



EUROKAI GmbH & Co. KGaA

**Interim Group Management Report
for the first half-year 2017**

Hamburg, August 2017

EUROKAI GmbH & Co. KGaA, Hamburg**Consolidated income statement for the period January 01 to June 30, 2017**

	Jan 01 to June 30, 2017 TEUR	Jan 01 to June 30, 2016 TEUR
Revenues	168.511	166.378
Other operating income	5.168	3.317
Cost of materials	-52.742	-49.766
Personnel expenses	-66.396	-65.728
Amortisation/ depreciation	-13.628	-15.265
Other operating expenses	-17.984	-19.133
Earnings before investment result, interest and income tax (EBIT)	22.929	19.803
Interest and similar income	516	291
Finance costs	-1.376	-1.856
Income from associates	21.455	21.955
Other financial result	443	20
Earnings before income tax (EBT)	43.967	40.213
Income tax	-11.235	-9.177
Consolidated net profit for the period	32.732	31.036
Thereof attributable to:		
Equity holders of the parent	25.604	24.920
Non-controlling interest	7.128	6.116
	32.732	31.036
Earnings per share in EUR (according to IAS 33)	1,62	1,57

	Jan 01 to June 30, 2017 <u>TEUR</u>	Jan 01 to June 30, 2016 <u>TEUR</u>
	32.732	31.036
Other comprehensive income:		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/losses from defined benefit pension plans	90	-2.256
Actuarial gains/losses from defined benefit pension plans from joint ventures and associates	4.788	-5.993
Deferred tax recognized directly in equity	<u>-1.558</u>	<u>2.531</u>
	<u>3.320</u>	<u>-5.718</u>
Net other comprehensive income not being reclassified to profit or loss subsequent		
Revaluation of financial derivatives	259	40
Deferred tax recognized directly in equity of financial derivatives	-83	-5
Revaluation of available-for-sale financial assets	-755	-25
Deferred tax recognized directly in equity of available-for-sale financial assets	243	8
Currency translation adjustments	<u>-1.654</u>	<u>2.080</u>
	<u>-1.990</u>	<u>2.098</u>
Other comprehensive income, net of tax	<u>1.330</u>	<u>-3.620</u>
Total comprehensive income, net of tax	<u>34.062</u>	<u>27.416</u>
Thereof attributable to:		
Equity holders of the parent	26.979	21.980
Non-controlling interest	<u>7.083</u>	<u>5.436</u>
	<u>34.062</u>	<u>27.416</u>

