# PIRAEUS PORT AUTHORITY S.A.

# ANNUAL
# FINANCIAL REPORT
## FOR THE YEAR ENDED
## DECEMBER 31, 2016

(IN ACCORDANCE WITH THE L. 3556/2007)

# Index to the Annual Financial Report

PAGE

**STATEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS ........ 3**
**ANNUAL REPORT OF THE BOARD OF DIRECTORS ........ 4**
**STATEMENT OF CORPORATE GOVERNANCE ........ 19**
**BOARD OF DIRECTORS EXPLANATORY REPORT ........ 25**
**INDEPENDENT AUDITOR'S REPORT ........ 27**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 ........ 30**
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 ........ 31**
**STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016 ........ 32**
**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016 ........ 33**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 ........ 34**

1. ESTABLISHMENT AND ACTIVITY OF THE COMPANY: ........ 34
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS: ........ 35
3. PRINCIPAL ACCOUNTING POLICIES ........ 37
4. PROPERTY, PLANT & EQUIPMENT ........ 47
5. INVESTMENT PROPERTY ........ 48
7. OTHER NON-CURRENT ASSETS ........ 50
8. INVESTMENT IN SUBSIDIARIES ........ 50
9. INCOME TAX (CURRENT AND DEFERRED) ........ 51
10. INVENTORIES ........ 52
11. TRADE AND OTHER RECEIVABLES ........ 53
12. CASH AND CASH EQUIVALENTS ........ 54
13. SHARE CAPITAL ........ 55
14. RESERVES ........ 55
15. GOVERNMENT GRANTS ........ 55
16. PROVISIONS ........ 56
17. RESERVE FOR STAFF LEAVING INDEMNITES ........ 58
18. FINANCE LEASE OBLIGATIONS ........ 59
19. LONG-TERM & SHORT TERM LOANS ........ 60
20. DIVIDENDS ........ 61
21. ACCRUED AND OTHER CURRENT LIABILITIES ........ 61
22. DEFERRED INCOME ........ 62
23. SEGMENT INFORMATION ........ 63
24. REVENUES ........ 65
25. ANALYSIS OF EXPENSES ........ 65
26. OTHER OPERATING INCOME / EXPENSES ........ 66
27. FINANCIAL INCOME/ (EXPENSES) ........ 66
28. DEPRECIATION ........ 67
29. PAYROLL COST ........ 67
30. EARNINGS PER SHARE ........ 67
31. COMMITMENTS AND CONTINGENT LIABILITIES ........ 67
32. RELATED PARTIES ........ 69
33. FINANCIAL INSTRUMENTS ........ 70
34. SUBSEQUENT EVENTS ........ 73

**WEBSITE PLACE OF UPLOADING THE FINANCIAL STATEMENTS ........ 74**

## STATEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Statements of the Members of the Boards of Directors
(in accordance with article 4 par. 2 of L. 3556/2007)

The Board of Directors Members of the Company "Piraeus Port Authority Societé Anonyme" and trade title "PPA S.A." (hereinafter referred to as "Company" or as "PPA") and the undersigned:

1. WAN Min, President of the Board of Directors
2. FU Chengqiu, Managing Director and
3. ZHU Jianhui, Member of the Board of Directors

In our above-mentioned capacity and as specifically appointed by the Board of Directors of the Company, we state and we assert that to the best of our knowledge:

(a) the financial statements of the societe anonyme Company under the name "Piraeus Port Authority Societe Anonyme" and trade title "PPA S.A." for the period from January 1, 2016 to December 31, 2016, which were compiled according to the applicable International Financial Reporting Standards as adopted by the E.U., provide a true and fair view of the assets and the liabilities, the equity and the results of the period of the Company, according to that stated in paragraphs 3 to 5 of article 4 of the L.3556/2007 and the relevant executive Decisions of the Board of Directors of the Capital Market Commission.

(b) the annual Report of the Company's Board of Directors provide a true and fair view of the evolution, the achievements and the financial position of the Company, including the description of the main risks and uncertainties it faces and relevant information that is required according to paragraphs 6 to 8 of article 4 of the L. 3556/2007, and the relevant executive Decisions of the Board of Directors of the Capital Market Commission.

Athens, February 16, 2017

| WAN MIN | FU CHENGQIU | ZHU JIANHUI |
|---|---|---|
| President of the Board of Directors | Managing Director | Member of the Board of Directors |
| Passport No SE0235390 | Passport No PE0608737 | Passport No PE0844394 |

**ANNUAL REPORT OF THE BOARD OF DIRECTORS**
**of the Company**
**"PIRAEUS PORT AUTHORITY S.A." with the distinctive title "P.P.A SA"**
**(according to the provisions of paragraph 6 of article 5 of Law 3556/2007)**
**On the Financial Statements of the Financial Year**
**from 1st January 2016 until 31st December 2016**

The present report of the Board of Directors was compiled and is in accordance with the statute 2190/1920, law 3556/2007 and the subsequent administrative decisions of the Capital Market Commission and particularly the decision 7/448/11-10-2007.

The report aims to inform investors about:
- The financial status, results and the general prospects of the company for the aforementioned period as well as changes made in its assets.
- The most important events that took place in the current financial period and their effect on the financial reports.
- The strategy and the business plan of the Company .
- The Company's investment plan that supports its strategy and business plan.
- The risks and uncertainties that might arise for the company within 2017.
- The transactions made between the company and any affiliated entities.

**Main Activities of the Company**

The main activities of the Company are provision of harbour to ships, cargo stevedoring & storage services, car stevedoring services & storage and services provided to cruise and coastal passengers.

In addition the Company provides auxiliary services to ships (water, electricity, waste management, dry docking etc) and consents land space against fee.

**A. Highlights of Financial Year 2016**

- ***Sale of Company's Majority Stake - Change of Company's Ownership –Duties Undertaking by the new Management of the Company***

2016 is undoubtedly the reference year for PPA SA. On 20.01.2016 the Board of HRADF accepted the offer of COSCO Hong Kong Group Limited under the tendering process for the direct transfer of 51% of total shares of PPA to a private investor and on the other hand, under the conditions mentioned in the contract, and the transfer of further 16% of all PPA shares after five years. Following the above, throughout the course of 2016, the primary objective of the Company'sManagement was the triptych:
- Assist the integration project of the majority package of shares sale from HRADF to the highest bidder in a transparent and legal way,
- Smooth transition to the new ownership status of the Company,
- Updating the new PPA SA Management on the proceedings and all outstanding matters relating to the Company's operation as a whole.

Ratified and gained formal law force from June 24th 2016 the Convention entitled "Concession Agreement on the Use and Exploitation of Certain Sites and Assets within the Port Piraeus" and concluded between the Hellenic State and "Piraeus Port Authority SA". With this agreement the Greek Government grants to PPA SA the exclusive right of possession, use, management, maintenance, improvement and exploitation of concession items throughout the concession period (February 13, 2052).

The process of a majority stake transfer to COSCO Hong Kong Group Limited (currently incorporated under coorporate name COSCO SHIPPING (HONG KONG) Limited) completed successfully on 10.08.2016 and is directly connected with the:

- Enhancement of the credibility of the country itself, in the effort to convince international markets that Greece is a safe and attractive investment destination,
- Consolidation of the position of Piraeus as a freight and cruise hub in the Mediterranean region and further highlighted in the global maritime map,
- Enhance the employment through the implementation of the substantial investment PPA SA program that multiplies benefits for the local and national economy.

- ***Important Projects***

Contract signed in March 2016 and construction completed on schedule for the new cruise quay of Ag. Nikolaos, Central Piraeus Port. The new quay, the opening of which took place in early October in the presence of China COSCO SHIPPING Corporation Limited, President Captain Xu Lirong, has length 281m, depth 11,50m and occupies land area of 8432 m2. The construction increases the ability to serve new generation cruise vessels.

Continued throughout the year, the New Pier Petroleum Construction Project, which is located in the southern front of Pier III, with a total area of 12.802m2 and marine forehead 350,00m length completed.

Was put into service and already connected to the electricity network, the Photovoltaic Park in the commercial port of Piraeus, 1.080 m length, and 430KWp power. With the construction of this project, PPA SA confirms its designation of the European Sea Ports Organization (ESPO), as ECOPORT, and proves its interest in energy saving and environmental protection.

- ***Investment Plan 2017***

Approved in October by the BoD the implementation of the Company’s Investment Plan, totaling € 137.5 million for 2017, as an integral part of the overall PPA mandatory investment program and the volunteer investment program which is planned by China Cosco Shipping Corporation Limited, in order to further emerge the port of Piraeus as a trading hub and as an international cruise and shiprepair center.

Specifically, investments mainly include:

- Cruise Port Expansion, through the creation of six new berthing position for serving new generation cruise vessels,
- improvement infrastructure of Ship Repair Zone (procurement of equipment and creation of new installations),
- Construction of Logistics center at ODDY area in total surface area of 120.000 sq.m. Underground road linkage of Car Terminal,
- Car Terminal Expansion (Herakleous),
- Improvement and maintenance of port infrastructure projects,
- procurement of equipment and means,
- construction of New Oil Pier (Pier III),
- repair of Container Terminal Pier I (RMG yard area and cranes).

- ***Internal Organisation and Operation - Personnel Evaluation Process - Assignment positions in the Company's Hierarchy***

Approved in October by the BoD, the new Internal Organization Regulation of the Company, which simultaneously abolished the previous Regulation pursuant to the arrangement 10A of Law 4404/2016 (Government Gazette A 126/08.07.2016) concerning the 06/24/2016 ratification of "Concession Agreement between the Greek Government and PPA SA."

The aim of the new regulation is to fix the powers and structure of the basic organizational units of the Company, as provided by law and the Company's Articles of Incorporation.

Following that decision, completed by an independent international firm, the evaluation process of the staff who had expressed its interest to fill positions of Manager and Deputy Manager, under the new organizational structure and already assigned responsibility positions in the hierarchy of the company.

**B. Evolution of Business Activities**

*Cruise*

In the field of Cruise a significant increase of passenger's traffic was recorded, both for home and for transit passengers.

The total passenger product handled in 2016 increased by approximately 12% compared to 2015, from 980.149 to 1.094.135 passengers, mainly due to the increase of 24% (from 284.241 to 352.663 passengers) in the number of cruise passengers who used Piraeus as a starting port or final destination and to a lesser extent due to the increase of transit cruise passengers by 7% (from 695.908 to 741.472 passengers).

Although the number of cruise ship calls remained almost constant, showing a marginal increase from 621 calls in 2015 to 625 calls 2016, through a series of operational measures and investments in infrastructure and equipment, has ensured the uninterrupted simultaneous servicing of large cruise vessels, such as "Carnival Vista" (length 321 m.), used 5 times Piraeus as home port and 1 as a transit port, and the newly built cruise vessel «Ovation of the Seas» of Royal Caribbean, which is one of the largest cruise vessels in the world, length 348 m., capacity of 4,180 passengers and 1,300 crew members.

Worth mentioning is also the fact that during July 2016 when a civil unrest in Turkey, the Company responded exceptionally , both in terms of facilities and personnel readiness, in the extraordinary diversion cruise approaches from Constantinople to Piraeus .

*Coastal Shipping*

The number of total passenger traffic declined slightly compared to the previous year of around 4%, from 15,813,986 to 15,176,953 passengers, while the movement of vehicles increased by 2% from 2,537,925 to 2,589,908 units.

Piraeus remains the largest passenger port in Europe and besides touristic hub, is also the main channel hub between Greek islands and the mainland

*Car Terminals*

The recorded increase of the first five months of 2016 was affected by staff strikes, leading to a 9% decrease. Immediately after the restoration of the terminal's normal operation the traffic handled rebounded, recording significant growth rates.

The cargo traffic presented for the whole year an increase in traffic volumes compared to 2015 of 6% namely 361,912 vehicles throughput in 2016 against 341,386 in 2015.

Both domestic and transit cargo have increased on the year by 9% and 5% respectively (in absolute terms by 7,486 and 13,040 units), proving that PPA Car Terminal has a significant operation both locally and in the Mediterranean

*Container Terminal*

The traffic in the container terminal decreased significantly because the transhipment cargo of MSC company (which is the main customer of Pier I) continued to move,in MSC terminal in Turkey (ASYAPORT).

Specifically, despite the significant increase of 26% in local cargo (from 49,275 to 61,980 TEU's), the total transit freight terminal project decreased from 255,581 TEU's in 2015 to 203,658 TEU's in 2016.

*Ship Repair Business*

The number of repaired ships at PPA sites presented in 2016 a marginal decrease compared to 2015 (234 vs 239 repaired ships), mainly due to non-performance during May-June 2016 (employees strike).
Although the announced investment program of PPA SA for the ship repairing activity has a long implementation period, indications of increased activity already exist.

## C. Environmental, Social, Labor Issues

### *C.1. Caring for the Environment*

The PPA SA operates a certified Environmental Management System PERS (Port Environmental Review System) of ESPO (European Sea Ports Organisation), while at the same time constitutes member of the European ECOPORTS port network, participation in which is made on the basis of the environmental ports performance. As part of implementation of PERS environmental management system, PPA SA has developed and implemented:

1. Environmental quality monitoring program that includes: atmospheric, acoustic & marine environment.
2. Integrated waste management system produced on land installations, to enhance recycling and reduce the quantities that lead to final disposal at landfills. In the above context recycled in 2016 about 85 tons of household waste produced in land port facilities.
3. Ship Waste Management Plan in accordance with the European Directive 2000/59 on port ship generated waste and cargo residues, as incorporated into Greek law, and the provisions of the International Convention on Marine Pollution and MARPOL 73/78 and provides comprehensive ship waste reception and management services to ships.
4. Emergency & Terrestrial Marine Pollution Contingency Plan for dealing with oil pollution incidents and other harmful substances in the port area of PPA.

In addition to the above, the Company has set priorities in improving energy management and reducing the carbon footprint. In this direction in 2016 was put into operation photovoltaic power station of 430,80kWp in the Commercial Port area, N. Ikonio. Produced electricity measurement for the August-September period, recorded an increase of 6% compared to the corresponding theoretical energy produced as written in the approved application design. On annual basis is estimated that the operation of the photovoltaic power plant will reduce the carbon footprint of PPA by 635tn $CO_2$.

At the same time the Company is studying and implementing environmental interventions within the port area for the purpose of aesthetic enhancement and improvement of microclimatic conditions. Under the above action, the roof of the container terminal building surface 900 sqm, has planted with bushy vegetation, achieving:

• higher degree of thermal insulation,
• better thermal performance of the building by shading and insulation,
• improve the microclimatic conditions of the building (temperature, humidity, particulates, etc.),
•reduced acoustic nuisance levels (up 8db).

Started and successfully completed the bidding tendering process for the removal from the Piraeus Port Zone of the shipwreck "PANAGIA TINOY". With the removal of the wreck from the Central Port area beyond the obvious reduction of environmental pollution risks of the marine area, is also achieved:

- Enhancing safety of navigation,
- Releasing of operating coastal shipping vessels berthing positions,
- Aesthetic upgrading of the port image

Finally, the Company educates and informs all personnel in environmental issues.

### *C.2. Social Responsibility*

The Company pays particular attention to social contribution, as demonstrated and expressed through the timeless efforts and initiatives of both Management and Employees. The Company aims to contribute to the development of society and especially the creation of added value for the communities that surround it. Aid priorities of local communities from PPA are related with:

- Boosting employment and the local economy,
- Economic support of social groups through ongoing (monthly) support of social institutions of neighboring municipalities,
- Facilitating the charitable effort of the Holy Metropolis of Piraeus,
- Aiding orphanages, special schools, sports clubs and cultural associations of Piraeus Region.

### *C.3. Caring for the Employee*

#### *Equality and Transparency*

A key priority of PPA SA Administration is the regulation of labor relations based on the principles of equality, diversity and transparency, aiming to promote the common interest of the Company and employees.

In the Corporate Governance Statement of the Company is described the PPA policy on diversity applicable to the administrative management and supervisory bodies.

The performance and development of PPA SA employees is directly related to the competitiveness and modernization of the Company's services.

#### *Health & Safety*

The Company attributes utmost importance to the provision of safe workplaces to employees, traders, passengers etc.

All areas of the port are regularly inspected to ensure that employees comply with health and safety rules of the company and the instructions of those responsible.

Piraeus Port Authority also monitors and controls the compliance of third parties (contractors) with the Occupational Health and Safety legislation, requiring health and safety plans before and during the implementation of technical projects.

For this purpose a safety engineer and a doctor are employed, reporting any safety issues to the management of the company, in accordance with Law no. 3850/2010. Potential accidents are recorded and investigated, and corrective actions are planned in order not to be repeated.

Additionally at high-risk areas (Container Terminal and Perama Shipyards Zone) the organization provides two ambulances with trained rescue personnel that are available 24/7.

***Education Training Programs***

Education Training Programs are set as development objective for the Company, in order to improve its provided services and increase its productivity.

PPA SA establishes annual training employee program which is formed by the Education & Training Dept. either as a result of the Department's call to submit requests-proposals for training seminars' conduction, or anytime during the year is necessary.

The approval for the implementation of the Annual Training Program is taken by management.

In 2016 PPA's ninety one (91) employees participated in 24 seminars outside the company and in-house (of which a distance e-learning program) and twenty (20) employees participated in 4 Seminar sessions.

***Additional Social Benefits***

Under current operational collective labor contracts PPA SA offers to its staff additional social benefits. In particular, the Company grants loans to its employees to cover exceptional and unforeseen needs, wedding assistance, creches and camps costs for children of the staff, and prizes for the children of staff with excellent school performance.

***Unions of Employees***

In PPA SA are active total four (4) primary and one (1) secondary association. The Management of the Company is in close collaboration with employee representatives in order to achieve the proper functioning of its services and to promote the common interest of the Company and its employees.

**D. Corruption Fighting and issues related to Bribery**

According to the recently approved Regulation for the award of works, Services, and Procurement, the Company implements control procedures, under penalty of exclusion:

a) where the representatives of contracting companies or consortium participants have been convicted of:

- participation in a criminal organization, according to Article 2 paragraph 1 of Council Joint Action no. 8/733/JHA of the European Union,
- corruption, according to Article 3 of the Council Act of 26 May 1997 (21) and Article 3 paragraph 1 of the Joint Action no. 98/742 of the Council,
- fraud within the meaning of Article 1 of the Convention for the protection of the financial interests of the European Communities,
- money laundering activities, according to Article 1 no. 91/308/EEC Council Directive on prevention of the financial system for money laundering,

b) as well as related in the performance of the contractor's professional situations:

- Embezzlement
- Fraud
- Extortion
- Forgery
- Perjury
- Bribery
- Fraudulent bankruptcy.

## E. ISO Certifications

In 2016 the port of Piraeus has been awarded the certification ISO 9001:2008 and ISO 14001:2004 for the Provision of Port Cruise and Car Terminal Services. The Provision of Port Cruise Terminal Services has been re-certified for the second time since 2013, while the Provision of Port Car Terminal Services has been certified for the first time.

The Provision of Cruise and Car Terminal Services has been certified by the well-established certification body Lloyd's Register Quality Assurance / Hellenic Lloyd's SA, following an external audit during which the compliance with the requirements of both International Standards was identified.

Meeting our clients' needs and expectations and providing excellent port services along with improving our environmental performance are at the very core of Piraeus Port Authority's policy.

PPA SA is planning the expansion of the ISO 9001 and ISO 14001 certification to the rest of its port activities.

