOBILE Division. EBIT rose accordingly year on year by EUR 3,075 thousand to EUR 64,582 thousand. Earnings before taxes (EBT) similarly increased by EUR 3,496 thousand to EUR 55,722 thousand. Due to the likewise increased revenue (+ EUR 68,542 thousand), the EBT margin in the reporting year remained constant compared to the previous year at 5.0 percent.

Income taxes in the reporting year were EUR 4,116 thousand (previous year: EUR 1,660 thousand). The increase is explained by higher expenses for prior periods (EUR 3,537 thousand) and lower income from tax reimbursements (EUR 1,216 thousand). In contrast, income from deferred taxes rose significantly by EUR 1,684 thousand.

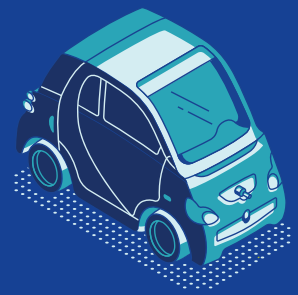
As a result of the developments described, consolidated net profit for the period increased by EUR 1,040 thousand to EUR 51,606 thousand.

AUTOMOBILE Division

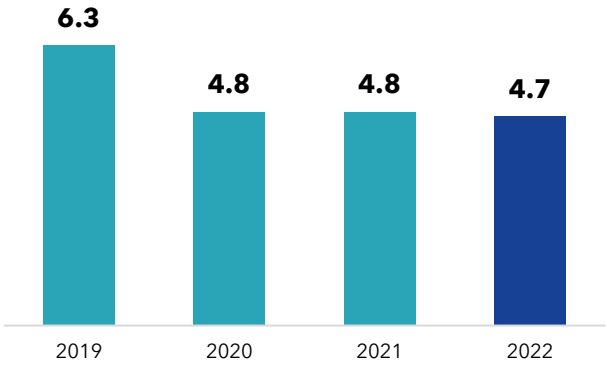
In 2022, we handled, transported or technically processed

4.7 million

vehicles



The AUTOMOBILE Division is a 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)

Along the global value chains of the automotive industry, various factors influenced developments in the AUTOMOBILE Division in the 2022 financial year. Especially at the beginning of the year, the effects of the coronavirus pandemic were still being felt as a result of the zero-COVID strategy in China, putting pressure on the availability of components. With the start of the war in Ukraine, the pressure on supply chains further intensified, and sales markets came under additional strain. In Russia in particular, demand for new vehicles fell significantly with the start of the war. The energy crisis and rising inflation made the situation on the procurement markets very challenging. Enormous price increases weighed on the value chain and also dampened consumer spending. Despite the challenging conditions, volumes of 4.7 million vehicles were handled, almost matching the previous year's level.

EUR thousand	2022	2021
Revenue	579,768	517,975
EBIT	-2,293	7,573
EBT	-11,696	-1,076
EBT margin (in %)	-2.0	-0.2

In the seaport terminals business area, overall throughput in financial year 2022 remained at the low level of the previous year. As in the prior period, the Bremerhaven car terminal handled 1.7 million vehicles. Handling volumes at AutoTerminal Cuxhaven were also almost identical. In addition to the weak volume situation, absenteeism rates were above average, with the result that expenses for external staff additionally depressed earnings. Lower productivity and the above-mentioned price situation on the energy market also exerted pressure on the earnings situation. At the Cuxhaven terminal, additional business for storage, warehouse maintenance, handling and washing of vehicles made a positive contribution to earnings. Overall, exceptional effects from the write-down of software projects, restructuring expenses and provisions for infrastructure measures weighed on the business area's earnings.

The high & heavy segment was unable to reproduce the positive development of the previous year. Partly as a result of the war in Ukraine and various lockdowns in China, the throughput volume of 1.1 million metric tons was around 0.3 million metric tons below the previous year.

Capacity utilization at the Neustädter Hafen site in Bremen was high, in particular due to high volumes of steel and forestry products. Tonnage (ship-side handling) increased from 1.3 million metric tons to 1.6 million metric tons with a corresponding positive effect on earnings. Additional expenses for replacement equipment and maintenance caused by the permanently high capacity utilization, as well as increased energy costs, depressed the result somewhat, but could not spoil the positive overall picture.

The challenges described above and their impact on volumes nevertheless had a significant impact on the situation at the seaport terminals and meant that the business area closed the year with a clear overall loss.

The inland terminals business area increased vehicle handling by 7 percent compared to the previous year and exceeded expectations at the Kelheim, Dodendorf and Hamburg sites. Reduced volumes with the regular customer base due to the challenges on the automotive market were offset by additional (technical) value-added activities on the vehicles and a range of spot business.

The Neuss terminal consistently experienced significant capacity utilization problems due to reduced volumes from the main customer there. Although spot business was temporarily able to cushion the decline in revenue somewhat, the location nevertheless fell far short of expectations.

The AutoTransport business area handled spot transports at very adequate rates in the 2022 financial year. However, in the course of the year, there was also increased price pressure from subcontractors, who were able to push

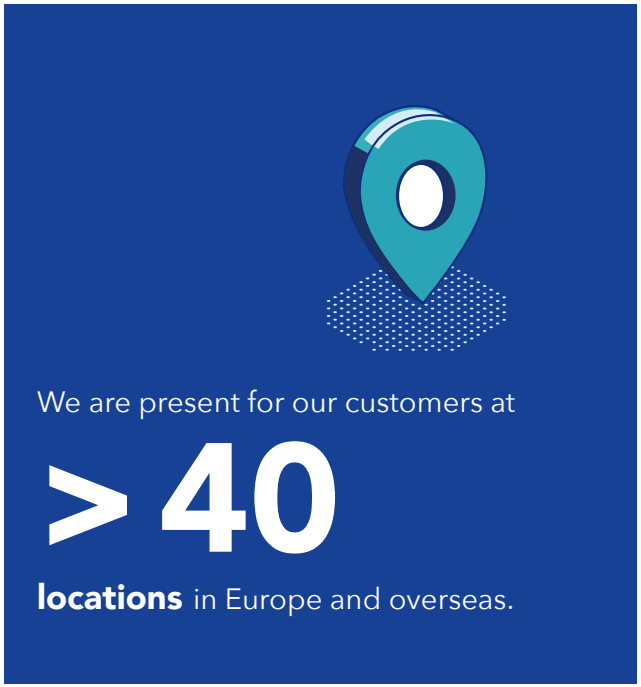
through higher charges on the back of scarce market capacities. The divestment of the Schöps branch office generated income of EUR 470 thousand. The rail business area, on the other hand, faced a number of challenges.

A lack of available lines due to construction works, a shortage of skilled locomotive drivers and at times high absenteeism rates had a significant impact on productivity and earnings, with the result that expectations in the rail segment were not met.

The Southern/Eastern Europe business area, and in particular the representative offices in Russia and Ukraine, were hard hit by the outbreak of the war. Operations temporarily came to a complete standstill. The imposed sanctions and fluctuating exchange rates also negatively affected the earnings situation. In response to the developments in both countries, the investment in Ukraine was written down in full and the investment in Russia was deconsolidated. While the Gdansk site benefited from extraordinary business, it was unable to compensate for the losses in the other areas.

Due to the challenges described above, especially in the seaport terminals business area, EBT in the AUTOMOBILE Division for the 2022 financial year decreased from EUR –1,076 thousand to EUR –11,696 thousand, which was well below the previous year's figure and thus also below expectations.

CONTRACT Division



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

EUR thousand	2022	2021
Revenue	548,192	542,799
EBIT	12,415	12,489
EBT	11,256	8,717
EBT margin (in %)	2.1	1.6

In the multiple crisis environment, the CONTRACT Division succeeded overall in achieving its targets in financial year 2022. In many places, the order situation and volumes processed were above expectations, although the high prices, for example for energy, had a negative impact.

Conditions in the CKD (Completely Knocked Down) and body-in-white areas at our largest industrial logistics site in Bremen were difficult in 2022. These were affected in 2022 by low volumes, productivity difficulties and the loss of volumes for Russia. It was possible to mitigate the effects of this through countermeasures such as cost reductions and process improvements.

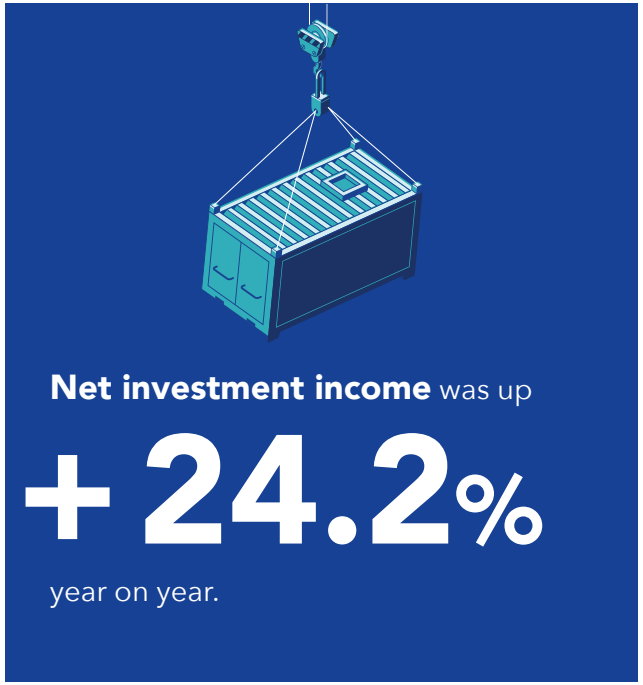
In some cases, there were also production interruptions at our customers in the industrial logistics business area in 2022, which had negative repercussions on the volume and earnings situation.

At our overseas industrial logistics locations, BLG LOGISTICS saw a very positive development in 2022, particularly in South Africa. The site – including new business – was able to close the year much better than originally expected. In contrast, business in the US closed the 2022 financial year below plan, due in particular to declining volumes among manufacturers and a delayed start to new business. Volumes at the joint ventures in India and Malaysia were below expectations. BLG LOGISTICS withdrew from these two joint ventures at the beginning of 2023.

