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ΕΥΑΘ
Quality in life!
THESSALONIKI WATER SUPPLY & SEWERAGE Co S.A.

ANNUAL FINANCIAL REPORT

For the period 1.1.2017 – 31.12.2017
(in accordance with Article 4 of Law 3556/2007)

Companies Reg. No.: 41913/06/B/98/32

General Commercial Reg. No.: 58240404000

127 Egnatias St - 54635 Thessaloniki

ANNUAL FINANCIAL REPORT

FOR THE PERIOD 1.1.2017 - 31.12.2017

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

It is hereby confirmed that the attached annual financial report is the one approved by the Board of Directors of THESSALONIKI WATER SUPPLY & SEWERAGE CO. S.A. on 29 March 2018. It was made public by posting it on the website www.eyath.gr. Note that summary financial data published in the press seeks to provide the reader with certain general financial information but does not provide a complete picture of the financial position and results of the Company and Group in accordance with the International Financial Reporting Standards. Moreover, it should be noted that the condensed financial data published in the press contains certain abridgements of accounts for the purpose of simplification.

TABLE OF CONTENTS OF THE ANNUAL FINANCIAL REPORT

(amounts in thousands of euro)

STATEMENTS BY MEMBERS OF BOARD OF DIRECTORS

(in accordance with Article 4(2) of Law 3556/2007)

The members of the Board of Directors of the company with the corporate name **"THESSALONIKI WATER SUPPLY & SEWERAGE CO S.A.",** trading as EYATH S.A., whose registered offices are at 127 Egnatias St., Thessaloniki, Greece, PO 54635:

1. Ioannis Krestenitis, Chairman of the Board & CEO
2. Ioannis Papaioannou, Vice Chairman of the BoD
3. Panagiotis Gogos, Board Member, Chairman of the Audit Committee

In implementation of the provisions of Article 4(2) of Law 3556/2007, we hereby state and confirm, that to the best of our knowledge:

(a) the attached annual company and consolidated financial statements for the company EYATH S.A. for the period from 01/01/2017 to 31/12/2017 which were prepared in accordance with the applicable IFRS accurately reflect the assets and liabilities, equity and results of EYATH S.A. and the enterprises included in the consolidation, taken as a whole.

(b) the attached annual report of the Board of Directors of EYATH S.A. accurately reflects the developments, performance and position of EYATH S.A. and the enterprises included in the consolidation, taken as a whole, including a description of the main risks and uncertainties they face.

Thessaloniki, 29 March 2018

Confirmed by

Ioannis Krestenitis	Ioannis Papaioannou	Panagiotis Gogos
Chairman of the Board & CEO	Vice Chairman	Board member & Chairman of the Audit Committee
ID Card No. AB 680550	ID Card No. AE 183479	ID Card No. AE 680814

ANNUAL REPORT OF THE BOARD OF DIRECTORS

(prepared in accordance with the provisions of Article 4 of Law 3556/2007 and the relevant decisions of the BoD of the Hellenic Capital Market Commission for the period 1.1.2017 - 31.12.2017)

Dear Shareholders,

In accordance with the provisions of Law 3556/2007 and the relevant decisions of the Hellenic Capital Market Commission, we are submitting to you this Annual Report of the Board of Directors for the current period (1/1/2017-31/12/2017).

This report contains summary financial data about the financial position and results of the company EYATH S.A. and the EYATH Group of companies, a description of the significant events that took place during this fiscal year, a description of the significant events that took place after the balance sheet date, a description of the projected course of business for the Group and the Company, information about the management of significant financial risks for the Group and the Company, a presentation of the significant transactions concluded between the Company and the Group and related parties, as well as other information with regard to the shares, share capital and significant agreements in force at the end of this fiscal year.

CONDENSED FINANCIAL INFORMATION ABOUT THE GROUP AND THE COMPANY

The Group consists of a) the company under the name "THESSALONIKI WATER SUPPLY & SEWERAGE CO S.A." trading as "EYATH S.A." (hereinafter the "COMPANY" or "EYATH S.A."), that was founded in 1998 (Law 2651/3-11-1998 (Government Gazette 248/A/3-11-1998), created from the merger of the companies "Thessaloniki Water Supply Organisation S.A." (OYTH S.A.) and "Thessaloniki Sewerage Organisation S.A." (OATH S.A.), which had been converted into societes anonyme during 1997 and b) the subsidiary EYATH SERVICES S.A., which engages in the provision of all types of Water Supply & Sewerage Services, telecommunications services and the generation and sale of electricity.

FINANCIAL INFORMATION - COURSE OF BUSINESS

EYATH remains a robust, viable company and has continued to be profitable over recent years. During this year, it managed to increase its net profits by € 4,000 approximately, which corresponds to an increase of 32% approximately.

The following financial information concern the EYATH S.A. Group.

Turnover was € 73,401 compared to € 73,278 during the corresponding period last year, reflecting an increase of € 123 or 0.17%. The cost of sales was € 43,258 compared to € 43,782 in 2016, down € 524 or 1.20%.Group EBT was € 24,931 compared to € 21,769 during the corresponding period last year, up € 3,162 or 14.52% approximately. Finally, Earnings After Tax in 2017 amounted to € 16,449 compared to € 12,457 in 2016, up by € 3,992 or 32.05%.
That change was primarily due to the higher provisions for contingent liabilities imputed to the previous year.

The Group's turnover was the result of the sale of water supply and sewerage services.

Gross Profit in 2017 stood at € 30,143 compared to € 29,496 in the previous year, up € 647 or 2.20%.

EBITDA for EYATH S.A. during the current period amounted to € 29,512 compared to € 26,501, up € 3,011 or 11.36%.

Finally cash and cash equivalents as at 31/12/2017 stood at € 65,210 compared to € 56,697 as at 31/12/2016, up € 8,513 or 15.01%.

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

In its management reports and investor disclosures the Group uses Alternative Performance Measures (APMs) in addition to the financials included in its financial statements, which have been prepared in accordance with the current financial reporting framework.
The purpose in providing these measures is so that both Company Management and investors have a fuller picture of the performance, capital structure, activities and liquidity of the Group, but should not under any circumstances be taken into account independently of the measures resulting directly from the financial statements.

The APMs used by the Group are as follows:

Gross profit margin (%)
This measure is calculated by dividing the Gross Profit by Turnover, using the exact figures which appear in the financial statements.

EBITDA Margin (%)
This measure is widely known among the investing community and is a general performance measure, with the advantage that it isolates the impacts of financing-investing results, income tax and the main category of non-cash expenses which is depreciation.
The measure is calculated by deducting from turnover the cost of sales, selling expenses, administrative expenses, and other expenses and adding operating expenses and total depreciation, and then dividing by turnover. These figures are used as shown in the financial statements and notes thereto, without any adjustments.

EBIT Margin (%)
This measure, like the previous one (EBITDA) is widely known among investors and is a general performance measure, with the advantage that it can isolate the impacts of financing-investing results and income tax.
The measure is calculated by deducting from turnover the cost of sales, selling expenses, administrative expenses, and other expenses and adding operating income, and then dividing by turnover. These figures are used as shown in the financial statements, without any adjustments.

Earnings before tax / turnover (EBT Margin) (%)
This measure, like the previous one (EBIT) is widely known among investors and is a general performance measure, with the advantage that it can isolate the impacts of income tax.
The measure is calculated by deducting from turnover the cost of sales, selling expenses, administrative expenses, other expenses and financial expenses, and adding other operating income and financial income, and then dividing by turnover. These figures are used as shown in the financial statements, without any adjustments.

Earnings after tax / turnover (EAT Margin) (%)
This measure is widely known among investors and is a general performance indicator, with the advantage that it examines the performance of net earnings after tax compared to turnover.
The measure is calculated by deducting from turnover the cost of sales, selling expenses, administrative expenses, other expenses, financial expenses, and income tax and adding other operating income and financial income, and then dividing by turnover. These figures are used as shown in the financial statements, without any adjustments.

(amounts in thousands of euro)

Current ratio: total current assets / total short-term liabilities

This ratio shows the relationship between a company's equity and debt. These figures are used as shown in the financial statements, without any adjustments.

These measures are shown in the table below:

	01/01/2017-31/12/2017		01/01/2016-31/12/2016		Deviation
PERFORMANCE AND PROFITABILITY RATIOS					
Gross Profit Margin	41.07%		40.25%		0.81%
EBITDA Margin	40.21%		36.17%		4.04%
EBIT	31.73%		27.97%		3.76%
EBT Margin	33.96%		29.71%		4.26%
EAT Margin	22.41%		17.00%		5.41%
INVESTMENT RATIOS					
Earnings per share after tax	0.4532		0.3432		32.06%
LIQUIDITY RATIOS					
	31/12/2017		**31/12/2016**		**Deviation**
General liquidity (Current assets / short-term liabilities)	10.20		10.31		-1.03%
CAPITAL STRUCTURE & VIABILITY RATIOS					
Equity / Debt	428.28%		407.36%		20.91%

PRICING POLICY

Decision No. 416/2011 of the Board of Directors set the company's pricing policy for the 2012-2013 period, which was ratified with Joint Ministerial Decision No. 4799/19-12-2012 (Government Gazette 3450/B/27-12-2012) of the Ministers of Finance and Macedonia-Thrace. This decision remains in force to date, and there has been no change to the Company's pricing policy.

Today Article 33 of Law 4258/2014 on arrangements for setting the tariffs of EYDAP and EYATH, is in force, under which as of 1.7.2015 tariffs for water supply and sewerage services are to be approved by decisions of the Special Secretary for Water, following consultations with the Minister of Finance and other relevant agencies.

In National Water Committee Decision No. 135275/22.5.2017 (Government Gazette 1751/B) "on general rules for costing and billing water services, methods and procedures for recovering costs of water services for various water uses", the Committee laid down the general costing and billing rules for water services. The purpose of the decision is to approve the general costing and billing rules as well as measures to improve water services for various uses of water, and to lay down procedures and methods for recovering the cost of such services, including environmental costs and water resource costs. The decision lays down the framework which EYATH is required to implement when billing its services from the start of 2019.

The Company is currently examining its billing policy which is to be submitted to the National Water Committee.

EYATH S.A. combines its business operations with social responsibility, providing a high level of water supply and sewerage services, at the lowest possible cost. At the same time, serving as the manager and provider of a public commodity, such as water, it makes sure that it is accessible to sensitive (vulnerable or special) groups of citizens, ensuring that they can cover their basic needs, having established a social water supply tariff.

MAJOR EVENTS

- During the current period, Panagiotis Gogos was elected as an independent non-executive member of the Company's Board of Directors by decision No. 139/6.4.2017 of the Board, and also as Chairman of the Audit Committee, replacing I. Antoniadis.
- The Ordinary General Meeting of Shareholders decided on 8.6.2017 that the Board's Vice Chairman, Styliani Valani would be a non-executive member and set up an Audit Committee comprised of the Board members, Panagiotis Gogos, as Chairman, Stefania Taminanidou and Ioannis Tsionas.
- Marina Kouri was elected by Board of Directors decision No. 293/27.7.2017 as non-executive member to replace Eleftheria Karahaliou, representative of HRADF, who had resigned. Moreover, Board of Directors' decision No. 388/12-10-2017 elected Petros Samaras as non-executive member of the Board and as member of the Audit Committee to replace Ioannis Tsionas who had resigned.

- During 2017 two staff recruitment competitions were run by ASEP to hire 150 full-time staff (80 employees with university or technical education and 70 with secondary education). By 31.12.2017 a total of 126 employees had taken up their posts, and so far recruitment procedures for a total of 143 staff have been completed. The upcoming increase of the company's workforce, with employees to be added under ASEP (Central Staff Recruitment Board) procedures, will allow EYATH S.A. to expand its activities and contribute towards the economic growth of the wider region.

- As a company which manages a social good, in its efforts to assist citizens in Thessaloniki affected by the unprecedented frosts in the period 7.1.2017 to 12.1.2017 (which resulted in the destruction of water meters and household water pipes), EYATH S.A. adopted Board of Directors' decision No. 41/2017 relating to the following measures:

A. Replacement of damaged water meters:

1. Full exemption for the following categories:
   - Customers on the social tariff
   - Public hospitals
   - State schools
   - Care facilities for the elderly, disabled and refugees.
2. A discount of up to 50% for other consumers.

B. For extra water consumed due to damage or maintaining a constant flow to protect indoor facilities:

1. Full exemption for the following categories:
   - Customers on the social tariff
   - Public hospitals
   - State schools
   - Care facilities for the elderly, disabled and refugees.
2. Discount for other consumers as follows:
   - no discount for extra consumption up to 10% historical average.
   - across-the-board discount of 80% for quantities over the previous limit (historical average + 10%).

Implementing this decision resulted in credit notes for € 800 being issued.

- The Board of Directors also recently approved a new company investment and business strategic plan for the 2017 – 2023 period, aiming to:

- the overall development of its networks, namely a series of technical projects in order to supply water to areas of both the urban area, and beyond it, to regions which currently are lacking good quality water;

- implement the extension of the Thessaloniki Water Treatment Plant (known as the 'refinery') to ensure the necessary extra quantity of water needed to cope with current and future water supply demand for the Thessaloniki urban area;
- ensure uninterrupted, safe operation of the water supply systems, by supplying top quality water, in line with the rules and requirements laid down by the current regulatory framework;
- increase environmental safety, both in terms of pollution and protection of water resources;
- improve customer service by offering top class water supply and sewerage services at the least possible cost;
- combine business activity with social responsibility;
- upgrade infrastructure to improve the productivity of existing systems, which will lead to lower operating costs for the company, especially energy costs;
- raise awareness among citizens about how the company contributes to society as a whole, and provide information about key aspects of the company and the work it does.

The company is in the process of updating its investment and business plans, adding new investment activities.

- On 31.12.2016 contracts for work entered into by the subsidiary EYATH SERVICES S.A. expired but were extended to 30.6.2017 under Article 46 of Law 4440/2016. All persons engaged under such contracts sought recourse to the courts and obtained an interim order until the final judgment on the petition for injunctive relief is handed down. Athens Single-Member Court of First Instance judgment No. 1353/2018 was handed down on 1.3.2018 which rejected their claims against the Company and the subsidiary EYATH SERVICES S.A. and since that date they have ceased offering their services to the company.

VISION - MISSION - PROSPECTS

Management's vision is to develop the company as an efficient manager of water resources, protecting the environment in the wider Thessaloniki and Thermaikos Bay area.
The company's mission is to offer quality, comprehensive water supply and sewerage services to a new set of consumers who are in need of them, by utilising, improving and extending its infrastructure, through sustainable environmental management practices.

The Company's strategy aims at fulfilling its obligations as a Utility Company, in combination with increasing the shareholders' value. To this end, it seeks to improve the quality of the services it provides through an investment programme, to improve its facilities, expand its technological infrastructures by using advanced ICT infrastructure.

EYATH's special features, such as the natural monopoly it has, its strong cash flow situation, zero borrowing and its business and investment plans will ensure that the company grows, remains profitable, and transforms into a robust centre for know-how and entrepreneurship in the wider region.

To that end, in 2013 EYATH prepared a plan for functional and technological modernisation to be implemented in 4 phases, in the areas of retail, support and administrative functions within the company.

Phase 1 of the modernisation plan, which related to financial management, was successfully completed in January 2016, on budget and on schedule despite the project's scale and complexity.

In that context the company installed a new SAP system in early 2016 which supports the procurement management, warehouse logistics and accounting office functions.

During 2017 Phase 2 was implemented which related to customer service. 3 actions were implemented in this regard:

A. redesign of billing, CRM and customer service via various improvements relating to (a) modernisation of the bill checking, issuing and management system and (b) development of a comprehensive framework and computerising CRM and customer service.

B. developing requirements and then running a tender procedure for the supply, configuration, installation and commissioning of a billing and CRM and customer service IT system.

C. running that tender procedure.

Phase 2 is currently under way, and the plan is to run the tender procedure to procure the new CRM system,

In addition, during 2017 following the Central Macedonia Region NSRF funding decision for the remote control and automation system to manage EYATH's water supply system, steps were taken to finalise technical and other requirements in the tender procedure documents for the financed project entitled "Remote control and automation of water supply systems within EYATH's remit" with a total budget of € 3,347 + VAT.

The project is design to ensure automated monitoring and management of the water supply network (pipelines, pumping stations, reservoirs, etc.) by installing a SCADA system. That system will help identify and check drinking water leaks and safeguard the operational status of all E/M equipment installed, thereby supporting moves being made to optimise operations.

EYATH's geographical remit

- Article 26 of Law 2937/2001 states that the Company's territorial remit, within which it may provide its services and conduct its business, is the following:

WITH REGARD TO WATER SUPPLY: the Municipalities of Thessaloniki, Ampelokipoi, Kalamaria, Neapoli, Sykies, Agios Pavlos, Menemeni, Polichni, Efkarpia, Triandria, Eleftherio Kordelio, Evosmos, Stavroupoli, Panorama, Pylea, Oreokastro, Pefka, as well as the industrial area of Thessaloniki.

WITH REGARD TO SEWERAGE: the territorial remit of EYATH S.A. is divided into five regions:

"**Region A**" includes the Municipalities of Thessaloniki, Ampelokipi, Kalamaria, Neapoli, Sykies, Agios Pavlos, Menemeni, Polichni, Triandria, Diavata, Eleftherio Kordelio, Evosmos, Stavroupoli, Pylea, Panorama, Oreokastro, the districts of Ionia and Kalohori of the Municipality of Echedoros and the Community of Efkarpia.

"**Region B**" includes the area surrounded by the rivers Gallikos and Axios, up to the sea, including the industrial zone of the major Thessaloniki area, the district of Sindos of the Municipality of Echedoros, the districts of Agios Athanasios, Anchialos, Gefyra of the Municipality of Ag. Athanasios and the districts of Halastra and Anatoliko of the Municipality of Halastra.

"Region C" includes the hill zone of the Thessaloniki urban area and includes the community of Pefka and the Districts of Asvestochori, Exochi, Filyro of the Municipality of Hortiatis.

"**Region D**" extends to the Municipalities of Kalamaria and Panorama, to the Sedes public baths and the airport of Mikra and includes the Industrial area and the Districts of Thermi, N. Redestos, N. Rysio and Tagarades of the Municipality of Thermi and the District of Agia Paraskevi of the Municipality of Vassilika.

"**Region E**" extends from the airport of Mikra and the districts of N. Rysio and Tagarades of Agia Paraskevi to the sea and includes the Districts of Agia Triada, Perea, N. Epivates of the Municipality of Thermaikos and the districts of Nea Michaniona, Emvolo, Angelohori of the Municipality of Michaniona.

The Company, under a contract signed with the corresponding Municipality and EYATH Fixed Assets can undertake the existing network of local government authorities in one of the above regions and the obligation to provide water supply or sewerage services to the corresponding Municipality.

The Company, under a contract signed with the corresponding Municipality, EYATH Fixed Assets, and approved by a joint decision of the co-competent ministers, can extend its activity to the territory of local government authorities that are outside the above regions.

The Company has undertaken initiatives for inclusion of the Nikopoli area in the network.

Note that there are no discontinued operations.

GROUP AND COMPANY RESEARCH & DEVELOPMENT OPERATIONS

During the year ended the group spent a total of € 148 on R&D, primarily by self-financing development studies and research projects.

Over the course of the year the company was involved in various working groups along with other agents from the city and abroad, to ensure that EYATH plays a part in shaping proposals for research projects in the context of co-financed research, technology and innovation programmes run by the European Commission (Horizon 2020) or the Greek General Secretariat for Research and Technology (GSRT-NSRF).

