EUROKAI

EUROKAI GmbH & Co. KGaA

Interim Group Management Report

for the first half-year 2018

Hamburg, September 2018

EUROKAI GmbH & Co. KGaA, Hamburg

Consolidated income statement for the period January 01 to June 30, 2018

	Jan 01 to June 30, 2018 TEUR	Jan 01 to June 30, 2017 TEUR
Revenues	167.064	168.511
Other operating income	3.331	5.168
Cost of materials	-54.953	-52.742
Personnel expenses	-63.541	-66.396
Amortisation/ depreciation	-12.271	-13.628
Other operating expenses	-17.121	-17.984
Earnings before investment result, interest and income tax (EBIT)	**22.509**	**22.929**
Interest and similar income	58	516
Finance costs	-1.019	-1.376
Income from associates	14.107	21.455
Write-downs on financial assets	-20	0
Other financial result	44	443
Earnings before income tax (EBT)	**35.679**	**43.967**
Income tax	-9.528	-11.235
Consolidated net profit for the period	**26.151**	**32.732**
Thereof attributable to:		
Equity holders of the parent	18.252	25.604
Non-controlling interest	7.899	7.128
	26.151	**32.732**
Earnings per share in EUR (according to IAS 33)	**1,15**	**1,62**

EUROKAI GmbH & Co. KGaA, Hamburg

Consolidated statement of comprehensive income for the period January 01 to June 30, 2018

	Jan 01 to June 30, 2018 TEUR	Jan 01 to June 30, 2017 TEUR
	26.151	**32.732**
Other comprehensive income:		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/losses from defined benefit pension plans	204	90
Actuarial gains/losses from defined benefit pension plans from joint ventures and associates	0	4.788
Deferred tax recognized directly in equity	-56	-1.558
Revaluation of investments	441	0
	589	**3.320**
Net other comprehensive income not being reclassified to profit or loss subsequent		
Revaluation of financial derivates	93	259
Deferred tax recognized directly in equity of financial derivates	-15	-83
Revaluation of available-for-sale financial assets	0	-755
Deferred tax recognized directly in equity of available-for-sale financial assets	0	243
Currency translation adjustments	-49	-1.654
	29	-1.990
Other comprehensive income, net of tax	**618**	**1.330**
Total comprehensive income, net of tax	**26.769**	**34.062**
Thereof attributable to:		
Equity holders of the parent	18.531	26.979
Non-controlling interest	8.238	7.083
	26.769	**34.062**

EUROKAI GmbH & Co. KGaA, Hamburg

Consolidated Balance Sheet as at June 30, 2018

ASSETS	June 30, 2018 TEUR	Dec 31, 2017 TEUR
Non-current assets		
Intangible assets		
Other intangible assets	55.133	56.437
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	49.841	51.824
Plant and machinery	97.153	102.937
Other equipment, furniture and fixtures	6.028	6.623
Prepayments and assets under construction	3.132	2.747
	156.154	164.131
Financial assets		
Investments in associates	159.125	140.272
Investments	1.413	897
	160.538	141.169
Deferred income tax assets	17.529	18.677
Other financial receivables and assets	827	678
Other non- financial receivables and assets	9.600	9.114
	399.781	390.206
Current assets		
Inventories	11.818	11.080
Trade receivables	68.299	67.344
Other financial assets	17.913	49.894
Other non-financial assets	18.121	17.852
Current recoverable income taxes	4.005	4.667
Cash and cash equivalents	143.583	146.046
	263.739	296.883
	663.520	**687.089**

EQUITY AND LIABILITIES	June 30, 2018 TEUR	Dec 31, 2017 TEUR
Capital and reserves		
Issued capital	13.468	13.468
Personally Liable General Partner´s capital	294	294
Capital reserves	1.801	1.801
Reserve from the fair value measurement of financial derivates	-395	-473
Share of other changes in equity in Associates	-22.676	-22.676
Reserve of exchange differences on translation	-4.946	-4.863
Revenue reserves	126.983	116.388
Accumulated profit	240.635	265.067
Equity attributable to equity holders of the parent	**355.164**	**369.006**
Non-controlling interest	81.384	85.137
	436.548	**454.143**
Liabilities and provisions		
Non-current financial and provisions		
Non-current financial liabilities, net of current portion	61.464	69.922
Non-current portion of deferred government grants	5.719	5.981
Other financial liabilities	468	629
Other non-financial liabilities	2.356	2.356
Deferred income tax liabilities	14.939	14.980
Provisions		
Provisions for employee benefits	17.381	17.814
Other provisions	15.840	15.712
	118.167	127.394
Current liabilities and provisions		
Current portion of non-current financial liabilities	18.681	20.289
Trade payables	45.824	44.236
Current portion of deferred government grants	737	793
Other financial liabilities	15.908	14.766
Other non-financial liabilities	11.694	10.516
Income tax obligations	9.088	7.766
Provisions		
Provisions for employee benefits	1.393	1.320
Other provisions	5.480	5.866
	108.805	105.552
	226.972	**232.946**
	663.520	**687.089**

EUROKAI GmbH & Co. KGaA, Hamburg
Consolidated cash flow statement for the period January 01 to June 30, 2018