The retail logistics business area also developed positively in the 2022 reporting year. At individual locations, supply chain disruptions (lack of product availability, shortage of sea containers, etc.) and production interruptions by manufacturers severely restricted operations. However, despite high costs for energy and similar, overall it was possible to compensate for this through good volumes and new business at other locations.

Overall, the CONTRACT Division was able to meet the earnings expectations in a challenging environment, and EBIT increased year on year by EUR 2,539 thousand to EUR 11,256 thousand.

CONTAINER Division



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, in Limassol (Cyprus), as well as in Tangier (Morocco) and Ust-Luga (Russia). The EUROGATE Group also has holdings in several inland terminals and railroad transport companies.

In addition, EUROGATE became a shareholder in the "Damietta Alliance Container Terminal S.A.E:" joint venture in 2022, which will be responsible for realizing the construction, development and operation of a new terminal in the port of Damietta/Egypt. The joint venture has three main shareholders: Hapag-Lloyd Damietta GmbH (39%), Eurogate Damietta GmbH (29.5%) and Contship Damietta Srl (29.5%). Two further partners, Middle East Logistics & Consultants Group and Ship & C.R.E.W. Egypt S.A.E., each hold 1.0% of the shares.

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 as well as cargomodal services and technical services are also offered as secondary services.

EUR thousand	**2022**	2021
Revenue	345,098	305,955
EBIT	90,560	74,152
EBT	80,030	69,825
EBT margin (in %)	23.2	22.8

The financial year 2022 was significantly impacted by the consequences of the coronavirus pandemic as well as specific market and cost developments. In particular, the ongoing disruptions in global supply chains, the massive shipping delays resulting in significantly longer-than-average container dwell times at the container terminals and the associated impact on operational processes hampered progress on the current transformation project

designed to increase efficiency and productivity across the Group, and led to delays in its implementation.

In addition, prolonged collective bargaining negotiations accompanied by strikes also had a negative knock-on effect on operating performance in the 2022 financial year and led to significant cost increases. On top of this, the sharp rise in energy prices due to Russia's invasion of Ukraine led to substantially reduced earnings.

Despite a decline in throughput volumes (Germany –8.3 percent, in total –2.8 percent) EUROGATE reported a noticeable increase in revenue of around 13 percent. In addition to the significant increase in average revenue due to additional and unexpectedly high storage fee and reefer revenues, the earnings development also reflected positive transformation effects. On the other hand, considerably higher material costs and personnel expenses as well as a transfer to provisions for potential contract penalties in the amount of (proportionately) EUR 17.4 million had a negative impact on earnings in 2022.

Also included in the result was a reversal of a write-down on non-current financial assets of (proportionately) EUR 35.4 million, which related to the reversal of an impairment loss on the equity-method carrying amount of EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG.

At the end of April 2022, the European Commission approved the takeover by Hapag-Lloyd Aktiengesellschaft, Hamburg, announced in September 2021, of 30 percent of the shares in EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG previously held by APM Terminals, a wholly-owned subsidiary of A.P. Møller – Mærsk A/S of Copenhagen, Denmark, as well as of 50 percent of the shares in Rail Terminal Wilhelmshaven GmbH. The share transfer to HL Terminals GmbH, a 100 percent subsidiary of Hapag-Lloyd Aktiengesellschaft, took place on April 29, 2022.

EUROGATE continues to hold the remaining shares. This significantly improved the prospects for the future commercial development of the company, which was the basis for the reversal of the impairment loss in the current financial year.

The carrying amount of the investment in JSC Ust-Luga Container Terminal was written down in full with (proportionately) EUR 8.1 million.

At EUR 76,705 thousand, the share of earnings from the equity-accounted entities was higher than the previous year's figure of EUR 61,879 thousand.

Comparison of financial performance in 2022 with the forecast for the 2022 financial year

1,119 million
revenue

55.7 million
EBT

5.0%
EBT margin

Earnings for the financial year 2022

At the time of preparing the previous year's report, we were just a few weeks into the war between Russia and Ukraine and it was not possible to reliably forecast the further impact on volumes, earnings and production. We were also still not over the Omicron wave of the coronavirus pandemic, which led to local restrictions and high sickness rates. Moreover, we were already feeling the impact of high energy prices and supply chain disruptions.

In this very uncertain environment, we initially assumed that revenue could be maintained at the 2022 level, but that earnings (EBIT and EBT) would be significantly reduced. We also forecast the development of RoCE and EBT margin accordingly.

	Forecast 2022	Actual 2022
EBT	Significant reduction	Slight improvement
EBIT	Significant reduction	Slight improvement
Revenue	At previous year's level	Slight improvement
EBT margin	Significant reduction	At previous year's level
RoCE	Significant reduction	Slight improvement

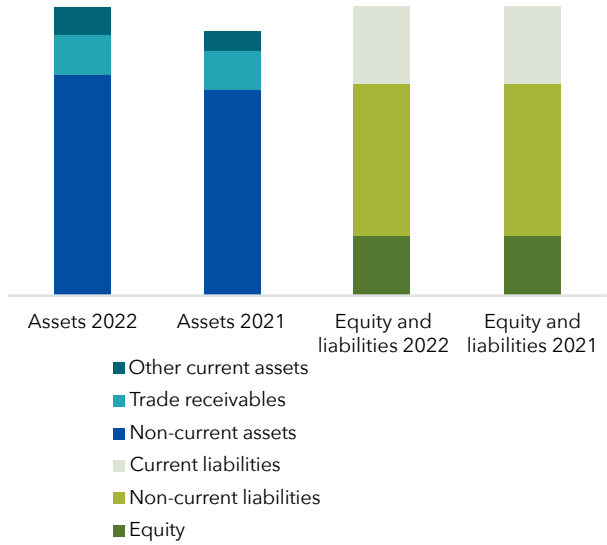
In the AUTOMOBILE Division, the projections for the year proved true. Supply chain disruptions and high sickness rates severely impacted production and led to additional expenses. High prices for personnel, materials and energy additionally weighed on earnings, but nevertheless revenue was significantly higher, especially in the transport segment and additional income from storage fees.

In the CONTRACT Division, the main challenges were in the CKD and body-in-white segments at the Bremen location. Nevertheless, the order situation and volumes processed were above plan in many places, with the result that both revenue and earnings were higher than expected.

Despite a sharp rise in costs for personnel, materials and energy, supply chain disruptions and their huge impact on productivity, and despite a decline in throughput, the CONTAINER Division achieved earnings well above expectations. This was attributable in particular to additional and unexpectedly high storage fee and reefer revenues, as well as to first positive transformation effects.

Overall, the EBT of the BLG Group thus showed a slight improvement of EUR 3,496 thousand, bringing it to EUR 55,722 thousand. Accordingly, EBIT and RoCE also increased marginally. As revenue also increased, the EBT margin remained constant compared to the previous year at 5.0 percent.

Financial position



Structure of the statement of financial position

In the reporting year, total assets amounted to EUR 1,336,518 thousand and were therefore significantly above the previous year's figure of EUR 1,218,177 thousand.

In respect of property, plant and equipment, total capital expenditure on non-current intangible assets and property, plant and equipment amounted to EUR 72,498 thousand (of which EUR 30,131 thousand non-cash). This compares to divestments of EUR 1,537 thousand and depreciation, amortization and impairment losses in the amount of EUR 86,999 thousand, which was EUR 6,174 thousand higher (above all due to impairments recognized

Indicators relating to financial position EUR thousand	**2022**	2021	Absolute change	Percentage change
Total assets	1,336,518	1,218,177	118,341	9.7
Capital intensity (in %)	41.3	46.7	-5.3	-11.3
Working capital ratio (in %)	88.2	83.3	4.9	5.9
Equity	277,727	156,289	121,438	77.7
Equity ratio (in %)	20.8	12.8	8.0	62.4
Net debt	526,144	556,974	-30,830	-5.5

in the amount of EUR 7,836 thousand). The capital intensity ratio

decreased by 5.4 percentage points to 41.3 percent compared to December 31, 2021.

Significant changes arose on the assets side in equity investments in companies accounted for using the equity method. These rose by EUR 72,601 thousand in the reporting year to EUR 234,950 thousand. This was attributable in particular to net investment income from EUROGATE (EUR 76,705 thousand). Current financial receivables also increased significantly with EUR 33,928 thousand to EUR 55,059 thousand.

Primarily due to the positive Group earnings and remeasurement effects in other comprehensive income as a result of the rise in interest rates, equity as of December 31, 2022 increased by EUR 121,438 thousand. The remeasurement effects were attributable with EUR 62,210 thousand to actuarial gains and losses credited or charged directly to equity from the measurement of gross pension obligations in accordance with IAS 19 and the difference between the expected and actual return on plan assets, and with EUR 19,266 thousand to net gains from changes in the fair value of the effective portion of cash flow hedges credited directly to equity. The equity ratio increased accordingly from 12.8 percent in the previous year to 20.8 percent in the reporting year.

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.

Cash flows

Based on the earnings before taxes of EUR 55,722 thousand achieved in 2022, cash flows of EUR 78,434 thousand were generated from operating activities (previous year: EUR 67,565 thousand. The free cash flow of EUR 58,332 thousand was in clearly positive territory; however, it was EUR 43,748 thousand below the previous year's figure of EUR 102,080 thousand.

