Thessaloniki Port Authority
News release

First semester 2018 revenue and profitability up YoY despite change in cost structure

"Immediately after the privatisation of the Company on March 23, 2018, a new management team was appointed with the primary objective to strengthen safety, improve quality of service and customer satisfaction, enhance productivity and make the Port an agile organization able to cope with a rapidly changing environment. The very first steps of the action plan were successfully implemented and we are already seeing the first benefits. We are pleased to report that for the 6-month period ending June 30, 2018, all our financial metrics are positive with revenue up 4.3%, net income up 4.7% and EBITDA up 5.9% compared to the same period last year despite a slow start in the first part of the year". commented Sotirios Theofanis, Chairman of BoD & CEO of Thessaloniki Port Authority. "Significant productivity gains have already been achieved which more than compensated the increase in the concession fees now at 3.5% of revenue versus 2% last year and the rise in employee costs resulting from the reactivation of the 13th and 14th months salaries as it is mandatory for private companies in Greece" added Sotirios Theofanis "We are carefully evaluating our capital expenditure program including the completion of the Pier 6 Extension Plan with its deep-water berth and the equipment upgrade with the objective to align with the overall corporate strategy and to optimize our financial metrics. We are convinced that we have the human resources, the port management expertise and the financial capacity to successfully implement our ambitious action plan and benefit from the strong potential of the Port of Thessaloniki."

Thessaloniki Port Authority
Management Discussion and Analysis
Six-month periods ended June 30, 2018

Basis of presentation

The following Management's Discussion and Analysis ("MD&A") relates to the results of operations, liquidity and capital resources of Thessaloniki Port Authority- Société Anonyme ("Thessaloniki Port Authority" or the "Company"). This report has been prepared by Management and should be read in conjunction with the Company's unaudited interim condensed financial statements for the six-month period ended June 30, 2018, including the notes thereto. These semi-annual unaudited interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as otherwise stated in Note 2 to the unaudited interim condensed financial statements, these semi-annual unaudited interim condensed financial statements were prepared using accounting policies and methods consistent with those used in the preparation of the Company's audited financial statements for the year ended December 31, 2017. Except when otherwise stated, all amounts presented in this MD&A are denominated in thousands of Euro (€). The discussion and analysis within this MD&A are as of September 11, 2018.

Caution concerning forward-looking statements

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Management" in the Company's annual financial statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Thessaloniki Port Authority or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Business Overview

The main activities of the Company include ship loading and unloading, berthing and storage and the provision of other related port activities. The Company mainly provides services to containerships and conventional cargo (bulk, general, RO-RO). Other activities include coastal shipping and cruiser ship passengers and the utilization of spaces for commercial, cultural and other uses. The Company has the exclusive right to use and operate the land, buildings and installations on the land section of the Port of Thessaloniki, which belongs to the Greek Government, for until 2051.

Change in shareholding

On March 23, 2018, as part of a privatisation process launched by the Greek State, 67% of the Company's share capital was transferred to South Europe Gateway Thessaloniki (SEGT) Limited, a consortium consisting in «Deutsche Invest Equity Partners GmbH», «Belterra Investments Ltd.» and «Terminal Link SAS». The consortium committed to a significant investment program dedicated to the completion of the Pier 6 Extension Plan with its deep-water berth and the equipment upgrade. During the same period, a new management team was appointed with the primary objective to strengthen safety, improve quality of service and customer satisfaction, enhance productivity and make the Port an agile organization able to cope with a rapidly changing environment. As an example, the waiting time of vessels outside the port – a real issue for the shipping lines in term of cost and for the agricultural products - has been reduced significantly, resulting in a visible change for any citizen in Thessaloniki.

Interim Financial Highlights

The simplified income statement can be summarized as follows:

Interim Comprehensive Income Statement Figures in thousands of €	6-month period June 30, 2018	 June 30, 2017	Positive (negative) variance	Variation %
Revenue	29,152	27,956	1,196	4.3%
Cost of sales	-14,502	-13,368	-1,134	8.5%
Gross profit	14,650	14,588	62	0.4%
Gross margin as a % of sales	*50.3%*	*52.2%*		
General and administrative expenses	-2,606	-2,419	-187	7.7%
Other income and expense	1,991	1,041	950	91.3%
Operating result	14,035	13,210	825	6.2%
Operating result as a % of sales	*48.1%*	*47.3%*		
Financial income - net	542	579	-37	-6.4%
Income tax	-4,318	-3,988	-330	8.3%
Net income	10,259	9,801	458	4.7%

During the 6-month period to June 30, 2018, total revenue was € 29.2 million up 4.3% compared to the € 28.0 million revenue for the same period last year. During the period, the revenue from the Container terminal increased by 11.6% from € 16.7 million to € 18.7 million while the revenue from the Conventional port dropped by 6.1% from € 10.3 million to € 9.7 million.

