Notes to the Segment Report

44. Notes to the Segment Report

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

The accounting and valuation principles applied for internal reporting comply with the principles applied by the HHLA Group described in ▶ Note 6, page 90 "Accounting and Valuation Principles".

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

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

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

Logistics
The Logistics segment encompasses contract and warehousing logistics as well as specialist handling services. Its service portfolio comprises stand-alone logistics services, entire process chains for the international procurement and distribution of merchandise, and the processing of cruise ships. The segment also provides consulting and management services for clients in the port and transport sectors.

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

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

All of the functions and management responsibilities previously allocated to the operative holding HHLA Container Terminals GmbH (Container segment) were transferred to Hamburger Hafen und Logistik AG (Holding/Other) as of 1 August 2015. In this connection, the assets less liabilities required to perform these tasks were also transferred at their carrying amounts; the employees also switched companies.

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

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

Earnings

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

Reconciliation of the Segment EBIT with Consolidated Earnings before Taxes (EBT)

in € thousand	2015	2014
Total segment earnings (EBIT)	168,919	168,777
Elimination of business relations between segments and subgroups	- 12,380	511
Group earnings (EBIT)	156,539	169,288
Earnings from associates accounted for using the equity method	3,728	5,260
Net interest	- 33,366	- 44,998
Other financial result	944	544
Earnings before tax (EBT)	127,845	130,094

Segment Assets

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

Reconciliation of the Segment Assets with Group Assets

in € thousand	31.12.2015	31.12.2014
Segment assets	1,550,807	1,592,919
Elimination of business relations between segments and subgroups	- 563,376	- 579,780
Current assets before consolidation	480,627	441,428
Financial assets	17,701	16,171
Deferred tax	61,396	63,558
Income tax receivables	8,644	1,568
Cash, cash equivalents and short-term deposits	194,565	252,217
Group assets	1,750,364	1,788,081

Other Segment Information

The reconciliation to Group investments totalling € - 32,369 thousand (previous year: € - 1,014 thousand) eliminates the inter-segmental sale of property, plant and equipment and internal invoices for services to generate intangible assets.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,168 thousand (previous year: € - 756 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounting to € - 751 thousand (previous year: € 27 thousand) includes the elimination of inter-company profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about Geographical Regions

For the information by region, the segment revenue and disclosures on non-current segment assets are broken down in accordance with the affiliates' respective locations. In addition to items between the segments for which consolidation is mandatory, the reconciliation to Group assets primarily contains current assets, financial investments and claims arising from current and deferred income taxes.

Information about Geographical Regions

in € thousand	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Segment income	785,109	859,804	316,446	304,588	40,263	35,209	1,141,818	1,199,601	0	0	1,141,818	1,199,601
Non-current segment assets	894,677	926,353	292,820	246,741	39,685	55,691	1,227,182	1,228,785	523,182	559,296	1,750,364	1,788,081
Investments in non-current segment assets	68,306	78,523	76,686	50,975	490	8,917	145,482	138,415	0	- 1	145,482	138,414

Information about Key Clients

Revenue of € 130,825 thousand (previous year: € 129,326 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.