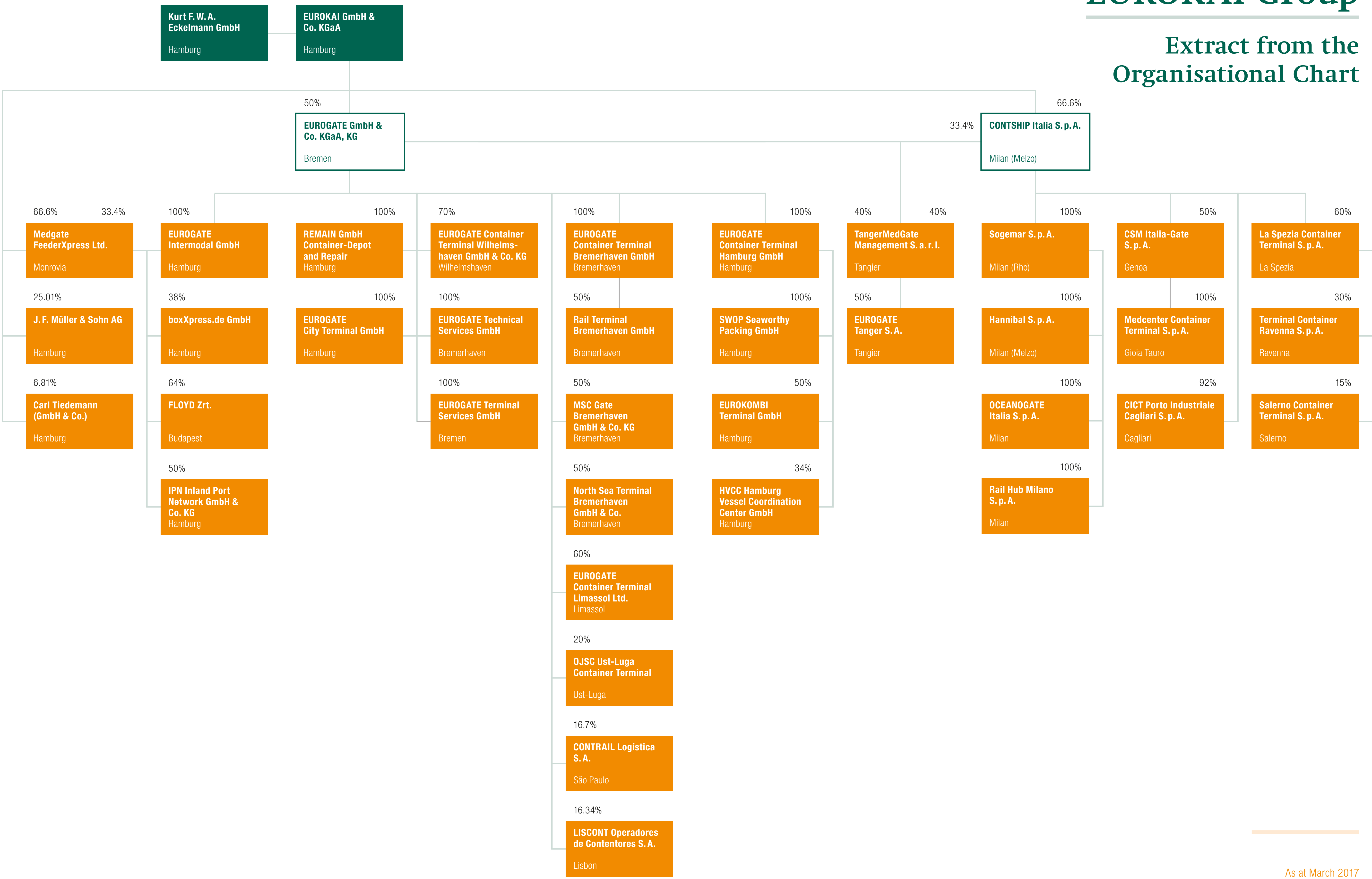
EUROKAI

ANNUAL REPORT 2016

Condensed Version

EUROKAI Group

Extract from the Organisational Chart



As at March 2017

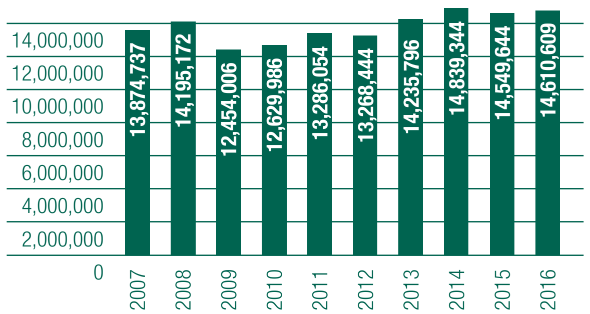
Balance Sheet Figures and Corporate Data

Figures in accordance with IFRSs

	2016 EUR '000	2015 EUR '000
REVENUE	330,657	324,269
NET PROFIT FOR THE YEAR	53,469	40,671
TOTAL ASSETS	672,440	655,415
EQUITY	425,127	407,717
EQUITY RATIO	63%	62%
CAPITAL EXPENDITURE ON PPE AND INTANGIBLE ASSETS	15,931	33,592
DEPRECIATION AND AMORTISATION EXPENSE	29,143	31,004
CASH FLOW FROM CONTINUING OPERATIONS	40,283	21,798
PERSONNEL EXPENSES	131,406	124,366
EMPLOYEES	2,343	2,378
EARNINGS PER SHARE IN EUR (UNDER IAS 33)	2.60	2.29

DEVELOPMENT OF EUROKAI CONTAINER HANDLING

TEUs

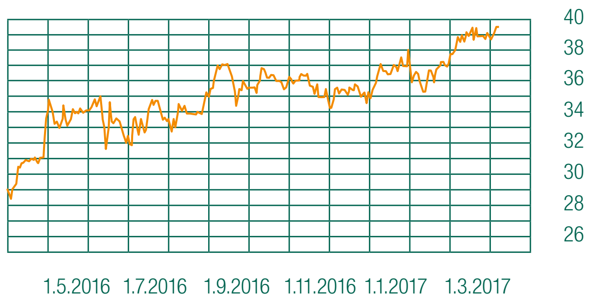


Since 2010 excluding Livorno.

SHARE PRICE DEVELOPMENT EUROKAI

PREFERENCE SHARE ISIN DE0005706535

EUR



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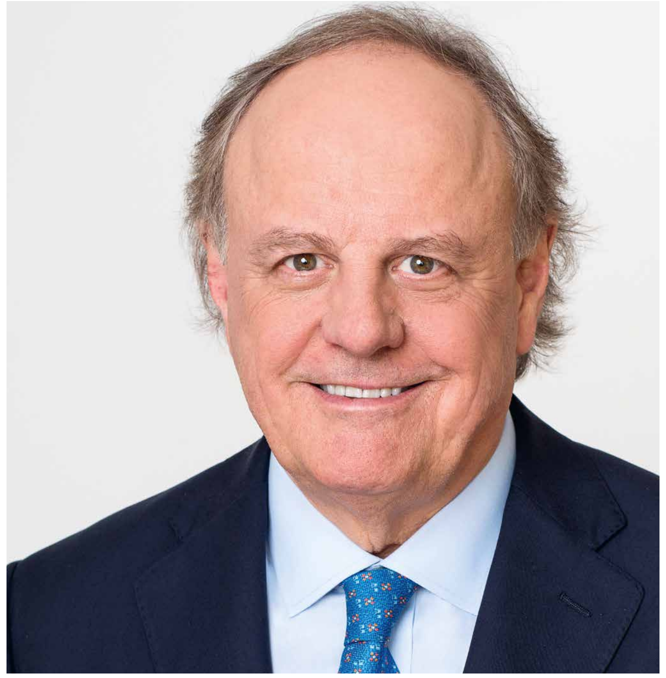
Foreword by the Chairman of the Management Board

A mega container ship at EUROGATE Container Terminal Hamburg.

THOMAS H. ECKELMANN
Chairman of the Management Board



To all our shareholders,

Behind us lies a year filled with surprises. Despite many unexpected turns of events, EUROKAI was able to continue on its course of success in fiscal 2016. Once again in the past financial year we saw our business and investment strategy confirmed and with the addition of EUROGATE Container Terminal Limassol expanded the EUROKAI network to 12 locations.

EUROKAI Group revenue in fiscal 2016 was up by 2.0% to EUR 330.7 million (previous year: EUR 324.3 million). Consolidated net profit for the year increased by EUR 12.8 million to EUR 53.5 million (previous year: EUR 40.7 million). The positive development of consolidated profit for the year is largely attributable to the positive business development of the CONTSHIP Italia Group.

The year-end result of EUROKAI GmbH & Co. KGaA declined in 2016 to EUR 20.8 million (previous year: EUR 38.5 million), mainly due to lower investment income of EUROGATE in connection with non-recurring effects. The significant decline in the share of profit of EUROGATE GmbH & Co. KGaA, KG is due to a proportionate recognition of an impairment loss on the company's investment in EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, Wilhelmshaven, of EUR 16.9 million, as well as recognition of a provision for impending losses arising from possible penalties relating to guaranteed handling volumes by the company at the Wilhelmshaven location (TEU guarantee) in the proportional amount of EUR 7.7 million.

In light of the continued sound balance sheet structure and excellent cash situation of EUROKAI GmbH & Co. KGaA, the Supervisory Board and Management Board of the Personally Liable General Partner propose that for fiscal 2016 the General Meeting approves a dividend distribution of 150% (previous year: 150%) on ordinary and preference shares. The EUROKAI share continued its highly encouraging trend in the first few months of 2017 and on 21 March 2017 was trading at its highest price for the year so far with EUR 39.40.

GLOBALISATION – HOW MUCH FURTHER?

In 2016, global economic growth failed to gain any real momentum. The International Monetary Fund has issued a more positive forecast for 2017 and 2018. By contrast, new protectionist tendencies in global politics could impact free trade and consequently give rise to uncertainties. This relates not only to the new US Administration, which on the one hand is spawning a mood of optimism in some business circles with its promises of tax relief, while the pledge to strengthen the American economy on the other hand is viewed internationally with concern. China has also issued the motto "Made in China" and is planning to focus its attention more closely on the domestic economy than has been the case in the past. The ongoing tensions with Turkey and Russia are also being followed closely. Europe's politics and economy are increasingly coming into the cross-fire of the disputes, prompting the question of whether globalisation has reached a dead end. Against the background of all these events and considerations, the outlook on the future is marked by uncertainty.

In 2016, we witnessed the start of an unprecedented process of consolidation in the history of container shipping, which will lead to a realignment of the alliance structures among the shipping companies. News of the insolvency of Hanjin Shipping from Korea affected us above all on an emotional level, as our friendly customer relationship with Hanjin Shipping goes back 38 years. Back then – on 21 March 1979 – the Korea Shipping Corporation's "Korean Jacewon" was the first Korean container ship to dock at EUROKAI in the Port of Hamburg. The ship operated as part of ACE Group's direct shipping service on the Far East–Europe trade lane. Korea Shipping Corporation was subsequently taken over by Hanjin Shipping. The company sadly folded in 2016.

ONLY THREE MAJOR ALLIANCES NOW DOMINATE THE MARKET

A lot has changed since 1979, especially on the Far East–North Europe routes. From April of this year, these trade lanes will be served by only three major alliances – 2M, Ocean Alliance and THE Alliance. All of the shipping companies have in the meantime joined one of these three alliances, provided that they have not disappeared from the market altogether or merged with other shipping lines. Within each of the major alliances, the partners jointly decide which ports and which terminals they wish to incorporate into their network. For the EUROKAI companies, this represents both an opportunity and a risk. Not all seaports have the capacities to handle the pooled services of an alliance. When the shipping company partners decide to integrate a seaport location into their joint network this means that the container volumes of three, four or more shipping lines will all be transhipped through this port location at the same time, leading to a substantial increase in handling volumes. This presupposes, however, that the port and container terminal are also in a position to efficiently handle these volumes both land- and sea-side. Conversely, the seaport runs the risk of losing its handling volumes if a major alliance withdraws its services from the port in favour of other locations.

In Germany, EUROGATE with its three terminal locations is excellently positioned to meet the requirements of the major alliances. The deep-water port in Wilhelmshaven offers particularly favourable conditions. This has also been recognised by the market. It is an outstanding achievement that the shipping companies in the Ocean Alliance – following the lead of 2M – have decided to include EUROGATE Container Terminal Wilhelmshaven in their schedule from April 2017. This means eight shipping lines now offer services for Wilhelmshaven: Mærsk Line and MSC, CMA CGM, COSCO Shipping, Evergreen and OOCL. Added to these are Hamburg Süd and Hyundai Merchant Marine. Having been acquired by Mærsk Line, Hamburg Süd is now a member of 2M, and Hyundai Merchant Marine will become a 2M partner through a strategic collaboration. In mid-2017, OOCL will put a 22,000-TEU ship into operation. The "OOCL Hongkong", with a transport capacity of 21,888 TEUs, is also expected to call at Wilhelmshaven, setting new benchmarks. The first > 20,000-TEU ship already entered service in March 2017: with 20,170 TEUs, the "MOL Triumph" superseded the "MSC OSCAR" as the world's largest container ship. The naming ceremony of the "MOL Triumph" marked the start of a new chapter in the competition among the shipping lines for the world's largest container vessel. We will be seeing many of them at our container terminals over the coming months and years.

Planning their itineraries and networks is an ongoing task for the shipping companies and their alliances. On the one hand, shipping alliances aim to call at as few ports and terminals as possible in order to keep ship network costs to a minimum. On the other hand, network density and market proximity offer carriers advantages in their customer relations with forwarding agents and shippers. The EUROKAI companies are therefore engaged in continuous dialogue with the shipping companies to enable them to provide network customisations offering a wide range of solutions.

WORKING TO CONTINUOUSLY IMPROVE OUR EFFICIENCY

Since opportunities and risks go hand in hand, the EUROKAI companies are continuously striving to improve their efficiency. Success parameters here are superstructure, hinterland connections, and a well-trained, motivated workforce. Our customers have high expectations of us. Competitive pressure, coupled with stagnation in growth rates, is forcing us to pursue new directions. The Internet and digitisation of processes is not just a relevant topic in other sectors of the economy, but in logistics and shipping as well. At its Wilhelmshaven location, EUROGATE is planning a pilot project for the automation of handling processes, which is expected to go into the active test phase in 2018. As part of a research project being funded with EUR 9.2 million by the Federal Ministry of Transport and Digital Infrastructure, it is planned to test an automated and networked straddle carrier system under North German climate conditions. Until now, such a system has only been in operation in Brisbane and Sydney, Australia, and in Los Angeles, USA. This would be the first of its kind in Europe. The aim is to increase productivity at container terminals, while lowering the impact on the environment. Final decisions as to whether and in what scope automated processes will be introduced at existing terminal facilities have yet to be taken. The findings of the research project will also be made available to other ports and terminals. Given that the majority of EUROKAI container terminals use the straddle carrier system this could be of benefit to a number of terminal facilities.

In order to remain competitive, EUROKAI's CONTSHIP Italia subsidiary in Italy is looking in particular to expand its intermodal transport network and strengthen connections between the southern ports and Central Europe. Against this background, the southern ports present a viable alternative to the northern European ports. Particularly worth mentioning in this context is the corridor between La Spezia Container Terminal (LSCT) in Liguria with its Far East–Europe trade lanes and the Rail Hub Milano (RHM) in Melzo near Milan. From here, cargo coming from Asia is distributed onwards to Central Europe, for example Switzerland. CONTSHIP Italia sees considerable potential here. Statistics show that 43% of import containers reach their destination within 48 hours. It is planned to further expand this system. To this end, EUR 40 million has been invested at the Rail Hub Milano in Melzo for expansion of the terminal and two new rail mounted gantries.

FROM 11 TO 12 SEAPORT LOCATIONS

Along with improving their own operating performance, our subsidiaries are constantly on the look-out for new investment and business opportunities. In 2015, EUROGATE participated in the public tendering procedure for the privatisation of Limassol Container Terminal, Cyprus, and won the tender in 2016. The transfer of operations took place on 29 January 2017. EUROGATE Container Terminal Limassol is now the 12th location in the international network, with an annual transhipment capacity of 500,000 TEUs. All of the containerised imports and exports handled on the South-East European island are transhipped through this port.

The shareholding in CONTRAIL Logística S. A. with headquarters in São Paulo, Brazil, acquired by EUROGATE International GmbH in October 2015 continued to develop positively in 2016 despite the economic crisis in Brazil. In the first full financial year, 30,720 TEUs were transported (previous year: 8,581 TEUs). CONTRAIL offers transport services from the port of Santos to the Brazilian hinterland.

The companies in the EUROKAI Group are doing everything possible to ensure their success. Many of the factors that lead to success they can influence themselves. But not all of them. One thing they cannot change is the infrastructure conditions. As has been the case for many years, these still fall short of expectations. In North Germany, the two urgently needed fairway adjustments are still a long way from being implemented. To date, no definitive schedule has been drawn up for the extension of the Outer Weser and the deepening of the River Elbe is not likely to be completed before 2020 at the earliest. Other major infrastructure projects such as construction of the A20 motorway and the upgrading of the Kiel Canal (Nord-Ostsee-Kanal) will take several more years to complete.

In Italy, the government endorsed a port administration reform bill in August 2016, under which the number of port authorities was reduced from 24 to 15. EUROKAI welcomes this long overdue reform as it aims to cut red tape and simplify a large number of administrative procedures. Less bureaucracy will make the Italian ports more attractive again and strengthen their competitiveness compared to other countries.

PROFITABILITY IS THE BASIC PREREQUISITE FOR CONTINUED EXISTENCE

The profitability of our EUROKAI undertakings has always been at the focus of our actions and decisions. Long-term economic viability is the basic prerequisite for the continued existence of the companies in the Group and therefore decisive in enabling us to meet our ecological and social responsibility. Economic viability is not only essential from a financial point of view, but also from our commitment to our tradition and our employees.

Three years ago, the European Union adopted the CSR Directive 2014/95/EU, which extends companies' obligation to disclose non-financial information. This means that from financial year 2017 at the latest, our EUROKAI holdings CONTSHIP Italia and EUROGATE will be required to publish a CSR report. EUROGATE will meet this requirement voluntarily for the 2016 financial year by publishing a sustainability report, which will serve as the basis for the company's future sustainability strategy. The company has pursued an environmental strategy very successfully for many years. In future, reporting will be extended to include the social and economic dimensions of sustainability in addition to environmental matters. Sustainability reporting will be based on the guidelines of the Global Reporting Initiative (GRI) and thus cover all material aspects.

In this context, it is also worthy of note that in 2016, with 24.6%, EUROGATE nearly reached its target to reduce CO2 emissions per container by 25% by 2020. Energy consumption per box is down by 16.7% since 2008. Here, too, the 20% target has nearly been reached.

