Notes to the Income Statement

8. Revenue

Detailed information about revenue can be found in the Segment Report and in the Notes to the Segment Report under ▶ Note 44, page 128.

9. Changes in Inventories

Changes in Inventories

in € thousand	2017	2016
	- 254	266

Changes in inventories relate to changes in the inventories of finished products and service work in progress.

10. Own Work Capitalised

Own Work Capitalised

in € thousand	2017	2016
	5,404	6,473

Own work capitalised results mainly from development activities and from technical work capitalised in the course of construction work.

11. Other Operating Income

Other Operating Income

in € thousand	2017	2016
Income from reimbursements	8,745	27,691
Income from other accounting periods	6,255	8,720
Income from reversal of other provisions	4,745	3,384
Income from compensation	1,992	1,998
Income from exchange rate differences	1,923	1,355
Proceeds on disposal of property, plant and equipment	357	1,179
Other	15,416	13,142
	39,433	57,469

Income from reimbursements in the previous year relates primarily to the termination of the lease for the Übersee-Zentrum and costs which were passed on in connection with leases.

Income from other accounting periods includes income from reversal of other liabilities from previous periods.

Other operating income includes income from the outsourcing of personnel of € 4,158 thousand (previous year: € 4,445 thousand) and, in the 2017 financial year, income from the harmonisation of the existing pension schemes in the amount of € 1,617 thousand.

12. Cost of Materials

Cost of Materials

in € thousand	2017	2016
Raw materials, consumables and supplies	90,125	83,123
Purchased service	280,366	266,844
	370,491	349,967

The expenses for purchased services mainly consist of rail services purchased by the Intermodal segment.

13. Personnel Expenses

Personnel Expenses

in € thousand	2017	2016
Wages and salaries	314,181	306,591
Social security contributions and benefits	77,216	79,246
Staff deployment	66,233	50,287
Service expense	5,674	6,834
Other retirement benefit expenses	513	44
	463,817	443,002

The direct remuneration paid to members of the Executive Board totalled € 2,936 thousand for the 2017 financial year (previous year: € 3,143 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in ▶ Note 48, page 138.

Social security contributions include payments towards the public pension scheme amounting to € 27,636 thousand (previous year: € 26,794 thousand) and payments to the German pension insurance scheme. The increase in personnel expenses in the year under review is due to increases in union wage rates, the higher number of employees and increased demand for external staff. Following restructuring-related expenses in connection with the discontinuation of project and contract logistics in the previous year, the figure for the reporting year includes expenses for the restructuring of the Container segment.

Service expense includes payments from defined benefit pension commitments and similar obligations.

Average Number of Employees

	2017	2016
Fully consolidated companies		
Employees receiving wages	2,879	2,777
Salaried staff	2,595	2,575
Trainees	79	95
	5,553	5,447

In addition, the Group used an annual average of 710 employees (previous year: 558) of Gesamthafenbetriebs-Gesellschaft m.b.H., Hamburg (GHB).

14. Other Operating Expenses

Other Operating Expenses

in € thousand	2017	2016
Leasing costs	53,829	62,872
External maintenance services	37,294	34,686
Consultancy, services, insurance and auditing expenses	37,027	34,778
Expenditure for the harmonisation of existing pension schemes	10,762	0
Travel expenses, advertising and promotional costs	3,663	3,440
Other taxes	2,703	2,646
Other personnel expenses	2,380	1,755
External and internal cleaning costs	1,977	2,270
Postage and telecommunications costs	1,449	1,585
Expenses from exchange rate differences	1,271	1,319
Losses on the disposal of property, plant and equipment	1,171	1,800
Venture expenses	1,142	4,566
Expenses from other accounting periods	645	546
Other	10,985	10,203
	166,298	162,466

The increase in other operating expenses was due mainly to the expenses associated with the harmonisation of the existing pension schemes. Taking into account the corresponding income referred to in ▶ Note 11, page 98, the total impact comes to € 9,145 thousand, see ▶ Note 37, page 121.

The drop in leasing expenses had the opposite effect. Detailed information is available in ▶ Note 45, page 131.

