



EUROKAI GmbH & Co. KGaA

**Interim Group Management Report
for the first half-year 2019**

Hamburg, September 2019

EUROKAI GmbH & Co. KGaA, Hamburg**Consolidated income statement for the period January 01 to June 30, 2019**

	Jan 01 to June 30, 2019 TEUR	Jan 01 to June 30, 2018 TEUR
Revenues	149,565	167,064
Other operating income	38,149	3,331
Cost of materials	-47,397	-54,953
Personnel expenses	-54,651	-63,541
Amortisation/ depreciation	-17,199	-12,271
Other operating expenses	-11,558	-17,121
Earnings before investment result, interest and income tax (EBIT)	56,909	22,509
Interest and similar income	157	58
Finance costs	-5,633	-1,019
Income from associates	10,088	14,107
Write-downs on financial assets	0	-20
Other financial result	-6	44
Earnings before income tax (EBT)	61,515	35,679
Income tax	-10,022	-9,528
Consolidated net profit for the period	51,493	26,151
Thereof attributable to:		
Equity holders of the parent	38,380	18,252
Non-controlling interest	13,113	7,899
	51,493	26,151
Earnings per share in EUR (according to IAS 33)	2.42	1.15

	Jan 01 to June 30, 2019 <u>TEUR</u>	Jan 01 to June 30, 2018 <u>TEUR</u>
	51,493	26,151
Other comprehensive income:		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/losses from defined benefit pension plans from joint ventures and associates	-4,529	0
Actuarial gains/losses from defined benefit pension plans	-485	204
Deferred tax recognized directly in equity	122	-56
Revaluation of investments	0	441
	<u>-4,892</u>	<u>589</u>
Net other comprehensive income not being reclassified to profit or loss subsequent		
Revaluation of financial derivatives	-102	93
Deferred tax recognized directly in equity of financial derivatives	23	-15
Currency translation adjustments	800	-49
	<u>721</u>	<u>29</u>
Other comprehensive income, net of tax	<u>-4,171</u>	<u>618</u>
Total comprehensive income, net of tax	<u>47,322</u>	<u>26,769</u>
Thereof attributable to:		
Equity holders of the parent	34,332	18,531
Non-controlling interest	12,990	8,238
	<u>47,322</u>	<u>26,769</u>

EUROKAI GmbH & Co. KGaA, Hamburg
Consolidated Balance Sheet as at June 30, 2019

ASSETS	June 30, 2019 TEUR	Dec 31, 2018 TEUR
Non-current assets		
Intangible assets		
Other intangible assets	82,759	54,219
Property, plant and equipment		
Land, land rights and buildings including buildings on third-party land	233,851	49,923
Plant and machinery	58,461	90,550
Other equipment, furniture and fixtures	4,163	4,476
Prepayments and assets under construction	3,345	4,733
	<u>299,820</u>	<u>149,682</u>
Financial assets		
Investments in associates	158,706	156,941
Investments	1,529	1,594
	<u>160,235</u>	<u>158,535</u>
Deferred income tax assets	14,276	16,743
Other financial receivables and assets	924	974
Other non- financial receivables and assets	2,803	2,804
	<u>560,817</u>	<u>382,957</u>
Current assets		
Inventories	6,402	11,766
Trade receivables	62,346	72,870
Other financial assets	18,948	41,302
Other non-financial assets	13,181	20,242
Current recoverable income taxes	1,535	1,971
Cash and cash equivalents	187,009	151,722
	<u>289,421</u>	<u>299,873</u>
	<u>850,238</u>	<u>682,830</u>
EQUITY AND LIABILITIES		
	June 30, 2019 TEUR	Dec 31, 2018 TEUR
Capital and reserves		
Issued capital	13,468	13,468
Personally Liabe General Partner's capital	294	294
Capital reserves	1,801	1,801
Reserve from the fair value measurement of financial derivatives	75	75
Share of other changes in equity in Associates	-29,059	-24,284
Reserve of exchange differences on translation	220	182
Revenue reserves	132,377	124,091
Accumulated profit	267,438	264,586
Equity attributable to equity holders of the parent	<u>386,614</u>	<u>380,213</u>
Non-controlling interest	72,226	91,903
	<u>458,840</u>	<u>472,116</u>
Liabilities and provisions		
Non-current financial and provisions		
Non-current financial liabilities, net of current portion	36,647	53,482
Non-current portion of deferred government grants	3,201	5,196
Other financial liabilities	232,687	316
Other non-financial liabilities	1,752	1,752
Deferred income tax liabilities	9,629	14,808
Provisions		
Provisions for employee benefits	7,858	17,024
Other provisions	5,604	16,678
	<u>297,378</u>	<u>109,256</u>
Current liabilities and provisions		
Current portion of non-current financial liabilities	16,646	17,962
Trade payables	35,634	47,943
Current portion of deferred government grants	77	695
Other financial liabilities	21,733	17,212
Other non-financial liabilities	8,015	11,406
Income tax obligations	8,541	1,468
Provisions		
Provisions for employee benefits	1,741	1,385
Other provisions	1,633	3,387
	<u>94,020</u>	<u>101,458</u>
	<u>391,398</u>	<u>210,714</u>
	<u>850,238</u>	<u>682,830</u>

