

Notes to the segment report

44. Notes to the segment report

The segment report is presented as an annex to the Notes to the Consolidated Financial Statements.

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

The accounting and valuation principles applied for internal reporting comply with the principles applied by the Group described in **Note 6** "Accounting and valuation principles".

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

Container

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

The Container segment mainly generates handling revenue at points in time. It also generates rental income over time. Furthermore, individual HHLA customers have contractual rebate entitlements arising from income generated at points in time.

Intermodal

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

As transport income, the revenue of this segment is classed as income generated at points in time. There are also rebate obligations in respect of individual customers.

Logistics

The Logistics segment encompasses specialist handling services, digital business activities and consulting. Its service portfolio comprises stand-alone logistics services and entire process chains for the international procurement and distribution of merchandise. The segment also provides consulting and management services for clients in the international port and transport sectors. Additive manufacturing and airborne logistics services round off the portfolio.

The revenue generated from special handling services is classed as revenue generated at points in time. This segment also generates income over time, chiefly from consultancy and letting services. Immaterial rebate obligations apply in respect of individual customers.

Real Estate

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

The revenue from this segment is rental income generated over time.

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

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

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

Earnings

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

Reconciliation of the segment EBIT with consolidated earnings before taxes (EBT)

in € thousand	2020	2019
Total segment earnings (EBIT)	121,991	219,628
Elimination of business relations between segments and subgroups	1,574	1,609
Group earnings (EBIT)	123,565	221,237
Earnings from associates accounted for using the equity method	3,601	4,458
Net interest	- 28,060	- 39,573
Earnings before tax (EBT)	99,105	186,122

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	31.12.2020	31.12.2019
Segment assets	2,372,707	2,382,354
Elimination of business relations between segments and subgroups	- 734,184	- 745,757
Current assets before consolidation	665,383	671,553
Financial assets	17,570	17,556
Deferred tax assets	141,420	124,071
Tax receivables	1,369	2,201
Cash, cash equivalents and short-term deposits	126,858	158,041
Group assets	2,591,123	2,610,019

Other segment information

The reconciliation to Group investments totalling € - 2,126 thousand (previous year: € - 609 thousand) eliminates the internal invoices for services to generate intangible assets between segments.

In relation to the reconciliation of depreciation and amortisation amounting to € - 2,160 thousand (previous year: € - 2,217 thousand), the entire amount is attributable to the elimination of inter-company profits between the segments and the subgroups.

The reconciliation of non-cash items amounts to € 66 thousand (previous year: € - 18 thousand).

Information about geographical regions

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

Information about geographical regions

in € thousand	Germany		EU		Outside EU		Total		Reconciliation with Group assets		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment income	800,118	866,962	462,077	471,074	37,636	44,589	1,299,831	1,382,625	0	0	1,299,831	1,382,625
Non-current segment assets	1,243,894	1,252,953	699,163	670,883	48,832	59,740	1,991,889	1,983,576	599,234	626,443	2,591,123	2,610,019
Investments in non-current segment assets	106,798	81,182	82,371	130,545	7,179	14,040	196,348	225,767	0	851	196,348	224,916

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 € 216,888 thousand (previous year: € 245,320 thousand) from a single client exceeds 10 % of Group revenue and relates to the Container and Intermodal segments.