As a result of this, at the end of 2017 approval was obtained for a project entitled "Smart infrastructure for remote water consumption and water demand management systems" (known as SMART-WATER) as part of the 2014-2020 NSRF, which is a research partnership between EYATH, the telecom company Apifon, the Information and Communication Technologies Institute of the Centre for Research and Technology Hellas (CERTH), and focuses on the following objectives:

- Designing model integrated infrastructure to smartly manage the water supply network which will utilise remote measuring and remote control technologies to offer innovative services to the water supply company and end consumer.
- R&D on alternative technologies to implement the remote measurement and more control network, via a pilot scheme under real conditions in Thessaloniki's urban environment, to test and evaluate their reliability and efficiency.
- R&D and pilot testing of the water consumption data management, imaging and analysis system to support decision-making, automatically identify incidents thanks to alerts, provide personalised information to consumers and provide the water supply company with automated procedures.
- Evaluation of the infrastructure overall, based on criteria such as business performance, ease-of-use and reliability, cost-benefit for the water supply company, user/consumer satisfaction and financial return on the investment.

The total budget for this project is around € 660, of which around € 490 will be financed with public money. EYATH S.A.'s budget is around € 170, of which around € 87.5 will be financed with public money.

At the same time the research project financed by EYATH S.A. in cooperation with the Aristotle University of Thessaloniki's Special Account for Research Grants for a scientific study on the impact of adding sludge treated at a biological treatment plant on the physical, chemical and biochemical properties of soil, and on the performance, composition and quality of wheat and maize, continued.

The project's overall budget is around € 130 (plus VAT) and lasts 31 months and will end in December 2018. As part of this project, 4 field experiments were conducted in the 2016-2017 growing period, and there will be 4 in the 2017-2018 period to explore the impact of adding limed, dehydrated sludge on improving soil structure and on the performance/quality of wheat and maize.

To explore new methods for managing the sludge generated EYATH participated in a pilot scheme to compost the dehydrated sludge generated at the Aeneia Waste Water Treatment Plant using worms. The programme was implemented by the Laboratory of Hydraulics and Environment / School of Rural and Surveying Engineering / AUTH and the operations department of the Aeneia Waste Water Treatment Plant.

Moreover during 2017 the company was one of 10 European water supply / sewerage companies to take part in energy audits at waste water treatment plants in the context of the European H2020 - Powerstep research programme. As a result of these moves EYATH S.A. submitted a technical report of the results and proposals for how to improve energy efficiency at waste water treatment plants, which will form the basis for further exploration.

Moreover, in the period April to December 2017, the company was involved in the 20 European Cities Working Group, comprised primarily of municipal services and water supply / sewerage companies consulting on the European Commission's strategy for the Urban Water Agenda 2030. |EYATH S.A. represented the Municipality of Thessaloniki in that working group, on issues of total urban water management and one outcome of this action was that the Mayor of Thessaloniki signed by the Porto 2017 Declaration.

CORPORATE SOCIAL RESPONSIBILITY

Today's key challenges are to ensure access to key services, proper resource management and to safeguard resources for future generations.
EYATH is working to achieve those objectives by constantly monitor its own corporate responsibility since its strategy includes highlighting its important relationship with the local community and ensuring a positive environmental footprint. Through dialogue with stakeholders -staff, customers, investors, suppliers, the local community in which it operates- mutual targets can be set which can then be implemented as part of the company's CSR strategy.
EYATH's undisputed role as a public benefit enterprise is reinforced through societal measures designed to improve the quality of life of citizens, to improve their health and protect the environment, all of which are sectors directly related to the company's business activities.
We have opted to focus our commitments on 4 key aspects and present our performance in those areas: The environment, society, human resources and culture. EYATH's values are being turned into reality in the following areas:

1. Natural resources and the environment
2. Society and vulnerable social groups
3. Human Resources and Training
4. Culture and Sport

NATURAL RESOURCES AND THE ENVIRONMENT

Water is our most precious natural resource. That's why for EYATH ensuring sustainable water management is synonymous with protecting the natural environment; a concept interrelated with sustainable development.EYATH's commitment to environmental protection takes shape through the company's day-to-day practices. In that context it ensures that all business moves relating to the environment comply with Greek law.

More specifically,

- it fully implements Community and national environmental law, seeking to minimise the impacts of its activities on the environment;
- it engages in R&D, ever seeking out ways to protect and improve the environment;
- it is planning systematic modernisation of the water supply network to reduce leaks;
- it is working together with like-minded European partners and bodies via research activities on the impact of climate change on aquifers, helping promote solutions for sustainable development in our region and in SE Europe more widely, such as active participation in EUREAU, the European Federation of National Associations of Water and Wastewater Services;
- it invests in improving its facilities to ensure better performance and reduce energy consumption;
- it actively contributes to cleaning the surface of the sea in the bay of Thessaloniki, removing floating objects, oil spills or contaminants;
- it removes urban and industrial wastewater from the urban area via an extensive sewerage network, controlled by remotely controlled and operated systems;
- it operates a state-of-the-art GIS system for preventative maintenance and rapid response to emergencies;
- it implements a programme to re-use water treated at the Thessaloniki Wastewater Treatment Facility to irrigate areas of land in the Halastra - Kalohori plains during droughts;
- it is significantly reducing the time required to carry out network-related tasks (new connections, relocations, extensions, etc.);
- it also ensures environmentally and socially beneficial management of sewage sludge and seeks to improve the biogas production unit running on sewage sludge which is already in operation at the Sindos Biological Treatment Plant, and to utilise its heat generating capacity;
- it systematically recycles at the workplace and uses environmentally-friendly materials;
- it is focusing on rationalising business travel and on applying environmental criteria to procurement;
- it has (a) a Sewerage & Environment Quality Control Lab which carries out environmental tests every day at the outlets of the waste water treatment plants and industries (around 1,500 tests which generate over 12,000 quality analyses) and (b) a Drinking Water Testing Lab in cooperation with the quality control lab at the water treatment plant which receives over 3,000 samples of water and carries out around 50,000 chemical and microbiological tests a year, implementing the relevant legislation. Both labs systematically participate each year in the inter-laboratory tests and have ISO 9001:2000 quality management systems and are in the process of obtaining ISO 17025 accreditation.
- The Drinking Water Testing Lab implements a quality management system that conforms to ISO 9001:2000.
- The Drinking Water Testing Lab and the water treatment plant are systematically involved (at least twice a year) in inter-laboratory tests and run thousands of chemical and microbiological analyses a year. The reliability of their results are confirmed by an independent body;
- it shares know-how with other water management bodies such as municipal water supply & sewerage companies, and provides training services to bodies and organisations that lack experience and knowledge about how to manage water resources and waste water;
- it participates in financed research programmes.

SOCIETY AND VULNERABLE SOCIAL GROUPS

- Is exploring innovative procedures and automated processes to optimise day-to-day operations at its facilities and ensure better customer service (e-transactions, web-banking, payments via an extensive network of supermarkets, and other similar ideas).

- it offers a social tariff to vulnerable groups of citizens and in particular those with large families, the elderly, those on low incomes or the long-term unemployed, and also offers a broad spectrum of repayment plans for overdue debts for all debtors and the financially disadvantaged;
- it facilitates customers via improved e-services and a wide network of partners and associated businesses (150 super markets in the prefecture of Thessaloniki and neighbouring prefectures of Halkidiki, Pieria, Imathia, Pella and Kilkis at no extra charge, and at associated OPAP agencies and Hellenic Post Office branches);
- it runs info-campaigns for the public about the options available to socially and financially vulnerable population groups;
- if offers work to students and pupils at technical schools as part of their work experience requirements;
- it helps improve the life of refugees in refugee camps in the wider area of Thessaloniki, providing radiators and carrying out infrastructure works (water supply and sewerage facilities at those camps, and repairs to damaged facilities);
- it has a long-standing partnership with a magazine sold in the streets to support the unemployed, since its head offices are a 'safe haven' for sellers, and also supports unemployed people in Thessaloniki via the Labour Centre;
- it encourages staff to get involved in volunteering (by collecting food or other items for the poor, participating in running events that share a social cause, etc.);
- it collaborates with the academic community at specialist and general events on environmental issues, attracting audiences comprised of students, experts and ordinary citizens;
- it presents a 1-hour programme entitled 'The sewerage cycle in Thessaloniki' approved by the Ministry of Education, to brief primary and secondary school pupils about daily influxes to the sewerage network and raise their awareness;
- it prepares educational programmes for children as part of the Thessaloniki International Fair;
- it cultivates ecological awareness among consumers thanks to info-campaigns and daily visits by tens of primary and secondary school pupils to the Water Supply Museum;
- it participates in World Water Day celebrations on 22 March and World Environment Day events on 5 June, hosting info-events for the general public;
- it is supporting the activities of local bodies and organisations relating to the environment and water;
- it donates electronic equipment to schools in Thessaloniki.

HUMAN RESOURCES AND TRAINING

- it looks after its employees and to that end has group life and health insurance policies;
- it invests in developing its employees' skills in life-long learning, offering numerous changes for training both via specialised seminars and post-graduate training;
- it supports the families of staff, covers the costs of kindergartens and summer camps for employees' children;
- it rewards the children of employees who enter university;
- it organises parties for employees' children;
- it implements policies to protect the H&S of all employees;
- it ensures equal opportunities for both genders when it comes to promotions;
- it offers employees a work uniform and personal protection equipment.

CULTURE AND SPORT

- it runs the Water Supply Museum which is visited by thousands of children;
- it provides support to sports clubs and associations;
- it supports cultural activities, sports and artistic events in the city, promoting the idea of culture and the good life;
- it keeps an archive of maps, letters and other documents at the Water Supply Museum which cover the history of water supply in Thessaloniki and are available to any interested parties.

COMPANY BRANCHES

During the year ended, as well as during the previous one, the Company had no branches through which it engages in its business activities, outside the Thessaloniki urban area.

OWN SHARES HELD BY THE GROUP AND THE COMPANY

At year-end no shares of the parent Company were held by the same or another company included in the consolidation.

RISKS

Risk related to the sector in which the Group operates

As regards the possibility of the future deregulation of the market, in relation to EU law and its possible impact on the Group, we note that due to the nature of the installed infrastructure (mainly underground networks and tanks), the water supply - sewerage sector is a typical example of a physical monopoly, where the development of alternative networks and the creation of competition conditions, where customers could choose between different suppliers of processed drinking water, is extremely difficult. Moreover, EYATH's product suffers from inelasticity.

We further note that in all countries of the European Union, as well as the rest of the world, water supply-sewerage services are provided by private or state companies (or local government authorities) without any capability of developing competition within the specific geographical boundaries where these companies provide their services.

The specific characteristics of the water supply and sewerage sector (that differentiate this utility sector), are recognised by the European Union, and never to this date has an issue ever been raised regarding the abolition of the monopoly of the sector, and the development of competition, as for example was the case in the telecommunication services sector.

Therefore, we do not consider possible, at least in the foreseeable future, the possibility of development of competition in this sector.

Financial risk factors

The Group's main financial tools are cash, bank deposits, trade and other receivables and liabilities. Management examines and periodically reviews the policies and procedures related to financial risk management, such as credit risk and liquidity risk, which are described below:

Market risk

(i) Exchange rate risk

The Group and the Company do not face exchange rate risks, because throughout the year ended they did not carry out transactions in foreign currency and all assets and liabilities were in euro.

ii) Price risk

As regards price risk, the Group is not exposed to significant risk of fluctuation of the variables that determine both revenues and cost.

There were no loan liabilities on 31/12/2017.

(iii) Cash flows and fair value of risk rate

The Group has a limited interest rate risk in interest-bearing assets (time deposits) and therefore the income and the operating cash flows depend, to a point, on the changes to the interest rate market.

Management is monitoring interest rate fluctuations on an ongoing basis, and evaluates in each case the duration and the type of time deposits.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash at hand and cash in banks, as well as credit exposure to customers, including significant receivables and transactions made.

The Company is constantly monitoring its receivables, either separately or per group (customer categories) and incorporates this information into its credit control processes.

Cash and cash equivalents do not entail significant credit risk. Trade and other receivables include receivables from private customers, with a relatively limited degree of risk of losses, mainly due to the broad dispersion of the receivables, whereas for receivables from the State and the broader public sector, the company examines the possibility of collecting due debts by drawing up contracts or through legislative regulations.

At the end of the period, Management deemed that there is no significant credit risk that is not covered by some collateral or an adequate provision for bad debt. The Company forms no provision for due receivables from the State because it anticipates that it will collect them in their entirety.

None of the financial assets has been secured with a mortgage or other form of credit security.

The Company forms no provision for due receivables from the State and bodies governed by public law because it anticipates that it will collect them in their entirety.

Liquidity risk

Liquidity risk is kept low, by means of ensuring high cash assets.

As regards the Company's and the Group's cash, note that it is deposited in sight and time accounts in Greek banks and at the Bank of Greece, which are subject to capital controls. On the other hand, the Group operates in the domestic market and is not affected by potential adversities, because it does not have any significant transactions with foreign suppliers, which might have affected its smooth operation.

The Group continues to follow-up these developments carefully, taking any measure needed to ensure the unhindered continuation of its business activity and will inform investors immediately about any effect which the unfolding events may have on its operation, financial position and results.

SIGNIFICANT TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES

According to the Group, related parties are members of the Board of Directors, members of Management, as well as the shareholders holding a significant percentage of its share capital (including their related persons). The Group's trading transactions with these related parties during the 01/01/2017-31/12/2017 period were carried out under market terms and in the framework of its usual business activity. The transactions and the balances of the Group's and Company's related parties, during the 1/1/2017 - 31/12/2017 period and on 31 December 2017 respectively, as well as during the previous period, are broken down in the following tables (see note 27 of the financial statements):

(amounts in thousands of euro)

	THE GROUP		THE COMPANY	
	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Income	-	-	-	-
Expenses	-	-	2,225	1,969
Transactions with and fees for executives and board members	632	783	632	783

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Receivables	-	-	24	120
Liabilities	-	-	477	275
Receivables from management executives and board members	4	4	4	4
Liabilities to management executives and board members	3	20	3	20

The Company's expenses of € 2,225 are related to meter reading services and distribution of bills and consultancy services provided by subsidiary "EYATH SERVICES S.A.". The Company's receivable of € 24 mainly related to receivables in lieu of the approved dividend. The Company's liability of € 477 related to meter reading services and distribution of bills to the subsidiary EYATH SERVICES S.A.

The actuarial liability for the company's related parties (management executives) was € 122 on 31.12.2017 (compared to € 105 in 2016).

STRUCTURE OF THE COMPANY'S SHARE CAPITAL (amounts in €)

The Company's Share Capital amounts to forty million six hundred and fifty six thousand euro (€ 40,656,000) divided into thirty six million three hundred thousand (36,300,000) ordinary bearer shares with voting rights, of a nominal value of one euro and twelve cents (€ 1.12) each.

Company shares are listed for trading on the Equities Market of the Athens Exchange (Category: Large Capitalisation). The Company’s shareholders rights arising from shares depend on the percentage of capital held which corresponds to the share’s paid value.

Each share grants all the rights specified by law and the Company’s Articles of Association and in particular:

- Right to obtain a dividend from the Company's annual profits;

35% of the net profits (having deducted the statutory reserve first) are distributed from the profits each fiscal year to shareholders as a first dividend, unless the General Meeting stipulates otherwise. The General Meeting also decides on whether to distribute any additional dividend. For 2017 a dividend of € 0.221/share has been proposed due to the high levels of cash assets. All persons who are shareholders as at the holder-of-record date are entitled to a dividend. The dividend to which each share is entitled shall be paid to the shareholder within two (2) months of the date of approval by the Ordinary General Meeting of the annual financial statements. The place and manner of payment is announced in the press. Dividends not collected within 5 years from the end of the year in which the General Meeting approved distribution, devolve to the State.

- The right to receive the contribution paid, upon liquidation or upon the writing off of capital corresponding to the shares, where this is decided upon by the General Meeting.
- The pre-emptive right in each increase of the Company’s share capital with cash and new shares.

(amounts in thousands of euro)

- The right to receive a copy of the financial statements and reports of chartered auditors and the Company's Board of Directors.
- The right to participate in the General Meeting which consists of the following specific rights: legal standing, attendance, participation in discussions, submission of proposals on items on the agenda, entry of views in the minutes and voting rights.
- The General Meeting of the Company's shareholders shall retain all its rights during the period of liquidation.

Shareholders' liability is limited to the nominal value of the shares held.

LIMITATIONS TO THE TRANSFER OF THE COMPANY'S SHARES

The company's shares are transferred as stipulated by Law 2190/1920, Article 8b, and there are no limitations on transfer set out in its Articles of Association. Company shares are dematerialised and listed on the Athens Exchange.

SIGNIFICANT DIRECT OR INDIRECT HOLDINGS WITHIN THE MEANING OF ARTICLES 9 TO 11 OF LAW 3556/2007

Shareholders with a significant holding in the Company's share capital on 31/12/2017 were as follows:

SHAREHOLDER	Number of shares held	Holding on 31/12/2017
Hellenic Republic Asset Development Fund S.A.	26,868,000	74.02%
Other shareholders	9,432,000	25.98%
Total	**36,300,000**	**100.00%**

At its meeting on 21.2.2018, the Interministerial Committee for Restructuring and Privatisation decided to:

1. Revoke Interministerial Committee for Restructuring and Privatisation decision No. 195/27.10.2011 (Government Gazette 754/B) to the extent that it transferred 14,520,000 shares in EYATH to the company Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

2. To revoke Interministerial Committee for Restructuring and Privatisation Decision oik. 206/25.4/2012, Government Gazette 1363/B/26.4.2012), to the extent that it transferred 3,630,001 shares of the Hellenic Republic to the company with the corporate name Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

The decision was published in Government Gazette 614/B/22.02.2018.

Following that, according to the notice submitted by the Ministry of Finance, which the company received by email on 21.3.2018, on 20.3.2018 following an OTC trade on that date the Hellenic Republic transferred free of charge 18,150,001 shares in EYATH S.A. to HCAP, in accordance with Article 380(20) of Law 4512/2018 as amended by Article 197(1) of Law 4389/2016. That transfer is effective from 1.1.2018. HCAP directly holds 50% + 1 share in EYATH and via HRADF indirectly holds 24.02%, which directly holds 24.02%. HCAP's voting rights account for 74.02% of the capital.

The total voting rights controlled by the Greek State remain at 74.02%. The Greek State owns all voting rights in Hellenic Corporation of Assets and Participations (HCAP) which in turn holds all voting rights in HRADF.

The Greek State's total direct and indirect holding in those companies has not changed.

(amounts in thousands of euro)

In light of those transfers and notices on the date this Board of Directors' Report was prepared, the Company's shareholder line-up since 1.1.2018 has been as follows:

SHAREHOLDER	Number of shares held	Holding on 01/01/2018	
HCAP	18,150,001	50.00%	+1
HRADF	8,717,999	24.02%	
Other shareholders	9,432,000	25.98%	
Total	**36,300,000**	**100.00%**	

HOLDERS OF ALL CLASSES OF SHARES ENTITLING THEM TO SPECIAL RIGHTS OF CONTROL

There are no shares in the Company granting their holders special rights of control.

LIMITATIONS ON THE VOTING RIGHT - DEADLINES FOR EXERCISING RELEVANT RIGHTS

The Company's Articles of Association contain no restrictions on voting rights deriving from its shares.

AGREEMENTS BETWEEN COMPANY SHAREHOLDERS

The Company is not aware of the existence of agreements between its shareholders which entail restrictions on the transfer of its shares or the exercise of voting rights deriving from its shares.

RULES ON THE APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS AND AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The rules contained in the Company's Articles of Association on appointment and replacement of members of the Board of Directors and amendment of the provisions of the Articles of Association are not different from those contained in Codified Law 2190/1920.