Indicators relating to cash flows EUR thousand	**2022**	2021	Absolute change	Percentage change
Cash inflow from operating activities	78,434	67,565	10,869	16.1
Cash in-/outflow from investing activities	-20,102	34,515	-54,617	-158.2
Free cash flow	**58,332**	**102,080**	**-43,748**	**-42.9**
Cash in-/outflow from financing activities	-70,857	-26,150	-44,707	-171.0
Net cash change in cash and cash equivalents	**-12,525**	**75,930**	**-88,455**	**-116.5**
Effect of exchange rate movements on cash and cash equivalents	-1,550	-549	-1,001	-182.3
Cash and cash equivalents at start of financial year	11,440	-63,941	75,381	117.9
Cash and cash equivalents at end of financial year	**-2,635**	**11,440**	**-14,075**	**-123.0**
Composition of cash and cash equivalents				
Cash	18,403	33,010	-14,607	-44.3
Current liabilities to banks	-21,038	-21,570	532	2.5
Cash and cash equivalents at end of financial year	**-2,635**	**11,440**	**-14,075**	**-123.0**

Due to the indirect method for determining cash inflows from operating activities, in particular changes in the line items relating to liabilities – with a slight increase in earnings before taxes – had a positive effect compared with the previous year. In contrast, increased earnings of companies accounted for using the equity method (+ EUR 15,403 thousand), among other factors, had a negative effect. In addition, the negative impact of the change in trade receivables as of the reporting date (year-on-year change EUR –42,397 thousand) was substantially higher compared with the previous year.

Cash flows from investing activities changed by EUR –54,617 thousand to EUR –20,102 thousand in the reporting year. This was attributable mainly to the disposal of the high-bay warehouse facility at the Bremen location in the previous year, which resulted in high proceeds from the disposal of property, plant and equipment and intangible assets (total deviation from the previous year EUR –80,615 thousand). This was offset by a reduction of EUR 25,765 thousand in cash payments to acquire property, plant and equipment and intangible assets.

Cash flows from financing activities decreased significantly by EUR 44,707 thousand to EUR –70,857 thousand in the reporting year. The background to this was, on the one hand, the boost to equity by the shareholder of EUR 53,000 thousand in the previous year and the EUR 13,412 thousand lower cash proceeds from borrowings. This compared to lower cash payments from the redemption of financial borrowings (EUR 12,084 thousand) and the repayment of lease liabilities (EUR 10,391 thousand).

In total, cash and cash equivalents deteriorated by EUR 14,075 thousand to EUR –2,635 thousand in the financial year.

Outstanding investments are financed taking into account the operating cash flows generated in the segments, and, subject to the capital market situation, from non-current debt (loans) and through leases.

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.

As of the reporting date, credit facilities to the value of EUR 63.0 million had been agreed but not utilized. Under existing factoring contracts, a volume of EUR 24.9 million was unused as of December 31, 2022.

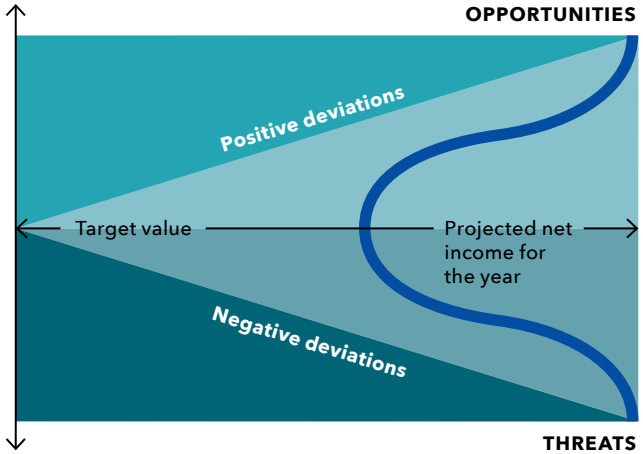
Financial debt was almost unchanged from the previous year. In contrast, the increase of EUR 9,193 thousand in non-current finance receivables due to additional lease receivables compared to the previous year was neutralized mainly by lower current account credit balances (decrease of EUR 14,955 thousand). Current finance receivables increased principally as a result of higher finance receivables from partner accounts in companies accounted for using the equity method (EUR 26,866 thousand).

Net debt **EUR thousand**	**2022**	2021	Absolute change	Percentage change
Non-current loans	139,441	136,689	2,752	2.0
Other non-current financial liabilities	526,874	529,479	-2,605	-0.5
Current financial liabilities	161,519	162,574	-1,055	-0.6
Financial debt	**827,834**	**828,742**	**-908**	**-0.1**
Non-current finance receivables	228,228	217,627	10,601	4.9
Current finance receivables*	55,059	21,131	33,928	160.6
Cash and cash equivalents	18,403	33,010	-14,607	-44.3
Net debt	**526,144**	**556,974**	**-30,830**	**-5.5**

* Presentation in the previous year excluding this item

Opportunity and Risk Report

Risks



Possible deviations from planned targets represent risks – both negative ("threats") and positive deviations ("opportunities").

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.

Risk–rewards culture

The BLG Group aims to achieve profitable growth while giving consideration to sustainability-related objectives.

Our risk–rewards culture as part of the corporate culture of BLG LOGISTICS sets out the company's basic policy and rules of conduct for managing risks and opportunities. It greatly influences risk awareness when making business decisions and forms the basis for the implementation of appropriate and effective measures to enable us to pursue our opportunities responsibly and sustainably.

Our risk-rewards culture therefore constitutes the basis for the success of our risk management. Risk management works provided that transparency and a willingness to actively communicate and collaborate are practiced as part of an active risk culture.

Dovetailing of the compliance and risk management system and internal control system[1]

Responsible, continuous and systematic management of operating risks, but also of opportunities, is of fundamental importance for BLG LOGISTICS. To this end, we rely on the close dovetailing of the compliance and risk management systems and the internal control system (ICS). The three systems are described in more detail below.

Main features of the compliance organization
Compliance means conforming to all statutory and internal company regulations, such as guidelines and organizational instructions, with the goal to avoid and minimize liability.

In its Code of Conduct, BLG LOGISTICS already committed to complying at all times with the relevant laws and the company's internal guidelines.

[1] The disclosures in this section are so-called non-management report disclosures and have not been audited by the auditor.

Based on these fundamental values as well as on our own ethical principles, we aim to be a reliable and fair partner for our customers, business partners and shareholders.

The goal of compliance is to ensure that an organization operates in a manner that is legally and ethically irreproachable, including the prevention of legal violations within the organization. The task of the compliance officer to support the management and the employees responsible for BLG LOGISTICS' business processes in achieving these goals derives from this.

In accordance with the rules of procedure of the Board of Management of BLG AG, the compliance officer reports to the Board of Management member responsible for compliance, the Chief Compliance Officer. At the invitation of the Board of Management, the compliance officer reports at meetings of the full Board of Management on the current status of compliance activities at BLG LOGISTICS. Also at the invitation of the Board of Management, the compliance officer reports directly to the Supervisory Board of BLG AG.

Thanks to the compliance management system, misconduct within the organization is prevented and appropriate measures are taken to counter compliance risks or legal violations within the organization or from within BLG LOGISTICS.

The full Board of Management supports the compliance officer in the discharge of their duties.

The compliance officer has set up a regular Compliance Committee. BLG LOGISTICS' compliance officer is the point of contact for the external compliance ombudsperson, and at the same time assumes the role of internal ombudsperson.

In the event of a violation of relevant laws or internal guidelines of BLG LOGISTICS, the compliance officer supports the internal investigations of the Audit department.

Should sanctions be required, the compliance officer, in coordination with the Human Resources department, proposes the necessary measures in the Compliance Committee. The Human Resources department then implements the proposals in coordination with the Board of Management, the responsible management and the Compliance Committee.

One particular focus of supplier compliance in the reporting year was the preparation, organized as part of a cross-divisional project, for the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG), which came into force on January 1, 2023.

The objective of this act is to improve compliance with human rights internationally by specifying the human rights due diligence obligations that companies must observe along the supply chain. It also stipulates environmental requirements. Derived from this, the law defines requirements for responsible management.

Basic elements of risk management

In line with the risk strategy of the BLG Group, the basic conceptual elements of the risk management system are rolled out centrally using a standardized approach to ensure coverage of clear risk accountability, and are described in the Group guideline on risk management. This leads to systematic and comparable risk identification/documentation, risk analysis/assessment, risk control/monitoring and communication/reporting.

The objective of risk management is to create a shared awareness and positive understanding among management and all employees in managing operating risks in order to ensure the company's risk-bearing capacity. The aim is to identify and assess risks, manage these risks efficiently through appropriate and effective measures, monitor them, and ensure ongoing risk reporting as a basis for sound decision-making. In this way, risk management is intended to contribute to achieving the aims of the corporate strategy and objectives.

The objectives of risk management are:

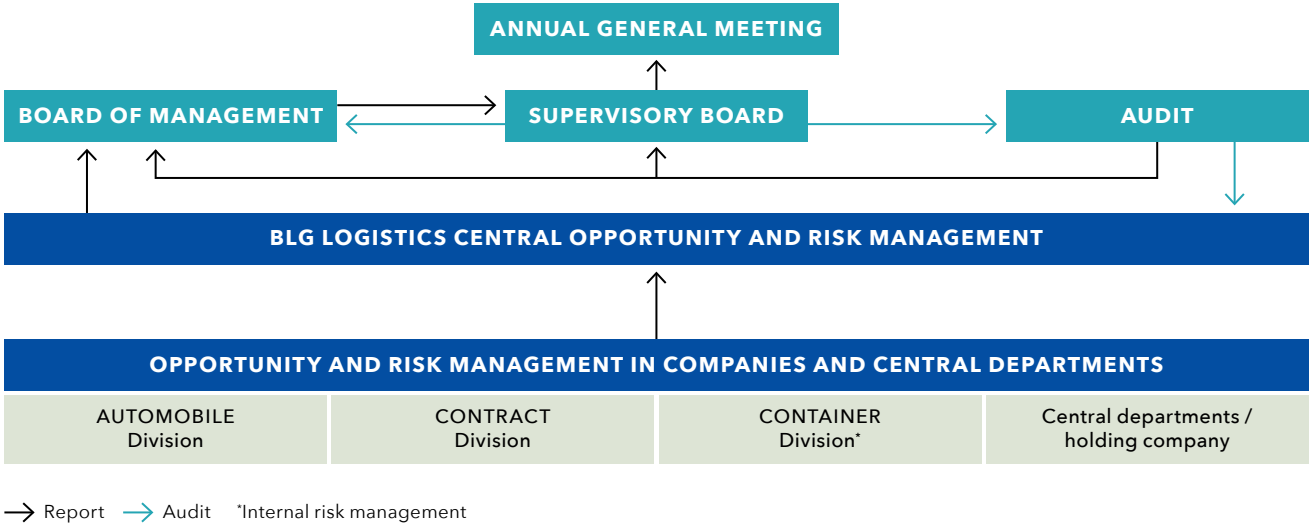
- Identify risks early and prevent crises and insolvencies (support continuity of the organization)
- Improve planning reliability and risk costs through optimal risk management

- Sound preparation of operating decisions with risk analyses to improve the company's success
- Achieve sustainability-related corporate goals and monitor sustainability-related risks with regard to the three ESG dimensions (Environment, Social, Governance), taking into account the principle of dual materiality (i.e., BLG LOGISTICS' impact on, for example, the climate or other environmental issues is also monitored).