EUROKAI GmbH & Co. KGaA, Hamburg
Consolidated cash flow statement for the period January 01 to June 30, 2019

	Jan 01 to Jun 30, 2019 TEUR	Jan 01 to Jun 30, 2018 TEUR
1. Cash flows from operating activities		
EBT	61,515	35,679
Depreciation, amortisation and impairment losses	17,199	12,271
Gain/loss from the disposal of assets	-311	3
Currency translation adjustments	6	-44
Losses from disposals of financial assets	0	20
Profit/loss from investments accounted for using the equity method	-22,331	-16,896
Interest result	5,476	961
= Operating profit before changes in assets carried as working capital	<u>61,554</u>	<u>31,994</u>
Increase/decrease in trade receivables	-4,924	-956
Increase/decrease in other assets	8,372	-2,646
Increase/decrease in inventories	-157	-738
Increase/decrease in government grants	-97	-318
Increase/decrease in provisions which affects income (excluding interest costs)	-2,352	-1,117
Increase/decrease in trade payables and other financial and non-financial liabilities	-25,682	1,171
= Cash flows used in/from changes in assets carried as working capital	<u>-24,840</u>	<u>-4,604</u>
Interest received	157	58
Interest paid	-750	-519
Interest paid for leasing contracts	-1,366	0
Income taxes received/paid	-1,953	-6,265
= Cash paid/received for interest and income tax	<u>-3,912</u>	<u>-6,726</u>
= Net cash flows from operating activities	<u>32,802</u>	<u>20,664</u>
2. Cash flows from investing activities		
Proceeds from the disposal of intangible assets and property, plant and equipment	409	91
Investments in intangible assets and property, plant and equipment	-2,280	-3,085
Cash received from the sale of shares of subsidiaries less deducted liquid funds	44,349	0
Cash paid for the purchase of shares in associated companies	-1,319	0
Dividends received	26,553	35,783
= Net cash flows used in investing activities	<u>67,712</u>	<u>32,789</u>
3. Cash flows from financing activities		
Cash paid to equity holders	-27,656	-35,184
Cash paid for the increase of share in subsidiaries	-372	0
Repayment of non-current financial liabilities	-8,151	-10,067
Payment of finance lease liabilities	-3,967	-176
Payment to non-controlling interest	-20,460	-12,032
= Net cash flows used in financing activities	<u>-60,606</u>	<u>-57,459</u>
Net increase/decrease in cash and cash equivalents (subtotal of 1 to 3)	39,908	-4,006
Cash and cash equivalents at January 01	146,675	143,425
Cash and cash equivalents at the end of the period	<u>186,583</u>	<u>139,419</u>
Composition of cash and cash equivalents		
Cash and cash equivalents	187,009	143,583
Bank liabilities/overdrafts due on demand	-426	-4,164
Cash and cash equivalents at the end of the period	<u>186,583</u>	<u>139,419</u>

EUROKAI GmbH & Co. KGaA, Hamburg

Interim Group Management Report as of 30 June 2019

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, Ravenna and Salerno in Italy, in Hamburg, in Bremerhaven, in Wilhelmshaven (Germany), in Tangier (Morocco), in Limassol (Cyprus), in Lisbon (Portugal) and in 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, whereas 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 in the period under review, mainly due to the sale and deconsolidation of Medcenter Container Terminal S.p.A., to EUR 149.6 million (previous year: EUR 167.1 million). Net profit for the first half year 2019, with an operating result (EBIT) rising to EUR 56.9 million (previous year: EUR 22.5 million), despite a stakeholding result falling to EUR 10.1 million (previous year: EUR 14.1 million), rose significantly, due in particular to the profit from share sales, to EUR 51.5 million (previous year: EUR 26.2 million). EUR 3.3 million of this rise in operating result was attributable to the first application of IFRS 16, while at the same time in this context financing costs rose by EUR 4.5 million. The diminution in the stakeholding result was caused by the anticipated fall in the *pro rata* result for 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, due in particular to the sale and deconsolidation of Medcenter Container Terminal S.p.A., to EUR 145.2 million (previous year: EUR 161.8 million). Contship Italia S.p.A. sold its 50% shareholding in CSM Italia-Gate S.p.A. (CSM), the holding company of Medcenter Container Terminal S.p.A. (MCT) in April 2019. The parties have agreed to keep the purchase price confidential. Given a positive trend in handling and results in La Spezia, the half-yearly result for the CONTSHIP Italia segment saw a significant operational increase compared with the previous year, despite aggregated losses at the transshipment terminal in Cagliari, but in particular due to the profit from the sale of the CSM/MCT shares, to EUR 55.2 million (previous year: 16.9 million).