POWERS OF THE BOARD OF DIRECTORS OR SPECIFIC MEMBERS TO ISSUE NEW SHARES OR PURCHASE OWN SHARES

Article 5 of the Company's Articles of Association states that the General Meeting may reach a decision, to be published in the manner required by Article 7b of Codified Law 2190/1920 as in force, granting the Board of Directors the right to make a decision by a 2/3 majority at least of its members to increase the share capital in whole or in part by issuing new shares up to the paid-up share capital on the date that the said power was granted to the Board of Directors. To purchase own shares, the competence of the Board of Directors does not change, according to the provisions of Article 16 of Codified Law 2190/1920. There is no provision to the contrary in the Company's Articles of Association.

ANY SIGNIFICANT AGREEMENT CONCLUDED BY THE COMPANY WHICH ENTERS INTO FORCE, IS AMENDED OR ENDS, IN CASE OF CHANGE IN CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

There are no other agreements that enter into force, are amended or end in case of a change in the Company's control, following a takeover bid, beyond the trilateral concession agreement between EYATH SA, EYATH Fixed Assets and the Greek State, which was ratified with Law 2937/2001 Government Gazette 169-A-26.7.2001.

ANY AGREEMENT BETWEEN THE COMPANY AND ITS BOARD MEMBERS PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID

There are no agreements between the Company and members of the Board of Directors or staff which provide for the payment of remuneration specifically in the case of resignation or dismissal without just cause or termination of service or employment due to a takeover bid.

(amounts in thousands of euro)

DIVIDEND POLICY

Given that the Company is profitable, Management proposes that dividends equal to € 0.221 per share be distributed. More specifically, it is proposed that the dividend should amount to € 8,023 for 2017, which is 50% of net profits having deducted the statutory reserve only in accordance with the applicable law, for all 36,300,000 bearer shares. The dividend is subject to a 15% withholding tax. The net amount of dividends (after the withholding) cannot be assessed before the dividend is paid and the Hellenic Central Securities Depository is notified because some investors receive special tax breaks and are exempt from the withholding tax.

STATEMENT OF CORPORATE GOVERNANCE

Section: I. Principles of Corporate Governance

In making this statement, and following the provisions of Article 43a(3)(d) of Codified Law 2190/1920, and Article 2(2) of Law 3873/2010, the Board of Directors declares that it has decided of its own initiative to implement the Hellenic Corporate Governance Code which was prepared by the Hellenic Federation of Enterprises and then amended as part of the first revision by the Hellenic Corporate Governance Council on 28 June 2013.

(http://www.helex.gr/documents/10180/2227277/HCGC_GR_20131022.pdf/e8e7b6da-6dd0-4c30-90e9-79fe9ca8383d)

The Hellenic Corporate Governance Code includes provisions of two types: "general principles" which are aimed at all companies, whether listed or not, and "special practices" which only relate to listed companies. The Code follows the "comply or explain" approach and requires listed companies which adopt it to publish their intention in this regard and either comply with all special practices in the Code or explain the reasons for non-compliance with specific special practices. The Code incorporates all applicable legislative requirements on corporate governance, and also includes special practices that go beyond those requirements. EYATH S.A. fully complies with all legislative requirements on corporate governance, while for the time being, at least, does not apply any of the special practices in the Code which go beyond the legislative requirements.

The deviations from the Hellenic Corporate Governance Code are presented and justified in the table below:

Special practices in the Hellenic Corporate Governance Code	Explanation/ justification for deviation from the special practice in the Hellenic Corporate Governance Code
Size and composition of the Board: Special practice 2.3	EYATH S.A.'s Board of Directors consists of 11 members, 2 of whom are independent, non-executive members. The independent members provide the Board with independent, impartial viewpoints.
Size and composition of the Board:	For the time being, EYATH has not adopted this specific diversity policy on the composition of the Board of Directors. The fact that it

Special practices in the Hellenic Corporate Governance Code	Explanation/ justification for deviation from the special practice in the Hellenic Corporate Governance Code
Special practice 2.8	is a company in which the Greek State has a direct and indirect holding does not allow the staff selection and promotion procedures for public agencies to be bypassed. However, the Company publishes the line-up of its Board in the Corporate Governance Statement, giving information about diversity (gender, experience, etc.).
Role and profile of the Chairman of the Board: Special practice 3.1	At EYATH, the posts of Chairman of the Board and CEO are held by the same person. Generally speaking, the Chairman and CEO's competences are set out in the Company's codified Articles of Association and in other internal documents (internal regulations).
Role and profile of the Chairman of the Board: Special practice 3.3	At EYATH, the posts of Chairman of the Board and CEO are held by the same person. The General Meeting decided to appoint the 2nd Vice-Chairman as a non-executive member of the Board.
Role and profile of the Chairman of the Board: Special practice 3.4	No independent Vice Chairman has been appointed at EYATH and consequently such person cannot lead the evaluation of the Chairman of the Board, or meetings of the non-executive members.
Nomination of Board members: Special practice 5.1 / Term in office	According to EYATH's Articles of Association, the Board's term in office is 5 years. The specific term in office facilitates the Company's development and strategic planning objectives and is not expected to be reduced.
Nomination of Board members: Special practice 5.4, Special practice 5.5, Special practice 5.6 and Special practice 5.7	EYATH has not set up a board nomination committee. Due to EYATH's special situation and the legislation governing how it operates, the practice can only be applied to a limited extent.
Functioning of the Board: Special practice 6.1	The internal regulations for EYATH's Board of Directors were approved by Board decision No. 402/2017.
Board evaluation: Special practice 7.1 and Special practice 7.3	By the date this statement was drawn up, there were no evaluation procedures for the Board of Directors and its Committees, which are chaired by the Chairman. Moreover, the Board does not evaluate the Chairman's performance, which is a procedure that an independent Vice Chairman or other non-executive member (if there is no Vice Chairman) would have to oversee. Members of the Board of Directors are evaluated by the General Meeting of Shareholders.

(amounts in thousands of euro)

Special practices in the Hellenic Corporate Governance Code	**Explanation/ justification for deviation from the special practice in the Hellenic Corporate Governance Code**
Board evaluation: Special practice 7.2	Non-executive members do not convene periodically without the executive members being present in order to evaluate the performance of the executive members and discuss their remuneration. The remuneration of members of the Board of Directors is set by the General Meeting of Shareholders. The Board is evaluated by the General Meeting, however the Company will examine the possibility of developing procedures to enable the Board's operations to be evaluated. The design of that evaluation process will be examined after the Board's internal regulations have been prepared.
System of internal controls: Special practice 1.7	In Decision No. 67/2017 the Board of Directors approved the internal regulations of the Board's Internal Audit Committee.
Level and structure of remuneration: Special practice 1.1 and Special practice 1.10	All Board members receive a fixed fee and a maximum cap has been set for executive members. Consequently, there is no possibility of remuneration being linked to the corporate strategy and the company's objectives, nor with remuneration being linked to how executive members perform.
Level and structure of remuneration: Special practice 1.4	The remuneration for each executive member of the Board is approved by the General Meeting. The remuneration for executive members of the Board is not based on a recommendation from the remuneration committee since at present no remuneration committee has been set up by EYATH (the reasons for this were mentioned above).
Level and structure of remuneration: Special practice 1.6, Special practice 1.7, Special practice 1.8 and Special practice 1.9	No remuneration committee has been set up by EYATH (the reasons for this were mentioned above).

Section: II. Main characteristics of the Internal Controls and Risk Management Systems in relation to the preparation of the Financial Statements

The Internal Audit Unit's mission is:

- to examine and evaluate the adequacy and effectiveness of the Company and Group's system of internal controls and to ascertain to what extent the system provides a reasonable assurance about:
  - compliance with policies, procedures, guidelines and decisions of Company

Management and the legislation governing its operations.

- adequate evaluation of the data processing systems, in order to ascertain to what extent such systems achieve their purposes and objectives, and adequate auditing procedures have been incorporated into them;
- efficient and effective utilisation of the Company's available resources, and an overview of the means of safeguarding assets and an assurance per se of the existence of such assets (via inventories, counts, etc.);
- Reliability of the financial statements.
- The reliability and completeness of data, information and means used for decision-making.

- Management is briefed by the Audit Committee about the results of scheduled and unscheduled audits.

- Steps taken to correct auditing issues which have been identified and notified in the past are evaluated.

Internal auditing, as a function, is performed in an independent, objective manner and consequently has no power or other form of responsibility for the activities its oversees. The key principles guiding how internal audits are carried out are set out below:

- Each year an Audit Plan is drawn up, which includes areas to be audited during the year, the subject matter and timeframe for carrying out all auditing work. The annual Audit Plan is prepared based on risk assessment and is approved by the Audit Committee.

- Auditing work is carried out by 1st and 2nd class auditors with the required degree of professional diligence, conduct, confidentiality, objectivity and integrity, in compliance with the International Standards for the Professional Practice of Internal Auditing (Standards) and the Code of Conduct of the international Institute of Internal Auditors (IIA).

- When carrying out audits, Company auditors collaborate as necessary with staff and executives who are directly or indirectly involved in the activity being audited.

- The practices and detailed procedures implemented by Internal Auditing, and the operating framework for internal audits are outlined in detail in the Internal Audit Manual.

- The scope of audits and the findings which emerge from each auditing task are recorded in detail in internal Audit Reports. These are prepared by the class 1 and 2 auditors who were involved in the auditing task and are reviewed by the head of the Internal Audit Unit.

- Follow-up of corrective measures is done by the Internal Audit Unit at regular intervals depending on their seriousness.

- The Audit Committee periodically briefs Company Management about issues which come to the attention of auditors while carrying out audits, or from other sources which require further investigation by expert investigators.

Section: III. Modus operandi of the General Meeting of Shareholders, key powers and description of shareholder rights and how they can be exercised.

a) Modus operandi and powers of the General Meeting of Shareholders

The modus operandi and powers of the General Meeting of Shareholders and the rights of shareholders and how they exercise them are set out in detail in Articles 27 to 38 of the Company's Articles of Association, which are available to the public in hard copy at the Company's head offices.

According to the Articles of Association, the General Meeting of Shareholders is the supreme management body which decides on all corporate affairs and its lawful decisions are binding on all shareholders.

The General Meeting of Shareholders is convened by the Board of Directors and meets regularly at the place and time specified by the Board of Directors within the first six months from the end of each fiscal year.

The General Meeting convenes where at least 20 whole days before the meeting an invitation was published which clearly sets out the place and time of the meeting, the items on the agenda, and the procedure to be followed by shareholders to participate and exercise their voting rights.

The General Meeting meets and has a quorum where 1/5 of the share capital is represented at it, apart from cases where a larger quorum of 2/3 of the share capital is required by the Articles of Association.

Shareholders who participate in the General Meeting and have voting rights elect the Chairman and Secretary. The items on the agenda are then discussed and decisions are taken on those matters by absolute majority.

Minutes are kept of the items discussed and decided on by the General Meeting signed by the

Chairman and Secretary.

The General Meeting is the sole body competent to decide on:

a) Extension of the Company's effective term, merger or winding up.
b) amendment of the Articles of Association.
c) Share capital increases or decreases.
d) The election of members of the Board, auditors and valuers.
e) Approval of the annual financial statements.
f) Profit distribution.

b) Rights of Company shareholders

The rights of shareholders and the rights of shareholders with non-controlling interests are set out in the aforementioned articles of the Articles of Association.
The rights of Company shareholders deriving from its shares depend on their holding in the capital which corresponds to the paid-up value of each share. Each share grants all the rights specified by Codified Law 2190/1920 as amended and in force, and the Company's Articles of Association and in particular:

• Right to obtain a dividend from the Company's annual profits. 35% of the net profits (having deducted the statutory reserve first) are distributed from the profits each fiscal year to shareholders as a first dividend. The General Meeting decides on whether to distribute any additional dividend. Each shareholder entered in the register of shareholders maintained by the Company on the holder-of-record date are entitled to a dividend. The dividend will be paid to the shareholders within 2 months from the date of the Ordinary General Meeting that approved the annual financial statements. The place and manner of payment shall be announced in the press. The right to collect a dividend becomes statute-barred and the amount involved devolves to the State if not collected within 5 years from the end of the year in which the General Meeting approved distribution.

• Pre-emptive right for each Company share capital increase with cash and the right to subscribe new shares.

• The right to receive a copy of the financial statements and reports of chartered auditors and the Company's Board of Directors.

• The right to participate in the General Meeting which consists of the following specific rights: legal standing, attendance, participation in discussions, submission of proposals on items on the agenda, entry of views in the minutes and voting rights.

• The right to receive the contribution paid, upon liquidation or upon the writing off of capital corresponding to the shares, where this is decided upon by the General Meeting.

• The General Meeting of the Company's shareholders shall retain all its rights during the period of liquidation.

Company shareholders' liability is limited to the nominal value of the shares held.

Section: IV. Composition and modus operandi of the Board of Directors and other administrative, management and supervisory bodies or committees.

a) Composition and modus operandi of the Board

The composition and modus operandi as well as assignable and non-assignable competences of the Company's Board of Directors are set out in detail in Articles 12 to 25 of its Articles of Association and in the Company's internal regulations, which are available to the public in hard copy at the Company's head offices.

By the time this statement was prepared, there was no nomination committee.

On 11 May 2016, the Ordinary General Meeting of Shareholders elected a new Board of Directors for a 5-year term in office which ends on 10 May 2021 comprised of the following 11 members, following BoD decision No. 179/11.5.2016 and elections held by the company's trade union:

1. Ioannis Krestenitis, Chairman & CEO, executive member
2. Ioannis Papaioannou, Vice Chairman, executive member
3. Styliani Valani, executive member
4. Stefania Tanimanidou, Member, independent non-executive member
5. Ioannis Antoniadis, Member, independent non-executive member
6. Evdoxos Petridis, Member, non-executive member
7. Olympia Latsiou - Chrysafi, Member, non-executive member
8. Ioannis Tsionas, Member, non-executive member
9. Eleftheria Karahaliou, Member, non-executive member
10. Georgios Archontopoulos, Member, non-executive member, representative of employees
11. Anastasios Sachinidis, Member, non-executive member, representative of employees

In line with Article 13 of the Articles of Association, the Board of Directors is comprised of between 7 and 11 members.

At the Board meeting of 6 April 2017, Panagiotis Gogos was elected as an independent non-executive member, to replace Ioannis Antoniadis who had resigned.

At the meeting on 27.7.2017 Marina Kouri was elected as a non-executive member of the Board of EYATH S.A. to replace Eleftheria Karahaliou.
At the meeting of 12.10.2017 Petros Samaras was elected to replace Mr. Ioannis Tsionas who had resigned. Mr Samaras was appointed to the Board and to the Company's Audit Committee is accordance with Article 44 of Law 4449/2017.

Following those replacements, on 12.10.2017 EYATH S.A.'s Board official re-established itself and allocated the following roles to its members:

(amounts in thousands of euro)

- Ioannis Krestenitis, Chairman & CEO, executive member
- Ioannis Papaioannou, 1st Vice Chairman, executive member
- Styliani Valani, 2nd Vice Chairman, non-executive member
- Stefania Tanimanidou, independent non-executive member
- Panagiotis Gogos, independent non-executive member
- Evdoxos Petridis, non-executive member
- Olympias Latsiou, non-executive member
- Petros Samaras, non-executive member
- Marina Kouri, non-executive member
- Georgios Archontopoulos, non-executive member, representative of employees
- Anastasios Sachinidis, non-executive member, representative of employees

Data is set out below about the gender distribution and age of Board members and senior executives:

Board of Directors	**No. of people**	**%**
Men	7	64%
Women	4	36%
Total	11	100%

The age range of Board members is from 33 to 70.

Senior Executives	**No. of people**	**%**
Men	7	87%
Women	1	13%
Total	8	100%

The age range of senior executives is from 50 to 69.

b) Independence of Board members

The Board's two independent members meet all requirements on relationships of dependence set out in the Code.

c) Board meetings

In the period 1.1-31.12.2017 the Board of Directors met 34 times, and all members of the Board were presented in person or via a lawful representative at 12 of those meetings. At 17 meetings, 1 independent non-executive member was missing, at 5 meetings 1 non-executive member was absent and at 4 meetings 1 non-executive member was absent.

d) Board Committees

Audit Committee

According to the Company's internal regulations, the Board of Directors runs an Audit Committee whose members in the period 1.1.2017 - 5.4.2017 were as follows:

- Mr. Ioannis Antoniadis, independent non-executive member, attorney at law.
- Mrs. Stefania Tanimanidou, independent non-executive member, economist
- Mr. Evdoxos Petridis, non-executive member, engineer.

Mr. Ioannis Antoniadis served as Chairman of the Audit Committee.

For the time period from 6.4.2017 to 7.6.2017:

- Panagiotis Gogos, independent non-executive member, economist
- Mrs. Stefania Tanimanidou, independent non-executive member, economist
- Mr. Evdoxos Petridis, non-executive member, engineer.

The duties of Chairman of the Audit Committee were performed by Mr. Panagiotis Gogos.

For the time period from 8.6.2017 to 11.10.2017:

- Panagiotis Gogos, independent non-executive member, economist
- Mrs. Stefania Tanimanidou, independent non-executive member, economist
- Ioannis Tsionas, non-executive member, engineer.

The duties of Chairman of the Audit Committee were performed by Mr. Panagiotis Gogos.

For the time period from 12.10.2017 to the present day:

- Panagiotis Gogos, independent non-executive member, economist
- Mrs. Stefania Tanimanidou, independent non-executive member, economist
- Petros Samaras, non-executive member, chemical engineer.

The duties of Chairman of the Audit Committee were performed by Mr. Panagiotis Gogos.

All members attended the regular meetings of that committee held in the period 01/01/2017–31/12/2017 in person (the relevant minutes were kept which addressed the following matters:

i. monitoring of the financial reporting process in the first half of 2017;
ii. approving the Audit Committee regulations and making recommendations thereon to the Board;
iii. approving the annual audit plan for the Internal Audit Unit for 2017 and making recommendations thereon to the Board of Directors;
iv. presenting the quarterly reports for 2016 Q4 and 2017 Q1, Q2 and Q3 prepared by the Internal Audit Unit to the Board of Directors;
v. selecting certified public accountants for ordinary and tax audits for 2017, and approving their fees, and making recommendations thereon to the Company’s General Meeting;
vi. monitoring the progress of the mandatory audit of the financial statements by the certified public accountants Athanasia Arabatzi (ICPA (GR) Reg. No. 12821) and Christos Vargiemezis (ICPA (GR) Reg. No. 30891).
vii. reviewing and monitoring of issues related to whether the certified public accountants and the auditing firm GRANT THORNTON S.A. are -and remain- objective and independent especially as regards other services provided to the Company by them.

The Audit Committee met a total of 9 times during the year.

<u>e) Evaluation and remuneration of Members of the Board</u>

By the date this statement was prepared there was no remuneration committee and there were no procedures for evaluating the Board of Directors and its committees.

(amounts in thousands of euro)

Members of the Board are evaluated, and their remuneration and that of the Chairman and CEO are set by the General Meeting. Board members do not receive additional remuneration from the Company, except for the 2 non-executive members of the Board who are employee representatives. According to Article 23 of the Articles of Association, the Board's pay and remuneration are set by decision of the Ordinary General Meeting of Shareholders.

g) Conduct of Board members and Company executives

All Board members and Company executives are obliged to comply at all times with the Company's ethics and professional conduct rules, which are set out in its internal regulations.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At its meeting on 21.2.2018, the Interministerial Committee for Restructuring and Privatisation decided to:

1. Revoke Interministerial Committee for Restructuring and Privatisation decision No. 195/27.10.2011 (Government Gazette 754/B) to the extent that it transferred 14,520,000 shares in EYATH to the company Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

2. Revoke Interministerial Committee for Restructuring and Privatisation Decision oik. 206/25.4/2012, Government Gazette 1363/B/26.4.2012), to the extent that it transferred 3,630,001 shares of the Hellenic Republic to the company with the corporate name Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

The decision was published in Government Gazette 614/B/22.02.2018.