## F. Participation in European Research Programs

In 2016 PPA SA participated to three European Research Programs, which are under implementation process. And for 2017

| | | | |
|---|---|---|---|
| 1 | TEN-T | Poseidon MED II | Poseidon MED II |
| 2 | CIP | MITIGATE | Multidimensional Integrated risk assessment framework and dynamic collaborative Risk Management tools for critical information infrastructures |
| 3 | H2020 | AUGMED | Automated Serious Game Scenario Generator for Mixed Reality Training |

Within 2016 approved the following European Research Programs, where PPA SA participated as a partner and the implementation of which has already started.

| | | | |
|---|---|---|---|
| 1 | MED | PROTeuS | PROmoting security and safeTy by crEating a MED clUster on Maritime Surveillance |
| 2 | TEN-T | ELEMED | Electrification Mediteranean |

Within 2016 were submitted for financing the following European Research Programs, where PPA SA is participating as a partner and which have been positively evaluated in the first evaluation stage. Final evaluation is expected within 2017.

| | | | |
|---|---|---|---|
| 1 | ADRION | SUPAIR | SUstainable Ports in the Adriatic Ionian Region |
| 2 | ADRION | SUPER-LNG | SUstainabilityPERformance of LNG-based maritime mobility |
| 3 | ADRION | ERMES | Enhance poRtdevelopMentprocEsses for Standardization |
| 4 | ADRION | DRESUS | **SUS**tainable and innovative reuse of **DRE**dged sediments from ports |
| 5 | ADRION | NEORION | Green Ship Building |
| 6 | ADRION | MultiAPRO | |
| 7 | ADRION | TransMarinNet | Transnational Network to promote the green marine technologies entrepreneurship in the Adrion |

## G. International Situation

The nature of the business activities of PPA SA depends heavily on the broader international economic environment, global geopolitical developments, political and economic evolution of the South Mediterranean countries and countries served by the Piraeus port, the developments taking place in the global port industry in general and the development of individual port-related activities served by the Company's freight and passenger infrastructure.

In the container market after the record of new builds and deliveries of vessels recorded in 2015, the year 2016 closed with a significantly smaller number of deliveries. The average annual capacity had a growth rate that reached 5.8% in the period 2010-2015, compared with growth of global GDP by 2.4%, while at the same time the corresponding growth in demand in this market moved to 4.6%, resulting in excess capacity amounting to approximately 2 million TEU's.

The number of container ships worldwide is about 6.000, with a total capacity of 20.6 million. TEU's.

After the alliance Maersk and MSC (2M Alliance), the industry has entered a new momentum, which triggers either new synergies and alliances round between global marine carriers such as CMA, COSCO, China Shipping, Evergreen, OOCL (Ocean Alliance), Yang Ming, K Line, Hapag Lloyd, MOL, NYK, UASC, (The Alliance), or the collapse of shipping giants such as HANJIN (7th in the world ranking of Container Liners). These events are affecting the port industry as a whole and inevitably the port of Piraeus.

Indicatively, only the ten largest container liners are holding share of approximately 65% of world container market.

In the area of the cruise sector, the global passenger product was estimated in 2016 at about 23 million passengers, recording an increase of 3.0% compared to the previous year. The world fleet of cruise ships reached 315 increasing by about 5.0% and offered berths totaled 497,000 or about 1,580 per cruise (source: Cruise Industry News 2016-2017 Annual Report).

The Mediterranean continues to be the second largest area of cruise capacity in terms of routing, holding a market share of 18.7% in 2016 from 12.9% in 2006. Although in the decade level (2006-2016) the recorded increase of 5.8% it has already captured a saturation tendency in the Mediterranean cruise market, both due to the destabilization of the wider region (especially Turkey) which mainly removes passengers from North America, and due to the emergence of new markets, such as Eastern Asia and Australia, which have impressively increased in the decade 2006-2016 their shares in the world cruise market from 0.9% to 9.2% and from 0.8% to 6.1% respectively.

According to the Med Cruise, the average number of passengers per call at ports members in 2016 exceeds for the second consecutive year 2,000 passengers. These data confirm the long term strategy of PPA SA to promote the expansion of port infrastructure in the southern front, so they can accommodate the new large-capacity cruise vessels.

In the field of the vehicles sector in 2016 continued for the third consecutive year with the growth of new cars sales in the European Union. In particular, new car registrations rose 6,8% and amounted to 14.6 million vehicles in 2016.

Although Greece is not a car-producing country in relation to the Mediterranean competing terminals (Derince, Barcelona, Valencia) and despite the negative circumstances (climate of instability in countries that are fed through the hub port of Piraeus) and the ever-growing port competition through the creation of new terminals in the region, the PPA SA Car Terminal remains the terminal with the largest movement in the Eastern Mediterranean.

## H. Prospects and Expected Developments, Main Risks and Uncertainties for 2017

Apart from the infrastructure expansion and the consequent capacity increase of port activities as a result of mandatory investments envisaged in the new concession agreement, and the additional volunteer investment program that will be implemented by PPA SA, it is estimated that:

- The existence of strong and internationally recognized in maritime affairs ''brand name'' of COSCO SHIPPING, both at the provided port services and simply as a presence in the domestic port industry,
- The port privatization and its function at optimal productivity terms according to the European Ports standards,
- The introduction of new flexible operational organizational Company structure,
- The adoption of a more customer-oriented and aggressive marketing policy,

are sufficient conditions to attract additional freight and passenger traffic and to develop /promote further the port activities such as ship repairing.

In the commercial port (container and car terminals) sector beyond the further enhancement of the strategic advantage of the port geographical location as a transshipment hub at the crossroads of three continents, there is huge exploitation room for the rail connection with the national and the European rail network, which significantly expands the target market of the company, giving it access to new markets that are expanding in the Balkans and Central Europe.

The above outlook in combination with country's political stability and security, the determination of the Company's Management for development of Logistics, the incorporated within the European Union customs procedures, opens a "window of opportunity" for the emergence of Piraeus not only as a key trade gateway from Asia to Europe, but also as a place to attract capital and investments.

The exploitation of the historic opportunity, which will highlight Piraeus as the modern port of Southeast Europe and the Mediterranean will have positive impact on the local economy and commerce, employment, private consumption, culture and residents quality of life.

In the area of the cruise sector the emerging developments for 2017 based on booking data and forecasts of the domestic cruise industry is expected a recession of the activity, due both to the destabilization of the eastern Mediterranean region and the emergence of new markets ( East Asia, Australia, etc.).

Despite the above considerations may be changed positively or negatively, depending on the conditions, the Company through the implementation of major planned investments aims not only to meet the ever increasing demands of the cruise (unltra-large ship industry) but also emerged as one of the leading forces in the Eastern Mediterranean market that benefits enhancing overall the Greek tourist product.

The planned exploitation of the Port Zone's property apart from boosting the specific market is expected to generate interest for the greater duration of stay in the port, both for cruise and ferry passengers.

In the field of shiprepair, beyond the repair of large floating PPA dock, is planned the procurement of an additional Panamax type tank (capacity 80,000 dwt) for strengthenand further develop the ship repair activity.

The Company aims through the procurement of technologically advanced equipment, the know-how transfer, the customer-oriented approach and the aggressive marketing to convince the markets that the Perama Ship Repair Zone has now the ''package'' for performing the required ship upgrading works, as defined in the recently ratified Convention of the International Maritime Organisation (IMO), for the treatment and management of ballast water, which is effective from 09.08.2017.

It is estimated that the implementation of the Convention will result in approximately 2,000 new ship builds per year in the next five year period and retrofitting 50,000 ships (Source: Maritime Business Opportunities Conference, April 2016), which do not have this time the required technical characteristics. Depending on the vessel size, the installation cost of these technical solutions can range from $ 650.000 to $ 5,000,000, while according to a study conducted by the international firm Clarksons (Sept. 2016), only 2.6% of the world merchant fleet has advanced facility ballast water management systems. These demonstrate the particular market growth prospects which are expected to reach the peak of the period 2018-2020, and constitute a great opportunity for the Greek shipbuilding activity to gain significant market shares.

The above mentioned, combined with the coordinated effort of internal services reorganization and reform of regulations, posing in the immediate future the necessary foundations for strengthening the PPA SA position at national and international level.

**I) Financial results of 2016**

**Statement of comprehensive income**

i. Revenues

The total revenues for the year amounted to € 103.5 million increased by 3.6% or €3.6 million (December 31, 2015: € 99.9 million). The change was mainly due to the significant increase in revenues from the fee of concession arrangement by 9.6% or € 3.9 million, along with a increase by 13.4% or around € 1.4 million in revenue from the car terminal segment. In addition, the cruise revenue increased by 8.2% or € 1.0 million.
Significant decrease in revenues by 24.5% or € 2.2 million was reported for the ship repairing (tanks and dock) sector.

ii.Other income

Other income for the year amounted to € 5.1 million and significantly decreased by 57.1% or 6.8 million (December 31, 2015: € 11.9 million). The change was mainly due to the significant decrease of income from unused provisions from prior year referred to reversal of the provision for voluntary retirement of employees (L. 3654/2008), amounting to € 4.9 million, as well as the decrease by € 1.2 million to the income from programms of European Union due to their main completion in prior year.

iii.Financial income

Financial income for the year amounted to € 1.0 million and significantly decreased by 47,4% or 0.9 million (December 31, 2015: € 1.9 million). The decrease was mainly due to the fact that during the year no time deposits and subsequently no interest income was obtained from and the level of cash at bank throughout the year was lower than 2015.

iv. Expenses

The key size of operating costs are the staff costs that reach 53.1% of total expenses in 2016, fell by 4.3% and amounted to € 49.3 million compared to € 51.5 million of the respective year of 2015. The decrease is mainly due to the reduced number of employees and the reduced cost of overtimes in the container terminal.

As for other operating expenses (except staff salaries), they averaged approximately last year's balances , with ''Utilities” showing the most significant increase, € 15.5 million vs € 14.6 millionin 2015. The change is mainly due to the increase by approximatelly € 1.0 million of the concession agreement fee based on the new signed concession agreement between Greek State and PPA dated 24.06.2016.

Depreciation of property, plant and equipment as well as intangible assets, remained at the previous year’s level, amounting to approximatelly € 14.0 million. Consumption of materials was reduced by 40.0%, € 0.9 million in 2016 vs € 1.5 million in 2015.

Prior year has also been charged with a significant provision for compensation of beneficiaries of L. 4331/2015 by approximatelly € 4.8 million.

Finally, an increase was noted in the provision for bad debts which amounted to € 6.1 million € 5.2 million for 2015.

v. Other Operating Expenses
Other expenses for the year amounted to € 5.1 million and significantly increased by € 3.5 million (December 31, 2015: € 1.6 million). The increase was mainly due to the compensation to municipality (municipal charges and surcharges) by approximatelly € 3.8 million in relation with the decrease of expenses for European Unions programms by € 1.0 million due to their completion in 2015.

**Statement of financial position**

i. Total Assets
Total assets at December 31, 2016 amounted to € 360.7 million, decreased by 2% (December 31, 2015: € 368.0 million). The reduction of total assets is primarily due to changes in the following: reduction of property, plant and equipment by **€ 5.2 million** (due to depreciation of the year offsetting the additions to fixed assets for the year amounted to approximatelly € 10.2 million), the reduction of “deferred tax asset” by **€ 2.0 million**, the increase of trade and other receivables by 1,1 million (mainly due to the increase in trade receivables balances by € 3.1 increase in provisions for doubtful debts by € 6.1 milllion) ,decrease in income tax advance by € 1.3 million.

ii. Total Liabilities
Total liabilities as at December 31, 2016 amounted to € 183.2 million, decreased by 10,5% (December 31, 2015: € 193.7 million).
The decrease in total liabilities is mainly due to the following changes: the reduction of the provisions by approximatelly **€ 7.8 million** (provision for compensation of beneficiaries L. 4331/2015 by approximatelly € 4.4 million, provision for legal claims by third parties by € 3.4 million). Additionally there was a reduction of bank lending by the amount of **€ 6.0 million** due to the repayment of four installments of long-term loan. The above mentioned decrease was partially offset by an significant increase in ''other current liabilities'' by approximatelly **€ 3.1 million** which concerns mainly to the increase of Value Added Tax by € 1.1 million, the increase of concession agreement fee by € 1.0 million based on the new contract between PPA and Greek State on 24.06.2016.

**Critical ratios:**

| | **2016** | **2015** |
|---|---|---|
| GENERAL LIQUIDITY<br>(Current Assets / Short-term Liabilities) | 3,27 | 3.89 |
| QUICK LIQUIDITY<br>[(Current Assets – Inventories) / Short-term Liabilities] | 3,19 | 3.79 |
| DEBTS<br>(Banking Liabilities / Own Funds) | 0.42 | 0.46 |

J) **Financial instruments**

**Fair Value:** The carrying amounts reflected in the accompanying sheets of financial position for cash and cash equivalents, trade and other accounts receivable, prepayments, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of variable rate loans and borrowings approximate the amounts appearing in the statements of financial position.

The Company categorized its financial instruments carried at fair value in three categories, defined as follows:

Level 1: Quoted (unadjusted) values from active financial markets for identical negotiable assets or liabilities.

Level 2: Other technicques for which all inflows that have a significant impact on the recorded fair value are identified or determined directly or indirectly from active financial markets.

Level 3: Techniques that use inflows that have a significant impact on the recorded fair value and are not based on quoted prices from active financial markets.

During the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at December 31, 2016 and 2015, the Company held the following financial instruments measured at fair value:

| **2016** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings (including short term portion) | - | 74,499,999.99 | - | **74,499,999.99** |

| **2015** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings (including short term portion) | - | 80,499,999.99 | - | **80,499,999.99** |

**Credit Risk:** There is no significant credit risk for the Company towards the contracting parties, since it receives advance payments or letters of guarantee from customers. In addition, the Company's deposits are lined in bank financial institutions in Greece with ratings Caa3 (Moody's credit rating).

**Foreign Exchange Risk:** The Company is neither involved in international trade nor has any long term loans in foreign currency and therefore is not exposed to foreign exchange risk resulting from foreign currency rate variations.

**Interest rate risk:** The Company bank loans are expressed in Euro and are subject to floating interest rates. The Company does not use derivatives in financial instruments in order to reduce its exposure to interest rate risk fluctuation as at the balance-sheet date. The Company management believes that there is no significant risk resulting from a possible interest rate fluctuation.

The table below presents and analyses the sensitivity of the result in relation to financial assets (cash on hand and in banks) and financial liabilities (loans) of the Company to the interest rate risk changes assuming a simultaneous change in interest rates by ± 100 basis points.

| **2016** | | Interest rate risk | |
|---|---|---|---|
| **Financial assets** | Accounting values | +100bips(Euribor) | -100bips(Euribor) |
| Cash and cash equivalents | 43,763,194.93 | 437,631,95 | (437,631,95) |
| Effect before income tax | | 437,631,95 | (437,631,95) |
| Income tax 29% | | (126,913.27) | 126,913.27 |
| Net effect | | 310,718.68 | (310,718.68) |
| **Financial liabilities** | | | |
| Long term loans | (74,656,483.25) | (746,564.83) | 746,564.83 |
| Effect before income tax | | (746,564.83) | 746,564.83 |
| Income tax 29% | | 216,503.80 | (216,503.80) |
| Net effect | | (530,061.03) | 530,061.03 |
| **Total net effect** | | **(219,342.35)** | **219,342.35** |

| **2015** | | Interest rate risk | |
|---|---|---|---|
| **Financial assets** | Accounting values | +100bips(Euribor) | -100bips(Euribor) |
| Cash and cash equivalents | 59,432,087.51 | 594,320.88 | (594,320.88) |
| Effect before income tax | | 594,320.88 | (594,320.88) |
| Income tax 29% | | (172,353.05) | 172,353.05 |
| Net effect | | 421,967.83 | (421,967.83) |
| **Financial liabilities** | | | |
| Long term loans | (80,717,715.25) | (807,177.15) | 807,177.15 |
| Effect before income tax | | (807,177.15) | 807,177.15 |
| Income tax 29% | | 234,081.37 | (234,081.37) |
| Net effect | | (573,095.78) | 573,095.78 |
| **Total net effect** | | **(151,127.95)** | **151,127.95** |

**Liquidity risk:** The effective management of liquidity risk is secured by ensuring maintenance of adequate cash reserves and availability of funds if necessary. Corporate liquidity risk management is based on rationale management of working capital and cash flows.

The following table summarizes the maturities of financial liabilities December 31, 2016 and 2015, respectively, under the relevant contracts to un-discounted prices.

| Amounts of fiscal year 2016 | Current portion | Less than 6 months | 6-12 months | 1 to 5 years | >5 years | Total |
|---|---|---|---|---|---|---|
| Borrowings | - | 3,049,788.75 | 3,047,836.25 | 24,312,400.00 | 44,749,919.99 | **75,159,944.99** |
| Leases | 5,502.00 | 27,510.00 | 33,012.00 | 94,405.85 | - | **160,429.85** |
| Trade and other payables* | 5,546,594.31 | 5,621,771.71 | 8,309,051.54 | - | - | **19,477,417.56** |
| **Total** | **5,552,096.31** | **8,699,070.46** | **11,389,899.79** | **24,406,805.85** | **44,749,919.99** | **94,797,792.40** |

| Amounts of fiscal year 2015 | Current portion | Less than 6 months | 6-12 months | 1 to 5 years | >5 years | Total |
|---|---|---|---|---|---|---|
| Borrowings | - | 3,133,392.08 | 3,128,482.92 | 24,851,133.33 | 51,268,719.99 | **82,381,728.32** |
| Leases | 5,502.00 | 27,510.00 | 33,012.00 | 160,351.53 | - | **226,375.53** |
| Trade and other payables* | 3,990,559.16 | 4,112,312.39 | 7,752,669.84 | - | - | **15,855,541.39** |
| **Total** | **3,996,061.16** | **7,273,214.47** | **10,914,164.76** | **25,011,484.86** | **51,268,719.99** | **98,463,645.24** |

* Trade payables do not have interest and are settled in up to 60 days. Other payables also do not bear any interest and are settled in up to 12 months.

## Capital Management

The primary objective of the Company's capital management is to ensure the maintenance of high credit rating, and healthy capital ratios in order to support and expand the Company's operations and maximize shareholder value. The Company's policy is to maintain leverage targets, according to an investment grade profile. The Company monitors capital adequacy using the ratio of net debt to operating profits, which should be lower than 4.25 based on the loan agreements (note 20). The net debt includes interest-bearing loans, less cash and cash equivalents, while the operating profit including profit/ (loss) before taxes, financing costs and depreciation.

| | December, 31 | |
|---|---|---|
| | **2016** | **2015** |
| Long-term borrowings | 68,499,999.99 | 74,499,999.99 |
| Short-term borrowings | 6,000,000.00 | 6,000,000.00 |
| Leases | 156,483.26 | 217,715.26 |
| **Total Debt** | **74,656,483.25** | **80,717,715.25** |
| **Earning before interest, tax, depreciation and amortization (EBITDA)** | **24,656,579.04** | **23,520,035.07** |
| **- Net Debt / EBITDA** | **3.03** | **3.43** |

**K) Related parties**

The Company provides services to certain related parties in the normal course of business. The Company's transactions and account balances with related companies are as follows:

| Related party | Relation with the Company | Year ended | Sales to related parties | Purchases from related parties |
|---|---|---|---|---|
| PIRAEUS CONTAINER TERMINAL S.A. | Related Party | 31.12.2015 | - | - |
| | | 31.12.2016 | 43,936,647.89 | 5,908.48 |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | - | 64,000.00 |
| | | 31.12.2016 | - | - |
| NAFSOLP S.A. | Subsidiary | 31.12.2015 | - | 90,000.00 |
| | | 31.12.2016 | - | - |
| | **Total** | **31.12.2015** | **-** | **154,000.00** |
| | **Total** | **31.12.2016** | **43,936,647.89** | **5,908.48** |

| Related party | Relation with the Company | Year ended | Amounts due from related parties | Amounts due to related parties |
|---|---|---|---|---|
| PIRAEUS CONTAINER TERMINAL S.A. | Related Party | 31.12.2015 | - | - |
| | | 31.12.2016 | 4,780,459.41 | 7,326.50 |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | 8,768.31 | - |
| | | 31.12.2016 | - | - |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | - | - |
| | | 31.12.2016 | - | - |
| | **Total** | **31.12.2015** | **8,768.31** | **-** |
| | **Total** | **31.12.2016** | **4,780,459.41** | **7,326.50** |

The revenues and receivables from Pireaus Container Terminal are related to the fixed and variable revenue from the concession arrangement (PIER II & III).

