Notes to the income statement

8. Revenue

In the segment report, the revenue is broken down by segment, including inter-segment revenue. The revenue is broken down by region in Note 44 in the notes to the segment report. This note also contains segment-specific details on the type of revenue.

9. Changes in inventories

Changes in inventories

in € thousand	**2019**	2018
	131	448

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

10. Own work capitalised

Own work capitalised

in € thousand	**2019**	2018
	6,183	5,209

As in the previous year, 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	**2019**	2018
Income from other accounting periods	11,210	8,310
Income from reimbursements	8,104	8,269
Proceeds on disposal of property, plant and equipment	6,187	3,626
Income from compensation	3,703	1,682
Income from reversal of other provisions	3,078	6,609
Income from exchange rate differences	1,298	1,057
Other	12,003	11,861
	45,583	**41,414**

As in the previous year, income from other accounting periods includes income from the reversal of other liabilities from previous periods.

As in the previous year, income from reimbursements relates primarily to costs which were passed on in connection with leases and to subsidy reimbursements in the reporting year.

Proceeds from the disposal of property, plant and equipment mainly relate to the sale of wagons, as in the previous year.

In the reporting year, income from compensation includes income from contractual penalties.

Other operating income includes income from the outsourcing of personnel of € 4,628 thousand (previous year: € 4,115 thousand), income from staff catering of € 2,934 thousand (previous year: € 2,843 thousand) and income from the sale of supplies of € 738 thousand (previous year: € 1,094 thousand). Furthermore, other operating income also includes numerous smaller individual items.

12. Cost of materials

Cost of materials

in € thousand	2019	2018
Raw materials, consumables and supplies	99,617	94,263
Purchased service	300,576	270,975
Leasing costs	1,010	1,865
	401,203	**367,103**

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

For further details of leases, please refer to Note 45.

13. Personnel expenses

Personnel expenses

in € thousand	2019	2018
Wages and salaries	353,143	332,089
Staff deployment	75,987	73,353
Social security contributions and benefits	71,081	67,717
Service expense	15,097	6,898
Other retirement benefit expenses	811	523
	516,119	**480,580**

The direct remuneration paid to members of the Executive Board totalled € 3,060 thousand for the 2019 financial year (previous year: € 2,955 thousand). More details on the remuneration paid to the Executive Board and the Supervisory Board can be found in Note 48.

The rise in personnel expenses in the year under review is chiefly due to increases in union wage rates and a larger headcount.

Social security contributions and benefits rose commensurate to expenses for wages and salaries. Social security contributions include payments towards the public pension scheme amounting to € 29,759 thousand (previous year: € 28,286 thousand) and payments to the German pension insurance scheme.

Service expense includes payments from defined benefit pension commitments and similar obligations. The increase in these expenses is attributable to higher contributions to the HHLA capital plan, see Note 36.

Average number of employees of fully consolidated companies

	2019	2018
Employees receiving wages	3,273	3,048
Salaried staff	2,796	2,665
Trainees	73	65
	6,142	**5,778**

In addition, the Group used an annual average of 753 employees (previous year: 760) of Gesamthafenbetriebs Gesellschaft m.b.H., Hamburg (GHB).

14. Other operating expenses

Other operating expenses

in € thousand	2019	2018
Consultancy, services, insurance and auditing expenses	48,071	39,789
External maintenance services	43,360	41,755
Leasing costs	9,472	58,295
Travel expenses, advertising and promotional costs	4,840	4,375
Other personnel expenses	3,479	4,239
Expenses from other accounting periods	3,300	2,125
Other taxes	2,924	3,125
External and internal cleaning costs	2,551	2,230
Postage and telecommunications costs	1,604	1,568
Other venture expenses	984	2,608
Impairment losses on financial assets	907	998
Expenses from exchange rate differences	520	912
Losses on the disposal of property, plant and equipment	144	134
Other	12,419	9,919
	134,575	**172,072**

Expenses for consultancy, services, insurance and auditing increased, mainly due to an increased need for project-related consultancy.

The introduction of IFRS 16 led to a reduction in leasing expenses. Detailed information is available in Note 45.

The HHLA Group regards the impairment losses on financial assets listed above as immaterial and has therefore decided not to show them separately in the income statement.

Other operating expenses also include numerous smaller individual items.

15. Depreciation and amortisation

Depreciation and amortisation

in € thousand	2019	2018
Intangible assets	8,289	7,498
Property, plant and equipment	144,311	98,679
Investment property	8,788	8,056
	161,388	**114,232**

A classification of the depreciation and amortisation by asset category is shown in the fixed asset movement schedule, see Note 22, Note 23 and Note 24.

16. Financial result

Financial result

in € thousand	2019	2018
Earnings from associates accounted for using the equity method	**4,458**	**5,347**
Interest income from non-affiliated companies and non-consolidated affiliated companies	1,485	1,228
Income from currency hedging instruments at fair value	705	0
Income from exchange rate differences	606	837
Interest income from bank balances	90	63
Interest income	**2,886**	**2,128**
Interest included in lease payments	22,016	5,336
Interest portion of pension provisions	7,158	6,512
Interest expenses on bank liabilities	6,253	5,312
Expenses from the adjustment of settlement obligations to shareholders with non-controlling interests	2,525	6,036
Interest expenses to non-affiliated companies and non-consolidated affiliated companies	1,836	1,310
Interest portion of other provisions	1,826	1,789
Expenses from exchange rate differences	845	947
Expenses from currency hedging instruments at fair value	0	869
Interest expenses	**42,459**	**28,111**
Net interest income	**- 39,573**	**- 25,983**
Income from other equity investments	0	0
Other financial result	**0**	**0**
	- 35,115	**- 20,636**

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.