In the first half year 2019 the EUROGATE segment, despite a rise in handling volumes in Germany of 4.9%, saw segment revenues fall by 1.6% to EUR 288.2 million (previous year: EUR 292.7 million). While the handling volume at the Hamburg terminal rose by 42.0% due to new customers, EUROGATE Container Terminal Bremerhaven GmbH posted a decline in handling of 58.0%, due to the loss of the transatlantic services of the THE Alliance from the start of 2019. The decreased result in Bremerhaven could not be fully counterbalanced by the improved result at the Hamburg terminal. Consequently, as expected the operating result (EBIT), standing at EUR 24.4 million, is considerably below the level of the previous year (EUR 34.7 million). Given a significantly improved result from affiliated companies and a fall in costs of revenue and income taxes, net Group profit in the period under review rose to EUR 33.0 million (previous year: EUR 25.8 million). Net segment profit for the half year includes a large percentage result from CONTSHIP Italia, which must be eliminated in calculating the results from affiliated companies attributable to EUROKAI as CONTSHIP Italia is fully consolidated in EUROKAI Group.

Volume trends

Handling volume at the container terminals of the EUROKAI Group, including the terminals in Italy, Germany, Morocco, Cyprus, Portugal and Russia, standing at 6,008 million TEUs in the first half year 2019, were a total of 3.7% above the previous year's figure (5,796 million TEUs). For reasons of comparability these statistics no longer include the handling volumes at Medcenter Container Terminal S.p.A. of Gioia Tauro, since the shares in this company, which were indirectly held by Contship Italia S.p.A., were sold in full in April 2019.

The following table shows the current handling statistics:

Terminal	First half year 2019 (in TEUs)	First half year 2018 (in TEUs)	Change
Hamburg	1,080,776	761,016	+42.0%
Bremerhaven	2,496,333	2,702,737	-7.6%
Wilhelmshaven	361,486	291,972	+23.8%
Total Germany	3,938,595	3,755,725	+4.9%
La Spezia	668,652	656,985	+1.8%
Salerno	190,278	174,013	+9.3%
Ravenna	90,957	93,325	-2.5%
Cagliari	52,697	110,058	-52.1%
Total Italy	1,002,584	1,034,381	-3.1%
Tangier	767,973	685,453	+12.0%
Limassol	199,566	195,639	+2.0%
Lisbon	70,386	86,413	-18.5%
Ust-Luga	29,173	38,676	-24.6%
Total other	1,067,098	1,006,181	+6.1%
Total EUROKAI	6,008,277	5,796,287	+3.7%

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 La Spezia and Cagliari.

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, Sogemar S.p.A. and Hannibal S.p.A. of Melzo, Milan – the latter two both engaged in intermodal business – OCEANOGATE Italia S.p.A. of La Spezia, and Rail Hub Milano S.p.A. of Milan (all in Italy).

The CONTSHIP Italia Group (following elimination of the handling volumes at the Medcenter Container Terminal, sold in April 2019), recorded 1,002,584 TEUs (previous year: 1,034,381 TEUs), which was an overall fall in handling of - 3.1%, due to the continued decline in volumes at the transshipment terminal in Cagliari (-52.1%). On the other hand, handling volumes were up at La Spezia (+1.8%) and Salerno (+9.3%).

In the CONTSHIP Italia segment revenue fell, mainly due to the sale and deconsolidation of Medcenter Container Terminal S.p.A., to EUR 145.2 million (previous year: EUR 161.8 million). Contship Italia S.p.A. sold its 50% shareholding in CSM Italia-Gate S.p.A. (CSM), the holding company of Medcenter Container Terminal S.p.A. (MCT), in April 2019. Given an upward trend in handling and results in La Spezia, the half-yearly result for the CONTSHIP Italia segment, despite aggregated losses at the transshipment terminal in Cagliari, rose significantly compared with the previous year, due in particular to the profit from the sale of the CSM/MCT shares, to EUR 55.2 million (previous year: EUR 16.9 million).

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

The Cagliari International Container Terminal – CICT Porto Industriale Cagliari S.p.A., in which Contship Italia S.p.A., following a sole capital contribution which led to a complete exit of the minority shareholder, now has a 100% stakeholding – handled 52.1% less in the first half year 2019 than the previous year, due to changes in the scheduled services of its principal customer Hapag-Lloyd AG (Hapag-Lloyd) in consequence of the restructuring of the THE Alliance and final associated handling of THE Alliance vessels at the start of June 2019, its handling figures standing at 52,697 TEUs (previous year: 110,058 TEUs). Thus the company's half-yearly result worsened accordingly, leading to a loss.

