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Gratifying net profit despite difficult environment

Bremen, 11 April 2018 +++ At today's Group Annual Press Conference, the EUROGATE Group presented its business figures for the 2017 financial year. Despite the difficult environment, EUROGATE was able to defend its position in the market and report improved earnings. Although the container handling volume stagnated at 14.4 million TEUs in 2017, the Group generated net profit for the year of EUR 85.2 million (2016: EUR 75.9 million), which was 12.2 per cent above the previous year's level. This gratifying result is due to non-recurring effects and significantly improved income from investments. Revenue fell by 4.9 per cent to EUR 607.9 million (2016: EUR 639.4 million). The decrease results primarily from the drop in handling volumes at the Hamburg EUROGATE Terminal, which were down by 25.6 per cent. In summary, the year was characterised by a phase of transition within the shipping industry, with the wave of consolidations and the trend towards ever larger container vessels with transport capacities of up to 23,000 TEUs presenting big challenges for the ports and their operators. EUROGATE Container Terminal Wilhelmshaven, Germany's only deep-water port, was again able to benefit from this development, increasing container handling operations by 15.1 per cent to 554,449 TEUs.

Michael Blach, Chairman of the EUROGATE Group Management Board: *"The financial year 2017 has shown us that there are opportunities out there, but that we must step up our efforts if we are to capitalise on them. EUROGATE has benefited from the realignments of the major alliances at its Bremerhaven and Wilhelmshaven locations. One positive outcome was that in a decision in favour of Germany's only deep-water port, Ocean Alliance has included EUROGATE Container Terminal Wilhelmshaven in its network. Volkswagen's decision to put its faith in the location and set up a logistics centre there is more welcome news. This will give Wilhelmshaven additional impetus. However, the ongoing trend towards mega carriers with transport capacities of up to 23,000 TEUs impacts our processes. In order to remain competitive, we are therefore focusing in the long term on standardisation and the implementation of digitalisation and automation technologies, coupled with ongoing process optimisation."*



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The three container terminals in Bremerhaven reported an increase in container handling volumes in 2017 of 0.9 per cent to 5,536,889 TEUs (2016: 5,487,198 TEUs). On the one hand, the location benefited from the restructuring of the shipping alliances, allowing EUROGATE Container Terminal Bremerhaven to increase its handling volumes by an encouraging 15.5 per cent. On the other hand, capacity restrictions due to repairs to container gantries and the cyberattack on Maersk Line in June 2017 impacted on North Sea Terminal Bremerhaven, and consequently on the total handling figures for the Bremerhaven location, with the result that the increase fell below expectations.

EUROGATE Container Terminal Hamburg was negatively affected by the wave of consolidations among the shipping lines and registered a substantial decline in handling volumes of 25.6 per cent to 1,686,364 TEUs (2016: 2,265,439 TEUs). The reason for this was the mergers between UASC and Hapag Lloyd and between China Shipping and COSCO. Lost throughput volumes due to the insolvency of the South Korean carrier Hanjin Shipping was an additional factor. Consequently, handling volumes at the Hamburg location are initially expected to take a further downward turn in 2018. However, the interim announcement that the South Korean shipping line Hyundai Merchant Marine (HMM) intends to introduce its own Far East – North Europe service has met with a positive response. This service will be handled in future by EUROGATE Container Terminal Hamburg, with the first vessel expected to tie up on the River Elbe in May.

In the past year, the major shipping alliances showed a continued mounting interest in EUROGATE Container Terminal Wilhelmshaven. Since the Ocean Alliance included Germany's only deep-water port in its schedule, the level of activity has further intensified. Compared to the same period in 2017, handling volumes in the first quarter of 2018 have almost doubled. Due to the excellent nautical access conditions and the available superficial area, EUROGATE Container Terminal Wilhelmshaven is ideally suited for unrestricted clearing of container vessels of all dimensions. To ensure customers continue to benefit from outstanding handling performance on a sustained basis, EUROGATE launched a programme in autumn 2017 designed to increase the workforce. This foresees the recruitment of up to 200 new employees to prepare EUROGATE Container Terminal Wilhelmshaven for further growth.

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Infrastructure development: behind expectations

Although the trend towards ever larger container ships has been unbroken for many years, the urgently needed adjustments to the shore- and water-side infrastructure continue to remain below expectations. This is all the more worrying considering that the future viability of the port locations is at stake. There is still no time plan for the deepening of the Outer Weser and the adjustments to the Elbe fairway are not expected to get underway before the end of 2018 at the earliest. Thus, significant improvements regarding the nautical situation will not be possible before 2019. From today's perspective, completion of the westward extension of the Hamburg EUROGATE terminal, which would facilitate access to the port of Hamburg for mega container ships, is not likely before 2026 – 29 years after the start of the planning process.

EUROGATE Intermodal

The quality of the seaport hinterland connections to the big European economic centres has a decisive influence on the competitiveness of the port locations. With EUROGATE Intermodal, the EUROGATE Group provides its own transport links to inland Europe. The EUROGATE subsidiary increased the volumes of freight transported by truck and rail by 2 per cent in 2017 to 657,969 TEUs (2016: 645,095 TEUs). This positive development was possible despite infrastructure shortcomings with regard to the Bremerhaven port railway coupled with difficult wind and weather conditions, which led to many disruptions in the rail network in 2017.