		Jan 01 to Jun 30, 2018 TEUR	Jan 01 to Jun 30, 2017 TEUR
1. Cash flows from operating activities			
	EBT	35.679	43.967
	Depreciation, amortisation and impairment losses	12.271	13.628
	Gain/loss from the disposal of assets	3	-35
	Currency translation adjustments	-44	2
	Losses from disposals of financial assets	20	0
	Profit/loss from investments accounted for using the equity method	-16.896	-29.443
	Interest result	961	860
=	Operating profit before changes in assets carried as working capital	31.994	28.979
	Increase/decrease in trade receivables	-956	86
	Increase/decrease in other assets	-2.646	8.208
	Increase/decrease in inventories	-738	-109
	Increase/decrease in government grants	-318	-615
	Increase/decrease in provisions which affects income (excluding interest costs)	-1.117	951
	Increase/decrease in trade payables and other financial and non-financial liabilities	1.171	-4.861
=	Cash flows used in/from changes in assets carried as working capital	-4.604	3.660
	Interest received	58	516
	Interest paid	-519	-1.064
	Income taxes received/paid	-6.265	-7.630
=	Cash paid/received for interest and income tax	-6.726	-8.178
=	**Net cash flows from operating activities**	**20.664**	**24.461**
2. Cash flows from investing activities			
	Proceeds from the disposal of intangible assets and property, plant and equipment	91	70
	Investments in intangible assets and property, plant and equipment	-3.085	-1.353
	Proceeds from the disposal of financal assets	0	13.200
	Dividends received	35.783	20.154
=	**Net cash flows used in investing activities**	**32.789**	**32.071**
3. Cash flows from financing activities			
	Cash paid to equity holders	-35.184	-23.326
	Proceeds from issue from other non-current loans	0	11.929
	Repayment of non-current financial liabilities	-10.067	-10.267
	Payment of finance lease liabilities	-176	-186
	Payment to non-controlling interest	-12.032	-11.428
=	**Net cash flows used in financing activities**	**-57.459**	**-33.278**
Net increase/decrease in cash and cash equivalents (subtotal of 1 to 3)		-4.006	23.254
Cash and cash equivalents at January 01		143.425	86.201
Cash and cash equivalents at the end of the period		**139.419**	**109.455**
Composition of cash and cash equivalents			
Cash and cash equivalents		143.583	112.721
Bank liabilities/overdrafts due on demand		-4.164	-3.266
Cash and cash equivalents at the end of the period		**139.419**	**109.455**

EUROKAI GmbH & Co. KGaA, Hamburg
Interim Group Management Report as of 30 June 2018

General

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

Secondary services are provided in the form of intermodal services (carriage of sea containers to and from the terminals), repairs, depot storage and trading of containers, cargo-modal services, and technical services.

EUROKAI GmbH & Co. KGaA has a direct shareholding of 66.6% in the CONTSHIP Italia Group via Contship Italia S.p.A., and an indirect shareholding of 16.7% via EUROGATE GmbH & Co. KGaA, KG of Bremen. Thus, calculated as an overall proportion, EUROKAI GmbH & Co. KGaA holds 83.3% of the shares in the CONTSHIP Italia Group.

Via EUROGATE GmbH & Co. KGaA, KG, with its subsidiaries and stakeholdings, EUROKAI GmbH & Co. KGaA has a 50% shareholding in the EUROGATE Group. It likewise holds 50% of the shares in its Personally Liable General Partner, EUROGATE Geschäftsführungs-GmbH & Co. KGaA of Bremen, and in the latter's Personally Liable General Partner, EUROGATE Beteiligungs-GmbH of Bremen.

The EUROKAI Group is controlled via the CONTSHIP Italia, EUROGATE and EUROKAI segments, the joint-venture company EUROGATE, under the rules of IFRS 11, being included at equity in the EUROKAI Group.

Revenues for the EUROKAI Group fell slightly in the period under review to EUR 167.1 million (previous year: EUR 168.5 million). Net Group profit for the first half-year 2018, despite a stable operating result (EBIT) of EUR 22.5 million (previous year: EUR 22.9 million), declined as expected to EUR 26.2 million (previous year: EUR 32.7 million), due to the fall in the stakeholding result to EUR 14.1 million (previous year: EUR 21.5 million). The fall in the stakeholding result was due largely to the anticipated decline in the pro rata result posted by the EUROGATE segment.

Trends at the CONTSHIP Italia and EUROGATE segments in the period under review were as follows:

In the CONTSHIP Italia segment revenues fell slightly to EUR 161.8 million (previous year: EUR 163.5 million). Overall the net half-yearly profit for the CONTSHIP Italia Group before consolidation in the first half-year 2018, despite a rise in handling and results in La Spezia, declined slightly on the previous year to EUR 16.9 million (previous year: EUR 17.3 million), due in particular to the fall in handling and results at the transhipment terminals in Gioia Tauro and Capri and a negative special effect in the intermodal business.