15. Depreciation and Amortisation

Depreciation and Amortisation

in € thousand	2017	2016
Intangible assets	11,059	10,794
Property, plant and equipment (without finance lease)	94,873	95,698
Assets classified as finance lease	7,082	6,496
Investment property	9,581	9,443
	122,595	122,431

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule. No write-downs were made in the year under review (previous year: € 1,125 thousand), see ▶ Note 23, page 107.

16. Financial Result

Financial Result

in € thousand	2017	2016
Earnings from associates accounted for using the equity method	4,778	4,677
Income from exchange rate differences	3,256	4,205
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,330	1,812
Interest income from bank balances	63	169
Income from adjustment of settlement obligations to shareholders with non-controlling interests	0	2,932
Income from interest rate hedges	0	45
Interest income	4,649	9,163
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	12,855	0
Interest portion of pension provisions	6,340	9,167
Interest expenses on bank liabilities	6,064	7,314
Interest included in lease payments	5,383	5,446
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,747	1,655
Interest portion of other provisions	1,631	1,651
Expenses from exchange rate differences	1,304	6,429
Expenses from interest rate hedges	0	164
Other	0	1
Interest expenses	35,324	31,827
Net interest income	- 30,675	- 22,664
Income from other equity investments	0	0
Other financial result	0	0
	- 25,897	- 17,987

Earnings from companies accounted for using the equity method relate to the pro rata annual earnings of the joint ventures and associates, see also ▶ Note 25, page 111.

Income and expenses from exchange rate differences in the reporting period are mainly due to the performance of the Czech koruna and the Ukrainian hryvnia.

Please refer to ▶ Note 6, page 88 for details of expenses from the adjustment of settlement obligations to non-controlling interests, which totalled € 12,855 thousand (previous year: income of € 2,932 thousand).

See ▶ Note 38, page 123 for information about the interest expenses associated with amounts due to banks.

17. Research Costs

Research costs of € 277 thousand (previous year: € 149 thousand) were incurred in the 2017 financial year. These primarily related to research for software development.

18. Income Tax

Paid or outstanding income taxes and deferred taxes are shown under the item income taxes. Income taxes are made up of corporation tax, solidarity surcharge and trade tax. Companies domiciled in Germany pay corporation tax of 15.0 % and a solidarity surcharge of 5.5 % of the corporation tax expense. These companies and German-based subsidiaries in the form of limited partnerships are also liable for trade tax, which is imposed at different local rates. Trade tax does not reduce the amount of a company's profits on which corporation tax is payable.

Components of Income Tax Expenses

Deferred taxes and current income tax in € thousand	2017	2016
Deferred taxes on temporary differences	- 4,262	- 6,017
of which Domestic	- 4,177	- 6,045
of which Foreign	- 85	28
Deferred taxes on losses carried forward	- 18	- 26
of which Domestic	0	0
of which Foreign	- 18	- 26
Total deferred taxes	- 4,280	- 6,043
Current income tax expense	45,717	47,004
of which Domestic	28,176	31,268
of which Foreign	17,541	15,736
Income tax expense recognised in the income statement	41,437	40,961

Current income tax expenses include tax income from other accounting periods amounting to € 1,131 thousand (previous year: tax expenses of € 1,164 thousand).

Deferred tax assets and liabilities result from temporary differences and tax loss carry-forwards.

Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Intangible assets	0	0	2,421	1,953
Property, plant and equipment and finance leases	0	0	16,746	13,220
Investment property	0	0	10,304	11,098
Financial assets	0	0	2,272	1,673
Inventories	750	554	0	0
Receivables and other assets	965	268	358	206
Pension and other provisions	91,051	90,677	2,090	1,973
Liabilities	9,707	6,820	2,986	5,277
Tax losses carried forward	18	0	0	0
	102,491	98,319	37,177	35,400
Netted amounts	- 15,398	- 15,599	- 15,398	- 15,599
	87,093	82,720	21,779	19,801

Reconciliation between the Income Tax Expenses and Hypothetical Tax Expenses based on the IFRS Result and the Group's Applicable Tax Rate

in € thousand	2017	2016
Earnings before tax	147,291	146,023
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	47,546	47,136
Tax income (-), tax expenses (+) for prior years	3,256	831
Effect of tax rate change	0	232
Tax-free income	- 301	- 213
Non-deductible expenses	1,923	1,606
Trade tax additions and reductions	- 1,423	- 803
Permanent differences	4,129	- 948
Differences in tax rates	- 13,592	- 10,071
Impairment losses in deferred tax assets	304	2,033
Other tax effects	- 405	1,158
Actual income tax expenses	41,437	40,961

