

12. Income taxes

This note contains further details on all items in the financial statements with regard to income tax, being income tax

recognised in the statement of income, deferred taxes recognised in the statement of financial position, current tax positions in the statement of financial position and income tax recognised in equity.

Reconciliation of effective tax rate

(in thousands of euros)

	2018		2017	
Profit before tax	375,373		345,817	
Income tax calculated at the domestic tax rate	93,843	25.0%	86,454	25.0%
Share of profit of associates	-24,353	-6.5%	-18,192	-5.3%
Share of profit of associates in limited partnerships that are not independently taxable	1,387	0.4%	430	0.1%
Decrease corporate income tax rate	17,332	4.7%	-4,827	-1.4%
Participation exemption on disposal of subsidiaries	-	0.0%	-1,653	-0.5%
Participation exemption on performance shares	-	0.0%	-3,085	-0.9%
Different rate for foreign subsidiaries / associates	605	0.2%	1,612	0.5%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-189	-0.1%
Change in recognised temporary differences	98	0.0%	-	0.0%
Tax results previous years	1,172	0.3%	-356	-0.1%
Other	-85	0.0%	83	0.0%
Income tax expense in income statement (effective)	89,999	24.0%	60,277	17.4%

The effective tax rate in 2018 was 24.0%, up 6.6 percentage points from 2017 (17.4%). The increase in the effective tax rate in 2018 is caused by the one-off tax expense triggered by the step-by-step reduction of the nominal income tax rate from 25% in 2019 to 20.5% in 2021 as part of the *Belastingplan 2019*, for which the underlying legislation was approved by the House of Representatives and the Senate in December 2018. The reduction of the nominal income tax rate triggered a recalculation of deferred tax assets and liabilities which resulted in a one-off tax charge of 17 million euros. As was the case in prior years, the application of the participation exemption to the results of associates results in a decrease of the effective tax rate.

Besides this in 2017 the effective income tax rate was below nominal due to the exempted one-off effect of the sale of Schiphol Hotel Holding B.V., the exempted result on performance shares and a decline per 1 January 2018 of the income tax rate in the United States by approximately 10%, which has a positive impact on the deferred tax liability.

There are no unused tax losses as per balance sheet date.

Income tax in the statement of income

(in thousands of euros)

	2018	2017
Current income tax		
Income tax current year	46,834	50,745
Adjustment for prior years	1,172	-356
Total current income tax	48,006	50,389
Deferred income tax		
Origination and reversal of temporary differences	24,661	14,715
Decrease corporate income tax rate	17,332	-4,827
Total deferred income tax	41,993	9,888
Total income tax	89,999	60,277

2018 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	368,739		6,259		376		375,373	
Income tax calculated at the nominal rate	92,185	25.0%	2,159	34.5%	105	27.9%	94,448	25.2%
Results of associates	-22,966	-6.2%	-	0.0%	-	0.0%	-22,966	-6.1%
Decrease corporate income tax rate	17,332	4.7%	-	0.0%	-	0.0%	17,332	4.6%
Change in recognised temporary differences	466	0.1%	-	0.0%	-368	-97.9%	98	0.0%
Tax results from previous years	172	0.0%	-	0.0%	1,000	266.3%	1,172	0.3%
Other	41	0.0%	10	0.2%	-136	-36.2%	-85	0.0%
Income tax expense in profit or loss (effective)	87,229	23.7%	2,169	34.6%	601	160.0%	89,999	24.0%

2017 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	337,005		8,054		758		345,817	
Income tax calculated at the nominal rate	84,251	25.0%	3,697	45.9%	182	27.9%	88,130	25.5%
Results of associates	-17,762	-5.3%	-	0.0%	-	0.0%	-17,762	-5.1%
Participation exemption on disposal of subsidiaries	-1,653	-0.5%	-	0.0%	-	0.0%	-1,653	-0.5%
Participation exemption on performance shares	-3,085	-0.9%	-	0.0%	-	0.0%	-3,085	-0.9%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	-182	-24.0%	-182	-0.1%
Change in recognised temporary differences	-	0.0%	-4,827	-59.9%	-	0.0%	-4,827	-1.4%
Tax results from previous years	-356	-0.1%	-	0.0%	-	0.0%	-356	-0.1%
Other	11	0.0%	-	0.0%	-	0.0%	11	0.0%
Income tax expense in profit or loss (effective)	61,407	18.2%	-1,130	-14.0%	-	0.0%	60,277	17.4%

Deferred tax in the statement of financial position

The following differences in valuation for tax and reporting purposes can be distinguished:

- Assets used for operating activities and assets under construction are measured at cost both for reporting purposes and for tax purposes. The balance sheet for tax purposes equates the cost with the market value as at 1 January 2002, whereas the balance sheet for reporting purposes equates the cost with the (lower) historical cost;
- For tax purposes, the depreciation of both commercial buildings and operational buildings is limited to the so-called base value. Up to 1 January 2019, the base value is 50% of the WOZ value (i.e., the value under the Valuation of Immovable Property Act) of operational buildings and 100% of the WOZ value of commercial buildings;
- Property investments are depreciated for tax purposes (with a residual value of 25%) but not for reporting purposes;
- Borrowings in foreign currencies are measured at the closing rates on the balance sheet date for reporting purposes and at cost at the rate applicable at the time of borrowing for tax purposes;
- The valuation of employee benefits is different for tax purposes and reporting purposes because of differences in the actuarial assumptions applied;
- Property investments and derivative financial instruments are measured at fair value for reporting purposes and at cost for tax purposes;
- The valuation of the contractual interest in JFKIAT is different for tax purposes (measured at cost) and reporting purposes (revalued at the time of expansion);
- Long-term land leases received in advance are recorded as a lease liability for reporting purposes. For tax purposes, they are treated as a sale.

Deferred tax assets and liabilities are recognised in respect of all these differences.

Under IAS 12, Income Taxes, a deferred tax asset must be recognised if it is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised. However, it is impossible to estimate the moment when the deferred tax assets relating to certain operating assets (68.3 million euros) will be realised, because the difference in the values for reporting and tax purposes will be realised only in the event of a sale (resulting in a lower profit for tax purposes and a lower income tax liability), impairment (resulting in higher costs for tax purposes and a lower income tax liability) or termination of the aviation activities (resulting in higher costs for tax purposes because compensation will only be obtained up to the carrying amount for reporting purposes). Schiphol Group is not authorised to sell the land for operating activities, forecasts of future cash flows do not suggest that impairment losses will be necessary and it is unlikely that the activities will be terminated.

Deferred tax assets and liabilities are netted if they relate to the same fiscal unity and the company at the head of this fiscal unity has a legally enforceable right to do so.

(in thousands of euros)	2018	2017
Deferred tax assets (fiscal unity)		
Assets used for operating activities	141,526	172,595
Assets under construction or development	53,497	65,001
Derivative financial instruments and borrowings	14,444	19,803
Employee benefits	4,076	4,977
Investment property	-117,690	-117,877
	95,853	144,499
Deferred tax assets (outside fiscal unity)		
Investment property	136	314
Deferred tax liabilities (outside fiscal unity)		
Contract-related assets	-14,301	-13,089
Investment property	-	-99
Derivative financial instruments and borrowings	-676	-3,463
	-14,977	-16,651
Total deferred tax	81,012	128,162
Non-current (settlement is not expected)	68,285	83,274
Non-current (expected to be recovered or settled after more than 1 year)	11,181	48,351
Current (expected to be recovered or settled within 1 year)	1,546	-3,463
	81,012	128,162

The movements in the deferred tax assets and deferred tax liabilities during the year were as follows:

(in thousands of euros)	Assets used for operating activities	Assets under construction or development	Investment property	Derivative financial instruments	Employee benefits	Contract-related assets	Total
Carrying amount as at 1 January 2017	155,791	66,486	-82,911	18,556	4,766	-20,393	142,295
Movements in 2017							
Deferred tax recognised in the income statement	-4,857	-	-9,933	75	-	4,827	-9,888
Deferred tax recognised in equity	-	-	-	-2,337	176	-	-2,161
Reclassification	21,661	-1,485	-24,818	46	35	-	-4,561
Other movements	-	-	-	-	-	2,477	2,477
Total movements in the year	16,804	-1,485	-34,751	-2,216	211	7,304	-14,133
Carrying amount as at 31 December 2017	172,595	65,001	-117,662	16,340	4,977	-13,089	128,162
Movements in 2018							
Deferred tax recognised in the income statement	-31,069	-11,504	108	1,281	-809	-	-41,993
Deferred tax recognised in equity	-	-	-	-6,640	-93	-	-6,733
Reclassification	-	-	-	2,787	-	-	2,787
Other movements	-	-	-	-	-	-1,212	-1,212
Total movements in the year	-31,069	-11,504	108	-2,572	-901	-1,212	-47,151
Carrying amount as at 31 December 2018	141,526	53,497	-117,554	13,768	4,076	-14,301	81,012

Income tax recognised in equity

The tax effects of the movements in equity, via comprehensive income, are as follows:

(in thousands of euros)	Before tax	Deferred tax	After tax
Exchange differences	-5,928	-	-5,928
Changes in fair value on hedge transactions	21,575	-6,640	14,934
Remeasurements of defined benefit liability	-1,845	-93	-1,938
Share in other comprehensive income of associates	-2,495	-	-2,495
Total unrealised 2018	11,306	-6,733	4,573
Exchange differences	-12,278	-	-12,278
Changes in fair value on hedge transactions	3,447	-2,337	1,110
Remeasurements of defined benefit liability	-704	176	-528
Share in other comprehensive income of associates	-6,586	-	-6,586
Total unrealised 2017	-16,121	-2,161	-18,282