In the first half-year 2018 the EUROGATE segment, due to the decline in handling volumes of 3.4% in Germany, posted a fall in Group revenues of 3.5% to EUR 292.7 million (previous year: EUR 303.4 million). The handling volume at the Hamburg terminal was down by 16.2% as expected in the first half year 2018, due to the base effect connected with the structural change to the shipping-line alliances in the previous year. Consequently, and due to the positive special effects contained in the same period of the previous year, particularly the personnel deployment from the EUROGATE Container Terminal Hamburg GmbH to the EUROGATE Container Terminal Limassol Limited, the operating result (EBIT), standing at EUR 34.7 million, is – in line with expectations – considerably below the level of the previous year (EUR 61.2 million). Given an improved result from associated companies and a decline in costs of income and revenue taxes, net Group profit for the half year fell in the period under review to EUR 25.8 million (previous year: EUR 46.3 million).

Volume trends

The container terminals in the EUROGATE Group handled a total of 6.952 million TEUs (previous year: 7.239 million TEUs) in the first half year 2018. The handling figures are set out below:

Terminal	First half year 2018 (in TEUs)	Second half year 2017 (in TEUs)	Change
Hamburg	761,016	908,635	-16.2 %
Bremerhaven	2,702,737	2,745,328	-1.6 %
Wilhelmshaven	291,972	232,220	25.7 %
Total Germany	**3,755,725**	**3,886,183**	**-3.4 %**
Gioia Tauro	1,155,747	1,255,953	-8.0 %
Cagliari	110,058	249,070	-55.8 %
La Spezia	656,985	647,598	1.4 %
Salerno	174,013	157,015	10.8 %
Ravenna	93,325	95,144	-1.9 %
Total Italy	**2,190,128**	**2,404,780**	**-8.9 %**
Tangier	685,453	648,011	5.8 %
Limassol	195,639	165,245	18.4 %
Lisbon	86,413	99,273	-13.0 %
Ust-Luga	38,676	35,300	9.6 %
Total other	**1,006,181**	**947,829**	**6.2 %**
Total EUROKAI	**6,952,034**	**7,238,792**	**-4.0 %**

The volumes shown represent total handling at each of the terminals in question. Of these figures, Group revenues are derived solely from handling volumes at the fully consolidated container terminals in Gioia Tauro, Cagliari und La Spezia.

Trends at the operating segments of the EUROKAI Group were as follows:

CONTSHIP Italia Group

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. The most important stakeholdings continue to be 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, Sogemar S.p.A. of Luzernate di Rho, Milan and Hannibal S.p.A. of Melzo, Milan – the last two engaged in intermodal business – OCEANOGATE Italia S.p.A. of La Spezia, and Rail Hub Milano S.p.A. of Milan (all in Italy).

Due in particular to the continuing decline in volumes at the transhipment terminals in Gioia Tauro (- 8.0%) and Cagliari (- 55.8%), in the first half year 2018 the CONTSHIP Italia Group posted an overall fall in handling of 8.9% to 2,190,128 TEU (previous year: 2,404,780 TEU). Handling volumes in La Spezia (+ 1.4%) and Salerno (+ 10.8%), on the other hand, were up.

Revenue in the CONTSHIP Italia segment fell slightly to EUR 161.8 million (previous year: EUR 163.5 million). Overall net half-yearly profit for the CONTSHIP Italia segment before consolidation, despite a rise in handling and results in La Spezia, was slightly down in the first half year 2018 compared with the previous year, to stand at EUR 16.9 million (previous year: EUR 17.3 million), due to declining handling figures and results at the transhipment terminals in Gioia Tauro and Cagliari and to a negative special effect in intermodal business.

The trend in handling volumes and IFRS results at the Italian companies was as follows:

Handling volume at the indirect 50% stakeholding Medcenter Container Terminal S.p.A. was 8.0% down on the level of the previous year, standing at 1,155,747 TEUs (previous year: 1,255,953 TEUs). This trend in handling was downward due to changes in the network of the scheduled services of Mediterranean Shipping Company S.A. (MSC), a main customer, as well as strike action in March and April 2018. Overall the volume trend led to a downward and slightly negative half-yearly result compared with the same period of the previous year.

Because of changes to the scheduled services of its main customer Hapag-Lloyd AG (Hapag-Lloyd) as part of the restructuring carried out by “THE Alliance” in the first half year 2018, Cagliari International Container Terminal – CICT Porto Industriale Cagliari S.p.A., in which Contship Italia has a 92% stakeholding – handled 55.8 % less than in the previous year, its handling figures standing at 110,058 TEUs (previous year: 249,070 TEUs). This means that the company’s half-yearly result has also worsened accordingly, leading to a loss.

La Spezia Container Terminal S.p.A. is a 60% stakeholding of Contship Italia S.p.A. With a further rise in handling volumes of 1.4% to 656,985 TEUs (previous year: 647,598 TEUs), the company has posted an improved half-yearly result compared with the same period of the previous year.

The 100 % 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. of Milan, Italy, for which three companies it supplies rental, administration and IT services. Due to higher stakeholding income and cost savings, for the period under review the company has posted a considerable rise in its half-yearly result, in positive territory once again, compared with the previous year.

Hannibal S.p.A., along with international container carriage, also runs the national truck and rail operations of the CONTSHIP Italia Group. The company's half-yearly result was impacted by temporary operating restrictions due to the railway accident in Pioltello (see: "Major transactions in the business year") and is consequently down on the previous year's reporting period and in slightly negative territory.