Following that, according to the notice submitted by the Ministry of Finance, which the company received by email on 21.3.2018, on 20.3.2018 following an OTC trade on that date the Hellenic Republic transferred free of charge 18,150,001 shares in EYATH S.A. to HCAP, in accordance with Article 380(20) of Law 4512/2018 as amended by Article 197(1) of Law 4389/2016. That transfer is effective from 1.1.2018. HCAP directly holds 50% + 1 share in EYATH and via HRADF indirectly holds 24.02%, which directly holds 24.02%. HCAP's voting rights account for 74.02% of the capital.

The total voting rights controlled by the Greek State remain at 74.02%. The Greek State owns all voting rights in Hellenic Corporation of Assets and Participations (HCAP) which in turn holds all voting rights in HRADF.

The Greek State's total direct and indirect holding in those companies has not changed.

In light of those transfers and notices on the date this Board of Directors' Report was prepared, the Company's shareholder line-up is as follows:

SHAREHOLDER	Number of shares held	Holding on 01/01/2018	
HCAP	18,150,001	50.00%	+1
HRADF	8,717,999	24.02%	
Other shareholders	9,432,000	25.98%	
Total	**36,300,000**	**100.00%**	

- On 31.12.2016 contracts for work entered into by the subsidiary EYATH SERVICES S.A. expired but were extended to 30.6.2017 under Article 46 of Law 4440/2016. All persons engaged under such contracts sought recourse to the courts and obtained an interim order until the final judgment on the petition for injunctive relief is handed down. Athens Single-Member Court of First Instance judgment No. 1353/2018 was handed down on 1.3.2018 which rejected their claims against the Company and the subsidiary EYATH SERVICES S.A. and since that date they have ceased offering their services to the company.

There are no events between 31 December 2017 and the date on which the financial statements were approved by the Company's Board of Directors which could materially affect the financial position or the Company's results for the period that ended on this date, or other events which should be disclosed in the financial statements.

Thessaloniki, 29 March 2018

ON BEHALF OF THE BOARD OF DIRECTORS

Ioannis Krestenitis	Ioannis Papaioannou	Panagiotis Gogos
Chairman of the Board & CEO	Vice Chairman	Board member & Chairman of the Audit Committee
ID Card No. AB 680550	ID Card No. AE 183479	ID Card No. AE 680814

(amounts in thousands of euro)

STATEMENT OF FINANCIAL POSITION

		THE GROUP		THE COMPANY	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016
ASSETS					
Non-Current Assets					
Tangible assets	**7**	76,878	80,275	76,878	80,275
Intangible assets	**8**	342	401	342	401
Participations in subsidiaries	**9**	-	-	60	60
Deferred tax assets	**25**	3,133	3,376	3,133	3,376
Other long-term assets	**10**	3,914	1,880	3,914	1,880
Total non-current assets		**84,267**	**85,933**	**84,326**	**85,992**
Current Assets					
Inventories	**11**	1,620	1,336	1,620	1,336
Trade and other receivables	**12**	49,253	47,732	49,242	47,783
Cash and Cash Equivalents	**13**	65,210	56,697	64,914	56,302
Total current assets		**116,083**	**105,766**	**115,776**	**105,421**
TOTAL ASSETS		**200,349**	**191,698**	**200,103**	**191,413**
EQUITY					
Share capital and reserves					
Share capital	**14**	40,656	40,656	40,656	40,656
Premium on capital stock	**14**	2,830	2,830	2,830	2,830
Reserves	**15**	29,065	28,221	29,042	28,198
Results carried forward		89,873	82,448	89,880	82,111
Total equity		**162,424**	**154,155**	**162,408**	**153,795**
Non-controlling interests					
Total equity		**162,424**	**154,155**	**162,408**	**153,795**
LIABILITIES					
Long-term liabilities					
Provisions for employee benefits	**16**	1,892	1,998	1,892	1,998
Provisions for contingencies and expenses	**17**	8,246	8,888	7,715	8,888
Grants	**18**	1,994	2,345	1,994	2,345
Other long-term liabilities	**19**	14,417	14,024	14,417	14,024
Total long-term liabilities		**26,548**	**27,254**	**26,017**	**27,254**
Short-term liabilities					
Trade and other liabilities	**20**	10,973	9,712	11,279	9,863
Short-term tax liabilities	**21**	405	576	398	501
Total short-term liabilities		**11,377**	**10,288**	**11,677**	**10,364**
Total Liabilities		**37,925**	**37,542**	**37,694**	**37,618**
TOTAL OWNERS' EQUITY AND LIABILITIES		**200,349**	**191,698**	**200,102**	**191,413**

The disclosures on pages 34 to 79 constitute an integral part of these financial statements.

(amounts in thousands of euro)

STATEMENT OF COMPREHENSIVE INCOME

	Note	THE GROUP		THE COMPANY	
		01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Sales	**6**	73,401	73,278	73,401	73,278
Less: Cost of sales	**22**	(43,258)	(43,782)	(41,796)	(43,037)
Gross profit margin		**30,143**	**29,496**	**31,605**	**30,241**
Other operating income	**23**	3,039	4,553	2,953	4,462
		33,182	**34,049**	**34,558**	**34,703**
Selling and distribution expenses	**22**	(4,566)	(4,417)	(6,072)	(5,082)
Administrative expenses	**22**	(3,814)	(4,213)	(3,952)	(4,306)
Research & Development expenses	**22**	(148)	(491)	(148)	(621)
Other operating expenses	**23**	(1,367)	(4,432)	(834)	(4,396)
Results of operations		**23,288**	**20,496**	**23,552**	**20,298**
Net Financial Income	**24**	1,643	1,272	1,642	1,270
Result from usual business		**24,931**	**21,769**	**25,194**	**21,568**
Income from investments					
Results before tax		**24,931**	**21,769**	**25,194**	**21,568**
Income tax	**25**	(8,481)	(9,311)	(8,400)	(9,237)
Results net of tax		**16,449**	**12,457**	**16,794**	**12,331**
Allocated among:					
Parent shareholders		16,449	12,457	16,794	12,331
Non-controlling interests					
Other comprehensive income net of tax:					
Data that will not be classified later in the Income Statement:					
Actuarial Results		96	105	96	105
Total comprehensive income net of tax		**16,545**	**12,562**	**16,890**	**12,436**
Allocated among:					
Parent shareholders		16,545	12,562	16,890	12,436
Non-controlling interests					
Earnings per share (in euro per share)	**26**	**0.4532**	**0.3432**	**0.4626**	**0.3397**
Basic					

The disclosures on pages 34 to 79 constitute an integral part of these financial statements.

(amounts in thousands of euro)

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity (Group)

	Share capital	Share premium	Statutory Reserve	Other reserves	Other comprehensive income / results carried forward	TOTAL
Balance on 01/01/2017 according to IFRS	**40,656**	**2,830**	**11,184**	**17,035**	**82,449**	**154,155**
Total comprehensive income net of tax 1/1/2017 - -31/12/2017			845		15,605	16,449
Other Total Income of period 01/01 - 31/12/2017					96	96
Other changes						
Dividends distributed					(8,276)	(8,276)
Balance on 31/12/2017 according to IFRS	**40,656**	**2,830**	**12,029**	**17,035**	**89,874**	**162,424**
Balance on 01/01/2016 according to IFRS	**40,656**	**2,830**	**10,563**	**16,984**	**79,635**	**150,669**
Total comprehensive income net of tax 1/1/2016 - -31/12/2016			621		11,836	12,457
Other Total Income of period 01/01 - 31/12/2016					105	105
Other changes				51	(51)	
Dividends distributed					(9,075)	(9,075)
Balance on 31/12/2016 according to IFRS	**40,656**	**2,830**	**11,184**	**17,035**	**82,449**	**154,155**

Statement of changes in equity (Company)

	Share capital	Share premium	Statutory Reserve	Other reserves	Other comprehensive income /results carried forward	Total
Balance on 01/01/2017 according to IFRS	**40,656**	**2,830**	**11,162**	**17,035**	**82,112**	**153,795**
Total comprehensive income net of tax 1/1/2017 - -31/12/2016			845		15,949	16,795
Other Total Income of period 01/01 - 31/12/2017					96	96
Other changes						
Dividends distributed					(8,276)	(8,276)
Balance on 31/12/2017 according to IFRS	**40,656**	**2,830**	**12,007**	**17,035**	**89,881**	**162,410**
Balance on 01/01/2016 according to IFRS	**40,656**	**2,830**	**10,541**	**16,984**	**79,425**	**150,435**
Total comprehensive income net of tax 1/1/2016 - -31/12/2016			621		11,710	12,331
Other Total Income of period 01/01 - 31/12/2016					105	105
Other changes				51	(51)	
Dividends distributed					(9,075)	(9,075)
Balance on 31/12/2016 according to IFRS	**40,656**	**2,830**	**11,162**	**17,035**	**82,112**	**153,795**

The disclosures on pages 34 to 79 constitute an integral part of these financial statements.

(amounts in thousands of euro)

CASH FLOW STATEMENT

Indirect method

	Note	THE GROUP		THE COMPANY	
		01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Cash flow from operating activities					
Profit / (loss) before income tax (continuing operations)		24,931	21,769	25,194	21,568
Plus/(Minus) adjustments for:					
Depreciation	**7&8**	6,576	6,402	6,576	6,401
Fixed asset investment subsidies	**18**	(351)	(397)	(351)	(397)
Provisions		1,605	4,583	1,075	4,583
Interest and related (income) / expenses		(1,643)	(1,272)	(1,642)	(1,270)
		31,117	**31,084**	**30,851**	**30,884**
Decrease/ (increase) in inventories		(283)	591	(283)	591
Decrease/(increase) in trade and other receivables		(3,945)	3,094	(3,945)	3,080
Increase / (Decrease) of trade and other liabilities (except loans)		1,473	(7,632)	1,706	(7,627)
Decrease/ (increase) in other long-term receivables		(2,034)	53	(2,034)	53
(Less):					
Interest charges and related expenses paid		(77)	(50)	(77)	(57)
Tax paid		(8,344)	(8,330)	(8,210)	(8,330)
Total inflow/(outflow) from operating activities (a)		**17,908**	**18,809**	**18,009**	**18,594**
<u>Cash Flows from Operating Activities</u>					
Purchases of tangible assets	**7**	(3,086)	(5,181)	(3,086)	(5,181)
Purchase of intangible assets	**8**	(33)	(330)	(33)	(330)
Sales of fixed assets		2		2	
Dividends collected					
Interest received		1,720	1,312	1,718	1,312
Total inflow/(outflow) from investing activities (b)		**(1,398)**	**(4,199)**	**(1,399)**	**(4,200)**
<u>Cash flows from financing activities</u>					
Dividends paid		(7,997)	(8,869)	(7,997)	(8,869)
Total inflow / (outflow) from financing activities (c)		**(7,997)**	**(8,869)**	**(7,997)**	**(8,869)**
Net increase / (decrease) in cash and cash equivalents (a)+(b)+(c)		**8,513**	**5,741**	**8,613**	**5,526**
Cash assets and equivalents at start of year		56,697	50,956	56,302	50,776
Cash assets and equivalents at end of period	**13**	**65,210**	**56,697**	**64,914**	**56,302**

The disclosures on pages 34 to 79 constitute an integral part of these financial statements.

(amounts in thousands of euro)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

The THESSALONIKI WATER SUPPLY & SEWERAGE CO S.A. trading as EYATH S.A. (or the "Company") provides water supply and sewerage services. Also, the "Group", through its subsidiary EYATH Services S.A., has the purpose of providing all types of telecommunication services and engages in the production and sale of electricity, in addition to the parent company’s operations.

Board of Directors:

1. Ioannis Krestenitis, Chairman & CEO, executive member
2. Ioannis Papaioannou, 1st Vice Chairman, executive member
3. Styliani Valani, 2nd Vice Chairman, non-executive member
4. Stefania Tanimanidou, Member, independent non-executive member
5. Panagiotis Gogos, Member, independent non-executive member
6. Evdoxos Petridis, Member, non-executive member
7. Olympia Latsiou - Chrysafi, Member, non-executive member
8. Petros Samaras, Member, non-executive member
9. Marina Kouri, Member, non-executive member
10. Georgios Archontopoulos, Member, non-executive member, representative of employees
11. Anastasios Sachinidis, Member, non-executive member, representative of employees

Company registered office:	127 Egnatias St. Thessaloniki GR-54635 Greece
Companies Reg. No.:	41913/06/B/98/32
General Commercial Registry No.:	58240404000
Auditing Company:	GRANT THORNTON SA 56 Zefyrou St. Paleo Faliro GR-17564 Athens, Greece ICPA (GR) Reg. No. 127

The Company’s shares are traded in the Large Capitalisation category on the Athens Stock Exchange.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including the International Accounting Standards (IAS) and the interpretations issued by the IFRIC Committee, as adopted by the European Union up to 31 December 2017. The key accounting policies implemented for drawing up the financial statements for the period that ended on 31 December 2017 are the same as those followed when drawing up the annual financial statements of the year ended on 31 December 2016, and are described in them. Where necessary, the comparable data have been reclassified to agree with any changes to the presentation of the current period data. Any differences between the amounts reported in the financial statements and the respective amounts in the notes are due to rounding.

The financial statements have been prepared based on the historical cost conventions, as disclosed in the company's accounting policies below, which were approved by the BoD on 29/03/2018 and are subject to approval by the General Meeting.

Preparing the financial statements in accordance with the IFRS requires the adoption of certain estimates and assumptions. It also requires Management to use its discretion when implementing the Company's accounting policies. Areas entailing a high degree of subjectivity or which are complex or where assumptions and estimates are significant for the financial statements are cited in Note 5 below.

2.2. Standards and interpretations mandatory for the fiscal year ended

Specific new standards, amendments to standards and interpretations have been issued which are mandatory for accounting periods which commence on or after 1.1.2017. An assessment of the Group as regards the effect of the application of such new standards, amendments and interpretations is given below:

Standards and interpretations mandatory for the current fiscal year

IAS 7 (Amendments) "Disclosures"

The amendments introduce mandatory disclosures that provide the capability to users of financial statements to evaluate the changes to liabilities from financing activities.

IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses"

The amendments clarify the accounting handling related to the recognition of deferred tax assets on unrealised losses related to debt instruments measured at fair value.

Annual improvements to the IFRSs (2014 -2016 Cycle)

IFRS 12 "Disclosure of interests in other economic entities"
This amendment provides clarifications about the fact that the obligation to provide disclosures under IFRS 12 applies to interests in entities which have been classified as held for sale, in addition to the obligation to provide condensed financial information.

Standards and Interpretations mandatory for later accounting periods

IFRS 9 "Financial instruments" and later amendments to IFRS 9 and IFRS 7 (effective for annual accounting periods commencing on or after 1.1.2018).

IFRS 9 replaces the provisions of IAS 39 pertaining to the classification and measurement of the financial assets and liabilities, and also includes a model of expected credit loss that replaces the model of incurred credit losses that is currently implemented. IFRS 9 establishes a principle-based approach of hedge accounting and addresses inconsistencies and weaknesses in the current model of the IAS 39. The Group will apply the new standard on 1.1.2018 and will not adjust the comparative information. As for trade receivables, the company will apply the simplified method to calculate expected credit losses over the lifetime of its trade receivables. During 2017 the Group carried out an evaluation of the impact of the standard and concluded that the impact from applying it will primarily relate to the impairment of trade receivables. That evaluation was based on the most recently available information and is subject to changes which may arise from other support material which will become available to the Group when it implements the standard in 2018. When applying the standard, the rise in losses from provisions of customer bad debt and the corresponding negative impact on equity are not expected to be significant for the Group.

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"(effective for annual accounting periods commencing on or after 1.1.2019)

If a specific condition is met the amendments allow companies to measure financial assets with prepayment features with negative compensation at amortised cost or fair value through comprehensive income, instead of at fair value through profit and loss. The group cannot apply the amendments earlier since they have not yet been adopted by the European Union.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual accounting periods commencing on or after 1.1.2018)

IFRS 15 was issued in May 2014. The purpose of the standard is to provide a single, easy to understand model recognising revenue from contracts with customers in order to improve comparability between companies of the same industry, across industries and different capital markets. It includes the principles which an economic entity must implement to determine the measurement of the revenue and the time of its recognition. The basic principle is that an economic entity will recognise the revenue in a manner that reflects the transfer of goods or services to customers at the amount which it anticipates to be entitled to in exchange for these goods or services. The group will implement the standard retrospectively, with the cumulative impact of initial adoption being recognised on the adoption date of 1.1.2018, as an adjustment to the opening balance of the retained earnings account, without adjusting the comparative data.

The group evaluates the sources of income, applying the 5 steps described in the standard, in order to identify areas which could be affected. Group Management reached the conclusion that generally speaking contracts with customers consist of an obligation to perform or provide a service and the prices are fixed and are based on price lists. Revenues are recognised the minute the service is provided to the customer. In light of that assessment, the Group concluded that the specific standard will not have a significant impact on its financial statements.

IFRS 16 "Leases" (effective for annual accounting periods commencing on or after 1.1.2019)

IFRS 16 was published in January of 2016, to replace IAS 17. The purpose of the standard is to ensure that lessees and lessors provide useful information that fairly presents the essence of the transactions related to leases. IFRS 16 introduces a single accounting model from the lessee's side, which requires the lessee to recognise assets and liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset is of low value. As regards the accounting handling by the lessor, IFRS 16 essentially incorporates the requirements of IAS 17. Therefore, the lessor continues to classify lease contracts into operating and financial leases, and handle each type of contract differently in the accounts. The standard is not expected to have a significant impact on the Group and company.

IAS 40 (Amendments) "Transfers of investment property" <u>(effective for annual accounting periods commencing on or after 1.1.2018)</u>

The amendments clarify that in order to transfer to/from the investment property category, there must have been a change in use. In order for there to have been a change in the property's use, it is essential to evaluate to what extent the property meets the definition and that the change in use can be documented with evidence.

IAS 28 (Amendments) "Investments in associates and joint ventures" <u>(effective for annual accounting periods commencing on or after 1.1.2019)</u>

The amendments make it clear that entities must account for long-term holdings in an associate or joint venture to which the equity method does not apply, using IFRS 9. These standards have not yet been adopted by the European Union.

IFRIC 22 "Foreign currency transactions and advance consideration" <u>(effective for annual accounting periods commencing on or after 1.1.2018)</u>

The Interpretation provides guidance about how to identify the transaction date when the Standard relevant to foreign current transactions (IAS 21) applies. This Interpretation applies when an entity either pays or collects in advance the price of contracts expressed in a foreign currency. This Interpretation has not yet been adopted by the European Union.

IFRIC 23 "Uncertainty over Income Tax Treatments" <u>(effective for annual accounting periods commencing on or after 1.1.2019)</u>

The interpretation provides explanations about how to recognise and measure current and deferred income tax when there is uncertainty about the tax treatment of certain assets. IFRIC 23 applies to all aspects of income tax accounting when there is such uncertainty, including taxable profits/losses, the tax base of assets and liabilities, tax profits and losses and tax rates. This Interpretation has not yet been adopted by the European Union.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" <u>(Effective for annual accounting periods commencing on or after 1.1.2019)</u>

The amendments lay down how entities must define pension costs when changes are made to defined benefit pension plans.These standards have not yet been adopted by the European Union.

Annual improvements to the IFRSs (2014 -2016 Cycle)

<u>*IAS 28 (Amendments) "Investments in associates and joint ventures" (effective for annual accounting periods commencing on or after 1.1.2018)*</u>

The amendments provide clarifications about the fact that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, mutual fund or entities with similar activities, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to the IFRS (2015 – 2017 Cycle) (effective for annual accounting periods commencing on or after 1.1.2019)

The amendments presented below describe the basic changes to four IFRSs. These standards have not yet been adopted by the European Union.