La Spezia Container Terminal S.p.A. is a 60% stakeholding of Contship Italia S.p.A. The company, posting a further rise in handling volumes of 1.8% to 668,652 TEUs (previous year: 656,985 TEUs), saw a significantly 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 it provides letting, management and IT services. The company is posting a significant rise in its half-yearly result for the period under review, due to the costs suffered in the same period of the previous year as a result of the railway accident in Pioltello.

Hannibal S.p.A., along with international container carriage, also undertakes the national truck and rail operations of the CONTSHIP Italia Group. The company's half-yearly result improved significantly due to a rise in transport volumes of 11.4% and is once more on an upward trend. The result in the same period of the previous year had been impacted by temporary operating restrictions due to the railway accident in Pioltello and had consequently declined and been in slightly negative territory.

OCEANOGATE Italia S.p.A. successfully increased its activity as a rail operator slightly in the period under review beyond the solid level of the previous year, thus posting a positive half-yearly result above the level of the previous year.

Rail Hub Milano S.p.A. operates the inland terminals of the CONTSHIP Italia Group in Melzo and Rho. The number of trains handled in international transport stood at 12.6% above the level of the previous year. This being so, the company is also showing an increased and positive half-yearly result again compared with 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 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 has a 100% shareholding in both EUROGATE Container Terminal Hamburg GmbH of Hamburg and EUROGATE Container Terminal Bremerhaven GmbH. 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 (EUROGATE share 60%) have been included in the EUROGATE segment at equity.

Handling volumes in the EUROGATE segment grew by a total of 4.9%, to stand at 3,939 million TEUs (previous year: 3,756 million TEUs). While handling volumes in Bremerhaven during the period under review were 7.6% below those of the same period of the previous year, EUROGATE Container Terminal Hamburg saw a volume rise of 42.0% due to new customers. This volume rise, along with the growth in handling from the services of two shipping lines acquired in the course of the year, Hyundai Merchant Marine and Hamburg Süd, was due in particular to the FAL Far Eastern service of OCEAN Alliance, operated by CMA CGM and newly acquired from January 2019. The trend in handling at the Bremerhaven terminal was down as expected, as a consequence of the shift, taking place at the start of 2019, of the Transatlantic services operated by the THE Alliance to the HHLA Containerterminal Altenwerder in Hamburg.

At the Wilhelmshaven terminal handling volumes posted an increase in the first half year of 2019 compared with the same period of the previous year, showing a growth of 23.8%.

In the first half year 2019 the EUROGATE segment, despite a rise in handling volumes in Germany of 4.9%, saw segment revenues fall by 1.6% to EUR 288.2 million (previous year: EUR 292.7 million). While the handling volume at the Hamburg terminal rose by 42.0% due to new customers, EUROGATE Container Terminal Bremerhaven GmbH posted a decline in handling of 58.0%, due to the loss of the transatlantic services of the THE Alliance from the start of 2019. The decreased result in Bremerhaven could not be fully counterbalanced by the improved result at the Hamburg terminal. Consequently, as expected the operating result (EBIT), standing at EUR 24.4 million, is considerably below the level of the previous year (EUR 34.7 million). Given a significantly improved result from affiliated companies and a fall in costs of revenue and income taxes, net segment profit in the period under review rose to EUR 33.0 million (previous year: EUR 25.8 million).

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

EUROGATE Container Terminal Hamburg GmbH saw a significant rise in handling volume of 42.0%, its handling figures standing at 1,080,776 TEUs (previous year: 761,016 TEUs). This significant rise in handling figures also led to a significant improvement in the half-yearly result.

As expected, EUROGATE Container Terminal Bremerhaven GmbH, which recorded handling figures of 235,615 TEUs in the period under review (previous year: 561,595 TEUs), saw a volume fall of 58.0%. As a consequence of this decline in volume, for the first half year 2019 the company is posting a half-yearly result which is considerably down on the same period of the previous year, but which is still in positive territory.

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, with handling figures standing at 1,503,206 TEUs (previous year: 1,401,306 TEUs), saw a solid growth in volume of 7.3% in the first half of 2019. Thus the company's half-yearly result improved considerably 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, recording a rise in handling volumes of 2.4% on the previous year, to stand at 757,512 TEUs (previous year: 739,836 TEUs), also posted a half-yearly result above the level of the previous year.