EUROKAI GmbH & Co. KGaA, Hamburg
Consolidated Balance Sheet as at June 30, 2017

ASSETS	June 30, 2017 TEUR	Dec 31, 2016 TEUR
Non-current assets		
Intangible assets		
Other intangible assets	57.652	59.295
	<u>57.652</u>	<u>59.295</u>
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	53.489	56.636
Plant and machinery	107.985	115.605
Other equipment, furniture and fixtures	6.844	7.800
Prepayments and assets under construction	3.153	2.095
	<u>171.471</u>	<u>182.136</u>
Financial assets		
Investments in associates	160.057	146.942
Investments	905	905
Other financial assets	0	13.511
	<u>160.962</u>	<u>161.358</u>
Deferred income tax assets	16.865	17.851
Other financial receivables and assets	337	347
Other non- financial receivables and assets	7.964	9.054
	<u>415.251</u>	<u>430.041</u>
Current assets		
Inventories	10.744	10.635
Trade receivables	88.833	88.919
Other financial assets	25.928	31.655
Other non-financial assets	17.665	19.045
Current recoverable income taxes	5.054	4.444
Cash and cash equivalents	112.721	87.701
	<u>260.945</u>	<u>242.399</u>
	<u>676.196</u>	<u>672.440</u>
EQUITY AND LIABILITIES		
	June 30, 2017 TEUR	Dec 31, 2016 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 derivatives	-554	-730
Reserve from the fair value measurement of financial derivatives available-for-sale financial assets	0	512
Share of other changes in equity in Associates	-20.802	-24.850
Reserve of exchange differences on translation	-4.196	-2.542
Revenue reserves	116.150	109.333
Accumulated profit	241.454	246.676
Equity attributable to equity holders of the parent	<u>347.615</u>	<u>343.962</u>
Non-controlling interest	76.821	81.165
	<u>424.436</u>	<u>425.127</u>
Liabilities and provisions		
Non-current financial and provisions		
Non-current financial liabilities, net of current portion	78.668	85.757
Non-current portion of deferred government grants	6.970	6.846
Other financial liabilities	802	979
Other non-financial liabilities	2.231	2.230
Deferred income tax liabilities	14.638	15.025
Provisions		
Provisions for employee benefits	11.449	12.628
Other provisions	14.018	12.872
	<u>128.776</u>	<u>136.337</u>
Current liabilities and provisions		
Current portion of non-current financial liabilities	29.207	32.379
Trade payables	36.107	38.721
Current portion of deferred government grants	484	1.223
Other financial liabilities	26.839	13.155
Other non-financial liabilities	11.597	11.304
Income tax obligations	8.388	5.011
Provisions		
Provisions for employee benefits	8.384	7.308
Other provisions	1.978	1.875
	<u>122.984</u>	<u>110.976</u>
	<u>251.760</u>	<u>247.313</u>
	<u>676.196</u>	<u>672.440</u>

EUROKAI GmbH & Co. KGaA, Hamburg
Consolidated cash flow statement for the period January 01 to June 30, 2017

	Jan 01 to Jun 30, 2017	Jan 01 to Jun 30, 2016
	TEUR	TEUR
1. Cash flows from operating activities		
EBT	43.967	40.213
Depreciation, amortisation and impairment losses	13.628	15.265
Gain/loss from the disposal of assets	-35	72
Currency translation adjustments	2	20
Profit/loss from investments accounted for using the equity method	-29.443	-21.955
Interest result	860	1.565
= Operating profit before changes in assets carried as working capital	<u>28.979</u>	<u>35.180</u>
Increase/decrease in trade receivables	86	-8.613
Increase/decrease in other assets	8.208	-3.184
Increase/decrease in inventories	-109	222
Increase/decrease in government grants	-615	-896
Increase/decrease in provisions which affects income (excluding interest costs)	951	-63
Increase/decrease in trade payables and other financial and non-financial liabilities	-4.861	1.693
= Cash flows used in/from changes in assets carried as working capital	<u>3.660</u>	<u>-10.841</u>
Interest received	516	291
Interest paid	-1.064	-1.007
Income taxes received/paid	-7.630	-12.874
= Cash paid/received for interest and income tax	<u>-8.178</u>	<u>-13.590</u>
= Net cash flows from operating activities	<u>24.461</u>	<u>10.749</u>
2. Cash flows from investing activities		
Proceeds from the disposal of intangible assets and property, plant and equipment	70	130
Investments in intangible assets and property, plant and equipment	-1.353	-9.839
Proceeds from the disposal of financial assets	13.200	0
Cash paid for other financial assets	0	-3.195
Cash paid for associates companies	-7.906	-11.767
Dividends received	28.060	41.214
= Net cash flows used in investing activities	<u>32.071</u>	<u>16.543</u>
3. Cash flows from financing activities		
Cash paid to equity holders	-23.326	-25.978
Proceeds from issue from other non-current loans	11.929	0
Proceeds from issue of non-current financial liabilities	0	23.890
Repayment of non-current financial liabilities	-10.267	-12.164
Payment of finance lease liabilities	-186	-217
Payment to non-controlling interest	-11.428	-8.128
= Net cash flows used in financing activities	<u>-33.278</u>	<u>-22.597</u>
Net increase/decrease in cash and cash equivalents (subtotal of 1 to 3)	23.254	4.695
Cash and cash equivalents at January 01	86.201	48.176
Cash and cash equivalents at the end of the period	<u>109.455</u>	<u>52.871</u>
Composition of cash and cash equivalents		
Cash and cash equivalents	112.721	57.816
Bank liabilities/overdrafts due on demand	-3.266	-4.945
Cash and cash equivalents at the end of the period	<u>109.455</u>	<u>52.871</u>