Including international container transports, EUROGATE increased volumes handled by the intermodal network by 5.2 per cent to over 1 million TEUs.



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EUROGATE International

La Spezia Container Terminal of the Italian EUROGATE shareholding CONTSHIP ITALIA recorded a very positive trend in handling volumes. The Ligurian terminal increased its container throughput by 17 per cent to 1,339,655 TEUs (2016: 1,145,269 TEUs). However, despite this gratifying result, the terminals of the CONTSHIP Italia Group recorded a drop in handling volumes overall by 7.5 per cent to 4,636,655 TEUs (2016: 5,012,218 TEUs) due to the downward trend in transshipment volumes at the container terminals in Gioia Tauro and Cagliari. Freight volumes transported by rail in CONTSHIP ITALIA Group's intermodal business segment on the other hand showed a very satisfactory development, with an increase of 10.9 per cent to 301,009 TEUs (2016: 271,418 TEUs).

On 29 January 2017, EUROGATE took over operation of the container terminal in Limassol, Cyprus. Following a few teething troubles, the terminal showed a very positive development in the course of the year and handled 344,949 TEUs in the first 11 months of operation from February 2017.

Handling volumes at EUROGATE Tanger S.A., Tangier, Morocco, increased in the reporting period by a respectable 22.9 per cent to 1,384,714 TEUs (2016: 1,126,872 TEUs). The excellent geographical location of the port directly on the Strait of Gibraltar, and thus serving the western East – West container shipping trade lanes, has prompted EUROGATE to continue investing in the location by participating in a joint venture for the construction and operation of Container Terminal 3 (TC3). TC3 is located in the enlargement area of TangerMed, to the west of EUROGATE Tanger's present location. EUROGATE's partners in the project are the Moroccan port operator Marsa Maroc and the Italian CONTSHIP ITALIA Group. This will become the 15th terminal in the EUROGATE network from 2020.

Outlook for 2018

The general conditions are likely to remain stable in 2018. The wave of consolidations among the major shipping lines and the trend in ship sizes continue to determine the market. For 2018, OOCL and COSCO Shipping are expected to merge. Both companies are customers of the EUROGATE Group. From today's perspective, it is not possible to predict with any

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degree of certainty how or whether the increasing trend towards protectionism in world trade or possible forthcoming trade wars will impact on container shipping. EUROGATE will continue to make every effort to remain competitive. On the whole, the company believes it is well positioned to face the challenges still to come. In this, the focus will be on ongoing process optimisation in order to offer customers improved and more efficient handling operations.

Über EUROGATE:

EUROGATE is the leading, shipping line independent container terminal operator Group in Europe. Jointly with the Italian terminal operator Contship Italia, the company operates a network of thirteen container terminals at twelve locations from the North Sea coast to the Mediterranean area. Commencing 29 January 2017, the EUROGATE Container Terminal Limassol, Cyprus, will be added as the 14th terminal of the network. In addition to container handling services at seaports, EUROGATE offers intermodal transport and cargomodal services. EUROGATE was founded in 1999, and handled 14.4 million TEUs Europe-wide in 2017. For more information visit www.eurogate.eu.

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Key figures for the EUROGATE Group 2017

	2017	2016	Change
	in EUR '000	in EUR '000	in %
Total assets	931,541	990,147	-5.9
Equity^{*)}	246,010	418,830	-41.3
Equity ratio^{*)}	26.4%	42.3%	
Revenue	607,908	639,373	-4.9
EBITDA	146,343	153,214	-4.5
EBIT	100,284	101,649	-1.3
Interest and investment income	-3,542	-17,680	+80.0
Net profit for the year	85,155	75,929	+12.2
Capital expenditure	25,481	19,046	+33.8
Cash flow <i>from ordinary operating activities</i>	139,673	143,196	-2.5
Employees international	7,639	7,747	-1.4
thereof in Germany	4,418	4,335	+1.9

****) After repayment of the EUROGATE hybrid bond in the amount of EUR 150 million as per the end of May 2017***

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Container handling volumes in 2017 at a glance

	2017 in TEUs	2016 in TEUs	Change in %
Bremerhaven	5,536,889	5,487,198	+0.9
Wilhelmshaven	554,449	481,720	+15.1
Hamburg	1,686,364	2,265,439	-25.6
Germany	7,777,702	8,234,357	-5.5
Italy	4,636,655	5,012,218	-7.5
Morocco (Tangier)	1,384,714	1,126,872	+22.9
Cyprus (Limassol)	344,949	-	-
Portugal (Lisbon)	195,029	154,959	+25.9
Russia (Ust-Luga)	74,133	82,203	-9.8
Other	1,998,825	1,364,034	+46.5
Total EUROGATE Group	14,413,182	14,610,609	-1.4

Intermodal transport volumes 2017

	2017 in TEUs	2016 in TEUs	Change in %
Germany	657,968	645,095	+2.0
Truck	91,908	84,790	+8.4
Rail	566,061	560,305	+1.0
Italy	301,009	271,418	+10.9
Portugal/Brazil	59,252	51,747	+14.5
Total intermodal	1,018,230	968,260	+5.2