GRI 201-1

Notes to the statement of income

Revenues generated in DB Group relate to the provision of passenger transport, freight transport and logistics services, the provision of rail infrastructure, the sale of goods and other services related particularly to rail operations, less value-added tax, discounts and any price reductions. They are recognized with their fair value.

Services provided by DB Group are normally completed within a few hours/days. Accordingly, with the exception of season tickets, revenues in regional and long-distance services are recognized at the time at which the tickets are sold. Exceptions in this respect are the segments DB Regional and DB Arriva, where order processing in the form of long-term transport contracts concluded with the contracting organizations of the Federal states in Germany and the franchisors in other European countries are very important for the development of business. Contractual relations with clients covering several years also exist in the contract logistics line of business in the DB Schenker segment, which accounts for about 6% of Group revenues.

Revenue recognition in accordance with IFRS 15 is based on the principle that revenues are recognized when control over a product or service is transferred to the customers. Revenues generated by the rendering of services are recognized with the amount which is expected as the consideration as soon as control over the services has been transferred.

All expense and income items are normally recognized without being netted, unless the accounting principles under IFRS permit or require netting.

Expenses are recognized in the income statement at the point at which the service is used or at the point at which the expenses are incurred.

The special items detailed at income and expenses ("Total") are issues which are considered to be unusual either in terms of the amount involved and/or the actual reason behind the issue. Irrespective of the amount involved, this item is used for disclosing book profits and losses arising from transactions with investments/financial investments as well as depreciation on long-term customer contracts, which have been capitalized as part of the purchase price allocation process in connection with company acquisitions. In addition, the special effects recognize individual issues if they are of an exceptional nature, if they are definable for accounting purposes, if they can be measured and if the amount involved is material. In addition to the special items, effects from changes in the scope of consolidation and effects from changes in exchange rates are also disclosed separately. The item "Total – comparable" does not involve IFRS figures; instead, it involves additional disclosures in accordance with internal reporting.

(1) REVENUES

(€ million)	2019	2018
Revenues from freight and passenger transport services	39,813	39,490
thereof concession fees for rail transport	6,585	6,472
Revenues from operating infrastructure	1,907	1,760
Revenues from letting and leasing	444	437
Revenues from sales of products	1,349	1,393
Other revenues	1,004	1,057
Revenue reductions	-87	-72
Total	**44,430**	**44,065**
± Special items	1	-41
± Effects from changes in scope of consolidation	-77	0
± Effects from changes in exchange rates	-124	-
Total - comparable	**44,230**	**44,024**

The revenues from freight and passenger transport services were generated mainly by companies operating in the segments DB Schenker, DB Regional, DB Arriva, DB Long-Distance and DB Cargo. They include a minor amount of revenues from sub-operating leases in the segment DB Schenker. Revenues from operating rail infrastructure related to the segments DB Netze Track and DB Netze Stations. Revenues generated by product sales were recorded mainly in the segment DB Netze Energy, and rental and leasing revenues were mainly generated in the segment DB Netze Stations. Other revenues related to virtually all segments.

In the year under review, revenues increased by € 365 million (+0.8%) to € 44,430 million. This revenue growth compared with the previous year is mainly attributable to DB Long-Distance as well as DB Netze Track. The higher revenues of DB Long-Distance were attributable to considerably higher volume sold as well as a higher specific revenue rate. For DB Netze Track, the increased services for external customers as well as price increases for train-path usage fees were the main factors with a positive impact on the development in revenues.

Revenues included positive exchange rate effects of € 124 million, mainly affecting DB Schenker. These positive exchange rate effects were mainly attributable to the currency regions responsible for generating most revenues, namely Great Britain, Sweden and the USA. The stronger performance of the US dollar and the British pound compared with the previous year had a positive impact on revenues, whereas the weaker performance of the Swedish krona had the opposite effect.

Even when adjusted for special items, effects from changes in the scope of consolidation and exchange rates, the revenues were higher than the previous year figure (€ +206 million, +0.5%).

Movements in revenues broken down according to business segments and regions are set out in segment reporting.

As was the case in the previous year, revenue reductions of long-term transport contracts (contractual penalties) were netted directly with the revenues of freight and passenger services. The separately disclosed revenue reductions (€ –87 million) also related mainly to revenues of freight and passenger services (for instance passenger rights).

The order book of customer contracts with contractually agreed outstanding revenues (secured revenues) was broken down as follows:

Secured order book (nominal values) as of Dec 31 (*€ million*)	2019	2018
Passenger transport contracts	64,652	62,222
Logistics and freight transport contracts [1]	218	208
Other contracts [1]	139	114
Total	**65,009**	**62,544**

[1] Contracts with a duration of at least 12 months and a total volume of at least € 5 million.