Gross margin as a % of sales was 50.3% for the 6-month period to June 30, 2018 vs 52.2% for the same period last year. Significant productivity gains have already been achieved but they only impacted the financial performance of the Company in the second part of the semester. On the other hand, the Company was affected by certain additional costs including (i) an increase in concession fees which went from 2% of total revenue to 3.5% representing an additional cost of € 428 thousand for the period in 2018 ((ii) an increase in the employee costs resulting from the reactivation of the 13th and 14th salaries which were cut when the Port was in the public sector representing an additional cost of € 540 thousand and (iii) the management fees paid to Terminal Link a related party for an amount of € 323 thousand.

Revenue

The revenue can be analyzed as follows:

Figures in thousands of € except for number of TEUS / moves / tons	6-month period ended June 30, 2018	June 30, 2017	Positive (negative) variance	Variation %
Number of TEUs	*208,553*	*188,306*	*20,247*	*10.8%*
Number of moves	*142,456*	*126,091*	*16,365*	*13.0%*
Number of tons	*1,847,744*	*2,229,774*	*-382,030*	*-17.1%*
Revenue from Container Terminal	18,681	16,737	1,944	11.6%
Revenue from Conventional Port	9,665	10,289	-624	-6.1%
Revenue from Passengers	67	80	-13	-16.3%
Revenue from Utilization of Spaces	739	850	-111	-13.1%
Total Revenue	29,152	27,956	1,196	4.3%

The number of moves handled at the Terminal container increased by 10.8% from 188,306 last year to 208,553 during the 6-month period ended June 30, 2018. Import (+14.3%) and export (+11.3%) domestic cargoes have fuelled growth. Other revenue including yard services and storage increased by 11.0%.

The number of tons handled at the Conventional cargo terminals decreased by 17.1% from 2,229,774 tons to 1,847,744 tons. Even though we noted a significant recovery during the last few months of the period, the cargos of nickel ore (-34%) and clinker (-31%) were lower than last year. On the other hand, the product mix resulted in higher average prices which limited the drop-in revenue.

Cost of sales

During the 6-month period to June 30, 2018, the cost of sales was € 14.5 million, up 8.5 % compared to the same period last year (€ 13.4 million). Several line items increased during the period including:

- The concession fee which is now 3.5% of revenue (it was 2% of revenue up until March 23, 2018). This resulted in an additional charge of € 428 thousand during the 6-month period ended June 30, 2018 compared to last year.

- The reactivation of the 13^{th} and 14^{th} salaries which were cut when the Port was in the public sector and which now apply as the Company is private. This resulted in an additional charge of € 540 thousand during the 6-month period ended June 30, 2018 compared to last year.

Excluding the impact of the above two items, the gross profit would have increased by € 1.0 m compared to last year and the gross margin as a percentage of revenue would have been 53.6% vs 52.2% last year. Significant productivity gains have been achieved in the last few months which explains this improvement in the adjusted margin.

Selling, General and Administrative expenses

Selling, General and Administrative expenses were € 2.6 million for the 6-month period ended June 30, 2018 vs € 2.4 million for the same period last year, an increase of € 0.2 million. The management fees payable to Terminal Link in 2018 amounted to € 0.3 million (none in 2017).

Other income and expense

The other income net of other expense is up € 0.9 million in the 6-month period to June 30, 2018 compared to the same period last year. During the period, the Company released to profit an amount payable for € 0.8 million which is now considered not due.

Financial income – net

Financial income – net is substantially unchanged compared to the previous year. The cash and cash equivalent are either fully available or invested in short term deposits with major Greek banks. The interest rates on time deposits were generally lower in the first half of 2018 compared to the same period last year. The lower interest rate receivables were compensated by the higher level of cash available in the Company.

Income tax

The effective income tax rate is 29.6% of the profit before tax (28.9% in 2017) which is in line with the corporate income tax rate prevailing in Greece.