Current income tax positions

(in thousands of euros)	2018	2017
Income tax receivable		
Fiscal unity	11,678	16,839
Dutch subsidiaries outside the fiscal unity	435	-
Income tax in foreign jurisdictions	1,871	807
Total income tax receivable	13,983	17,646
Income tax liability		
Dutch subsidiaries outside the fiscal unity	-155	-780
Total income tax liability	-155	-780
Total income tax	13,828	16,866

The income tax liability is calculated on the profit for reporting purposes, allowing for permanent differences between the profit as calculated for reporting purposes and for tax purposes. The income tax liability on fair value gains and losses which are not processed immediately in the income tax return is recognised in deferred tax assets and liabilities. Of the income tax receivable recognised in the balance sheet at 31 December 2018 with regard to the fiscal unity, an amount of 3.2 million euros relates to 2018 and 8.4 million euros to 2017. Final tax assessments have been imposed and settled for the tax years prior to 2017. The foreign income tax payable relates to local US taxes.

Differences between the income tax paid according to the cash flow statement and the income tax recognised in the statement of income concern additions to and withdrawals from deferred tax assets and liabilities, estimation differences between taxable amounts in provisional and final tax assessments, and settlements in respect of previous years.

13. Investments in associates and joint ventures

(in thousands of euros)	2018	2017
Investments in associates	888,118	852,065
Investments in joint ventures	69,277	69,252
Carrying amount as at 31 December	957,395	921,317

Associates

(in thousands of euros)	2018	2017
Carrying amount as at 1 January	852,065	826,237

Movements in 2017

Result for the year	96,031	72,355
Dividends	-46,996	-25,601
Capital contributions (repayments)	-3,156	-4,274
Share of OCI	-2,015	-6,586
Direct equity movement	-480	-
Reclassifications	-338	-
Other	-	-3,328
Exchange differences	-6,994	-6,738
Total movements in the year	36,053	25,828

Carrying amount as at 31 December	888,118	852,065
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Joint ventures

(in thousands of euros)	2018	2017
Carrying amount as at 1 January	69,252	69,108

Movements in 2018

Result for the year	1,381	412
Dividends	-2,821	-3,663
Capital contributions (repayments)	1,284	3,746
Exchange differences	34	-560
Other	67	-49
Reclassifications	80	258
Total movements in the year	25	144

Carrying amount as at 31 December	69,277	69,252
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Of the interests held by Schiphol Group in associates and joint ventures, only those in Groupe ADP and BACH can be regarded as material.

		2018	2017
Groupe ADP	Paris France	8%	8%
Brisbane Airport Corporation Holdings Ltd. (BACH)	Brisbane Australia	18.72%	18.72%

Schiphol Group has significant influence over both Groupe ADP and BACH, even though its indirect interest is smaller than 20%. In Brisbane, this influence is expressed in the form of rights to appoint members of the Board of Directors, rights to block key strategic and financial decisions and cooperative and exchange arrangements. Where Groupe ADP is concerned, the parties hold shares in each other, both the CEO and the CFO of Schiphol Group are members of Groupe ADP's Board of Directors, Groupe ADP has a representative on Schiphol Group's Supervisory Board and a long-term cooperation agreement is in place providing for cooperation in various areas.

On the following page a breakdown of the assets and liabilities, as well as a reconciliation with the recognition in Schiphol Group's financial statements. The accounting policies applied are based on Schiphol Group's accounting policies, or figures have been adjusted where necessary.

The carrying amount of the associates at 31 December 2018 includes 244 million euros of goodwill relating to Groupe ADP and 27 million euros of goodwill relating to Brisbane Airports Corporation Holding Ltd.

In 2018 Groupe ADP contributed an income of 59.3 million euros (income of 44.0 million euros in 2017) to Schiphol Group's financial result, which also includes the impact of adjustments recorded by Schiphol Group. These adjustments relate primarily to the differences in the accounting policies in respect of property. The fair value of Groupe ADP, derived from the market price of the share at 31 December 2018 is 16.4 billion euros (31 December 2017: 15.7 billion euros). Schiphol Group's share in this is 1.3 billion euros (31 December 2017: 1.3 billion euros).

The share in the results of associates in 2018 includes a contribution of 28.8 million euros from Brisbane Airports Corporation Holding Ltd. (2017: a contribution of 24.7 million euros).

Schiphol Group is not directly liable for other material obligations of associates. A complete list of associates and joint ventures has been filed with the Amsterdam Chamber of Commerce.