Most of the secured order book will be fulfilled within a period of ten years, with percentages declining over a period of time. Further information can be found in the Group management report in the sections ORDER BOOK DB REGIONAL 125 F. and ORDER BOOK DB ARRIVA 156 F.

The exemption regulation of IFRS 15.121 (a) has been used for the logistics contracts and the other contracts.

Variable considerations of transport contracts as well as price escalation clauses or contractual penalties are only taken into consideration for estimating the assured revenues if they are highly likely.

Claims relating to contractual assets [1] of € 29 million were recognized together with the other receivables and assets and have developed as follows:

Contractual assets (*€ million*)	2019	2018
As of Jan 1	29	96
Additions	114	113
Impairments	–	- 1
Fulfillment/payment	- 54	- 118
Other changes	- 60	- 61
As of Dec 31	**29**	**29**

A figure of € 10 million was attributable to long-term contractual assets.

The contractual liabilities in DB Group include advance payments received as well as other payments received in advance in relation to revenues for subsequent periods (for example for season tickets). Obligations from contractual liabilities of € 1,308 million (thereof non-current € 164 million) were shown under the trade liabilities and deferred items and have developed as follows:

Contractual liabilities (*€ million*)	2019	2018
As of Jan 1	1,266	1,158
Additions	3,161	3,157
Fulfillment of liabilities	- 3,118	- 3,177
Other changes	- 1	128
As of Dec 31	**1,308**	**1,266**

[1] Contractual assets include claims from unfinished work related to long-term manufacturing among others.

(2) INVENTORY CHANGES AND OTHER INTERNALLY PRODUCED AND CAPITALIZED ASSETS

(*€ million*)	2019	2018
Inventory changes	- 29	15
Other internally produced and capitalized assets	3,195	3,076
Total	**3,166**	**3,091**
± Special items	–	–
± Effects from changes in scope of consolidation	–	–
± Effects from changes in exchange rates	0	0
Total – comparable	**3,166**	**3,091**

Own investments relate mainly to construction and project business in rail infrastructure and also the modernization of rolling stock as well as the processing of appropriate spare parts. The increase compared with the previous year was attributable to a higher construction volume in rail infrastructure.

(3) OTHER OPERATING INCOME

(*€ million*)	2019	2018
SERVICES FOR THIRD PARTIES AND SALE OF MATERIALS		
Income from maintenance and repair	4	5
Sale of materials and energy	98	123
Other services for third parties	509	505
	611	**633**
Leasing and rental income	188	181
Income from claims for damages and cost refunds	259	271
INCOME FROM FEDERAL GRANTS		
Federal compensation payments	115	114
Other investment grants	0	0
Income from release of deferred items	144	144
Other Federal grants	346	278
	605	**536**
Income from the disposal of property, plant and equipment and intangible assets	277	278
Income from the disposal of non-current financial instruments	0	56
Income from reversal of provisions	267	341
OTHER INCOME		
Income from third-party fees	24	38
Income from remediation of ecological burdens	46	51
Utilization of provisions for potential losses	156	71
Miscellaneous other income	597	542
	823	**702**
Total	**3,030**	**2,998**
± Special items	- 22	- 136
± Effects from changes in scope of consolidation	- 1	0
± Effects from changes in exchange rates	- 2	–
Total – comparable	**3,005**	**2,862**

Adjusted by special items, effects from changes in scope of consolidation and in exchange rates, other operating income was slightly higher than the previous year (€ +143 million). The increase in income from Federal grants was mainly attributable to the train-path price support of the Federal Government which was paid for the first time for the full year for the rail freight service for DB Cargo AG. The increase in the other income is mainly attributable to the utilization of provisions for potential losses for Arriva Rail North. The income from leasing, rental and letting included subletting income of € 21 million.

The miscellaneous other income comprises the reversal of liabilities as well as a range of individual issues which individually are of a minor nature.