EUROKAI COMPANIES UNDER NEW MANAGEMENT

2016 not only brought changes on the customer side. Both CONTSHIP Italia and EUROGATE began 2017 with new management boards. In Italy, Franco Cupolo and Sebastiano Grasso took over at the helm of the CONTSHIP Italia Group in September 2016. Franco

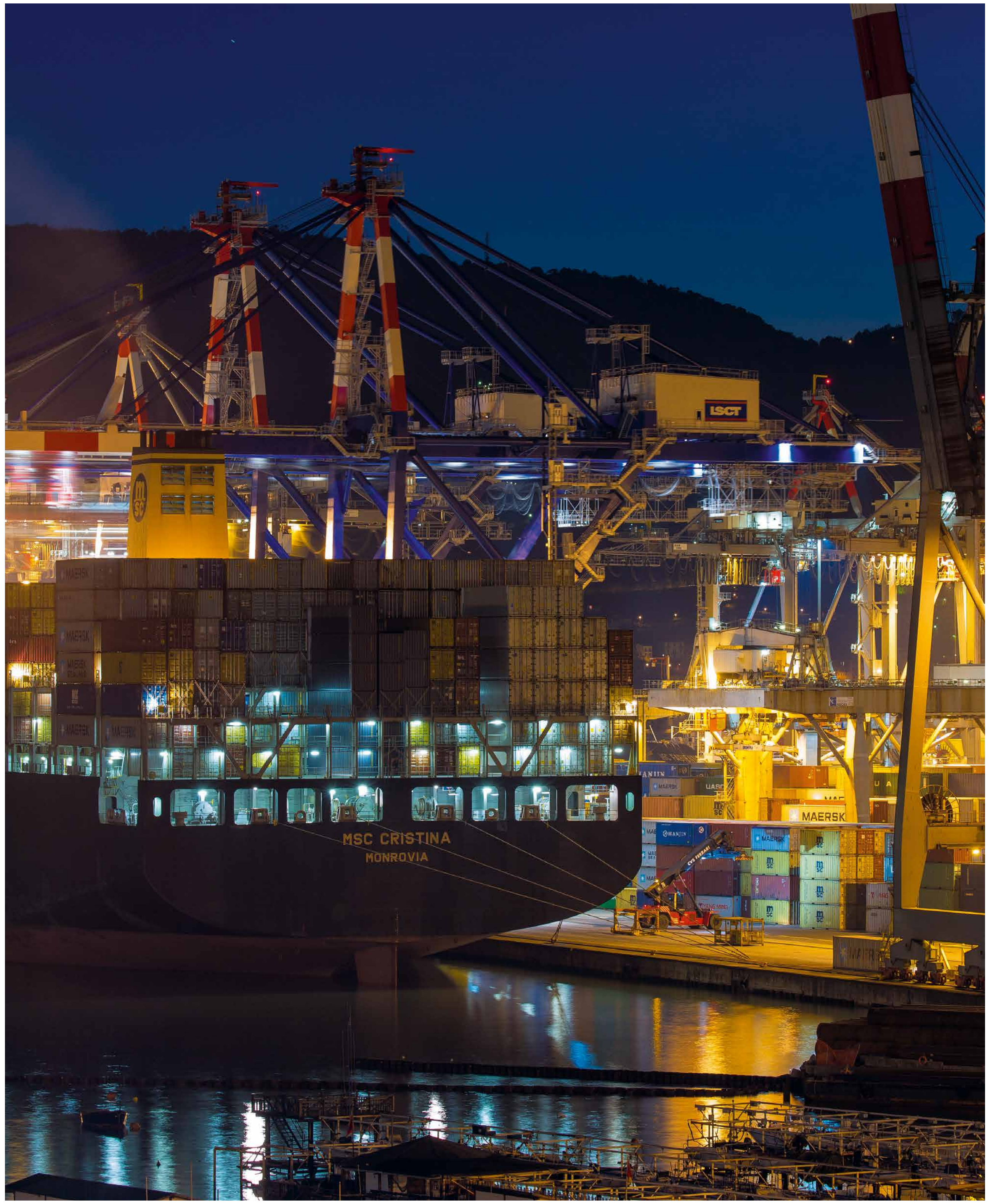
Cupolo was previously Managing Director of Cagliari International Container Terminal in Sardinia and is now responsible at Group level as Managing Director, Operations and Sales. Sebastiano Grasso has taken on the role of Managing Director, Business Services (Finances and Administration, HR and IT). At the beginning of 2017, EUROGATE welcomed two new members on the Group Management Board. As of 1 January, Michael Blach, previously Head of the Automotive division on the Management Board of BLG Logistics Group and now in charge of the Containers division, is joint Chairman of the Group Management Board alongside myself. As successor to Emanuel Schiffer, who retired at the end of 2016, he is responsible for Sales, Operations, IT and Corporate Communications. With Ulrike Riedel, who came to EUROGATE from Hamburger Hochbahn AG, the company has a new HR Director as of 1 March 2017. She is responsible for HR, Legal Affairs, Purchasing and Auditing. I wish the new Management Board members all the best and every success for the tasks that lie ahead.

I would like to thank all employees in the EUROKAI companies for their commitment. I would further like to thank all shareholders for their trust and unswerving support. We will continue on our course of expansion and are confident of our ability to successfully meet the many new challenges in a constantly changing environment.

Hamburg, April 2017

Yours,

Thomas H. Eckelmann
Chairman of the Management Board



The mega carrier “MSC Cristina” (13,119 TEUs) at La Spezia Container Terminal.

One of the world's largest container ships, the "MSC Clara"
(19,224 TEUs), at EUROGATE Container Terminal Bremerhaven.

Group Management Report for fiscal year 2016

Thomas H. Eckelmann with Katja Both, Cecilia Eckelmann-Batistello and Tom Eckelmann on the container gantry in Hamburg.

1. REPORT ON ECONOMIC POSITION

The companies incorporated in the EUROKAI Group are principally engaged in container handling in continental Europe. These companies operate container terminals, in some cases with partners, in La Spezia, Gioia Tauro, Cagliari, Ravenna and Salerno (Italy), in Hamburg, Bremerhaven and Wilhelmshaven (Germany), in Lisbon (Portugal), in Tangier (Morocco), in Limassol (Cyprus) and in Ust-Luga (Russia). The EUROKAI Group also has shareholdings in a number of inland terminals and railway operating companies.

Secondary services are also available in the form of intermodal services (carriage of sea containers to and from terminals), repairs, depot storage and trade of containers as well as cargomodal services and technical services.

EUROKAI GmbH & Co. KGaA directly holds 66.6% of the shares in the CONTSHIP Italia Group via the holding company CONTSHIP Italia S. p. A. and an indirect 16.7% shareholding via EUROGATE GmbH & Co. KGaA, KG of Bremen. Calculated proportionally, EUROKAI GmbH & Co. KGaA thus holds a stake of 83.3% in the CONTSHIP Italia Group.

EUROKAI GmbH & Co. KGaA has a 50% shareholding in the EUROGATE Group via EUROGATE GmbH & Co. KGaA, KG, Bremen. It also has a 50% shareholding in the Personally Liable General Partner of EUROGATE GmbH & Co. KGaA, KG, EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, as well as its Personally Liable General Partner, EUROGATE Beteiligungs-GmbH, Bremen.

Control of the EUROKAI Group is vested in three business segments, "CONTSHIP Italia", "EUROGATE" and "EUROKAI", whereby the EUROGATE joint venture is recognised in the consolidated EUROKAI financial statements using the equity method of accounting in line with the provisions of IFRS 11.

Revenue within the EUROKAI Group grew in the 2016 fiscal year by 2.0% to EUR 330.7 million (previous year: EUR 324.3 million). Consolidated profit for the year increased by EUR 12.8 million to EUR 53.5 million (2015: EUR 40.7 million). The positive development of consolidated net profit resulted primarily from the positive development of the CONTSHIP Italia Group.

Handling volumes at the container terminals of the EUROKAI Group – i. e. the terminals in Germany, Italy, Portugal, Morocco and Russia – at 14.611 million TEUs were slightly higher overall (0.4%) than in the previous year (2015: 14.550 million TEUs). The handling statistics are shown on page 14.

CONTSHIP ITALIA SEGMENT

CONTSHIP Italia S. p. A. of Melzo, Italy, is the holding company of the CONTSHIP Italia Group, which sets corporate strategy and coordinates operating activities. Its main investees remain unchanged La Spezia Container Terminal S. p. A. of La Spezia, Medcenter Container Terminal S. p. A. of Gioia Tauro, CICT Porto Industriale di Cagliari S. p. A. of Cagliari as well as Sogemar S. p. A. of Lucernate di Rho/Milan, Hannibal S. p. A. of Melzo/Milan and OCEANOGATE Italia S. p. A., La Spezia and Rail Hub Milano S. p. A., which are engaged in intermodal business (all in Italy).

The terminals of the CONTSHIP Italia Group recorded a rise in handling volumes overall by 4.6% to 5.012 million TEUs (2015: 4.792 million TEUs), mainly due to the positive trend in handling volumes at the Medcenter Container Terminal.

The CONTSHIP Italia Group generated revenue of EUR 320.5 million in fiscal 2016 (previous year: EUR 314.6 million). Net profit for the year showed a significant improvement in 2016 particularly as a result of the positive earnings trend of the fully consolidated Medcenter Container Terminal S. p. A. (MCT) and the measures and arrangements entered into in connection with this company's restructuring, as well as the related non-recurring expenses recognised in 2015, and increased year-over-year to EUR 29.3 million (previous year: EUR 10.4 million).

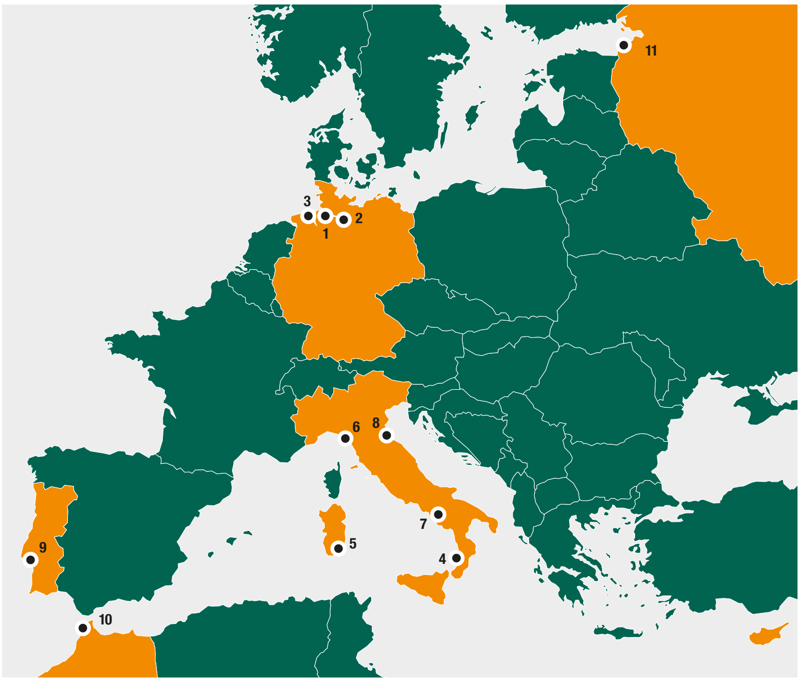
The trend in throughput and IFRS results for the Italian companies over the period under review was as follows:

At 2.749 million TEUs (2015: 2.502 million TEUs), handling figures at Medcenter Container Terminal S. p. A., an indirect 50% shareholding, are an encouraging 9.9% above the level of the previous year. This positive volume trend led to significantly improved and once again positive earnings year-over-year. Other influencing factors were the successful restructuring carried out in 2015 and a rate increase agreed with the Mediterranean Shipping Company ("MSC") key account, coupled with the positive effect of cost-cutting measures.

Cagliari International Container Terminal – CICT Porto Industriale di Cagliari S. p. A., in which CONTSHIP Italia S. p. A. has a 92% shareholding – recorded handling figures of 0.638 million TEUs in fiscal 2016, which was a 2.1% decrease over the previous year (0.652 million TEUs). Nevertheless, due to productivity increases and cost savings the company posted an improved, positive operating profit compared to 2015.

La Spezia Container Terminal S. p. A. is a 60% shareholding of CONTSHIP Italia S. p. A. The company saw its handling volumes decline slightly by 2.4% to 1.145 million TEUs (2015: 1.174 million TEUs), due partly to a write-down of receivables arising from the insolvency of the Hanjin shipping line, and posted a slightly reduced but still positive year-end result year-over-year.

EUROKAI container terminal sites



	Site	2016	2015	Change
		TEUs	TEUs	%
	Germany			
1	Bremerhaven	5,487,198	5,521,199	– 0.6
2	Hamburg	2,265,439	2,285,993	– 0.9
3	Wilhelmshaven	481,720	426,751	+ 12.9
	Total Germany	**8,234,357**	**8,233,943**	**0.0**
	Italy			
4	Gioia Tauro	2,749,074	2,502,393	+ 9.9
5	Cagliari	637,993	651,723	– 2.1
6	La Spezia	1,145,269	1,173,622	– 2.4
7	Salerno	277,517	253,689	+ 9.4
8	Ravenna	202,365	210,781	– 4.0
	Total Italy	**5,012,218**	**4,792,208**	**+ 4.6**
	Other			
9	Lisbon (Portugal)	154,959	207,317	– 25.3
10	Tangier (Morocco)	1,126,872	1,230,305	– 8.4
11	Ust-Luga (Russia)	82,203	85,871	– 4.3
	Total Other	**1,364,034**	**1,523,493**	**– 10.5**
	Total	**14,610,609**	**14,549,644**	**+ 0.4**

Figures show total handling at the respective terminals. Of these, the sole contributors to Group revenue are the handling volumes at the fully consolidated terminals in Gioia Tauro, Cagliari and La Spezia.

The market share of the CONTSHIP Italia Group in container handling in Italy stood at 50% in fiscal 2016 (previous year: 49%). Thus, the CONTSHIP Italia Group was able to once again defend its market leadership among Italy's container handling companies.

The fully-owned CONTSHIP Italia subsidiary Sogemar S. p. A. continues to hold 100% of the shares in Hannibal S. p. A., OCEANOGATE Italia S. p. A. and Rail Hub Milano S. p. A., Milan, Italy, for which it provides leasing, administration and IT services. The company recorded a significantly improved, positive operating profit for the 2016 reporting period compared to the previous year.

In addition to handling international container transports, Hannibal S. p. A. manages the national truck and rail activities of the CONTSHIP Italia Group. The company recorded a higher intermodal transport volume and recognised slightly improved, positive earnings year-over-year.

OCEANOGATE Italia S. p. A. once again expanded its transport operations in the 2016 reporting period and posted substantially improved and positive earnings compared to the previous year.

Rail Hub Milano S. p. A. operates the inland terminals of the CONTSHIP Italia Group in Melzo and Rho. In view of the higher fixed costs as a result of the putting the extended area at Rho into operation, the company recognised a declining and slightly negative operating result compared to 2015.

EUROGATE SEGMENT

EUROGATE GmbH & Co. KGaA, KG of Bremen, in which EUROKAI GmbH & Co. KGaA and BLG LOGISTICS GROUP AG & Co. KG of Bremen each have a 50% shareholding, is the EUROGATE Group's holding company. EUROGATE GmbH & Co. KGaA, KG supplies central services for its subsidiaries and affiliated companies. Its principal shareholdings are EUROGATE Container Terminal Hamburg GmbH, Hamburg, EUROGATE Container Terminal Bremerhaven GmbH, North Sea Terminal Bremerhaven GmbH & Co., MSC Gate Bremerhaven GmbH & Co. KG – all of Bremerhaven – and EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, Wilhelmshaven. The EUROGATE Group also has a 33.4% stake in CONTSHIP Italia S. p. A., Italy.

EUROGATE GmbH & Co. KGaA, KG, the EUROGATE Group's holding company, has a 100% shareholding in both EUROGATE Container Terminal Hamburg GmbH and EUROGATE Container Terminal Bremerhaven GmbH. These companies are fully consolidated in the "EUROGATE" Segment. The joint ventures North Sea Terminal Bremerhaven GmbH & Co. (EUROGATE share: 50%), MSC Gate Bremerhaven GmbH & Co. KG (50%), and EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG (70%), have been incorporated in the "EUROGATE" Segment using the equity method.

In the North Range, handling volumes increased slightly by 1.75% in the financial year 2016. In this market environment, container handling volumes at the German container terminals in the EUROGATE Group remained at the previous year's level.

The EUROGATE Group saw group revenue grow by 8.1% to EUR 639.4 million in fiscal 2016 (previous year: EUR 591.3 million).

The rise in revenue led to an improvement in the operating result of 11.6% to EUR 101.6 million (2015: EUR 91.1 million). On this basis, despite recognition of a provision for impending losses arising from possible penalties relating to guaranteed handling volumes by EUROGATE GmbH & Co. KGaA, KG at the Wilhelmshaven location (TEU guarantee) in the amount of EUR 15.3 million, and despite lower interest and investment income and higher taxes, consolidated net profit was up by 3.3% to EUR 75.9 million in the 2016 reporting period (2015: EUR 73.5 million).

The trend in throughput and IFRS results for the companies operating container terminals in fiscal 2016 was as follows:

With a handling figure of 2.265 million TEUs (2015: 2.286 million TEUs), EUROGATE Container Terminal Hamburg GmbH recorded a slight decline in handling volumes of 0.9%. This is attributable in particular to the downward trend that set in in the final months of the year, after a positive first eight months. Due to increased average revenues coupled with a substantially improved operating result, the company recognised an improved year-end result before profit transfer to EUROGATE GmbH & Co. KGaA, KG, despite a write-down of receivables from the Hanjin key account.

EUROGATE Container Terminal Bremerhaven GmbH saw a volume increase of 4.2% in the 2016 reporting period, with a handling figure of 0.931 million TEUs (previous year: 0.893 million TEUs). Due to the increased handling figures and positive contributions to earnings arising from non-recurring items, the company posted improved earnings for fiscal 2016 before profit transfer to EUROGATE GmbH & Co. KGaA, KG, compared with the same period in the previous year.

North Sea Terminal Bremerhaven GmbH & Co. as a dedicated terminal for Mærsk line recorded handling figures of 3.045 million TEUs (previous year: 3.118 million TEUs) in fiscal 2016, a decline in volume of 2.3% year-over-year. The trend in throughput in 2016 was impacted by the operating constraints related to the decommissioning of further container gantries – after cranes had already been taken out of operation in 2015 following an accident, see also "EUROGATE Segment" – and a temporary reduction in capacity as a result. Against the background of declining handling volumes and the operating restrictions, the company posted lower, but nevertheless clearly positive earnings compared to the 2015 reporting period.

With a throughput figure of 1.511 million TEUs (2015: 1.509 million TEUs), MSC Gate Bremerhaven GmbH & Co. KG, a joint venture between EUROGATE GmbH & Co. KGaA, KG and Terminal Investment Ltd., Geneva (Switzerland), a related company of Mediterranean Shipping Company S. A. (MSC), Geneva, Switzerland, recorded a rise in handling volumes in 2016 of 0.1% compared with the previous year. Due to a changed load and revenue structure, a reduction in depreciation and amortisation expense and reimbursements from insurance policy benefits, the company's year-end result improved overproportionately.

EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG is jointly owned by EUROGATE GmbH & Co. KGaA, KG (70%) and APM Terminals Wilhelmshaven GmbH, an indirectly wholly-owned subsidiary of the A. P. Møller Mærsk Group, Copenhagen, Denmark, with 30%. In the fiscal year 2016, handling volumes stood at 0.482 million TEUs, a rise of 12.9% compared to the previous year (0.472 million TEUs). However, against the background of the continued underutilisation of capacities based on this volume, the company as expected continued to generate a negative result. The 2016 year-end result was slightly down on the corresponding period for the previous year, but only because the 2015 result included a positive non-recurring effect from the out-of-court settlement relating to the handling of the “MSC Flaminia”.

LISCONT Operadores de Contentores S. A., Lisbon, Portugal, recorded a volume decrease of 25.3% in 2016 compared with the previous year, with handling figures of 0.155 million TEUs (previous year: 0.207 million TEUs). The reason for this was the ongoing strike action at the Port of Lisbon, which lasted through to the end of 2016. While the company's earnings were correspondingly down on the previous year, they nevertheless remained clearly positive.

Handling volumes at EUROGATE Tanger S. A., Tangier, Morocco, fell by 8.4% to 1.127 million TEUs (2015: 1.230 million TEUs) in 2016. Annual earnings decreased correspondingly year-over-year. The decline in volume in Tangier is due to the temporary transfer of individual services of a major customer, which Tangier would not have been able to fully handle due to capacity bottlenecks.

OJSC Ust-Luga Container Terminal, Ust-Luga, Russia, in which the EUROGATE Group holds a 20% stake, handled only 0.082 million TEUs over the period under review (previous year: 0.086 million TEUs/–4.3%) due to the ongoing Russia crisis and the overcapacities in the greater St. Petersburg area. Correspondingly, the operating result was also down on the previous year. However, as in the previous year, the company's slightly improved overall result was impacted by recognition of an impairment loss on property, plant and equipment.

KEY EVENTS IN THE COURSE OF THE FISCAL YEAR

CONTSHIP Italia Segment

In September 2016, the following structural change was made in the management of the CONTSHIP Italia Group: Franco Nicola Cupolo took over at Group level as Managing Director, Operations and Sales. Sebastiano Grasso has taken on the role of Managing Director, Business Services (Finances and Administration, HR and IT) within the Italian group.

Control over the subsidiaries and affiliated companies is managed at the level of the holding company of the CONTSHIP Italia Group, CONTSHIP Italia S. p. A. Centralised management of the Administration and Finances, HR, IT Marketing and Communication business segments as well as standardisation of the sales divisions for the container terminals and of logistics activities are also vested here.

At the end of 2016, the Italian labour authority adopted a regulation which at times of below-capacity employment allows transhipment companies to transfer a corresponding number of employees into a pool that is funded by the government and organised by the local port authorities and from which underemployed personnel can be loaned out as required. This is expected to be implemented in the first half-year of 2017 and will benefit above all the transhipment terminals in Gioia Tauro and Cagliari.

Despite a substantial improvement in the company's economic performance, the difficult market environment and ongoing banking crisis in Italy have impacted the refinancing options of Medcenter Container Terminal S. p. A. Talks and negotiations with various potential financing institutions that got under way some months ago are still ongoing.

EUROGATE Segment

In February 2016, YILPORT Holding INC. of Istanbul, Turkey, part of the YILDIRIM Group, acquired 100% of the shares in the Portuguese Tertir S. A. of Linda-a-Velha, Portugal. With a shareholding of 82.95%, Tertir S. A. remains the majority shareholder of LISCONT Operadores de Contentores S. A. EUROGATE International GmbH continues to hold an equity interest of 16.34%.