The transactions with Piraeus Container Terminal S.A. relating to the whole year.

The Company, as part of its business, has transactions with government owned entities (e.g. PPC, EYDAP etc.), which are performed on commercial terms.

***Board of Directors Members Remuneration:*** During the year ended December 31, 2016, remuneration and attendance costs, amounting to € 205,971.94 (December 31, 2015: € 189,445.70) were paid to the Board of Directors members. Furthermore during the year ended December 31, 2016 emoluments of € 900,582.22 (December 31, 2015: € 828,616.13) were paid to Managers / Directors for services rendered.

**G) Distribution of Dividend of Financial Year 2016**

The Board of Directors has proposed the distribution of dividend for the year 2016, as the Company report profits.

# STATEMENT OF CORPORATE GOVERNANCE
# (Article 43bb of Codified Law 2190/1920)

## I. Code of Corporate Governance

The Company has established and follows a Code of Corporate Governance, which is available on the website of the Company, in the address www.olp.gr, through the link "investors' information /code of corporate governance".
The company does not apply any further corporate governance practices, additional to the practices which are analytically described in the applicable Code of Corporate Governance.

## II. Description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process

**II.1.** The internal control system of the Company covers adequately the control procedures involving risk management and preparation of financial reports.
**II.2.** In respect of the preparation of **financial statements**, the Company considers its accounting system adequate for reporting to the Management and external users. The financial statements are prepared in compliance with the International Financial Reporting Standards, as adopted by the European Union for reporting purposes to Management, and also for the purpose of publication in line with the applicable regulations (hereinafter, **"IFRS"**). All reports include the data of the current period, compared to the respective data of the Budget as approved by the Board of Directors, and to the data of the respective period of the year before the report. All published interim and annual financial statements include all necessary information and disclosures in compliance with the IFRS, are reviewed by the Audit Committee and are approved in their entirety by the Board of Directors.
**II.3.** Safeguards are implemented with respect to: a) supervision and approval of all important transactions through the structural hierarchy of the Company; b) monitoring of financial figures and risk evaluation as for the reliability of the financial statements; c) fraud prevention and tracking; and d) protection of data provided by information systems.
**II.4.** The internal reports to the Management and the reports required as per Codified Law 2190/1920 and by the supervisory authorities are prepared by the Financial Department, which is staffed with adequate and experienced executives to this effect.
**II.5.** The statutory auditors of the Company PRICEWATERHOUSE COOPERS S.A. (Greek AM SOEL 113), i.e. the statutory audit firm of financial statements of the Company for the year ended on 31 December 2016, are not related to the Company or to any persons having supervisory responsibilities over the Company's financial reporting which could be considered as affecting their independence as of the date of this report. Therefore, they remain independent within the meaning of Article 20 of Law 3693/2008.

## III. Reference to the information required by points (c), (d), (f), (h) and (i) of paragraph 1 of article 10 of the Directive 2004/25/EC

The above information is included in another part of the Management Report, i.e. in the Explanatory Report of the Board of Directors according to article 4, par. 7 and 8 of law 3556/2007.

## IV. Composition and operation of the administrative, management and supervisory bodies of the Company

### IV.1. General Assembly of Shareholders

**1.** The General Assembly of Shareholders is the supreme body of the Company, convened by the Board of Directors and entitled to resolve upon any matters concerning the Company. The shareholders have the right to participate either in person or through their legal representatives, according to the provisions of law each time in force.

**2.** During the General Assembly, the Chairman of the Board of Directors acts as temporary Chairman of the General Assembly. One or two of the present shareholders or of the shareholders' representatives appointed by the Chairman, act as temporary secretaries.

**3.** Immediately after the ratification of the list of shareholders entitled to vote, the General Assembly elects the final chair, consisting of the Chairman and one or two secretaries who also act as collectors of the votes.

**4.** The minutes of the General Assembly are signed by the Chairman and the Secretary of the General Assembly. Copies or extracts of the minutes are issued by the persons who have the authority to issue copies and extracts of the Minutes of the Board of Directors.

### IV.2. Board of Directors

**1.** The Company is governed by a Board of Directors. Subject to paragraph 7 below, the Board of Directors is composed of a minimum of nine (9) and a maximum of eleven (11) members (the “***Directors***”). Subject to paragraph 2 below, the Directors are elected by the General Assembly, which also determines their term of office.

**2.** As long as the Hellenic Republic Asset Development Fund S.A. or any global successor or successor by operation of law of the Hellenic Republic Asset Development Fund S.A. (each and collectively, the “***HRADF***”), continues to hold Ten per cent. (10%) or more of the Company’s total voting shares issued and outstanding, the HRADF shall be entitled to designate three (3) Directors in accordance with Section 18§3 of Codified Law 2190/1920, as in force.

**3.** Should any Director(s) appointed pursuant to paragraph 2 above resign or become incapacitated for whatever reason, they shall be replaced by such person(s) as the HRADF shall specify in a pertinent written notice to the Company, with immediate effect.

**4.** A legal entity may be appointed to act as Director. In such case, the legal entity must appoint an individual for the performance of the duties of the legal entity as member of the Board of Directors.

**5.** The General Assembly of shareholders may elect alternate (substitute) members of the Board of Directors, in order to replace those Directors who resign, pass away or whose tenure lapses for whatever reason.

**6.** In the case that it is not possible to replace a member whose membership has lapsed, by alternate members which have been elected by the General Assembly, the Board of Directors may, following a decision taken by the remaining Directors, provided that such remaining Directors are not less than three (3), elect new members, to replace those whose membership has lapsed.

**7.** In all cases of members whose membership has lapsed (due to resignation, death or in any other way), the Board of Directors is entitled to continue the management and representation of the Company, without being obliged to replace the lapsed members according to the previous paragraph, provided that the number of the remaining members exceeds half of the number of the members prior to the event that led to the lapse of the membership as per above and, in any case, is not less than six (6).

**8.** The Board of Directors elects one of the Directors as Chairman and may designate up to two (2) other Directors as Vice Chairmen to substitute the Chairman in case of absence.

**9.** The Board of Directors elects one of its members as the Chief Executive Officer (CEO) of the Company. The CEO and the Chairman may, but need not be, one and the same person.

**10.** Meetings of the Board of Directors shall convene within the Municipality of the registered office of the Company or alternatively within the prefecture of the Municipality of the registered office of the Athens Exchange.

**11.** The Board of Directors may convene by teleconference. Reasonable technical and security rules applicable to the conduct of meetings by teleconference are to be set by virtue of a special resolution of the Board of Directors.

**12.** The Chairman of the Board of Directors or his substitute chairs its meetings. Meetings of the Board of Directors are conducted in the Greek or English language. The minutes of the Board of Directors' meetings shall be kept in the Greek and English language and certified either by the Chairman or any of the Vice Chairmen or the Chief Executive Officer, each one of whom is entitled to issue copies and extracts of the minutes. A representative of the Company's workforce and/or a representative of the Municipality of Piraeus may attend meetings of the Board of Directors in the capacity of observers. Participation of such observers shall be limited to discussions relating to matters of relevance to employee matters or the city of Piraeus, respectively, or other matters of general importance where deemed appropriate by a majority of the total number of Directors. Observers may not attend meetings of the Board of Directors prior to entering into a confidentiality agreement with the Company on terms satisfactory to the Company.

**13.** The Board of Directors is competent to decide on any act concerning the Company's management, the administration of its assets and generally the pursuit of its objects, without any restrictions (with the exception of matters falling expressly within the competence of the General Assembly of shareholders) and to represent the Company at court and extra-judicially.

**14.** The Board of Directors may assign the exercise of the whole or part of its powers to one or more persons, members of the Board of Directors or not, employees of the Company or third parties, by determining the extent of the assigned powers. The persons, to whom the above powers have been assigned, bind the Company, being its representatives, to the extent of the powers assigned to them.

**15.** The new Board of Directors of the Company convened on August 10, 2016, and decided the appointment of its members as follows:

| | |
|---|---|
| 1) WAN Min | President of the BoD, Executive Member |
| 2) FU Chegqiu | Chief Executive Officer, Executive Member |
| 3) YE Weilong | Non-executive Member |
| 4) FENG Boming | Non-executive Member |
| 5) ZHU Jianhui | Non-executive Member |
| 6) KWONG Che Keung Gordon | Independent Non-executive Member |
| 7) IP Sing Chi | Independent Non-executive Member |
| 8) ARVANITIS Nikolaos | Independent Non-executive Member |
| 9) KOUVARIS Ioannis | Senior Consultant, Non-executive Member |
| 10) LIAGKOS Athanassios | Senior Consultant, Non-executive Member |
| 11) MORALIS Ioannis | Non-executive Member |

**16.** The term of the above Board of Directors expires on June 10, 2021.

**17.** CVs of the members of the Board of Directors can be found on the web page of the Company, at the link http://www.olp.gr/en/the-port-of-piraeus/management-board.

### IV.3. Administration Board

**1.** The Administration Board is operative in the Company, supports and advises the other bodies of the Company in the discharge of duties thereof and takes decisions on the matters, which have been assigned thereto by virtue of a relevant decision of the Board of Directors.

**2.** The Administration Board consists of the CEO, the Deputies to the CEO who head the Departments of the Company, the Assistant to the CEO and the Senior Consultants. The composition of the Administration Board may be increased to also include other members, by virtue of a relevant decision of the Board of Directors, without being necessary to amend the regulation for the internal operation of the Company.

**3.** On condition that the CEO invites the participation of the competent heads of Departments for matters falling within the competence thereof, this person/these persons may attend the meetings of the Administration Board without voting rights.

### IV.4. Audit Committee

**1.** The Audit Committee consists of three (3) Directors. For as long as the HRADF continues to hold Five per cent. (5%) or more of the total voting shares issued by the Company and outstanding, a non-executive Director of the HRADF's choice shall be appointed in the Audit Committee.

**2.** The Audit Committee is obligated to monitor the procedure of financial information, to monitor the effective operation of the Internal Control and risk management system, as well as to monitor the proper function of the internal auditors unit. Additionally, the Audit Committee is obligated to monitor the course of compulsory audit of individual and consolidated financial statements, to review and monitor matters relevant to the engagement and performance as well as the persistence of objectivity and independence of the statutory auditor or auditing firm, especially with regard to rendering other services by the statutory auditor or auditing firm.

**3.** The statutory auditor or auditing firm must report to the Audit Committee any matter relevant to the course and the results of the compulsory audit, and deliver a special report on the weaknesses of the internal control system, especially with regard to any weaknesses of the procedure concerning financial information and preparation of financial statements.

**4.** The current Audit Committee of the Company consists of the following members of the Board of Directors:

| | |
|---|---|
| KWONG Che Keung Gordon | President of the Audit Committee |
| FENG Boming | Member of the Audit Committee |
| LIAGKOS Ahanassios | Member of the Audit Committee |

### IV.5. Internal Audit Service

**1.** The Company has an Internal Audit Service, which reports directly to the Board of Directors. The Board of Directors appoints the Head of the Internal Audit Service and the internal auditors, pursuant to article 7 para. 3 of Law 3016/2002, as in force each time, who are supervised by the Audit Committee. In the frame of discharge of their duties, the internal auditors cooperate and report to regularly the Chairman of the Board of Directors and the CEO on the course of their work and, in particular, if this is requested or if there is an issue falling within the competence of Internal Audit with regard to a decision to be taken by the Board of Directors. The audits conducted by the internal auditors of the Company are carried out with due regard to the decisions of the Board of Directors, the mandates by the Management and the rules of conduct applicable on internal auditors on the basis of international and Greek standards.

**2.** The obligations of the Internal Audit Service are the following:

i. Monitoring the implementation and the constant compliance of the Articles of Association of the Company, the Regulation of Internal Organisation and Operation, the corporate procedures as approved by the BoD as well as legislation concerning the Company in general and, in particular, legislation on societes anonymes and stock exchange;
ii. Controlling compliance of the commitments, which are included in the information memoranda and the business plans of the Company with regard to the use of funds deriving from the stock exchange;
iii. Referring to the BoD of the Company any case of conflict of individual interests of the Members of the BoD or the management executives of the Company with the interests of the Company, which are found during the discharge of the duties thereof;
iv. Controlling the legitimacy of remuneration and any kind of allowance granted to members of Management, in relation to decisions of the competent bodies of the Company;
v. Controlling relations and transactions of the Company with connected companies, in the sense of article 42e para. 5 of Codified Law 2190/1920, as in force, as well as relations with other companies, in the capital of which members of the Board of Directors or shareholders thereof participate with a percentage of at least ten (10%) per cent.

**3.** Internal auditors must report to the BoD in writing, at least once per trimester, on the conducted audit and attend the General Assemblies of Shareholders.

**4.** Internal auditors provide, following approval by the BoD, any information, which may be requested in writing by the Supervisory Authorities, cooperate with the latter and facilitate in every possible way the work of monitoring, control and supervision conducted by such Authorities.

**5. In addition to the above competence, the Internal Audit Service conducts a sample audit of all** operations and transactions of the Company, in order to ensure:

i. Compliance with corporate strategy and policy as well as any other plans of the Company, operational procedures, laws and regulations, as well as preventive auditing mechanisms which have been set forth for any operation and transaction;
ii. Reliability and integrity of the financial and operational information;
iii. Proper and effective use of the assets of the Company;
iv. Achievement of objectives set for operations and planning; and
v. Safeguarding the assets of the Company from any kind of loss.

**6.** In the beginning of December each year, the Internal Audit Service drafts the annual control plan for the following year and submits it to the BoD for approval. Following the approval thereof, a detailed action plan per auditor is drafted.

**7**. In the end of each trimester, semester and in the end of each year, the Internal Audit Service submits to the BoD an assessment of its work.

## V. Diversity Policy applied in relation to the Company's administrative, management and supervisory bodies

**1.** According the Corporate Governance Code of the Company, the size and composition of the Board of Directors must allow for effective discharge of the duties thereof and reflect the size, activity and ownership of the business. The Board of Directors must be of the highest ethical standards of integrity and have a *diversity* of knowledge, qualifications and experience, to meet the corporate objectives. During the year 2016, as a result of the sale of the majority of the Company's shares, the composition of the Board of Directors changed as well. As such is reflected in the BoD's Members' CVs, the new Board consists of very experienced Directors, who have a diversified cultural and professional background, which is essential for the effective oversight of the Company's activities and for the smooth transition of the Company to a new period of growth.

**2.** At the end of the same period, the Company also completed the new organisational structure and the assignment of the managers and their deputies in the management positions of the company. For the first time, the process of assessing the candidates for the managerial positions was entrusted to an external consulting firm. It is worth mentioning that the executives who assumed new duties cover a wide range of educational background, professional experience but also age and gender diversity (around 40% of the managerial positions are covered by women). These characteristics enable them to constructively challenge the management decisions and to be more open to innovative ideas promoting thus more effectively the Company's interests.

**3.** In any case, the range of the Company's activities requires the contribution of skills and experience of a diverse range of people, therefore the diversity in the Company is applied in practice and not just theoretically. The Company is an equal opportunities employer and observes very seriously its obligations under the relevant law, i.e. Part A of Law 4443/2016 on "Implementation of the Principle of Equal Treatment".

## Board of Directors Explanatory Report (according to article 4, par. 7 and 8 of Law 3556/2007)

The present explanatory report of the Company's Board of Directors to the Ordinary General Meeting of Shareholders is an integral part of the Annual Report of the Board of Directors.

Share capital structure

The Company's share capital amounts to Euro fifty million (50,000,000€) and is divided into 25 million ordinary, registered shares, of a nominal value of Euro two (€2,00) each. Each share is entitled to one vote. The Company's shares are dematerialised and listed to trading on the Athens Stock Exchange.
According to the Company's Articles of Association, the Company's shares and rights deriving therefrom are indivisible and, in case of joint ownership, the joint owners exercise their rights through a common representative, whereas each joint owner is jointly and severally liable to the Company for the fulfillment of the obligations deriving from the share.

Restrictions on the transfer of the Company's shares

The Company's shares may be transferred in the manner laid down by law and there are no restrictions on their transfer contained in the Articles of Association of the Company.

Major direct or indirect holdings within the meaning of Articles 9 to 11 of Law 3556/2007

The major holdings (over 5%) as at 31.12.2016 were as follows:

- Following the execution of a share purchase agreement and over the counter transaction made on August 10th, 2016, COSCO Hong Kong Group Limited (currently incorporated under the corporate name COSCO SHIPPING (Hong Kong) Limited) holds 12,750,000 shares, i.e. 51% of shares and voting rights in the Company.
  COSCO SHIPPING (Hong Kong) Limited is 100% held by China Ocean Shipping (Group) Company, which is 100% held by China COSCO SHIPPING Corporation Limited, a Chinese state-owned company. As a result, China COSCO SHIPPING Corporation Limited, by indirectly holding 100% of COSCO SHIPPING (Hong Kong) Limited, indirectly holds 51% of the voting rights in the Company.
- As a result of the above referred transaction, the "Hellenic Republic Asset Development Fund S.A." holds 5,784,440 shares, i.e. 23.14% of shares and voting rights in the Company. By holding 100% of the "Hellenic Republic Asset Development Fund S.A", the Hellenic Republic indirectly holds 23.14% of the voting rights in the Company.
- Lansdowne Partners International Limited ("LPIL"), which controls Lansdowne Partners Limited ("LPL") and Lansdowne Partners (UK) LLP ("LPUK LLP") indirectly holds above 5% of the Company's voting rights. This percentage results from the shares held by the funds Lansdowne Eureka Fund LP, Lansdowne European Equity Master Fund Limited and Lansdowne European Long Only Master Fund Limited (''Landsdowne funds''), none of which holds more than 5% of the voting rights in the Company.

Holders of any type of shares granting special rights of control

There are no shares of the Company that grant to their holders special rights of control.

Restrictions to voting rights

The Company's Articles of Association do not contain any restrictions to the voting rights deriving from the Company's shares.

Agreements between shareholders which result in restrictions on the transfer of shares or limitations on voting rights

The Company is aware of a Shareholders Agreement dated 8 April 2016 between COSCO Hong Kong Group Limited (currently incorporated under the corporate name COSCO SHIPPING (Hong Kong) Limited) and Hellenic Republic Asset Development Fund S.A., which contains certain restrictions on the transfer of shares and certain limitations on voting rights of the contracting parties.