Handling volume at EUROGATE Container Terminal Wilhelmshaven GmbH & Co. KG, in which APM Terminals Wilhelmshaven GmbH – likewise a part of the A.P. Moeller Maersk Group of Copenhagen, Denmark – has a 30% stakeholding, with handling figures of 361,486 TEUs (previous year: 291,972 TEUs), show a rise in volume. Due to one-off effects comprised in the previous year's result and increased staff costs needed to cope with this rise in handling

volumes, the company's half-yearly result was down on the equivalent period under review of the previous year and is still significantly negative overall.

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

Handling volumes at EUROGATE Tanger S.A. of Tangier, Morocco, in which the EUROGATE Group and the CONTSHIP Italia Group each have an indirect 20% stakeholding, rose in the period under review by 12.0% to 767,973 TEUs (previous year: 685,453 TEUs). Thus the company's half-yearly result has continued to improve on the previous year.

Due to the continuing Russia crisis, during the period under review JSC Ust-Luga Container Terminal of Ust-Luga, Russia, in which the EUROGATE Group has a 20% stakeholding, saw a 24.6% drop in container handling, which stood at 29,173 TEUs (previous year: 38,676 TEUs). Since the end of the year, however, coal handling has also been taking place here. The half-yearly result, which was positive again, improved significantly on the previous year due to the positive effects of the coal handling.

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 2019 the company handled 199,566 TEUs (previous year: 195,639 TEUs, + 2.0%). The company is posting a half-yearly result in the period under review which is an improvement on the previous year and remains positive.

Handling volumes at the 16.34% stakeholding LISCONT Operadores de Contentores S.A. of Lisbon, Portugal have to date still been on a downward trend due to continuing strikes, its handling figures standing at 70,386 TEUs (previous year: 86,413 TEUs, -18.5%). Consequently the company is posting for the first half year 2019 a result which is down on the same period for the previous year, but which is still positive. In May and June the handling situation stabilised appreciably again.

Major transactions in the business year

CONTSHIP Italia segment

On 15 March 2019 Contship Italia S.p.A. and EUROGATE International GmbH took stakeholdings of 25% and 25% minus 3 shares respectively in Marsa International Tangier Terminals S.A. (MINTT), the operating company of the new Container Terminal 3 (TC 3) in Tangier, Morocco.

In April 2019 Contship Italia S.p.A. sold its 50.0% shareholding in CSM Italia-Gate S.p.A., the holding company of Medcenter Container Terminal S.p.A., to Itaterminaux S.à.r.l. of Luxembourg. Itaterminaux S.à.r.l. – a 100% subsidiary of Terminal Investment Limited Sàrl. of Geneva – now holds 100% of the company and is thus also the sole indirect shareholder of Medcenter Container Terminal S.p.A. The parties agreed to keep the purchase price confidential.

At the end of May 2019 the agreement on the eastern extension of the La Spezia Container Terminal was signed and realised with the Autorita` di Sistema Portuale del Mar Ligure Orientale (AdSP), the port authority responsible for the Liguria region. On this basis La Spezia Container Terminal S.p.A. can now issue tenders for the extension project's further construction work.

At the start of June 2019 the final ships belonging to major customer Hapag-Lloyd were handled at the Cagliari International Container Terminal. This meant that only a minor feeder business with local shipment was still left in Cagliari. Against this backdrop it was decided after the reporting cut-off day that the main transshipment business of CICT in Cagliari is no longer to be continued in this form. In this situation it was possible, following intensive negotiations with the government in Sardinia, the central government in Rome and the trade unions, to agree the transfer of the 220 employees to the Italian employment compensation fund ("cassa integrazione straordinaria per chiusura").

EUROGATE segment

Since the start of October 2018 the official planning approval for the Elbe fairway adjustment has been legally effective and non-disputable. The project sponsors (the Federal Government and the City of Hamburg) have prepared the requisite construction orders to the construction firms, and award of contracts for carrying out the initial dredging work has already been made. On a current view, a construction period of about 21 months, with full realisation in 2021, is anticipated.

The first improvements to navigation in the fairway are to be expected towards the end of 2019 and the start of 2020.

At the end of August 2019 the Hamburg State Court dismissed the suits of about 80 citizens opposing the Western Extension Project. The decision is not yet legally binding. It will be necessary to await issue of the court's reasons for its judgement and the plaintiffs' one-month period of grace for appeal.