On 25 April 2016, the Cypriot Transport Ministry and a consortium led by EUROGATE signed the contract for the takeover of Limassol Container Terminal. The concession period is 25 years. In March 2016, the partners in the consortium, EUROGATE International GmbH (60%), Interorient Navigation Company Ltd. (20%) and East Med Holdings S. A. (20%) founded the “EUROGATE Container Terminal Limassol Limited” joint venture. Limassol Container Terminal currently has an annual handling capacity of 500,000 standard containers (TEUs), a high share of which is local cargo that supplies the island state of Cyprus.

Intermodal transport

Following the container gantry accident in May 2015 and the subsequent investigations, a total of 10 container gantries were taken out of service at the Bremerhaven terminal at the end of June for safety reasons. These underwent thorough technical checks as a purely precautionary measure. This led to temporary capacity reductions and operational restrictions at the Bremerhaven terminal. The possibility to lease container gantries and quay wall capacities from neighbouring terminals kept restrictions on operations to a minimum and, following a short adaptation process, all customer cargo could be cleared. After checks and repairs had been carried out, the first container gantries were taken back into service in January 2017. The rest of the equipment is also being repaired and successfully put back into operation, so that by spring of 2017 operating capacities are gradually getting back to normal.

On 31 August 2016, the Korean shipping line Hanjin Shipping Co., Ltd, Seoul (South Korea), submitted an application with the relevant district court to start insolvency proceedings. From this date, the handling fees were no longer invoiced to Hanjin Shipping Co. under the carrier contract in force up to that date and terminated without notice on 31 August 2016. Instead they were charged to the forwarding agents for whom the containers were delivered in line with the comparatively expensive general schedule of fees and conditions.

In addition the “HANJIN Europe”, which was awaiting clearance when the application to start insolvency proceedings was submitted, three other vessels from this service were cleared in the months from September to November 2016 and charged to the freight forwarders. The handling and billing of these ships largely offset the impact on profit/loss arising from the impairment loss recognised on accrued outstanding receivables as a result of the insolvency.

Along with the Iranian “Sina Port and Maritime Company”, Teheran (Iran), EUROGATE qualified to participate in the tendering procedure to operate container terminals nos. 1 and 2 at the Shahid Rajaee Port in Bandar Abbas (Iran). Should the consortium be successful in one of these separate tendering procedures, it is planned to establish an Iranian joint venture with a EUROGATE shareholding of 49%.

The westward expansion project at the Port of Hamburg foresees the complete filling of the Petroleumhafen and the direct extension of the Predöhlkai by some 650 m, as well as the creation of an additional 400 m of berths at the Bubendey waterside. This will provide an additional area of approx. 400,000 m². Another major goal of the measures being pursued with the planning approval procedure is the enlargement of the turning basin at the Waltershof Harbour to provide a turning radius of 600 m for large container ships.

The planning approval authority issued the planning approval decision for this project, planning of which commenced in 1997, on 9 December 2016 dated 28 November 2016. The period for bringing an action against this decision ended on 9 January 2017. According to current information, 76 persons have filed a class action against this planning approval decision with the Administrative Court (Verwaltungsgericht) in Hamburg. The defendant is the Free and Hanseatic City of Hamburg, represented by the planning approval authority (Behörde für Wirtschaft, Verkehr und Innovation). Following a decision of the Hamburg Administrative Court of 24 January 2017, EUROGATE Container Terminal Hamburg GmbH was joined as a party to the action. It cannot be predicted how long the proceedings will last; however, based on past experience a minimum duration of two years is to be expected since at least two levels of jurisdiction are open to the plaintiffs through the Administrative Court and the Higher Administrative Court. Given an anticipated construction period from today’s perspective of at least three years before the Hamburg Port Authority is able to make the areas available to the terminal operator, completion of the area is not to be expected before 2022.

Following the consideration given by the project developers in the case concerning the navigation channel of the Lower and Outer Elbe to the rulings of the European Court of Justice (CJEU) and the modifications required by the decision of the Federal Administrative Court (BVerwG) of 2 December 2014 through a supplementary planning decision, an oral hearing on the issue was conducted before the BVerwG from 19 to 21 December 2016. At the end of this hearing, the BVerwG announced that it would deliver its decision on the substance of the matter on 9 February 2017. In this decision, the Court ruled against going ahead with the fairway adjustment of the Elbe for the time being. The legal shortcomings of the proceedings can, however, be rectified through supplementary planning measures, although these will further prolong the proceedings. Realistically, this translates into the project being delayed by a further two years. Thus, significant improvements regarding the nautical situation in the fairway will not be possible before 2018 at the earliest.

The number of large container vessels in service continued to increase, leading to constant pressure on sea freight rates among the container shipping lines. Parallel to this, around another 60 large container ships with a capacity of between 18,000 TEUs and over 20,000 TEUs are still on the order books. These figures underscore the present trend towards a highly disproportionate rise in the number of large container vessels in service on the main world trades and the resulting pressure on the markets, which are already characterised by overcapacities.

The EUROGATE Group’s German container terminals handled over 320 ships (2015: > 200) with a capacity in excess of 18,000 TEUs in fiscal 2016. The number of such mega carriers handled is set to increase sustainably.

The navigational difficulties in the approach and departure of these container ships to and from the German North Sea ports of Bremerhaven and Hamburg, particularly given ongoing delays to the deepening of the Elbe and Outer Weser shipping channels, have further intensified for these ports. This in turn, however, continues to mean very good prospects for the Wilhelmshaven terminal for the medium to long term.

2. RESULTS OF OPERATIONS

The individual revenues and expenditures of the EUROGATE Segment, which is consolidated using the equity method, are not recognised in the consolidated income statement for the EUROKAI Group. Instead, the contribution to earnings of the EUROGATE Group is netted and shown under investment income. Consequently, the notes to the individual items of the consolidated income statement relate only to the CONTSHIP Italia and EUROKAI Segments.

To show the results of operations, the following table uses an earnings statement based on operational management:

	2016		2015		Change	
	EUR '000	%	EUR '000	%	EUR '000	%
Revenue	330,657		324,269		6,388	2
Other operating income	12,832		12,489		343	3
Total operating income	**343,489**	**100**	**336,758**	**100**	**6,731**	**2**
Cost of materials	–102,076	–30	–111,902	–33	9,826	–9
Personnel expenses	–131,406	–38	–124,366	–37	–7,040	6
Depreciation and amortisation expense	–29,143	–8	–31,004	–9	1,861	–6
Other operating expenses	–42,009	–12	–53,680	–16	11,671	–22
Operating expenses	**–304,634**	**–88**	**–320,952**	**–95**	**16,318**	**–5**
Net operating income	**38,855**	**12**	**15,806**	**5**	**23,049**	**146**
Interest and similar income	1,021		520		501	
Net finance costs	–3,463		–3,628		165	
Income from investments	33,187		42,616		–9,429	
Other finance costs (income)	24		–330		354	
Earnings before income taxes (EBT)	**69,624**		**54,984**		**14,640**	
Current tax expense	–19,991		–16,170		–3,821	
Deferred taxes	3,836		1,857		1,979	
Consolidated profit for the year	**53,469**		**40,671**		**12,798**	
Thereof attributable to:						
Equity holders of the parent	41,141		36,206			
Non-controlling interests	12,328		4,465			
	53,469		**40,671**			

External revenue of the EUROKAI Group stood at EUR 330.7 million (2015: EUR 324.3 million). EUR 320.5 million (2015: EUR 314.6 million) of this was generated by the CONTSHIP Italia Segment and EUR 10.2 million (2015: EUR 9.7 million) by the EUROKAI Segment.

Operating profit (EBIT) for the 2016 fiscal year amounted to EUR 38.9 million (2015: EUR 15.8 million), which was more than double the previous year's total. This significant increase is mainly accounted for by the increase in the operating profit of Medcenter Container Terminal S. p. A. and substantially improved earnings situation of CONTSHIP Italia S. p. A., whose previous year's result was impacted by the partial write-off of a deferred purchase price receivable from the former sale of the shares in the holding company of Medcenter Container Terminal S. p. A. recognised in the amount of EUR 10.5 million. Costs of materials were significantly reduced overall as part of the cost-cutting measures across the CONTSHIP Italia Group. The increase in personnel expenses is mainly due to higher wages and salaries as well as expenditure for staff-related measures in connection with the restructuring of Medcenter Container Terminal S. p. A.

Investment income decreased by EUR 9.4 million to EUR 33.2 million (2015: EUR 42.6 million). The main changes here relate to the proportional decline in earnings of J. F. Müller & Sohn AG to EUR 0.8 million (2015: EUR 3.5 million), Medgate FeederXpress Ltd. to EUR –0.1 million (2015: EUR 2.2 million), Contrepair S. p. A. to EUR 0.4 million (2015: EUR 1.7 million) and the EUROGATE Group to EUR 29.4 million (2015: EUR 30.6 million).

Pre-tax profit (EBT) rose by 26.6% to EUR 69.6 million (2015: EUR 55.0 million) year-over-year.

The increase in deferred tax income is primarily due to a change in the tax rate in Italy as well as deferred tax income from recognition of a provision for impending losses arising from possible penalties relating to guaranteed handling volumes by EUROGATE GmbH & Co. KGaA, KG at the Wilhelmshaven location (TEU guarantee) within the EUROGATE Group.

Overall, year-over-year the EUROKAI Group was able to report significantly improved consolidated net profit for the financial year 2016 of EUR 53.469 million (2015: EUR 40.671 million) due to the positive development of the CONTSHIP Italia Group, thus exceeding the previous year's forecast of a slight earnings improvement.

3. FINANCIAL POSITION

The following cash flows were posted in 2016 and 2015:

	2016	2015
	EUR '000	EUR '000
Net cash flows from operating activities	40,283	21,798
Cash infows/outflows used in investing activities	14,021	–6,118
Cash outflows from financing activities	–16,279	–9,420
Net increase/decrease in cash and cash equivalents	**38,025**	**6,260**
Cash and cash equivalents at 1 January	**48,176**	**41,916**
Cash and cash equivalents at end of period	**86,201**	**48,176**
Composition of cash and cash equivalents		
Cash and cash equivalents	87,701	59,391
Bank liabilities/overdrafts due on demand	–1,500	–11,215
Cash and cash equivalents at the end of the period	**86,201**	**48,176**

Based on the pre-tax profit for the financial year 2016 of EUR 69.6 million (previous year: EUR 55.0 million), cash flows from ordinary operating activities of EUR 40.3 million (previous year: EUR 21.8 million) were generated.

CAPITAL EXPENDITURE AND FINANCE

Capital expenditure by the Group on intangible assets and property, plant and equipment decreased significantly compared to the previous year and amounted in 2016 to EUR 15.9 million (2015: EUR 33.6 million). Capital expenditure related primarily to investments in large-scale equipment and surface areas, in particular the expansion of the rail terminal in Melzo.

To finance investments, the Group took up new bank loans totalling EUR 41.9 million in 2016. During the same period the Group made scheduled bank loan repayments of EUR 23.7 million.

4. NET ASSETS

The structure of assets and equity in 2016 was as follows:

Assets	2016		2015		Change
	EUR '000	%	EUR '000	%	EUR '000
Intangible assets	59,295	9	62,257	9	–2,962
Property, plant and equipment	182,136	27	195,306	31	–13,170
Financial assets	161,358	25	136,956	22	24,402
Deferred tax assets	17,851	3	15,704	2	2,147
Other non-current assets	9,401	0	20,244	2	–10,843
Non-current assets	**430,041**	**64**	**430,467**	**66**	**–426**
Inventories	10,635	2	11,597	2	–962
Trade receivables	88,919	13	76,015	12	12,904
Other current non-financial assets and current tax receivables	55,144	8	77,945	11	–22,801
Cash and cash equivalents	87,701	13	59,391	9	28,310
Current assets	**242,399**	**36**	**224,948**	**34**	**17,451**
Total assets	**672,440**	**100**	**655,415**	**100**	**17,025**

Equity and liabilities					
Issued capital	13,468	2	13,468	2	0
Equity attributable to the Personally Liable General Partner and Reserves	83,818	12	78,414	12	5,404
Net retained profit	246,676	37	238,892	36	7,784
Equity attributable to non-controlling interests	81,165	12	76,943	12	4,222
Equity	**425,127**	**63**	**407,717**	**62**	**17,410**
Non-current financial liabilities net of current portion	85,757	13	68,186	10	17,571
Non-current portion of deferred government grants	6,846	1	8,004	1	–1,158
Other non-current liabilities	3,209	0	4,428	1	–1,229
Deferred tax liabilities	15,025	2	17,953	3	–2,928
Provisions	25,500	4	28,123	4	–2,623
Non-current liabilities	**136,337**	**20**	**126,694**	**19**	**9,643**
Current portion of non-current financial liabilities	32,379	5	33,524	5	–1,145
Trade payables	38,721	6	46,538	7	–7,817
Current portion of deferred government grants	1,223	0	1,710	0	–487
Other current liabilities and current tax payables	29,470	5	36,326	7	–6,856
Provisions	9,183	1	2,906	0	6,277
Current liabilities	**110,976**	**17**	**121,004**	**19**	**–10,028**
Total equity and liabilities	**672,440**	**100**	**655,415**	**100**	**17,025**

With amortisation and depreciation of EUR 29.1 million, disposals to residual carrying amounts of EUR 1.2 million and disposals at residual carrying amounts arising from a change in the reporting entity of EUR 1.8 million, as well as capital expenditure amounting to EUR 15.9 million, intangible assets and property, plant and equipment decreased by EUR 16.1 million to EUR 241.4 million.

The increase in financial assets primarily relates with EUR 11.4 million to the shareholding in the EUROGATE Group, which is recognised using the equity method, as well as the acquisition of further shares in the hybrid bond issued by EUROGATE GmbH & Co. KGaA, KG by EUROKAI GmbH & Co. KGaA, Hamburg. As at the balance sheet date 31 December 2016, the company holds EUR 13.2 million of the nominal volumes of this hybrid bond.

The decline in other non-current assets is accounted for almost exclusively by the premature inclusion of the still outstanding portion of the residual purchase price receivable from the sale of the shares in the holding company of Medcenter Container Terminal S. p. A.

As in the previous year, non-current assets were covered in full by equity and non-current financial liabilities at the balance sheet date.

Due to the rise in revenue linked to the deterioration in the payment practices of individual customers, trade receivables increased by EUR 12.9 million to EUR 88.9 million.

The decrease in other assets and tax receivables is mainly attributable to a decline in the profit transfer entitlement to EUROGATE GmbH & Co. KGaA, KG as well as lower refund claims from taxes.

Cash and cash equivalents at EUR 87.7 million reflects the continued positive liquidity position of the Group.

The change in net retained profit is accounted for largely by the appropriation based on the resolutions of the General Meeting of EUR 7.5 million to retained earnings and the dividend distribution of EUR 26.0 million to the shareholders, as well as the consolidated net profit of EUR 41.1 million for 2016 which is attributable to the equity holders of the parent.

Equity and liabilities rose in fiscal 2016 by EUR 17.4 million to EUR 425.1 million (previous year: EUR 407.7 million), an increase of 4%. The equity ratio of the EUROKAI Group remained highly stable at 63% (previous year: 62%).

The change in non-current financial liabilities, including current portion, resulted from the balance between the take-up of new loans to finance investments and scheduled repayments already made.

The decline in trade payables is related to balance-sheet-date effects.

The decrease in other liabilities and tax payables is mainly due to the suspended use of short-term credit facilities in the CONTSHIP Italia Group.

Higher current provisions are accounted for mainly by the increase in the current portion of pension provisions in connection with the restructuring of Medcenter Container S. p. A.

5. PERSONNEL AND WELFARE

Once again in 2016, Group companies provided their staff with further training courses, both internal and external, in order to continue to improve their standard of qualification.

The following shows average employee numbers in the Group (excluding Management Board, temporary staff and trainees):

	2016	2015
Industrial workers	1,654	1,670
Office staff	689	708
	2,343	**2,378**

6. REPORT ON POST-BALANCE SHEET DATE EVENTS

Effective from 29 January 2017, EUROGATE Container Terminal Limassol Limited, Limassol (Cyprus), took over operation of the container terminal in Limassol from the Cyprus Port Authority. Limassol is thus the 12th terminal location in the EUROGATE Group network.

No other events having a material impact occurred after the balance sheet date.

7. SUSTAINABILITY REPORT

Sustainable thinking and action are fundamental principles within the EUROKAI Group. Every container crane, every straddle carrier and every new building is a long-term investment in which energy efficiency, occupational health and safety play an important role.

For many years, beyond the scope of its statutory obligations, EUROKAI has gone that extra mile for the staff employed in its Group companies, as well as for society as a whole. A wide range of training and advanced training courses or various health programmes are just some examples of this.

Conserving the environment and resources has high priority and a long tradition within the EUROKAI Group. For us this is not merely a question of corporate responsibility; successful environmental protection is also an elementary component of our long-term corporate success. It is our declared goal through MAXIMUM EFFICIENCY, MINIMUM EMISSIONS and MAXIMUM SAFETY AND PRECAUTIONS to make protecting the environment a central mark of quality.

MAXIMUM EFFICIENCY

One central focus lies in systematically improving energy efficiency. The Group Management Board has set itself the clear target by 2020 to utilise 20% less energy per container and to reduce CO2 emissions per container handled by 25% compared to 2008. Large numbers of our employees are involved in systematically analysing and leveraging the potential in this area. In 2016, EUROGATE again received the ISO 50001 certificate for all German sea and rail terminals as well as for SWOP, REMAIN, EUROGATE Technical Services and the EUROGATE Holding. Moreover, the energy consumption of high power-draining equipment – straddle carriers and gantry cranes – was examined in detail. In the case of handling vehicles, all routes, lifting heights, engine conditions and consumptions were recorded and analysed in detail for individual units. This was also the case for selected container gantries at all locations, for which especially lighting, heating and cooling energy consumption were meticulously analysed. Consequently, in Hamburg and Bremerhaven container gantries have been converted and their consumption during idle periods significantly reduced. These technical innovations will now progressively be built into the other container gantries.

For area lighting, too, EUROGATE utilises all the potential for optimisation. Enhanced control and modern luminaires led to a 50% reduction in electricity consumption during a test phase in Bremerhaven. This lighting concept will be implemented across the entire Bremerhaven terminal in 2017.

MINIMUM EMISSIONS

Since 2010, EUROGATE has been investing in power generation from renewable energy sources. These make a considerable contribution in the campaign against climate change. Two wind turbines, three CHP units, four photovoltaic plants and two woodchip heating plants produced a total of around 24.9 million kWh of electricity and 16.6 million kWh of heating energy in 2016.

MAXIMUM SAFETY AND PRECAUTIONS

Sustainability is not a coincidence. It is the consequence of targeted, future-oriented planning and action. This includes systematic analysis and regular implementation of improvements. Our container terminals in Bremerhaven and Hamburg are environmental partners to the Free Hanseatic City of Bremen and the Free and Hanseatic City of Hamburg.

Since 2007, EUROGATE has systematically recorded and balanced its energy consumption and CO2 emissions across the Group. The energy management system introduced by EUROGATE in 2013 was further intensified and extended in 2016.

When it comes to promoting a healthy workforce, EUROGATE again launched a large-scale training initiative in 2016 intended to inform its staff about health risks and opportunities for staying fit. Our canteen menus also offered a wider range of vitamin- and nutrient-rich foods, snacks and dishes. Moreover, the company also introduced various keep-fit incentives that met with a positive response from employees.

PROSPECTS

While the company has successfully implemented a number of individual projects in the past with a focus on occupational health, environmental protection or staff loyalty, we aim to more intensively consolidate our sustainability efforts in these areas in future.

We have begun to systematically evaluate and document our sustainability activities and prepare a separate sustainability report. This will be based on the Global Reporting Initiative standard and be published in 2017.

8. RISK REPORT AND REPORT ON EXPECTED DEVELOPMENTS

RISK MANAGEMENT SYSTEM

Risk management is regarded within the EUROKAI Group as a permanent task of management and is practised as a system that is actively implemented across all the Group's companies and organisational units. As such, risk management has for years been an integral part of management control. The main aims of risk management within the Group are to recognise and identify critical developments – as well as opportunities – at an early stage, to take measures to remove such risks, and to promote risk-aware and opportunity-led thinking at all levels within the Group. In general, the risk policy is characterised by a conservative approach.

RISK POSITIONS

Via the CONTSHIP Italia Group as well as the EUROGATE Group, the EUROKAI Group is principally exposed to strategic risks, market risks, financial risks and operational risks.

Strategic risks, market risks and operational risks

As a financial holding company, EUROKAI Holding is exposed via its subsidiaries and associates to the individual risks of the various business fields. Risks are identified and inventoried as part of the process of preparing the annual financial statements and report. The subsequent assessment of the impact of these risks on the overriding corporate objectives defined for EUROKAI, taking into account the probability of their occurrence, is condensed into a risk portfolio for each undertaking. The risks documented therein encompass the entire spectrum of operational activities, especially those arising from the operation of several container terminals.