IFRS 3 "Business Combinations"

The amendments clarify how an entity re-measures the percentage previously held in a jointly controlled activity when it acquires control of that undertaking.

IFRS 11 Joint Arrangements

The amendments clarify how an entity should not re-measure the percentage previously held in a jointly controlled activity when it acquires joint control of that undertaking.

IAS 12 Income Tax

The amendments clarify how an entity should account for all incomes of dividend payments on income tax, doing so in the same way.

3. MAIN ACCOUNTING POLICIES

3.1 Investments in subsidiaries

Subsidiaries are businesses over which the Group exerts control. The parent company acquires and exercises control via voting rights. The existence of any potential voting rights which are exercisable at the time the financial statements are prepared is taken into account in order to determine whether the parent company exercises control over subsidiaries. Subsidiaries are fully consolidated from the date on which control of them is acquired and they cease to be consolidated from the date on which such control no longer exists.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquiring a subsidiary is the fair value of the assets given, the shares issued and the liabilities assumed on the transaction date plus any cost directly associated with the transaction. Individual assets, liabilities and contingent liabilities acquired in a business combination are measured at acquisition at fair value regardless of the holding. The cost of acquisition above fair value of the specific assets acquired is posted as goodwill. If the total acquisition cost is lower than the fair value of the individual assets acquired, the difference is directly recorded in the profit and loss account.

Intra-group transactions, balances and unrealised profits from transactions between companies in the group are crossed out. Unrealised losses are also crossed out but are taken into account as indications of impairment of the asset transferred. The subsidiary’s accounting policies have been changed, where necessary, so that they are identical with those adopted by the Group.

(amounts in thousands of euro)

Investments in subsidiaries in the parent company's separate financial statements are valued at acquisition cost less any accumulated impairment losses.

3.2 Basis of consolidation:

The consolidated financial statements consist of the financial statements of the parent company and the subsidiary of the Group. The following table presents the parent and the subsidiary included in the consolidation, together with the corresponding participation percentages, the country where they are registered as well as their activity.

COMPANIES	% GROUP	COUNTRY	ACTIVITY
THESSALONIKI WATER SUPPLY AND SEWERAGE S.A. (EYATH)	PARENT COMPANY	GREECE	Water supply & Sewerage Services
EYATH SERVICES S.A.	100%	GREECE	Provision of all types of Water supply & Sewerage Services, telecommunication services & production / sale of electricity

3.3 Tangible fixed assets

Tangible assets are measured at acquisition cost less accumulated depreciation and impairment. The cost of acquisition includes all directly payable expenses for acquiring assets. Subsequent expenses are recorded as an increase to the book value of the fixed assets or as a separate asset only where it is likely that the future financial benefits accruing to the Group and the cost can be reliably measured. The cost of repair and maintenance works is recognised in profit and loss when the said works are carried out.

Plots – lots are not depreciated. Depreciation of other tangible assets is calculated using the straight line method, charged in equal amounts over the asset's expected useful life, so as to write off the cost at residual value, as follows:

Buildings and technical works	9 to 40 years
Machinery and installations	10 -25 years
Transportation equipment	10 -15 years
Furniture and other equipment	6 -15 years

Residual value and the useful life of tangible assets are subject to re-examination on each balance sheet date. When the book value of tangible assets exceeds the recoverable value the differences (impairment) are posted as expenses to the results.

When the tangible assets are sold, differences between the price received and the book value are posted as profits or losses in the income statement. Financial expenses which relate to the construction of assets are capitalised for the time required to complete construction. All other financial expenses are recognised in the income statement.

3.4 Intangible assets

3.4.1 Software

Software here means the cost of purchasing or developing such software, such as payrolling, materials and services, as well as all expenses incurred to develop software in order for it to be put into service. Costs which improve or extend the performance of software beyond initial specifications are recognised as capital expenditure and added to the initial cost of the software.

Depreciation on software is imputed to the income statement using straight line depreciation over the entire useful life of the asset. The estimated useful life is 6 years.

3.4.2 Product Research and Development (R&D) cost

The R&D cost is recognised in the Income Statement when incurred. Development costs are incurred mainly for the development of new products and production methods. The costs incurred for developing a separate program are recognised as intangible assets only when the requirements of IAS 38 "Intangible assets" are met.

3.5 Asset impairment

Tangible and intangible assets as well as other non-current assets are examined for possible impairment loss whenever events or changes in circumstances indicate that their book value may not be recoverable. Whenever the book value of a fixed asset exceeds its recoverable amount, its corresponding impairment loss is presented in the results. The recoverable value of an asset is either the estimated net sale value or the value in use, whichever is higher. The net sale price is the amount which could be obtained from selling an asset in a two-way transaction where the parties are fully cognisant and which they enter into freely, having deducted any additional direct cost of selling the asset. The value in use is the current value of the estimated future cash flows anticipated to flow into the enterprise from asset usage and disposal at the end of its anticipated useful life. If it is not possible to estimate the recoverable amount of an asset, for which there is an indication of impairment, the recoverable amount of cash-generating unit to which the asset belongs must be calculated.

Impairment losses for assets booked in previous years may only be reversed where there are satisfactory indications that such impairment no longer exists or has reduced. In such cases the reversal is recognised as income.

3.6 Inventories

Inventories are valued at acquisition cost or net realisable value, whichever is lower. The cost is calculated using the average weighted cost method. The financial cost is not included in the acquisition cost of inventories. Net realisable value is assessed based on current sale prices of inventories in the context of normal activities less any sales expenses which apply in the case.

More specifically, inventories/stocks consisting of specialist spare parts for machinery purchased when the machinery is purchased are considered to be an integral part of the machinery's value and are depreciated along with the machinery, while replacements for used spare parts are expensed at the time of purchase. On the contrary though, consumables for machinery maintenance and spare parts for general use are included in inventories and are expensed at the time of consumption.

3.7 Trade and other receivables

Receivables from customers are posted initially at fair value and subsequently valued at carried cost using the effective interest rate less impairment losses. Impairment losses (losses from bad debt) are recognised when there are objective indications that the Group and the Company are not in a position to collect the amounts due based on contractual terms. The amount of impairment loss is the difference between the book value of receivables and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment loss is recorded as an expense in the results for the period, in the Selling Expenses account in the Statement of Comprehensive Income. Every write-off of bad debt is performed by debiting the provision for bad debts. Write-offs of bad debt which go above the provision that has been formed affect the results for the year. If bad debt that was written off is then collected, the amount is entered as income in the results for the period in which it is collected.

3.8 Cash assets

Cash also includes cash equivalents such as sight deposits and short-term time deposits. Overdrafts payable upon first demand, which are an integral part of managing the Group and Company's cash are included as an integral part of cash for the purpose of preparing the cash flow statement.

3.9 Share capital

Expenditure paid to third parties related directly to the issuing of new shares is recorded in equity, less the corresponding tax, as a reduction in the premium on capital stock.

When acquiring own shares, the price paid including relevant expenses are presented as reducing equity.

3.10 Loans

All loans are initially recorded at fair value, less loan acquisition costs. Loans are subsequently valued at the depreciated acquisition value using the discount rate method. Any difference between the benefit (other than acquisition costs) and discount value is recognised in the results over the term of the loans.

On 31/12/2017 and 31/12/2016 there were no loan liabilities.

3.11 Income tax

Current and deferred income tax is calculated based on the relevant financial statement accounts, in accordance with taxation laws which apply in Greece. Current income tax relates to tax on the taxable profits of the Group and Company adjusted in accordance with tax law requirements and calculated based on the current tax rate.

Deferred taxation is calculated using the liability method on all interim differences on the balance sheet date between the taxation basis and the book value of the assets and liabilities.

Expected tax discounts from interim tax adjustments are determined and presented either as future (deferred) tax liabilities or as deferred tax assets.

Deferred tax assets are posted for all tax deductible interim difference and tax losses carried forward to the extent that this is likely that there will be taxable profits available in respect of which the interim difference can be utilised.

The book value of deferred tax assets is revised on each balance sheet date and reduced to the extent that it is not considered likely that there will be sufficient taxable profits for which all or part of the deferred tax assets can be used.

Current tax assets and liabilities for the current and past accounting periods are valued at the figure expected to be paid to the tax authorities (or recovered from them) using tax rates (and tax laws) which have been adopted or substantively adopted by the balance sheet date.

3.12 Dividends

Dividends payable are presented as a liability at the time they are approved by the General Meeting of Shareholders.

3.13 Provisions for employee benefits

The Company’s and Group’s obligation to staff employed in Greece for future payment of benefits depending on their length of previous service is measured and presented based on the accrued right expected to be paid to each employee, on the balance sheet date, discounted at present value, compared to the expected time of payment.

The relevant obligation is calculated based on the financial and actuarial assumptions and is specified using the actuarial valuation method called the projected unit method. The net cost of retirement in the period is included in payrolling cost in the attached statement of comprehensive income and consists of the present value of benefits which became accrued during the year, interest on the benefit obligation, the cost of past service, actuarial profits or losses, and any other additional pension costs.

Water Benefit

According to BoD Decision 154/2016 dated 19/4/2016, the free supply of water to EYATH S.A. pensioners was stopped, and therefore part of the relevant liability was reversed on 31/12/2016.

3.14 Provisions for contingencies and expenses

Provisions are formed when the Group has a legal or presumed obligation as a result of some past event and it is considered likely that an outflow of resources will be required to settle the liability, and that amount can be reliably estimated.

The Company re-examines the need to form provisions at the end of each year and adjusts them so that they reflect the best possible assessments and in the case where this is considered necessary discounts them based on a reasonable pre-tax discount rate. Contingent liabilities are not posted to the financial statements but are disclosed unless the likelihood of a resource output incorporating financial benefits is minimal. Contingent assets are not posted to the financial statements but are disclosed where the inflow of financial benefits is likely.

3.15 Grants

Grants are initially recognised at their nominal value where there is a reasonable assurance that the grant will be received and the Company will comply with all relevant conditions. Grants for current expenditure are recognised in the results during the period when the grant is needed, in order to be matched to the expenditure it is intended to offset. Grants for the purchase of tangible (fixed) assets are included in long-term liabilities as deferred income and are recognised as income and transferred to the income statement over the useful life of the subsidised asset.

3.16 Financial instruments

The Group's main financial instruments are cash, bank deposits, short-term receivables and liabilities. Given the short-term nature of these instruments, Group Management considers that their fair value in effect is identical to the value shown in the accounting books. In addition, Management considers that the interest rates paid in relation to the loans taken out are equivalent to the current, reasonable market rates and thus the conditions for making any change to the value shown under these circumstances are not met. The Group does not use financial derivatives.

3.17 Revenue recognition

3.17.1 Sales of goods

Revenues from the sale of goods are recognised when the material risks and rewards of ownership of the goods are transferred to the buyer. Revenues from the provision of services are based on the stage of completion which is set by reference to the services provided so far, as a percentage of the overall services being provided.

3.17.2. Income from interest

Interest earned is recognised pro rata with time, taking into account balance of the initial amount and the current rate in the period to maturity, when it is specified that such income will be payable to the Group.

3.17.3. Income from dividends

Income from dividends is recognised as revenue on the date distribution is approved.

3.18 Cost of financing

The net cost of financing consists of accrued interest on loans taken out, calculated using the effective interest rate method.

3.19 Earnings per share

The basic earnings per share are calculated by dividing net profits for the period by the average weighted number of shares in circulation during the specific period, apart from the average number of ordinary shares acquired by the Group as own shares.

3.20 Leases

Asset leases where the Group or Company substantially retains all risks and rewards of ownership are classed as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the assets and the present value of the minimum lease payments. The corresponding liabilities from lease payments net of financial charges are presented as liabilities. That part of financial expenses relating to finance leases is recognised in the income statement over the term of the lease.

Leases where in effect the risk and rights of ownership remain with the lessor are posted as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

3.21 Group operations by segment

A Group's sector or segment of activity is each distinct business activity with special features in terms of the nature of the activity and the business risks entailed (business segment). A similar distinction can be drawn based on the business environment within which it carries on activity (geographical segment).

The Group primarily operates in the water supply - sewerage segments in the wider area of the Prefecture of Thessaloniki, in order to rationally manage water resources on the one hand, and collect and process waste water so as to provide top level services to society as a whole, to safeguard hygiene and a clean environment.

3.22 Set-off

Financial assets and liabilities are set off and the net amount is shown in the balance sheet when there is an applicable legal right to set off and the intention is for them to be paid by set-off.

3.23 Rounding off

The amounts in these financial statements have been rounded off to thousands of euro. Due to that, discrepancies which may arise are due to such rounding off.

4. FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks, the most important of which are price risk and credit risk. The Group's risk management policies aim to minimise the negative impacts that those risks could have on the Group's financial position and performance. Risk management is primarily done by the Company's general management and the relevant policies are approved by the Board of Directors. Financial risk management includes recognition, calculation and hedging of financial risks in close collaboration with the Group's operating units.

A. Market risk

(i) Exchange rate risk

The Group and the Company do not face exchange rate risks, because throughout the year ended they did not carry out transactions in foreign currency and all assets and liabilities were in euro.

ii) Price risk

As regards price risk, the Group is not exposed to significant risk of fluctuation of the variables that determine both revenues and cost.

There were no loan liabilities on 31/12/2017.

(iii) Cash flows and fair value of risk rate

The Group has a limited interest rate risk in interest-bearing assets (time deposits) and therefore the income and the operating cash flows depend, to a point, on the changes to the interest rate market.

Management is monitoring interest rate fluctuations on an ongoing basis, and evaluates in each case the duration and the type of time deposits.

B. Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash at hand and cash in banks, as well as credit exposure to customers, including significant receivables and transactions made.

The Company is constantly monitoring its receivables, either separately or per group (customer categories) and incorporates this information into its credit control processes.

Cash and cash equivalents do not entail significant credit risk. Trade and other receivables include receivables from private customers, with a relatively limited degree of risk of losses, mainly due to the broad dispersion of the receivables, whereas for receivables from the State and the broader public sector, the company examines the possibility of collecting due debts by drawing up contracts or through legislative regulations.

At the end of the period, Management deemed that there is no significant credit risk that is not covered by some collateral or an adequate provision for bad debt. The Company forms no provision for due receivables from the State because it anticipates that it will collect them in their entirety.

None of the financial assets has been secured with a mortgage or other form of credit security.

The Company forms no provision for due receivables from the State and bodies governed by public law because it anticipates that it will collect them in their entirety.

C. Liquidity risk

Liquidity risk is kept low, by means of ensuring high cash assets.

The maturity of Group and Company financial assets on 31.12.2017 can be broken down as follows:

(amounts in thousands of euro)

FINANCIAL LIABILITIES MATURITY AS AT 31/12/2017	Group				Company			
	SHORT-TERM	LONG-TERM			SHORT-TERM	LONG-TERM		
	Within 1 year	1 to 5 years	Over 5 years	Total	Within 1 year	1 to 5 years	Over 5 years	Total
Public borrowing								
Other long-term liabilities			14,417	14,417			14,417	14,417
Suppliers and other liabilities	10,973			10,973	11,279			11,279
Short-term tax liabilities	405			405	398			398
Total	**11,377**		**14,417**	**25,794**	**11,677**		**14,417**	**26,094**

The maturity of Group and Company financial assets on 31.12.2016 can be broken down as follows:

FINANCIAL LIABILITIES MATURITY AS AT 31/12/2016	Group				Company			
	SHORT-TERM	LONG-TERM			SHORT-TERM	LONG-TERM		
	Within 1 year	1 to 5 years	Over 5 years	Total	Within 1 year	1 to 5 years	Over 5 years	Total
Public borrowing								
Other long-term liabilities			14,024	14,024			14,024	14,024
Suppliers and other liabilities	9,712			9,712	9,863			9,863
Short-term tax liabilities	576			576	501			501
Total	**10,288**		**14,024**	**24,311**	**10,364**		**14,024**	**24,387**

D. Capital risk management

The Group's aim when managing capital is to ensure the ability to continue operating, to generate profits for shareholders and benefits for other stakeholders and to maintain its capital structure which will reduce the cost of capital.

Capital is reviewed based on the gearing ratio. This ratio is calculated as net debt / total capital. Net debt is calculated as total borrowing (including short- and long-term loans presented in the balance sheet) less cash assets. Total capital is calculated as equity presented in the balance sheet plus net debt. More specifically,

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Total borrowing				
Less: Cash assets	**(65,210)**	**(56,697)**	**(64,914)**	**(56,302)**
Net debt	**(65,210)**	**(56,697)**	**(64,914)**	**(56,302)**
Total equity	**162,424**	**154,155**	**162,410**	**153,795**
Total capital	**97,214**	**97,458**	**97,496**	**97,493**
Gearing ratio	**-67.08%**	**-58.18%**	**-66.58%**	**-57.75%**

Determination of fair value

The fair value of financial instruments traded on active markets (Stock Exchanges) (e.g. derivatives, shares, bonds, mutual funds) is determined by the published prices which apply on the financial statements reference date.

The fair value of financial instruments not traded on active markets is determined using valuation techniques and the use of valuation methods and assumptions based on market data on the financial statements reference date.

The amounts shown in the balance sheets for cash, short-term receivables and liabilities are close to the relevant fair values due to their short-term maturity. The nominal value less provisions for bad trade debts is deemed to be close to the actual value.

5. MAJOR ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the financial statements in accordance with the IFRS requires the use of certain important accounting estimates, which may affect the book balances in the balance sheet with the disclosures required, and the exercise of judgement by Management in applying and implementing accounting policies. Moreover, it requires the use of certain calculations and assumptions which affect the value of assets and liabilities mentioned, the disclosure of contingent receivables and liabilities on the date of preparation of the financial statements and the income and expenses for the duration of year being reported on. Despite the fact that these calculations are based on Management's best possible knowledge of current conditions and activities, the actual future results may in fact differ from those calculations. The estimates and judgements made by Management are re-examined continuously and are based on historical data and expectations about future events which are considered reasonable in light of current circumstances. The basic estimates and evaluations referring to data whose development could affect the financial statements' accounts in the upcoming 12 months are as follows:

5.1 Bad debt

The Group and Company impair the value of trade receivables when data or indications show that it is likely that all or part of a receivable will not be collected. The Group and Company Management periodically re-examine the adequacy of the bad debt provision which was formed based on the credit policy and taking into account information from the Legal Department derived from analysing historical data and recent developments in cases it is handling.

5.2 Provision for income tax

The provision for income tax is calculated by estimating the taxes to be paid to the tax authorities and includes the current income tax for every fiscal year and a provision for surtaxes that may emerge in future tax audits. In order to determine the size of the Group and Company's provision for income tax, a proper understanding of these matters is required. The final statement of income tax payable may differ from the amounts entered in the Group and Company's financial statements and those differences may affect income tax and provisions for deferred tax.

5.3 Provisions for employee benefits

Employee benefit obligations are calculated based on a study prepared by independent actuaries. The final obligation may differ from the actuarial figure due to various facts related to the discount rate, inflation, pay rises, as well as demographic and other data.

5.4 Depreciation of tangible and intangible assets

The Group calculates depreciation on tangible and intangible assets based on estimates of their useful life. The residual value and useful life of those assets are re-examined and determined on each balance sheet date if that is considered necessary.

5.5 Pending litigation

The Group is involved in legal proceedings and claims for compensation in the normal course of its operations. Calculating the contingent liabilities associated with pending litigation and claims is a complex process which includes value judgements about the likely consequences and also interpretations of laws and regulations. If a contingent loss from court cases is considered to be likely and the amount can be reliably assessed Management recognises the relevant provisions in the financial statements.