EUROKAI GmbH & Co. KGaA, Hamburg

Interim Group Management Report as of 30 June 2017

General

The companies incorporated in the EUROKAI 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 Lisbon (Portugal), Tangier (Morocco), in Limassol (Cyprus) and Ust-Luga (Russia). The EUROKAI 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 rose to EUR 168.5 million in the period under review (previous year: EUR 166.4 million). Due to an operating result (EBIT) which rose to EUR 22.9 million (previous year: EUR 19.8 million), net Group profit for the first half-year 2017 improved by EUR 1.7 million to EUR 32.7 million (previous year: EUR 31.0 million).

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

Revenues in the CONTSHIP Italia segment rose to EUR 163.5 million (previous year: EUR 161.4 million). Overall, due particularly to the upward trend in handling and earnings at the La Spezia Container Terminal and the stable trend in earnings in the intermodal section compared with the previous year, net Group half-yearly profit at the CONTSHIP Italia segment before consolidation in the first half-year 2017 improved to EUR 17.3 million (previous year: EUR 14.5 million).

The figures in the following paragraph refer to the actual (100 %) figures of EUROGATE in which EUROKAI has only a 50 % shareholding.

The EUROGATE segment, against the background of an overall fall in handling volumes at the fully consolidated companies, saw Group revenues decline in the first half-year 2017 by 5.3 % to EUR 303.4 million (previous year: EUR 320.2 million). Nevertheless, due to a rise in miscellaneous operating income, the operating result (EBIT) came in above the previous year's level (EUR 59.3 million), to stand at EUR 61.2 million. This rise resulted mainly from cost transfers for services rendered by way of start-up to EUROGATE Container Terminal Limassol Ltd., Limassol (Cyprus). Given declining income from associated companies and a rise in costs for income and revenue taxes, however, the net Group half-yearly profit of EUROGATE in the period under review fell slightly to EUR 46.3 million (previous year: EUR 48.6 million).

Volume trends

The container terminals in the EUROGATE Group handled a total of 7.239 million TEUs in the first half-year 2017 (previous year: 7.481 million TEUs). Handling figures are shown below:

Terminal	1st. half-year 2017 (in TEUs)	1st. half-year 2016 (in TEUs)	Change
Bremerhaven	2,745,328	2,839,403	-3.3 %
Wilhelmshaven	232,220	255,652	-9.2 %
Hamburg	908,635	1,239,870	-26.7 %
Total Germany	3,886,183	4,334,925	-10.4 %
Gioia Tauro	1,255,953	1,386,738	-9.4 %
Cagliari	249,070	339,962	-26.7 %
La Spezia	647,598	566,444	14.3 %
Salerno	157,015	135,854	15.6 %
Ravenna	95,144	103,244	-7.8 %
Total Italy	2,404,780	2,532,242	-5.0 %
Lisbon	99,273	53,960	84.0 %
Tangier	648,011	523,088	23.9 %
Limassol	165,245	-	-
Ust-Luga	35,300	36,869	-4.3 %
Total other	947,829	613,917	54.4 %
Total EUROKAI	7,238,792	7,481,084	-3.2 %

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 operations. Its main stakeholdings comprise 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, 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 particularly to declining volumes at the trans-shipment terminals in Gioia Tauro (- 9.4 %) and Cagliari (- 26.7 %), the CONTSHIP Italia Group recorded an overall fall in handling of 5.0 % in the first half-year 2017, handling figures standing at 2,407,780 TEUs (previous year: 2,532,242 TEUs). Handling volumes at La Spezia (+ 14.3 %) and Salerno (+ 15.6 %), on the other hand, showed a welcome rise.