Rules of appointment and replacement of members of the Board of Directors and of amendment of the provisions of the Articles of Association, if they differ from the provisions of Codified Law 2190/1920

The rules contained in the Company's Articles of Association on appointment and replacement of members of the Board of Directors and on amendment of the provisions of the Articles of Association are not different from the provisions of Codified Law 2190/1920. However, the Company wishes to inform that according to article 7 of the Articles of Association, as long as the "Hellenic Republic Asset Development Fund S.A." or any global successor or successor by operation of law of the "Hellenic Republic Asset Development Fund S.A." (each and collectively, the "HRADF"), continues to hold ten per cent. (10%) or more of the Company's total voting shares issued and outstanding, the HRADF shall be entitled to designate three Directors, in accordance with Section 18§3 of Codified Law 2190/1920, as in force. Should any such Director(s) resign or become incapacitated for whatever reason, they shall be replaced by such person(s) as the HRADF shall specify in a written notice to the Company, with immediate effect.

Competence of the Board of Directors or of some of its members to issue new shares or purchase own shares according to article 16 of Codified Law 2190/1920

No special competence different from the provisions of Codified Law 2190/1920 is awarded by the Articles of Association to the Board of Directors or to some of its members to issue new shares or purchase own shares of the Company.

Important agreements contracted by the Company, which will enter into effect, be amended or expire in case of change in the Company's control following a public offer, and the results of such agreements

There are no such agreements.

Agreements that the Company has contracted with the members of the Board of Directors or with its personnel, which provide for the payment of compensation in case of resignation or release without substantiated reason or in case of termination of their term or employment due to a public offer

There are no such agreements.

Piraeus, February 16, 2017

THE PRESIDENT OF THE BoD

WAN Min

**Translation from the original text in Greek**

## Independent Auditor's Report

To the Shareholders of Piraeus Port Authority S.A.

### Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Piraeus Port Authority S.A. which comprise the statement of financial position as of 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing which have been transposed into Greek Law (GG/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Piraeus Port Authority S.A. as of December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

Taking into consideration, that management is responsible for the preparation of the Board of Directors' report and Corporate Governance Statement that is included to this report according to provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

a) In the Board of Directors' Report is included the Corporate Governance Statement that contains the information that is required by article 43bb of Codified Law 2190/1920.

b) In our opinion, the Board of Directors' report has been prepared in accordance with the legal requirements of articles 43a and 107A and paragraph 1 (c and d) of article 43bb of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31/12/2016.

c) Based on the knowledge we obtained from our audit for the Company "Piraeus Port Authority S.A." and its environment, we have not identified any material misstatement to the Board of Directors report.

Athens, February 16th 2017

| | |
|---|---|
| Despina Marinou | Dimitris Sourbis |
| SOEL Reg. No. 17681 | SOEL Reg. No. 16891 |

Pricewaterhouse Coopers S.A
268 Kifissias Avenue
152 32 Halandri
SOEL Reg. No. 113

# ANNUAL
# FINANCIAL STATEMENTS
# of
# PPA SA

for the year
January 1st – December 31st , 2016

In accordance with the International Financial Reporting Standards as adopted by the European Union

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

| | Notes | 01.01-31.12.2016 | 01.01-31.12.2015 |
|---|---|---|---|
| Revenues | 24 | 103,496,607.17 | 99,880,455.20 |
| Cost of sales | 25 | (71,157,872.91) | (73,729,889.19) |
| **Gross profit** | | **32,338,734.26** | **26,150,566.01** |
| Administrative expenses | 25 | (21,669,739.90) | (27,154,710.90) |
| Other operating expenses | 26 | (5,120,874.46) | (1,586,133.60) |
| Other operating income | 26 | 5,073,346.67 | 11,943,508.54 |
| Financial income | 27 | 957,825.90 | 1,896,870.12 |
| Financial expenses | 27 | (539,829.01) | (625,761.66) |
| Impairment of investments in subsidiaries | 8 | - | (852,048.32) |
| **Profit before income taxes** | | **11,039,463.46** | **9,772,290.19** |
| Income taxes | 9 | (4,340,586.57) | (1,396,536.02) |
| **Net profit after taxes (A)** | | **6,698,876.89** | **8,375,754.17** |
| **Net other comprehensive income not to be reclassified in profit or loss in subsequent period:** | | | |
| Re-measurement losses on defined benefits plans | 17 | (898,946.88) | (240,250.88) |
| Income taxes | | 260,694.60 | 69,672.76 |
| **Other total comprehensive income after tax (B)** | | **(638,252.28)** | **(170,578.12)** |
| **Total comprehensive income after tax (A)+(B)** | | **6,060,624.61** | **8,205,176.04** |
| **Profit per share (Basic and diluted)** | 30 | **0.2680** | **0.3350** |
| Weighted Average Number of Shares (Basic & Diluted) | 30 | 25,000,000 | 25,000,000 |

**The accompanying notes are an integral part of the Financial Statements**

# STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

| | Notes | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, Plant and Equipment | 4 | 255,896,153.54 | 261,098,568.04 |
| Investment property | 5 | 734,338.38 | 734,338.38 |
| Intangible assets | 6 | 19,129.51 | 50,522.36 |
| Investments in subsidiaries | 8 | - | 127,951.68 |
| Other non-current assets | 7 | 452,172.75 | 425,254.75 |
| Deferred tax assets | 9 | 12,532,939.52 | 14,488,745.69 |
| **Total non current assets** | | **269,634,733.70** | **276,925,380.90** |
| **Current assets** | | | |
| Inventories | 10 | 2,196,003.39 | 2,196,957.54 |
| Trade and Other Receivables | 11 | 29,674,314.01 | 28,605,940.50 |
| Restricted cash | 12 | 15,475,357.58 | 816,718.22 |
| Cash and cash equivalents | 12 | 43,763,194.93 | 59,432,087.51 |
| **Total Current Assets** | | **91,108,869.91** | **91,051,703.77** |
| **TOTAL ASSETS** | | **360,743,603.61** | **367,977,084.67** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | 50,000,000.00 | 50,000,000.00 |
| Other reserves | 14 | 77,331,612.86 | 76,996,669.02 |
| Retained earnings | | 50,259,822.63 | 47,319,141.86 |
| **Total equity** | | **177,591,435.49** | **174,315,810.88** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 19 | 68,499,999.99 | 74,499,999.99 |
| Long-term leases | 18 | 93,397.78 | 156,404.94 |
| Government grants | 15 | 19,335,264.29 | 20,195,228.95 |
| Reserve for staff retirement indemnities | 17 | 11,618,207.02 | 11,005,605.02 |
| Provisions | 16 | 16,303,360.16 | 24,110,963.41 |
| Deferred income | 22 | 39,430,497.87 | 40,276,219.76 |
| **Total Non-Current Liabilities** | | **155,280,727.11** | **170,244,422.07** |
| **Current Liabilities** | | | |
| Trade accounts payable | | 2,950,600.40 | 2,450,767.29 |
| Short term of long term borrowings | 19 | 6,000,000.00 | 6,000,000.00 |
| Short-term leases | 18 | 63,085.48 | 61,310.32 |
| Income tax | | 2,330,937.95 | 1,500,000.00 |
| Accrued and other current liabilities | 21 | 16,526,817.18 | 13,404,774.10 |
| **Total Current Liabilities** | | **27,871,441.01** | **23,416,851.71** |
| **Total liabilities** | | **183,152,168.12** | **193,661,273.79** |
| **TOTAL LIABILITIES AND EQUITY** | | **360,743,603.61** | **367,977,084.67** |

**The accompanying notes are an integral part of the Financial Statements**

## STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

| | Notes | Share capital | Statutory reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Total Equity at January 1, 2015** | | **50,000,000.00** | **8,290,851.78** | **68,287,029.53** | **42,007,746.62** | **168,585,627.93** |
| Profit after income taxes | | - | - | - | 8,375,754.17 | 8,375,754.17 |
| Other comprehensive loss after income taxes | | - | - | - | (170,578.12) | (170,578.12) |
| **Total comprehensive income after income taxes** | | **-** | **-** | **-** | **8,205,176.04** | **8,205,176.04** |
| Dividends paid | | - | - | - | (2,474,993.09) | (2,474,993.09) |
| Transfer to reserves | | - | 418,787.71 | - | (418,787.71) | - |
| **Total Equity at December 31, 2015** | | **50,000,000.00** | **8,709,639.49** | **68,287,029.53** | **47,319,141.86** | **174,315,810.88** |
| **Total Equity at January 1, 2016** | | **50,000,000.00** | **8,709,639.49** | **68,287,029.53** | **47,319,141.86** | **174,315,810.88** |
| Profit after income taxes | | - | - | - | 6,698,876.89 | 6,698,876.89 |
| Other comprehensive loss after income taxes | | - | - | - | (638,252.28) | (638,252.28) |
| **Total comprehensive income after income taxes** | | **-** | **-** | **-** | **6,060,624.61** | **6,060,624.61** |
| Dividends paid | **20** | - | - | - | (2,785,000.00) | (2,785,000.00) |
| Transfer to reserves | **14** | - | 334,943.84 | - | (334,943.84) | - |
| **Total Equity at December 31, 2016** | | **50,000,000.00** | **9,044,583.33** | **68,287,029.53** | **50,259,822.63** | **177,591,435.49** |

**The accompanying notes are an integral part of the Financial Statements**

# CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

| | Notes | 01.01-31.12.2016 | 01.01-31.12.2015 |
|---|---|---|---|
| **Cash flows from Operating Activities** | | | |
| Profit before income taxes | | 11,039,463.46 | 9,772,290.19 |
| Adjustments for: | | | |
| Depreciation and amortisation | 28 | 14,895,077.13 | 15,010,841.62 |
| Amortisation of government grants | 28 | (859,964.66) | (844,036.60) |
| Loss/ (Gain) on disposal / write off of property, plant & equipment | 26 | 500,170.09 | (164,518.83) |
| Financial (income)/expenses | 27 | (417,996.89) | (1,271,108.46) |
| Provision for staff retirement indemnities | 29 | 700,874.41 | 729,064.12 |
| Other Provisions | | 2,609,968.10 | 5,763,611.24 |
| Impairnment of subsidies | 8 | - | 852,048.32 |
| **Operating profit before working capital changes** | | **28,467,591.64** | **29,848,191.60** |
| **(Increase)/Decrease in:** | | | |
| Inventories | | 954.15 | (60,335.59) |
| Trade and other accounts receivable | | (7,559,637.61) | 2,526,336.10 |
| Other long term assets | | (26,918.00) | (76,465.00) |
| **Increase/(Decrease) in:** | | | |
| Trade accounts payable | | 499,833.12 | (748,198.24) |
| Accrued and other current liabilities | | 1,951,846.89 | 1,926,618.94 |
| Deferred income | | (845,721.89) | (1,313,248.15) |
| Interest paid | 27 | (394,187.94) | (285,900.65) |
| Payments for staff leaving indemnities | 17 | (987,219.29) | (657,846.61) |
| Compensation paid (beneficiaries L. 4331/2015) | 16 | (4,354,357.25) | - |
| Interest on debtors late payments | 27 | 510,438.44 | 776,548.50 |
| Increase of restricted cash | 12 | (14,658,639.36) | - |
| Payments for employees voluntary retirement | | - | (14,074,800.36) |
| Income taxes paid | | - | (2,379,082.50) |
| **Net cash from Operating Activities** | | **2,603,982.90** | **15,481,818.04** |
| **Cash flow from Investing activities** | | | |
| Grants received | 15 | 428,050.00 | - |
| Procceds from the sale of property, plant and equipment | | 5,000.00 | 177,312.10 |
| Capital expenditure for property, plant and equipment and intangible assets | 4,6 | (10,161,439.87) | (2,721,824.88) |
| Interest and related income received | 27 | 447,387.46 | 1,120,321.62 |
| **Net cash used in Investing Activities** | | **(9,281,002.41)** | **(1,424,191.16)** |
| **Cash flows from Financing Activities** | | | |
| Payments of long-term borrowings | | (6,000,000.00) | (6,000,000.00) |
| Net change in leases | | (61,232.00) | (290,066.69) |
| Dividends paid | 20 | (2,785,000.00) | (2,474,993.09) |
| Interest paid | 27 | (145,641.07) | (326,778.95) |
| **Net cash used in Financing Activities** | | **(8,991,873.07)** | **(9,091,838.73)** |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(15,668,892.58)** | **4,965,788.15** |
| **Cash and cash equivalents at the beginning of the year** | 12 | **59,432,087.51** | **54,466,299.36** |
| **Cash and cash equivalents of the end of the year** | 12 | **43,763,194.93** | **59,432,087.51** |

**The accompanying notes are an integral part of the Financial Statements**

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 1. ESTABLISHMENT AND ACTIVITY OF THE COMPANY:

"Piraeus Port Authority S.A" (from now on "PPA S.A." or "Company") was established in 1930 as Civil Law Legal Corporation (C.L.L.C.) by Law 4748/1930, which was revised by L.1559/1950 and was ratified by L.1630/1951 and converted into a Societé Anonyme (S.A.) by Law 2688/1999. The Company is located at the Municipality of Piraeus, at 10 Akti Miaouli street.

The Company's main objects based on its article of incorporation is to perform its obligations, conduct its activities and exercise its faculties under or in respect of the concession agreement between the Company and the Hellenic Republic dated 13 February 2002 regarding the use and exploitation of certain areas and assets within the Port of Piraeus, as amended and in force.

For the purpose of attaining its object under paragraph 1 above, the Company may, by way of an illustrative but no means exhaustive list, conduct and engage in the following activities:

(a) to use all rights assigned to the Company pursuant to the Concession Agreement and maintain, utilize and exploit all concession assets in accordance with the Concession Agreement;
(b) provide services and facilities to vessels, cargo and passengers, including ship berthing and cargo and passenger handling to and from the port;
(c) install, organize and exploit all kinds of port infrastructure;
(d) undertake any activities related to the port and all other commercial activities associated with or reasonably incidental to the operation of the port of Piraeus;
(e) engage third parties to provide any kind of port services;
(f) award contracts for works;
(g) engage in such further activities as are prudent or customary for the proper conduct of its business and operations in accordance with the Concession Agreement; and
(h) engage in any and all activities, transactions or operations of a type that are conducted by commercial corporations generally.

The Company's main activities are ships' anchoring services, handling cargo, loading and unloading services as well as goods storage and car transportation. The Company is also responsible for the maintenance of port facilities, the supply of port services (water, electric current, telephone connection etc. supply), for services provided to travelers (coastal and cruise ships) and for renting space to third parties.

The governed by the principles of Company Law 2190/1920 and the founding Law 2688/1999, as amended by Law 2881/2001 and Law 4404/2016.

The Company's duration period is one hundred (100) years from the effective date of Law 2688/1999. This period may be extended by special resolution of the shareholders general meeting.

The Company is a subsidiary of COSCO SHIPPING (Hong Kong) Limited which controls 51,00% of the voting rights, with date of transfer of such rights on 10 August 2016. COSCO SHIPPING (Hong Kong) Limited is 100% held by China Ocean Shipping (Group) Company, which is 100% held by China COSCO SHIPPING Corporation Limited, a Chinese state-owned company. As a result, China COSCO SHIPPING Corporation Limited, by indirectly holding 100% of COSCO SHIPPING (Hong Kong) Limited, indirectly holds 51% of the voting rights in PPA.

The Company's number of employees as at December 31, 2016 amounted to 1,092. At December 31, 2015, the respective number of employees was 1,129.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:

### (a) Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U.). These financial statements have been prepared under the historical cost.

The preparation of financial statements according to the IFRS requires estimates and assumptions to be made by the management, influencing the assets and liabilities amounts, the disclosure of potential receivable and liabilities as at the financial statement's date, as well as the revenue and expenditure amounts, during the financial period. Actual results may differ from these estimations. It also requires management to exercise its judgment in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(c).

The Management continuously assesses the situation and the possible future impacts in order to ensure that all necessary actions and initiatives are undertaken to minimize possible consequences for the Company's activities. The Management cannot accurately forecast the possible developments in the Greek economy; however, based on its assessment, the Management has reached the conclusion that no additional impairment provisions of the financial and non-financial assets of the Company are required on December 31, 2016.

Certain line items of the previous year's financial statements were reclassified in order to conform to the current year's presentation.

### (b) Approval of Financial Statements

The Board of Directors of the Company approved the financial statements for the year ended at December 31, 2016, on February 16, 2017. The abovementioned financial statements are subject to the final approval of the General Assembly of the Shareholders.

### (c) Significant Accounting Judgements and Estimates

The Company makes estimates and judgments in order to select the most appropriate accounting principles taking into consideration the future outcome of events and transactions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

***(i) Allowance for doubtful accounts receivables and legal cases :*** The Company's Management periodically reassess the adequacy of the allowance for doubtful accounts receivable and legal cases in conjunction with its credit policy and taking into consideration reports from its legal department, which are prepared following the processing of historical data and recent developments of the cases it is handling. The Company monitors these trade debtors' balances and makes provisions for doubtful debts on an individual basis if its recovery is considered unlikely. As a measure of recovery failure the Company is using the age of balance, the insolvency of the trade debtor, ability to exercise coercive measures and its objective difficulty. As doubtful debts are also considered most of the amounts claimed by the legal department, regardless of the likelihood of recovery of the amount. The maximum exposure to credit risk without taking account of guarantees and credit guarantees coincide with the trade receivable book value.

For the formation of the provision at issue cases is estimated the probability of negative outcome, as well as possible payment amounts for their settlement.

***(ii) Provision for income taxes:*** According to IAS 12, income tax provisions are based on estimations as to the taxes that shall be paid to the tax authorities and includes the current income tax for each fiscal year, the provision for additional taxes which may arise from future tax audits and the recognition of future tax benefits. The final clearance of income taxes may be different from the relevant amounts which are included in these financial statements.

***(iii) Depreciation rates:*** The Company's assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.

***(iv) Impairment of property, plant and equipment***: Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Company's management having assessed the segment report (Note 23) has identified indications of impairment for Pier I and has used discounted cash flows to calculate the value in use. Based on these calculations the present value of Pier I group of assets exceeds significantly the relevant book value.

## 3. PRINCIPAL ACCOUNTING POLICIES

The Company applies the following accounting principles for the preparation of the accompanying financial statements:

***(a)*** **Tangible Assets:** Buildings, technical projects and other building installations are valued at acquisition cost less accumulated depreciation and possible impairment provision. The privately owned land, machinery and other equipment, acquired before PPA's conversion into an S.A., 1.6.1999, were valued at deemed cost, arising by the Evaluation Committee of article 9 C.L. 2190/1920, while these acquired afterwards are valued at acquisition cost less accumulated depreciation and possible value impairment provision.

Acquisition cost of a building installation or equipment consists of purchase price including import duties, plus non-refundable purchase taxes as well as any cost required for the asset to become operational. Repairs and maintenance are posted to the financial period in which they were realized. Significant additions and improvements made at a later stage are capitalized in the relevant asset cost.

Fixed assets constructed by the Company are posted to the self-construction cost which includes subcontractors' fees, materials and technicians' payroll costs involved in the construction (including relevant employer contributions) as well as part of general administration expenses.

Assets under construction include fixed assets under construction and are stated at their cost. Assets under construction are not depreciated until the fixed assets are complete and operational.