Risk management organization

The areas of responsibility and roles with regard to the measures pursuant to Section 91 (2) and (3) AktG are clearly defined in the BLG Group's organizational charts and specified, communicated and documented in the risk management tool. BLG LOGISTICS ensures that those vested with responsibility fulfill the required personal and professional criteria and receive regular training from central Risk Management. As part of the annual planning process, BLG sees to it that sufficient resources are made available for measures designed to promptly identify, evaluate, control and monitor developments that could jeopardize the organization's continued existence as a going concern. The key provisions governing the organizational structure and workflows are documented and made binding.

Opportunity and risk management at BLG LOGISTICS



Risk management organization encompasses the following components:

The organizational structure describes the tasks and responsibilities of all persons responsible for the risk management process and the measures taken to maintain the implemented system at a consistently high level and to communicate developments to those responsible in a structured and systematic manner.

The risk management process is the process of assessing risks by identifying/documenting, analyzing/evaluating, controlling/monitoring and communicating/reporting risks.

The platform for an effective risk management system is the risk management tool, which enables risk managers to exchange information, prepare assessments and consolidate risks in a timely and flexible manner.

The divisions feed reports into the risk management tool on a continuous basis. The risks entered in the risk management tool are then evaluated and monitored by centrally responsible risk managers, who submit detailed risk reports to the Board of Management and the Supervisory Board at least four times a year.

Aims and methods of financial risk management

The principal financial instruments used to finance the Group include non-current loans, current borrowings, lease liabilities, other borrowings, factoring and cash,

including short-term deposits with banks. 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 (of receivables), 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 in the "Financial risks" section, and verifies compliance with these guidelines. At Group level the existing market price risk for all financial instruments is also monitored.

Hedge accounting is applied if derivative financial instruments are used as hedging instruments and the requirements for hedge accounting in accordance with IFRS 9 are met. The objective is to reduce inconsistencies in recognition or measurement arising for example from gains or losses from a hedging instrument not being credited or charged to the same account in the financial statements as the gains or losses from the hedged risk. The Group's accounting policies for derivatives and other disclosures on hedge accounting are presented in the "Derivative financial instruments" section.

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 income 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 over the long term to reduce the costs of capital in general and the refinancing risk in particular.

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

Internal control system

The internal control system (ICS) as the set of all systemically defined controls and monitoring activities has the objective of ensuring the security and efficiency of business transactions, the reliability of financial reporting, and the compliance of all activities with laws and policies. An effective and efficient internal control system is crucial to successfully managing risks in our business processes. In its design, the internal control system at BLG LOGISTICS considers all material business processes and goes beyond controls in the accounting process. The non-financial ICS covers areas such as environmental violations, occupational health and safety and anti-corruption.

The ICS and the elements that contribute to it are regularly the focus of audit activities by the Internal Audit department. These are carried out either within the scope of the risk-based annual audit plan or within the scope of audits scheduled during the year at the request of management.

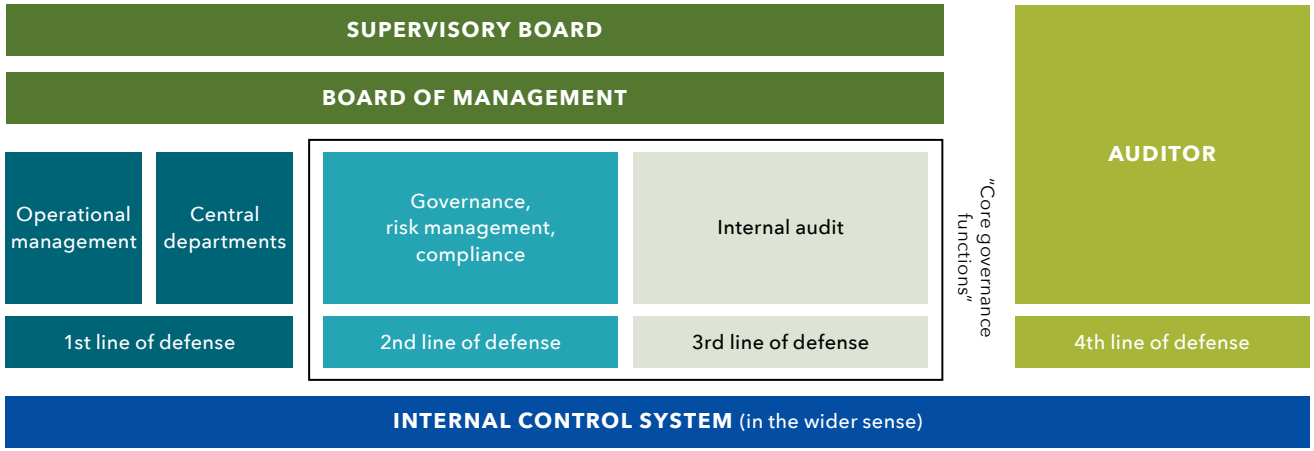
Integrated governance, risk and compliance approach[2]

Risk management within the BLG Group is based on an integrated governance, risk and compliance model, which enables responsible management of risks and opportunities.

[2] The disclosures in this section are so-called non-management report disclosures and have not been audited by the auditor.

First line of defense:
Operational management
Operational management of the individual business areas and central departments forms the front line of defense. They manage and are responsible for their processes and identify and assess risks locally at the level of the operating companies. Countermeasures are initiated promptly, and the residual potential impact is assessed. Material risks are reported in the risk management system on the basis of the published internal risk management guideline. The outcomes are continuously incorporated into risk reporting, thus also providing the Board of Management with an overall picture of the current risk situation during the course of the year via the documented reporting lines.

Second line of defense:
Central risk management system, compliance management system, internal control system
Central risk management is closely dovetailed with the two other governance control systems, the compliance management system and the internal control system. All three systems serve to support and systemically monitor operational management. These three core governance control systems provide the organizational framework and control the implementation of the framework guidelines in the operational processes, thus ensuring compliance with laws and our internal corporate standards and rules. Giving consideration to the findings from the other two control systems, the compliance management system and the internal control system, central Risk Management draws up the central risk map and acts as an important node for passing on relevant information to the Internal Audit department as well as for preparation of the annual financial statements.



Governance, risk and compliance model at BLG LOGISTICS

Third line of defense:
Audit by the Group Internal Audit department
The Group Internal Audit department supports the Board of Management in overseeing the various divisions and business units within the Group. It regularly checks the early risk identification system and the structure and implementation of risk management as part of its independent audit activities.

Fourth line of defense:
Audit by the independent auditor
The risk management system is assessed with regard to the accounting process by the independent auditor within the scope of the audit of the annual financial statements.

Description of the main features of the ICS 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 appropriate and legally compliant recognition, measurement and presentation of business transactions in financial accounting and reporting as well as non-financial information within the scope of sustainability reporting. The objective is to avoid any material misstatements in accounting and external reporting. Since the internal control system is an integral component of risk management, they are presented summarized.

The internal management and monitoring systems are components of the internal control system. Being responsible for the internal management system, the Board of Management of BLG LOGISTICS, has commissioned the Financial Services department in particular with the accounting process.

The internal monitoring system comprises controls that are both integrated into and independent of the financial reporting 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 financial reporting process are carried out by the Internal Audit department, the Quality Management department and the Supervisory Board, in the latter case principally through its Audit Committee. In line with the Supervisory Board's profile of skills and expertise, consideration has also been given to ensuring that its members have appropriate expertise in sustainability aspects that are material for BLG LOGISTICS. The Audit Committee concerns itself in particular with the financial accounting for the company and the Group, including reporting and supervising the auditing of the financial statements. 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.

Audit activities that are independent of the financial reporting process are also performed by external auditing bodies such as the German public auditing firm or the external tax auditor.

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.

Financial accounting and reporting process and measures to ensure compliance with the applicable legal requirements

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. 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.

To ensure consistent recognition and measurement, BLG LOGISTICS has issued accounting guidelines for financial reporting in accordance with International Financial Reporting Standards (IFRSs). Impairment tests for the Group's cash-generating units are carried out centrally. This ensures that consistent and standardized measurement criteria are used. 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.

In addition, disclosure management software is used for preparing the 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.

Qualifying notes

The internal control and risk management system as well as the compliance management system, i.e., the set of all governance systems, ensure the compliance of the financial accounting and reporting process with legally required accounting principles and with the relevant legal requirements as well as the sustainability-related objectives. Discretionary decisions, erroneous controls or fraud may, however, limit the effectiveness of the internal control and risk management system and the compliance management system, so that the established systems cannot guarantee with absolute certainty that the risks will be identified and managed.

Effectiveness of the internal control system, risk management system and compliance management system[3]

With the integrated governance, risk and compliance approach, the Board of Management has created and implemented a management framework for BLG LOGISTICS which aims to ensure appropriate and effective internal control and risk management. The measures implemented as part of this approach are similarly aimed at the effectiveness and appropriateness of internal control and risk management as well as compliance management and are explained in more detail in this report. In the context of anchoring the three-lines-of-defense business model and the legal framework, independent reviews and audits simultaneously take place, in particular through audits carried out by the Internal Audit department, and their reporting to the Board of Management and Supervisory Board, and by the Supervisory Board's Audit Committee, as well as through other external audits.