OCEANOGATE Italia S.p.A. over the period under review has successfully maintained its transport work as a railway operator at the solid level of the previous year and has thus posted a positive half-yearly result at the previous year's level.

Rail Hub Milano S.p.A. operates the inland terminals of the CONTSHIP Italia Group in Melzo and Rho. The number of trains dispatched on international travel was at the level of the previous year. Due to a slight rise in shunting costs, the company posted a positive half-yearly result which is slightly down.

EUROGATE Group

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 stakeholdings. Its main stakeholdings comprise EUROGATE Container Terminal Hamburg GmbH of 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 of Wilhelmshaven. The EUROGATE Group also has a 33.4 % stake in Contship Italia S.p.A. of Melzo (Milan), Italy.

EUROGATE GmbH & Co. KGaA, KG of Bremen has a 100% shareholding in both EUROGATE Container Terminal Hamburg GmbH of Hamburg and EUROGATE Container Terminal Bremerhaven. These companies are fully consolidated in the EUROGATE segment. The three joint ventures, North Sea Terminal Bremerhaven GmbH & Co. (EUROGATE stake: 50 %), MSC Gate Bremerhaven GmbH & Co. KG (stake: 50 %), EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG (stake: 70 %) and EUROGATE Container Terminal Limassol Limited (stake: 60 %), have been included in the EUROGATE segment at equity.

Handling volumes at the German terminals declined by a total of 3.4%, to stand at 3,756 million TEUs (previous year: 3,886 million TEUs). While handling volumes in Bremerhaven over the period under review were only 1.6% below those of the same period in the previous year, the EUROGATE Container Terminal Hamburg, as had been expected, saw a further volume decline of 16.2%. This decline in volume was due in particular, along with the insolvency of Hanjin Shipping Co. Ltd. (HANJIN) of Seoul, to the restructuring of the shipping-line consortia (merger of our customer China Shipping (Group) Company (China Shipping) of Shanghai with the HHLA customer China Ocean Shipping (Group) Company (COSCO) of Peking, and the merger of our customer United Arab Shipping Company (UASC) of Safat with the HHLA customer Hapag-Lloyd AG (Hapag-Lloyd) of Hamburg, all of which – particularly since May 2017 – has impacted on our handling figures in Hamburg to the advantage of our competitor, Hamburg Hafen und Logistik AG (HHLA). This development has been unfortunate for our terminal, but foreseeable and beyond the influence of our management.

In general container-shipping companies draw major financial advantages from the synergies created by consolidations and the merger of their networks. In dealing with the major customers and alliances formed in this way the handling operators face great challenges in keeping any negative effects as slight as possible. In this context it should be noted positively that EUROGATE, through the takeover of Hamburg-Süd by MAERSK Line, has won back significant volumes at the Hamburg terminal since summer 2018.

Handling volumes at the Wilhelmshaven terminal continued to develop very positively in the first half year 2018 compared with the same period of the previous year, with growth of 25.7%, due to OCEAN Alliance, which has been calling at the terminal since May 2017.

Due to the decline of 3.4% in handling volumes in Germany, in the first half year 2018 the EUROGATE segment posted a fall in Group revenues of 3.5%, to EUR 292.7 million (previous year: EUR 303.4 million). As expected, handling volume at the Hamburg terminal in the first half year 2018 was down by 16.2%, due to the base effect connected with the structural change to the shipping-line alliances. Consequently, given the special effects contained in the same period of the previous year – particularly the provision of staff by EUROGATE Container Terminal Hamburg GmbH to EUROGATE Container Terminal Limassol Limited – the operating result (EBIT), standing at EUR 34.7 million, is – as expected – considerably below the level of the previous year (EUR 61.2 million). Given an improved result from associated companies and a decline in the costs of income and revenue taxes, net Group half-yearly profit was down to EUR 25.8 million (previous year: EUR 46.3 million) in the period under review.

Handling volumes and IFRS results at the domestic companies operating container terminals showed the following trends in the period under review:

Due to the base effect, continuing until May 2018, connected with the structural changes to the shipping-line consortia (merger of China Shipping and COSCO and merger of UASC with Hapag-Lloyd), EUROGATE Container Terminal Hamburg GmbH, with a handling volume of 761,016 TEUs (previous year: 908,635 TEUs), saw a decline of 16.2% in handling volume. This significantly downward course in handling volume and the loss of income from provision of staff to EUROGATE Container Terminal Limassol Limited earned in the same period of the previous year, have led not only to a considerably decline in result, but actually to a slight half-yearly loss.

EUROGATE Container Terminal Bremerhaven GmbH saw a rise in volume of 11.1% over the period under review, with handling figures of 561,595 TEUs (previous year: 505,664 TEUs). Following to this volume rise, yet given a slight fall in average earnings per container, the company posted a half-yearly result for the first half year 2018 which was only slightly down on the same period of the previous year.

North Sea Terminal Bremerhaven GmbH & Co., in which APM Terminals Deutschland Holding GmbH – an indirect 100% subsidiary of Moeller Maersk A/S of Copenhagen, Denmark – has a 50 % stakeholding, saw a slight fall in volume of 1.3% in the first half-year 2018, with handling figures of 1,401,306 TEUs (previous year: 1,420,271 TEUs). Due to the slight decline in volume and the scrap disposal of container bridges, the company's half-yearly result was considerably down on the same period of the previous year.