***(b)*** **Depreciation:** Fixed assets are depreciated on a straight line basis according to the following useful lives per fixed asset category:

| Fixed Asset Categories | Useful Life (years) |
|---|---|
| Buildings, technical & port projects | 25-40 |
| Machinery & other equipment | 10-30 |
| Motor Vehicles | 5-12 |
| Floating transportation means | 20-35 |
| Furniture, fixture & fittings | 5-10 |

The residual value, the useful life and the depreciation method of the Company's assets are examined annually and they are adjusted if necessary.

***(c)*** ***Impairment of non-current financial assets***: Property, plant & equipment and intangible fixed assets must be evaluated for possible value impairment, when there are indications that the asset's accounting value is over its recoverable amount. When an asset's accounting value is over its recoverable amount, its respective impairment loss is posted to the period financial results. An asset's recoverable value is the greater amount between the fair value less cost of disposal and the value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows can be identified separately (cash generating units). The impairment losses recognized in prior periods in non-financial assets are reviewed at each reporting date for any reversal.

***(d)*** **Investment property:** Investment property principally comprising of land and buildings, is held by the Company for long-term rental yields and not for own use. Investment property is measured at cost less depreciation and impairment.

When the carrying amounts of the investment property exceed their recoverable amounts, the difference (impairment) is charged directly in the statement of comprehensive income. Land is not depreciated. The depreciation of buildings is calculated using the straight line method over the buildings' useful life which is 30 years.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation.

***(e)*** **Fixed Asset Subsidies:** Subsidies are considered as accrued income and are recognized as income at the same depreciation rate as the relevant subsidized fixed assets, are depreciated. This income is deducted from the depreciation in the period financial results.

***(f)*** **Intangible Assets:** Intangible assets concern software purchase cost and any expenditure for software development, in order to become operational. Software depreciation is calculated on a straight line basis and its useful life of 3-4 years.

***(g)*** **Borrowing Cost:** The Company has adopted the basic accounting policy suggested by IAS 23, where the borrowing cost recognized as expense in the statement of comprehensive income.

***(h)*** ***Financial Instruments:*** Financial assets and liabilities, stated in the statement of financial position, includes cash and cash equivalents, trade receivables prepayments and other receivables, borrowings and accrued and other current liabilities. The Company does not use financial instrument derivatives neither for balancing the risk nor for profit purposes. Financial instruments appear as receivable, liabilities or Equity based on the contents of the relevant contracts. Interest, dividends, profit and loss resulting from financial instruments, considered as receivable or liabilities are respectively posted as expenditure or income. Dividend distribution to shareholders is posted directly to Equity.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle such asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. Impairment of financial assets The Company assess at each reporting date, whether a financial asset or group of financial assets.

***(i)*** **Cash on hand and in banks:** The Company considers as cash (apart from cash on hand) time deposits and liquid investments maturing in three months from the acquisition date.

**(j)** **Receivable:** Trade receivables are initially recognized at their fair value which is equal to the transaction amount. Subsequently they are measured at amortised cost, less an allowance for any probable uncollectible amounts. If the recovery of claims is expected to take place within 12 months from year-end are recorded in current assets. Otherwise, recorded in non-current assets.

***(k)*** **Impairment of financial assets at amortised cost:** The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

***(l)*** ***Provisions***: Provisions are recognized when the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase of the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each reporting date, and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, they are reversed. Provisions are used only for expenditures for which they were originally recognized. No provisions are recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

***(m)*** ***Income Tax (Current and Deferred):*** Current and deferred income tax assessment is based on the relevant amounts of the financial statements, according to tax Laws effective in Greece. Current income tax concerns tax on the Company taxable profits, adjusted according to Greek tax Law and calculated using the current tax rate. Deferred tax is assessed using the liability method in all temporary tax differences on the balance- sheet date between the tax base and the accounting value of assets and liabilities. The expected tax consequences from the temporary tax differences are assessed and stated either as deferred tax liabilities or as deferred tax assets. Deferred tax assets are posted to the financial statements for all allowable temporary differences and tax losses carried forward as far as it is likely to set off these allowable temporary differences against available taxable profits.

The accounting value of deferred tax assets is revised at each balance- sheet date and it is reduced up to the point that it is not likely to have enough taxable profits, where part or all of the deferred tax assets may be set off against. Current income tax receivable and liabilities for current and previous financial years are valued at the amount expected to be paid to Tax Authorities (or be refunded by them), using the tax rates (and tax Laws) in force up to the balance- sheet date.

***(n)*** ***Revenue Recognition:*** All sales income categories are posted to the financial period they concern, while accrued and not invoiced services income is also accounted for at the balance- sheet date. Income is accounted for only if it is possible that financial benefits related to the transaction will inflow to the Company. Rental income is accounted for on a regular basis during the rental period, according to the rental agreement. Interest is accounted for on the accrual basis (taking into account the actual investment return).

***(o)*** ***Inventories:*** Material and spare parts related to the Company mechanical equipment maintenance are valued at the lower of acquisition cost and net realisable value and their cost is determined on the weighted average cost basis. Net realizable value is estimated based on the current selling price in the ordinary course of business, less selling expenses. Material is posted to inventories on purchase and recognized as expenditure on consumption.

***(p)*** ***Leases:*** Leases that actually convey to the Company all dangers and benefits relevant to the leased asset are classified as financial leases. Leased fixed assets are capitalized at the beginning of the lease at their fair value or at present value of total minimum finance lease payments, if the latter is lower. Financial lease payments are allocated between financial expenditure and financial liabilities reduction in order to achieve a fixed interest rate for the remaining liability balance. Financial expenditure is debited directly in the period financial results. Capitalized leased fixed assets are depreciated according to their expected useful life.

When the lessor retains all dangers and benefits of fixed asset ownership, then these leases are classified as operational leases. Operational lease payments are recognized as expenditure in the Comprehensive Income Statement on a regular basis during the lease.

***(q)*** ***Defined benefit plan:*** The staff termination indemnity provision recorded in the balance sheet for the defined benefit plan is the present value of the liability for the defined benefit in addition to changes occurring from any other actuarial profit or loss and the past service cost. The discount rate is considered as the yield, at the balance sheet date, of high quality European corporate bonds which have a maturity which approaches the time period of the Company's liability.

The liability for this plan is determined using the projected unit credit method from an independent valuer and is composed of the present value of accrued services during the year, the interest on future liabilities, the prior service cost and the actuarial gains or losses.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the statement of financial position with a corresponding debit or credit to the actuarial differences reserve through other comprehensive income in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

• The date of the plan amendment or curtailment, and
• The date that the Company recognizes restructuring-related costs

According to the collective PPA S.A. employee agreement (article 9 CA/2000 and article 5 CA/2004) the Company must pay retirement allowances to permanent C.L.L.C. employees equal to the total of seven month regular salary. To employees working under employment contract the Company pays either retirement allowance according to previous regulations or indemnity according to Law 2112/20 as these are revised and effective today according to each employee's previous employment period. Workers are compensated in accordance with the provisions of L. 2112/1920, as these are applied also to employees, and cannot exceed the limit set by L. 173/67 for the broader public sector, as well as the provisions of cases 2 & 3 of subparagraph IA.12 of L. 4093/2012. All of the above, either retirement allowances or indemnities paid, could not exceed the amount of € 15,000 which was revised for employees to € 30,000. With the provisions of L. 3833/2010 and L. 3845/2010 the amount of € 30,000 amounts to € 28,531.50.

***(r)*** ***National Insurance Programs:*** The obligation for main or supplementary pension provision is covered by the main National Insurance Department (IKA- Social Insurance Institute) which concerns private sector and provides retirement, medical and pharmaceutical services. Each employee is obliged to contribute part of his salary to the National Insurance Department, while part of the total contribution is paid by the Company. On employee retirement the National Insurance Department is responsible for their pension payments. Therefore, the Company has no legal or presumed obligation for future payments according to this program.

The Company employees are also eligible, on retirement, for a lump sum payment by the Welfare Fund according to the Fund's statutory regulations and Law 2084/92. For employee welfare, the maximum amount payable is 44,240.00 Euro in conformity with Presidential Decree 389/1998 (Government Press 268A) which specifies as top limit the 11th salary range for higher education employees in public sector.

For longshoremen welfare, the payable amount is specified each time based on last decade's contributions and the employee years of service. Each employee is obliged to contribute part of his salary to the Fund, while part of the total contributions are paid by the Company. Welfare Fund is a C.L.L.C., responsible for the above payments. Therefore, the Company has no legal or presumed obligation for future payments according to this program.

***(s)*** ***Earnings per Share:*** Earnings per share are calculated by dividing the financial period net profit, corresponding to ordinary shareholders, by the weighted average number of ordinary shares issued. The accompanying financial statements did not include any profit decreasing bonds or other stock, convertible to shares. Consequently, diluted earnings per share were not calculated.

**(t)** ***Interest- Bearing Loans:*** All loans are initially accounted for at the cost that is the actual loan value less the expenditure related to the loan issue. Afterwards, interest- bearing loans are valued at net book cost on the actual interest rate basis. Net book cost is calculated considering the loan issue expenditure and the difference between the initial and final loan amount. Profits and losses are accounted for a net profit or loss when liabilities are written off or impaired and by depreciation procedure.

***(u)*** ***Dividends:*** Dividends are accounted for when receipt rights are finalized by the resolution of the shareholders general meeting.

***(v)*** ***Concession Agreement to PPA S.A.:*** In persuasion of the 35th article of 2932/2001 Law, Greek Government and the Company signed on 13.2.2002 the Concession Agreement, by which the government transfers its exclusive right of use and exploitation of port zone lands, buildings and facilities of Piraeus Port to the Company.

This concession was agreed for fixed period, specifically of 40 years initial duration, beginning on the day the agreement was signed and ending on 13.2.2042. It is possible for the initial duration to be extended once or for several times, within Law top limits by a new written agreement and modification of the 4.1 article of the Concession Agreement. With the Common Ministry Decision (CMD) no. 8322/3-12-2008, published in Government Paper 2372/21-11-2008, the Concession Agreement duration is modified from 40 to 50 years, beginning on the 13/2/2002 (initial signature date) and ending on the respective date of the year 2052.

Company's Management has examined whether the contract for the concession of the exclusive right to use and exploit land, buildings and facilities at the Port of Piraeus Land Zone fall under the scope of the provisions of Interpretation 12. The management concluded that the agreement in question does not fall under the scope of application of Interpretation 12.

In exchange for the above Concession Greek Government receives 1% of the Company’s consolidated annual income for each of the first 3 years of the agreement. The above percentage will increase to 2% of the Company’s consolidated annual income after the 3rd year, on the same calculation basis. Based on the new Concession Agreement signed on 24.6.2016 the percentage to Greek State increased to 3.5% of the Company’s consolidated annual income. The concession consideration is recognized in expenses for the year and is included in the third party expenses (Note 25).

The Company most significant obligations arising from this agreement are:

- Constant port rendering services
- Responsibility for the installation, improvement and maintenance of the security level in the Piraeus Port area.
- Ensure fair deal to all port users
- Payment of maintenance expenditure for all the property included in the Concession Agreement

***w)*** ***Concession Agreement of Piers II and III with Cosco Pacific Ltd:*** The N.3755/2009 ratified by the Parliament the concession of use and operation of piers II and III between PPA and Cosco Pacific Ltd. The contract term provided for 35 years at current exchange rates € 4.3 billion, of which 79% guaranteed and will be held investments totaling € 620 million. The Concession Agreement entered into force on 1/10/2009 and till 31/5/2010 the operation of Pier II was provided by the PPA SA staff as a subcontractor. Within this period the project in Pier I, which was constructed by PPA SA, was completed and started its operation by providing services directly to P.P.A SA clients.

Published in the Government Gazette 269 / 24.12.2014 the Agreement B. Modification of the original Concession Agreement (OG 52 / 30.03.2009) between PPA SA and SEP SA, following the 'Practical Process Amicable Settlement'.

According to the above, the payment of the Guaranteed consideration was suspended, no later than 31.12.2021 and replaced by paying only Variable consideration that arises as a percentage on consolidated revenues of PCT SA from the previous contract year.

The calculation of fixed consideration I & II is adjusted regarding the length of exploitation and the corresponding sq.m. as planned, after the commissioning of the western side of Pier III, increasing the length of new posts berthing ships 567 m. and 135,330 sq.m.

In addition, the calculation of fixed consideration I & II will take into account the contractual increase by 803,0 m. and 152,672 sq.m. to the East Side of Pier III. For the period from 1/10/2016 to 31/12/2016 the calculation based on the part of East Side in Pier III, which already completed.

The concession consideration is recognized in income for the period and the amount of the consideration is calculated in accordance with the terms of the contract. Payment of Variable Consideration on a monthly basis and payment of the standard exchange every six months.

***(x)*** ***Foreign Currency Conversion:*** The Company operations are all performed in Euro. Transactions made in foreign currencies are converted into Euro using exchange rates effective at the transaction date. Receivable and liabilities in foreign currency are adjusted at the financial statements preparation date in order to state the exchange rates effective at that date. Gains or losses arising from these adjustments are included in the accompanying Comprehensive Income Statement as foreign exchange gains or losses.

**Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the annual financial statements, are consistent with those followed for the year ended December 31, 2015, except for the adoption of new standards and interpretations applicable for fiscal periods beginning at January 1, 2016. However, those standards have either no significant effect on the Financial Statement of the Company, or no application for the Company.

***New standards, amendments to standards and interpretations:***Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years. The Company's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

**Standards and Interpretations effective for the current financial year**

**IAS 19R (Amendment) "Employee Benefits"**

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

**IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation**

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

**IAS 1 (Amendments) "Disclosure initiative"**

These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

**Annual Improvements to IFRSs 2012**

The amendments set out below describe the key changes to certain IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project.

*IFRS 8 "Operating segments"*

The amendment requires disclosure of the judgements made by management in aggregating operating segments.

*IFRS 13 "Fair value measurement"*

The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in caseswhere the impact of not discounting is immaterial.

*IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"*

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

*IAS 24 "Related party disclosures"*

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Annual Improvements to IFRSs 2014**

The amendments set out below describe the key changes to four IFRSs.

*IFRS 7 "Financial instruments: Disclosures"*

The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

*IAS 19 "Employee benefits"*

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

**Standards and Interpretations effective forsubsequent periods**

**IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected creditlosses model that replaces the incurred loss impairment model usedtoday. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.The Company is currently investigating the impact of IFRS 9 on its financial statements.

**IFRS 15 "Revenue from Contracts with Customers"**(effective for annual periods beginning on or after 1 January 2018)

IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.The Company is currently investigating the impact of IFRS 15 on its financial statements.

**IFRS 16 "Leases"**(effective for annual periods beginning on or after 1 January 2019)

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently investigating the impact of IFRS 16 on its financial statements.The standard has not yet been endorsed by the EU.

**IAS 7 (Amendments) "Disclosure initiative"** (effective for annual periods beginning on or after 1 January 2017)

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not yet been endorsed by the EU.

**IAS 40 (Amendments) "Transfers of Investment Property"**(effective for annual periods beginning on or after 1 January 2018)

The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

There are no other standards or interpretations which are mandatory for subsequent periods and are expected to have a material impact on the financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## 4. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment in the accompanying financial statements for the Company are analysed as follows:

| | Buildings | Machinery & equipment | Motor vehicles | Furniture, fixtures and fittings | Advances & Assets under construction | Total |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| **Balance January 1, 2015** | **220,849,216.16** | **170,021,292.52** | **14,590,467.74** | **11,389,968.09** | **2,407,372.82** | **419,258,317.34** |
| Additions | 231,193.01 | 311,291.98 | 1,520,807.50 | 283,587.38 | 371,497.91 | **2,718,377.78** |
| Disposals/ write off | - | (4,286,409.70) | - | (6,706.50) | - | **(4,293,116.20)** |
| Transfers | 48,301.58 | - | 262,462.50 | - | (310,764.08) | **-** |
| **Balance December 31, 2015** | **221,128,710.75** | **166,046,174.80** | **16,373,737.74** | **11,666,848.97** | **2,468,106.66** | **417,683,578.91** |
| Additions | 506,701.75 | 467,658.00 | | 529,881.42 | 8,723,497.70 | **10,227,738.87** |
| Disposals/ write off | - | (1,499,785.63) | (14,120.47) | (5,113,132.48) | (67,799.00) | **(6,694,837.58)** |
| Transfers | 4,418,667.43 | - | - | - | (4,418,667.43) | - |
| **Balance December 31, 2016** | **226,054,079.93** | **165,014,047.17** | **16,359,617.27** | **7,083,597.91** | **6,705,137.93** | **421,216,480.20** |
| **DEPRECIATION** | | | | | | |
| **Depreciation January 1, 2015** | **(52,729,661.17)** | **(76,759,181.96)** | **(6,560,623.21)** | **(9,852,286.22)** | **-** | **(145,901,752.56)** |
| Depreciation (note 28) | (6,685,117.65) | (7,400,040.17) | (578,411.40) | (300,011.81) | **-** | **(14,963,581.03)** |
| Disposals/ write off | - | 4,273,616.21 | - | 6,706.50 | **-** | **4,280,322.71** |
| **Depreciation December 31, 2015** | **(59,414,778.82)** | **(79,885,605.92)** | **(7,139,034.61)** | **(10,145,591.53)** | **-** | **(156,585,010.88)** |
| Depreciation (Note 28) | (6,739,640.50) | (7,188,042.56) | (600,427.84) | (334,073.74) | **-** | **(14,862,184.64)** |
| Disposals/ write off | - | 1,101,246.75 | 14,120.46 | 5,011,501.64 | **-** | **6,126,868.85** |
| **Depreciation December 31, 2016** | **(66,154,419.32)** | **(85,972,401.73)** | **(7,725,341.99)** | **(5,468,163.63)** | **-** | **(165,320,326.67)** |
| **NET BOOK VALUE** | | | | | | |
| **January 1, 2015** | **168,119,554.99** | **93,262,110.56** | **8,029,844.53** | **1,537,681.88** | **2,407,372.82** | **273,356,564.78** |
| **December 31, 2015** | **161,713,931.93** | **86,160,568.88** | **9,234,703.13** | **1,521,257.44** | **2,468,106.66** | **261,098,568.04** |
| **December 31, 2016** | **159,899,660.61** | **79,041,645.44** | **8,634,275.28** | **1,615,434.28** | **6,705,137.93** | **255,896,153.54** |

**Insurance cover of the Piraeus Port Authority (PPA S.A.) property, plant and equipment:** The PPA S.A. property, plant and equipment are insured to various insurance companies. Insurance cover concerns civil liability of plant and machinery up to June 30, 2017, civil and employer cover for fire and machinery technical damages, up to December 31, 2016.

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor.