The EUROKAI Group continues to hold that a deepening of the Outer Weser and Elbe is urgently necessary to secure and position the German seaports in the North Range so that ever larger container vessels can operate without problems into and out of Hamburg and Bremerhaven. In fiscal 2016, the nautical problems encountered by the ever-growing number of mega carriers further intensified especially at the Hamburg location. Should either of these schemes – or both – fail to materialise, or should they continue to be seriously delayed, this may have a highly adverse effect on future developments in handling volumes at these locations.

Whereas in 2015, Hamburg Port Authority (HPA) was unable to realise the contractually agreed draughts in the mooring basins adjacent to the berths of EUROGATE Container Terminal Hamburg, this situation improved in 2016. The reason for this is that a political agreement with respect to year-round depositing of dredged material at the North Sea sludge dumping site was reached between the federal states of Hamburg and Schleswig-Holstein in early February 2016. However, isolated cases of reduced draughts of 1.0 to 1.5 metres also occurred in 2016; although the HPA sought to remedy this situation as quickly as possible.

The EUROKAI Group can, however, offer its customers an excellent alternative for the handling of mega carriers with corresponding draughts at Germany's only deep-water container terminal in Wilhelmshaven and the facilities of the EUROGATE Container Terminal Wilhelmshaven.

Furthermore, the modernisation of the existing locks, construction of a fifth lock chamber and the full upgrading of the Kiel Canal (Nord-Ostsee-Kanal) (deepening by one metre along the entire length, modifications at the berthing places, bends and locks) is of key importance for EUROGATE's Port of Hamburg location. Increasing the capacity of the Kiel Canal is urgently necessary so that in future, traffic flows between the North Sea and the Baltic can continue to be handled efficiently via the Canal.

Modernisation work on the locks along the Kiel Canal is proving more complex than originally assumed. While financing of the lock repairs and building of the new lock has been secured, the project is not likely to be completed before 2018.

Hamburg could lose its special status as Baltic hub for transhipment traffic if customers increasingly direct their large container vessels and corresponding cargoes via other ports in the North Range because the necessary infrastructure conditions are lacking.

In addition to general economic trends, the Group is exposed to other factors and risks associated with future transhipment and transport demand and corresponding handling volumes at our container terminals. As in previous years, these also include:

- start of operations of additional terminal handling capacities in the North Range and the Baltic,
- commissioning of more ultra-large container vessels and the related operational challenges for transhipment handling (peak situations) as well as
- changes in the market, network and processes arising from the shifts in consortium structures.

On the customer side, possible insolvencies could negatively impact the shipping line consortia as well as the structure of services and handling volumes.

For 2017, further extensive changes and consolidation measures within the container shipping consortia are planned, following the consolidation measures already implemented in the financial year 2016. These include

- the merger of COSCO Container Lines and China Shipping Container Lines;
- the takeover of NOL/APL shipping line by CMA CGM;
- the start of the merger of the Hapag-Lloyd and UASC shipping lines (completion is currently in the implementation phase);
- announcement of the takeover of Hamburg Süd shipping line by Mærsk Line (the merger of the business activities will take place in 2017 subject to the approval of the antitrust authorities);
- announcement of the merger of the Japanese shipping lines "K" Line, MOL and NYK. Preparations for the merger of the business activities are expected to be made in 2017 with the merger process being completed in the first half-year 2018.

As part of the consolidation measures already carried out or currently in preparation, including the Hanjin insolvency, major container shipping consortia have split up (in particular the CKYHE- and the G6 consortium) and new alliances have been formed. In future there will be two new consortiums:

- THE Alliance, comprising the shipping lines Hapag-Lloyd (including the merged UASC), "K" Line, MOL, NYK and Yang-Ming;
- OCEAN Alliance, comprising the shipping lines CMA CGM, COSCO Shipping, Evergreen and OOCL.

Only the 2M consortium made up of the partners Mærsk Line and MSC will remain unchanged. After lengthy negotiations, the Hyundai Merchant Marine shipping line has not been taken into the consortium as a partner, but only as a slot charterer.

Since there are free capacities at the container terminals – at least in the medium term – the market power of the remaining consortia/shipping lines is increasing in the wake of their consolidation, and with it the pressure on earnings, as well as the need to identify and further implement sustainable cost reductions at the container terminals.

With a view to safeguarding competitiveness, EUROGATE set up an in-house project team to examine the possibility of automating processes at its container terminals and took the decision in favour of the automation of straddle carriers. In a pre-project phase, different automatic operating systems were analysed and compared. In the meantime, a choice has been made in favour of one operating system. In autumn 2016, the planned automation project was divided into two parallel sub-projects. These are (i) the setting up of a pilot facility for the automation of straddle carriers as a test site at the Wilhelmshaven location and (ii) a summary of the EUROGATE-specific analyses with a view to a rollout at all German terminals of the EUROGATE Group. On 17 February 2017, the Federal Ministry of Transport and Digital Infrastructure granted funding for the project in the amount of EUR 9.2 million within the scope of its Innovative Port Technologies funding directive (IHATEC).

The results of the pilot project will be validated in cooperation with APM Terminals B.V., Den Haag, (Netherlands), part of the Danish A.P. Møller Mærsk Group. A corresponding Memorandum of Understanding with APMT to establish a 50/50 joint venture was signed in early December 2016. Authorisation from the anti-trust authorities and thus the official start of the project followed at the end of February 2017.

Against the background of increasing cyberattacks, the company has for some time now significantly stepped up IT security measures. In addition to the general basic protection of systems, software tools are used to monitor and identify anomalies in system and network behaviour.

Legal risks

The accident involving a container gantry in Bremerhaven in 2015 has given rise to considerable legal disputes, the outcome of which cannot as yet be reliably estimated.

Financial risks

Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise loans, finance leases and hire purchase contracts, as well as cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments, such as trade receivables and payables, which arise directly from its operations.

Derivatives for hedging interest rates are only used for the purposes of hedging open risks. Interest derivatives are used exclusively to optimise loan terms and minimise interest rate risks as part of matching-maturity financing strategies. Derivatives are not used for trading or speculation.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. In our opinion the aforementioned interest rate risk, foreign currency risk and liquidity risk are also to be viewed as opportunities. The Management Board reviews and agrees policies for managing each of these risks, and they are summarised below. The current market price risk, as well as the opportunity it represents for all financial instruments, is also monitored at Group level. The Group's accounting and valuation policies in relation to financial instruments, as well as quantitative details relating to the financial instruments used within the Group, are set out in Sections 2 and 31 of the Notes to the consolidated financial statements.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's non-current loans and non-current financial liabilities.

The Group's policy is to manage its interest rate risks using a mix of fixed and floating rate debt. The predominant share of liabilities to banks has a long-term wrapper, i.e. fixed interest rates have been arranged until the end of the financing term. Furthermore, interest rates were and are to a certain extent hedged for loans to be taken up in the future by agreement of forward interest rate swaps.

Giving loans a long-term wrapper and hedging by means of interest rate swaps on the one hand produces the commercial risk of a high economic burden if interest rates drop. On the other hand if interest rates increase, this presents the opportunity of a low economic burden, as well as of planning reliability and stability in subsequent periods.

Values relating to financial instruments are presented in Section 31 of the Notes to the consolidated financial statements for 2016.

Foreign currency risk

All fully consolidated entities denominate their invoices exclusively in euros. Consequently, currency risks can only arise in specific cases, e. g. as a result of foreign dividend income or purchase of goods and services abroad or the granting of foreign currency loans. Currently there are no noteworthy currency risks in the Group arising from such specific cases.

A foreign currency risk arises in the case of the following associates of the EUROKAI Group or EUROGATE Group: Tanger-MedGate Management S. a. r. l., Tangier (Morocco, currency: Moroccan dirham), OJSC Ust-Luga Container Terminal, Ust-Luga (Russia, currency: Russian rouble) as well as CONTRAIL Logística S. A., São Paulo (Brazil, currency: Brazilian real) due to the fact that these companies are recognised in the respective national currency. The currency fluctuations underlying these entities gave rise to an overall change in the foreign currency translation reserve of EUR 2.608 million (2015: EUR 440,000) in 2016.

Credit risk

The Group's credit risk principally results from trade receivables in particular from shipping companies. The amounts disclosed in the balance sheet exclude bad debt allowances for expected uncollectible receivables estimated on the basis of past experience and the current economic environment. Due to the current intensive crowding out on the part of the shipping lines, a higher credit risk is assumed. This higher exposure to credit risk is countered across the Group by more intensive monitoring of receivables on all levels – and management level in particular. Corresponding action plans have been drawn up to minimise any damage in the event of such a risk materialising. Nevertheless, despite appropriate monitoring and warnings, in the current environment the risk of future defaults cannot be eliminated entirely.

Credit risk is limited for cash and cash equivalents and derivatives, as these are held at banks or transacted with banks which are awarded a high credit rating by international rating agencies.

The Group's maximum credit risk is equivalent to the amount of total financial assets recognised on the balance sheet.

Liquidity risk

EUROKAI Group's liquidity is ensured by autonomous and independent cash pooling of the subsidiaries with the respective holding companies of the sub-groups, both within CONTSHIP Italia Group and EUROGATE Group, as well as by centralised cash management functions within the respective corporate groups.

Centralised investment control and credit management at holding level also ensure the timely provision of funds (loans/leases/rent) to meet all payment obligations.

There are currently no significant concentrations of financial risk within the Group.

No risks posing a threat to the continued existence of the company as a going concern, such as overindebtedness, insolvency or other risks with a substantial effect on its net assets, financial position and results of operations currently exist.

Accounting-related internal control system

The objective of the internal control system (ICS) for the reporting process is to guarantee with reasonable certainty that the financial statements are drawn up in compliance with the applicable regulations.

With respect to the financial reporting process, the following structures and processes are implemented within the EUROKAI Group, which also apply to the Group financial reporting process:

- The principles, operational and organisational structure, as well as processes underlying the accounting-related internal control and risk management system are laid down in directives and operating procedures that are adapted to reflect ongoing internal and external developments.
- The EUROKAI Group has a clear management and corporate structure.
- The functions of the main divisions involved in the reporting process – finances, accounting and cost controlling – are clearly separated. The spheres of responsibility are clearly allocated. The separation of functions and the double-check rule are key principles of control in the reporting process.
- The IT systems used for financial reporting are protected against unauthorised access by means of corresponding security systems.
- Uniform reporting practice is guaranteed in particular through Group-wide terms of reference (e. g. investment guideline, purchasing guideline, travel expenses guideline). These are regularly updated.
- Reporting-relevant processes are regularly reviewed by external auditors. Furthermore the respective IT processes are subject to external reviews.

The Management Board of the Personally Liable General Partner bears overall responsibility for the internal control and risk management system with respect to the reporting process within the company. This integrates all divisions via a predetermined management and reporting organisation.

To enable a rapid response to unexpectedly arising negative developments, regular – at least once monthly – reports to the Management Board form part of the control and risk management system.

The expectations and goals form the basis of annual medium-term planning, which is presented to the Supervisory Board. For the current financial year, deviations from budgeted values are analysed in the monthly reporting and forecasts are prepared for the current year taking actual values into account. Reporting also covers the operating profit/loss of the company's associates and thus reflects all operating activities of the EUROKAI Group.

9. DISCLOSURE REQUIREMENTS PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

ISSUED CAPITAL

The issued capital of EUR 13,468,000 has been fully paid up. It is divided into 6,759,480 ordinary voting shares with a nominal value of EUR 1.00 each, 6,708,494 non-voting preference shares with a nominal value of EUR 1.00 each, and one preference voting share with a nominal value of EUR 520.00.

The ordinary voting shares are made out to bearer.

The preference voting share is registered and carries a preference dividend of 15% of the residual profit for the year in accordance with the internal balance sheet pursuant to Section 16 of the Articles of Association, which ranks above dividends from other share classes.

A nominal value of EUR 1.00 of the voting shares entitles the holder to one vote.

The non-voting preference shares are made out to bearer and are endowed with a preference profit participation within the scope of Section 139 of the German Stock Corporation Act (AktG), which comprises an advance dividend of 5% (Section 5 (1) of the Articles of Association).

The following entities directly or indirectly hold more than 10% of the voting shares:

- Familie Thomas Eckelmann GmbH & Co. KG, Hamburg
- Familie Thomas Eckelmann Verwaltungsgesellschaft mbH, Hamburg
- Eckelmann GmbH, Hamburg
- Thomas H. Eckelmann GmbH, Hamburg
- J. F. Müller & Sohn AG, Hamburg
- J. F. Müller & Sohn Beteiligungs GmbH, Hamburg

Furthermore, Mr Thomas H. Eckelmann indirectly holds more than 10% of the voting shares

For disclosures relating to the shareholders of the company pursuant to the provisions of the German Securities Trading Act (WpHG) we refer to the information contained in the Notes to the financial statements of EUROKAI GmbH & Co. KGaA.

AUTHORISED CAPITAL

The General Meeting of 20 June 2012 authorised the Personally Liable General Partner, subject to the consent of the Supervisory Board, to increase the share capital of the company up to 19 June 2017

- by EUR 3,240,520.00 through the single or multiple issue of ordinary voting bearer shares and/or
- by EUR 3,290,986.00 through the single or multiple issue of non-voting bearer preference shares

each with a nominal value of EUR 1.00 against cash.

The shareholders are to be granted a subscription right.

The Personally Liable General Partner is authorised, subject to the consent of the Supervisory Board,

- to exclude pre-emptive rights of shareholders to eliminate fractions
- in the case of a simultaneous issuance of ordinary and preference shares, to exclude the pre-emptive right of bearers of shares of one class to shares of the other class insofar as the subscription ratio is set at the same level for both classes
- to allow a bank to be determined by the Personally Liable General Partner to acquire the new shares with the obligation to offer them to the shareholders for subscription (indirect subscription right).

The Personally Liable General Partner is authorised, subject to the consent of the Supervisory Board, to determine the further details of the capital increases and their implementation.

The Supervisory Board is authorised to adapt the version of Section 5 of the Articles of Association in line with the respective utilisation of the authorised capital and if the authorised capital is not called up or not fully called up by 19 June 2017 to adapt the authorisation after expiry of the deadline.

CAPITAL ATTRIBUTABLE TO THE PERSONALLY LIABLE GENERAL PARTNER

As at 31 December 2016, the Personally Liable General Partner, Kurt F. W. A. Eckelmann GmbH, Hamburg, made a capital contribution of EUR 294,000 pursuant to Section 5 of the Articles of Association. The share of EUR 282,000 of the fixed capital contribution eligible for dividend participates in the profit for the year proportionately to the share capital of the company, which is calculated on the basis of an internal balance sheet prepared in accordance with Section 16 of the Articles of Association. In the case of future increases in share capital, under Section 5 of the Articles of Association the Personally Liable General Partner is authorised at any time to raise the fixed capital contribution by up to 20% of the respective amount of the capital increase.

The Personally Liable General Partner may instead of or in addition to the fixed capital contribution also acquire preference shares of the company or convert the already paid in contribution wholly or in part into preference shares of the company.

APPOINTMENT AND TERMINATION OF MANAGEMENT MANDATES AND AMENDMENT TO THE ARTICLES OF ASSOCIATION

In the case of a Kommanditgesellschaft auf Aktien (partnership limited by shares), the duties of the Management Board of a stock corporation are incumbent upon the Personally Liable General Partner. In accordance with Section 278 (2) of the German Stock Corporation Act (AktG) in conjunction with Section 164 of the German Commercial Code (HGB), and lacking any specific provisions in the Articles of Association of the company, management is thus incumbent upon the Personally Liable General Partner, Kurt F. W. A. Eckelmann GmbH, represented by its management. The appointment and termination of management mandates is governed by Section 6 of the Articles of Association of the company. Under these provisions, the Administrative Board of Kurt F. W. A. Eckelmann GmbH appoints the management for a maximum period of five years. Reappointments or extensions of the term of office – in each case for a maximum of five years – are also permitted.

In the case of extraordinary business transactions, the Personally Liable General Partner must seek the prior endorsement of the Supervisory Board.

Amendments to the Articles of Association affecting the organisational framework of the company are made in accordance with Sections 285 and 179 AktG in conjunction with Sections 161 and 119 HGB. Pursuant to Section 179 AktG in conjunction with Section 19 of the Articles of Association, the Supervisory Board has the powers to decide on amendments and additions to the Articles of Association provided these affect this version only.

10. EXPECTED DEVELOPMENTS

The global economy and developments in the individual national economies are influenced by political factors and aspects of economic policy such as the political changes in the USA with its repercussions for foreign policy and foreign trade, the Brexit decision, the future of the EU, increasing protectionism worldwide. These are accompanied by a series of unresolved issues, such as military conflicts in the Middle East and the Ukraine, the integration of refugees and possibly a fresh wave of refugees.

Competitive pressure for the shipping companies is likely to remain high due to the fact that global growth will not suffice to ensure full utilisation of shipowners' tonnage capacities and overcome the current structural problems in the container shipping industry. Consequently, container terminals continue to face an uncertain future, not least because of the large number of new container vessels being built.

Here, continued cooperation and concentration among the container shipping lines could have an impact. In this context, increasing price pressure on the terminals cannot be ruled out.

In addition to leveraging internal synergies, the management of the CONTSHIP Italia Group will once again in the 2017 financial year continue to focus on improving the quality of integrated services and implementing measures to further reduce costs.

Adequate capacity utilisation of the EUROGATE Container Terminal in Wilhelmshaven continues to be extremely important for the EUROGATE Group. Effective from 1 April 2017, the newly established OCEAN Alliance, comprising the shipping lines CMA CGM, COSCO Shipping, Evergreen and OOCL, has incorporated EUROGATE Container Terminal Wilhelmshaven into its schedule.

The EUROGATE straddle carrier automation project is expected to be launched in March 2017 with the tendering procedure for the pilot test station. The detailed design of the pilot test facility and the first construction measures at the Wilhelmshaven site are planned for the second half-year 2017.

From today's perspective, the CONTSHIP Italia Segment is expected to post a slight increase in handling volumes accompanied by a slight increase in earnings. Due to the ongoing losses of EUROGATE Container Terminal Wilhelmshaven for the financial year 2017, coupled with the slight overall decline in handling volumes, a slight decline in earnings is anticipated for the EUROGATE Segment.

For the EUROKAI Group as a whole, slightly lower earnings are forecast for 2017.

The Group's overall profit continues to be strongly influenced by the results of the container terminals, and here by handling volumes and throughput rates as the key influencing parameters.

Based on continued sound balance sheet ratios and with an equity ratio of over 60%, the EUROKAI Group is well prepared to field the challenges still to come.

Unforeseen developments may cause the actual business trend to deviate from expectations, which are based on assumptions and estimates made by the Group Management Board. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

11. MANAGEMENT STATEMENT PURSUANT TO SECTION 315 (5) OF THE GERMAN COMMERCIAL CODE (HGB)

The Management Statement is published on our website at www.eurokai.com.

12. CLOSING REMARKS

The Personally Liable General Partner has drawn up a Dependency Report on legal and business relations with affiliated companies, containing the following closing remarks:

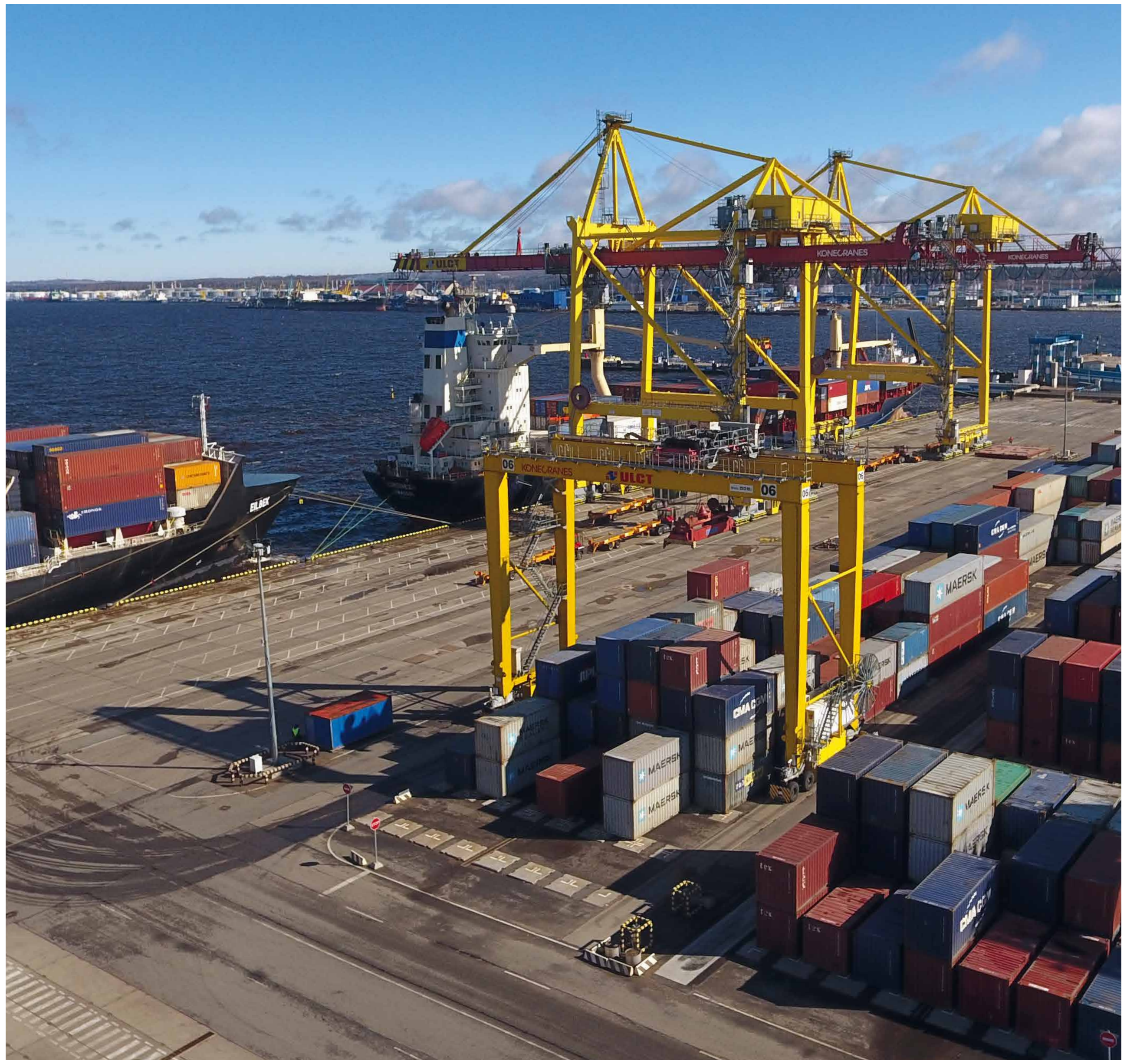
"Our company received due and proper remuneration for all legal transactions listed in the report on relations with affiliated companies, as far as we were aware at the time when said transactions were made. No other transactions to the debit or credit of our company have been either undertaken or omitted."