Given the upward trend in handling and earnings at the La Spezia terminal and the stable trend in earnings in the intermodal sector, half-yearly earnings for the CONTSHIP Italia Group, which saw a rise in revenues to EUR 163.5 million (previous year: EUR 161.4 million), continued to improve in comparison with the previous year and increased to EUR 17.3 million (previous year: EUR 14.5 million).

Handling volumes and IFRS results for the Italian companies showed the following trends in the period under review:

Handling volume at the 50 % indirect stakeholding Medcenter Container Terminal S.p.A. stood at 1,255,953 TEUs (previous year: 1,386,738 TEUs), which was 9.4 % down on the level of the previous year. Handling figures declined due to changes in the network of the scheduled services of the principal customer Mediterranean Shipping Company S.A. (MSC), as well a strike in the months of March and April 2017. In all, the volume trend led to half-yearly earnings which were down on the same period of the previous year, but which were still in positive territory.

Cagliari International Container Terminal – CICT Porto Industriale Cagliari S.p.A., in which Contship Italia S.p.A has a stakeholding of 92 % – due to changes in the scheduled services of its principal customer Hapag-Lloyd consequent upon the restructuring of the THE Alliance, handled less in the first half-year 2017 than in the previous year, its handling figures standing at 249,070 TEUs (previous year: 339,962 TEUs). Thus the company's half-yearly earnings worsened correspondingly.

La Spezia Container Terminal S.p.A. is a 60 % stakeholding of Contship Italia S.p.A. The company, which saw a welcome rise in handling volumes by 14.3 % to 647,598 TEUs (previous year: 566,444 TEUs), posted considerably improved half-yearly earnings 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, for which it provides letting, management and IT services. Due to higher stakeholding income and as a result of cost savings, the company recorded a considerable rise in its half-yearly earnings in the period under review, a result which was once again in positive territory.

Hannibal S.p.A., along with intermodal container carriage, also runs the national truck and rail operations of the CONTSHIP Italia Group and, after a rise in the intermodal carriage volume, posted positive and improved half-yearly earnings compared with the previous year.

In the period under review OCEANOGATE Italia S.p.A. successfully increased its carriage as a railway operator further, posting positive half-yearly earnings which were a considerable improvement on the previous year.

Rail Hub Milano S.p.A. operates the inland terminals of the Contship Italia-Group in Melzo and Rho. Given the increased number of train departures on the international routes, the company posted positive half-yearly earnings which were a considerable improvement on the previous year.

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, 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 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. of Bremerhaven (EUROGATE stake: 50 %), MSC Gate Bremerhaven GmbH & Co. KG of Bremerhaven (50 %), EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG of Wilhelmshaven (70 %), and EUROGATE Container Terminal Limassol Limited (60 %) have been included in the EUROGATE segment at equity.

Handling volumes at the German terminals fell by a total of 10.4 % to stand at 3,886,183 TEUs (previous year: 4,334,925 TEUs). This drop in handling volume was due mainly to a structural decline in volumes at the Hamburg terminal.

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

EUROGATE Container Terminal Hamburg GmbH, due to structural changes in the shipping-line consortia (merger of China Shipping and COSCO and amalgamation of UASC with Hapag-Lloyd) and the insolvency of the Hanjin line, recorded a handling volume of 908,635 TEUs (previous year: 1,239,870 TEUs) in the period under review, representing a significant decline of 26.7 %. Thus the company's half-yearly earnings worsened correspondingly in comparison with the equivalent period under review of the previous year, but were still in thoroughly positive territory.