Assessing court cases entails subjectivity, since it requires major judgments to be made which include estimates based on the most recently available information, determining the likelihood of the risk and reliable information from relates court cases.

(amounts in thousands of euro)

Changes in judgements or estimates may lead to the Group's contingent liabilities decreasing or increasing in the future.

5.6 Provision for accrued but not yet invoiced supply of water and sewerage services

Revenue is recognised to the extent that it is likely that the financial benefits will accrue to the Company and the relevant amounts can be reliably quantified. Revenues from sales of water supply and sewerage services are accounted for on an accrual basis. On each balance sheet date revenues from the non-invoiced supply of water and sewerage services are calculated and recorded to show the accrued level of supply to customers which has not yet been invoiced. The actual amounts which are eventually invoiced may differ from those forecast.

6. SEGMENTAL REPORTING

The Group's Management (Chief Operating Decision Maker) responsible for taking financial decisions, after evaluating the Group's activity, has designated the Provision of Water Supply Services and the Provision of Sewerage Services as its operating segments. The break-down per segment of activity is as follows:

6.1 Break-down per Business Segment (primary reporting type)

6.1.1 Distribution of income statement per business segment

	Group data for the period 1/1 - 31/12/2017		
	Provision of Water Supply Services	Provision of Sewerage Services	GROUP TOTAL
Sales to third parties	48,410	24,991	73,401
Less: Total cost of sales	(23,048)	(20,210)	(43,258)
Gross Profit (losses)	**25,362**	**4,781**	**30,143**
Earnings / (Losses) before taxes, financial and investment results	**20,840**	**2,447**	**23,288**
Net Financial Income	1,134	509	1,643
Result from usual business	21,974	2,956	24,931
Results before tax	**21,974**	**2,956**	**24,931**
Income tax	(7,475)	(1,006)	(8,481)
Results net of tax	**14,499**	**1,951**	**16,449**
Earnings / (Losses) before taxes, financial and investment results and depreciation	**26,101**	**3,411**	**29,512**

	Group data for the period 1/1 - 31/12/2016		
	Provision of Water Supply Services	Provision of Sewerage Services	GROUP TOTAL
Sales to third parties	47,288	25,990	73,278
Less: Total cost of sales	(23,214)	(20,568)	(43,782)
Gross Profit (losses)	**24,075**	**5,421**	**29,496**
Earnings / (Losses) before taxes, financial and investment results	**18,267**	**2,230**	**20,496**
Net Financial Income	858	414	1,272
Result from usual business	19,125	2,644	21,769
Results before tax	**19,125**	**2,644**	**21,769**
Income tax	(8,180)	(1,131)	(9,311)
Results net of tax	**10,944**	**1,513**	**12,457**
Earnings / (Losses) before taxes, financial and investment results and depreciation	**73,389**	**3,113**	**26,501**

(amounts in thousands of euro)

6.1.2 Distribution of Assets and Liabilities per business segment

Group data	Group data as at 31/12/2017		
	Provision of Water Supply Services	Provision of Sewerage Services	GROUP TOTAL
Fixed Assets	46,327	30,893	77,220
Customers and other receivables	32,484	16,770	49,253
Non-allocated assets	-	-	73,876
Total assets	**78,811**	**47,663**	**200,349**
Future subsidy income	-	1,994	1,994
Liabilities	6,954	4,019	10,973
Non-allocated liabilities	-	-	187,383
Total Liabilities	**5,486**	**7,480**	**200,349**
Additions of Tangible and Intangible Assets	1,290	1,829	3,119

	Group data as at 31/12/2016		
Group data	Provision of Water Supply Services	Provision of Sewerage Services	GROUP TOTAL
Fixed Assets	48,826	31,850	80,677
Customers and other receivables	30,803	16,929	47,732
Non-allocated assets	-	-	63,589
Total assets	**79,629**	**48,780**	**191,998**
Future subsidy income	-	2,345	2,345
Liabilities	5,646	5,119	9,712
Non-allocated liabilities	-	-	179,941
Total Liabilities	**5,646**	**7,464**	**191,998**
Additions of Tangible and Intangible Assets	3,459	2,047	5,506

6.2 Break-down per Geographical Segment (secondary reporting type)

The Group's registered offices are in Greece and all the activities take place in Greece.

7. TANGIBLE ASSETS

The Group's tangible assets are analysed as follows:

	THE GROUP						
	Plots – lots	Buildings and building facilities	Machinery & Mechanical Installations	Transportation equipment	Furniture and other equipment	Fixed assets under construction	Total
Acquisition or valuation value							
Balance on 01/01/2017	**18,896**	**5,826**	**111,917**	**1,955**	**3,533**	**6,516**	**148,642**
Additions 1/1 - 31/12/2017		45	691	8	73	2,269	**3,086**
Redistributions 1/1 - 31/12/2017			4,005			(4,005)	
Sales 1/1 - 31/12/2017				(23)			**(23)**
Total on 31/12/2017	**18,896**	**5,871**	**116,613**	**1,940**	**3,606**	**4,779**	**151,705**
Accumulated depreciation							
Balance on 01/01/2017		**1,894**	**62,552**	**1,133**	**2,788**		**68,366**
Depreciation of period 1/1 - 31/12/2017		145	6,091	85	162		**6,484**
Sales 1/1 - 31/12/2017				(23)	0		**(23)**
Total on 31/12/2017		**2,039**	**68,644**	**1,195**	**2,950**		**74,827**
Net carried value on 31/12/2016	**18,896**	**3,932**	**49,365**	**822**	**745**	**6,516**	**80,275**
Net carried value on 31/12/2017	**18,896**	**3,832**	**47,969**	**745**	**656**	**4,779**	**76,878**

(amounts in thousands of euro)

	THE GROUP						
	Plots – lots	Buildings and building facilities	Machinery & Mechanical Installations	Transportation equipment	Furniture and other equipment	Fixed assets under construction	Total
Acquisition or valuation value							
Balance on 01/01/2016	**18,896**	**5,826**	**104,921**	**1,828**	**3,423**	**8,568**	**143,462**
Additions 1/1 - 31/12/2016			982	127	110	4,286	**5,505**
Redistributions 1/1 - 31/12/2016			6,014			(6,338)	**(324)**
Sales 1/1 - 31/12/2016							
Total on 31/12/2016	**18,896**	**5,826**	**111,917**	**1,955**	**3,533**	**6,516**	**148,643**
Accumulated depreciation							
Balance on 01/01/2016		**1,748**	**56,626**	**1,057**	**2,613**		**62,045**
Depreciation of period 1/1 - 31/12/2016		146	5,926	75	174		**6,322**
Sales 1/1 - 31/12/2016							
Total on 31/12/2016		**1,894**	**62,552**	**1,131**	**2,788**		**68,366**
Net carried value on 31/12/2015	**18,896**	**4,078**	**48,295**	**771**	**811**	**8,568**	**81,418**
Net carried value on 31/12/2016	**18,896**	**3,932**	**49,365**	**822**	**745**	**6,516**	**80,275**

The Company's tangible assets can be broken down as follows:

	THE COMPANY						
	Plots – lots	Buildings and building facilities	Machinery & Mechanical Installations	Transportation equipment	Furniture and other equipment	Fixed assets under construction	Total
Acquisition or valuation value							
Balance on 01/01/2017	**18,896**	**5,826**	**111,917**	**1,955**	**3,533**	**6,516**	**148,642**
Additions 1/1 - 31/12/2017		45	691	8	73	2,269	**3,086**
Redistributions 1/1 - 31/12/2017			4,005			(4,005)	
Sales 1/1 - 31/12/2017				(23)			**(23)**
Total on 31/12/2017	**18,896**	**5,871**	**116,613**	**1,940**	**3,606**	**4,779**	**151,705**
Accumulated depreciation							
Balance on 01/01/2017		**1,894**	**62,552**	**1,133**	**2,788**		**68,366**
Depreciation of period 1/1 - 31/12/2017		145	6,091	85	162		**6,484**
Sales 1/1 - 31/12/2017		(0)		(23)	0		**(23)**
Total on 31/12/2017		**2,039**	**68,644**	**1,195**	**2,950**		**74,827**
Net carried value on 31/12/2016	**18,896**	**3,932**	**49,365**	**822**	**745**	**6,516**	**80,275**
Net carried value on 31/12/2017	**18,896**	**3,832**	**47,969**	**745**	**656**	**4,779**	**76,878**

	THE COMPANY						
	Plots – lots	Buildings and building facilities	Machinery & Mechanical Installations	Transportation equipment	Furniture and other equipment	Fixed assets under construction	Total
Acquisition or valuation value							
Balance on 01/01/2016	**18,896**	**5,826**	**104,921**	**1,828**	**3,423**	**8,568**	**143,462**
Additions 1/1 - 31/12/2016			982	127	110	4,286	**5,505**
Redistributions 1/1 - 31/12/2016			6,014			(6,338)	**(324)**
Sales 1/1 - 31/12/2016							
Total on 31/12/2016	**18,896**	**5,826**	**111,917**	**1,955**	**3,533**	**6,516**	**148,643**
Accumulated depreciation							
Balance on 01/01/2016		**1,748**	**56,626**	**1,057**	**2,613**		**62,045**
Depreciation of period 1/1 - 31/12/2016		146	5,926	75	174		**6,322**
Sales 1/1 - 31/12/2016							
Total on 31/12/2016		**1,894**	**62,552**	**1,133**	**2,787**		**68,368**
Net carried value on 31/12/2015	**18,896**	**4,078**	**48,295**	**771**	**811**	**8,568**	**81,418**
Net carried value on 31/12/2016	**18,896**	**3,932**	**49,365**	**822**	**745**	**6,516**	**80,275**

No encumbrances have been registered on the Company's and the Group’s assets.

(amounts in thousands of euro)

8. INTANGIBLE ASSETS

The intangible assets of the Company and the Group can be broken down as follows:

	THE GROUP		THE COMPANY	
	Software Applications	Total	Software Applications	Total
Acquisition or valuation value				
Balance on 01/01/2017	1,089	1,089	1,089	1,089
Additions 1/1 - 31/12/2017	33	33	33	33
Total on 31/12/2017	**1,121**	**1,121**	**1,121**	**1,121**
Accumulated depreciation				
Balance on 01/01/2017	688	688	688	688
Depreciation of period 1/1 - 31/12/2017	92	92	92	92
Total on 31/12/2017	**780**	**780**	**780**	**780**
Net carried value on 31/12/2016	**401**	**401**	**401**	**401**
Net carried value on 31/12/2017	**342**	**342**	**342**	**342**

	THE GROUP		THE COMPANY	
	Software Applications	Total	Software Applications	Total
Acquisition or valuation value	758	758	758	758
Balance on 01/01/2016	6	6	6	6
Additions 1/1 - 31/12/2016	324	324	324	324
Redistributions 1/1 - 31/12/2016				
Sales 1/1 - 31/12/2016				
Total on 31/12/2016	**1,088**	**1,088**	**1,088**	**1,088**
Accumulated depreciation	606	606	606	606
Balance on 01/01/2015	82	82	82	82
Depreciation of period 1/1 - 31/12/2016				
Total on 31/12/2016	**688**	**688**	**688**	**688**
Net carried value on 31/12/2015	**153**	**153**	**153**	**153**
Net carried value on 31/12/2016	**401**	**401**	**401**	**401**

9. PARTICIPATIONS IN SUBSIDIARIES

Company participations in subsidiaries and the relevant transactions for the year can be broken down as follows:

	31/12/2017	**31/12/2016**
Balance at start of period	**60**	**60**
Provision for impairment	-	-
	60	60
Sale of subsidiary	-	-
Balance at end of period	**60**	**60**

(amounts in thousands of euro)

10. LONG-TERM RECEIVABLES

Long-term receivables on 31/12/2017 primarily related to the guarantees provided to PPC (€ 404, compared to € 403 in 2016) and long-term trade receivables after arrangements made for their repayment (€ 3,510, compared to € 1,476 in 2016).

11. INVENTORIES

Group and Company inventories can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Raw direct and indirect materials - consumables - spare parts	1,655	1,671	1,655	1,671
Impairment of inventories	(35)	(335)	(35)	(335)
Total after impairment	**1,620**	**1,336**	**1,620**	**1,336**

There is an impairment provision of € 35 on the Group's inventories (2016: € 335).
There are no pledges on the Group's inventories.

During the previous year, to properly present information € 300 was moved from provisions for contingencies and expenses, to the inventories impairment account.

12. TRADE AND OTHER RECEIVABLES

Group and Company other receivables can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Trade receivables	39,756	41,360	39,729	41,338
Short-term receivables from related parties			24	120
Doubtful – disputed customers and debtors	25,700	23,210	25,700	23,210
Sundry debtors	1,213	506	1,207	459
Advances and credit control account	159	160	159	160
Prepaid expenses	304	263	304	263
Years' receivable income	7,819	5,442	7,819	5,442
	74,953	**70,942**	**74,942**	**70,993**
Less: Provision for bad debt	(25,700)	(23,210)	(25,700)	(23,210)
Total of trade and other receivables	**49,253**	**47,732**	**49,242**	**47,783**

The book values of the above receivables represent their fair value and no discounting is required on the Balance sheet date. There is no credit risk concentration related to receivables, as the Company has a large number of customers and the credit risk is dispersed.

17% of the balance of trade and other receivables come from one customer.

It should be noted that the balance of account "Receivable Income of period" on 31/12/2017 amounting to €7,819, pertains to incurred income of EYATH S.A. for the 01/01/2017-31/12/2017 period (when they were recorded) amounting to €6,748 which will be invoiced in a subsequent period, and other receivable income of € 1,071.

The advances and credit management account on 31/12/2017 mainly included receivables-bills for payment of the Company's collectors and other associates.

The change in bad debts and the provision formed can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Balance on 1.1.2017 / 1.1.2016	**23,210**	**20,429**	**23,210**	**20,429**
Increase	2,539	2,782	2,539	2,782
Decrease - writing off trade receivables	49	-	49	-
Balance on 31 December 2017 / 31 December 2016	**25,700**	**23,210**	**25,700**	**23,210**

(amounts in thousands of euro)

Trade receivable maturity dates were as follows:

TURNAROUND TIME FOR RECEIVABLES BALANCE ON 31/12/2017

	THE GROUP		THE COMPANY	
	WITHIN 12 MONTHS	OVER 12 MONTHS	WITHIN 12 MONTHS	OVER 12 MONTHS
Customers and other receivables	28,450	11,308	28,421	11,308
Short-term receivables from related parties			24	
Doubtful – disputed customers and debtors		25,700		25,700
Less: Provisions		(25,700)		(25,700)
Total	**28,450**	**11,308**	**28,445**	**11,308**

TURNAROUND TIME FOR RECEIVABLES BALANCE ON 31/12/2016

	THE GROUP		THE COMPANY	
	WITHIN 12 MONTHS	OVER 12 MONTHS	WITHIN 12 MONTHS	OVER 12 MONTHS
Customers and other receivables	26,028	15,333	26,005	15,333
Short-term receivables from related parties			120	
Doubtful – disputed customers and debtors		23,210		23,210
Less: Provisions		(23,210)		(23,210)
Total	**26,028**	**15,333**	**26,125**	**15,333**

BREAKDOWN OF BAD DEBT OVER 12 MONTHS

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Receivables from state and wider public sector	7,106	7,561	7,106	7,561
Other bad debt from individuals	4,202	7,772	4,202	7,772
Total	**11,308**	**15,333**	**11,308**	**15,333**

The parent company sends bills to customers - consumers of water three times a year. Each bill is for the consumption of water of a calendar quarter. In 2007, the Company's management decided to charge default interest to those customers who were late at least one month in paying their bill.

Group trade receivables from customers payable within 12 months amounted to € 28,450 on 31/12/2017 (2016: € 26,028). Customer receivables to be collected after 12 months from the date on which the period closed were € 37,008 (2016: € 38,543) of which: i) receivables of € 25,700 (2016: € 23,210) have been characterised as bad debt and ii) receivables of € 11,308 (2016: € 15,333) have not been characterised as bad debt. Bad debt collectible in more than 12 months from now includes receivables from the state and wider public sector of € 7,106 (2016: € 7,561) and receivables from individuals of € 4,202 (2016: € 7,772) which Company management has good grounds to believe will be collected.

13. CASH AND CASH EQUIVALENTS

Cash assets can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Cash	57	153	57	153
Sight and time deposits	65,152	56,544	64,857	56,149
Total	**65,210**	**56,697**	**64,914**	**56,302**

Cash assets include cash in the Group and company treasury and bank deposits available upon demand.

The rating of cash assets based on the credit ratings of FITCH is:

Credit rating in cash assets (Fitch)	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
RD	36,123	28,471	35,828	28,076
Sight and time deposits in banks not rated by Fitch	29,029	28,072	29,029	28,073
Total	**65,152**	**56,543**	**64,857**	**56,149**

(amounts in thousands of euro)

The total sight and time deposits are deposited in Greek banks which are subject to capital controls.

In implementation of the Act of Legislative Content of 20/4/2015 (Government Gazette 41/A), on 22/4/2016 EYATH S.A. requested that a cash management account be opened at the Bank of Greece in which € 25,000 was deposited.

14. SHARE CAPITAL

The Company/Group's share capital can be broken down as follows (figures are in € and are not rounded off):

	31-Dec-17	31-Dec-16
Number of registered shares	36,300,000	36,300,000
Nominal value per share (in Euro)	1.12	1.12
Nominal value	**40,656,000**	**40,656,000**
Premium on capital stock	**2,829,985**	**2,829,985**

Company shares are listed for trading on the Large Capitalisation category of the Athens Exchange.

According to the Company's Shareholder Registry, on 31/12/2017, shareholders with a significant participation percentage in the Company were:

SHAREHOLDER	Number of shares held	Holding on 31/12/2017
Hellenic Republic Asset Development Fund S.A.	26,868,000	74.02%
Other shareholders	9,432,000	25.98%
Total	**36,300,000**	**100.00%**

At its meeting on 21.2.2018, the Interministerial Committee for Restructuring and Privatisation decided to:

1. Revoke Interministerial Committee for Restructuring and Privatisation decision No. 195/27.10.2011 (Government Gazette 754/B) to the extent that it transferred 14,520,000 shares in EYATH to the company Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

2. Revoke Interministerial Committee for Restructuring and Privatisation Decision oik. 206/25.4/2012, Government Gazette 1363/B/26.4.2012), to the extent that it transferred 3,630,001 shares of the Hellenic Republic to the company with the corporate name Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

The decision was published in Government Gazette 614/B/22.02.2018. In light of that 18,150,001 shares EYATH S.A. Belong to the State (50% + 1 share) and 8,717,999 shares (24.017%) belong to HRADF.

Following that, according to the notice submitted by the Ministry of Finance, which the company received by email on 21.3.2018, on 20.3.2018 following an OTC trade on that date the Hellenic Republic transferred free of charge 18,150,001 shares in EYATH S.A. to HCAP, in accordance with Article 380(20) of Law 4512/2018 as amended by Article 197(1) of Law 4389/2016. That transfer is effective from 1.1.2018. HCAP directly holds 50% + 1 share in EYATH and via HRADF indirectly holds 24.02%, which directly holds 24.02%. HCAP's voting rights account for 74.02% of the capital.

(amounts in thousands of euro)

The total voting rights controlled by the Greek State remain at 74.02%. The Greek State owns all voting rights in Hellenic Corporation of Assets and Participations (HCAP) which in turn holds all voting rights in HRADF.

The Greek State's total direct and indirect holding in those companies has not changed.