Hamburg, Germany, 23 March 2017

Personally Liable General Partner
Kurt F. W. A. Eckelmann GmbH, Hamburg

Thomas H. Eckelmann
Cecilia E. M. Eckelmann-Battistello

Report of the Supervisory Board



OJSC Ust-Luga Container Terminal, Ust-Luga (Russia).

DR WINFRIED STEEGER
Chairman of the Supervisory Board

Once again in 2016 the Supervisory Board carried out the duties entrusted to it by law, under the terms of the company's Articles of Association, and of the German Corporate Governance Code. The Supervisory Board regularly advised and continuously monitored all business activities of the Management Board of the Personally Liable General Partner.

In the course of the 2016 fiscal year, the Supervisory Board was briefed in a regular, timely and comprehensive manner by the Management Board of the Personally Liable General Partner, through both written and verbal reports, on the current situation and all matters relating to the company and the Group, as well as joint ventures included in the Group reporting entity. These reports related in particular to significant business transactions and ventures, corporate strategy, business policy, corporate planning (in particular financial, investment and personnel planning), as well as the business development. The Management Board also reported on revenue, the position of the company and of the Group, the financial and earnings situation, as well as profitability. It also explained in detail any deviations from the planned operational performance, risk exposure, especially transactions having a possible material impact on the profitability or liquidity of the company and of the Group, and finally risk management, the internal control system and auditing practices, including compliance.

The key focuses of extensive reports and discussions in 2016 were

- the impacts of the restructuring of the Medcenter Container Terminal S. p.A, Gioia Tauro, Italy, carried out in 2015,
- the development of the EUROGATE Container Terminal Wilhelmshaven,
- the “western expansion” project of EUROGATE Container Terminal Hamburg GmbH,
- the development of the Ust-Luga Container Terminal in Ust-Luga, Russia,
- the development of the EUROGATE Tanger Container Terminal in Tangier, Morocco, also relating to new terminal capacities,
- the development and rejection/prohibition of mergers and alliances between major container shipping lines and their repercussions for the container terminals of the EUROKAI Group,
- EUROGATE's investment in the new port project in Limassol, Cyprus and the planned investment in the new port project in Bandar Abbas, Iran,
- repercussions and risks arising from the (potential) insolvency of shipping companies, incl. consideration of risk scenarios. These were discussed particularly in the context of the insolvency of the Hanjin Group in September 2016,
- changes in the composition of the EUROGATE Group Management Board,
- operational performance and the strategic forward planning of the EUROKAI Group,
- the pilot project for automation of straddle carriers,
- the report on the risk management system and internal auditing practices within the EUROKAI Group,
- compliance and corporate governance-related issues,
- specification of reporting and information requirements of the Personally Liable General Partner,
- implications of the EU audit reform,
- implications of the entry into force of the European Market Abuse Directive,
- the hybrid bond issued by EUROGATE GmbH & Co. KGaA, KG.

In light of the difficult economic environment persisting now for some years, the Supervisory Board consulted in-depth with the Management Board of the Personally Liable General Partner on the possible ripple effect for the EUROKAI Group. Detailed consideration was also given to

- the enduring repercussions of the crisis in Russia and the Ukraine as well as the political and military conflicts in the Middle East and the impact of the economic development in China on the development of world trade,
- the development of the emerging markets,
- the increasing deployment of ever larger container vessels (ULCS), along with the growing number of mergers and alliances between the major shipping lines,
- the overcapacities at the container terminals in the North Range in the competitive environment of the Group entities,
- the development of the flows of forwarding loads in the North Range and the Mediterranean, the resulting sea-side and shore-side consequences as well as any ensuing ramifications and necessary consequences.

River Elbe: At the end of December 2016, the Bundesverwaltungsgericht (Federal Administrative Court) in Leipzig reopened the hearing in the proceedings concerning the fairway adjustment of the River Elbe and on 9 February 2017 ruled against it for the moment. The Supervisory Board concurs with the assessment of the Management Board that the Elbe fairway adjustment is of crucial importance for ensuring that ever larger container ships can call at the Port of Hamburg without capacity losses and long waiting times, and hopes that the legal shortcomings of the proceedings can be remedied as soon as possible through supplementary planning measures. This not being the case, Hamburg's position as a logistics centre would face considerable competitive disadvantages. This was also the subject of intensive discussions in connection with the formation of new shipping line consortiums.

Outer Weser: In its judgement of 11 August 2016, the Bundesverwaltungsgericht (Federal Administrative Court) declared the plans for the deepening of the Outer Weser to be unlawful. However, the planning approval decision was not wholly revoked. The Supervisory Board still considers the deepening of the Outer Weser to be necessary.

Kiel Canal (Nord-Ostsee-Kanal): This applies correspondingly to the increase in the capacity of the Kiel Canal. The modernisation of the existing locks, construction of a fifth lock chamber and complete upgrading of the Kiel Canal (deepening by one metre along the entire length, modifications at the sidings, bends and locks) is of key importance for EUROGATE's Port of Hamburg location, to enable Hamburg to maintain its position as a Baltic transhipment hub. While financing of the lock repairs and building of the new lock has been secured, the project is not likely to be completed before 2018. To date, the overall measures to upgrade the Kiel Canal (widening and deepening) in order to accommodate the growing sizes of feeder ships in future have neither been financed nor given the final positive go-ahead by the responsible federal authorities.

The Supervisory Board also welcomes the planning approval decision passed in early December 2016 for the western expansion of the EUROGATE terminal in Hamburg, a project that has been under way since 1997, hence for 20 years, based on corresponding undertakings by the Free and Hanseatic City of Hamburg.

The Supervisory Board endorsed and monitored adherence to the Management Board's corporate planning, in particular to the realisation of the actions and objectives contained therein. Based in particular on the written and verbal reports from the Management Board of the Personally Liable General Partner, the Supervisory Board devoted special attention to the corporate strategy and its implementation, deviations of the course of business from the planned targets, as well as significant business transactions for the company and the Group. Regular consideration was given as to whether business transactions required the Supervisory Board's approval in accordance with statutory provisions or the company's Articles of Association, which was the case once in the reporting period.

Within the scope of its duties and based on the comprehensive reporting on the internal control system, risk management and internal auditing practices, including compliance, the Supervisory Board came to the conclusion that the EUROKAI Group has reliable and effective systems in place to deal with such issues in an appropriately organised manner.

Giving consideration to the fact that EUROKAI GmbH & Co. KGaA is a pure financial holding company that operates nationally and internationally almost exclusively in the field of port handling as well as indirectly in related upstream and downstream areas of activity in the transport sector, the Supervisory Board has specified concrete objectives regarding its composition. These objectives do not constitute requirements to be heeded by shareholders eligible to elect members. Rather, they are intended to express the objectives pursued by the incumbent Supervisory Board with regard to its advisory and supervising functions whilst considering the specifics of the enterprise.

The individual objectives of the Supervisory Board are described in the Corporate Governance report, which also reports on the status of their implementation. The report is publicly accessible on the EUROKAI GmbH & Co. KGaA website at www.eurokai.com.

The reporting and information requirements of the Personally Liable General Partner vis-à-vis the Supervisory Board, as set out by the latter in 2016 in accordance with No. 3.4 of the German Corporate Governance Code, are also accessible on the website at www.eurokai.com.

In granting the audit mandate, the Supervisory Board specified the key areas for audit in the 2016 annual financial statements as well as the audit fee.

Members of the Supervisory Board and members of the Management Board of the Personally Liable General Partner were involved in no conflicts of interest. The Supervisory Board is of the opinion that it has a sufficient number of independent members. Care is taken to ensure that the Supervisory Board is composed of members who have the knowledge, expertise and professional experience, as well as being familiar with the business sector in which the company and the Group operate, to properly exercise their mandate.

The Supervisory Board convened four ordinary meetings during the financial year 2016, two per half-year. Mr Max Warburg missed one meeting. Thus all members of the Supervisory Board attended more than half of the sessions. In respect of individual items of the agenda requiring approval at the meeting he was unable to attend, Mr Warburg submitted his votes to the Chairman beforehand in a written procedure. One motion was approved by circular resolution. All members of the Management Board of the Personally Liable General Partner attended all the meetings. Furthermore, the Chairman of the Supervisory Board remained in continuous contact with the Management Board of the Personally Liable General Partner and was regularly briefed between official meetings on the current business situation and development, as well as significant business transactions and important pending decisions. The members of the Supervisory Board had adequate opportunity to discuss the documentation submitted and to contribute their own suggestions.

Attendance of members of the Supervisory Board in 2016:

Member	Attendance	in %
Dr Winfried Steeger (Chairman)	4/4	100
Dr Sebastian Biedenkopf (Deputy Chairman)	4/4	100
Katja Both	4/4	100
Jochen Döhle	4/4	100
Raetke Müller	4/4	100
Max Warburg	3/4	75

In order to perform its duties effectively, the Supervisory Board has set up an Audit Committee. Dr Sebastian Biedenkopf was once again appointed Chairman of the Audit Committee on 8 June 2016. Dr Biedenkopf meets the requirements of an independent financial expert pursuant to Sections 100 (5), 107 (4) of the German Stock Corporation Act (AktG). The Audit Committee convened two meetings during the 2016 fiscal year. Mr Max Warburg missed one meeting. The Audit Committee discussed in particular the monitoring of the financial reporting process, the annual and consolidated financial statements and the audit. It also assessed the effectiveness of the internal control, auditing and risk management systems, including compliance. The Audit Committee discussed the half-yearly financial report with the Management Board of the Personally Liable General Partner.

The Supervisory Board took the decision to dissolve the originally established Human Resources Committee since due to the structure of EUROKAI GmbH & Co. KGaA it has no competencies. The Managing Directors of the Personally Liable General Partner, Kurt F. W. A. Eckelmann GmbH, are appointed and removed by its managing partners.

The financial statements and the management report of the company for the 2016 fiscal year were drawn up in accordance with the requirements of the German Commercial Code (HGB) and the consolidated financial statements and Group management report were prepared in accordance with International Financial Reporting Standards (IFRSs), such as they apply in the EU, in conjunction with the supplementary requirements pursuant to the provisions of Section 315a (1) of the German Commercial Code (HGB) and the supplementary provisions of the Articles of Association. The financial statements and management report of the company and the consolidated financial statements and management report of the EUROKAI GmbH & Co. KGaA Group, including the accounts on which they are based, for the fiscal year 2016 have been reviewed by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer IDW) and each been issued an unqualified audit opinion. The auditor also confirmed that the Management Board of the Personally Liable General Partner has put in place an appropriate monitoring system as required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG), which is suitable in its design and handling to identify at an early stage developments which could place the continued existence of the EUROKAI Group at risk. The auditor additionally determined the effectiveness of the internal control system for financial reporting.

The auditor has issued the following unqualified opinion for the report on relations with affiliated companies (Dependency Report) in accordance with Section 312 of the German Stock Corporation Act (AktG):

"Having duly examined and assessed this report, we confirm that

1. the factual statements contained in the report are correct,
2. the company's consideration with respect to all legal transactions stated in the report was not inappropriately high."

The annual financial statements and the management report of the company, the consolidated financial statements and Group management report, the proposal for the distribution of profits, the report on relations with affiliated companies and the auditor's reports were distributed to all members of the Supervisory Board in a timely manner immediately after their preparation.

Following a detailed preliminary assessment by the Audit Committee in the presence of the auditor and the Management Board of the Personally Liable General Partner, the Supervisory Board reviewed the annual financial statements of the company and the consolidated financial statements of the Group as at 31 December 2016, as well as the management report/consolidated management report, the proposal for the distribution of profits, the report on relations with affiliated companies for the fiscal year 2016 and the findings of the audits of the annual financial statements and the report on relations with affiliated companies by the auditor at its meeting of 5 April 2017. At this meeting, the above documents were discussed in detail with the Management Board of the Personally Liable General Partner in the presence of the auditor.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, reported to the Supervisory Board on the course of its audits and on the main findings. The auditor also reported on the key areas of its audit. Following this report, all the Supervisory Board's questions were answered in full by the Management Board of the Personally Liable General Partner and the auditor.

Based on the final results of the comprehensive reviews by the Audit Committee and the Supervisory Board, the Supervisory Board concurred with the financial statements and management report of the company, the consolidated financial statements and Group management report of the company, the proposal for the appropriation of distributable profit, the report on relations with affiliated companies, including the closing remarks of the Management Board of the Personally Liable General Partner contained therein, as well as the auditor's findings and reports. It approved the financial statements of EUROKAI GmbH & Co. KGaA and of the Group drawn up by the Management Board as at 31 December 2016. The Supervisory Board agreed to the profit distribution proposal.

In line with the recommendation of the Audit Committee, the Supervisory Board proposes that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, be granted the audit mandate for the 2017 fiscal year. For this purpose, a statement of independence was obtained from the auditor.

The Supervisory Board, jointly with the Management Board of the Personally Liable General Partner, resolved upon the wording and submission of the Corporate Governance Statement required under Section 289a of the German Commercial Code (HGB), including the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), for the 2016 financial year.

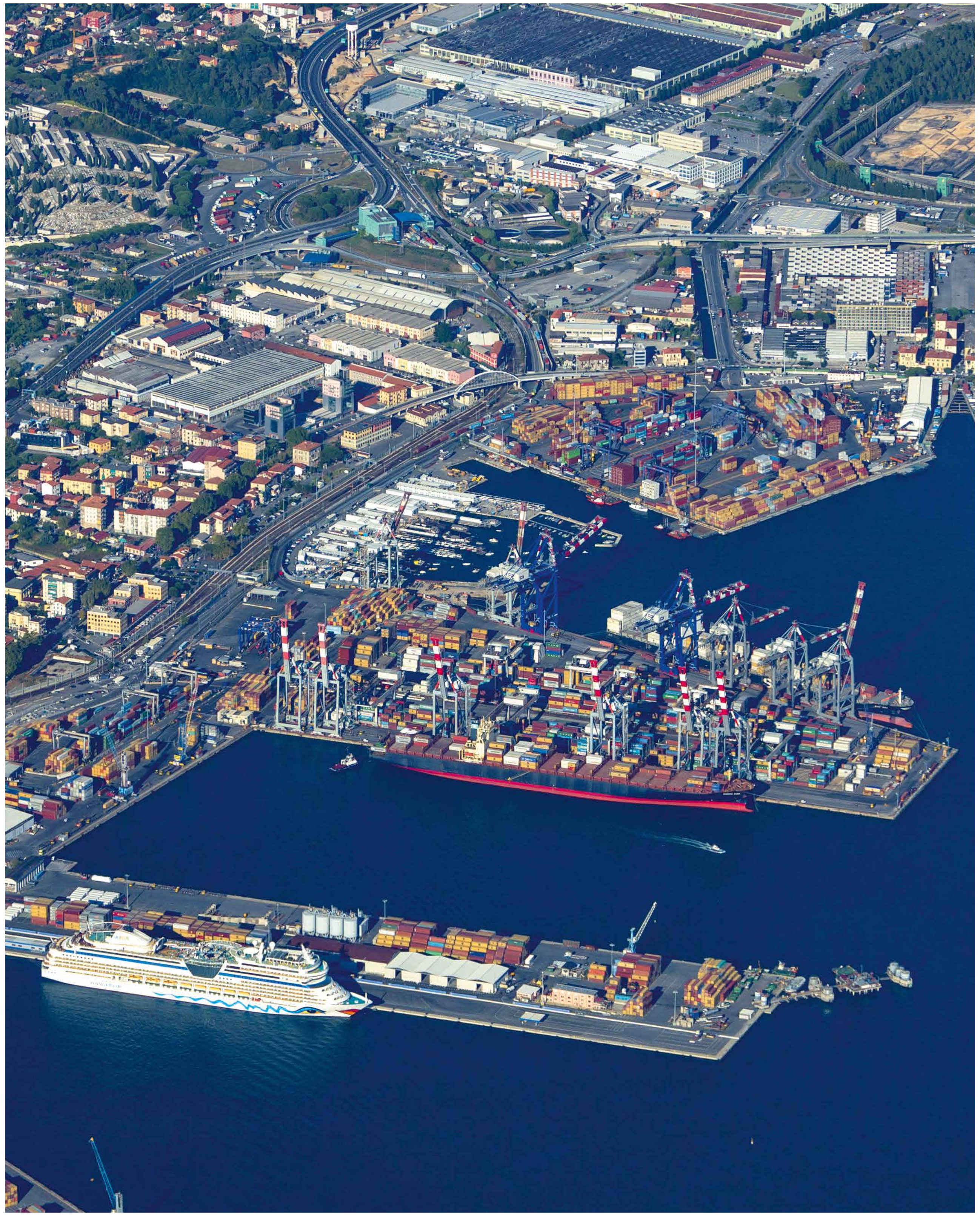
Pursuant to Section 11 of the Articles of Association, the Supervisory Board is composed of six members.

The 2016 General Meeting reelected Dr Winfried Steeger, Dr Sebastian Biedenkopf and Mr Max M. Warburg until the end of the 2020 General Meeting. The periods of office of Mr Jochen Döhle and Mr Lic. oec. Raetke Müller terminate with the end of the 2019 General Meeting, that of Ms Katja Both with the end of the 2017 General Meeting. The Supervisory Board will propose the reelection of Ms Katja Both by the 2017 General Meeting. At the constituent meeting of the Supervisory Board regularly held following the General Meeting, Dr Winfried Steeger was reelected as Chairman and Dr Sebastian Biedenkopf as Deputy Chairman of the Supervisory Board on 8 June 2016.

The Supervisory Board would like to thank the Management Board of the Personally Liable General Partner and all employees in the affiliated companies of EUROKAI GmbH & Co. KGaA in Germany and abroad for their efforts and achievements in 2016. Through their commitment they made it possible to successfully overcome the developments and changes in the just completed financial year.