The net book value of the Company's capitalized leased assets at December 31, 2016 and at December 31, 2015, amounted to € 235,504.38 and € € 271,066.68 respectively and analyzed as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Motor Vehicles | 235,504.38 | 271,066.68 |
| **Total** | **235,504.38** | **271,066.68** |

## 5. INVESTMENT PROPERTY

For the year ended at December 31, 2016:

| | Land | Buildings | Total |
|---|---|---|---|
| **Net Book Value at January 1st, 2016** | **734,338.35** | **0.03** | **734,338.38** |
| Additions | - | - | - |
| Depreciation | - | - | - |
| **Net Book Value at December 31st, 2016** | **734,338.35** | **0.03** | **734,338.38** |
| | | | |
| January 1st, 2016 | | | |
| Cost | 734,338.35 | 0.03 | 734,338.38 |
| Accumulated Depreciation | - | - | - |
| **Net Book Value** | **734,338.35** | **0.03** | **734,338.38** |
| | | | |
| December 31st, 2016 | | | |
| Cost | 734,338.35 | 0.03 | 734,338.38 |
| Accumulated Depreciation | - | - | - |
| **Net Book Value** | **734,338.35** | **0.03** | **734,338.38** |

For the year ended at December 31, 2015:

| | Land | Buildings | Total |
|---|---|---|---|
| **Net Book Value at January 1st, 2015** | **734,338.35** | **0.03** | **734,338.38** |
| Additions | - | - | - |
| Depreciation | - | - | - |
| **Net Book Value at December 31st, 2015** | **734,338.35** | **0.03** | **734,338.38** |
| January 1st, 2015 | | | |
| Cost | 734,338.35 | 0.03 | 734,338.38 |
| Accumulated Depreciation | - | - | - |
| **Net Book Value** | **734,338.35** | **0.03** | **734,338.38** |
| December 31st, 2015 | | | |
| Cost | 734,338.35 | 0.03 | 734,338.38 |
| Accumulated Depreciation | - | - | - |
| **Net Book Value** | **734,338.35** | **0.03** | **734,338.38** |

Investment property includes seven land and four buildings (commercial spaces and schools).

There is no investment property that has been pledged as security.

The fair value of the investment property as at December 31, 2016 was amounted to € 4.4 million according to the report of the independent appraiser 'Mavrakis Certified Appraisers' and based on comparative assessment method, residual replacement cost method and cost approach depending on the particular characteristics of the property.

Income from rent for the above investment property as at December 31, 2016 and December 31, 2015 amounted to € 1,200.00 and € 1,000.00 respectively and is included in other operating income (Note 26). For the years ended December 31, 2016 and 2015 there were no repair and maintenance costs for investment property.

## 6. INTANGIBLE FIXED ASSETS

For the year ended December 31, 2016:

| | Software |
|---|---|
| **Net Book Value January 1, 2016** | **50,522.36** |
| Additions | 1,500.00 |
| Write off | (0.36) |
| Amortisation of the year (Note 29) | (32,892.49) |
| **Net Book Value December 31, 2016** | **19,129.51** |
| January 1, 2016 | |
| Cost | 8,401,529.02 |
| Accumulated amortisation | (8,351,006.66) |
| **Net Book Value** | **50,522.36** |
| December 31, 2016 | |
| Cost | 8,399,627.34 |
| Accumulated amortisation | (8,380,497.83) |
| **Net Book Value** | **19,129.51** |

For the year ended December 31, 2015:

| | Software |
|---|---|
| **Net Book Value January 1, 2015** | **94,335.44** |
| Additions | 3,447.50 |
| Amortisation of the year (Note 29) | (47,260.58) |
| **Net Book Value December 31, 2015** | **50,522.36** |
| | |
| January 1, 2015 | |
| Cost | 8,398,081.52 |
| Accumulated amortisation | (8,303,746.08) |
| **Net Book Value** | **94,335.44** |
| | |
| December 31, 2015 | |
| Cost | 8,401,529.02 |
| Accumulated amortisation | (8,351,006.66) |
| **Net Book Value** | **50,522.36** |

## 7. OTHER NON-CURRENT ASSETS

This account consists of the following:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Guarantees to third parties | 389,257.75 | 377,557.75 |
| Car leases guarantees | 62,915.00 | 47,697.00 |
| **Total** | **452,172.75** | **425,254,75** |

## 8. INVESTMENT IN SUBSIDIARIES

Subsidiaries in which PPA SA is involved are as follows:

| Subsidiary | Consolidation Method | Participation Relationship | Participation | | Balance | |
|---|---|---|---|---|---|---|
| | | | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| NAFSOLP SA. | (1) | Direct | - | 100% | - | 530,000.00 |
| LOGISTIC OLP A.E. | (1) | Direct | - | 100% | - | 450,000.00 |
| | | | | | **-** | **980,000.00** |
| Provision for impairment | | | | | - | (852,048.32) |
| | | | | | **-** | **127,951.68** |

Both subsidiaries were incorporated in Greece.

(1) The Company until December 31, 2015 did not consolidate the two subsidiaries in the consolidated financial statements due to the immateriality of financial figures of subsidiaries.

Following a review of the purpose and activities of the two subsidiaries at September 2015 and taking into account their significant accumulated losses, the management decided their dissolution and liquidation, which was completed at March 9, 2016. For this reason, at December 31, 2015, the Company proceeded to their impairment in the amount of its participation, reduced by the liquidation of its company. After the liquidation of the subsidiaries, the Company has written off its investment in subsidiaries.

## 9. INCOME TAX (CURRENT AND DEFERRED)

According to the new Greek tax law L.4334/GG A' 80/16.07.2015, the tax rate for the Societies Anonymes in Greece, was raised from 26% to 29%, for the fiscal years beginning January 1, 2015.

The amount of income taxes which are reflected in the accompanying statements of comprehensive income are analysed as follows:

| | **1/1-31/12/2016** | **1/1-31/12/2015** |
|---|---|---|
| Current income taxes | 2,124,085.80 | 706,159.80 |
| Deferred income taxes | 2,216,500.77 | 690,376.22 |
| **Total** | **4,340,586.57** | **1,396,536.02** |
| | | |
| **Other Comprehensive Income** | | |
| Deferred income taxes | (260,694.60) | (69,672.76) |
| **Total** | **(260,694.60)** | **(69,672.76)** |

Greek tax laws and regulations are subject to interpretations by the tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

***Tax Compliance certificate:***

From the financial year 2011 and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an "Annual Tax Certificate" as provided by Article 65A of L.4174/2013. This "Annual Tax Certificate" must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm. This "Tax Compliance Report" must be submitted to the Ministry of Finance, within ten days from the date of approval of the financial statements by the General Meeting of Shareholders.

The Company has not been audited by the tax authorities for the fiscal years 2009 and 2010. A tax audit for the Company's fiscal years 2009 and 2010 is in progress. The Company believes that it has provided adequate provision (€ 1.5 million) for probable future tax assessments based upon previous years' tax examinations and past interpretations of the tax laws.

For the Company, the tax audit for the financial years 2011 to 2015 was performed by their statutory auditors. The tax audit for the current financial year is in progress by the company's statutory auditors. The tax certificate will be granted after the publication of the Financial Statements.

The movement of the deferred tax asset is as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Opening balance** | **14,488,745.69** | **15,109,449.15** |
| Income taxes [credit/(debit)] | (2,216,500.77) | (690,376.22) |
| Income taxes [credit/(debit)] – Other Comprehensive Income | 260,694.60 | 69,672.76 |
| **Closing balance** | **12,532,939.52** | **14,488,745.69** |

The movement in deferred tax assets/liabilities as at December 31, 2016 and 2015 is as follows:

| | Statement of financial position | | Statement of comprehensive income | |
|---|---|---|---|---|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| **Deferred tax assets:** | | | | |
| Investment property | 190,886.04 | 190,886.04 | - | 19,746.83 |
| Staff retirement indemnities | 3,369,280.04 | 3.191.625.46 | 177,654.58 | 411,149.93 |
| Provision for voluntary retirement | - | - | - | (4,923,716.86) |
| Provision for bad debts | 11,031,934.47 | 9,297,660.96 | 1,734,273.51 | 2,300,956,39 |
| Provision for workers' compensation L. 4331/2015 | 128,268.79 | 1.391.032.39 | (1,262,763.60) | 1,391,032.39 |
| Impairment of subsidiaries due to their liquidation | - | 247.094.01 | (247,094.01) | 247,094.01 |
| Other | 926,616.86 | 1.008.987.39 | (82,370.53) | 109,570.35 |
| **Deferred tax asset** | **15,646,986.20** | **15,327,286.25** | **319,699.95** | **(444,166.96)** |
| **Deferred tax liabilities:** | | | | |
| Depreciation based on useful life | (740,099.45) | 17.520.33 | (757,619.78) | (742,330.68) |
| Provision/Write off for disputed claims by third parties | (1,822,922.62) | - | (1,822,922.62) | 440,367.31 |
| Finance lease | (551,024.61) | (856,060.90) | 305,036,29 | 125,426.87 |
| **Deferred tax liability** | **(3,114,046.68)** | **(838,540.57)** | **(2,275,506.11)** | **(176,536.50)** |
| **Deferred tax asset** | **12,532,939.52** | **14,488,745.69** | | |
| **Deferred tax recognized in the statement of comprehensive income** | | | **(1,955,806.17)** | **(620,703.46)** |

## 10. INVENTORIES

Inventories in the accompanying financial statements are analysed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Consumable materials | 999,836.21 | 980,746.33 |
| Spare parts and equipment | 1,196,167.18 | 1,216,211.21 |
| **Total** | **2,196,003.39** | **2,196,957.54** |

The total consumption cost for the period from January 1st, 2016 to December 31, 2016 amounted to € 914,323.83 while that of the respective period from January 1st, 2015 to December 31, 2015 amounted to € 1,477,806.82 (Note 25). There was no inventory devaluation to their net realisable value.

## 11. TRADE AND OTHER RECEIVABLES

This account is analysed in the accompanying financial statements as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Trade Debtors | 55,931,180.54 | 52,784,622.36 |
| **Minus:** Provision for doubtful debts | (38,557,092.09) | (32,493,877.99) |
| Receivable from project contractor of Pier I | 4,168,520.16 | 4,972,215.16 |
| **Less**: Allowance for project contractor of Pier I | (416,852.02) | (499,812.69) |
| Personnel loans | 537,410.80 | 683,427.25 |
| Prepaid Expenses | 248,709.57 | 338,047.10 |
| Income Tax advances | - | 1,305,444.07 |
| Other receivable | 7,762,437.05 | 1,515,875.24 |
| | **29,674,314.01** | **28,605,940.50** |

The Company receives payments in advance for services rendered on an ordinary basis, which are then settled on a regular basis Customer payments in advance of € 3,123,228.22 are stated at liabilities in the account "Accrued and other current liabilities" (December 31, 2015: € 3,650,737.18) (Note 21).

The movement in the allowance for doubtful trade receivables is analysed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Beginning balance** | **32,493,877.99** | **27,275,886.75** |
| Provision for the year (Note 26) | 6,063,214.10 | 5,217,991.24 |
| **Ending balance** | **38,557,092.09** | **32,493,877.99** |

The ageing analysis of trade receivables is as follows:

| | December 31 | |
|---|---|---|
| | 2016 | 2015 |
| Neither past due nor impaired | 8,674,489.74 | 7,454,874.24 |
| Part due not impaired | | |
| 10-90 days | 1,633,170.49 | 1,631,967.25 |
| 91-180 days | 1,120,956.20 | 767,616.45 |
| 181-365 days | 1,525,168.10 | 1,554,252.16 |
| >365 days | 4,471,038.12 | 8,932,768.47 |
| **Total** | **17,424,822.65** | **20,341,478.57** |

Trade receivables are-interest bearing and are normally settled on 10 days' terms. One single customer represents 42% of the Company's total revenue (Note 32) (December 31, 2015: 40%). The outstanding amount of this customer as at December 31, 2016 amounted to € 4.8 million (December 31, 2015: € 2.8 million).

The ageing analysis of receivables referring to more than one year applies to claims for which the Company has filed appeals and the management and the Legal Department will estimate that the final court decision will be in favor of the Company.

**Receivables from project contractor of Pier I:** This claim represents the difference found in incorrect data application on some review rates of the Ministry (IPEXODE) and was recognized by the project contractor of Pier I. At March 9, 2012 the Company and the project contractor of Pier I consigned an "extrajudicial agreement of debt acknowledgment", under which the requirement from the later will be paid in seven (7) instalments up to December 31, 2012. Then on the 24th of September, 2012, the request of the contractor of the project "Pier I' was partially approved and the debt settled in fourteen (14) monthly instalments starting from September 30, 2012 onwards until October 31, 2013.

Due to non-compliance of settlement, the PPA held in October 2013 in forfeiture contractor's guarantee letters for accrued interest of € 1.5 million and is expected to debate the re-settlement agreement instalments.

Furthermore, due to this non-compliance of settlement, the Company, through its Board of Directors, decided on the 24th of February 2014 to immediately exercise any remedy and recourse to any procedure for the forced recovery of its claim.

The movement in the allowance for other receivables is analysed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Beginning balance** | **499,812.69** | **656,100.00** |
| Provision reversal | (82,960.67) | (156,287.31) |
| **Ending balance** | **416,852.02** | **499,812.69** |

***Personnel loans:*** The Company provides interest-free loans to its personnel. The loan amount per employee does not exceed approximately € 3,000.00 and loan repayments are made by withholding monthly instalments from the employee salaries.

***Other receivable:*** Other receivable includes the receivable from the reductions in the payroll cost according to the L. 4024/2011 of € 2,580.52, along with various third party receivables and Greek government of € 7,759,856.53 (December 31, 2015: € 158,319.28, and € 1,357,555.96 respectively).

## 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the accompanying financial statements are analyzed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Cash in hand | 253,623.72 | 446,925.30 |
| Cash at banks and time deposits | 43,509,571.21 | 58,985,162.21 |
| Total | **43,763,194.93** | **59,432,087.51** |
| Restricted cash | 15,475,357.58 | 816,718.22 |
| **Total** | **59,238,552.51** | **60,248,805.73** |

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended December 31, 2016, amounted to € 447,387.46 (for the year ended December 31, 2015, € 1,120,321.62) and are included in the financial income in the accompanying financial statements of comprehensive income (Note 27).

Under the current concession agreement between the PPA and the Greek Government, has issued a letter of guarantee in favor of the Ministry of Finance General Secretariat of Public Property amounted to € 15,000,000.00. This amount is included in a separate restricted bank account.

Furthermore restricted cash of € 475,357.58 refers to forced configation of Company's deposits, in favor of various municipalities against which there are pending trials.

## 13. SHARE CAPITAL

The Company's share capital amounts to € 50,000,000.00, fully paid up and consists of 25,000,000 ordinary shares, of nominal value € 2.00 each. In the Company's share capital there are neither shares which do not represent Company's capital nor bond acquisition rights.

## 14. RESERVES

Reserves are analysed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Statutory reserve | 9,044,583.33 | 8,709,639.49 |
| Special tax free reserve L. 2881/2001 | 61,282,225.52 | 61,282,225.52 |
| Specially taxed income reserve | 728,128.36 | 728,128.36 |
| Taxed reserve L. 4172/2013 art. 72 | 6,087,915.56 | 6,087,915.56 |
| Taxed reserve based on general provisions | 188,760.09 | 188,760.09 |
| **Total** | **77,331,612.86** | **76,996,669.02** |

***Statutory reserve:*** Under the provisions of Greek corporate Law companies are obliged to transfer at least 5% of their annual net profit, as defined, to a statutory reserve, until the reserve equals the 1/3 of the issued share capital. The reserve is not available for distribution throughout the Company activity.

***Special tax free reserve Law 2881/2001:*** This reserve was created during the PPA S.A. conversion to a Societé Anonyme. The total Company net shareholder funds (Equity) was valued, by the article 9 Committee of the Codified Law 2190/1920, at € 111,282,225.52, € 50,000,000.00 out of which was decided by Law 2881/2001 to form the Company share capital and the remaining € 61,282,225.52 to form this special reserve.

***Untaxed or specially taxed income reserve****:* This is interest income which was either not taxed or taxed by withholding 15% tax at source. In case these reserves are distributed, they are subject to tax on the general income tax provision basis. Based on Article 72 par.11 of Law 4172/2013 those reserves are subject (from 1 January 2014) to an independent taxation at a rate of 19%.

On December 30$^{th}$, 2014, the Company proceed to the taxation of those reserves which amounted to € 1,428,029.58. After the tax deduction created the taxed reserves of Article 72 N.4172 / 2013 and the taxed reserve with the general provisions amounting to € 6,087,915.56 and € 188,760.09 respectively.

## 15. GOVERNMENT GRANTS

The movement of the account in the accompanying annual financial statements is analyzed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Initial value** | **28,655,259.25** | **28,227,209.25** |
| Reversal due to unreceived grant | - | 428,050.00 |
| Closing value | **28,655,259.25** | **28,655,259.25** |
| Accumulated amortisation | (9,319,994.96) | (8,460,030.30) |
| ***Net Book Value*** | **19,335,264.29** | **20,195,228.95** |

Grants which have been received up to December 31, 2011 refers to, on the one hand works to meet requirements of the Olympic Games of 2004 (€ 11,400,00.00) and on the other hand in the first two installments and part of the third installment of a grant for the construction of infrastructure for the OSE S.A. port station of € 2,590,000.00 and € 681,950.00 respectively.

During 2015, the rest of third installment of subsidy amounted to € 428,050.00 was invoiced and during 2016 all the amount has been received.

The grant of € 3,653,518.80 received in 2012 is divided to a) € 2,536,168.80, which refers to the widening of the quay Port Alon and b) € 1,117,350.00, which refers to the construction of new dock at the area of Agios Nikolaos in the central port of Piraeus, under the operational program "Improvement of accessibility-energy" of the Attica region.

In the initial value of the grants, a prior year's grant of € 11,492,804.35 is also included, which refers to the operational program "Support Accessibility" of the Ministry of Infrastructure, Transport and Network and in particular, in two projects which have been completed. Finally the approved and received grant in December 2013 is amounted to € 9,901,740.45.There are no other obligations regarding the received grants.

## 16. PROVISIONS

Provisions in the accompanying annual financial statements are analyzed as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Provisions for legal claims by third parties | 15,861,054.00 | 19,314,300.00 |
| Provision for compensation of beneficiaries L.4331/2015 | 442,306.16 | 4,796,663.41 |
| **Total** | **16,303,360.16** | **24,110,963.41** |

The Company has made provisions for various pending court cases as at December 31, 2016 amounting to € 15,861,054.00 (as at December 2015, € 19,314,300.00) for lawsuits from personnel and other third party.

In order to account for this provision taken into account the probability of negative outcome, as well as the probable settlement payments. In previous years', the Company had made provision of € 3,000,000.00 for municipality charges and surcharges. The actual amount paid in 2016 is € 6,826,489.17, which reversed partky by this provision (note 26).

The movement of the provision for legal claims by third parties is as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Opening balance** | **19,314,300.00** | **18,447,490.00** |
| Charge of the year (Note 25) | - | 866,810.00 |
| Reversal of provision (Note 26) | (3,453,246.00) | - |
| **Closing balance** | **15,861,054.00** | **19,314,300.00** |

Based on Laws 3654/2008, 3755/2009 and 3816/2010 the voluntary retirement from service program was implemented. The number of employees who made use of the above program in 2009 was 107 persons. On December 31, 2009 the total provision amounted to € 17,910,844.12. During 2010, 17 additional employees and 6 workers made use of the above program and thus the additional provision amounted to € 3,940,495.90. Therefore, the total provision amounted to € 21,851,340.02.

During 2012, part of the provision which dealt with the additional provision that had been made for certain employees compared with the final requirement calculated by the main and supplementary insurance funds and amounted to € 2,913,967.48, was reversed.

Within the prior year, following a decision of the Minister of Finance and the Deputy Ministers of Labour Social Security and Welfare, Economy, Infrastructure, Marine and Tourism, a burden established to PPA S.A. for the voluntary retirement from service program of the L. 3654/2008, in favor of the Greek Social Security Organisation (“IKA”) and the Unfixed Auxiliary Insurance Fund(“ETEA”), amounting to € 12,074,800.36 and € 2,000,000.00 respectively, thus a total amount of 14,074,800.36, which was paid at September 1, 2015.