The increase in the interest included in lease payments results from the application of IFRS 16 from 1 January 2019 onwards.

See Note 38 for information about the interest expenses associated with liabilities to banks.

For information on expenses from the adjustment of settlement obligations to shareholders with non-controlling interests, see Note 6.

17. Research and development costs

Research and development costs of € 5,526 thousand were incurred in the 2019 financial year (previous year: € 1,648 thousand). These primarily relate to research as part of the subsidy programme for Innovative Port Technologies (IHATEC).

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, a 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 legal 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 limited company's profits on which corporation tax is payable.

Income tax

In € thousand	2019	2018
Deferred taxes on temporary differences	**- 759**	**1,752**
of which domestic	- 1,901	1,750
of which foreign	1,142	2
Deferred taxes on losses carried forward	**578**	**- 1,436**
of which domestic	0	0
of which foreign	578	- 1,436
Total deferred taxes	**- 181**	**316**
Current income tax expense	**49,245**	**44,794**
of which domestic	29,562	26,424
of which foreign	19,683	18,370
	49,064	**45,110**

Current income tax expenses include tax expenses from other accounting periods amounting to € 1,223 thousand (previous year: € - 517 thousand).

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

Deferred taxes recognised in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
in € thousand	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Intangible assets	0	0	5,084	3,168
Property, plant and equipment	0	0	25,724	17,809
Investment property	0	0	10,057	10,136
Financial assets	0	0	1,642	2,496
Inventories	153	963	0	0
Receivables and other assets	1,714	1,876	336	1,008
Pension and other provisions	108,228	89,174	912	858
Liabilities	37,130	7,270	962	3,822
Tax losses carried forward	859	1,436	0	0
	148,084	**100,719**	**44,717**	**39,297**
Netted amounts	- 24,013	- 18,593	- 24,013	- 18,593
	124,071	**82,126**	**20,704**	**20,704**

Reconciliation between the income tax and hypothetical tax based on the IFRS result and the Group's applicable tax rate

in € thousand	2019	2018
Earnings before tax (EBT)	**186,122**	**183,584**
Income tax expense at hypothetical income tax rate of 32.28 % (previous year: 32.28 %)	60,080	59,261
Tax income (-), tax expenses (+) for prior years	144	- 455
Tax-free income	780	48
Non-deductible expenses	2,070	1,398
Trade tax additions and reductions	64	70
Permanent differences	38	1,113
Differences in tax rates	- 14,907	- 14,565
Impairment losses in deferred tax assets	819	- 1,824
Other tax effects	- 24	64
Income tax	**49,064**	**45,110**

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 2019 and 2018. This is made up of corporation tax at 15.0 %, a 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 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 € 859 thousand (previous year: € 1,436 thousand) are recognised on foreign tax loss carry-forwards of € 4,521 thousand (previous year: € 7,560 thousand). No deferred tax assets are recognised for domestic corporation tax loss carry-forwards of € 2,671 thousand (previous year: € 515 thousand), domestic trade tax loss carry-forwards of € 13,752 thousand (previous year: € 7,969 thousand) and foreign tax loss carry-forwards of € 14,609 thousand (previous year: € 11,244 thousand). Under current legislation, tax losses can be carried forward in Germany without restriction.

Deferred tax assets of € 36,239 thousand (previous year: € 21,538 thousand) recognised directly in equity without effect on profit and loss come from actuarial gains and losses on pension provisions 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	2019	2018	2019	2018	2019	2018
Actuarial gains/losses	- 45,625	11,603	14,727	- 3,747	- 30,898	7,856
Cash flow hedges	0	33	0	- 11	0	22
Unrealised gains/losses on available-for-sale financial assets	79	- 124	- 26	47	53	- 77
	- 45,546	**11,512**	**14,701**	**- 3,711**	**- 30,845**	**7,801**

19. Share of results attributable to non-controlling interests

Profits attributable to non-controlling interests amounting to € 33,776 thousand (previous year: € 26,193 thousand) mainly relate to non-controlling shareholders of the CTA Group. This share of earnings increased due to the higher actual share of earnings attributable to the CTA Group and the year-on-year decline in interest expenses arising from the measurement of the settlement obligation that were attributable to the non-controlling shareholder. The previous year's figure still included a share of results attributable to non-controlling interests in the METRANS Group.

20. Earnings per share

Basic earnings per share in €

	Group		Port Logistics subgroup		Real Estate subgroup	
	2019	2018	**2019**	2018	**2019**	2018
Share of consolidated net profit attributable to shareholders of the parent company in € thousand	103,858	112,281	94,207	102,910	9,651	9,371
Number of common shares in circulation	72,753,334	72,753,334	70,048,834	70,048,834	2,704,500	2,704,500
	1.43	**1.54**	**1.34**	**1.47**	**3.57**	**3.46**

Basic earnings per share are calculated in accordance with IAS 33 by dividing the profit after tax and minority interests 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 18 June 2019 to distribute a dividend of € 61,719 thousand to holders of common shares in the reporting year for the 2018 financial year (previous year: € 52,342 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 € 0.80 per Class A share and € 2.10 per Class S share. The remaining undistributed profit was carried forward to new account.

In 2020, dividends per share of € 0.70 for the Port Logistics subgroup and € 2.10 for the Real Estate subgroup are due to be paid. Based on the number of dividend-entitled shares as of 31 December 2019, this is equivalent to a distribution amount of € 49,034 thousand for the Port Logistics subgroup and of € 5,679 thousand for the Real Estate subgroup.