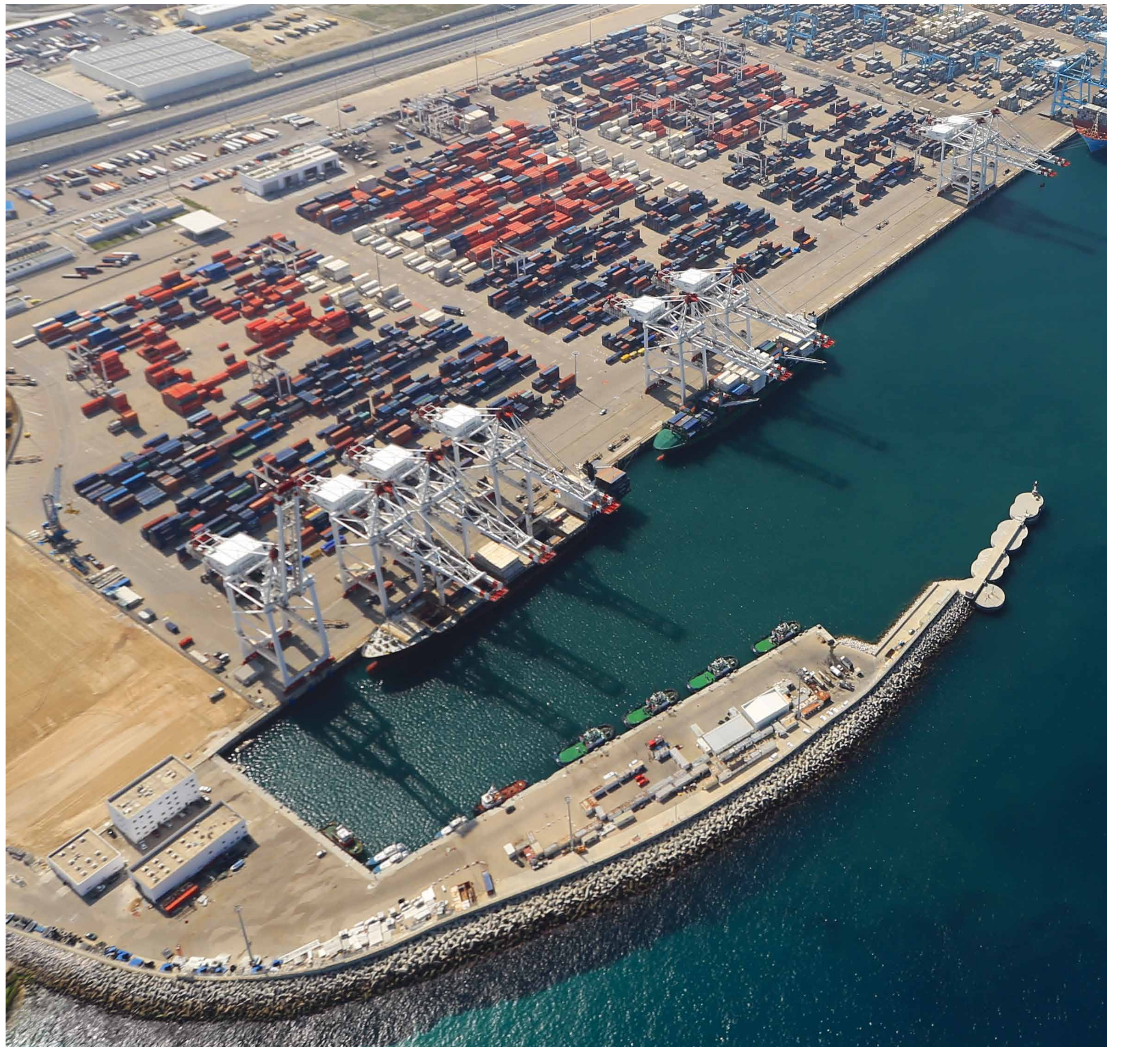
Hamburg, Germany, 5 April 2017
The Chairman of the Supervisory Board

Dr Winfried Steeger



La Spezia Container Terminal with Speter and Ravano terminals.

Corporate Governance Report



EUROGATE Tanger Container Terminal
on the Strait of Gibraltar.

MANAGEMENT STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB) INCLUDING CORPORATE GOVERNANCE REPORT AND DECLARATION OF CONFORMITY

In addition to the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), the following joint statement made by the Personally Liable General Partner and the Supervisory Board pursuant to Section 289a of the German Commercial Code (HGB) includes the Corporate Governance Report of EUROKAI GmbH & Co. KGaA (in the following "EUROKAI") required under Section 3.10 of the German Corporate Governance Code ("Code") in the amended version of 5 May 2015 published by the German Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015. It is also made publicly accessible on the EUROKAI website at www.eurokai.com.

As a company listed on the German stock exchange and having its head office in Germany, the general Corporate Governance framework for EUROKAI is governed by the applicable laws, the Articles of Association and the Code. Apart from justified exceptions, EUROKAI complies with the recommendations of the German Corporate Governance Code.

EUROKAI is a partnership limited by shares and as such an independent legal entity pursuant to Section 278 (1) of the German Stock Corporation Act (AktG), in which at least one partner is generally liable with the entirety of its assets vis-à-vis the company's creditors (Personally Liable General Partner) and the other partners have a stake in the authorised capital, which is divided into shares, without being personally liable for the company's liabilities (limited liability shareholders).

The Personally Liable General Partner of EUROKAI responsible for running the business of the KGaA is Kurt F. W. A. Eckelmann GmbH, Hamburg. The personally liable managing partner of a KGaA (partnership limited by shares) can be compared to the management board of a stock corporation. Section 283 AktG therefore rules that a number of provisions governing the management board of a stock corporation shall apply analogously to the personally liable general partner of a KGaA. Kurt F. W. A. Eckelmann GmbH is represented by the Managing Directors Mr Thomas H. Eckelmann (Chairman) and Ms Cecilia Eckelmann-Battistello. Contrary to a stock corporation, in which pursuant to Section 84 AktG the Supervisory Board is responsible for the appointment and removal of the management board, the Managing Directors of Kurt F. W. A. Eckelmann GmbH are appointed and removed by its Administrative Board. The Administrative Board also concludes the senior executive agreements with the Managing Directors and determines the assignment of duties/rules of procedure of the Management Board. The duty of the supervisory boards of listed companies to set target quotas for women on their executive board required under Section 111 (5) AktG therefore does not apply to EUROKAI.

EUROKAI has no employees of its own. Tasks not related to the management structure of EUROKAI, such as finances, financial control and accounting are handled by EUROGATE GmbH & Co. KGaA, KG within the scope of a service agreement.

EUROKAI is a financial holding company. Its principal ownership interests are the 66.6% holding in the share capital of CONTSHIP Italia S. p. A., Genoa, Italy, as well as the 50% interest in the joint venture EUROGATE GmbH & Co. KGaA, KG, Bremen, the holding company of the EUROGATE Group, in which BLG Logistics Group AG & Co. KG, Bremen, a company owned by the Free Hanseatic City of Bremen (municipality), also holds 50%. The EUROGATE Group, in turn, has a 33.4% stake in CONTSHIP Italia S. p. A. Thus EUROKAI effectively holds a total 83.3% interest in the CONTSHIP Italia Group. Ms Cecilia Eckelmann-Battistello is CEO of CONTSHIP Italia S. p. A. and Mr Thomas H. Eckelmann is Chairman of the Group Management Board of EUROGATE GmbH & Co. KGaA, KG as well as a member of the Board of Directors of CONTSHIP Italia S. p. A.

SHAREHOLDERS AND GENERAL MEETING

The shareholders of EUROKAI exercise their rights at the General Meeting, in particular the Annual General Meeting. This decides on all matters determined by law and the Articles of Association. Contrary to a stock corporation, in which pursuant to Section 172 German Stock Corporation Act (AktG) the Supervisory Board is generally (for exceptions see Section 173 AktG) responsible for approving the annual financial statements, in a KGaA, pursuant to Section 286 (1) AktG, the General Meeting resolves upon the approval of the annual financial statements. This ruling requires the consent of the Personally Liable General Partner. Under the provisions of Section 285 (2) AktG, resolutions of the General Meeting also require the consent of the Personally Liable General Partner.

A nominal value of EUR 1.00 for each voting share entitles its holder to one vote.

All shareholders who have registered with the company and submitted specific evidence of their shareholding issued by their custodian bank are entitled to attend the General Meeting. Shareholders who are unable to personally attend the General Meeting may assign their voting rights by proxy to a chosen representative, for example a bank or a shareholders' association, to vote on their behalf.

The convening of the General Meeting as well as the reports and information required for the passing of resolutions are published in compliance with the requirements under stock corporation law and made available on the EUROKAI website at www.eurokai.com.

WORKING PROCEDURES OF THE PERSONALLY LIABLE GENERAL PARTNER

The Management Board of the Personally Liable General Partner is composed of two Managing Directors, Ms Cecilia Eckelmann-Battistello and Mr Thomas H. Eckelmann. Mr Thomas H. Eckelmann is Chairman. Under the rules of procedure for the Management Board, he is responsible for coordinating the activities of the Management Board, representing the company in the public domain, overseeing business communications with the Administrative Board constituted in this company and with the shareholders. Notwithstanding the fact that the Managing Directors are jointly responsible for the management, they carry out independently the duties assigned to them in the schedule of responsibilities. Mr Thomas H. Eckelmann is specifically responsible for the EUROGATE holding company, of which he is Chairman of the Management Board, and Ms Cecilia Eckelmann-Battistello is specifically responsible for the CONTSHIP Italia Group, of which she is President. Under the rules of procedure, the authorisation to independently conduct the tasks assigned to them reaches its limits where, for example, both areas of responsibility or transactions of material importance are affected, or in the case of measures requiring the consent of the Administrative Board. These and other cases set forth in the rules of procedure require a joint resolution to be adopted by both Managing Directors. Under the provisions set out in the rules of procedure the Managing Directors reach their decisions in meetings that – based on the needs of this pure financial holding company – are held regularly at least twice per month and additionally on a case-by-case basis as required. These are chaired by the Chairman of the Management Board. Use is made of the possibilities to adopt resolutions outside meetings in written or electronic form. Should the Managing Directors not be able to come to an agreement, the Chairman of the Administrative Board shall be responsible for arbitration.

COMPOSITION OF THE SUPERVISORY BOARD

Pursuant to Section 11 of the Articles of Association, the Supervisory Board of EUROKAI is composed of six members, who are elected by the shareholders. They are appointed for a term of four years. In compliance with the recommendations of the German Corporate Governance Code, Supervisory Board members are elected individually.

Former Managing Directors of the Personally Liable General Partner of EUROKAI whose appointed term ended less than two years ago are not represented on the Supervisory Board. In its own estimation, the Supervisory Board has a sufficient number of independent and internationally experienced members. Appropriate consideration is given to the involvement of women in the work of the Supervisory Board. There are no conflicts of interest.

Based on its regular efficiency review, the Supervisory Board believes that it possesses the necessary integrity, commitment and professionalism as well as the knowledge, expertise and professional experience required to properly exercise its mandate in a company operating at an international level.

Taking into account that EUROKAI is a pure financial holding company that operates nationally and internationally almost exclusively in the field of port handling as well as indirectly in related upstream and downstream areas of activity in the transport sector, the Supervisory Board has specified concrete objectives regarding its composition, which pursuant to Section 100 (5) AktG are intended to ensure that the members of EUROKAI's Supervisory Board in their entirety are familiar with the sector in which the company operates. These objectives do not constitute requirements to be heeded by shareholders eligible to elect members. Rather, they are intended to express the objectives pursued by the incumbent Supervisory Board with regard to its advisory and supervising functions whilst considering the specifics of the enterprise.

The Supervisory Board has specified the following concrete objectives:

1. Irrespective of the gender of proposed candidates, professional qualifications, personal expertise and integrity are the most important prerequisites for appointments to seats on the Supervisory Board. When proposing Supervisory Board candidates for election, irrespective of their gender, the Supervisory Board will always give top priority to these prerequisites, which are essential for fulfilling its legal duties.
2. Overall, the Supervisory Board's policy is to optimally meet its monitoring and advisory duties by having a diversity of members. Diversity includes, in particular, internationality as well as different experience backgrounds, career and life paths. This also includes a capacity for teamwork and commitment. Every member of the Supervisory Board must take care that he/she has sufficient time to perform his/her mandate in a full and timely manner.
3. At least two members of the Supervisory Board should have international business experience; they do not necessarily have to be foreigners themselves.
4. As long as the company by virtue of its shareholder structure – as is currently the case – can be considered to be a family-owned company, the Supervisory Board should have at least (a) one family member and (b) one member who has experience in managing a medium-sized or large family-owned company.
5. The Supervisory Board shall include what it considers an adequate number of independent members, as defined by Section 5.4.2 of the Code. Given that by virtue of its shareholder structure the company can currently be considered to be a family-owned company, the Supervisory Board considers it desirable that at least two of its members are independent.
6. The Supervisory Board considers it generally desirable to integrate women into the work of the company, as is currently and has for many years been the case regarding the work of the Management Board of the Personally Liable General Partner, and consequently also the tasks of the Supervisory Board. The Supervisory Board has determined a target for a share of women of at least 1/6.
7. Proposals for elections to the Supervisory Board should normally only include candidates who are younger than 70. The Supervisory Board consciously refrains from stipulating a fixed age limit for Supervisory Board members as age is not a criterion for qualifications and expertise. Moreover, the company does not wish to forego the many years of experience of Supervisory Board members.
8. At least one member of the Supervisory Board should possess expertise in the fields of financial accounting or auditing as defined by Section 100 (5) of the German Stock Corporation Act (AktG).
9. No member shall be part of the Supervisory Board who simultaneously serves on a body of or advises a major competitor of the company or the Group, or provides consultancy services thereto.
10. The Supervisory Board reviews these objectives on a regular basis. It publishes its objectives and the status of their implementation annually in the Corporate Governance Report.

The Supervisory Board is of the opinion that all of the above objectives are currently satisfied.

The objectives defined by the Supervisory Board for its composition are also published on the website at www.eurokai.com under "Investor Relations/Corporate Governance".

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board of EUROKAI has set up an Audit Committee, which is composed of three members of the Supervisory Board. Where appropriate, the committee prepares decisions that are deliberated at the meetings of the Supervisory Board and complements the work of the Supervisory Board. In as far as the law and the Articles of Association permit, the Supervisory Board's may form additional advisory and decision-making committees as and where necessary.

The principal tasks of the Audit Committee are to discuss the half-yearly financial report with the Management Board of the Personally Liable General Partner, to audit the disclosures included in the annual financial statements and consolidated financial statements, management commentaries, Dependency Report and – in consultation with the auditor – the auditor's findings and reports; additionally to prepare the decision of the Supervisory Board on the approval of the annual financial statements and the consolidated financial statements, the appointment of the auditor, as well as the proposal of the Personally Liable General Partner for the distribution of the net retained profits. Furthermore, the Audit Committee monitors the accounting process, the effectiveness of the internal control and risk management system including compliance, the internal auditing system and the annual audit, and in particular the independence of the auditor and any services additionally provided by the auditor.

The Chairman of the Audit Committee, who shall not be identical with the Chairman of the Supervisory Board, is independent and has gained extensive professional know-how and experience in the application of accounting principles and internal control procedures.

WORKING PROCEDURES OF THE SUPERVISORY BOARD

The working procedures of the six-member Supervisory Board are based on the Supervisory Board's rules of procedure. The Supervisory Board usually convenes at four ordinary meetings during the year, the dates of which are determined annually in advance. In addition the Supervisory Board where necessary adopts resolutions outside meetings using modern means of communication, so that resolutions in written or electronic form are sufficient. The Supervisory Board has a Chairman, currently Dr Winfried Steeger, who invites members to the meetings, chairs meetings and is responsible for adoption of the resolutions passed. As provided for by law, resolutions require a simple majority and may only be passed on items of the agenda announced beforehand in due form in the convention documents, unless all members of the Supervisory Board consent to the passing of a resolution. The work of the Supervisory Board in the meetings is intensive and characterised by the specialist expertise of its members. The Supervisory Board has formed one committee, the Audit Committee, which performs statutory duties. Under the rules of procedure, the Chairman of the Supervisory Board is an "automatic" member; however, in line with the recommendation under No. 5.2 (2) of the German Corporate Governance Code, he is not Chairman of the Audit Committee. The Chairman of the Committee is currently Dr Sebastian Biedenkopf, who pursuant to Section 100 (5) AktG has the requisite expertise knowledge (financial expert). The Audit Committee usually convenes twice a year.

The Supervisory Board did not form a Human Resources Committee since, due to its function as a pure holding company, EUROKAI has no employees of its own and the appointment and removal of the Managing Directors of the Personally Liable General Partner are the responsibility of its Administrative Board.

Moreover, the Chairman of the Supervisory Board regularly maintains contact with the Management Board in order to be informed on an ongoing basis about the course of business. The Supervisory Board is also kept regularly informed by the Management Board about the development of the company through legally stipulated reports and special reports, as and when required.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is specified in Section 13 (1) of the Articles of Association, which has the following wording:

"In addition to reimbursement of all necessary expenses and an attendance fee of EUR 500.00 for each meeting attended, each member of the Supervisory Board shall receive annual compensation in the amount of EUR 8,000.00. The Deputy Chairman of the Supervisory Board shall receive 1 ½ times this amount, the Chairman of the Supervisory Board shall receive three times the amount.

Each member of the Audit Committee shall additionally receive annual compensation of EUR 2,000.00. The Chairman of the Audit Committee shall receive twice this amount."

The compensation of the Supervisory Board is thus fixed and does not include any performance-based components.

For information regarding the remuneration of the statutory organs of the company, we refer to No. 33 and No. 38 of the notes to the consolidated financial statements.

COOPERATION BETWEEN PERSONALLY LIABLE GENERAL PARTNER AND SUPERVISORY BOARD

The Personally Liable General Partner and the Supervisory Board of EUROKAI give high priority to responsible and transparent management committed to corporate responsibility and geared towards long-term success, as well as to the appropriate management of risks. The Personally Liable General Partner informs the Supervisory Board in a regular, timely and comprehensive manner on all matters relevant to the company and the Group, as well as the joint ventures included in the consolidated financial statements, relating to the corporate strategy, business policy, corporate planning, (in particular financial, investment and personnel planning). It also reports on the development of business, especially of revenue, the position of the company, the financial and earnings situation, and profitability, and explains in detail any deviations from projections, risk exposure, especially transactions having a possible material impact on the company's profitability or liquidity, as well as risk management, the internal control system and auditing practices, including compliance. Furthermore, it ensures compliance with legal requirements, in particular the measures stipulated in Section 91 (2) of the German Stock Corporation Act (AktG), and uses its influence to ensure their compliance within the Group companies.

The Supervisory Board advises and supervises the Personally Liable General Partner in the running of the company. In the case of exceptional business transactions, the Personally Liable General Partner must obtain the prior approval of the Supervisory Board pursuant to Section 7 of the Articles of Association. Furthermore, it must submit a budget estimate/earnings statement as well as an annual investment and financial plan to the Supervisory Board for approval and report on their implementation on a three-monthly basis. The Supervisory Board reviews and approves the financial statements and the management report of the company as well as the consolidated financial statements and Group management report and management's proposal on the appropriation of net retained profits.

The Supervisory Board has drawn up internal rules of procedure to govern its work. The Chairman of the Supervisory Board coordinates work performed by the Board, chairs its meetings and represents the Board's interests vis-à-vis third parties. Between meetings he regularly consults with the Management Board of the Personally Liable General Partner.

The Supervisory Board has more precisely defined the reporting and information requirements of the Personally Liable General Partner and made them available on the website at www.eurokai.com.

For more information we refer to the Report of the Supervisory Board on page 30 of our Annual Report. The Annual Report is also published on our website at www.eurokai.com under the heading "Investor Relations/Financial Reports".

TRANSPARENCY

EUROKAI informs the general public in a regular and timely manner on the economic situation of the Group. The Annual Report and the half-yearly financial report are published within the statutory periods (www.eurokai.com under the heading "Investor Relations/Financial Reports"). First- and third-quarterly interim statements are also published. Newsworthy events and new developments are reported in press releases and, where necessary, ad-hoc announcements, which are subsequently published on the EUROKAI website (www.eurokai.com under the heading "Investor Relations/Further Publications"). The legally stipulated reports, documents and information required for the General Meeting are available on the website together with the agenda of the General Meeting and any counter-motions or nominations on the part of the shareholders that the company is obliged to make accessible to the public.

The planned dates for the main recurring events and publications – such as General Meeting, Annual Report, half-yearly financial report and interim statements – are listed in a financial calendar which is published sufficiently in advance and made permanently available on the EUROKAI website.

RISK MANAGEMENT

EUROKAI regards the responsible management of business risks as an important principle of good and sustainable corporate governance. Early identification of risks and minimisation of risk positions form an integral part of this. EUROKAI employs an internal control and risk management system, including compliance, and an internal auditing system, which identify, assess and control risks. Continuous adaptation of the systems – in particular of the manuals pertaining to the early risk identification system of the EUROGATE and the CONTSHIP Italia Group – to changed general conditions, as well as monitoring their effectiveness, is a permanent task for the Personally Liable General Partner and the Supervisory Board.

The Personally Liable General Partner informs the Supervisory Board regularly and promptly of existing risks and their development.

For further details, we refer to the risk report and outlook under No. 8 of the Group management report.

REPORTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

EUROKAI prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRSs) such as they apply in the EU. The single-entity annual financial statements are prepared according to the requirements of the German Commercial Code (HGB). They are audited by the auditor as well as by the Supervisory Board. The half-yearly financial report is reviewed by the Audit Committee together with the Personally Liable General Partner prior to being published.

The consolidated financial statements and single entity financial statements of EUROKAI were audited and each issued an unconditional audit certificate by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which was appointed by the 2016 General Meeting.