Based on its review of the internal control and risk management system and compliance management system, as well as the reporting by the Internal Audit department, the Board of Management is not aware of any circumstances which contradict the appropriateness and effectiveness of these systems.

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 the future. The premise for this remains our network, and the innovative intermodal offering in the AUTOMOBILE Division. The established business models in the retail 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.

For the CONTAINER Division, the completed adjustment of the Elbe fairway and the still outstanding deepening of the Outer Weser was and continues to be of great importance to secure and position the German seaports in the "North Range" so that ever larger container vessels can operate without problems into and out of Hamburg and Bremerhaven. Following the implementation of the fairway adjustment measures in the Elbe, the nautical problems encountered by the growing number of ever-larger mega carriers had improved somewhat, especially at the Hamburg location.

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. The recent investment and equity interest acquired by Hapag Lloyd in this terminal marks another important step in the further development of this location.

[3] The disclosures in this section are so-called non-management report disclosures and have not been audited by the auditor.

Strategic opportunities

Strategic partnership:
BLG LOGISTICS and DEKRA combine competencies
BLG LOGISTICS and DEKRA have agreed a strategic partnership between their two companies. Together, the partners will tackle strategic issues in the future and combine their strengths in the areas of digitalization, sustainability and qualification. The partnership will create operational advantages and sales synergies for both companies.

BLG LOGISTICS and the DEKRA companies operate in a constantly changing market environment and want to work together to meet the developments in the areas of lifecycle management and remarketing, digitalization, process optimization, quality improvements, zero emissions and employee qualification – keyword: shortage of skilled workers.

Through the strategic partnership with the specialists from DEKRA, BLG LOGISTICS can offer its customers in the AUTOMOBILE Division further added value: holistic solutions as well as services with unique selling points from a single source.

BLG contract logistics restructured
As from the beginning of October 2022, the BLG CONTRACT Division consists of three new pillars: Contract Operations, Customer & Business Development, and Performance Support. With this move, the company has replaced the former division into the business areas industrial and retail logistics. This reorganization allows BLG LOGISTICS to emphasize its strengths, use its potentials even better, and generally offer greater agility.

BLG LOGISTICS provides contract logistics at more than 40 locations in Germany and around the world. In the future, the locations and countries will be integrated into a regional structure. This will ensure the BLG team is even closer to customers and operates with even better business acumen. Another goal of the new structure is to strengthen the company's competitiveness for a secure future. Furthermore, developments in technology and sustainability will be more strongly anchored in the organization.

BLG LOGISTICS as strong logistics architects
Today, our customers face massive challenges and opportunities. Advancing digitalization is opening up new possibilities in all areas of the value creation chain. At the same time, global competition demands ever-faster responses. To an increasing extent, logistics processes are also a factor in how competitive companies are.

As "logistics architects," the expert teams at BLG LOGISTICS plan, design, implement and operate customized logistics centers, ranging from conventional to highly automated.

We have a large staff of in-house experts who draw on comprehensive experience from a wide range of projects and industries of various sizes. This cross-industry logistics know-how has already enabled us to develop outstanding and innovative concepts and large-scale logistics projects and we see this as a strong argument for our existing and new customers in the future.

Our Mission Climate
and sustainable logistics center
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. In the reporting year, the German government tightened its climate protection targets once again and set Germany the goal of net zero emissions by 2045. 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 have had our absolute target (–30 percent CO_2e) across the company (Scopes 1+2) and –15 percent along the supply chain (Scope 3) assessed and certified by the independent Science Based Targets initiative (SBTi).

For example, BLG LOGISTICS is continuing to improve its carbon footprint by championing rail transport. BLG AutoRail can transport more than 200 cars per train, and operates in the German and Austrian rail network using green electricity every kilometer of the way.

At the Güterverkehrszentrum (GVZ) in Bremen, Germany's largest cargo distribution center, BLG LOGISTICS opened a new location for industrial logistics. From "C3 Bremen," BLG LOGISTICS provides sustainable and efficient supplies to the foreign assembly plants of a major car manufacturer.

"C3" stands for customer, climate and comfort. With intelligent intralogistics planning and efficient workflows, logistics processing is tailored to our customers' needs. The processes inside the new facility were designed in line with the lean management principle, supported by cutting-edge automation and digitalization systems. A holistic concept was developed to underscore the building's sustainability credentials. Among other things, it is planned to install a photovoltaic system covering the entire roof. A solar thermal energy system feeds electricity into the heating and hot water system. The new project is not only a design highlight. The communal and outdoor spaces were developed with the wellbeing of people and nature in mind to make the working environment as pleasant as possible. The new building project places a strong focus on employees' health at the workplace.

"Damietta Alliance" develops and operates new container terminal in Damietta, Egypt

A new container terminal is being built in the port of Damietta (Egypt). For this purpose, a joint venture was founded to develop and operate the new "Terminal 2" in the port. The "Damietta Alliance Container Terminal S.A.E." joint venture consists of three core shareholders which are Hapag-Lloyd Damietta GmbH (39%), Eurogate Damietta GmbH (29.5%) and Contship Damietta Srl (29.5%). Two further partners will each hold one percent.

The new Terminal 2 at the port of Damietta is expected to start operations in 2024. It will have a total operational capacity of 3.3 million TEUs and will serve as Hapag-Lloyd's dedicated strategic transshipment hub in the Eastern Mediterranean.

With Terminal 2 being operational in 2024, the partners will be able to use a state-of-the-art terminal with sufficient capacity, high productivity and a dense feeder network.

The concession to operate the facility is granted to the joint venture for 30 years. This gives EUROGATE, the joint venture partners and our respective customers a long-term perspective in the port of Damietta.

Automation at Container Terminal Wilhelmshaven

In the coming years, container handling activities at EUROGATE Container Terminal Wilhelmshaven will be converted from manual operations to an automated system. The respective automation project got underway in January 2022. EUROGATE is investing at least EUR 150 million in the first phase of the project. Automated operation of a first ship berth is planned for as soon as 2027.

We are anticipating that automation will contribute to significant growth in throughput in Wilhelmshaven over the medium term and therefore believe the time and general economic parameters are now right to invest in the expansion and modernization of the terminal. We want to develop an extended, upgraded and efficient automated terminal with streamlined organization geared to new operating requirements.

Automation in our industry is continuing at pace. With this project, we are embracing this development and view it as an opportunity to significantly strengthen our customer focus and our competitiveness. This will, in turn, lead to increased handling volumes, enabling us to secure long-term employment and create new, challenging and sustainable jobs.

We are also consistently pursuing our digitalization and innovation strategy at the other BLG LOGISTICS sites.

Risks

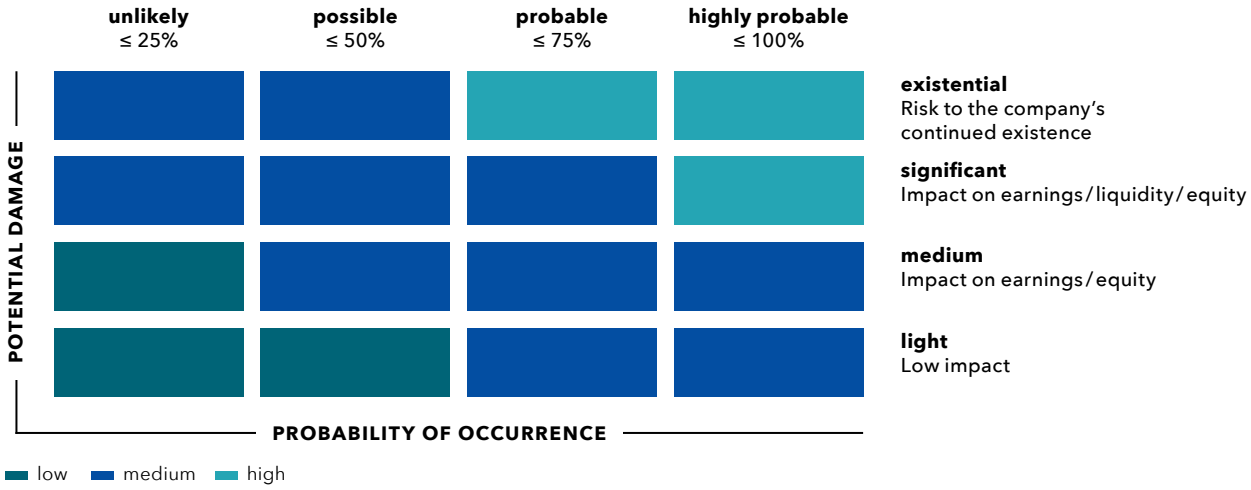
Risk categories and individual risks

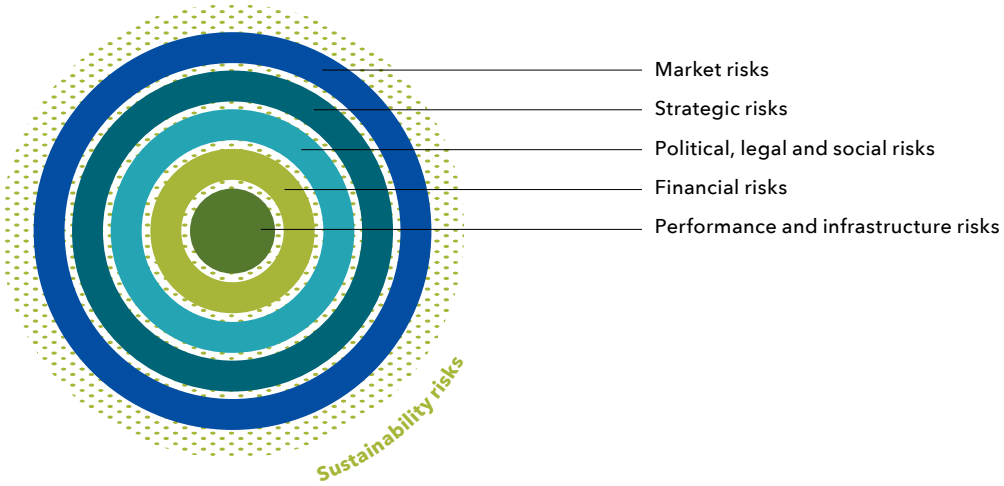
From the risk types defined for BLG LOGISTICS, the material risks for BLG LOGISTICS by risk category are described in the following sections. In selecting materiality, risks are included that would have a noticeable effect on the company's financial position, financial performance and cash flows if they were to occur. Furthermore, in line with the principle of dual materiality, we draw on risk analyses to assess and manage the impacts of our business activities on people and the environment. We consider risks from the area of Environment, Social and Governance (ESG) to be an integral part of the risk categories presented below. In principle, the assessment and derivation of measures is made on the basis of scenarios, taking into account all known influencing factors from opportunities and risks.