Segment reporting

The results of the activities of the Company for the 6-month period as at June 30, 2018 and 2017 per operational sector can be summarized as follows:

6-month to June 30, 2018

Interim Comprehensive Income Statement per Segment Figures in thousands of €	Container Terminal	Conventional Port	Passenger Traffic	Utilization of Spaces	Company level	Total
Revenue	18,681	9,665	67	739	0	29,152
Cost of sales	-7,243	-6,435	-178	-646	0	-14,502
Gross profit	11,438	3,230	-111	93	0	14,649
Gross margin as a % of sales	*61,2%*	*33,4%*	*-164,6%*	*12,5%*		*50,3%*
General and administrative expenses	-735	-796	-49	-119	-907	-2,606
Other income and expense	-109	1,531	-7	205	371	1,991
Operating result	10,594	3,965	-167	179	-536	14,035
Operating result as a % of sales	*56.7%*	*41.0%*	*-248.8%*	*24.2%*		*48.1%*
Financial income - net					542	542
Income tax					-4,318	-4,318
Net income	10,594	3,965	-167	179	-4,312	10,259

6-month to June 30, 2017

Interim Comprehensive Income Statement per Segment Figures in thousands of €	Container Terminal	Conventional Port	Passenger Traffic	Utilization of Spaces	Company level	Total
Revenue	16,737	10,289	80	850	0	27,956
Cost of sales	-6,301	-6,340	-182	-545	0	-13,368
Gross profit	10,436	3,949	-102	305	0	14,588
Gross margin as a % of sales	*62.4%*	*38.4%*	*-126.6%*	*35.8%*		*52.2%*
General and administrative expenses	-713	-773	-46	-113	-774	-2,419
Other income and expense	34	548	4	446	9	1,041
Operating result	9,757	3,725	-144	638	-765	13,210
Operating result as a % of sales	*58.3%*	*36.2%*	*-179.6%*	*75.0%*		*47.3%*
Financial income - net					580	580
Income tax					-3,988	-3,988
Net income	9,757	3,725	-144	638	-4,174	9,801

With 11.6% revenue increase and productivity gains, the Container terminal could absorb the higher concession fees and the impact of the reactivation of the 13th and 14th month salaries almost without deteriorating the gross margin (61.2% versus 62.4% last year). After a weak start, the second part of the semester showed a significant improvement in terms of activity.

The Conventional cargo was negatively impacted by adverse conditions in the first six months of 2018, due to lacklustre performance of some key bulk commodities. This led to a decrease in revenue of 6.1% compared to the same period last year. However, significant productivity gains have been achieved, allowing an improvement of the Operating result by 6.2% when compared to the first six months of 2017.

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for the 6-month periods as at June 30, 2017 and June 30, 2018 (figures in thousands of €):

Interim condensed Cashflow Statement Figures in thousands of €	Six month period June 30, 2018	June 30, 2017
Net income	10,259	9,801
Depreciation and amortization	1,986	1,912
Income tax	4,318	3,988
Finance income net	-542	-580
Other non cash items	-2	453
Cash generated by the operations before working capital	16,018	15,575
Working capital requirement	-671	-1,468
Income tax paid and financial income net	482	369
Purchase of property plant and equipment	-1,582	-749
Variation in cash generated by operation	14,246	13,727
Sale (purchase) of financial assets	9,436	-24,673
Purchase of financial instruments linked to concession agreement	-10,000	
Variation in cash and cash equivalent	13,681	-10,946
Cash and cash equivalent beginning of the period	80,889	48,458
Cash and cash equivalent end of the period	94,570	37,512

During the 6-month period to June 30, 2018, the cash generated from operations before working capital requirements amounted to € 16.0 million compared to € 15.6 million for the same period last year.

The working capital requirement was € 0.7 million compared to € 1.5 million in the same period last year despite the increased revenue. The Company generally receives advance payments for services which are settled at regular intervals thus limiting the working capital requirements.

During the period, the Capex amounting to € 1.6 million was mainly related the construction of a new drainage network decided in 2017. The first significant capital expenditures are expected toward the end of the year.

The variation in cash was € 13.7 million during the 6-month period ended June 30, 2018 versus € -10.9 million in the same period last year.

As part of the concession agreement, the Company put € 10.0 million of cash in an escrow account. This amount constitutes a guarantee to the benefit of the Greek State for the concession fee to be paid. As at December 31, 2017 the Company held € 9.4 million in deposits for periods longer than 3 months that have been converted into cash in 2018.

As at June 30, 2018, cash and cash equivalents - excluding restricted cash and deposits for periods longer than three months classified in financial assets - totalled € 94.6 million compared to € 80.9 million as at December 31, 2017. The Company does not have any borrowing outstanding.