MSC Gate Bremerhaven GmbH & Co. KG, the joint venture between EUROGATE GmbH & Co. KGaA, KG and Terminal Investment Limited Sàrl of Geneva, Switzerland, an affiliate of Mediterranean Shipping Company S.A. (MSC) of Geneva, posted a considerable decline in its half-year result compared with the previous year, handling volume having fallen by 9.7% compared with the first half-year 2017, to stand at 739,836 TEUs (previous year: 819,393 TEUs).

Handling volume at EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, in which likewise APM Terminals Wilhelmshaven GmbH – a part of the Moeller-Maersk Group of Copenhagen, Denmark – has a 30% stakeholding, continued to show a significant rise in volume of 25.7%, with handling figures of 291,972 TEUs (previous year: 232,220), due in particular to the service acquired in the previous year of OCEAN Alliance, which has been calling at the terminal since May 2017. Consequently the company's half-yearly result has improved considerably on the same period of the previous year, but continues – as expected – to be in significantly negative territory.

The further stakeholdings of the EUROGATE Group abroad showed the following trends:

Handling volumes at EUROGATE Tangier S.A. of Tangier, Morocco, in which the EUROGATE Group and CONTSHIP Italia each have a stakeholding of 20%, rose in the period under review by 5.8 % to 685,453 TEUs (previous year: 648,011 TEUs). Thus the company's half-yearly result has also continued to improve on the previous year.

OJSC Ust-Luga Container Terminal of Ust-Luga, Russia, in which the EUROGATE Group has a 20% stakeholding, saw a slight rise in handling over the period under review, despite the continuing crisis with Russia, posting 38,676 TEUs (previous year: 35,500 TEUs). The half-yearly result, which was positive again, improved slightly on the previous year, due to the rise in handling volumes.

The EUROGATE Group has a 60% stakeholding in EUROGATE Container Terminal Limassol Limited, of Limassol, Cyprus. The further partners in the consortium are Interorient Navigation Company Ltd. (20 %), of Limassol, Cyprus and East Med Holdings S.A. (20 %), of Luxembourg. In the first half year 2018 the company handled 195,639 TEUs (previous year: 165,245 TEUs / +18.4%). Thus in the period under review the company was still posting, as expected, a negative half-yearly result compared with the run-up stage of the previous year, but a considerably improved and positive operating result.

Handling volumes at the 16.34% stakeholding of LISCONT Operadores de Contentores S.A. of Lisbon, Portugal, declined due to negative effects caused by the absence of ships during bad weather in the first quarter of 2018, with a handling volume of 86,413 TEUs (previous year: 99,273 TEUs). Accordingly the company posted a lower, but still significantly positive, half-yearly result for the first half year 2018 compared with the same period of the previous year.

Major transactions in the business year

CONTSHIP Italia segment

On 25 January 2018 a passenger train was derailed on the line from Cremona to Milan in the Milan suburb of Pioltello. In the course of the subsequent official investigations the railway line was partially closed, resulting until 12 February 2018 in significant delays and restrictions to incoming and outgoing goods traffic in the Greater Milan area, which in turn led to considerable loss of revenue at the companies of the CONTSHIP Italia Group engaged in intermodal business. A claim is being brought by CONTSHIP Italia against the railway company Rete Ferroviaria Italiana (RFI) for the loss caused, on the grounds of suspected structural track failure.

In its competition with the western ports of Rotterdam and Antwerp CONTSHIP Italia has enjoyed significant initial success with its “Change Your Point of View” marketing campaign. Since 2 July 2018 the Niederglatt container terminal near Zurich, operated by the Swissterminal Group, has been offering a direct railway connection, with six departures a week, to Rail Hub Milano in Melzo, Milan. The new service is being run by Hannibal S.p.A. From this point there exist various connections to the seaports of La Spezia and Genoa and to continental destinations.

EUROGATE segment

In spring 2018 the Hamburg terminal successfully acquired the new Far Eastern service of the South Korean Hyundai Merchant Marine line. On Saturday 12 May 2018 the MV *Hyundai Forward* docked for the first time at the EUROGATE Container Terminal Hamburg. The container vessel is operating on the new Asia Europe Express (AEX) service. The 4,700 TEU carrier is one of ten vessels regularly linking Hamburg with Asia since mid-May on a weekly service. Moreover since June a new service operated by the Hamburg Süd line has been calling at the EUROGATE Container Terminal Hamburg, serving the East Coast of South America.

In May 2018 the EUROGATE Group was the recipient for the first time of the Asian Freight, Logistics & Supply Chain Award (AFLAS in short) as “Best Green Container Terminal Operator 2018.”

To utilise the continuing favourable interest level, as of 27 June 2018 a number of bonded loans and registered bonds, with terms of up to 12 years, were taken by EUROGATE GmbH & Co. KGaA, KG, totalling EUR 75 million.