(4) COST OF MATERIALS

(€ million)	2019	2018
EXPENSES FOR RAW MATERIALS AND SUPPLIES AND OF PURCHASED GOODS		
Energy expenses		
Electricity	1,824	1,872
Electricity tax	155	158
Diesel, other fuel	1,120	1,078
Other energies	217	233
Energy price derivatives	-2	18
	3,314	**3,359**
Other supply and purchased goods	556	571
Price and value adjustments for materials	-78	-176
	3,792	**3,754**
EXPENSES FOR PURCHASED SERVICES		
Purchased transport services	11,980	12,058
Cleaning, security, disposal, winter service	401	397
Commissions	179	171
Expenses for utilization of infrastructure		
Train-path usage	462	351
Station usage	84	57
Use of local installations	16	14
	562	**422**
Other purchased services	959	1,047
	14,081	**14,095**
Expenses of maintenance and production	4,389	4,409
Total	**22,262**	**22,258**
± Special items	-3	-4
± Effects from changes in scope of consolidation	-23	0
± Effects from changes in exchange rates	-64	-
Total - comparable	**22,172**	**22,254**

Compared with the previous year, the cost of materials increased by a total of € 4 million, and was thus virtually unchanged.

The impairments recognized in cost of materials in relation to assets amounted to € 32 million (in previous year: increases in value: € 64 million, mainly due to the change of estimation parameters).

Compared with the previous year, the expenses for purchased services were virtually unchanged as a result of opposite effects. The reduction in purchased transport services was mainly due to lower transport volumes in airfreight at DB Schenker. This was opposed by the increases in the expenses for train-path usage and station usage particularly in the segment DB Arriva.

(5) PERSONNEL EXPENSES AND EMPLOYEES

(€ million)	2019	2018
WAGES AND SALARIES		
Employees	13,714	13,024
Civil servants assigned	963	1,012
	14,677	**14,036**
SOCIAL SECURITY EXPENSES		
Employees	2,569	2,402
Civil servants assigned	221	229
Expenses for adjusting staffing levels	142	151
Retirement benefit expenses	543	483
	3,475	**3,265**
Total	**18,152**	**17,301**
± Special items	-141	-152
± Effects from changes in scope of consolidation	-24	-2
± Effects from changes in exchange rates	-37	-
Total - comparable	**17,950**	**17,147**

The figure stated for personnel expenses (social security contributions) includes expenses of € 1,215 million for defined contribution plans (previous year: € 1,182 million).

The amount shown for adjusting staffing levels mainly comprises expenses for restructuring costs, obligation surpluses relating to employment agreements as well as costs of severance payment and semi-retirement agreements.

The retirement benefit expenses relate to active persons as well as persons who are no longer employed in DB Group or their surviving dependants. They are attributable primarily to service costs, employers' contributions to the company top-up benefit scheme as well as the contributions to Pensions-Sicherungs-Verein aG (pension backing association). The interest expense resulting from compounding the pension obligations and the expected income from plan assets is shown in financial result. For detailed explanations regarding the development of pension obligations, please refer to NOTE (31) 221 FF.

The increase in retirement benefit expenses was driven mainly by higher allocations to the pension provisions as well as a higher number of employees.

The activities of the civil servants in DB Group are based on statutory allocation within the framework of the German Rail Restructuring Act (Eisenbahnneuordnungsgesetz; ENeuOG), Art. 2 § 12. For the work of the allocated civil servants, DB AG reimburses to the Federal Railroad Fund (Bundeseisenbahnvermögen; BEV) those costs which would be incurred if an employee covered by collective bargaining arrangements were to be employed instead of the allocated civil servant (pro forma calculation).

The increase in wages and salaries in Germany was mainly attributable to the collective bargaining agreement 2018/2019. A one-off payment was agreed for the period October 2018 to June 2019; this was recognized proportionately in personnel expenses in 2019. From July 1, 2019, the table-based payments were increased by 3.5%.

In addition, the increase in the number of employees also resulted in a considerable rise in personnel expenses.

The development in the number of employees in DB Group, converted to full-time employees (FTE) in each case, is shown in the following:

	As of Dec 31		Annual average	
(FTE)	2019	2018	2019	2018
Employees	305,342	298,343	302,327	294,337
Civil servants	18,602	20,185	20,051	22,564
Employees (including civil servants)	**323,944**	**318,528**	**322,378**	**316,901**
Trainees and dual degree students	11,962	11,053	10,296	9,695
Total	**335,906**	**329,581**	**332,674**	**326,596**

In the event of changes in the scope of consolidation, the employees are included on a pro rata basis up to the time of deconsolidation or after the date of initial consolidation.

As of December 31, 2019 the number of persons employed in DB Group was higher than at the end of the previous year. In the various segments, staff increases were reported particularly at DB Netze Track in the areas of maintenance, construction projects and in operation. In the segment Subsidiaries/Other, increases were reported mainly at DB AG and DB Vehicle Maintenance and also due to the expansion of innovative subject areas at DB Systel. Employee numbers also increased at DB Long-Distance, DB Regional and DB Cargo compared with the previous year.