An overview of material risks is presented in the table.

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	↗
Performance and infrastructure risks	significant	possible	↗
Financial risks	medium	possible	→

Risk matrix





Performance 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 major customers, make it necessary to monitor changes in economic trends and the demand and product life cycles especially closely.

Infrastructure capacity and security
Fluctuations in volumes or supply gaps at our customers can lead to temporary capacity bottlenecks in individual cases. 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. These risks are taken into account when drafting and calculating the contract.

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.

Should the still outstanding measure to deepen the Outer Weser fail to materialize or be seriously delayed, this could have a highly adverse effect on the future development of transshipment at the Bremerhaven location.

A possible shortage of gas and energy supplies, particularly in Germany, may lead to production stoppages, short-time work and higher costs for the procurement of replacement materials and components required for production. Supply chain disruptions caused by other events, such as coronavirus lockdowns, can negatively impact procurement as well as demand. BLG LOGISTICS reviews potential disruptions in consultation with customers and assesses their impact on the business in order to initiate countermeasures at an early stage.

Personnel risks
The high personnel- and capital-intensive nature of our logistics services means that there are, in principle, risks relating to the negative effect of high fixed costs when facilities and personnel are not being used. Due to the current high inflation rates and the shortage of skilled workers, future collective bargaining negotiations may result in higher demands on the employee side. We counter this to some extent by integrating price escalator clauses into the contracts with our customers.

Competition among companies for skilled personnel in all areas remains intense. Even today, as a consequence of the increasing shortage of skilled workers, vacancies in the logistics industry and also in the BLG Group cannot always be filled promptly. We attempt to counter this by continuously developing new recruitment approaches and in our human resources management activities emphasizing the attractiveness of BLG LOGISTICS as an employer. We strive to retain skilled employees and managers in the company over the long term. In addition to performance-related pay and extensive 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. This is aimed at also minimizing personnel risks in respect of socio-demographic change, and the skills and turnover of the workforce.

This long-term human resource development harbors certain personnel cost risks in the event that business development does not occur as planned in the medium term.

Additional flexibility is achieved through the use of blue-collar workers provided by the Gesamt-Hafen-Betriebe (GHBG) 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 changes in the employment market also have a fundamental influence on staffing levels and therefore on the flexibility and availability of qualified personnel at GHBG. These changes can lead to sustained deficits for GHBG, which it may be possible for affiliated member companies, and thus essentially also for BLG LOGISTICS, to offset. We have made appropriate provision for this.

IT risks

German companies continued to see a rise in the number of cyber incidents, such as IT outages, ransomware attacks or data breaches, in 2022. The conflict in Ukraine and further geopolitical tensions increase the risk of a cyberattack by state-backed criminal groups. At the same time, the increasing shortage of skilled workers makes efforts to improve processes even more challenging.

As information security plays a central role in our business processes, this risk remains significant for BLG LOGISTICS. We have introduced various measures to avoid and mitigate risks and continuously review our processes and technologies.

Raising employees' awareness of the importance of sensitive handling of all business-relevant information is something we take very seriously. We therefore conduct internal communication and training campaigns and ensure that appropriate technical support is in place to guarantee the confidentiality, integrity and availability of information at all times.

Together with the data protection officers, we make sure that personal data is processed exclusively in accordance with the regulations of the EU General Data Protection Regulation and the respective applicable local laws.

Financial risks

Credit risk

The Group's credit risk mainly results from trade receivables and lease receivables. The amounts shown in the consolidated statement of financial position do not include loss allowances for expected credit losses. Owing to the ongoing monitoring of receivables at management level and the use of commercial credit insurance depending on customer creditworthiness, we are not currently exposed to any significant credit risk.

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 by international rating agencies, which are highly secure thanks to a joint liability scheme and/or at which there are offsetting opportunities via non-current loans.

The maximum credit risk of the Group is represented by the carrying amounts of the financial assets recognized in the statement of financial position (including derivative financial instruments with positive fair value). The Group is also exposed to credit risk through the acquisition of financial guarantees.

At the reporting date, there were no further significant credit risk mitigation agreements or hedges.

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.

Due to the current situation, the exchange rate of the ruble and the hryvnia may have isolated negative effects on earnings, which, however, are not considered material.

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 liquidity management, financial resources (loans/leases) can be provided in good time to meet all payment requirements.

The Group's liquidity needs are covered by cash and committed credit facilities. The issue of sustainability is also becoming increasingly important in the capital market. The definition of sustainability targets as part of the overall strategy, as well as the implementation of the corresponding measures, are increasingly in the focus of potential lenders and can be criteria for granting loans. Our sustainability measures are thus a factor in ensuring that we can meet our liquidity requirements in the future.

In parallel, the BLG Group uses the non-recourse sale of receivables under a factoring agreement as an off-statement of financial position financing instrument to further optimize the structure of the statement of financial position. The obligations of the factor to purchase existing and future receivables are limited to a total maximum amount of EUR 75 million. BLG LOGISTICS is free to decide to what extent the revolving nominal volume is utilized. The risks material to disposal relate to the credit risk and the risk of late payment (late payment risk). The credit risk is transferred in full to the factor in return for payment of a factoring fee. There is no significant late payment risk. The receivables were therefore derecognized in full.

We counter the financial risks arising from the dynamics of the current geopolitical situation with a regular forecast process, from which appropriate measures are derived where necessary.

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, while interest rates were low and attractive for investments, a portion of the financing requirement of the coming years was hedged by agreeing forward interest rate swaps. 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 expense, 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 are only recognized through 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 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. The same applies to interest payments from interest rate swaps which are, as an exception, not contained in a hedge accounting relationship in accordance with IFRS 9. In the case of these interest rate swaps, market interest rate changes also have an effect on the fair value and thus affect the remeasurement of financial assets or financial liabilities to fair value and are therefore included in the income-related sensitivity analysis.

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

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

Political, legal and social risks

Legal and political environment
The Russian invasion of Ukraine in February 2022 heightened the risk situation. On the one hand, concerns about our employees and the uncertainty of business in Ukraine increased, and on the other hand we had to react in line with the sanctions policy against Russia. BLG LOGISTICS assesses the situation on a daily basis from a social and financial point of view in order to be able to take the necessary steps in a timely manner.

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

The subsequent change to market conditions and related effects on the logistics processes agreed with customers have an effect on the contractual relationship agreed with the customer. The range of services offered to the customer and the prices calculated may no longer correspond to services requested and contracted by the customer. The resulting differences lead to risks and deviations from the projections, necessitating renegotiation with the customer. Due to the obligation to fulfill the contract and thus to perform, work for the customer continues during negotiations, because otherwise further risks would arise from compensation obligations for downtime.

Risk provisions have been recognized for risks from onerous contracts. The level of risk 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.

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 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, ensuring 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 must be given particular consideration.

Investments made in the past may entail a need for subsequent decisions, assuming continuation of the strategic decisions and statements made at the time of acquiring 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. Should these changed conditions become permanent, BLG LOGISTICS may be required in the future to write-down the investment in full.

Market risks

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 impact and constraints resulting from the war in Ukraine and the coronavirus pandemic, other influencing factors on our business in this area are high energy and raw material costs, persistent foreign trade imbalances and the escalation of political conflicts.

Changes to legislation and in taxes or duties in individual countries may also have a major impact on international trade and result in considerable risks for BLG LOGISTICS.

Inflation

The rise in inflation and the associated increase in risks from higher energy, personnel and material costs impacted on the risk situation of BLG LOGISTICS.

In the past, the contract logistics business model in particular was partly based on the assumption of cost change risks for customers under the contracts concluded for the respective term of the contract. Coverage of these risks was taken into account in the price calculation on the basis of historical data. Price adjustment clauses in the form of inflation-related indexing or "cost-plus" arrangements were not systematically included in the contracts in the past in view of the stable market environment.

Sector risks

In finished vehicle as well as car parts logistics, the increased uncertainty relating to customer volumes expected for BLG LOGISTICS continues. New studies predict that the shortage of semiconductors will persist until 2024, slowing down car production worldwide. The reason for this is the increasing demand for chips due to the ramp-up of electric cars in the coming years. Another risk factor is a prolonged shortage of components, as only some of the bottlenecks can be seen as temporary in relation to disruptions in global retail supply chains in the wake of the coronavirus pandemic and the war in Ukraine.

The main market for BLG LOGISTICS is Western Europe. Due to the opening up of Western Europe to the East, increasing volumes of Eastern European transport capacities are accessing our main market, leading to sustained tough competition and price pressure. There is also a dependency on the volume of exports of the automotive industry in Europe to overseas. In this context, the markets of China, the US, Japan and Korea are of special significance.

Employment in car parts logistics continues to lead to a dependency on German original equipment manufacturers (OEMs). To limit such dependencies, we actively manage the OEM share of our revenue in the overall customer portfolio.