DECLARATION OF CONFORMITY OF EUROKAI GMBH & CO. KGAA WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Management Board of Kurt F. W. A. Eckelmann GmbH, Hamburg, as Personally Liable General Partner, and the Supervisory Board of EUROKAI GmbH & Co. KGaA (hereinafter "EUROKAI"), taking into account the specific organisational distinctions of the legal form of a partnership limited by shares (KGaA) as set out in the following (cf. A below), and the structuring of this legal form through EUROKAI's Articles of Association, declare that, with the exception of the deviations set out in the following (cf. B below), in the period since the last Declaration of Conformity of April 2016, EUROKAI has complied with and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" in the version dated 5 May 2015 and published in the Federal Gazette on 12 June 2015 (hereinafter the "Code").

A SPECIFIC ORGANISATIONAL DISTINCTIONS OF THE LEGAL FORM OF A PARTNERSHIP LIMITED BY SHARES (KGAA)

- EUROKAI is a Kommanditgesellschaft auf Aktien – ("KGaA" – partnership limited by shares). In a KGaA, the duties of the management board of a stock corporation ("AG") are the responsibility of the personally liable general partner. The sole Personally Liable General Partner of EUROKAI is Kurt F. W. A. Eckelmann GmbH, Hamburg, whose Managing Directors are thus responsible for conducting the business of EUROKAI. EUROKAI does not hold an interest in the Personally Liable General Partner. The sole shareholder of the Personally Liable General Partner is Familie Thomas Eckelmann GmbH & Co. KG, Hamburg, which is controlled entirely by the family of Mr Thomas H. Eckelmann.
- In comparison with the supervisory board of a German stock corporation, the role of a supervisory board of a KGaA is limited. In particular, the supervisory board is not responsible for appointing or dismissing general partners or for regulating the terms and conditions of their contracts, issuing rules of procedure for the management board or determining business transactions requiring approval. For this reason, Section 7 of EUROKAI's Articles of Association requires that the Personally Liable General Partner obtain the prior approval of the Supervisory Board for all extraordinary transactions. To this end Section 7 of the Articles of Association contains a catalogue of business transactions requiring approval. The duty of the management board of a stock corporation to report to and inform the supervisory board, as governed by Section 90 AktG, applies analogously to EUROKAI as a KGaA.
- The general meeting of a KGaA fundamentally has the same rights as the general meeting of an AG; it additionally resolves on the adoption of EUROKAI's annual financial statements. Many of the resolutions made by the General Meeting require the consent of the Personally Liable General Partner; particularly the adoption of EUROKAI's annual financial statements.
- Although the concrete wording of the recommendations of the Code does not in all instances take into account the specific organisational distinctions of the legal form of a KGaA, the sole Personally Liable General Partner, Kurt F. W. A. Eckelmann GmbH, and the Supervisory Board have agreed to currently and in future comply with the recommendations of the Code with the deviations stated in Section B below.

B. DEVIATIONS FROM THE RECOMMENDATIONS OF THE CODE

The following are the only provisions of the Code that were not applied and will not be applied in the future:

B. 1 Section 3.8 (3) – Deductible in the D&O (directors' and officers' liability insurance) policy for the Supervisory Board

No deductible has been agreed upon in the D&O policy for the Supervisory Board because neither the Personally Liable General Partner nor the Supervisory Board believes that the motivation and responsibility which the Supervisory Board brings to the fulfilment of its duties can be improved by any such deductible.

B. 2 Section 4.2.4, 4.2.5 (3) – Separate disclosure of the total compensation of each of the Managing Directors of the Personally Liable General Partner

Separate disclosure of the total compensation of each of the Managing Directors of the Personally Liable General Partner in the notes or the management report is dispensed with. Section 9 of EUROKAI's Articles of Association provides that the compensation of the Managing Directors of the Personally Liable General Partner is determined by EUROKAI's Supervisory Board and is granted and paid to them directly by EUROKAI. To date no use has been made of this option. EUROKAI pays no compensation either to the Managing Directors of the Personally Liable General Partner or to the Personally Liable General Partner itself. As a precautionary measure however, in application of Sections 286 (5), 314 (2) sentence 2 of the German Commercial Code (HGB), the EUROKAI General Meeting of 10 June 2015 decided that in the annual and consolidated financial statements for EUROKAI to be prepared for the years 2015 to 2019 the disclosures required under Section 285 sentence 1 no. 9 letter a sentence 5 to 8 and under Section 314 (1) no. 6 letter a sentence 5 to 8 HGB would be omitted.

B. 3 Section 5.3.3 – Nomination Committee

Pursuant to Section 5.3.3 of the Code, the Supervisory Board is to form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.

The Personally Liable General Partner and the Supervisory Board are of the opinion that a nomination committee is not required since the Supervisory Board is composed of only six representatives of the shareholders and is therefore in a position to directly and efficiently make election recommendations to the General Meeting.

B. 4 Section 5.4.1 (2) – Limit of length of membership for members of the Supervisory Board

The Personally Liable General Partner and the Supervisory Board believe that setting such a limit would be an inappropriate restriction on the shareholders' right to elect Supervisory Board members.

B. 5 Section 6.2 – Disclosure of the ownership of shares

Pursuant to Section 6.2 of the Code, beyond the statutory obligation to report and disclose dealings in EUROKAI shares without delay, the ownership of shares in EUROKAI or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by EUROKAI. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by EUROKAI, these entire holdings shall be reported separately in the Corporate Governance Report according to Management Board and Supervisory Board.

Both the Personally Liable General Partner and the Supervisory Board consider the relevant statutory obligation to report and disclose dealings in EUROKAI shares without delay to be adequate. It therefore did not apply this recommendation.

B. 6 Section 7.1.2 – Reporting

Pursuant to Section 7.1.2 of the Code, the consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports (half-yearly and any quarterly reports) shall be publicly accessible within 45 days of the end of the reporting period.

EUROKAI does not apply this recommendation, and practically is not in a position to do so. EUROKAI is a pure financial holding company and therefore relies on the figures provided by its investment holdings, which it regularly does not receive in time to comply with the recommendation. The consolidated financial statements are published pursuant to the requirements under Section 15 of the Company Disclosure Act (PublG) and Section 325 (4) of the German Commercial Code (HGB) and the half-yearly report pursuant to the requirements under Sections 37w f. of the German Securities Trading Act (WpHG).

Hamburg, Germany, March 2017

Personally Liable General Partner
Kurt F. W. A. Eckelmann GmbH, Hamburg

Thomas H. Eckelmann
Cecilia E. M. Eckelmann-Battistello

Dr Winfried Steeger
Supervisory Board

Delivery of a straddle carrier at EUROGATE Container Terminal Limassol, Cyprus, the 12th location in the EUROKAI network.

Consolidated Financial Statements in accordance with IFRSs

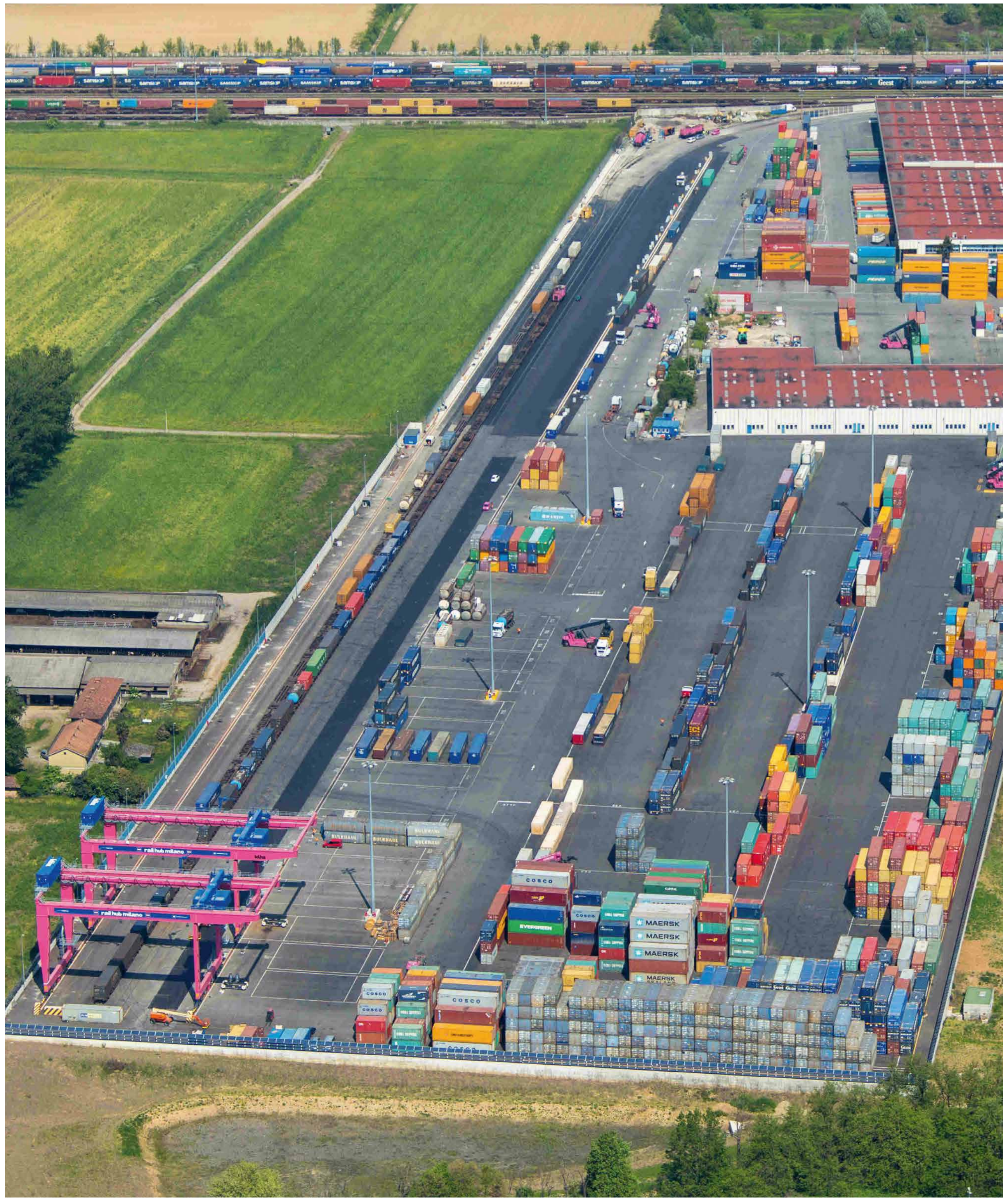
Two mega container carriers at EUROGATE Container Terminal Wilhelmshaven.

Consolidated Income Statement

	2016 EUR '000	2015 EUR '000
Revenue	330,657	324,269
Other operating income	12,832	12,489
Cost of materials	–102,076	–111,902
Personnel expenses	–131,406	–124,366
Depreciation and amortisation expense	–29,143	–31,004
Other operating expenses	–42,009	–53,680
Earnings before income from investments, interest and taxes (EBIT)	**38,855**	**15,806**
Interest and similar income	1,021	520
Net finance costs	–3,463	–3,628
Profit/loss from companies accounted for using the equity method	33,187	42,616
Profit/loss from other equity investments	0	–13
Other finance costs (income)	24	–317
Earnings before income tax (EBT)	**69,624**	**54,984**
Income tax expense	–16,155	–14,313
Consolidated profit for the year	**53,469**	**40,671**
Profit attributable to:		
Equity holders of the parent	41,141	36,206
Non-controlling interests	12,328	4,465
	53,469	**40,671**
Diluted and basic earnings per share (in EUR)	**2.60**	**2.29**

Consolidated Statement of Comprehensive Income

	2016	2015
	EUR '000	EUR '000
Consolidated profit for the year	**53,469**	**40,671**
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Actuarial gains/losses from defined benefit pension plans from joint ventures	–6,687	5,258
Actuarial gains/losses from defined benefit pension plans	–256	1,484
Deferred taxes relating to actuarial gains/losses	2,237	–2,133
	–4,706	**4,609**
Items that may be subsequently reclassified to profit or loss		
Changes in valuation of financial instruments	407	–91
Deferred taxes relating to changes in valuation of financial instruments directly recognised in equity	–121	27
Changes in value of available-for-sale financial assets	–304	–76
Deferred taxes relating to available-for-sale financial assets directly recognised in equity	98	25
Currency translation differences	2,608	–440
	2,688	**–555**
Other comprehensive income (after tax)	**–2,018**	**4,054**
Total comprehensive income	**51,451**	**44,725**
Attributable to:		
Equity holders of the parent	39,111	39,762
Non-controlling interests	12,340	4,963
	51,451	**44,725**



The transport node for rail transports between the Italian seaports and North and Central Europe: Rail Hub Milano in Melzo near Milan.

Consolidated Balance Sheet

Assets	31.12.16	31.12.15
	EUR '000	EUR '000
Non-current assets		
Intangible assets		
Other intangible assets	59,295	62,257
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	56,636	56,851
Plant and machinery	115,605	125,414
Other property, plant and equipment	7,800	7,511
Prepayments and assets under construction	2,095	5,530
	182,136	**195,306**
Financial assets		
Investments accounted for using the equity method	146,942	133,991
Equity investments	905	905
Other financial assets	13,511	2,060
	161,358	**136,956**
Deferred tax assets	17,851	15,704
Other non-current financial assets	347	10,199
Other non-current non-financial assets	9,054	10,045
Total non-current assets	**430,041**	**430,467**
Current assets		
Inventories	10,635	11,597
Trade receivables	88,919	76,015
Other current financial assets	31,655	47,801
Other current non-financial assets	19,045	24,326
Current tax receivables	4,444	5,818
Cash and cash equivalents	87,701	59,391
Total current assets	**242,399**	**224,948**
Total assets	**672,440**	**655,415**

Equity and Liabilities	31.12.16	31.12.15
	EUR '000	EUR '000
Equity and reserves		
Issued capital	13,468	13,468
Equity attributable to the Personally Liable General Partner	294	294
Capital reserves	1,801	1,801
Reserve from the fair-value measurement of financial derivatives	–730	–1,014
Reserve from the fair-value measurement of available-for-sale financial assets	512	718
Reserve from other changes in equity of associates	–24,850	–19,167
Foreign currency reserves	–2,542	–5,150
Retained earnings	109,333	100,932
Net retained profit	246,676	238,892
Equity attributable to equity holders of the parent	343,962	330,774
Equity attributable to non-controlling interests	81,165	76,943
Total equity and reserves	**425,127**	**407,717**
Liabilities and provisions		
Non-current liabilities and provisions		
Non-current liabilities, net of current portion	85,757	68,186
Government grants	6,846	8,004
Other non-current financial liabilities	979	1,617
Other non-current non-financial liabilities	2,230	2,811
Deferred tax liabilities	15,025	17,953
Provisions		
Provisions for pensions and other post-employment benefits	12,628	19,457
Other non-current provisions	12,872	8,666
	136,337	**126,694**
Current liabilities and provisions		
Current portion of non-current financial liabilities	32,379	33,524
Trade payables and other liabilities	38,721	46,538
Government grants	1,223	1,710
Other current financial liabilities	13,155	22,849
Other current non-financial liabilities	11,304	11,864
Current tax payables	5,011	1,613
Provisions		
Provisions for employee benefits	7,308	1,107
Other current provisions	1,875	1,799
	110,976	**121,004**
Total liabilities and provisions	**247,313**	**247,698**
Total equity and liabilities	**672,440**	**655,415**

Consolidated Cash Flow Statement

	2016 EUR '000	2015 EUR '000
1. Cash flows from operating activities		
Earnings before income tax	69,624	54,984
Depreciation, amortisation and impairment losses	29,143	31,004
Gain on disposals of intangible assets and property, plant and equipment	–804	–225
Foreign exchange loss	–25	316
Change in shares in associates not affecting cash flow	–42,832	–42,616
Interest income/loss	2,442	3,109
Operating profit before change in assets carried as net working capital	**57,548**	**46,572**
Change in trade receivables	–12,904	–4,047
Net change in other financial and non-financial assets	22,293	9,025
Change in inventories	962	–879
Income from the release of government grants	–1,645	–1,961
Change in provisions which affects income (excluding addition of accrued interest and additions from capitalised demolition costs)	–3,852	–725
Change in trade payables including other financial liabilities and non-financial liabilities	–4,175	1,835
Cash inflows from change in assets carried as net working capital	**679**	**3,248**
Interest received	1,021	520
Interest paid	–3,060	–3,289
Taxes on income and earnings	–15,905	–25,253
Interest and income taxes paid	**–17,944**	**–28,022**
Net cash generated from operating activities	**40,283**	**21,798**
2. Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	1,893	225
Capital expenditure on property, plant and equipment and intangible assets	–15,931	–33,246
Cash flows used for the purchase of non-controlling interests	0	–8,000
Settlement of purchase price receivables from the disposal of interests in prior periods	9,933	0
Proceeds from government grants	0	1,783
Payments to acquire shares in equity investments and other financial investments	–11,755	–20
Payments for capital investments in associates	–11,767	–12,268
Dividends received	41,648	45,408
Cash inflows/outflows from investing activities	**14,021**	**–6,118**

	2016 EUR '000	2015 EUR '000
3. Cash flows from financing activities		
Dividends paid to equity holders	–25,978	–26,835
Proceeds from borrowings	41,900	41,779
Proceeds from the granting of open-ended loans by non-controlling interests	0	6,000
Repayments of financial loans	–23,686	–24,763
Decrease/increase in finance lease liabilities	–387	–553
Dividends paid to non-controlling interests	–8,128	–5,048
Net cash used in financing activities	**–16,279**	**–9,420**
Net increase/decrease in cash and cash equivalents (subtotal of 1 to 3)	38,025	6,260
Cash and cash equivalents at 1 January	48,176	41,916
Cash and cash equivalents at end of period	**86,201**	**48,176**
Composition of cash and cash equivalents		
Cash and cash equivalents	87,701	59,391
Bank liabilities/overdrafts due on demand	–1,500	–11,215
Cash and cash equivalents at end of period	**86,201**	**48,176**

Segment Reporting

For purposes of corporate management, the Group continues to be organised into business units according to services and geographical segments and has the following three business segments that are subject to segment reporting:

- The "EUROKAI" Segment includes the EUROKAI business entity, whose focus is on the leasing of operating areas and quay walls in Germany.
- The "CONTSHIP Italia" Segment comprises the business entities of the Italian CONTSHIP Group.
- The "EUROGATE" Segment comprises the proportionate shareholding (50%) in the EUROGATE Group.

The operating result of the business units is monitored separately by the management to enable it to take decisions relating to the distribution of resources and determine the profitability of the units. Profitability of the segments is assessed on the basis of the operating result. Inter-segment transfers are accounted for at prevailing market conditions.

Segment assets and liabilities include all operating assets and liabilities that are used by or result from a segment's operating activities and whose positive or negative balance determines the operating result. Segment assets include principally intangible assets, property, plant and equipment and investments in companies shown using the equity method, as well as trade and other receivables and inventories. Segment liabilities principally consist of liabilities to banks, government grants, trade and other payables as well as provisions. Segment capital expenditure comprises additions to intangible assets and property, plant and equipment.

On consolidation, eliminations of intra-group transactions across segments are adjusted.

Inter-segment revenues are recognised at prices corresponding to fair market prices.

In order to allow comparability with previous years, the Segment Reporting has been prepared unchanged and reconciled in accordance with the provisions of IFRS 11. Whereas in 2015 the joint ventures were also included in the EUROGATE Segment, following the changes resulting from IFRS 11 to be applied from the 2016 financial year, only the fully consolidated entities are included in the EUROGATE Segment. The comparative figures for the previous year have been adjusted accordingly.