Miscellaneous

On 11 March 2018 EUROKAI GmbH & Co. KGaA signed a memorandum of understanding (MoU) with SINA Port and Maritime Co. (SPMCO) of Teheran (Iran). The aim of the contracting parties is to found a joint venture to take over operation of the Shahid Rajaee Container Terminals 2 (SRCT 2) in the southern Iranian port of Bandar Abbas, with a handling capacity of 4 million TEUs.

Following termination of the atomic treaty by the USA, further political developments, including the reaction of both the European governments and Canada, remain to be seen.

Earnings

To show Group earnings, in the following overview we have used an income statement derived under business-management terms:

	1 January to 30 June 2018		1 January to 30 June 2017		Change
	EURk	%	EURk	%	EURk
Revenues	167.064		168.511		-1.447
Miscellaneous operating income	3.331		5.168		-1.837
Operating performance	170.395	100	173.679	100	-3.284
Material costs	-54.953	-32	-52.742	-30	-2.211
Staff costs	-63.541	-37	-66.396	-38	2.855
Depreciation	-12.271	-7	-13.628	-8	1.357
Miscellaneous operating expendiiture	-17.121	-10	-17.984	-10	863
Operating costs	-147.886	-86	-150.750	-86	2.864
Earnings before shareholding income, interest and tax (EBIT)	22.509	14	22.929	14	-420
Interest and similar income	58		516		-458
Financing costs	-1.019		-1.376		357
Depreciation on financial assets	-20		0		-20
Earnings from associated companies	14.107		21.455		-7.348
Other financial result	44		443		-399
Earnings before tax (EBIT)	35.679		43.967		-8.288
Revenue and income taxes	-9.528		-11.235		1.707
Net Group half-yearly profit	26.151		32.732		-6.581

which breaks down into the following groups:		
Shareholders of parent company	18.252	25.604
Minority shareholders	7.899	7.128
	26.151	32.732

External revenues for the EUROKAI Group in the period under review amounted to EUR 167.1 million (previous year: EUR 168.5 million). Of this, EUR 161.8 million (previous year: EUR 163.5 million) came from the CONTSHIP Italia Group, and EUR 5.2 million (previous year: EUR 5.0 million) from earnings by EUROKAI GmbH & Co. KG connected with cost transfer to EUROGATE Group companies of rents for premises and quay walls at the Hamburg terminal.

The decline in miscellaneous operating income by EUR 1.8 million to EUR 3.3 million was due mainly to lower grants for project costs and lower miscellaneous cost transfers to customers.

Staff costs fell by EUR 2.9 million to EUR 63.5 million. This was due mainly to the transfer of 370 employees of Medcenter Container Terminal S.p.A to a government agency and the significant volume decline at CICT Porto Industriale Cagliari S.p.A.

The operating result in the first half year 2018 stood at EUR 22.5 million and was thus at the level of the previous year (EUR 22.9 million).

The considerable decline in the result from associated companies to EUR 14.1 million (previous year: EUR 21.5 million) was due mainly to the fall in the pro rata result for the EUROGATE Group to EUR 11.1 million (previous year: EUR 10.9 million). As a consequence the EUROKAI Group posted a correspondingly lower pre-tax result (EBT) in the period under review of EUR 35.7 million (previous year: EUR 44.0 million).

Tax costs likewise fell to EUR 9.5 million (previous year: EUR 11.2 million). Accordingly net Group profit for the year shrank as expected to EUR 26.2 million (previous year: EUR 32.7 million) compared with the same period of the previous year.

Assets

The asset and capital structure showed the following course in the first half year 2018:

Assets	30 June 2018		31 December 2017		Change
	EURk	%	EURk	%	EURk
Intangible assets	55,133	8	56,437	8	-1,304
Fixed assets	156,154	24	164,131	24	-7,977
Financial assets	160,538	24	141,169	21	19,369
Deferred tax claims	17,529	3	18,677	3	-1,148
Other long-term assets	10,427	1	9,792	0	635
Long-term assets	399,781	60	390,206	56	9,575
Inventories	11,818	2	11,080	2	738
Receivables due for supplies and services	68,299	10	67,344	10	955
Miscellaneous assets and tax claims	40,039	6	72,413	10	-32,374
Liquid funds	143,583	22	146,046	22	-2,463
Short-term assets	263,739	40	296,883	44	-33,144
Total assets	663,520	100	687,089	100	-23,569

Liabilities	30 June 2018		30 December 2017		Change
	EURk	%	EURk	%	EURk
Subscribed capital	13,468	2	13,468	2	0
Capital of the Personally Liable General Partner and reserves	101,061	15	90,471	13	10,590
Balance-sheet profit	240,635	36	265,067	39	-24,432
Share of minorities in capital	81,384	12	85,137	12	-3,753
Shareholders' equity	436,548	65	454,143	66	-17,595
Long-term loans less short-term percentage	61,464	9	69,922	10	-8,458
Long-term percentage of public grants	5,719	1	5,981	1	-262
Miscellaneous liabilities	2,824	0	2,985	0	-161
Deferred tax liabilities	14,939	2	14,980	2	-41
Reserves	33,221	5	33,526	5	-305
Long-term liabilities	118,167	17	127,394	18	-9,227
Short-term percentage of long-term loans	18,681	3	20,289	3	-1,608
Payables due for supplies and services	45,824	7	44,236	7	1,588
Short-term percentage of public grants	737	0	793	0	-56
Miscellaneous payables and tax liabilities	36,690	7	33,048	5	3,642
Reserves	6,873	1	7,186	1	-313
Short-term liabilities	108,805	18	105,552	16	3,253
Total capital	663,520	100	687,089	100	-23,569

The balance-sheet total for the EUROKAI Group fell in the first half year 2018 by EUR 23.6 million to EUR 663.5 million.