The development in the number of employees, based on the number of natural persons (NP), is shown in the following:

(NP)	As of Dec 31 2019	2018
Employees	318,809	310,443
Civil servants	19,102	21,125
Employees (including civil servants)	**337,911**	**331,568**
Trainees and dual degree students	11,962	11,053
Total	**349,873**	**342,621**

(6) DEPRECIATION AND IMPAIRMENTS

In the case of property, plant and equipment, depreciation is recognized using the straight-line method over the expected useful life of the assets or, in the case of leased assets, over the shorter contract duration. The following useful-service lives for the main groups of property, plant and equipment are taken as a basis:

	Years
Permanent way structures, tunnels, bridges, railway crossings	15 - 100
Track infrastructure	13 - 30
Buildings, halls, roofs	10 - 85
Other structures	8 - 60
Signaling equipment	10 - 40
Telecommunications equipment	5 - 20
Traction current installations	10 - 40
Rolling stock	10 - 30
Other technical equipment, machinery and vehicles	5 - 40
Fixtures and fittings	3 - 15

The appropriateness of the chosen depreciation method and the service lives is subject to an annual review. Our expectations regarding the residual value are also updated annually.

Intangible assets are depreciated using the straight-line method. The following useful lives are used as the basis for depreciation:

	Years
Franchises, rights, etc.	Duration of contract
Trademarks	Economic life
Brand names	Unlimited
Customer base	Economic life
Purchased software	3 - 10
Software produced in-house	3 - 25

Goodwill arises as a positive difference between the costs of purchasing the shares and the fair values of the individually acquired assets, absorbed liabilities and contingent liabilities. It is not depreciated; instead, it is subject to an annual impairment test. Impairment losses in relation to goodwill are not reversed.

The adequacy of the depreciation method and the service life are subject to an annual review.

Impairments of assets

IAS 36 governs the impairment test for property, plant and equipment and intangible assets with a certain economic life, which is carried out using a so-called indicator-based asset impairment test. Such an asset impairment test has to be carried out when indicators (so-called triggering events) indicate a possible loss of value. In addition, according to IAS 36, goodwill as well as intangible assets with an indefinite service life have to be subjected at least once a year to an impairment test.

DEFINITION OF CASH-GENERATING UNITS

Goodwill impairment tests have to be carried out at the level of individual assets as part of the asset impairment test. If it is not possible to determine future cash flows, which are to a large extent independent, for an individual asset, so-called cash-generating units (CGUs) have to be formed as an aggregation of assets whose future cash flows depend on each other. The CGU structure is fully in line with the planning and reporting structure of DB Group. In the year under review, no adjustments were made to the CGU structure.

Due to the congruence between management structure and legal structure, the identified CGUs also always consist of at least one legal unit. This means that the data necessary for the asset impairment test can be derived from annual financial statements and planning data.

The impairment test for goodwill is carried out at the level of the CGU or group of CGUs to which the goodwill has been allocated. This is applicable for the operating segments. Significant goodwill currently exists in the CGUs DB Arriva and DB Schenker. With regard to the recognition of goodwill for each CGU, please also refer to the segment information according to business segments.

METHOD

In the impairment test in accordance with IAS 36, the carrying amount of an asset or a CGU has to be compared with the corresponding recoverable amount. If the positive carrying amount is no longer covered by the recoverable amount, this results in a corresponding impairment requirement.

The carrying amount of a CGU is established by adding the carrying amounts of the assets less the liabilities which are related to the relevant assets (net position). In addition, for determining the carrying amount of a CGU, it is also necessary to proportionally recognize corporate assets and corporate liabilities jointly used by several CGUs, and the working capital necessary for the corresponding CGU must also be taken into consideration.

The recoverable amount is defined as the higher of the fair value less costs of disposal and the value in use. In the impairment tests carried out in DB Group, the recoverable amount is represented by the value in use. The value in use is established as the present value of the free cash flows before interest and after taxes attributable to the continuation of a CGU. A global tax rate of 30.5% has again been used in relation to EBIT (unchanged compared with the previous year). The forecast of cash flows reflects previous experience, and takes account of management expectations with regard to future market developments. This cash flow forecast is based on the medium and long-term planning adopted by the Management Board of DB AG and which covers a planning horizon of five or ten years, respectively. If cash flow forecasts are necessary beyond the ten-year planning horizon, a sustainable free cash flow is derived from the forecast and is extrapolated on the basis of a growth rate related to the specific market development. As was the case in the previous year, a uniform average growth rate of 1% per annum has been assumed in DB Group.