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 2019		1 January to 30 June 2018		Change EURk
	EURk	%	EURk	%	
Revenues	149,565		167,064		-17,499
Miscellaneous operating income	38,149		3,331		34,818
Operating performance	187,714	100	170,395	100	17,319
Material costs	-47,397	-25	-54,953	-32	7,556
Staff costs	-54,651	-29	-63,541	-37	8,890
Depreciation	-17,199	-9	-12,271	-7	-4,928
Miscellaneous operating expenditure	-11,558	-6	-17,121	-10	5,563
Operating costs	-130,805	-69	-147,886	-86	17,081
Earnings before stakeholding income, interest and tax (EBIT)	56,909	31	22,509	14	34,400
Interest and similar income	157		58		99
Financing costs	-5,633		-1,019		-4,614
Depreciation on financial assets	0		-20		20
Earnings from associated companies	10,088		14,107		-4,019
Other financial result	-6		44		-50
Earnings before tax (EBIT)	61,515		35,679		25,836
Revenue and income taxes	-10,022		-9,528		-494
Net Group half-yearly profit	51,493		26,151		25,342

which breaks down into the following groups:

Shareholders of parent company	38,380	18,252
Minority shareholders	13,113	7,899
	<u>51,493</u>	<u>26,151</u>

Through the deconsolidation of Medcenter Container Terminal S.p.A., formally fully consolidated, revenues decreased by EUR 23.2 million, miscellaneous operating income by EUR 0.6 million, material costs by EUR 5.2 million, staff costs by EUR 8.0 million, depreciation by EUR 1.8 million, and miscellaneous operating expenditure by EUR 4.0 million compared with the same period of the previous year. Financing costs, on the other hand, rose by EUR 0.2 million.

Further, the initial application of IFRS 16 (Leasing) has impacted in the sum of EUR 7.8 million on depreciation (increase), in the sum of EUR 11.0 million on miscellaneous operating expenditure (CONTSHIP Italia segment) and material costs (EUROKAI segment) respectively (decrease), and in the sum of EUR 4.5 million on interest costs (increase).

Further major impacts on the change to individual items in the Profit & Loss Account are set out below:

The external revenues of the EUROKAI Group in the period under review amounted to EUR 149.6 million (previous year: EUR 167.1 million). Of these, EUR 145.2 million (previous year: EUR 161.8 million) resulted from the CONTSHIP Italia Group and EUR 4.3 million (previous year: EUR 5.2 million) from earnings by EUROKAI GmbH & Co. KGaA in connection with the charging-on of rents for premises and quay walls at the Hamburg terminal to the companies in the EUROGATE Group. The significant decline in Group revenues, along with the effects arising from the deconsolidation of Medcenter Container Terminal S.p.A., is to be explained by the fall in business volume at the Cagliari International Container Terminal. A counteracting effect resulted from the rise in revenue at La Spezia Container Terminal S.p.A. and at Sogemar S.p.A.

The rise in miscellaneous operating income by EUR 34.8 million to EUR 38.1 million is mainly to be explained by the deconsolidation of Medcenter Container Terminal S.p.A. and also comprises the effect on result arising from the share sale.

Staff costs fell by EUR 8.9 million to EUR 54.7 million. This was due, along with the effects arising from the deconsolidation of Medcenter Container Terminal S.p.A., also to the significant decline in volume at CICT Porto Industriale Cagliari S.p.A.

The operating result (EBIT) stood in the first half year at EUR 56.9 million, and was thus considerably above the level of the previous year (EUR 22.5 million). This figure comprises a positive result effect arising from the initial application of IFRS 16 in the sum of EUR 3.3 million, which is accompanied by a contrary effect of EUR 4.5 million in the financing costs.

The decline in the result from affiliated companies to EUR 10.1 million (previous year: EUR 14.1 million) resulted mainly from the decline in the *pro rata* result of the EUROGATE Group to EUR 7.0 million (previous year: EUR 11.1 million).

Thus in the period under review the EUROGATE Group is posting a correspondingly significant increase in its pre-tax result (EBT) of EUR 61.5 million (previous year: EUR 35.7 million).

Overall net Group profit for the half year increased significantly on the same period of the previous year to EUR 51.5 million (previous year: EUR 26.2 million).

Assets

The asset and capital structure showed the following course in the first half year 2019:

Assets	30 June	31 December		Change	
	2019		2018		
	EURk	%	EURk	%	EURk
Intangible assets	82,759	10	54,219	8	28,540
Fixed assets	299,820	35	149,682	22	150,138
Financial assets	160,235	19	158,535	23	1,700
Deferred tax claims	14,276	2	16,743	3	-2,467
Other long-term assets	3,727	-1	3,778	0	-51
Long-term assets	560,817	65	382,957	56	177,860
Inventories	6,402	1	11,766	2	-5,364
Receivables due for supplies and services	62,346	7	72,870	11	-10,524
Miscellaneous assets and tax claims	33,664	4	63,515	9	-29,851
Liquid funds	187,009	23	151,722	22	35,287
Short-term assets	289,421	35	299,873	44	-10,452
Total assets	850,238	100	682,830	100	167,408