The additional amount of € 4,862,572.18 from the total charge, which had been used as a provision in a prior year, was reversed and shown as income from unused provision at “Other Operating Income” in the Financial Statements of December 31, 2015.

The movement of the provision for voluntary retirement is as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Opening balance** | **-** | **18,937,372.54** |
| Provision for the year | - | (14,074,800.36) |
| Reversal of provision (Note 27) | - | (4,862,572.18) |
| **Closing balance** | **-** | **-** |

L.4331/2015, specifically article 67, stipulates that in the case of the disposal proceeds of one or more shipwrecks and dangerous or harmful ships via a highest bidder tender, the Port Piraeus Authority, acting on behalf of the shipwreck owner or managing company, is obliged to give part of the proceeds to pay the claims –capital, interest and awarded litigation costs and expenses, raised against the shipwreck owner or managing company by the employees of the above companies, having IKA as their main social security fund and ETEA (Single Compensatory Insurance Fund - former TEAYNPT-TANPY) as the compensatory fund. Said claims derive from preexisting dependent employment relations due to non payment of salaries, allowances, holiday bonuses, overtime fees, payment for work on Saturday, Sunday and holidays, firing compensations, as said claims arise from the application of labour contracts and general labour provisions. Payment to the beneficiary is made by producing a final decision (“res judicata”) and any other necessary document establishing that the beneficiary is qualified to fall under said provision.

Based on the aforementioned law, the Company made a forecast for the amount of € 4,796,663.41 related to the claims of the employees of “GA Lines SA” Group from the disposal proceeds of its ships. The amount of € 4,354,357.25 was paid by the Company during the year and the provision by this amount has been reversed.

The movement of the provisions for compensation of beneficiaries L.4331/2015, is as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Opening balance** | **4.796.663,41** | **-** |
| Provision for the year (Note 26) | - | 4,796,663.41 |
| Utilisation of provision | (4,354,357.25) | - |
| **Closing balance** | **442,306.16** | **4,796,663.41** |

## 17. RESERVE FOR STAFF LEAVING INDEMNITES

The provision for staff leaving indemnities recognized to the Statement of Comprehensive Income is as follows:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Current employment and financial cost | 700,874.41 | 729,064.12 |
| Actuarial loss (gain) through other comprehensive income | 898,946.88 | 240,250.88 |

The relevant provision movement for the financial year ended on December 31, 2016 and the financial year ended on December 31, 2015 is as follows:

| | |
|---|---|
| **Liability in Statement of Financial Position 1.1.2015** | **10,694,136.63** |
| Current cost of Employment | 470,266.00 |
| Interest cost on liability | 258,798.12 |
| Actuarial (gains)/loss | 240,250.88 |
| Benefits paid | (657,846.61) |
| **Liability in Statement of Financial Position 31.12.2015** | **11,005,605.02** |
| Current cost of Employment | 511,578.00 |
| Interest cost on liability | 189,296.41 |
| Actuarial (gains)/loss | 898.946.88 |
| Benefits paid | (987,219.29) |
| **Liability in Statement of Financial Position 31.12.2016** | **11,618,207.02** |

The principal actuarial assumptions used are as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount Rate | 1.72% | 2.42% |
| Salaries increase | 0.00% | 0.00% |
| Average annual growth rate of long-term inflation | 2.00% | 2.00% |

A quantitative sensitivity analysis for significant assumption as at December 31, 2016 and December 31, 2015 is as shown below:

| **2016** | **Discount rate** | | **Future salary increases** |
|---|---|---|---|
| Sensitivity Level | 0,5% increase | 0,5% decrease | 0,5% increase |
| Impact on defined benefit obligation | (378,551.00) | 380,706.00 | 225,396.00 |

| **2015** | **Discount rate** | | **Future salary increases** |
|---|---|---|---|
| Sensitivity Level | 0,5% increase | 0,5% decrease | 0,5% increase |
| Impact on defined benefit obligation | (391,282.00) | 396,053.00 | 208,076.00 |

The following payments are expected contributions to the defined benefit plan obligation in future years:

| | 2016 | 2015 |
|---|---|---|
| Within the next 12 months (next annual reporting period) | 114,126.00 | 28,532.00 |
| Between 2 and 5 years | 1,485,107.00 | 1,070,666.00 |
| Between 5 and 10 years | 6,251,285.00 | 5,645,351.00 |
| Beyond 10 years | 18,158,823.00 | 20,315,512.00 |
| **Total expected payments** | **26,009,341.00** | **27,060,061,00** |

The average duration of the defined benefit plan obligation at the end of the reporting period is 14.4 years (2015: 15.2 years).

## 18. FINANCE LEASE OBLIGATIONS

In 2013, the PPA acquired through finance lease 15 commercial trucks VAN type value € 355,620.00. The lease duration is five years and at the end PPA has the right to purchase the assets at the price of € 25,500.00.

More specific the finance lease obligations are analyzed to the following table:

| | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Finance lease obligations | 156,483.26 | 217,715.26 |
| Minus: Short term | (63,085.48) | (61,310.32) |
| **Long term** | **93,397.78** | **156,404.94** |

Future minimum payments for leases, compared to the present value of net minimum payments at December 31, 2016 and 2015 are as follows:

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Minimum Payments | Present Value of Payments | Minimum Payments | Present Value of Payments |
| Up to the a year | 66,024.00 | 63,085.48 | 66,024.00 | 61,310.32 |
| From one year up to five years | 94,405.85 | 68,507.93 | 160,351.53 | 156,404.94 |
| More than five years | - | - | - | - |
| **Total minimum lease payments** | **160,429.85** | **131,593.41** | **226,375.53** | **217,715.26** |
| Minus: | | | | |
| Amounts been financial costs | (3,946.59) | | (8,660.27) | |
| **Present Value of minimum lease payments** | **156,483.26** | **131,593.41** | **217,715.26** | **217,715.26** |

## 19. LONG-TERM & SHORT TERM LOANS

### a) Long-term Loans:

The Long term as at December 31, 2016 and December 31, 2015 respectively are as follows:

| | December 31, | |
|---|---|---|
| | **2016** | **2015** |
| Total of Long term loans | **74,499,999.99** | 80,499,999.99 |
| Minus: | | |
| Short term portion of Long term loans | 6,000,000.00 | 6,000,000.00 |
| **Long term portion** | **68,499,999.99** | **74,499,999.99** |

The account balance concerns the following loans between the Company and the European Investment Bank:

**1.** Loan of € 35,000,000.00 for the construction of Container Terminal Pier I, issued on the 30/7/2008.

The repayment of the loan will be in thirty (30) semi-annual installments, payable from December 15, 2013 up to and including June 15, 2028. The loan bears a floating interest rate, interest payable quarterly.

From this contract there are obligations and restrictions for the company, the most important of which are summarized as follows: (i) to submit the annual and half-year financial report within 1 month of publication, audited by a recognized firm of certified auditors, accompanied each time by Certificate of Compliance for the years 2011 and 2012 and the annual financial report within 1 month of publication, for the rest of the fiscal years until the end of the contract, and (ii) to hold throughout the duration of the loan and until fully repaid the loan, the following economic ratios, calculated on annual financial statements, audited by certified auditors, for each financial year, for the duration of the loan.

The agreement for the financial ratios is as follows:
1. EBITDA [Profit / (loss) before interest, taxes, depreciation and amortization] / Interest, more than or equal to 3.
2. Total net bank debt / EBITDA [Profit / (loss) before interest, taxes, depreciation and amortization] less than or equal to 4.25 .
3. Total shareholders' equity greater than or equal to 140 million .

**2.** Loan of € 55,000,000.00 for the construction of Container Terminal Pier I issued on the 10/02/2010.

The repayment of the loan will be in thirty (30) semi-annual installments, payable from 15 December 2015 up to and including 15 June 2029. The loan bears a floating interest rate, interest payable quarterly.

From this contract there are obligations and restrictions for the company, the most important of which are summarized as follows: (i) to submit annual and half-yearly financial report within 1 month of publication, audited by a recognized firm of certified accountants, accompanied each time by Certificate of Compliance for the years 2011 and 2012 and the annual financial report within 1 month of publication, for the rest of the fiscal years until the end of the contract, and (ii) to hold throughout the duration of the loan and until full repayment of the loan, the following economic indicators, which are calculated on annual financial statements audited by certified auditors, for each financial year for the duration of the loan.

The agreement concerning the financial ratios is as follows:

1. EBITDA [Profit / (loss) before interest, taxes, depreciation and amortization] / Interest greater than or equal to 3.
2. Total net bank debt / EBITDA [Profit / (loss) before interest, taxes, depreciation and amortization] less than or equal to 4,25.
3. Current assets / current liabilities greater than or equal to 1.2.
4. Total shareholders' equity greater than or equal to 140 million

As at 31 December 2016 and according to the financial statements of fiscal year 2016 the Company was in compliance with the above economic indicators.

Total interest expenses on long-term loans for the year ended December 31, 2016 and 2015, amounted to € 141,888.33 and € 326,778.95 respectively and are included in financial expenses (note 27), in the accompanying financial statements of comprehensive income.

**b) Short-term loans:**

The Company has short-term borrowings with annual variable interest rates of Euribor, plus margin 5,0%.The table below presents the credit lines available to the Company as well as the utilised portion. The credit line available amounted to € 10,000,000.00 and the portion is unused.

## 20. DIVIDENDS

***Dividends paid in 2016 related to fiscal year 2015:*** The General Assembly of the Company decided the distribution of a dividend related to fiscal year 2015 amounted to € 2,785,000.00 or € 0.1114 per share (2014: € 2,474,993.09 or € 0.0989 per share). The dividend is subject to withholding tax in accordance with the relevant tax rate. The dividend paid on July 22, 2016.

***Dividends proposed for the fiscal year 2016:*** On February 16, 2017 the Board of Directors proposed the distribution of a dividend amounted to € 2,230,000.00 or € 0.0892 per share. The final authorization is subject of the General Assembly.

## 21. ACCRUED AND OTHER CURRENT LIABILITIES

This account is analyzed in the accompanying financial statements as follows:

| | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Taxes payable (except Income taxes) | 2,894,972.79 | 1,790,266.57 |
| National insurance and other contribution | 1,818,869.25 | 1,577,054.96 |
| Salaries Payable | 392,646.11 | 346,070.28 |
| Concession Agreement Payment | 2,973,669.24 | 2,015,909.80 |
| Other Third Party Short-term obligations | 2,498,653.51 | 1,474,741.24 |
| Regulatory Authority for Ports | 328,583.34 | 328,963.14 |
| Greek State committed dividends | 804,000.00 | 804,000.00 |
| Liability to “Loan and Consignment Fund” | 77,271.48 | 117,371.48 |
| Customer advance payments | 3,123,228.22 | 3,650,737.18 |
| Indemnity for untaken leave | 486,589.31 | 486,589.31 |
| Accrued expenses | 1,128,333.93 | 813,070.14 |
| **Total** | **16,526,817.18** | **13,404,774.10** |

***Taxes Payable:*** Current period's amount consists of: a) Value Added Tax € 2,111,559.73 (December 31, 2015: € 1,031,460.96, b) Employee withheld income tax € 581,741.05 (December 31, 2015: € 580,812.52 and c) other third party taxes € 201,672.01 (December 31, 2015: € 177,993.09).

***Indemnity for absence leave:*** During the prior year the Company proceeded to the recognition of the obligation for indemnity relating to the remaining days of leave of its employees, for the year 2015, amounted to € 486,589.31. After reassessment of this indemnity with reference date December 31, 2016 there was no need to record additional provision.

## 22. DEFERRED INCOME

a) On April 27, 2009 "SEP S.A." paid, as a one-off consideration, amount of € 50,000,000.00, initial, as part of the concession of the port facilities of Piers II and III of SEMPO of PPA (N.3755/2009). From the aforementioned amount, € 2,930,211.41 was offset with the cost of supplies and parts provided by SEP SA, while the remaining amount of € 47,069,788.59 is amortized over the concession period. The initial concession period is thirty (30) years, which may be increased to thirty five (35) years, provided that SEP SA completes the construction of the port infrastructure on the east side of Pier III. Following the transfer of the cumulative amount € 9,750,170.48 on revenue of the years 2009-2016, the new balance at December 31, 2016 amounted to € 37,319,618.11 (December 31, 2015: € 38,664,469.21).

b) Amount of € 1,140,997.06 and € 470,753.49 (totaling to € 1,611,750.55) refers to income from the fixed annual concession I and II for the year 2016.

| | 2016 | 2015 |
|---|---|---|
| **Opening balance** | **40,276,219.76** | **41,589,467.91** |
| Revenue transferred to current year | (1,344,851.10) | (1.344.851,10) |
| Fixed Annual Consideration I + II * | 499,129.21 | 31,602.95 |
| **Closing Balance** | **39,430,497.87** | **40,276,219.76** |

* Fixed Annual Consideration I + II amount of € 499,129.21 as at December 31, 2016, resulting from the reversal of the previous year amount of € 1,611,750.55 which relates to the period 1/1-31/3/2016 and the entry of amount € 2,110,879.76 which relates to the period 1/1-31/3/2017. Fixed Annual Consideration I + II amount of € 31,602.95 as at December 31, 2015, resulting from the reversal of the previous year amount of € 1,580.147.60 which relates to the period 1/1-31/3/2015 and the entry of amount € 1,611,750.55 which relates to the period 1/1-31/3/2016.

## 23. SEGMENT INFORMATION

The Company operates in Greece, regardless of the fact that its clientele includes international companies. Additionally, the Company has no other commercial or industrial activities other than the provision of services solely in the Port and does not have income or assets from foreign customers (based on the geographical area in which they operate).

The port of Piraeus is a port complex activities, putting work in many areas of port activity , such as containers Car-terminal, shipping, cruise, Ro-Ro, ship repairing, environmental and logistics services.

It is the main port of coastal connecting mainland Greece and the islands, the main cruise port service in the country , the main port container , the main car – terminal port of the country.

The PPA SA provides all the requested port services: water, fuel oil, solid and liquid slot tankers, jack residual oil, electricity, fiber optics and internet, victuals, repairs, environmental services and is fully connected to all activities with modern computer systems.

The management of PPA SA monitors at the level of results of the above activities and takes business decisions based on the implemented internal management information system.

Based on the above and in accordance with the provisions of IFRS 8, the Company has determined to be disclose the following segments:

- Container Terminal
- Handling Car
- Coasting
- Ship repairing
- Cruise
- Other segments (water supply, space management, merchandise management)

The other segments include activities representing less than 10 % of total revenue and profit in all segments and therefore are not disclosed as separate operating segments.

The Company level, includes revenues and expenses that are not allocated by operating segment because management monitors them at entity level.

Management does not take business decisions and does not monitor periodically the assets and liabilities of the business sectors and for this reason does not make the relevant disclosures as required by the provisions of IFRS 8.

The segment information for the years ended December 31, 2016 and 2015, is analysed as follows:

| | CONTAINER TERMINAL | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **31.12.2016** | **CONTAINER TERMINAL OPERATION** | **CONSESSION ARRANGEMENT PIER II&III** | **CAR TERMINAL** | **COASTING** | **CRUISE** | **SHIP REPAIRING (TANKS AND DOCK)** | **OTHER SEGMENTS** | **COMPANY** | **TOTAL** |
| Revenues | 13,100,337.37 | 43,936,647.89 | 11,929,860.33 | 10,338,586.58 | 12,933,536.73 | 6,889,884.36 | 4,367,753.91 | - | **103,496,607.17** |
| Cost of sales | (26,746,616.43) | (7,578,562.69) | (7,962,336.81) | (7,277,741.19) | (10,209,176.96) | (4,826,561.90) | (6,556,876.93) | - | **(71,157,872.91)** |
| **Gross profit** | **(13,646,279.06)** | **36,358,085.20** | **3,967,523.51** | **3,060,845.39** | **2,724,359.78** | **2,063,322.46** | **(2,189,123.02)** | - | **32,338,734.26** |
| Other expenses | (1,903,132.01) | (5,946,349.48) | (1,724,863.31) | (1,471,399.87) | (1,859,525.21) | (932,471.23) | (1,067,910.27) | (11,884,962.97) | **(26,790,614.36)** |
| Other income | - | - | - | - | - | - | 3,385,210.69 | 1,688,135.98 | **5,073,346.67** |
| Financial income | - | - | - | - | - | - | - | 957,825.90 | **957,825.90** |
| Financial expenses | (145,641.07) | - | - | - | - | - | - | (394,187.94) | **(539,829.01)** |
| **Profit before income taxes** | **(15,695,052.14)** | **30,411,735.72** | **2,242,660.20** | **1,589,445.51** | **864,834.56** | **1,130,851.23** | **128,177.40** | **(9,633,189.04)** | **11,039,463.46** |
| Income taxes | - | - | - | - | - | - | - | (4,340,586.57) | **(4,340,586.57)** |
| **Net profit after taxes** | **(15,695,052.14)** | **30,411,735.72** | **2,242,660.20** | **1,589,445.51** | **864,834.56** | **1,130,851.23** | **128,177.40** | **(13,973,775.61)** | **6,698,876.89** |
| Depreciation and amortisation | 6,626,336.78 | 3,465,493.48 | 494,757.55 | 954,439.58 | 1,276,019.84 | 642,162.52 | 575,902.71 | - | **14,035,112.47** |
| **Earnings before income taxes, financial results, depreciation and amortisation** | **(8,923,074.29)** | **33,877,229.21** | **2,737,417.75** | **2,543,885.10** | **2,140,854.41** | **1,773,013.75** | **704,080.10** | **(10,196,826.99)** | **24,656,579.04** |

| | CONTAINER TERMINAL | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **31.12.2015** | **CONTAINER TERMINAL OPERATION** | **CONSESSION ARRANGEMENT PIER II&III** | **CAR TERMINAL** | **COASTING** | **CRUISE** | **SHIP REPAIRING (TANKS AND DOCK)** | **OTHER SEGMENTS** | **COMPANY** | **TOTAL** |
| Revenues | 13,426,661.47 | 40,070,317.38 | 10,513,352.98 | 10,470,070.00 | 11,958,892.21 | 9,129,363.78 | 4,311,797.38 | - | **99,880,455.20** |
| Cost of sales | (30,091,271.38) | (6,621,077.68) | (7,730,427.59) | (7,865,332.48) | (9,430,659.39) | (4,990,995.01) | (7,000,125.67) | - | **(73,729,889.19)** |
| **Gross profit** | **(16,664,609.90)** | **33,449,239.70** | **2,782,925.39** | **2,604,737.52** | **2,528,232.82** | **4,138,368.77** | **(2,688,328.29)** | - | **26,150,566.01** |
| Other expenses | (2,065,026.71) | (5,682,213.51) | (1,601,345.16) | (1,521,404.06) | (1,717,702.57) | (1,312,092.92) | (1,157,807.90) | (13,683,251.68) | **(28,740,844.50)** |
| Other income | - | - | - | - | - | - | 3,766,091.60 | 8,177,416.94 | **11,943,508.54** |
| Financial income | - | - | - | - | - | - | - | 1,896,870.12 | **1,896,870.12** |
| Financial expenses | (327,949.05) | - | - | - | - | - | - | (297,812.61) | **(625,761.66)** |
| Impairment of subsidiaries | - | - | - | - | - | - | - | (852,048.32) | **(852,048.32)** |
| **Profit before income taxes** | **(19,057,585.66)** | **27,767,026.19** | **1,181,580.24** | **1,083,333.46** | **810,530.25** | **2,826,275.85** | **(80,044.59)** | **(4,758,825.55)** | **9,772,290.19** |
| Income taxes | - | - | - | - | - | - | - | (1,396,536.02) | **(1,396,536.02)** |
| **Net profit after taxes** | **(19,057,585.66)** | **27,767,026.19** | **1,181,580.24** | **1,083,333.46** | **810,530.25** | **2,826,275.85** | **(80,044.59)** | **(6,155,361.57)** | **8,375,754.18** |
| Depreciation and amortisation | 6,872,015.97 | 3,252,791.58 | 477,038.23 | 1,017,388.62 | 1,209,579.04 | 700,252.40 | 637,739.19 | - | **14,166,805.02** |
| **Earnings before income taxes, financial results, depreciation and amortisation** | **(11,857,620.64)** | **31,019,817.76** | **1,658,618.47** | **2,100,722.08** | **2,020,109.29** | **3,526,528.25** | **557,694.56** | **(5,505,834.70)** | **23,520,035.07** |

## 24. REVENUES

Revenues are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Revenue from: | | |
| Loading and Unloading | 18,177,933.02 | 18,250,504.23 |
| Storage | 3,034,912.06 | 1,782,512.18 |
| Various port services | 38,063,237.69 | 39,535,953.06 |
| Revenue from concession of liquid wastes' collection and transportation | 283,876.51 | 241,168.35 |
| **Total** | **59,559,959.28** | **59.810.137,82** |
| | | |
| **Revenue from Fixed and Variable Consideration:** | | |
| Revenue from concession agreement Pier II+III | 39,456,573.03 | 35,874,409.54 |
| Other income from concession agreement Pier II+III | 4,480,074.86 | 4,195,907.84 |
| **Total** | **103,496,607.17** | **99,880,455.20** |

The increase in revenue from the concession Piers II + III is due to the increase in Consolidated Income of PCT S.A. of the prior contractual year, in conjunction with the completion and operation of the Eastern Department of Pier III.