A weighted average cost of capital is used for discounting the free cash flows; this reflects the expectation of return on the capital market for providing debt capital and shareholders' equity to DB Group. Because free cash flow after taxes has been calculated, a cost-of-capital rate after tax has also been used. Risks of free cash flows are recognized by a risk-equivalent capitalization rate.

Compared with the previous year, the cost of capital of DB Group has declined from 4.7% to 4.1%. Taking account of the typical tax rate of 30.5% in relation to EBIT, this is equivalent to a corresponding capitalization rate before tax of 5.9% (previous year: 6.8%).

Starting in the year under review, a specific cost of capital rate has been calculated for each CGU.

The WACCs of the CGUs which are applicable for the 2018 and 2019 annual financial statements are detailed in the following table:

(%)	2019		2018	
	Before taxes	**After taxes**	Before taxes	After taxes
DB Long-Distance	5.5	3.8	6.9	4.8
DB Regional	4.5	3.1	6.9	4.8
DB Arriva	4.5	3.1	6.9	4.8
DB Cargo	7.9	5.5	8.5	5.9
DB Schenker	8.1	5.7	8.5	5.9
DB Netze Track	4.2	2.9	5.8	4.0
DB Netze Stations	5.6	3.9	5.8	4.0
DB Netze Energy	3.9	2.7	5.8	4.0
DB Group	**5.9**	**4.1**	**6.8**	**4.7**

The changes in the WACCs compared with the previous year are attributable to current expectations of medium- to long-term developments of the capital market.

ASSET IMPAIRMENT TEST

Processes which comply with the specific requirements of IAS 36 have been implemented in order to carry out the asset impairment test. The service lives of the individual CGUs used for the asset impairment test are based on the service life of the asset or a group of homogeneous assets which is (are) most significant for the particular CGU.

In addition, the process of establishing the value in use disregards assets or future cash flows which result from major structural changes, disinvestment measures or extension capital expenditures. Resultant adjustments to the original plans relate mainly to the major new and expansion infrastructure projects, where it is assumed that the construction process will be completed beyond the observation period (beyond 2029) and for which most of the planned own funds have not yet been invested. The cash flow forecasts take account of internal transfer prices within DB Group on the basis of arm's length assessments of the companies involved. The published infrastructure prices are applicable for goods and services exchanged between transport and infrastructure segments; price increases in the period covered by the forecast have also been taken into consideration.

After the medium-term planning has been completed, a regular check is carried out to determine whether impairments are necessary at the CGU level. In addition to this annual cycle, a test is also performed if current issues arising from the development in business or changes in assumptions indicate that there has been a major deterioration in the value in use.

The impairment tests carried out in the period under review identified surplus cover for all CGUs.

Independently of the impairment tests carried out in relation to the CGUs, impairments are recognized in relation to individual assets which are no longer capable of being used fully. These impairments are shown under the disclosures for the respective balance sheet item.

GOODWILL IMPAIRMENT TEST

A goodwill impairment test must be carried out annually for all CGUs to which goodwill can be allocated. Because the goodwill which arises in DB Group as a result of acquisitions is always clearly allocated to a CGU, this goodwill impairment test is an integral part of the asset impairment test which is always carried out annually for all CGUs.

The goodwill impairment tests carried out for the segments which are carrying goodwill did not identify any impairment requirement for the CGUs.

DB Cargo is still facing major challenges from the market and the competition. At the CGU DB Cargo, depending on the planning scenario, the value in use of employed assets might be lower than the corresponding carrying amount as of the balance sheet date. In this case, the fair value less costs to sell must also be determined for the affected assets. If this is higher than the carrying amount of the assets, no impairment is to be recognized. In the year under review, DB Cargo established market values of most of its assets (in particular locomotives and freight cars). Overall, it was established that values in use were not lower than the carrying amounts, and accordingly no impairment had to be recognized as of the balance sheet date.

The respective recoverable amount is represented by the value in use of the CGU, which in turn has been derived from the planning of the relevant segments. The details relating to methods presented above are thus applicable correspondingly. At DB Arriva and DB Schenker, it also has to be borne in mind that separate assumptions relating to the development of the economy, market and competition as well as currency relations have been made for the relevant international markets. These assumptions have been based on the external and internal expert assessments available at the time of the planning.

CRITICAL ASSESSMENTS AND APPRAISALS

Impairment of CGUs

Within the framework of the impairment tests, the main assumptions which have an impact on the value of a CGU are reviewed in the form of standard sensitivity analyses. At the CGU DB Cargo, the sensitivity analysis was carried out in relation to the established market values of the main assets. Even in conjunction with a discount of 10% in relation to the market value, there was no impairment requirement for the CGU DB Cargo.