Threat to market position and competitive advantages

The contractually agreed prices for seaport transshipment in the AUTOMOBILE Division, coupled with the persistently strong competition with other ports, represent continuous challenges for us. Due to the increasing shareholdings of shipping companies in other seaport terminals, internal optimization measures taken by shipping companies may result in shifts in volumes at the expense of the Bremerhaven seaport terminal. As a consequence of the war between Russia and Ukraine, certain volumes are again likely to be lost for these regions in 2023. By optimizing planning and control tools, we are constantly working to better anticipate fluctuations in capacity utilization.

For break bulk cargo business and project logistics, the principal risks lie in high competition and price pressure.

In the CONTRACT Division, the main risks are rapid replaceability and substitutability as a service provider in connection with standardized as opposed to custom services. The business areas are heavily dependent on major customers. The logistics services they perform are, as a rule, personnel-intensive. In addition, customers are applying significant price pressure. We are meeting these challenges with comprehensive customized solutions and optimizations, longer contract periods and continuous expansion and further diversification of our customer base.

In addition to the macroeconomic trends, the CONTAINER Division is also exposed to other factors and risks associated with future transshipment and transport demand and corresponding handling volumes of our container terminals. As in the previous years, these include

- commissioning additional terminal handling capacities in the North Range and in the Baltic region,
- commissioning additional large container vessels and the related operational challenges in ship handling,
- changes in the market, network and processes resulting from changes in the structure of the shipping company consortia,
- mergers and the formation of joint ventures, as well as
- price structures in the market.

Added to this is the increasing shift to vertical integration among shipping lines along the entire logistics chain.

Because the container terminals still have capacity reserves, at least in the medium term, the remaining consortia/shipping companies gain market power as a result of consolidation. This also puts pressure on revenue and intensifies the need to identify and implement further cost reductions and efficiency improvements at the container terminals as well as standardization and automation measures.

If the CONTAINER Division falls short of the planned cost savings as well as the productivity and efficiency-enhancing targets set out in the transformation program, this would seriously jeopardize the competitiveness and future viability of the EUROGATE Group.

Given the still outstanding negotiation of a reconciliation of interests at the Hamburg site and the revised savings target, which exceeds original expectations, it will not be possible from today's perspective to fully achieve the corresponding effects by 2024.

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 financial position, financial performance and cash flows.

Assessment of the overall risk situation

The ongoing war in Ukraine continued to impact on the risk situation of the BLG Group in 2022. Particularly worthy of note was the rise in inflation and the associated increase in risks from higher energy, personnel and material costs. The key interest rate adjustment by the European Central Bank in response to persistent inflation in the euro zone also affects a possible interest rate risk for subsequent years. Given the tense situation, the risk of a cyberattack remains significant. The economic slowdown and associated restrained demand, as well as the difficult availability of components and raw materials, lead to fluctuating volumes in our customer businesses, which are therefore difficult to predict. We are seeing an increasing focus on sustainability issues in the areas of environment, social and governance, which present both opportunities and risks for the BLG Group. These issues can have an impact on the overall risk situation, for example in financing, human resources policy, regulation and procurement.

Our transparent and systematic risk management with its structured processes contributes to efficient management of overall risks in the Group.

From today's perspective and supported by the outcome of a risk-bearing capacity analysis at Group level, there are currently no risks that pose a threat to the continued existence of the company. Based on our medium-term planning and the uncertain geopolitical situation and taking the measures already initiated into account, there are currently no indications of any strategic or operational risks to future development that jeopardize the continued existence of the company as a going concern.

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 with the ▸Corporate governance statement in accordance with Section 315d HGB in the Chapter "Further Information" of this financial report.

Takeover-related disclosures in accordance with Section 315a (1) HGB

Takeover-related disclosures are also reported in the ▸Corporate governance statement; see Chapter "Further Information" of this financial report.

Remuneration report and remuneration system

The applicable remuneration system of the Board of Management pursuant to Section 87a (1) and (2) sentence 1 of the German Stock Corporation Act (AktG), which was approved by the Annual General Meeting on June 2, 2021, and the system for the remuneration of the members of the Supervisory Board (Section 113 (3) AktG), which was also approved by the Annual General Meeting on June 2, 2021, are publicly available under https://www.blg-logistics.com/en/investor-relations (under Corporate Governance). The remuneration report, including the auditor's audit opinion pursuant to Section 162 AktG, is made publicly available in the Download area at the same Internet address.

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 current multiple crisis environment, through consistent process and quality management, the use of opportunities arising from digitalization and automation, and strict cost management.

Expected macroeconomic conditions

Slowdown in global economic growth
Due to high inflation rates, continued tightening of monetary policy in many countries and the European energy crisis resulting from the Russian war of aggression against Ukraine, the global economy expanded only modestly in the final quarter of 2022.

Global consumer and business sentiment brightened somewhat at the turn of the year, as the European energy crisis eased noticeably and inflationary pressure lessened slightly. The end of the zero-Covid policy in China can also be expected to provide a basis for economic recovery.

Nevertheless, a significant slowdown of the global economy is projected for 2023. "Extra savings" accumulated during the pandemic are increasingly being used up, high industrial order backlogs are being worked off, and higher financing costs caused by central bank interest rate hikes are slowing investment and consumption. Forecasts assume – depending on the institute – that the global economy will grow by between 2 and 3 percent.

Euro zone on the brink of recession
By contrast, growth of less than one percent is expected for the euro zone in the coming year, which means that the euro zone is on the threshold of recession. High inflation, rising interest rates and a difficult global economic environment all point to a phase of economic weakness in the first quarters of 2023.

The European Central Bank is also likely to continue to pursue the restrictive basic monetary policy approach that it adopted last summer. As a result, financing conditions for households and companies will deteriorate further.

Overall, however, Europe has adjusted more quickly than expected to higher energy costs and has shown greater resilience to the effects of the Ukraine war than originally assumed. The economy is expected to pick up again especially in the last six months of 2023.

Risk of recession in Germany
The outlook for the economic situation in Germany is muted. Although the situation on the energy markets and the supply bottlenecks in the German economy eased somewhat at the beginning of 2023, industrial production started sluggishly, as did exports due to weakening demand from abroad.

Declining real incomes and persistently high inflation will significantly weaken private consumption in particular. Despite gas and electricity price brakes, the inflation rate in 2023 is expected to be in the mid-single digits.

Although the economic situation is expected to improve slightly in the second half of the year, overall German economic output is likely to decline slightly in 2023 or only just avoid recession. The labor market is expected to remain stable.

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. Furthermore, the medium-term shift away from the combustion engine to electric drive technology entails enormous changes in the production and work sequences.

A possible further escalation of the Ukraine conflict, coupled with strained relations between the US, Europe and Russia as well as the ongoing tensions between the US and China, give rise to additional uncertainties. Problems with energy supplies may also intensify again. It is not yet possible to give a definitive assessment of the future impact on the global economy.

Sources for this section:
Deutsche Bundesbank, Monthly Report, February 2022
IMK, IMK Report No. 178, December 2022
IMK, IMK Report No. 179, January 2023
IfW Kiel, Kiel Institute Economic Outlook, No. 97 (2022|Q4)
Tagesschau.de, "Bessere Aussichten für die Weltwirtschaft," January 31, 2023, 9:14 a.m.

Logistics sector faces challenging year

The results of the SCI Logistics Barometer (December 2022) show that among the transport and logistics companies surveyed the performance indicator was at a similarly negative level at the end of 2022 as at the beginning of the coronavirus pandemic in March 2020. Despite isolated positive assessments of the current and seasonal business situation, the persistently negative expectations of logistics companies at federal state and national level overshadow the industry's economic assessment. Even though the rate of cost increases slowed toward year-end, the sector still expects 2023 to be a challenging year. In addition to persistently high costs and a generally negative business trend, respondents anticipate a dip in the previously mostly positive employment trend.

The shortage of skilled workers and the resulting dearth of suitable applicants pose additional difficulties for the industry. Amid the protracted war in Ukraine, high energy costs and global supply chain instability, a high level of skepticism remains in respect of the business development in 2023.

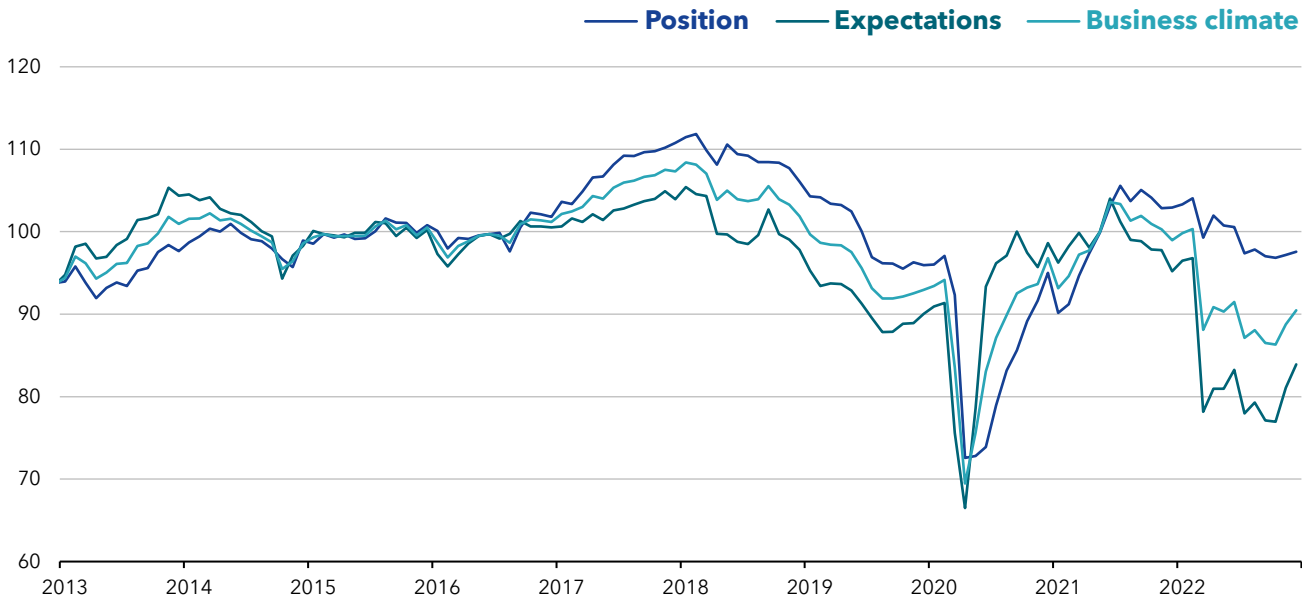
Industry confidence improved in January 2023 according to the SCI Logistics Barometer indicator, with expectations of a more stable cost and price development resulting in a significantly more positive outlook than in the previous months. However, the sudden change in mood should not be overestimated.