In light of those transfers and notices on the date this Board of Directors' Report was prepared, the Company's shareholder line-up since 1.1.2018 has been as follows:

SHAREHOLDER	Number of shares held	Holding on 01/01/2018	
HCAP	18,150,001	50.00%	+ 1
HRADF	8,717,999	24.02%	
Other shareholders	9,432,000	25.98%	
Total	**36,300,000**	**100.00%**	

15. RESERVES

The company's inventories can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Statutory Reserve	12,031	11,186	12,007	11,163
Special law untaxed reserves	399	399	399	399
Reserves for own share acquisition	1	1	1	1
Other reserves	16,635	16,635	16,635	16,635
Balance	**29,065**	**28,221**	**29,042**	**28,198**

Under Greek company law, the establishment of a statutory reserve (by transferring 5% of the annual earnings net of tax to it to each year) is mandatory until that reserve accounts for 1/3 of the share capital. The "statutory reserve" is distributed only upon the winding up of the Company; it may though be set off against accumulated losses.
The tax law reserves were established under the provisions of tax laws which either entitle the taxation of certain income to be rolled forward to the time at which that income is distributed to shareholders or grant certain tax breaks as incentives for making investments.
The own shares reserve consists of fractional rights in shares from share capital increases in which gratis shares were distributed on 17/1/2003.

16. PROVISIONS FOR EMPLOYEE BENEFITS / PROVISIONS FOR THE SUPPLY OF WATER

The Company's and Group's obligation to staff employed in Greece for future payment of benefits depending on their length of previous service is measured and presented based on the accrued right expected to be paid to each employee, on the balance sheet date, discounted at present value, compared to the expected time of payment. The accrued benefits of each period are charged in profit or loss with corresponding increase of the pension liability. The payment of benefits to employees leaving due to retirement correspondingly decrease the pension liability.

The present value is an estimate made at a specific point in time (the present). That estimate calculates an amount which is considered to express the economic equivalent (at the present time) of one or more amounts which will be paid at future points in time. The need to calculate the present value rises from the established principle that amounts which refer to different points in time are not comparable. To be able to compare the two or more amounts, they must be 'extrapolated' to the current date.
The obligation arising from currently completed service is equal to the present value of benefits accrued up to the valuation date (i.e. those which correspond to completed service by members on the valuation date) and is based on estimated final pensionable pay for active members.

(amounts in thousands of euro)

Contributions are the present value of the increase for benefits due to one year's service, which will be added during the year after the valuation date, relate to service during that year and are based on estimated final pensionable pay for active members. That is done by calculating present value, which is the only method acceptable under IAS 19.

The number of staff employed in the Company and the corresponding payroll cost are as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Payroll expenses	7,185	6,646	7,185	6,646
Employer contributions	2,118	1,668	1,820	1,668
Other benefits and staff expenses	84	107	84	107
Personnel dismissal and retirement compensation provision	124	145	124	145
Total cost	**9,511**	**8,566**	**9,213**	**8,566**
Number of permanent employees	**380**	**221**	**380**	**221**

The rise in staff numbers is due to the fact that during 2017 two staff recruitment competitions were run by ASEP to hire 150 full-time staff (80 employees with university or technical education and 70 with secondary education). By 31.12.2017 a total of 126 employees had taken up their posts, and so far recruitment procedures for a total of 143 staff have been completed. Moreover, 41 staff were recruited via staff recruitment competitions on private law fixed term contracts (of 8 months duration).

The Group and Company obligation to pay compensation to its staff leaving due to retirement was reduced based on an actuarial study which was prepared by an independent company of certified actuaries. The key figures and assumptions of the actuarial study are as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Provisions for retirement benefits	1,892	1,998	1,892	1,998
Provisions for water supply	-	-	-	-
	1,892	**1,998**	**1,892**	**1,998**

The key financials and assumptions of the actuarial study for compensation benefits are as follows:

Changes in net liability recognised in the balance sheet

	THE GROUP		THE COMPANY	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Current value of non-financed liabilities	1,892	1,998	1,892	1,998
Net liability recognised in balance sheet	**1,892**	**1,998**	**1,892**	**1,998**

Amounts recognised in income statement

	THE GROUP		THE COMPANY	
	31-Dec-17	**31-Dec-16**	**31-Dec-1**	**31-Dec-16**
Cost of current employment	76	46	76	46
Interest on liability	40	52	40	52
Normal expenses in income statement	**116**	**97**	**116**	**97**

Changes in net liability recognised in the balance sheet

	THE GROUP		THE COMPANY	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Net liability at start of period	**1,998**	**2,223**	**1,998**	**2,223**
Benefits paid by employer	(95)	(175)	(95)	(175)
Total expense recognised in income statement	124	97	124	97
Amount recognised directly in comprehensive income statement	(135)	(148)	(135)	(148)
Net liability at end of period	**1,892**	**1,998**	**1,892**	**1,998**
Re-measurements				
(Profit)/Loss from change in assumptions		(42)		(42)
(Profit)/Loss from the current period	135	189	135	189
Total charges to other comprehensive income	**135**	**148**	**135**	**148**
Change in net value of liability				
Present value of liability at start of period	**1,998**	**2,223**	**1,998**	**2,223**
Cost of current employment	76	46	76	46
Interest cost	40	52	40	52
Benefits paid by employer	(95)	(175)	(95)	(175)
Cost of cutbacks / settlements / termination of service	8		8	
Amounts recognised in other comprehensive income	(135)	(148)	(135)	(148)
Present value of liability at end of period	**1,892**	**1,998**	**1,892**	**1,998**

(amounts in thousands of euro)

Actuarial assumptions

Discount Rate	2.00%	2.00%	2.00%	2.00%
Inflation	2.00%	2.00%	2.00%	2.00%
Future increases of salaries	0% up to 2020 and 2.3% thereafter	0% up to 2019 and 2.3% thereafter	0% up to 2020 and 2.3% thereafter	0% up to 2019 and 2.3% thereafter
Retirement Increase Rate	0,00%	0,00%	0,00%	0,00%

The key figures and assumptions of the actuarial study for the water supply benefit are as follows:

Changes in net liability recognised in the balance sheet

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Current value of non-financed liabilities				
Net liability recognised in balance sheet				

Amounts recognised in income statement

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Cost of current employment		13		13
Interest on liability		35		35
Additional payments or expenses / (income)		(1,608)		(1,608)
Normal expenses in income statement		**(1,560)**		**-1,560**
Recognition of past service cost				
Total expense in income statement		**(1,560)**		**-1,560**

Changes in net liability recognised in the balance sheet

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Net liability at start of period		**1,560**		**1,560**
Total expense recognised in income statement		(1,560)		(1,560)
Net liability at end of period		**0**		**0**
Change in net value of liability				
Present value of liability at start of period		**1,560**		**1,560**
Cost of current employment		13		13
Interest cost		35		35
Cost of cutbacks / settlements / termination of service		(1,608)		(1,608)
Present value of liability at end of period		**(0)**		**(0)**

Actuarial assumptions

Discount Rate	2.00%	2.00%	2.00%	2.00%
Inflation	2.00%	2.00%	2.00%	2.00%
Future increases of salaries	0% up to 2020 and 2.3% thereafter	0% up to 2019 and 2.3% thereafter	0% up to 2020 and 2.3% thereafter	0% up to 2019 and 2.3% thereafter
Retirement Increase Rate	0.00%	0.00%	0.00%	0.00%

According to BoD Decision 154/2016 dated 19/4/2016, the free supply of water to EYATH S.A. pensioners was stopped, and therefore part of the relevant liability was reversed on 31/12/2016.

On the valuation date (31/12/2017) if a discount rate 0.5% had been used, then the total obligation would have been around 0.5% lower. Moreover, if a discount rate of 0.5% lower had been used, then the total obligation would have been around 6% higher.

Based on the actuarial study, the gross value of the amount recognised in other comprehensive income is € 135 million, of which the net amount is € 96 and the corresponding deferred tax is € 39.

17. PROVISIONS FOR CONTINGENCIES AND EXPENSES

A provision of € 6,036 covers contingent liabilities that may arise during the settlement of litigation with third parties and Group staff.

A provision of € 2,210 relates to the provision for the cost of removing an accumulated mass of sludge at the Thessaloniki water treatment facility and a provision for removing by-products from the same facility.

The tax audit for 2009 and 2010 was completed in 2017 whose results are fully covered by the existing provision for € 500 (see note 28).

(amounts in thousands of euro)

For the period ended on 31.12.2017 the changes in the provisions account for the Group and Company was as follows:

Long-term provisions	COMPANY			
	Pending litigation	Provision for tax	Provisions for contingencies & expenses	Total
1.1.2017	**6,188**	**500**	**2,200**	**8,888**
Additional provisions for year	431	-	510	**941**
Provisions used/reversal of provisions for the period	1,114	500	500	**2,114**
31.12.2017	**5,505**	**-**	**2,210**	**7,715**

Long-term provisions	GROUP			
	Pending litigation	Provision for tax	Provisions for contingencies & expenses	Total
1.1.2017	**6,188**	**500**	**2,200**	**8,888**
Additional provisions for year	962	-	510	1,472
Provisions used/reversal of provisions for the period	1,114	500	500	2,114
31.12.2017	**6,036**	**-**	**2,210**	**8,246**

For the period ended on 31.12.2016 the changes in the provisions account for the Group and Company was as follows:

Long-term provisions	GROUP AND COMPANY			
	Pending litigation	Provision for tax	Provisions for contingencies &	Total
1.1.2016	**3,252**	**1,037**	**2,200**	**6,489**
Additional provisions for year	3,286	-	-	**3,286**
Provisions used/reversal of provisions for the period	350	537	-	**887**
31.12.2016	**6,188**	**500**	**2,200**	**8,888**

18. GRANTS

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Opening balance	2,345	2,742	2,345	2,742
Depreciation of grants carried forward to results	(351)	(397)	(351)	(397)
End of period balance	1,994	2,345	1,994	2,345

Grants primarily relate to the construction of the company's water supply and sewerage network. The company has complied with all obligations required in order to receive the grants and so there is no issue of the grants being returned.

19. OTHER LONG-TERM LIABILITIES

The amount of € 14,417 on 31/12/2017 and € 14,024 on 31/12/2016 related to guarantees from customers for use of meters and for bills, which was collected when the initial supply connection was made. Those guarantees are returned (without interest) when the customer terminates the connection. The guarantees have been recorded at nominal value, and not at fair value when initially recorded and then subsequently carried at cost because customers may request those amounts back at any time.

20. TRADE AND OTHER LIABILITIES

The total liabilities of the Group and the Company to suppliers and other third parties are broken down as follows:

(amounts in thousands of euro)

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Suppliers	5,319	5,663	5,293	5,630
Cheques payable	8	17	8	14
Other Taxes - Duties	764	1,057	764	1,057
Insurance and pension fund dues	468	312	468	312
Liabilities to related parties	-	-	477	275
Accrued expenses	2,301	1,467	2,287	1,461
Dividends payable	124	118	124	118
Sundry creditors	1,990	1,079	1,859	996
Total	**10,973**	**9,712**	**11,279**	**9,863**

The maturity of the Group and Company suppliers and other liabilities accounts can be broken down as follows:

	THE GROUP		THE COMPANY	
	SHORT-TERM 2017		SHORT-TERM 2017	
	WITHIN 6 MONTHS	FROM 6 TO 12 MONTHS	WITHIN 6 MONTHS	FROM 6 TO 12 MONTHS
Suppliers	5,319	-	5,293	-
Cheques payable	8	-	8	-
Insurance and pension fund dues	468	-	468	-
Dividends payable	124	-	124	-
Liabilities to related enterprises/joint ventures			477	-
Sundry creditors	1,990	-	1,859	-
Accrued expenses	2,301	-	2,287	-
Other taxes and duties	764	-	764	-
Total	**10,973**	-	**11,279**	-

	THE GROUP		THE COMPANY	
	SHORT-TERM 2016		SHORT-TERM 2016	
	WITHIN 6 MONTHS	FROM 6 TO 12 MONTHS	WITHIN 6 MONTHS	FROM 6 TO 12 MONTHS
Suppliers	5,663		5,630	
Cheques payable	17		14	
Insurance and pension fund dues	312		312	
Dividends payable	118		118	
Liabilities to related enterprises/joint ventures			275	
Sundry creditors	332	747	249	747
Accrued expenses	1,467		1,461	
Other taxes and duties	1,057		1,057	
Total	**8,965**	**747**	**9,116**	**747**

21. SHORT-TERM TAX LIABILITIES

Group and Company other short-term liabilities can be broken down as follows:

	THE GROUP		THE COMPANY	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Income tax	405	576	398	501
	405	**576**	**398**	**501**

22. EXPENSES PER CATEGORY

Expenses per category for the Group and Company in 2017 can be broken down as follows:

(amounts in thousands of euro)

THE GROUP

for the period ended on 31/12/2017	Cost of production	Selling & distribution expenses	Administrative expenses	Research & Development expenses	Total
Cost of goods used	2,513				2,513
Self-supplied fixed assets	(328)				(328)
Staff salaries and expenses	7,004	1,013	1,404	91	9,511
Third party fees and expenses	1,994	233	1,068	44	3,339
Electricity	11,403				11,403
Rent	123	78	150		351
Maintenance - Repair expenses	11,944	64	11		12,019
Other charges for outside services	879	188	348	0	1,416
Expenses from tax and duties	478	81	100		659
Miscellaneous Expenses	1,100	267	411	10	1,787
Depreciation of tangible & intangible assets	6,149	102	321	4	6,576
Provisions for bad debt		2,539			2,539
Total	**43,258**	**4,566**	**3,814**	**148**	**51,785**

THE COMPANY

for the period ended on 31/12/2017	Cost of production	Selling & distribution expenses	Administrative expenses	Research & Development expenses	Total
Cost of goods used	2,513				2,513
Self-supplied fixed assets	(328)				(328)
Staff salaries and expenses	6,718	1,013	1,391	91	9,213
Third party fees and expenses	854	1,739	1,231	44	3,867
Electricity	11,403				11,403
Rent	123	78	150		351
Maintenance - Repair expenses	11,944	64	11		12,019
Other charges for outside services	879	188	341	0	1,409
Expenses from tax and duties	478	81	98		658
Miscellaneous Expenses	1,065	267	407	10	1,749
Depreciation of tangible & intangible assets	6,149	102	321	4	6,576
Provisions for bad debt		2,539			2,539
Total	**41,796**	**6,072**	**3,952**	**148**	**51,968**

For the 2017 annual period, management expenses included fees of € 9 which relates to permissible non-audit services.

Expenses per category for the Group and Company in 2016 can be broken down as follows:

THE GROUP

for the period ended on 31/12/2016	Cost of production	Selling & distribution expenses	Administrative expenses	Research & Development expenses	Total
Cost of goods used	1,753				1,753
Self-supplied fixed assets	(350)				(350)
Staff salaries and expenses	6,226	962	1,294	84	8,566
Third party fees and expenses	2,216	230	894	50	3,390
Electricity	11,729	13	51		11,792
Rent	131	31	191		352
Maintenance - Repair expenses	13,880	38	79	3	14,000
Other charges for outside services	1,056	98	267		1,421
Expenses from tax and duties	447	80	103	1	630
Miscellaneous Expenses	1,017	24	890	232	2,163
Depreciation of tangible & intangible assets	5,678	160	445	122	6,404
Provisions for bad debt		2,782			2,782
Total	**43,782**	**4,417**	**4,213**	**491**	**52,903**

(amounts in thousands of euro)

THE COMPANY for the period ended on 31/12/2016	Cost of production	Selling & distribution expenses	Administrative expenses	Research & Development expenses	Total
Cost of goods used	1,753				1,753
Self-supplied fixed assets	(350)				(350)
Staff salaries and expenses	6,226	962	1,294	84	8,566
Third party fees and expenses	1,471	894	1,047	180	3,592
Electricity	11,729	13	51		11,792
Rent	131	31	191		352
Maintenance - Repair expenses	13,880	38	79	3	14,000
Other charges for outside services	1,056	98	259		1,413
Expenses from tax and duties	447	80	99	1	626
Miscellaneous Expenses	1,017	24	843	232	2,116
Depreciation of tangible & intangible assets	5,678	160	445	122	6,404
Provisions for bad debt		2,782			2,782
Total	**43,037**	**5,082**	**4,306**	**621**	**53,046**

23. OTHER OPERATING EXPENSES - OTHER OPERATING INCOME

Other operating income can be broken down as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Income from Subsidies	173	213	173	213
Income from services provided	67	1,048	67	1,048
Rent	89	94	3	3
Depreciation on subsidies	351	397	351	397
Other prior period income	33	368	33	368
Other income	188	288	188	288
Revenue from seized guarantees	677		677	
Income from prior period provisions	1,460	2,146	1,460	2,146
Total other operating income	**3,039**	**4,553**	**2,953**	**4,462**

Other operating expenses can be broken down as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Tax and other fines and surcharges	77	667	77	667
Compensation to third parties for damage to the water supply & sewerage network	22	60	22	60
Compensation under court rulings	118	288	118	288
Other expenses, provisions and losses	1,114	3,170	581	3,170
Losses from replacement of water meters and				
Other losses	6		6	
Other prior period expenses	29	247	29	211
Total other expenses	**1,367**	**4,432**	**834**	**4,396**

Other expenses, provisions and losses on 31.12.2017 stood at € 1,114 (2016: € 3,170) and included provisions for pending litigation.

24. FINANCIAL INCOME/(EXPENSES)

Financial income (expenses) can be broken down as follows:

(amounts in thousands of euro)

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Interest charges on bank liabilities				
Other financial expenses	78	58	77	57
Total financial expenses	**78**	**58**	**77**	**57**
Interest and related income	1,720	1,329	1,718	1,327
Total financial income	**1,720**	**1,329**	**1,718**	**1,327**
Net financial income/(expenses)	**1,642**	**1,271**	**1,642**	**1,270**

Note that the balance in the Group account "Interest and related income" as at 31/12/2017 of € 1,720 includes default interest on customer bills of € 561 and other interest of € 1,156 which primarily relates to interest from deposits. The policy of charging default interest on customer bills was implemented on 16/5/2007 by decision of the Company's Board of Directors.

25. INCOME TAX

Under Law 4334/2015 which was published on 16/7/2015 and Law 4336/2015 which was published on 14/8/2015, the income tax rate for legal persons in Greece was increased from 26% to 29% and the advance on income tax was increased from 80% to 100%, effective from 1/1/2015.

The tax burden on the results was as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Income tax	8,277	8,264	8,196	8,189
Deferred tax	204	1,048	204	1,048
Total	**8,481**	**9,312**	**8,400**	**9,237**

The tax amount in the "Income tax" line of the comprehensive income statement is different from the theoretical amount that would arise by applying the current tax rate to the Company's profits. This difference is as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Earnings before tax	**24,931**	**21,769**	**25,194**	**21,568**
Tax calculated at the Company's tax rate (2016: 29%, 2015: 26%)	7,230	6,313	7,306	6,255
Expenditure not exempted from income tax	294	458	294	441
Other taxes		400		400
Untaxed income	(440)		(440)	
Impact of change in tax rates				
Permanent differences	1,397	2,141	1,240	2,141
Total taxes in Comprehensive Income Statement	**8,481**	**9,312**	**8,400**	**9,237**

The fact that in some cases income and expenses are booked at a time other than the time at which income is taxed or expenses deducted for the purpose of determining taxable income gives rise to the need to recognise deferred tax assets or deferred tax liabilities.