Also infrastructure CGUs are still exposed to risks relating to the extent of long-term investment grants for replacement capital expenditures in the existing network and the related extent of own funds at the infrastructure companies. The investment grants included in the medium- and long-term planning are based on the Performance and Financing Agreement signed by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur; BMVI) and DB Group as well as the project and financing concept agreed between the Federal Government and DB Group for setting out the objectives of the Climate Action Program 2030.

EBIT margin

The risk of an EBIT margin reduced by 10 % has been considered for analyzing a scenario in which profits fail to perform in line with budget. This model calculation has identified an impairment requirement at DB Cargo of € 688 million; this means that the value in use for this CGU no longer provides adequate cover for the carrying amount of the capital employed. In scenarios in which the EBIT margin is reduced, the CGU DB Netze Track is robust up to a reduction of 8.9 %. All other CGUs report stable surplus coverage even if the EBIT margin is reduced by 10 %.

Average real growth rate of cash flows

A reduction of 10 % in the long-term growth rate has been simulated in order to assess the sensitivity of the impairment test result in relation to the assumed long-term growth of cash flows (1 %). As was the case in the previous year, no impairment requirement has been identified for any of the CGUs considered in this scenario.

Weighted average cost of capital

Risks relating to the assumptions of the capitalization rate, which is normally used for calculating the present value of value in use, have been analyzed by simulating the value of each CGU in conjunction with a cost of capital mark-up of 10 %. The currently used weighted cost of capital (after tax) has been used as the basis of this simulation: In this scenario, there is no impairment requirement for any observed CGU.

Useful life and residual value

With regard to the assumptions relating to useful life and residual value, the effect of a 10 % reduction in the residual value at the end of useful life (= terminal value) was analyzed. In this scenario, there is no impairment requirement for any observed CGU.

Depreciation was broken down as follows:

(€ million)	2019	2018
Scheduled depreciation	3,688	2,714
Recognized impairments	10	25
Recognized recoveries in value	-27	-51
Total	**3,671**	**2,688**
± Special items	-72	-60
± Effects from changes in scope of consolidation	-22	-
± Effects from changes in exchange rates	-4	-
Total - comparable	**3,573**	**2,628**

In the year under review, depreciation was higher than in the previous year, and related mainly to the property, plant and equipment used as rail infrastructure as well as the rolling stock. It is shown in the income statement less any recovery in value recognized in the year under review. The increase in depreciation is mainly attributable to the first-time adoption of IFRS 16. There was a slightly opposite effect attributable to the recognition of higher useful lives for individual asset classes (see section "COMPARABILITY WITH THE PREVIOUS YEAR" 191 F.).

For further explanations, please refer to the details concerning the development in property, plant and equipment or intangible assets under NOTES (13) 203 FF. and (14) 206 F.

(7) OTHER OPERATING EXPENSES

(€ million)	2019	2018
LEASING, RENTS AND LEASES		
Leasing expenses [1]	903	1,801
Conditional leasing expenses	1	1
	904	**1,802**
Legal, consultancy and audit fees	271	355
Fees and contributions	242	248
Insurance expenses	151	172
Advertising and sales promotion expenses	174	178
Printing and stationery expenses	65	69
Travel and representation expenses	334	323
Research and non-capitalized development costs	28	29
OTHER PURCHASED SERVICES		
Purchased IT services	521	487
Other communication services	50	47
Other services	840	794
	1,411	**1,328**
Expenses from claims for damages	204	175
Impairments recognized in relation to receivables and other assets [2]	59	27
Losses from the disposal of property, plant and equipment and intangible assets	132	116
Expenses from disposal of non-current financial instruments	1	19
Other operating taxes	73	67
OTHER EXPENSES		
Grants for third-party facilities	93	94
Concession fees for passenger transport	114	124
Other personnel-related expenses	241	230
Miscellaneous other expenses	660	732
	1,108	**1,180**
Total	**5,157**	**6,088**
± Special items	-258	-253
± Effects from changes in scope of consolidation	-5	-2
± Effects from changes in exchange rates	-18	-
Total - comparable	**4,876**	**5,833**

[1] In previous year: Operating lease expenses.

[2] Including payments for receivables written down in the previous year.

The other operating expenses declined by € 931 million (–15.3 %). The main reason for this decline is the first-time adoption of IRFS 16 as of January 1, 2019. The remaining expenses of leasing comprise the service element of capitalized leases (which continues to be shown in other operating expenses) as well as short-term leases (€ 320 million), minor-value leased assets (€ 41 million) as well as variable leasing expenses (€ 10 million).