At 31 December 2016 the segments were broken down as follows:

31 December 2016	EUROKAI	CONTSHIP Italia	EUROGATE	Subtotal	Consolidation and reconciliation to IFRS 11	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	10,168	320,489	319,686	650,343	–319,686	330,657
of which from inter-segment sales	5,008	0	0	5,008	–5,008	0
of which external revenue	5,160	320,489	319,686	645,335	–314,678	330,657
Interest revenue	705	316	885	1,906	–885	1,021
Interest expense	–198	–3,265	–6,545	–10,008	6,545	–3,463
Profit/loss of entities accounted for using the equity method	692	3,050	–6,976	–3,234	36,421	33,187
EBT	1,376	39,800	38,597	79,773	–10,149	69,624
Segment assets	44,546	369,830	352,570	766,946	–247,015	519,931
Segment liabilities	4,162	224,170	278,413	506,745	–279,468	227,277
Depreciation, amortisation and impairment losses	0	–29,143	–25,782	–54,925	25,782	–29,143
Capital expenditure	0	15,931	9,523	25,454	–9,523	15,931

At 31 December 2015 the segments were broken down as follows:

31 December 2015	EUROKAI	CONTSHIP Italia	EUROGATE	Subtotal	Consolidation and reconciliation to IFRS 11	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	9,696	314,573	295,661	619,930	–295,661	324,269
of which from inter-segment sales	4,848	0	0	4,848	–4,848	0
of which external revenue	4,848	314,573	295,661	615,082	–290,813	324,269
Interest revenue	226	294	2,650	3,170	–2,650	520
Interest expense	–109	–3,519	–6,723	–10,351	6,723	–3,628
Profit/loss of entities accounted for using the equity method	5,700	6,343	–3,206	8,837	33,779	42,616
EBT	8,804	19,836	38,961	67,601	–12,617	54,984
Segment assets	51,420	386,672	337,344	775,436	–238,314	537,122
Segment liabilities	2,963	225,163	284,545	512,671	–284,547	228,124
Depreciation, amortisation and impairment losses	0	–31,004	–28,525	–59,529	28,525	–31,004
Capital expenditure	0	33,592	8,812	42,404	–8,812	33,592

Consolidated Statement of Changes in Equity

	Issued capital	Equity attributable to Personally Liable General Partner	Capital reserves	Reserve from the fair value measurement of financial derivatives	Reserve from the fair value measurement of available-for-sale financial assets	Reserve from other equity transactions of associates	Foreign currency reserves	Generated equity: Retained earnings	Generated equity: Net retained profits	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2015	**13,468**	**294**	**1,801**	**–940**	**769**	**–23,611**	**–4,710**	**93,712**	**234,104**	**314,887**	**86,952**	**401,839**
Changes in 2015 fiscal year												
Remeasurement of derivative financial instruments	–	–	–	–74	–51	–	–	–	–	–125	10	–115
Remeasurement of pension obligations	–	–	–	–	–	–	–440	–	–	–440	–	–440
Currency translation	–	–	–	–	–	4,401	–	–280	–	4,121	488	4,609
Consolidated profit for the year	–	–	–	–	–	–	–	–	36,206	36,206	4,465	40,671
Net profit for the period	**0**	**0**	**0**	**–74**	**–51**	**4,401**	**–440**	**–280**	**36,206**	**39,762**	**4,963**	**44,725**
Dividends paid to equity holders	–	–	–	–	–	–	–	–	–26,836	–26,836	–	–26,836
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	0	–5,048	–5,048
Appropriations to retained earnings	–	–	–	–	–	–	–	7,500	–7,500	0	–	0
Change in other equity transactions of associates	–	–	–	–	–	43	–	–	–	43	–	43
Disposal of shares of non-controlling interests to acquire additional shares in consolidated entities	–	–	–	–	–	–	–	–	2,918	2,918	–9,924	–7,006
Balance at 31 December 2015	**13,468**	**294**	**1,801**	**–1,014**	**718**	**–19,167**	**–5,150**	**100,932**	**238,892**	**330,774**	**76,943**	**407,717**

Consolidated Statement of Changes in Equity

	Issued capital	Equity attributable to Personally Liable General Partner	Capital reserves	Reserve from the fair value measurement of financial derivatives	Reserve from the fair value measurement of available-for-sale financial assets	Reserve from other equity transactions of associates	Foreign currency reserves	Generated equity		Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
								Retained earnings	Net retained profits			
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 1 January 2016	**13,468**	**294**	**1,801**	**–1,014**	**718**	**–19,167**	**–5,150**	**100,932**	**238,892**	**330,774**	**76,943**	**407,717**
Changes in 2016 fiscal year												
Remeasurement of derivative financial instruments	–	–	–	284	–206	–	–	–	–	78	2	80
Remeasurement of pension obligations	–	–	–	–	–	–5,617	–	901	–	–4,716	10	–4,706
Currency translation	–	–	–	–	–	–	2,608	–	–	2,608	–	2,608
Consolidated profit for the year	–	–	–	–	–	–	–	–	41,141	41,141	12,328	53,469
Net profit for the period	**0**	**0**	**0**	**284**	**–206**	**–5,617**	**2,608**	**901**	**41,141**	**39,111**	**12,340**	**51,451**
Dividends paid to equity holders	–	–	–	–	–	–	–	–	–25,978	–25,978	–	–25,978
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	0	–8,128	–8,128
Appropriations to retained earnings	–	–	–	–	–	–	–	7,500	–7,500	0	–	0
Change in other equity transactions of associates	–	–	–	–	–	–66	–	–	–	–66	–	–66
Disposal of shares of non-controlling interests to acquire additional shares in consolidated entities	–	–	–	–	–	–	–	–	121	121	10	131
Balance at 31 December 2016	**13,468**	**294**	**1,801**	**–730**	**512**	**–24,850**	**–2,542**	**109,333**	**246,676**	**343,962**	**81,165**	**425,127**

Consolidated Statement of Changes in Non-current Assets

	Historical cost						Accumulated amortisation and impairment losses				Carrying amounts	
	1.1.2016	Additions	Disposals	Change in reporting entity	Reclassifications	31.12.2016	1.1.2016	Additions	Disposals/ Reclassifications	31.12.2016	31.12.2016	31.12.2015
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets												
Concessions, software, rights and prepayments	126,451	450	0	–99	0	126,802	–64,194	–3,384	71	–67,507	59,295	62,257
Property, plant and equipment												
Land, land rights and buildings	129,612	5,314	–73	–1,549	803	134,107	–72,761	–5,228	518	–77,471	56,636	56,851
Machinery	432,904	8,739	–23,377	–949	1,358	418,675	–307,490	–18,291	22,711	–303,070	115,605	125,414
Other equipment, furniture and fixtures	53,534	1,310	–171	–364	1,265	55,574	–46,023	–2,240	489	–47,774	7,800	7,511
Prepayments and assets under construction	5,530	118	0	–127	–3,426	2,095	0	0	0	0	2,095	5,530
	621,580	**15,481**	**–23,621**	**–2,989**	**0**	**610,451**	**–426,274**	**–25,759**	**23,718**	**–428,315**	**182,136**	**195,306**
Financial assets												
Investments in associates	134,130	14,091	–1,140	0	0	147,081	–139	0	0	–139	146,942	133,991
Equity investments	1,355	0	0	0	0	1,355	–450	0	0	–450	905	905
Other financial assets	2,060	11,451	0	0	0	13,511	0	0	0	0	13,511	2,060
	137,546	**25,542**	**–1,140**	**0**	**0**	**161,947**	**–589**	**0**	**0**	**–589**	**161,358**	**136,956**
Total non-current assets	**885,576**	**41,473**	**–24,761**	**–3,087**	**0**	**899,200**	**–491,056**	**–29,143**	**23,788**	**–496,411**	**402,789**	**394,519**

Financial Statements

EUROKAI GmbH & Co. KGaA, Hamburg (condensed, in accordance with the German Commercial Code (HGB))

The hub in the Central Mediterranean:
Medcenter Container Terminal in Gioia Tauro.

The following disclosures are based on the single-entity financial statements of EUROKAI GmbH & Co. KGaA (hereinafter referred to as EUROKAI), which have been prepared according to the requirements of the German Commercial Code (HGB), as opposed to the consolidated financial statements, which are based on IFRSs.

The detailed financial statements as at 31 December 2016, for which Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft issued an unqualified audit report, and the management report of EUROKAI for 2016 are published in the electronic version of the Federal Gazette (Bundesanzeiger) and deposited in the Commercial Register.

Income statement	2016		2015*	
	EUR '000	%	EUR '000	%
Sales	10,972		10,063	
Other operating income	67		83	
Operating revenue	**11,039**	**100**	**10,146**	**100**
Cost of materials	–10,643	–96	–9,868	–97
Personnel expenses	–83	–1	–76	–2
Depreciation/amortisation/write-downs	0	0	–1	0
Other operating expenses	–1,157	–10	–1,516	–23
Operating expenses	**–11,883**	**–108**	**–11,461**	**–116**
Operating result	**–844**	**–8**	**–1,315**	**–16**
Financial result	494		98	
Investment result	28,206		44,444	
Taxes on income	–7,031		–4,722	
Net income for the year	**20,825**		**38,505**	

* Due to the new definition of sales under the Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – BilRUG) and the corresponding shifts in the disclosure of other income statement items, the figures for 2015 have been adjusted accordingly in line with the new definition.

Balance sheet	2016		2015	
	EUR '000	%	EUR '000	%
Assets				
Fixed assets	231,954	77	208,431	68
Receivables from long-term investees and investors	26,033	8	38,579	12
Other assets, prepaid expenses and liquid funds	44,796	15	57,752	20
	302,783		**304,762**	
Equity and liabilities				
Equity	296,494	98	301,647	99
Provisions	4,449	2	2,022	1
Other liabilities	1,840	0	1,093	0
	302,783		**304,762**	

RESULTS OF OPERATIONS

EUROKAI is a financial holding company and, as such, no longer carries on any operating activities. Its business operations are restricted to the administration of its financial investments and to the subletting of quay walls and properties leased from the Free and Hanseatic City of Hamburg/Hamburg Port Authority.

This subletting brings rental income from quay walls and operating areas of EUR 10.2 million (previous year: EUR 9.7 million) – which, however, is counterbalanced by almost equal initial rental expenses. Fiscal 2016 showed income from investments of EUR 28.2 million (previous year: EUR 44.4 million), of which EUR 26.2 million (previous year: EUR 39.2 million) relates to the share in profit for the 2016 financial year of EUROGATE GmbH & Co. KGaA, KG, Bremen. EUROKAI also recognised dividend income from Medgate FeederXpress Ltd., Monrovia, Liberia, in 2016 in the amount of EUR 1.0 million (previous year: EUR 1.2 million) and from J. F. Müller & Sohn AG, Hamburg, in the amount of EUR 0.8 million (previous year: EUR 1.0 million). In the 2016 financial year, EUROKAI did not receive any dividend income from CONTSHIP Italia S. p. A., Melzo/Milan, Italy (previous year: 3.0 million).

The significant decline in the share of profit of EUROGATE GmbH & Co. KGaA, KG is due to a proportionate write-down of the company's investment in EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, Wilhelmshaven, of EUR 16.9 million, as well as recognition of a provision for impending losses arising from possible penalties relating to guaranteed handling volumes by the company at the Wilhelmshaven location (TEU guarantee) in the proportional amount of EUR 7.7 million.

Other operating expenses primarily cover the profit share attributable to the Personally Liable General Partner, administrative and management costs and remuneration of the Supervisory Board, as well as legal and consulting fees.

Despite the lower investment income, tax expenses increased by EUR 2.3 million to EUR 7.0 million almost exclusively due to the higher amount of taxable profit attributable to EUROGATE GmbH & Co. KGaA, KG.

Allowing for administrative costs, net interest income and taxes on income, net income for the financial year 2016 of EUR 20.8 million (previous year: EUR 38.5 million) was recognised.

FINANCIAL POSITION

Based on the result of EUR 20.8 million posted in 2016 (previous year: EUR 38.5 million) a cash flow from ordinary operations was generated of EUR –4.3 million (previous year: EUR –8.0 million).

NET ASSETS

The increase in fixed assets results from the reinvestment of previously withdrawn profits into EUROGATE GmbH & Co. KGaA, KG with EUR 11.8 million, and from the acquisition of further shares in the hybrid bond issued by EUROGATE GmbH & Co. KGaA, KG with EUR 11.8 million. At 31 December 2016, the company held EUR 13.2 million of the nominal volume of the hybrid bond issued by EUROGATE GmbH & Co. KGaA, KG.

Receivables from long-term investees and investors are almost exclusively accounted for by the profit share attributable to EUROGATE GmbH & Co. KGaA, KG for the respective fiscal year.

Other assets, liquid funds and prepaid expenses primarily include receivables from the tax authority from income taxes of EUR 0.7 million (previous year: EUR 1.4 million) as well as call and fixed-term deposits and bank balances amounting to EUR 43.5 million (previous year: EUR 56.4 million).

The company's equity ratio at the end of the fiscal year 2016 was 98% (previous year: 99%).

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

The Personally Liable General Partner will propose to the Supervisory Board and the General Meeting that for 2016 a 150% dividend payment (previous year: 150%) be made from net retained profits of EUR 161.9 million on the nominal value of ordinary and non-voting preference shares and an amount of EUR 7.5 million be allocated to other revenue reserves.

Tom Eckelmann, Thomas H. Eckelmann and Katja Both
on the pylon of container gantry 1 in Hamburg.

Other Disclosures

PERSONALLY LIABLE GENERAL PARTNER

Personally Liable General Partner of EUROKAI is Kurt F.W.A. Eckelmann GmbH, Hamburg with a share capital of EUR 100,000. Managing Directors of the Personally Liable General Partner are:

Thomas H. Eckelmann, Hamburg
Chairman

Cecilia E. M. Eckelmann-Battistello, Limassol, Cyprus

SUPERVISORY BOARD

The following persons were members of the Supervisory Board during the fiscal year 2016:

Dr Winfried Steeger, Hamburg, Germany
Chairman
- Managing Director Jahr Holding GmbH & Co. KG, Hamburg, Germany

Dr Sebastian Biedenkopf, Stuttgart, Germany
Deputy Chairman
- General Counsel Robert Bosch GmbH, Stuttgart, Germany
- Managing Director BIEDENKOPF & ASSOCIATES Strukturierungsberatung GmbH, Hamburg, Germany

Jochen Döhle, Hamburg, Germany
- Personally Liable General Partner Peter Döhle Schiffahrts KG, Hamburg, Germany

Katja Gabriela Both (née Eckelmann), Hamburg, Germany
- Commercial employee EUROGATE GmbH & Co. KGaA, KG, Bremen, Germany

Raetke H. Müller, Hamburg, Germany
- Management Board Member J.F. Müller & Sohn AG, Hamburg, Germany

Max M. Warburg, Hamburg, Germany
- Banker

The members of the Personally Liable General Partner's Management Board and the Supervisory Board are also members of the following governance bodies:

Thomas H. Eckelmann
- EUROGATE Container Terminal Bremerhaven GmbH, Bremerhaven, Germany, Member of the Supervisory Board
- EUROGATE Container Terminal Hamburg GmbH, Hamburg, Germany, Member of the Supervisory Board
- EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, Wilhelmshaven, Germany, Member of the Advisory Board
- EUROGATE Technical Services GmbH, Hamburg, Germany, Member of the Supervisory Board
- CONTSHIP Italia S.p.A., Melzo/Milan, Italy, Member of the Board of Directors
- Sogemar S.p.A., Lucernate di Rho (Mi), Italy, Chairman of the Board of Directors
- La Spezia Container Terminal S.p.A., La Spezia, Italy, Chairman of the Board of Directors
- boxXpress.de GmbH, Hamburg, Germany, Deputy Chairman of the Advisory Board until 30 April 2016, from 1 May 2016 Chairman of the Advisory Board

Cecilia E. M. Eckelmann-Battistello
- CONTSHIP Italia S.p.A., Melzo/Milan, Italy, Chairwoman of the Board of Directors
- Medcenter Container Terminal S.p.A., Gioia Tauro, Italy, Chairwoman of the Board of Directors
- La Spezia Container Terminal S.p.A., La Spezia, Italy, Deputy Chairwoman of the Board of Directors
- Sogemar S.p.A., Lucernate di Rho (Mi), Italy, Deputy Chairwoman of the Board of Directors
- CICT Porto Industriale Cagliari S.p.A., Cagliari, Italy, Chairwoman of the Board of Directors
- Terminal Container Ravenna S.p.A., Ravenna, Italy, Deputy Chairwoman of the Board of Directors from 23 September 2016
- CSM Italia-Gate S.p.A., Genoa, Italy, Member of the Board of Directors

Dr Winfried Steeger
- Verwaltungsgesellschaft Otto mbH (co-determined GmbH of the Otto Group), Hamburg, Germany, Member of the Supervisory Board
- August Prien Verwaltung GmbH, Hamburg, Germany, Chairman of the Supervisory Board
- Symrise AG, Holzminden, Germany, Member of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, Germany, Member of the Supervisory Board
- Kurt F.W.A. Eckelmann GmbH, Hamburg, Germany, Deputy Chairman of the Administrative Board
- Familie Thomas Eckelmann GmbH & Co. KG, Hamburg, Germany, Deputy Chairman of the Administrative Board
- Familie Thomas Eckelmann Verwaltungsgesellschaft mbH, Hamburg, Germany, Deputy Chairman of the Administrative Board
- Otto Dörner GmbH & Co. KG, Hamburg, Germany, Member of the Advisory Board
- Blue Elephant Energy AG, Hamburg, Germany, Member of the Supervisory Board from 15 April 2016

Jochen Döhle
- Ernst Russ AG (formerly HCI Capital AG), Hamburg, Germany, Member of the Supervisory Board
- Splošna Plovba International Shipping and Chartering Ltd., Portoroz, Slovenia, Chairman of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, Germany, Member of the Supervisory Board
- Familie Thomas Eckelmann Verwaltungsgesellschaft mbH, Hamburg, Germany, Member of the Administrative Board
- Familie Thomas Eckelmann GmbH & Co. KG, Hamburg, Germany, Member of the Administrative Board
- Kurt F.W.A. Eckelmann GmbH, Hamburg, Germany, Member of the Administrative Board

Dr Sebastian Biedenkopf
- Delton AG, Bad Homburg, Germany, Member of the Supervisory Board
- aleo solar AG, Prenzlau, Germany, Member of the Supervisory Board until 6 July 2016
- Bosch Sicherheitssysteme GmbH, Grasbrunn, Germany, Member of the Supervisory Board
- Robert Bosch Automotive Steering GmbH, Schwäbisch Gmünd, Germany, Member of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, Germany, Member of the Supervisory Board

Katja Gabriela Both (née Eckelmann)
- CONTSHIP Italia S.p.A., Melzo/Milan, Italy, Member of the Board of Directors from 29 April 2016

Raetke H. Müller
- Metechon AG, Munich, Germany, Deputy Chairman of the Supervisory Board
- Silon s.r.o., Sezimovo Ústí, Czech Republic, Member of the Advisory Board
- DROOMS AG, Zug, Switzerland, Member of the Administrative Board

Max M. Warburg
- M.M. Warburg & CO (AG & Co.) KGaA, Hamburg, Germany, Deputy Chairman of the Supervisory Board
- Marcard, Stein & CO AG, Hamburg, Germany, Deputy Chairman of the Supervisory Board
- EUROGATE Geschäftsführungs-GmbH & Co. KGaA, Bremen, Germany, Chairman of the Supervisory Board
- Familie Thomas Eckelmann Verwaltungsgesellschaft mbH, Hamburg, Germany, Chairman of the Administrative Board
- Familie Thomas Eckelmann GmbH & Co. KG, Hamburg, Germany, Chairman of the Administrative Board
- Kurt F.W.A. Eckelmann GmbH, Hamburg, Germany, Chairman of the Administrative Board

Supervisory Board remuneration amounted to EUR 87,500.00 in fiscal year 2016. Dr Steeger received EUR 28,000.00 thereof, Dr Biedenkopf EUR 18,000.00, Mr Warburg EUR 11,500.00, Mr Müller EUR 10,000.00, Mr Döhle EUR 10,000.00 and Ms Both EUR 10,000.00.

AUDIT AND CONSULTING FEES

The Group auditor's fees, which are recognised as an expense, amounted to EUR 36,000 for the audit of the single entity and consolidated financial statements, EUR 14,000 for tax consulting services and EUR 13,000 for other services.

CORPORATE GOVERNANCE

The Declaration of Conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" as required pursuant to Section 161 of the German Stock Corporation Act (AktG) was issued by the Management Board and the Supervisory Board of the Personally Liable General Partner and made permanently accessible to the shareholders in the electronic version of the Federal Gazette (Bundesanzeiger) and on EUROKAI's website (www.eurokai.com).

Hamburg, Germany, 23 March 2017

Personally Liable General Partner Kurt F.W.A. Eckelmann GmbH, Hamburg

Thomas H. Eckelmann
Cecilia E. M. Eckelmann-Battistello

Auditor's Report, Responsibility Statement (Group)

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by EUROKAI GmbH & Co. KGaA, Hamburg – comprising consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements – and the Group management report for the fiscal year from 1 January to 31 December 2016. The preparation and fair presentation of the consolidated financial statements and Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch – German Commercial Code), are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with the provisions of Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the IDW (Institut der Wirtschaftsprüfer – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report can be detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-relevant internal control system and the evidence supporting the amounts and disclosures in the consolidated year-end financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, the determination of the entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives of the company, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our audit opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code and provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The Group management report is consistent with the consolidated financial statements and on the whole provides a suitable view of the Group's position and accurately presents the significant opportunities and risks of future development.

Hamburg, Germany, 3 April 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig
Auditor

Berg
Auditor

RESPONSIBILITY STATEMENT (GROUP)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the applicable financial reporting standards and that the Group management report provides a faithful and accurate review of the Group's business performance, including operating results and situation, and outlines the significant opportunities and risks associated with the Group's likely development.

Hamburg, Germany, 23 March 2017

Personally Liable General Partner
Kurt F.W.A. Eckelmann GmbH, Hamburg

Thomas H. Eckelmann
Cecilia E. M. Eckelmann-Battistello

Contact

This Annual Report contains a condensed version of the Consolidated Financial Statements. All references to the Notes to the Consolidated Financial Statements relate to the full version. The full version can be obtained – in German – from:

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