Deferred taxes are calculated on the basis of the tax rates currently in force in Germany or those expected to apply at the time of realisation. A tax rate of 32.28 % was used for the calculations in both 2017 and 2016. This is made up of corporation tax at 15.0 %, solidarity surcharge of 5.5 % of the corporation tax, and the trade tax payable in Hamburg of 16.45 %. Limited partnerships are also liable for trade tax. Due to special rules, property management companies generally do not pay trade tax. Due to rules on minimum taxation, tax loss carry-forwards are only partially usable in Germany. Tax losses of up to € 1 million can be set off against taxable profits without restriction, and higher tax losses up to a maximum of 60 %.

The effects of tax rates for domestic and foreign taxes that diverge from the Group parent company's tax rate are reported in the offsetting and reconciliation under differences in tax rates.

Deferred tax assets are recognised on tax loss carry-forwards and temporary differences if it is sufficiently certain that they can be realised in the near future. The Group has no domestic corporation tax loss carry-forwards and no domestic trade tax loss carry-forwards. Deferred taxes of € 18 thousand (previous year: € 0 thousand) are recognised on foreign tax loss carry-forwards of € 96 thousand (previous year: € 0 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 1,374 thousand (previous year: € 4,057 thousand), domestic trade tax loss carry-forwards of € 5,383 thousand (previous year: € 4,271 thousand) and foreign tax loss carry-forwards of € 22,238 thousand (previous year: € 19,546 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 25,249 thousand (previous year: € 27,041 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions, cash flow hedges and unrealised gains/losses arising from available-for-sale financial assets.

Deferred Taxes recognised in the Statement of Comprehensive Income

	Gross		Taxes		Net	
in € thousand	2017	2016	2017	2016	2017	2016
Actuarial gains/losses	5,482	- 45,441	- 1,768	14,661	3,714	- 30,780
Cash flow hedges	- 8	231	2	- 74	- 6	157
Unrealised gains/losses on available-for-sale financial assets	145	- 164	- 74	49	71	- 115
	5,619	- 45,374	- 1,840	14,636	3,779	- 30,738

19. Share of Results Attributable to Non-Controlling Interests

Profits due to non-controlling interests in the amount of € 24,788 thousand (previous year: € 32,032 thousand) primarily relate to non-controlling interests in the CTA Group. This share of earnings decreased year on year, mainly because of the interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder (previous year: interest income). A higher actual share of earnings attributable to the CTA Group had the opposite effect.

20. Earnings per Share

Basic earnings per share in €

	Group		Port Logistics Subgroup		Real Estate Subgroup	
	2017	2016	2017	2016	2017	2016
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	81,065	73,030	71,207	63,720	9,858	9,310
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.11	1.00	1.02	0.91	3.65	3.44

Basic earnings per share are calculated in accordance with IAS 33 by dividing the net profit for the Group attributable to the shareholders of the parent company by the average number of shares.

The diluted earnings per share are identical to the basic EPS as there were no conversion or option rights in circulation during the financial year.

21. Dividend per Share

The dividend entitlement for the share classes is based on the portion of the distributable profit attributable to the relevant division. This is calculated in accordance with the German Commercial Code (HGB).

A resolution was passed at the Annual General Meeting held on 21 June 2017 to distribute a dividend of € 46,738 thousand to holders of common shares in the reporting year for the 2016 financial year (previous year: € 46,062 thousand). At the time of the distribution, the number of shares entitled to dividends amounted to 72,753,334, of which 70,048,834 are to be attributed to the Port Logistics subgroup (A division) and 2,704,500 to the Real Estate subgroup (S division). This resulted in dividends of € 0.59 per Class A share and € 2.00 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2018, dividends per share of € 0.67 for the Port Logistics subgroup and € 2.00 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2017, this is equivalent to a distribution of € 46,933 thousand for the Port Logistics subgroup and of € 5,409 thousand for the Real Estate subgroup.