EUROGATE Container Terminal Bremerhaven GmbH saw a rise in volume of 10.0 % in the period under review, registering handling figures of 505,664 TEUs (previous year: 459,588 TEUs). Due to this rise in volume, in conjunction with continued positive contributions to earnings from its wind-power business, the company posted half-yearly earnings for the first half-year 2017 which marked a considerable improvement 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 A.P. Moeller Maersk A/S, of Copenhagen, Denmark – has a 50 % stakeholding, recorded a handling volume of 1,420,271 TEUs in the first half-year 2017 (previous year: 1,661,412 TEUs), which was a volume decline of 14.5 %. The downward trend in volume, in conjunction with a rise in repair costs, meant that the company's half-yearly earnings were considerably under the level 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, a company related to Mediterranean Shipping Company S.A, (MSC) of Geneva, recorded a 14.1 % rise in handling volume compared with the first half-year 2016, the figure being 819,393 TEUs (previous year: 718,403 TEUs), and posted half-yearly earnings which were a considerable improvement on the previous year.

Handling volume at EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, in which APM Terminals Wilhelmshaven GmbH – which likewise belongs to the A.P. Moeller Maersk Group – has a stakeholding of 30 %, posted a handling volume of 232,220 TEUs (previous year: 255,652 TEUs), which was a volume decline of 9.2 %, due to the absence of unscheduled ships' calls (so-called inducement calls) handled in the same period of the previous year. Consequently the company's half-yearly earnings worsened slightly in comparison with the same period under review of the previous year.

Trends at the EUROGATE Group's other stakeholdings abroad were as follows:

Handling volumes at EUROGATE Tanger S.A. of Tangier, Morocco, in which the EUROGATE Group and CONTSHIP Italia Group each have a stakeholding of 20 %, rose in the period under review by 23.9 % to 648,011 TEUs (previous year: 523,088 TEUs). Thus the company saw a considerable and corresponding improvement in its half-yearly earnings compared with the previous year.

Due to the continuing Russian crisis, once again OJSC Ust-Luga Container Terminal of Ust-Luga, Russia, in which the EUROGATE Group has a stakeholding of 20 %, recorded a slight drop in handling, posting a figure of 35,300 TEUs (previous year: 36,869 TEUs). Due to cost savings, the half-yearly earnings improved slightly compared with the previous year and were in slightly positive territory.

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 Luxemburg. EUROGATE Container Terminal Limassol Limited took over operation of the container terminal from the Cyprus Port Authority on 29 January 2017 and had handled 165,245 TEUs by the reporting cut-off day. As expected, in the run-up stage the company is still showing negative half-yearly earnings.

The trend in handling at the 16.34 %-stakeholding LISCONT Operadores de Contentores S.A. of Lisbon, Portugal, after negative effects due to strikes in the same period of the previous year, is back into normal operation again, with a handling volume of 99,273 TEUs (previous year: 53,960 TEUs). Consequently the company posted positive earnings for the first half-year 2017, which were a considerable improvement on the same period of the previous year.

Major transactions in the business year

CONTSHIP Italia segment

In the months of January to April 2017 La Spezia Container Terminal S.p.A. recorded the highest container volume ever handled for this 4-month period, amounting to 423,000 TEUs. This growth in volume came in particular from a rise in USA and Asian traffic, and from Mediterranean traffic.

On 29 June 2017 La Spezia Container Terminal S.p.A. received from Asian Freight, Logistics and Supply Chain (AFLAS) the award of "Best Container Terminal in Europe."

EUROGATE segment

As of 29 January 2017 (accounting cut-off day), EUROGATE Container Terminal Limassol Limited of Limassol, Cyprus, took over operation of the container terminal in Limassol from the Cyprus Port Authority. Through the Limassol terminal the EUROGATE Group has expanded its network to twelve container ports.

With effect from 1 April 2017 the newly founded OCEAN Alliance, consisting of four shipping lines, CMA CGM, COSCO Shipping, Evergreen and OOCL, adopted EUROGATE Container Terminal Wilhelmshaven into its schedules. The first call in Wilhelmshaven took place on 13 May 2017.

To utilise the very favourable level of interest, on 23 March 2017 several fixed-maturity promissory-note loans or registered debentures with terms of up to 15 years, totalling EUR 54 million, were taken up by EUROGATE GmbH & Co. KGaA, KG.