## 25. ANALYSIS OF EXPENSES

Expenses (cost of sales and administrative expenses) in the accompanying financial statements are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Payroll and related costs (Note 29) | 49,332,935.25 | 51,998,264.84 |
| Third party fees | 1,233,846.29 | 1,465,353.14 |
| Third party services | 15,536,241.07 | 14,553,672.61 |
| Depreciation- Amortization (Note 28) | 14,035,112.47 | 14,166,805.02 |
| Taxes and duties | 913,918.93 | 900,987.37 |
| General expenses | 4,798,020.89 | 5,440,245.64 |
| Cost of sales of inventory and consumables | 914,323.81 | 1,477,806.82 |
| Provision for doubtful receivables | 6,063,214.10 | 5,217,991.24 |
| Provision for compensation of beneficiaries L.4331/2015 (Note 16) | - | 4,796,663.41 |
| Provision for pending lawsuits (Note 16) | - | 866,810.00 |
| **Total** | **92,827,612.81** | **100,884,600.09** |

The above expenses are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Cost of sales | 71,157,872.91 | 73,729,889.19 |
| Administrative expenses | 21,669,739.90 | 27,154,710.90 |
| **Total** | **92,827,612.81** | **100,884,600.09** |

## 26. OTHER OPERATING INCOME / EXPENSES

### OTHER OPERATING INCOME

The amounts are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Rental income | 3,118,387.86 | 3,489,996.10 |
| Income from European Union programs | 90,840.00 | 1,260,125.32 |
| Income from unused provisions | 453,246.00 | 5,250,429.73 |
| Income from litigations | - | 242,710.45 |
| Various operating income | 1,410,872.81 | 1,700,246.94 |
| **Total** | **5,073,346.67** | **11,943,508.54** |

Rental income concerns land and building rents as well as the investment properties rent (Note 5).

The income from unused provisions of € 453,246.00 in the current year is mainly refer to the reversal of provisions for legal claims by third parties.

Income from unused provisions for prior year referred to reversal of the provision for voluntary retirement of employees (L. 3654/2008), amounting to € 4,862,572.18, as revealed from the letter of the relevant Ministry (Note 16), along with reversal of amount € 387,857.55, which refers to excess tax provision for investment property that was carried out at December 31, 2014.

### OTHER OPERATING EXPENSES

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Third parties compensation | 39,599.57 | 217,045.89 |
| Research and development cost | 296,437.75 | 215,806.61 |
| Expenses from European Union programs | - | 991,325.00 |
| Compensation to municipality | 3,826,489.17 | - |
| Other expenses | 434,452.96 | 145,151.40 |
| Losses on sale/ write off of fixed assets | 523,895.01 | 16,804.70 |
| **Total** | **5,120,874.46** | **1,586,133.60** |

The compensation to the municipality concerns to municipal charges and surcharges, which concerns the period 1995-1999 and 19-5-2000 until 16-6-2000 . The fines amounted to € 6,826,489.17 for which a provision had been made in the prior years, amounting to € 3,000,000.00 (Note 16).

## 27. FINANCIAL INCOME/ (EXPENSES)

The amounts are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Interest income and related financial income | 447,387.46 | 1,120,321.62 |
| Interest expense and related financial expenses | (539,829.01) | (625,761.66) |
| | **(92,441.55)** | **494,559.96** |
| Interest on debtors late payments | 510,438.44 | 776,548.50 |
| **Total** | **417,996.89** | **1,271,108.46** |

## 28. DEPRECIATION

The amounts are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Depreciation of property, plant and equipment | 14,862,184.64 | 14,963,581.04 |
| Software depreciation | 32,892.49 | 47,260.58 |
| Fixed assets subsidies depreciation | (859,964.66) | (844,036.60) |
| **Total** | **14,035,112.47** | **14,166,805.02** |

## 29. PAYROLL COST

The amounts are analyzed as follows:

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| Wages and salaries | 38,053,601.62 | 39,757,280.79 |
| Social security costs | 9,640,753.08 | 9,946,503.94 |
| Other staff costs | 937,706.14 | 1,078,826.68 |
| Provision for unused leave | - | 486,589.31 |
| Provision for staff leaving indemnities | 700,874.41 | 729,064.12 |
| **Total** | **49,332,935.25** | **51,998,264,84** |

## 30. EARNINGS PER SHARE

| | 1/1-31/12/2016 | 1/1-31/12/2015 |
|---|---|---|
| **Profit for the year** | 6,698,876.89 | 8,375,754.17 |
| Weighted number of shares | 25,000,000 | 25,000,000 |
| **Basic Earnings per share** | **0.2680** | **0.3350** |

## 31. COMMITMENTS AND CONTINGENT LIABILITIES

***(a)*** ***Litigation and Claims:*** The Company is currently involved in a number of legal proceedings and has various claims pending arising in the ordinary course of business. Based on currently available information, management and its legal counsel believe that the outcome of these proceedings will not have a significant effect on the Company's operating results or financial position, except of the recognised provisions in note 16.

The most important of pending litigation (166) against the Company amounting to € 120.9 million approximately concern to Municipalities around the port.

For these cases, the Company's management believes that it will not have an impact on its financial position and no related provision has been recorded.

***(b)*** ***Liabilities arising from letters of Guarantee:*** The Company has issued letters of guarantee amounting to € 24,919,042.25 (December 31, 2015: € 10,855,934.68), of which € 9,854,530.25 (December 31, 2015: € 10,791,422.68) in favor of the General Directorate of Customs (E 'and F' Customs Office) of the Ministry of Economy for the operation of all warehouses for temporary storage of goods PPA S.A.

Under the current concession agreement of 24.06.2016 between the PPA and the Greek Government, has issued a letter of guarantee in favor of the Ministry of Finance General Secretariat of Public Property amounted to € 15,000,000.00. This amount is included in a separate restricted bank account (note 12).

***(c)*** ***Operating leases:*** The Company has entered into commercial operating lease agreements for the lease of transportation means. These lease agreements have an average life of 3 to 5 years with renewal terms included in certain contracts. Future minimum rentals payable under non-cancellable operating leases as at December 31, 2016 and at December 31, 2015, are as follows:

| | December 31 | |
|---|---|---|
| | **2016** | **2015** |
| Within one year | 217,122.00 | 130,914.00 |
| 2-5 years | 164,268.00 | 153,654.00 |
| **Total** | **381,390.00** | **284,568.00** |

***Minimum Future Rents:*** The minimum future rental income receivable, arising from the existing rental agreements are as follows:

| | December 31 | |
|---|---|---|
| | **2016** | **2015** |
| Within 1 year | 1,905,648.17 | 3,009,575.87 |
| Between 1-5 years | 7,063,716.88 | 3,820,391.97 |
| Over 5 years | 15,436,579.74 | 3,511,744.34 |
| **Total** | **24,405,944.79** | **10,341,712.18** |

During the year the Company made a renewal of existing contracts operating leases extending the lease period.

***(d)*** ***Contractual commitments with creditiors:*** The outstanding balance of the contractual commitments with creditors on significant infrastructure projects (construction, maintenance, improvements, etc.) at December 31, 2016 amounted to approximately € 22.5 million (December 31, 2015: approximately € 8.7 million).

***(e)*** ***Special Contribution to Social Insurance Institute (IKA – ETAM):*** On November 7, 2011 the Company notified the management of IKA its intention to stop paying the special contribution in favor of the assistant fund of PPA's S.A. employees, since after the merger of IKA with IKA – TEAM the management of the Company considers that there is no further obligation. After not getting any official answer, the Company decided to cease the payments of those contributions, starting at October 2013. If the payment of the contribution has not been ceased, then as at December 31, 2016, this contribution will be amounted to around € 2,847 thousands (December 31, 2015: around € 2,005 thousands). Since the approval date of the financial statements, there were no official reply from the management of the Social Insurance Institute. The management of the Company believes that this contingent liability could be settled without significant adverse effects on its financial position.

***(f) Commitments for investments based on concession arrangement:*** Based on the concession arrangement signed on June 24, 2016 between the PPA and the Greek Government derives the commitment to invest the PPA in projects into the Port within the next five years an amount of € 293.8 million.

## 32. RELATED PARTIES

The Company provides services to certain related parties in the normal course of business. The Company's transactions and account balances with related companies are as follows:

| Related party | Relation with the Company | Year ended | Sales to related parties | Purchases from related parties |
|---|---|---|---|---|
| PIRAEUS CONTAINER TERMINAL S.A. | Related Party | 31.12.2015 | - | - |
| | | 31.12.2016 | 43,936,647.89 | 5,908.48 |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | - | 64,000.00 |
| | | 31.12.2016 | - | - |
| NAFSOLP S.A. | Subsidiary | 31.12.2015 | - | 90,000.00 |
| | | 31.12.2016 | - | - |
| | **Total** | **31.12.2015** | **-** | **154,000.00** |
| | **Total** | **31.12.2016** | **43,936,647.89** | **5,908.48** |

| Related party | Relation with the Company | Year ended | Amounts due from related parties | Amounts due to related parties |
|---|---|---|---|---|
| PIRAEUS CONTAINER TERMINAL S.A. | Related Party | 31.12.2015 | - | - |
| | | 31.12.2016 | 4,780,459.41 | 7,326.50 |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | 8,768.31 | - |
| | | 31.12.2016 | - | - |
| LOGISTICS P.P.A. S.A. | Subsidiary | 31.12.2015 | - | - |
| | | 31.12.2016 | - | - |
| | **Total** | **31.12.2015** | **8,768.31** | **-** |
| | **Total** | **31.12.2016** | **4,780,459.41** | **7,326.50** |

The revenues and receivables from Pireaus Container Terminal are related to the fixed and variable revenue from the concession arrangement (PIER II & III).

The transactions with Piraeus Container Terminal S.A. relating to the whole year 2016.

The Company, as part of its business, has transactions with government owned entities (e.g. PPC, EYDAP etc.), which are performed on commercial terms.

***Board of Directors Members Remuneration:*** During the year ended on the December 31, 2016, remuneration and attendance costs, amounting to € 205,971.94 (December 31, 2015: € 189,445.70) were paid to the Board of Directors members. Furthermore during the year ended December 31, 2016 emoluments of € 900,582.22 (December 31, 2015: € 828,616.13) were paid to Managers / Directors for services rendered.

## 33. FINANCIAL INSTRUMENTS

**Fair Value:** The carrying amounts reflected in the accompanying sheets of financial position for cash and cash equivalents, trade and other accounts receivable, prepayments, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of variable rate loans and borrowings approximate the amounts appearing in the statements of financial position.

The Company categorized its financial instruments carried at fair value in three categories, defined as follows:

Level 1: Quoted (unadjusted) values from active financial markets for identical negotiable assets or liabilities.

Level 2: Other technicques for which all inflows that have a significant impact on the recorded fair value are identified or determined directly or indirectly from active financial markets.

Level 3: Techniques that use inflows that have a significant impact on the recorded fair value and are not based on quoted prices from active financial markets.

During the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at December 31, 2016 and 2015, the Company held the following financial instruments measured at fair value:

| **2016** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings (including short term portion) | - | 74,499,999.99 | - | **74,499,999.99** |

| **2015** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings (including short term portion) | - | 80,499,999.99 | - | **80,499,999.99** |

**Credit Risk:** There is no significant credit risk for the Company towards the contracting parties, since it receives advance payments or letters of guarantee from customers. In addition, the Company's deposits are lined in bank financial institutions in Greece with ratings Caa3 (Moody's credit rating).

**Foreign Exchange Risk:** The Company is neither involved in international trade nor has any long term loans in foreign currency and therefore is not exposed to foreign exchange risk resulting from foreign currency rate variations.

**Interest rate risk:** The Company bank loans are expressed in Euro and are subject to floating interest rates. The Company does not use derivatives in financial instruments in order to reduce its exposure to interest rate risk fluctuation as at the balance-sheet date. The Company management believes that there is no significant risk resulting from a possible interest rate fluctuation.

The table below presents and analyses the sensitivity of the result in relation to financial assets (cash on hand and in banks) and financial liabilities (loans) of the Company to the interest rate risk changes assuming a simultaneous change in interest rates by ± 100 basis points.

| **2016** | | Interest rate risk | |
|---|---|---|---|
| **Financial assets** | Accounting values | +100bips(Euribor) | -100bips(Euribor) |
| Cash and cash equivalents | 43,763,194.93 | 437,631,95 | (437,631,95) |
| Effect before income tax | | 437,631,95 | (437,631,95) |
| Income tax 29% | | (126,913.27) | 126,913.27 |
| Net effect | | 310,718.68 | (310,718.68) |
| **Financial liabilities** | | | |
| Long term loans | (74,656,483.25) | (746,564.83) | 746,564.83 |
| Effect before income tax | | (746,564.83) | 746,564.83 |
| Income tax 29% | | 216,503.80 | (216,503.80) |
| Net effect | | (530,061.03) | 530,061.03 |
| **Total net effect** | | **(219,342.35)** | **219,342.35** |

| **2015** | | Interest rate risk | |
|---|---|---|---|
| **Financial assets** | Accounting values | +100bips(Euribor) | -100bips(Euribor) |
| Cash and cash equivalents | 59,432,087.51 | 594,320.88 | (594,320.88) |
| Effect before income tax | | 594,320.88 | (594,320.88) |
| Income tax 29% | | (172,353.05) | 172,353.05 |
| Net effect | | 421,967.83 | (421,967.83) |
| **Financial liabilities** | | | |
| Long term loans | (80,717,715.25) | (807,177.15) | 807,177.15 |
| Effect before income tax | | (807,177.15) | 807,177.15 |
| Income tax 29% | | 234,081.37 | (234,081.37) |
| Net effect | | (573,095.78) | 573,095.78 |
| **Total net effect** | | **(151,127.95)** | **151,127.95** |

**Liquidity risk:** The effective management of liquidity risk is secured by ensuring maintenance of adequate cash reserves and a possibility for funding if necessary. Corporate liquidity risk management is based on rationale management of working capital and cash flows.

The following table summarizes the maturities of financial liabilities December 31, 2016 and 2015, respectively, under the relevant contracts to non-discounted prices.

| Amounts of fiscal year 2016 | Current portion | Less than 6 months | 6-12 months | 1 to 5 years | >5 years | Total |
|---|---|---|---|---|---|---|
| Borrowings | - | 3,049,788.75 | 3,047,836.25 | 24,312,400.00 | 44,749,919.99 | **75,159,944.99** |
| Leases | 5,502.00 | 27,510.00 | 33,012.00 | 94,405.85 | - | **160,429.85** |
| Trade and other payables* | 5,546,594.31 | 5,621,771.71 | 8,309,051.54 | - | - | **19,477,417.56** |
| **Total** | **5,552,096.31** | **8,699,070.46** | **11,389,899.79** | **24,406,805.85** | **44,749,919.99** | **94,797,792.40** |

| Amounts of fiscal year 2015 | Current portion | Less than 6 months | 6-12 months | 1 to 5 years | >5 years | Total |
|---|---|---|---|---|---|---|
| Borrowings | - | 3,133,392.08 | 3,128,482.92 | 24,851,133.33 | 51,268,719.99 | **82,381,728.32** |
| Leases | 5,502.00 | 27,510.00 | 33,012.00 | 160,351.53 | - | **226,375.53** |
| Trade and other payables* | 3,990,559.16 | 4,112,312.39 | 7,752,669.84 | - | - | **15,855,541.39** |
| **Total** | **3,996,061.16** | **7,273,214.47** | **10,914,164.76** | **25,011,484.86** | **51,268,719.99** | **98,463,645.24** |

* Trade payables do not have interest and are settled in up to 60 days. Other payables also do not bear any interest and are settled in up to 12 months.

## Capital Management

The primary objective of the Company's capital management is to ensure the maintenance of high credit rating, and healthy capital ratios in order to support and expand the Company's operations and maximize shareholder value. The Company's policy is to maintain leverage targets, according to an investment grade profile. The Company monitors capital adequacy using the ratio of net debt to operating profits, which should be lower than 4.25 based on the loan agreements (note 20). The net debt includes interest-bearing loans, less cash and cash equivalents, while the operating profit including profit/ (loss) before taxes, financing costs and depreciation.

| | December, 31 | |
|---|---|---|
| | **2016** | **2015** |
| Long-term borrowings | 68,499,999.99 | 74,499,999.99 |
| Short-term borrowings | 6,000,000.00 | 6,000,000.00 |
| Leases | 156,483.26 | 217,715.26 |
| **Total Debt** | **74,656,483.25** | **80,717,715.25** |
| **Earning before interest, tax, depreciation and amortization (EBITDA)** | **24,656,579.04** | **23,520,035.07** |
| **- Net Debt / EBITDA** | **3.03** | **3.43** |

## 34. SUBSEQUENT EVENTS

There are no significant events subsequent to December 31, 2016 which would influence materially the Company's financial position.

Piraeus, February 16, 2017

| PRESIDENT OF THE BOARD OF DIRECTORS | MANAGING DIRECTOR | FINANCIAL MANAGER |
|---|---|---|
| WAN MIN | FU CHENGQIU | EKATERINI VENARDOU |
| Passport No SE0235390 | Passport No PE0608737 | License No. O.E.E. 0003748<br>A' Class |

## WEBSITE PLACE OF UPLOADING THE FINANCIAL STATEMENTS

The annual financial statements of the Company, the Auditor’s report and the Management Reports are available to the website www.olp.gr.