The decline in fixed assets by EUR 8.0 million to EUR 156.2 million was due to the balance of accruals amounting to EUR 2.8 million and scheduled depreciation of EUR 10.8 million.

Financial assets rose on balance by EUR 19.4 million to EUR 160.5 million. The reason for this was largely the rise in value of the stakeholdings valued at-equity and particularly in this respect a rise in the stakeholding book value of EUROGATE GmbH & Co. KGaA, KG of EUR 18.6 million to EUR 115.2 million due to the redeposit of 30% of the previous year's distributed earnings to strengthen the equity base.

Receivables due for supplies and services, amounting to EUR 68.3 million, stood at the level of the accounting cut-off day as of 31 December 2017. Miscellaneous short-term assets and tax claims declined by EUR 32.4 million, due in particular to a fall in receivables, governed by the accounting cut-off day, due from EUROGATE GmbH & Co. KGaA, KG.

The fall in balance-sheet profit is connected with the dividend resolution of the Annual General Meeting of 13 June 2018 and the distribution of a dividend of 150% plus a bonus of 50% - thus in total 200% of the nominal value – for each of the ordinary and non-voting shares.

Loan liabilities (short-term and long-term percentage) fell as a result of scheduled redemptions of EUR 10.1 million to a total of EUR 80.1 million.

Of the rise in miscellaneous payables and tax liabilities by EUR 3.6 million to EUR 36.7 million, EUR 1.3 million resulted from higher liabilities for income and revenue taxes, and EUR 1.5 million from higher short-term payables due to lending banks.

Financial position

The following cashflows were recorded in the first half year 2017 and 2018:

	1 January to 30 June 2018 EURk	1 January to 30 June 2017 EURk
Inflow of funds from current business activity	20,664	24,461
Inflow of funds from investment	32,789	32,071
Outflow of funds from financing	-57,459	-33,278
Changes to financial funds on the payments side	-4,006	23,254
Financial funds on 1 January	143,425	86,201
Financial funds at end of period	139,419	109,455
Composition of financial funds		
Cash and cash equivalents	143,583	112,721
Bank liabilities and current-account balances payable immediat	-4,164	-3,266
Financial funds at end of period	139,419	109,455

Based on earnings before tax in the first half year 2018 of EUR 35.7 million (previous year: EUR 44.0 million), cashflow of EUR 20.7 million (previous year: EUR 24.5 million) was earned from current business activity.

The inflow of funds from investment resulted mainly from the collection of profit distributions.

The outflow of funds from financing was due particularly to the dividends distributed to the shareholders and outgoing payments of profit shares to minorities.

Staff and welfare

The average number of employees in the Group (not including management board, temporary staff and trainees) in the half-year 2018 was as follows:

	30 June 2018	30 June 2017
Industrial staff	1,283	1,641
Office staff	665	677
	1,948	2,318

The fall in the average number of employees by 370 persons was due to the transfer of their employment by Medcenter Container Terminal S.p.A. to a government agency.

Addendum

On 23 August 2018, in the course of the plan-approval procedure for the fairway adjustment of the river Elbe, the plan-approval decision governing the supplementary ”Billwerder Insel” coherence scheme was issued. The supplementary-plan approval for the further coherence-assurance scheme removes the decisive objection of the German Federal Administrative Court in its decision of 9 February 2017. The supplementary-plan decision also ends the previous non-enforceability, due to pending decision, of the original plan-approval decisions of 23 April 2012, and construction rights have been obtained. As an administrative decision, however, the third supplementary-plan decision, like every other administrative act, can be challenged at law. For this purpose an appeal must be lodged with the German Federal Administrative Court.

Meanwhile the opposing environmentalists announced that they would pursue legal action against the recently published supplementary planning approval notice for the planned deepening of the river Elbe. However, their primary focus is to negotiate more / better environmental compensation measures. Thus dredging might start spring/summer 2019.

Events of major significance which EUROKAI was obliged to make public have not occurred since the balance-sheet cut-off day of 30 June 2018.

Opportunities and risks of future development

No major changes have taken place to the EUROKAI Group’s risk position compared with the statements in the Management Report for the business year 2017.

In the CONTSHIP Italia segment the rates agreement of two container terminals with their biggest customer as of 31 December 2016 expired as of the balance-sheet cut-off day 2017. At the end of June 2018 the rates agreement for one of these terminals was successfully concluded with the principal customer. Negotiations for conclusion of the rates agreement with the other container terminal are not yet concluded. This being so, there exist no finally negotiated contracts with regard to the higher rates taken as a basis and charged for 2017 and in the course of the business year 2018 so far at one container terminal, and revenues realised for services further rendered to this customer have been based on the rates agreement which expired as of 31 December 2016. We continue to see no risk that the rates in force until the end of 2016 could not be recognised by the customer for 2017 and 2018.