On 6. April 2017 EUROGATE GmbH & Co. KGaA, KG terminated at the earliest possible date the hybrid bond taken out in 2007, with a nominal value of EUR 150 million, and repaid the amount in full on 29 May 2017.

In the second half-year 2016 EUROGATE GmbH & Co. KGaA, KG, in a consortium with the Iranian company SINA Port & Marine Co. (SPMCO) of Teheran, competed to operate Container Terminals CT 1 and CT 2 in the southern Iranian port of Bandar Abbas.

In the interim the consortium has qualified with the Iranian Ports & Maritime Organisation (PMO) as one of three participants in the final offer for CT 1 (capacity: 1.5 million TEUs) and one of two participants in the final offer for CT 2 (capacity: 4.0 million TEUs).

Meanwhile the project was taken over by EUROKAI GmbH & Co. KGaA with the involvement of CONTSHIP Italia.

The tender for CT 1 was withdrawn by the PMO and is being issued again. The deadline for the final bid under the tendering arrangements for CT 2 has been extended to 30 October 2017. The PMO's present timetable indicates that award of the operating licence for CT 2 is expected to be made in the fourth quarter of 2017.

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 2017		1 January to 30 June 2016		Change TEUR
	TEUR	%	TEUR	%	
Revenues	168.511		166.378		2.133
Miscellaneous operating income	5.168		3.317		1.851
Operating performance	173.679	100	169.695	100	3.984
Material costs	-52.742	-30	-49.766	-29	-2.976
Staff costs	-66.396	-38	-65.728	-39	-668
Depreciation	-13.628	-8	-15.265	-9	1.637
Miscellaneous operating expenditure	-17.984	-10	-19.133	-11	1.149
Operating costs	-150.750	-86	-149.892	-88	-858
Earnings before shareholding income, interest and tax (EBIT)	22.929	14	19.803	12	3.126
Interest and similar income	516		291		225
Financing costs	-1.376		-1.856		480
Earnings from associated companies	21.455		21.955		-500
Other financial result	443		20		423
Earnings before tax (EBIT)	43.967		40.213		3.754
Revenue and income taxes	-11.235		-9.177		-2.058
Net Group half-yearly profit	32.732		31.036		1.696

which breaks down into the following groups:

Shareholders of parent company	25.604	24.920
Minority shareholders	7.128	6.116
	<u>32.732</u>	<u>31.036</u>

External revenues for the EUROKAI Group in the period under review amounted to EUR 168.5 million (previous year: EUR 166.4 million). Of this, EUR 163.5 million (previous year: EUR 161.4 million) came from the CONTSHIP Italia Group, and EUR 5.0 million (previous year: 5.0 million) from revenues 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 operating result (EBIT) amounted in the first half-year 2017 to EUR 22.9 million and was above the level of the previous year (EUR 19.8 million) due in particular to the upward trend in handling and earnings at La Spezia Container Terminal S.p.A.

The rise in miscellaneous operating income by EUR 1.9 million to EUR 5.2 million is mainly to be explained by the increase in transport-cost subventions and non-periodic income.

The slight fall in earnings from associated companies to EUR 21.5 million (previous year: EUR 22.0 million) resulted mainly from the decline in the pro rata earnings of the EUROGATE Group to EUR 19.0 million (previous year: EUR 20.1 million) and vice versa a rise in the pro rata earnings of TangerMedGate Management S.a.r.l. of Tangier, Morocco, to EUR 1.1 million (previous year: 0.7 million). Thus, as of the reporting cut-off day, the EUROKAI Group reported earnings before tax (EBT) of EUR 44.0 million (previous year: 40.2 million).

Tax costs rose overall to EUR 11.2 million (previous year: EUR 9.2 million). Consequently net Group profit for the half-year improved on the same period of the previous year, rising to EUR 32.7 million (previous year: EUR 31.0 million).