Liabilities	30 June	31 December		Change	
	2019		2018		
	EURk	%	EURk	%	EURk
Subscribed capital	13,468	2	13,468	2	0
Capital of the Personally Liable General Partner and reserves	105,708	13	102,159	15	3,549
Balance-sheet profit	267,438	31	264,586	39	2,852
Share of minorities in capital	72,226	8	91,903	13	-19,677
Shareholders' equity	458,840	54	472,116	69	-13,276
Long-term loans less short-term percentage	36,647	4	53,482	8	-16,835
Long-term percentage of public grants	3,201	0	5,196	1	-1,995
Miscellaneous liabilities	234,439	28	2,068	0	232,371
Deferred tax liabilities	9,629	1	14,808	2	-5,179
Reserves	13,462	2	33,702	5	-20,240
Long-term liabilities	297,378	35	109,256	16	188,122
Short-term percentage of long-term loans	16,646	1	17,962	3	-1,316
Payables due for supplies and services	35,634	4	47,943	7	-12,309
Short-term percentage of public grants	77	0	695	0	-618
Miscellaneous payables and tax liabilities	38,289	6	30,086	5	8,203
Reserves	3,374	0	4,772	0	-1,398
Short-term liabilities	94,020	11	101,458	15	-7,438
Total capital	850,238	100	682,830	100	167,408

The main changes to the asset and capital structure arising from the deconsolidation of the Medcenter Container Terminal S.p.A. and CSM Italia Gate S.p.A., formerly consolidated in full, are shown as follows:

Through the deconsolidation of Medcenter Container Terminal S.p.A. intangible assets fell by EUR 17.7 million.

Through the deconsolidation of Medcenter Container Terminal S.p.A. fixed assets fell by EUR 41.7 million, inventories by EUR 5.6 million, receivables due for supplies and services by EUR 14.5 million, miscellaneous long-term assets by EUR 7.5 million, and liquid funds by EUR 3.9 million.

Through the deconsolidation of Medcenter Container Terminal S.p.A. loans fell by EUR 9.8 million, deferred tax liabilities by EUR 4.9 million, long-term reserves by EUR 18.4 million, payables due for supplies and services by EUR 12.2 million, and miscellaneous short-term liabilities by EUR 7.0 million. Further, through the deconsolidation of CSM Italia Gate S.p.A. long-term loans fell by EUR 6.0 million.

The balance-sheet total for the EUOKAI Group rose in the first half year 2019 by EUR 167.4 million to EUR 850.2 million, which was due mainly to the initial application of the new leasing standard.

The rise in intangible assets by EUR 28.5 million to EUR 82.8 million was due, to the amount of EUR 46.9 million, and the rise in fixed assets by EUR 150.1 million to EUR 299.8 million was due, to the amount of EUR 199.1 million, mainly to the initial application of IFRS 16.

Financial assets rose on balance by EUR 1.7 million to EUR 160.2 million. The reason for this was mainly the value rise in the stakeholdings valued at-equity and there in particular a result-related increase of the stakeholding book value of EUROGATE TangerMedGate Management S.a.r.l. by EUR 2.9 million to EUR 19.5 million and of EUROGATE GmbH & Co. KGaA, KG by EUR 1.9 million to EUR 111.4 million, due to the reinvestment there of 30% of the dividend from the previous year's result in order to strengthen the capital basis. In addition, Marsa International Tangier Terminals S.A. was comprised in the financial assets for the first time, in the sum of EUR 1.2 million. A counter-effect resulted from the departure of MCT-investment Con-Tug S.r.l in the wake of the deconsolidation of Medcenter Container Terminal S.p.A. in the sum of – EUR 4.0 million.

Miscellaneous short-term assets and tax claims fell in particular due to a reduction of EUR 29.9 million in claims against EUROGATE GmbH & Co. KGaA, KG.

The rise in liquid funds by EUR 35.3 million to EUR 187.0 million was due in particular to the inflow of the purchase-price payment arising from the sale of the stakeholding in CSM Italia-Gate S.p.A.

Reserves increased by EUR 3.5 million to EUR 105.7 million. The reason for this is the placement of EUR 7.5 million in the profit reserves. A counter-effect arises from valuation changes to pension obligations from EUROGATE GmbH & Co. KGaA, KG.

Holdings by minority shareholders fell significantly through the deconsolidation of CSM Italia-Gate S.p.A. and as a result of dividend distributions.

Miscellaneous long-term liabilities increased correspondingly to the rise in fixed assets, due mainly to the initial application of IFRS 16, by EUR 232.4 million to EUR 234.4 million.

The fall in long-term reserves by EUR 20.2 million to EUR 13.5 million was due, along with the effects arising from the deconsolidation of Medcenter Container Terminal S.p.A., almost exclusively to the utilisation of reserves for pension obligations.