Risk Factors

For a comprehensive discussion of the important factors that could impact the Company's operating results, please refer to the Company's annual financial statements. Risks inherent to the Port industry and specific to the Company include, but are not limited to, risks associated with the following matters:

- Evolution of the worldwide / Greek / Central Macedonia / Thessaloniki economies
- Failure to meet customer expectations
- Access and quality of the road and railways infrastructure to / from the Port
- Increasing competition from other Ports and other modes of containers and commodities transportation.
- Changes in the strategy of liners and chargers
- Inheritance of environmental issues
- Greek Government policy and actions contrary to the interests of the Company
- Decision of the Greek State as a minority shareholder not in line with other shareholders' strategy and objectives
- Controlling shareholders having interests that conflict with those of the holders of the securities.
- Bankruptcy or liquidity issues of Greek banks
- Greek law regarding investment limits
- Liquidity and price of the securities depending on an active trading market
- Decision regarding dividend policy in the future
- Related party transactions not at arm's length
- Climate risk and natural disasters
- Inability to retain key personnel or attract and retain highly qualified personnel
- Inability to secure a management service contract with a service provider having adequate port management expertise
- Wage increases, strikes and labour disruptions.
- Death / injury of Port or third parties' employees
- Operating assets aging and requiring repair or replacement
- New equipment not operating as designed
- Evolution of vessels making equipment obsolete / not adapted
- Management information systems and internal control systems less developed than those of similar companies

- Congestion
- Dependence on customs authorities for the timely provision of our services
- Non-compliance with ISPS and other regulations
- Product liability and claims
- Third party cyberattacks
- Terrorist attacks

Related-Party Transactions

For details of related-party transactions, please refer to Note 14 of the unaudited condensed interim financial statements.

Capital Stock

As at June 30, 2018, the capital stock of the Company amounted to € 30.2 million, divided into 10,080,000 common shares. The common shares of the Company are distributed as follows:

	Number of shares	%
Common shares held directly or indirectly by principal shareholder	6,753,600	67.0%
Common shares held by Hellenic Republic Asset Development Fund	732,594	7.3%
Common shares held by the Public	2,593,806	25.7%
Total common shares issued and outstanding	**10,080,000**	**100%**

Critical Accounting Estimates

The unaudited interim condensed financial statements have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Notes 1 to 5.21 of the 2017 annual financial statements.

Non-IFRS measures

EBITDA represents Net income before financial income and expense, income taxes, depreciation and amortization. EBITDA is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. The Company believes that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the port industry. EBITDA is not defined in IFRS and should not be considered to be an alternative to Net income for the period or Operating result or any other financial metric required by such accounting principles.
Reconciliation of EBITDA is as follows:

(amounts in thousands of € unless otherwise stated)

Figures in thousands of €	6-month period ended	
	June 30, 2018	June 30, 2017
Operating result	14,035	13,210
Depreciation and amortization	1,986	1,912
EBITDA	**16,020**	**15,122**

During the 6-month period ended June 30, 2018, the EBITDA was € 16.0 million versus € 15.1 million for the same period last year, a 5.9% increase. This increase in EBITDA is in line with the improved operating result and the stability of the depreciation expense.

Litigation and claims

Generally, the Company is subject to legal proceedings, claims and legal action arising in the ordinary course of business. The Company's Management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. As disclosed in note 8.27 of the financial statements of the Company as at December 31, 2017, the Company is involved in certain litigations including (i) a claim from the Customs Office of Thessaloniki regarding cigarette cargoes and (ii) a claim relating to the call for tenders for the construction of floating parking lots in the Port.

Subsequent Events

There are no post balance sheet events to be reported.

Outlook

The Company's business strategy is to strengthen safety, improve quality of service and customer satisfaction and enhance productivity through better organization, training and state of the art equipment. The challenge will be to make the Port an agile organization able to cope with a rapidly changing environment and to identify new services and new opportunities. The Company considers that it has the human resources, the port management expertise and the financial capacity to successfully execute its strategy.

Thessaloniki, September 11, 2018

The Chairman of BoD & CEO of ThPA SA	The Deputy Chairman of BoD of ThPA SA	Appointed by the BoD Member
Sotirios Theofanis	Boris Wenzel	Alexander-Wilhelm von Mellenthin
ID Card No X 190719/03	Passport No.16AL811931	Passport No. LF8ZHTY23