Assets

The asset and capital structure showed the following course in the first half-year 2017:

	30 June 2017		31 December 2016		Change
	2017		2016		
	TEUR	%	TEUR	%	TEUR
Intangible assets	57.652	9	59.295	9	-1.643
Fixed assets	171.471	25	182.136	27	-10.665
Financial assets	160.962	24	161.358	25	-396
Deferred tax claims	16.865	2	17.851	3	-986
Other long-term assets	8.301	1	9.401	0	-1.100
Long-term assets	415.251	61	430.041	64	-14.790
Inventories	10.744	2	10.635	2	109
Receivables due for supplies and services	88.833	13	88.919	13	-86
Miscellaneous assets and tax claims	48.647	7	55.144	8	-6.497
Liquid funds	112.721	17	87.701	13	25.020
Short-term assets	260.945	39	242.399	36	18.546
Total assets	676.196	100	672.440	100	3.756

	30 June 2017		31 December 2016		Change
	TEUR	%	TEUR	%	TEUR
Subscribed capital	13.468	2	13.468	2	0
Capital of the Personally Liable General Partner and reserves	92.693	14	83.818	12	8.875
Balance-sheet profit	241.454	35	246.676	37	-5.222
Share of minorities in capital	76.821	11	81.165	12	-4.344
Shareholders' equity	424.436	62	425.127	63	-691
Long-term loans less short-term percentage	78.668	12	85.757	13	-7.089
Long-term percentage of public grants	6.970	1	6.846	1	124
Miscellaneous liabilities	3.033	0	3.209	0	-176
Deferred tax liabilities	14.638	2	15.025	2	-387
Reserves	25.467	4	25.500	4	-33
Long-term liabilities	128.776	19	136.337	20	-7.561
Short-term percentage of long-term loans	29.207	4	32.379	5	-3.172
Payables due for supplies and services	36.107	6	38.721	6	-2.614
Short-term percentage of public grants	484	0	1.223	0	-739
Miscellaneous payables and tax liabilities	46.824	7	29.470	5	17.354
Reserves	10.362	2	9.183	1	1.179
Short-term liabilities	122.984	19	110.976	17	12.008
Total capital	676.196	100	672.440	100	3.756

The balance-sheet profit of the EUOKAI Group rose in the first half-year 2017 by EUR 3.8 million to EUR 676.2 million.

The fall in fixed assets by EUR 10.7 million to EUR 171.5 million is to be explained by accruals of EUR 1.3 million and scheduled depreciation of EUR 12.0 million.

Financial assets fell on balance by EUR 0.4 million to EUR 161.0 million. The cause of this fall was, on the one hand, the rise in value of the at-equity valued stakeholdings, and there in particular a rise in the stakeholding book value of EUROGATE GmbH & Co. KGaA KG of EUR 13.3 million to EUR 118.8 million due to the redeposit there of 30 % of the distributed profit of the previous year to strengthen the equity base, and vice versa the repayment of the EUROGATE hybrid bond in the sum of EUR 13.5 million as of 29 May 2017.

Receivables due for supplies and services, standing at EUR 88.8 million, were at the level of the accounting cut-off day as of 31 December 2016. Vice versa other short-term assets and income-tax claims fell by EUR 6.5 million because of reduced receivables due from EUROGATE GmbH & Co. KGaA, KG recorded for the cut-off day.

The change in liquid funds was mainly due to intra-year distribution of profit by EUROGATE GmbH & Co. KGaA, KG and the repayment of the EUROGATE hybrid bond as of 29 May 2017.

Liabilities under loans fell through scheduled redemptions from EUR 10.3 million to a total of EUR 107.9 million.

The rise in miscellaneous liabilities was due mainly to a short-term loan granted by Medgate FeederXpress Ltd. in the sum of EUR 11.9 million.