Payables for loans (short-term and long-term percentage) fell, *inter alia* through scheduled redemptions of EUR 8.2 million and the deconsolidation of Medcenter Container Terminal S.p.A., to a total of EUR 53.3 million.

Miscellaneous short-term payables and tax liabilities rose, due in particular to higher tax liabilities at Contship Italia S.p.A., by EUR 8.2 million to EUR 38.3 million.

Financial position

The following cashflows were earned in the first half years 2018 and 2019

	1 January to 30 June 2019 EURk	1 January to 30 June 2018 EURk
	<u>EURk</u>	<u>EURk</u>
Inflow of funds from current business activity	32,802	20,664
Inflow of funds from investment	67,712	32,789
Outflow of funds from financing	<u>-60,606</u>	<u>-57,459</u>
Changes to financial funds on the payments side	39,908	-4,006
Financial funds on 1 January	<u>146,675</u>	<u>143,425</u>
Financial funds at end of period	<u><u>186,583</u></u>	<u><u>139,419</u></u>
<u>Composition of financial funds</u>		
Cash and cash equivalents	187,009	143,583
Bank liabilities and current-account balances payable immediately	<u>-426</u>	<u>-4,164</u>
Financial funds at end of period	<u><u>186,583</u></u>	<u><u>139,419</u></u>

Based on earnings before tax in the first half year 2019 of EUR 61.5 million (previous year: EUR 35.7 million), a cashflow of EUR 32.8 million (previous year: EUR 20.7 million) was earned from current business activity.

The inflow of funds from investment resulted in particular from the collection of profit distributions and from the inflow of the sales proceeds from the CSM/MCT shares.

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

Staff and welfare

The average number of employees in the Group (not including management board, temporary staff and trainees) as of 30 June 2019 was as follows:

	30 June 2019	30 June 2018
Industrial staff	546	1,283
Office staff	500	665
	1,046	1,948

The fall in the average number of employees, amounting to 927 persons, reflects the departure of employees at Medcenter Container Terminal S.p.A. in the wake of the company's deconsolidation.

Addendum

Events of significant importance subject to mandatory publication have not taken place following the accounting cut-off day of 30 June 2019.

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 2018.

We have set out the potential opportunities and risks in the appended Report on Forecasts and other Information regarding anticipated Development and in the Management Report for the 2018 business year under Section 10: Forecast.

Report on Forecasts and other Information regarding anticipated Development

The principal forecasts and other information regarding the Group's anticipated development for the business year 2019 set out in the Management Report as of 31 December 2018 have been confirmed so far in the period under review.

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 continue to be felt by the container terminals.

In particular, the further collaborations and concentration of container-shipping lines already announced, and thus a 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

For the CONTSHIP Italia segment, due in particular to the book profit already realised from the sale of the CSM/MCT shares, a significant increase in profit is expected once again compared with the previous year.

Forecast for the EUROGATE segment

For the Hamburg terminal, due to the year-round effect of the acquisition, which took place in the course of the previous year, of the Far Eastern service of the Hyundai Line, the growth figures arising from the handling volumes of Hamburg Süd and the newly acquired FAL 3 Far Eastern service of OCEAN Alliance, operated by CMA CGM, a significant growth in handling is again expected for the year of 2019 as a whole.

As regards the Bremerhaven terminal, due to the shift at the start of the year to HHLA Altenwerder Container Terminal in Hamburg of the Transatlantic services operated by the THE Alliance, a fall in handling volume of about 10% continues to be expected for the business year 2019. Attention over the next few years must be focused continually on maintaining or improving the competitive position and recovery of handling volumes destined for Bremerhaven.

For the Wilhelmshaven terminal the handling forecasts continue to be positive.

In accordance with the original forecast, despite a slight rise in handling volumes, we continue to assume a fall in this segment's results for the business year 2019. Along with the fall in earnings at the EUROGATE Container Terminal Bremerhaven, this will be due also to rising preliminary costs of the STRADegy terminal-automation project, plus initially negative effects on the interest result connected with the initial application of IFRS 16 (Leasing).

Forecast for the EUROKAI Group 2019

Based on the significantly improved results for the CONTSHIP Italia segment in accordance with the original forecast, and despite the weaker results which must continue to be expected from the EUROGATE segment, a significantly better net Group profit for the year is expected compared with the previous year. The increase in net Group profit for the year is mainly due to the sale of the indirectly held shares of Medcenter Container Terminal S.p.A.

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

Given the unforeseeable nature of 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 the same in the first half-year 2019 in comparison with the business year 2018.

Hamburg, September 2019

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 2019

The Personally Liable General Partner

Kurt F. W. A. Eckelmann GmbH, Hamburg

Cecilia E. M. Eckelmann-Battistello

Thomas H. Eckelmann