

Notes to the Segment Report

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The 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 success in 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 Group described in ► Note 6, page 88 "Accounting and Valuation Principles".

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

Container

The **Container segment** pools the Group's container handling operations. The Group's services in this segment consist primarily of handling container ships and transferring containers to other carriers (e.g. rail, truck or feeder ship). HHLA operates three container terminals in Hamburg (Altenwerder, Burchardkai and Tollerort) and 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. As of 2018, the activities of POLZUG have been fully integrated into the METRANS organisation.

Logistics

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

Real Estate

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

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

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

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

Earnings

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

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

in € thousand	2017	2016
Total segment earnings (EBIT)	171,306	162,726
Elimination of business relations between segments and subgroups	1,882	1,284
Group earnings (EBIT)	173,188	164,010
Earnings from associates accounted for using the equity method	4,778	4,677
Net interest	- 30,675	- 22,664
Earnings before tax (EBT)	147,291	146,023

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	31.12.2017	31.12.2016
Segment assets	1,631,145	1,640,634
Elimination of business relations between segments and subgroups	- 661,019	- 652,840
Current assets before consolidation	554,127	547,461
Financial assets	18,116	17,212
Deferred tax	87,093	82,720
Income tax receivables	4,302	488
Cash, cash equivalents and short-term deposits	201,514	177,192
Group assets	1,835,278	1,812,867

Other Segment Information

The reconciliation to Group investments totalling € - 176 thousand contains the elimination of internal invoices for inter-segmental services relating to the generation of intangible assets (previous year: € - 1,170 thousand for the elimination of internal invoices for services relating to the sale of property, plant and equipment and the generation of intangible assets).

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,137 thousand (previous year: € - 2,200 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 € 59 thousand (previous year: € 2 thousand) includes the elimination of intercompany profits and transactions between the segments and the subgroups for which consolidation is mandatory.

Information about Geographical Regions

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

Information about Geographical Regions

in € thousand	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Segment income	849,845	794,038	354,585	326,858	47,376	56,772	1,251,806	1,177,668	0	0	1,251,806	1,177,668
Non-current segment assets	906,677	906,315	308,340	288,096	27,776	34,606	1,242,793	1,229,017	592,485	583,850	1,835,278	1,812,867
Investments in non- current segment assets	96,503	97,098	44,575	40,701	1,485	517	142,563	138,316	0	0	142,563	138,316

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

Information About Key Clients

Revenue of € 164,671 thousand (previous year: € 128,220 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.