Financial position

The following cashflows were recorded in the first half-year 2017 and 2016:

	1 January to 30 June 2017 TEUR	1 January to 30 June 2016 TEUR
Inflow of funds from current business activity	24.461	10.749
Inflow of funds from investment	32.071	16.543
Outflow of funds from financing	<u>-33.278</u>	<u>-22.597</u>
Changes to financial funds on the payments side	23.254	4.695
Financial funds on 1 January	<u>86.201</u>	<u>48.176</u>
Financial funds at end of period	<u><u>109.455</u></u>	<u><u>52.871</u></u>
<u>Composition of financial funds</u>		
Cash and cash equivalents	112.721	57.816
Bank liabilities / current-account balances payable immediately	<u>-3.266</u>	<u>-4.945</u>
Financial funds at end of period	<u><u>109.455</u></u>	<u><u>52.871</u></u>

Based on earnings before tax in the first half-year 2017 of EUR 44.0 million (previous year: EUR 40.2 million), cashflow of EUR 24.5 million (previous year: EUR 10.7 million) was earned from current business activity.

The inflow of funds from investment resulted mainly from profit distributions collected and the repayment of the EUROGATE hybrid bond of EUR 13.5 million as of 29 May 2017.

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 2017 was as follows:

	30 June 2017	30 June 2016
Industrial staff	1,641	1,677
Office staff	677	707
	2,318	2,384

Supplementary report

As of the end of 2016 the Italian employment authorities issued a directive allowing handling firms in times of under-employment to transfer the corresponding number of workers into a workers' pool, financed by the government and organised by the local port authorities, from which the unemployed workers can be loaned in case of need. On this basis, as of 1 August 2017, 377 workers at Medcenter Container Terminal S.p.A. were transferred to this newly founded agency.

No other events of essential importance have taken place since the accounting cut-off day of 30 June 2017.

Opportunities and risks of future development

No essential changes to the EUROKAI Group's risk position have emerged requiring revision to the statements made in the Management Report for the Business Year 2016. We have set out potential opportunities and risks in the following *Report on forecasts and other statements relating to anticipated development* and in the Management Report for the Business Year 2016 in Section 10, *Forecast*.

Report on forecasts and other statements relating to anticipated development

The main forecasts and other statements relating to the anticipated development of the Group in the business year 2017 given in the Group Management Report as of 31 December 2016 have been confirmed so far in the period under review.

No potential threats currently exist to the continued existence of the business, such as over-indebtedness, insolvency or other risks having a particular impact on assets, financial position and earnings.

The container shipping-lines continue to feel severe competition, since world economic growth will not suffice to solve the structural problems of the container-shipping industry. The container terminals, too, will continue to be faced with uncertainties, caused not least by the large number of new container ships being built.

In particular, the further collaborations and concentration already announced by the container-shipping lines and an additional pressure on prices may well have an impact on the terminals.

Since the container terminals have free capacity, at least in the medium term, in the wake of consolidation the market power of the remaining consortia and shipping lines will rise, as will the associated pressure on earnings and the need to realise sustainable cost reductions at the container terminals.

For the CONTSHIP Italia segment, on a current perspective, we continue to expect a slight rise in earnings compared with the previous year.

For the EUROGATE segment in particular the further trend in handling at the Hamburg terminals, following the volume declines already setting in during the second half-year 2016, is difficult to foresee. Here we must initially await the changes which will result from further alterations in the shipping-line alliances connected with the takeover of Hamburg-Süd by MAERSK LINE and the incorporation of HYUNDAI Merchant Marine in the 2M alliance and their effect on handling volumes.

In accordance with our original forecast, handling volumes overall at the German terminals were down during the year so far. Even if the trend in handling were to improve in the second half-year at individual terminals, we cannot assume that the Group earnings of the previous year can be reached again at the EUROGATE Group for the business year 2017 but rather, on a present perspective, that it will be slightly down on the previous year.

This being so, on a present perspective, we must assume another slight fall in net Group profit for the year 2017 at the EUOKAI Group.

Overall, the EUOKAI 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 2017 in comparison with the business year 2016.

Hamburg August 2017

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, August 2017

The Personally Liable General Partner

Kurt F. W. A. Eckelmann GmbH, Hamburg

Cecilia E. M. Eckelmann-Battistello

Thomas H. Eckelmann