In the other purchased services, the purchased IT services increased in virtually all segments. This was opposed by a considerable decline in legal, consultancy and audit fees.

The legal, consultancy and audit fees comprise fees of € 32.8 million for the auditor of the consolidated financial statements (previous year: € 29.4 million); this figure comprises auditing services of € 14.7 million (previous year: € 8.2 million), other certification services of € 9.0 million (previous year: € 5.0 million), tax advice services of € 0.4 million (previous year: € 0.6 million) as well as other services of € 8.7 million (previous year: € 15.6 million). Of the figure shown for the other rendered services, € 6.6 million (previous year: € 8.5 million) is attributable to services of associates of the auditor of the consolidated financial statements.

The decline in the miscellaneous other expenses is almost entirely attributable to the year-on-year decline in the allocation to provisions for potential losses in the segment DB Arriva.

(8) RESULT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following contributions to earnings are recognized in the income statement as a result of shares in companies over which significant influence can be exercised or which are managed as joint ventures.

(€ million)	2019	2018
JOINT VENTURES		
VT-ARRIVA Személyszállíto es Szolgáltató Kft., Székesfehérvár / Hungary	–	5
Trieste Trasporti S.P.A., Trieste / Italy	4	4
Intercambiador de Transportes Principe PIO S. A., Madrid / Spain	5	1
Other	2	-1
	11	**9**
ASSOCIATED COMPANIES		
EUROFIMA European Company for the Financing of Railroad Rolling Stock (EUROFIMA), Basel / Switzerland	3	3
GHT Mobility GmbH, Berlin	-27	–
Other	1	0
	-23	**3**
Total	**-12**	**12**

(9) NET INTEREST INCOME

(€ million)	2019	2018
INTEREST INCOME		
Net interest income from pension provisions	5	6
Other interest and similar income	32	21
Income from securities	0	0
Operating interest income	**37**	**27**
Interest income from the reversal of deferred items and other interest income	11	-3
	48	**24**
INTEREST EXPENSES		
Other interest and similar expenses	-472	-519
Net interest expenses for pension provisions	-92	-99
Interest expenses for leasing liabilities	-94	-27
Operating interest expenses	**-658**	**-645**
Compounding of long-term provisions and liabilities	-45	-24
	-703	**-669**
Total	**-655**	**-645**
± Special items	2	0
± Effects from changes in scope of consolidation	2	0
± Effects from changes in exchange rates	1	–
Total – comparable	**-650**	**-645**
For information only:		
Net operating interest income	-621	-618

The increase in interest income is attributable to various factors, including higher income from hedging transactions as well as the reversal of deferred items.

The expenses for other interest and similar expenses have declined as a result of the average lower interest rates for the senior bonds issued in the year under review and the previous year compared with the senior bonds repaid in this period despite an overall increase in financial debt.

The considerable increase in interest expenses for leasing liabilities is due to the first-time adoption of IFRS 16.

(10) OTHER FINANCIAL RESULT

(€ million)	2019	2018
Result from equity investments	2	1
Result from currency exchange gains	-128	-57
Result from currency-related derivatives	110	59
Result from other derivatives	2	0
Result from disposal of financial instruments	0	0
Impairments on financial instruments	-5	-8
Other financial result	-17	-9
Total	**-36**	**-14**
± Special items	–	–
± Effects from changes in scope of consolidation	3	1
± Effects from changes in exchange rates	4	–
Total – comparable	**-29**	**-13**

Dividend income is recognized at the point at which the right to receive the payment arises. Interest income is recognized in the income statement using the effective interest method in the period in which the income arises.

The result from exchange rate effects is attributable to the conversion of foreign currency liabilities and receivables with an impact on the income statement using the spot rate applicable on the reference date (IAS 21). The result from exchange rate effects has to be netted with the result from currency-related derivatives. The strong exchange rate fluctuations in the year under review are mainly attributable to the development of the exchange rate between the euro and the British pound, the Swiss franc, and the Japanese yen. The moderate exchange rate fluctuations in the previous year were mainly due to the exchange rates between the euro and the Swiss franc, the Australian dollar and the Japanese yen. The result from currency-related derivatives comprises reclassifications of currency-related changes in the market value of cash flow hedges recognized under shareholders' equity with no impact on the income statement. The result from other derivatives relates to the development in the market value of derivatives which are not classified as effective hedges in accordance with IFRS 9 (Financial Instruments).