We have set out the further risks and opportunities in the following "Report on forecasts and other remarks on anticipated development" and in the Management Report for the business year 2017 under Section 10, "Forecast."

Report on forecasts and other remarks on anticipated development

The principal forecasts and other remarks on the anticipated development of the Group for the business year 2018 set out in the Group Management Report as of 31 December 2017 have been confirmed in the business year 2018 so far.

No potential threats to the continued existence of the firm, such as over-indebtedness, insolvency or other risks with a particular impact on assets, financial position and earnings, exist at the present time.

The container-shipping lines continue to suffer from severe competition, since world economic growth will not suffice to solve the structural problems of container shipping. Due not least to the large number of newly launched container vessels, uncertainties will also be felt by the container terminals.

In particular, the further collaborations and concentration of container-shipping lines already announced, and thus downward pressure on prices, may well have a negative impact on the terminals.

Since the container terminals have free capacity, at least in the medium term, in the wake of this consolidation the power of the remaining consortia and shipping lines is growing and, with it, the pressure on earnings and need to implement sustainable cost reductions at the container terminals.

Forecast for the CONTSHIP Italia segment

Only a slight fall in result is still expected for the CONTSHIP Italia segment compared with the previous year, due – contrary to original expectations – to the improved trend in results at

Medcenter Container Terminal in Gioia Tauro. The improved results currently expected at Medcenter Container Terminal are connected with an increased handling volume compared with the previous forecast in conjunction with slightly improved average earnings.

Forecast for the EUROGATE segment

Following the structural decline in volumes during 2017 connected with the changes to the shipping-line alliances, the trend in handling at the Hamburg terminal is currently difficult to foresee. The growth in handling at EUROGATE Container Terminal Hamburg GmbH gained in the course of 2018 from the acquisition of the Far Eastern service of the Hyundai Merchant Marine Line and the takeover of Hamburg-Süd by MAERSK Line may well only partially counterbalance the handling losses suffered in the previous year. This being so, further measures may be necessary to adapt the operational, organisational and cost structure here. Nevertheless a mitigation of the fall in handling is expected in the second half year, so that on present calculations the total handling volume may well be about 5 – 8% below the previous year's volume.

At the Wilhelmshaven terminal the forecast for handling remains positive. Here, due particularly to the structural change in the scheduled services of the 2M Alliance and the AE5 Far Eastern service, which will be calling at the terminal in the second half of 2018 as its last port of loading, including related feeder volumes, further rises in handling are expected despite the loss of the second Far Eastern service of the 2 M Alliance.

In accordance with the original forecast, handling volumes at the German terminals have been slightly down overall in the course of 2018 so far. Even should the trend in handling still improve at individual terminals in the second half year, it cannot be assumed that the Group result for the previous year can be achieved again for the business year 2018, but that on present calculations it will show a significant fall on the previous year. Nevertheless on present calculations a considerably better result, slightly above the previous forecast, is expected for the second half year compared with the first half year in the EUROGATE segment. The decline in results overall continues to be linked, along with the fall in handling at the Hamburg terminal, with the one-off and special effects comprised in the previous year's result.

On 15 August 2018 Hapag-Lloyd AG announced that it was considering, jointly with its partners in THE Alliance, whether and how far the possibility exists of removing the AL 1-4 transatlantic services from the EUROGATE Container Terminal Bremerhaven and having them handled in Hamburg in future. Potential effects on EUROGATE deriving from the above are not foreseeable yet.

Forecast for the EUROKAI Group 2018

Based on the better results expected at the CONTSHIP Italia and EUROGATE segments compared with the original forecast, a decline in net Group profit is still expected to be down at the EUROKAI Group for 2018 as a whole. But on present calculations this will no longer be in a bandwidth of between EUR 40 million and EUR 45 million, but in a bandwidth of between EUR 50 million and EUR 55 million.

Overall, the EUROKAI Group, through its diversified European placement, is and will continue to be relatively independent and excellently positioned in its competitive environment

Given the unforeseeable nature of current trends, the actual course of business may fail to meet expectations based on assumptions and assessments made by the corporate management. We undertake no obligation to update our forecast statements in the light of new information.

Report on significant transactions with closely related companies

No significant changes are to be recorded in relations with closely related companies or in the type and volume of transactions with these in the first half-year 2018 in comparison with the business year 2017.

Hamburg, September 2018

The Personally Liable General Partner

Kurt F. W. A. Eckelmann GmbH, Hamburg

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

Responsibility Statement

Declaration by legal representatives:

“We hereby declare, to the best of our knowledge, that, in conformity with the accounting principles applicable to the production of interim financial reports, the Interim Group Financial Statement gives an accurate picture of the assets, financial position and earnings of the Group, and that the Interim Group Management Report presents the course of business in the Group, including its business results and position, in such a way as to convey an accurate picture, and that it sets out the main risks and opportunities involved in the Group’s anticipated development in the remaining business year.”

Hamburg, September 2018

The Personally Liable General Partner

Kurt F. W. A. Eckelmann GmbH, Hamburg

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