The ifo-BVL Logistics Indicator also showed a business climate well below its full potential at the end of 2022 (see also graphic), albeit with a slight improvement over the previous three months. The overall business sentiment was only worse at the start of the coronavirus pandemic in 2020. At the end of 2022, business expectations for the coming six months were also significantly below the normal level.

The respondents noted a sharp fall in demand momentum and frequently characterized the order backlog as too low. They also anticipate lower demand in the subsequent months. Despite signs of a relaxation, price expectations remain at a high level.

As mentioned above, the ifo-BVL Logistics Indicator also infers that the supply bottlenecks have gradually been overcome, or the partially implemented higher inventory levels are having an effect. Some companies are already perceiving inventory levels as too high again. However, that is one of the reasons for the poor outlook of the logistics service providers: the catch-up effects seen in the previous months have been largely absorbed and in many sectors fears of a prolonged period of weak demand are setting in.

Business climate among logistics providers
(Source: Bundesvereinigung Logistik e.V.; 2015 = 100 = normal level)



Logistics providers find it considerably harder than industry and retailing to absorb price adjustments. Cost pressure due to rising energy prices and inflation affects both segments of the economy equally.

The logistics industry will continue to benefit from a strong, export-oriented German industry and Germany's excellent position as a logistics center. Maintaining the infrastructure continues to be a major challenge. Furthermore, climate policy will strongly influence the organization of supply chains in the future, giving rise to additional requirements.

Sources for this section:
BVL Logistics Indicator, 4th Quarter 2022, including commentary
SCI Verkehr, SCI Logistics Barometer, December 2022 and January 2023

Development of BLG LOGISTICS in the following year

AUTOMOBILE Division
Based on the signals from the automobile manufacturers, BLG LOGISTICS assumes that the supply situation for production parts will normalize in the 2023 financial year and that there will no longer be repeated, unplanned production stoppages. Due to high inflation and energy supply uncertainties, sales of new vehicles in Germany are expected to decline. However, this is likely to be offset by higher exports from the manufacturers' German and Eastern European plants, which, in turn, will increase the expected volume of finished vehicles in the entire network compared with financial year 2022.

In the seaport terminals business area, the restructuring process at BLG AutoTerminal Bremerhaven will continue, aimed at improving productivity and increasing technical value creation. We are expecting vehicle throughput at AutoTerminal Bremerhaven to increase compared to the 2022 financial year.

Owing to the low availability of container capacities, the high & heavy segment benefited from a higher share of rolling cargo (RoRo cargo) in fiscal year 2022. Accordingly, we expect handling volumes for 2023 to remain constant.

We also anticipate similar handling volumes to the previous year for BLG AutoTerminal Cuxhaven. A new long-term contract with a major customer is expected to make up for the loss of spot and extraordinary business.

In the inland terminals business area, crowding out is likely to intensify. Nevertheless, we see good opportunities to further expand this business area, especially through business with high technical value creation, which we intend to do by leveraging our high level of expertise and the division's extensive terminal network. A slight to moderate increase in vehicle volumes is projected, particularly as a result of extraordinary business. Standardizing operational processes allows BLG LOGISTICS to further improve productivity in technical services. Capacity utilization problems at the AutoTerminal Neuss joint venture are expected to persist in 2023.

In the car transport business area, we expect road transport volumes to remain at the previous year's level. The projected decline in deliveries to dealers will be offset by rising transport volumes for exports to seaports.

Restrictions in the provision of adequate rail transport capacity are also set to continue in the 2023 financial year. This leads to higher demand for truck transport as an alternative to rail, which can in turn lead to a shortage of capacity from subcontractors and third-party companies. We are maintaining the number of trucks in our own vehicle fleet at a constant level.

Demand for vehicle transport capacity in the rail business area will remain high. However, there will continue to be restrictions in 2023 as a result of the persistently high shortage of locomotive drivers, a large number of construction sites in the Europe-wide track network and the prioritization of other goods on the railroads. Nevertheless, we are predicting that unplanned production stoppages by manufacturers will decrease appreciably in 2023 and BLG LOGISTICS' transport volumes will grow significantly. Export volumes at the seaports will also increase in 2023. At BLG RailTec, we want to further expand the repair business for third parties, above all in the area of mobile maintenance.

In the Southern/Eastern Europe business area, we are specifically planning to expand high & heavy transports at BLG LOGISTICS' location in Poland. The transport business of the joint venture in Ukraine is being sustained to the extent possible.

CONTRACT Division

The CONTRACT Division repositioned itself at the end of 2022 and now consists of three pillars: Contract Operations, Customer & Business Development, and Performance Support. With this move, BLG LOGISTICS has replaced the former division into the business areas industrial and retail logistics.

BLG LOGISTICS provides contract logistics at more than 40 locations in Germany and around the world. In the future, the locations and countries will be integrated into a regional structure. Another goal of the new structure is to strengthen the company's competitiveness for a secure future. Furthermore, developments in technology and sustainability will be more strongly anchored in the organization.

The effects of supply chain disruptions, consumer restraint, the war in Ukraine and high inflation will continue to pose challenges in the coming financial year.

In the past financial year, BLG LOGISTICS was able to negotiate renewals of existing contracts with almost all current customers. We hope to be able to continually expand business in line with our strategic orientation by generating new business, especially with existing customers. In the area of human resources, the aim is to increase the proportion of in-house staff in existing business in order to counteract the high fluctuations in external staff and the associated impact on productivity.

In the CKD (Completely Knocked Down) business area, we anticipate increasing volumes in the coming financial year, which will be handled at the new C3 logistics center in Bremen. On completion of the relocation, business will be consolidated and optimized in one area.

For the overseas industrial logistics business area, we are assuming a stable development of the South Africa location after securing new business in the 2022 financial year. In the US, the startup of new business is still expected to have a negative impact on earnings. BLG LOGISTICS withdrew from its joint ventures in India and Malaysia at the beginning of 2023.

In pursuit of further industry diversification in the area of retail logistics services, BLG LOGISTICS will continue to focus on additional target industries going forward.

At the Neustädter Hafen site in Bremerhaven, BLG Cargo successfully compensated for negative effects from switches in transport routes and ports on the part of the shipping lines through the acquisition of new business. We expect handling volumes for 2023 to remain constant.

CONTAINER Division

In light of the expected economic recession, we believe that supply chains will ease and transport and handling volumes will contract significantly in the 2023 financial year. This is likely to be accompanied by a substantial decline in the division's earnings.

This development is reflected in the volume planning for the individual terminals for the 2023 financial year. In February 2023, the termination of the 2M consortium (of Maersk and MSC) as of January 2025 was announced. How a new setup will look, is currently not known. The two remaining shipping line consortia will remain unchanged for the foreseeable future. For EUROGATE Container Terminal Wilhelmshaven (CTW), a significant volume increase is anticipated in the coming year as a result of the planned start of a first ultra-large ship service operated by the alliance of the new partner Hapag Lloyd in April 2023.

In addition to the macroeconomic trends described above, however, other industry-specific influences will have a decisive impact on the handling volumes of our container terminals. For further information, please refer to the remarks in the ▸Opportunity and Risk Report.

Added to this is the increasing shift to vertical integration among shipping lines along the entire logistics chain.

Three major consortia continue to dominate market activity on the customer side. Whether and to what extent changes in the alliances are likely to occur in the foreseeable future – especially in the 2M consortium – is not apparent at present.

The trend on the part of the shipping lines to commission additional ultra-large container vessels, in the meantime of up to 24,000 TEUs, continues unabated. In light of this trend, the number of ultra-large container ships docking at the terminals of the EUROGATE Group can also be expected to further increase.

The respective infrastructure aspects remain of great importance as locational factors for the container terminals.

In Wilhelmshaven, the nautical conditions remain unchanged and without restriction. Electrification of the double-track rail link was completed on schedule.

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, for example for the continuous replacement of older trucks and the buyback of car wagons from leasing in the car transport and rail 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 business. Another focus is the replacement of technical plant and machinery. An investment volume of around EUR 134 million is planned for the necessary expansion and replacement investments and for investments in process optimization (excluding the CONTAINER Division). This capital expenditure will be mainly financed through borrowing.

Overall statement on the expected development of the Group

At the time of preparing this report, the war between Russia and Ukraine is still ongoing, tensions remain between the US and China and the energy crisis is not yet over. We know that the uncertainties will continue to grow in 2023 – and are preparing accordingly.

In this uncertain environment, based on the forecast for the BLG Group outlined above, we currently expect revenue to be slightly above the previous year's level. Overall, we anticipate a significant reduction in earnings (EBT), mainly on the back of substantially lower investment income from the CONTAINER Division, in the 2023 financial year – although nevertheless still in clearly positive territory. EBIT and RoCE and the EBT margin will develop accordingly. Against the backdrop of the multiple crisis situation described above, this forecast is subject to a high degree of uncertainty.

EUR thousand	Actual 2022	Forecast 2023
EBT	55,722	significant decline; positive result
EBIT	64,582	significant decline similar to EBT
Revenue	1,118,980	slightly above previous year's level
EBT margin (in percent)	5.0	significant decline similar to EBT
RoCE (in percent)	6.3	significant decline similar to EBT/EBIT

Expected changes for 2023

↘	→	↘
EBT and EBIT significant decline	Revenue slightly above previous year's level	EBT margin and RoCE significant decline

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.