(11) TAXES ON INCOME

(€ million)	2019	2018
Actual tax expense	-240	-222
Income due to lapsing of tax obligations	103	30
Actual taxes on income	**-137**	**-192**
Deferred tax expense / tax income	136	-438
Taxes on income	**-1**	**-630**

The actual taxes on income in the year under review were incurred mainly at foreign Group companies. The decline compared with the previous year is mainly attributable to lower income tax risks. In the case of deferred taxes, there was an income item (in previous year: expense). This was mainly attributable to Germany, and essentially resulted from the extended planning horizon for utilizing losses carried forward which was adjusted to reflect the changed background conditions as well as temporary differences.

Starting with the net profit of DB Group before taxes on income and the theoretical taxes on income calculated using a theoretical tax rate of 30.5%, the following reconciles the calculated taxes with the actual taxes on income:

(€ million)	**2019**	2018
Profits before taxes on income	681	1,172
Group tax rate (%)	30.5	30.5
Expected tax expense (-)	**-208**	**-357**
Adjustment of the expected future use of loss carry-forwards and new temporary differences which have arisen and loss carry-forwards	151	-299
Income not subject to tax	33	30
Tax effects related to IAS 12.33	48	55
Expenses not deductible for tax purposes	-27	-16
Differences in tax rates for foreign companies	21	30
Other effects	-19	-73
Taxes on income as reported	**-1**	**-630**
Effective tax rate (%)	0.1	53.8

The reconciliation amount as detailed in IAS 12.33 relates exclusively to additional tax write-downs resulting from the fact that tax-free grants in the IFRS financial statements have been deducted directly from the costs of purchasing the assets. It is not permissible for deferred taxes to be created in relation to these temporary differences.

In the year under review, the other effects included in particular effects attributable to the difference in the assessment bases of different income tax bases, and the reversal of provisions for income tax risks outside Germany.

(12) EARNINGS PER SHARE

Under IAS 33 (Earnings per Share), undiluted earnings per share are calculated by dividing the net profit of DB Group attributable to the shareholders of DB AG by the weighted average number of shares in issue during the year under review. Undiluted earnings per share correspond to diluted earnings per share.

(€ million)	**2019**	2018
Net profit for the year	680	542
thereof due to shareholders of DB AG	662	528
thereof attributable to providers of hybrid capital	5	–
thereof attributable to non-controlling interests	13	14
Number of issued shares as of Dec 31	430,000,000	430,000,000
Earnings per share (€ per share)		
Undiluted	1.54	1.23
Diluted	1.54	1.23

Notes to the balance sheet

(13) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost in accordance with IAS 16 (Property, Plant and Equipment). Cost of production comprises individual costs as well as overhead costs which are directly allocatable.

If at least two years are required for manufacturing an asset in order to place it in its intended state in which it is capable of being used or sold, any directly attributable borrowing costs are capitalized as costs of production of the asset. If a direct link cannot be established, the average borrowing cost rate of the year under review is used. Turnover tax incurred in connection with the purchase or production of property, plant and equipment is only capitalized if input tax is not permitted to be deducted.

Subsequent costs are capitalized if the expenses enhance the economic benefit of the property, plant and equipment and if the costs can be reliably measured. On the other hand, all other repairs or maintenance are expensed.

Components of property, plant and equipment which are significant in relation to the total costs of purchase and costs of production are recognized separately and written down over their useful life using the straight-line method.

Investment grants are deducted directly from the cost of purchase or cost of production of the assets for which the grants have been given.

Rights-of-use from leases

In the case of rented and leased assets, if they fall under the scope of IFRS 16, a right-of-use (in accordance with IFRS 16.24) and a lease liability are shown as soon as the asset is available for use to DB Group. Depreciation is recognized using the straight-line method over the economic useful life of the asset or the shorter duration of the lease. This is not applicable for leases for minor-value assets (up to and including € 5,000) and short-term leases with a duration of 12 months or less, the costs of which are recognized on a linear basis in the income statement. Components of lease payments which do not relate to the use of the asset are not included in the measurement of the right-of-use and the lease liability.

Up to December 31, 2018, DB Group applied IAS 17 and classified such leases as finance leases which essentially transferred the opportunities and risks associated with the ownership to the lessee.

Critical assessments and appraisals

With regard to defining the duration of the lease, management takes account of all facts and circumstances which have an influence on the possible exercising of a prolongation option or termination option. This assessment is reviewed regularly.

Leased assets

DB Group classifies every lease either as an operating lease or as a finance lease. A lease is classified as a finance lease if it transfers essentially all risks and opportunities associated with the ownership. If this is not the case, the lease is classified as an operating lease.