The deferred tax asset/liability recognised by the Group and the Company can be broken down as follows:

(amounts in thousands of euro)

	THE GROUP		THE COMPANY	
	31-Δεκ-17	31-Δεκ-16	31-Δεκ-17	31-Δεκ-16
Balance at start of period	**3,377**	**4,467**	**3,377**	**4,467**
Income/equity tax	(244)	(1,090)	(244)	(1,090)
Balance at end of period	**3,133**	**3,377**	**3,133**	**3,377**

	THE GROUP - THE COMPANY			
	As at 31/12/2016	Credits (Debits) in results	Credits (Debits)in equity	As at 31/12/2017
Deferred tax liabilities				
Adjustment of fixed asset subsidies	(2,153)	74		(2,078)
	(2,153)	74		(2,078)
Deferred tax assets				
Depreciation on tangible assets	3,488	198		3,686
De-recognition of depreciation on capital expenditure and adjustment in depreciation for intangible assets	199	(29)		170
Adjustment of value of receivable accounts	703	(0)		703
Provisions for contingencies - other provisions	529	(425)		104
Personnel dismissal and retirement compensation provision	611	(23)	(33)	555
	5,529	(279)	(33)	5,217
Net deferred tax assets in the statement of financial position	**3,377**	**(205)**	**(33)**	**3,139**
Presentation in statement of financial position				
Deferred tax liabilities (net)				
Deferred tax assets (net)	3,377			3,133
	3,377			**3,133**

	THE GROUP - THE COMPANY			
	As at 31/12/2015	Credits (Debits)in results	Credits (Debits)in equity	As at 31/12/2016
Deferred tax liabilities				
Adjustment of fixed asset subsidies	(2,214)	61		(2,153)
	(2,214)	61		(2,153)
Deferred tax assets				
Depreciation on tangible assets	3,253	235		3,488
De-recognition of depreciation on capital expenditure and adjustment in depreciation for intangible assets	225	(26)		199
Adjustment of value of receivable accounts	1,483	(780)		703
Provisions for contingencies - other provisions	638	(109)		529
Personnel dismissal and retirement compensation provision	1,082	(505)	(33)	611
	6,681	(1,185)	(33)	5,529
Net deferred tax assets in the statement of financial position	**4,467**	**(1,123)**	**(33)**	**3,377**
Presentation in statement of financial position				
Deferred tax liabilities (net)				
Deferred tax assets (net)	4,467			3,377
	4,467			**3,377**

The deferred tax assets and liabilities of 30.6.2017 as well as any income tax charged to the comprehensive income statement of 1.1 – 30.6.2017, have been recognised based on the tax rates applying on 30.6.2017 (29%).

26. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net profits for the period by the average weighted number of shares in circulation during the period. Earnings are defined as profits or losses from the Group's continuing operations. It should be clearly understood that during the current and previous fiscal year there were no discontinued operations. There are no debentures convertible to shares or other potential instruments convertible to shares which would reduce profits during the periods to which the financial statements relate and consequently reduced earnings per share have not been calculated.

(amounts in thousands of euro)

Basic earnings (losses) per share were calculated as follows:

	THE GROUP		THE COMPANY	
	01/01-31/12/2017	01/01-31/12/2016	01/01-31/12/2017	01/01-31/12/2016
Net profits payable to the Company's ordinary shareholders	**16,449**	**12,457**	**16,794**	**12,331**
Average weighted number of shares in circulation	36,300,000	36,300,000	36,300,000	36,300,000
Less: Average weighted number of own shares Total average weighted number of shares in circulation	**36,300,000**	**36,300,000**	**36,300,000**	**36,300,000**
Basic earnings (losses) per share (in euro)	**0.4532**	**0.3432**	**0.4626**	**0.3397**

At its meeting on 29/3/2018 the Company's Board of Directors approved submission of a proposal to the Ordinary General Meeting of Shareholders to distribute a dividend under Article 45 of Codified Law 2190/1920 of € 0.221 per share (or a total gross sum of € 8,022) for 2017.The dividend is subject to approval by the Ordinary General Meeting of Shareholders and is included in the balance of the account "Retained earnings".

27. TRANSACTIONS WITH RELATED PARTIES

According to the Group, related parties are members of the Board of Directors, members of Management, as well as the shareholders holding a significant percentage of its share capital (including their related persons). The Group's trading transactions with these related parties during the 01/01/2017-31/12/2017 period were carried out under market terms and in the framework of its usual business activity. The transactions and the balances of the Group's and Company's related parties, during the 01/01/2017 - 31/12/2017 period and on 31/12/2017 respectively, are broken down in the following tables:

	THE GROUP		THE COMPANY	
	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Income	-	-	-	-
Expenses	-	-	2,225	1,969
Transactions with and fees for executives and board members	632	783	632	783

	THE GROUP		THE COMPANY	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Receivables	-	-	24	120
Liabilities	-	-	477	275
Receivables from management executives and board members	4	4	4	4
Liabilities to management executives and board members	3	20	3	20

The company's expenses of € 2,225 are related to meter reading services and distribution of receipts, as well as other services provided by subsidiary“EYATH SERVICES S.A.”. The Company's receivable of € 24 mainly relates to receivables from the approved dividend. The Company's liability of € 477 related to meter reading services and distribution of bills to the subsidiary EYATH SERVICES S.A.

The actuarial liability for the company's related parties (management executives) was € 122 on 31.12.2017 (compared to € 105 in 2015).

(amounts in thousands of euro)

28. COMMITMENTS FROM CONTINGENT LIABILITIES

28.1 Contingent liabilities from disputes in litigation or arbitration (amounts in €)

On 31/12/2017 there were lawsuits, extrajudicial invitations and in general future claims of a total amount of € 29.7 million approximately against the Company and Group, for which a provision of € 6,036 in total had been formed, which is included in the long-term liabilities account "Provisions for contingencies and expenses" (see Note 17).

Of those lawsuits, the sum of € 10.7 million relates to compensation for damage done by flooding or actions from various counterparties/suppliers and contractors for breach of contractual terms and € 19 million relates to labour disputes, retirement compensation and fines imposed by insurance funds.

The Group's Legal Department estimates that other than the provision formed there will be no other cases whose outcome in court will significantly affect the Group's assets and operations.

28.2 Commitments from operating leases

As at 31/12/2017, the Group had entered into contracts for the operating lease of properties, which will gradually come to an end by 2026. The operating lease rent expenses which were recorded in the income statement of the current period were € 351 (31/12/2016: € 352).

The future minimum payments of operating lease rents based on a non-voidable operating lease contract for the group and the company are as follows:

	31/12/2017	31/12/2016
0 -1 years	136	270
1 -5 years	196	68
Over 5 years	54	-
Total	**386**	**338**

28.3. Other contingent liabilities

The Group on 31/12/2017 had granted performance bonds for project contracts of a total amount of €453 (31/12/2016: € 522).

28.4 Open tax periods

Tax Compliance Report

For the years 2011 to 2017, the Company and its subsidiary EYATH Services S.A. have undergone the tax audit of certified public accountants, as provided for in Article 82(5) of Law 2238/1994 (for the years 2011 to 2013) and Article 65a of Law 4172/2013 (Income Tax Code) (for the years from 2014 onwards). Upon completion of the tax audit by the certified public accountants for the periods 2011-2016, audit reports were issued with an unqualified opinion for the Company and its subsidiary, while there were no tax liabilities other than those recorded and presented in the separate and consolidated financial statements.

For fiscal year 2017, the Tax Compliance Reports are expected to be issued after the publication of the annual financial statements.

After the completion of the tax audit, the Management of the Company and the Group does not anticipate any additional tax liabilities that will have a material effect, other than those recorded in the separate and consolidated financial statements.

Open tax periods

In September 2016, the Large Enterprises Audit Centre of the Ministry of Finance carried out a statutory tax audit of the Company for years 2009 and 2010. The audit was completed and the final audit reports were received on 12.6.2017. It found taxes and surcharges payable, amounting to € 483, which were fully covered by the existing provision formed in previous years. (see note 17)

Moreover, the subsidiary has not been audited by the competent tax authorities for years 2010 and up to this year.

For those years which remain unaudited, Company Management is of the view that no major differences will arise and so no provision has been formed.

29. NUMBER OF STAFF EMPLOYED

The number of staff employed by the Group on 31/12/2017 was 380 (31/12/2016: 221).

30. MAJOR EVENTS

- During the current period, Panagiotis Gogos was elected as an independent non-executive member of the Company's Board of Directors by decision No. 139/6.4.2017 of the Board, and also as Chairman of the Audit Committee, replacing I. Antoniadis.
The Ordinary General Meeting of Shareholders decided on 8.6.2017 that the Board's Vice Chairman, Styliani Valani would be a non-executive member and set up an Audit Committee comprises of the Board members, Panagiotis Gogos, as Chairman, and Stefania Taminanidou and Ioannis Tsionas.
Marina Kouri was elected by Board of Directors decision No. 293/27.7.2017 as non-executive member to replace Eleftheria Karahaliou, representative of HRADF, who had resigned.Moreover, Board of Directors decision No. 388/12-10-2017 elected Petros Samaras as non-executive member of the Board and as member of the Audit Committee to replace Ioannis Tsionas who had resigned.

During 2017 two staff recruitment competitions were run by ASEP to hire 150 full-time staff (80 employees with university or technical education and 70 with secondary education). By 31.12.2017 a total of 126 employees had taken up their posts, and so far recruitment procedures for a total of 143 staff have been completed. The upcoming increase of the company's workforce, with employees to be added under ASEP (Central Staff Recruitment Board) procedures, will allow EYATH S.A. to expand its activities and contribute towards the economic growth of the wider region.

- As a company which manages a social good, in its efforts to assist citizens in Thessaloniki affected by the unprecedented frosts in the period 7.1.2017 to 12.1.2017 (which resulted in the destruction of water meters and household water pipes) EYATH S.A. adopted Board of Directors decision No. 41/2017 relating to the following measures:

A. Replacement of damaged water meters:

1. Full exemption for the following categories:
   - Customers on the social tariff
   - Public hospitals
   - State schools
   - Care facilities for the elderly, disabled and refugees.
2. A discount of up to 50% for other consumers.

B. For extra water consumed due to damage or maintaining a constant flow to protect indoor facilities:

1. Full exemption for the following categories:
   - Customers on the social tariff
   - Public hospitals
   - State schools
   - Care facilities for the elderly, disabled and refugees.
2. Discount for other consumers as follows:
   - no discount for extra consumption up to 10% historical average.
   - across-the-board discount of 80% for quantities over the previous limit (historical average + 10%).

Implementing this decision resulted in credit notes for € 800 being issued.

The Board of Directors also recently approved a new company investment and business programme for the 2017 – 2023 period, aiming to:

- the overall development of its networks, namely a series of technical projects in order to supply water to areas of both the urban area, and beyond it, to regions which currently are lacking good quality water;
- implement the extension of the Thessaloniki Water Treatment Plant (known as the 'refinery') to ensure the necessary extra quantity of water needed to cope with current and future water supply demand for the Thessaloniki urban area;
- ensure uninterrupted, safe operation of the water supply systems, by supplying top quality water, in line with the rules and requirements laid down by the current regulatory framework;
- increase environmental safety, both in terms of pollution and protection of water resources;
- improve customer service by offering top class water supply and sewerage services at the least possible cost;
- combine business activity with social responsibility;
- upgrade infrastructure to improve the productivity of existing systems, which will lead to lower operating costs for the company, especially energy costs;
- raise awareness among citizens about how the company contributes to society as a whole, and provide information about key aspects of the company and the work it does.

The company is in the process of updating its investment and business plans, adding new investment activities.

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At its meeting on 21.2.2018, the Interministerial Committee for Restructuring and Privatisation decided to:

1. Revoke Interministerial Committee for Restructuring and Privatisation decision No. 195/27.10.2011 (Government Gazette 754/B) to the extent that it transferred 14,520,000 shares in EYATH to the company Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

2. To revoke Interministerial Committee for Restructuring and Privatisation Decision No. 206/25.4/2012, Government Gazette 1363/B/26.4.2012), to the extent that it transferred 3,630,001 shares of the Hellenic Republic to the company with the corporate name Hellenic Republic Asset Development Fund S.A. That decision is effective from 1.1.2018.

The decision was published in Government Gazette 614/B/22.02.2018.

(amounts in thousands of euro)

Following that, according to the notice submitted by the Ministry of Finance, which the company received by email on 21.3.2018, on 20.3.2018 following an OTC trade on that date the Hellenic Republic transferred free of charge 18,150,001 shares in EYATH S.A. to HCAP, in accordance with Article 380(20) of Law 4512/2018 as amended by Article 197(1) of Law 4389/2016. That transfer is effective from 1.1.2018. HCAP directly holds 50% + 1 share in EYATH and via HRADF indirectly holds 24.02%, which directly holds 24.02%. HCAP's voting rights account for 74.02% of the capital.

The total voting rights controlled by the Greek State remain at 74.02%. The Greek State owns all voting rights in Hellenic Corporation of Assets and Participations (HCAP) which in turn holds all voting rights in HRADF.

The Greek State's total (direct and indirect) holding in those companies has not changed.

In light of those transfers and notices on the date this Board of Directors' Report was prepared, the Company's shareholder line-up is as follows:

SHAREHOLDER	**Number of shares held**	**Holding on 01/01/2018**	
HCAP	18,150,001	50.00%	+
HRADF	8,717,999	24.02%	1
Other shareholders	9,432,000	25.98%	
Total	**36,300,000**	**100.00%**	

- On 31.12.2016 project agreements entered into by the subsidiary EYATH SERVICES S.A. Expired but were extended to 30.6.2017 under Article 46 of Law 4440/2016. All persons engaged under such contracts sought recourse to the courts and obtained an interim order until the final judgment on the petition for injunctive relief is handed down. Athens Single-Member Court of First Instance judgment No. 1353/2018 was handed down on 1.3.2018 which rejected their claims against the Company and the subsidiary EYATH SERVICES S.A. and since that date they have ceased offering their services to the company.

There are no events between 31 December 2017 and the date on which the financial statements were approved by the Company's Board of Directors which could materially affect the financial position or the Company's results for the period that ended on this date, or other events which should be disclosed in the financial statements.

Thessaloniki, 29 March 2018

The Chairman of the Board & CEO	The Vice Chairman	The CFO
Ioannis Krestenitis	Ioannis Papaioannou	Dimitrios Alexandris
ID Card No. AB 680550	ID Card No. AE 183479	ID Card No.: AZ 683204, Econ. Chamber of Greece Licence No. 1st Class 0105601

AVAILABILITY OF FINANCIAL STATEMENTS

The annual and interim financial statements of the Group and Company, the Audit Report, and the Board of Directors' Management Report to the Annual Ordinary General Meeting have been posted to the company's website (www.eyath.gr).

Independent Auditor's Report

To the Shareholders of “THESSALONIKI WATER SUPPLY& SEWERAGE Co. S.A.”

Report on the audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the accompanying separate and consolidated financial statements of “THESSALONIKI WATER SUPPLY & SEWERAGE Co. S.A.”(Company and/or Group), which comprise the separate and consolidated statement of financial position as at December 31, 2017, the separate and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company and the Group as at 31 December 2017, their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the statutory requirements of Codified Law 2190/1920.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as they have been incorporated into the Greek Legislation. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) incorporated into the Greek Legislation and ethical requirements relevant to the audit of separate and consolidated financial statements in Greece and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters, as well as the related risk of significant misstatements, were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Trade Receivables – Trade Receivables Recoverability Assessment	
Asat31/12/2017, theGroup's trade receivables had a total of € 74.953 (€ 70.942as at 31/12/2016), while accumulated provision for bad debt amounted at € 25.700 (€ 23.210as at 31/12/2016), as referred to in Notes 5.1 and 12ofthe financial statements. Trade receivables mainly include receivables arising from sale of water supply, sewerage and other services. The economic crisis, combined with reduction in disposable income of households and corporations has increased the risk of bad receivables. In order to estimate the recoverability of trade receivables, Management reviews maturity of customer balances, their credit history, and settlement of subsequent payments in accordance with the arrangement. Management also takes into account the available recent or historical data provided by the Legal Department. Given the significance of the matter and the level of judgment and estimates involved, we consider this issue to be one of the key audit matters.	Our audit procedures regarding assessment of trade receivables include among others, the following: • Assessment of assumptions and methodology used by Management in estimating recoverability of trade receivables. • Examination of the attorney's confirmation letter regarding bad receivables and identification of any indication of doubtful accounts. • Assessment of provision of bad debt, taking into account specific debtors classifications and factors, such as maturity, substantial debtors and high risk debtors. • Assessment of recoverability of balances through comparing the year end closing balances with subsequent amounts collected / settlements. • We also assessed adequacy and appropriateness of the disclosures included in Notes 5.1 and 12 of financial statements.

Contingent liabilities and provisions for litigations

As at 31/12/2017, the Group is engaged in numerous litigation claims and arbitration procedures totaling approximately € 29,7 million, for which a provision is recognized amounting to approximately €6,036 million. The relative reference is provided in Notes 5.5, 17 and 28.1 to financial statements.

Management uses legal advisors who periodically examine all significant legal cases. If the potential loss from litigation is considered probable and the amount can be estimated reliably, Management recognizes the relevant provision in the financial statements.

Management's assessment in respect of the outcome of legal cases involves subjectivity, as it requires significant judgment to include assessments based on the latest available information, determination of potential risk and reliable data on similar court cases. Negative outcome in the course of litigations or on the basis of estimates made by Management and external legal advisors could result in recognizing impairment losses that may have a material impact on the Group's income statement.

Given the above factors, significant Management's estimates and the amount of provisions and contingent liabilities, we consider this issue to be one of the key audit matters.

Our audit procedures regarding contingent liabilities and provisions for litigations include, among others, the following:

- Analysis of provisions that have been made in comparison with the detailed checklist of pending court cases held by the Group's Legal Department.
- Receiving direct external confirmation letter from legal advisors handling pending court cases
- Discussion with the Group's Legal Department on legal cases and their potential outcome, and assessment of reasonableness of estimates as well as the evidence on which Management's assessment is based..
- We also assessed the adequacy and appropriateness of the disclosures included in explanatory Notes 5.5, 17 and 28.1 of the financial statements.

Other Information

Management is responsible for the other information. The other information, which is included in the Annual Financial Report, includes the Board of Director's Report, the reference to which is made in the "Report on Other Legal and Regulatory Requirements" section of our Report and Statements of the Members of the Board of Directors, but does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards that have been adopted by the European Unionand 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.

In preparing the separate and consolidated financial statements, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Company and the Group or to cease operations or has no other realistic alternative but to do so.

The Company's Audit Committee (Article 44, Law 4449/2017) is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separated and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

1. Board of Directors' Report

Taking into consideration the fact that Management is responsible for the preparation of the Board of Directors' Report under the provisions of Par. 5, Article 2 (part B), Law 4336/2015, we note the following:

a. The Board of Directors' Report includes the Corporate Governance Statement that provides the information required by article 43bb, CL 2190/1920.

b. In our opinion, the Board of Directors' Report has been prepared in compliance with the applicable legal requirements of Article 43a and 107A aofParagraph 1 (cases c' and d') of Article 43bb of CL 2190/1920, and its content is consistent with the accompanying separate and consolidated financial statements for the year ended as at 31/12/2017.

c. Based on the knowledge we acquired during our audit of "THESSALONIKI WATER SUPPLY & SEWERAGE Co. S.A." and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

2. Additional Report to the Audit Committee

Our opinion on the accompanying separate and consolidated financial statements is consistent with our Additional Report to the Company's Audit Committee, prepared in compliance with Article 11, Regulation (EU) No 537/2014.

3. Provision of Non-Audit Services

We have not provided to the company and its subsidiary the prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014.

Authorized non-audit services provided by us to the Company during the year ended as at December 31, 2017 are disclosed in Note 22to the accompanying separate and consolidated financial statements.

4. Auditor'sAppointment

We were first appointed as auditors of the Company by the Annual General Meeting of Shareholders on 04/08/2011. Since then, our appointment has been renewed annually for a total uninterrupted period of 6 years following the Decisions of the Annual General Meetings of Shareholders.

Athens, March 30, 2018

The Certified Public Accountants

Grant Thornton
An instinct for growth™

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