THESSALONIKI WATER SUPPLY & SEWERAGE Co S.A.

**ANNUAL FINANCIAL REPORT**
for the period 1 January 2018 - 31 December 2018

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

**Companies Register No : 41913/06/B//98/32**

**General Commercial Reg. No. 58240404000**

**127 Egnatias St - 54635 Thessaloniki**

**ANNUAL FINANCIAL REPORT**

**FOR THE PERIOD 1 JANUARY 2018 - 31 DECEMBER 2018**

**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

It is confirmed that the attached Annual Financial Statements are those approved by the Board of Directors of "THESSALONIKI WATER SUPPLY AND SEWERAGE CO. S.A." on 18 April 2019 and have been published on the internet at www.eyath.gr. Note that the 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.

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***(amounts in thousands of euro)***

## Statements by Board of Directors members

**(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 AND SEWERAGE CO S.A.**", trading as EYATH S.A., whose registered offices are at 127 Egnatias St., Thessaloniki, GR-54635:

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

in implementation of the provisions of Article 4(2) of Law 3556/2007, 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 1/1/2018 to 31/12/2018 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, and

(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, 18 April 2019

Confirmed by

| Ioannis Krestenitis | Ioannis Papaioannou | Nikos Klitou |
|---|---|---|
| Chairman of the Board of Directors & CEO | Vice Chairman | Board member & Chairman of the Audit Committee |
| ID Card No. AB 680550 | ID Card No. AE 183479 | ID Card No. AM 674658 |

# ANNUAL MANAGEMENT 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 January 2018 - 31 December 2018)

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 (1/1/2018-31/12/2018).

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.

In addition, the Board of Directors' report includes the explanatory report required by Article 4(7) of Law 3556/2007 and the Corporate Governance Statement.

The amounts in the Board of Directors Annual Report are in euro.

**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 A 248/3-11-1998), created from the merger of Societes Anonyme "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 within 1997 and b) subsidiary company EYATH SERVICES S.A., which engages in the provision of all types of water supply and sewerage services, telecommunications services and the generation and sale of electricity.

It is listed on the Athens Exchange and is governed by the provisions of Codified Law 2190/1920 on societes anonyme, as that law applies pursuant to Law 4548/2018, as a complement to the provisions of Law 2937/2001, Chapter II (Government Gazette 169/A), and Law 3016/2002, as amended by Article 26 of Law 3091/2002. The company's effective term is 99 years from 3.11.1998, and expires on 3.11.2097. The original Articles of Association were approved by decision No. ΕΓΑ/606/26-7-2001 (Government Gazette 989/30-7-2001) and the company is entered in the Companies Register (Reg. No. 41913/06/B/98/32) and the General Electronic Commercial Registry (GCR No. 58240404000). The Company's registered offices are in a privately owned building at 127 Egnatias St., Thessaloniki.

EYATH is the second largest water supply and sewerage services provider in Greece. It provides water supply services via a 2,700 km long water distribution network within its territorial remit (the wider Thessaloniki urban area and industrial area) and sewerage services via a 1,600 km long sewerage network within its territorial remit (from the river Axios, to the high areas of the Thessaloniki urban area to the tourist areas). The company has over 1,000,000 customers (around 510,000 water connections). EYATH also helps with flood protection in the city of Thessaloniki, even though it is the Greek State, the Region and local government authorities which are responsible for the design, construction, and maintenance of rainwater drainage and flood protection works in general, and for cleaning the drains.

**FINANCIAL INFORMATION - COURSE OF BUSINESS**

EYATH remains a robust, viable company and has continued to be highly profitable over recent years.

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

Turnover was € 73,030 thous. compared to € 73,401 thous. during the corresponding period last year, reflecting a decrease of € 371,000 thous. or 0.51%. The cost of sales was € 42,744 thous. compared to € 43,258 thous. in 2017, down € 514 thous. or 1.19%. Group EBT was € 20,951 thous. compared to € 24,931 thous. during the corresponding period last year, down € 3,980 thous. or 15.96% approximately. Finally, Earnings After Tax in 2018 amounted to € 14,001 thous. compared to € 16,449 thous. in 2017, down by € 2,448 thous. or 14.88%.

During the period ended the company reclassified revenues among the cost of sales, selling and distribution expenses and administrative expenses accounts, after updating the allocation criteria. The Group's overall expenses rose by € 3,110 thous. or 5.85%, due primarily to a rise in staff salaries because of recruitment of 150 staff via official selection channels (ASEP), and due to the impact of adopting the IFRS 9 "Financial instruments" on the definition of impairment of trade receivables.

Gross Profit in 2018 stood at € 30,286 compared to € 30,143 in the previous year, up € 143 or 0.47%.

The EYATH S.A. Group's EBITDA during the current period amounted to € 25,478 compared to € 29,512, a drop of € 4,034 or 13.67%.

Finally, Group cash and cash equivalents at the end of the period on 31.12.2018 stood at € 71,634 compared to € 65,210 on 31.12.2017, an increase of € 6,424 or 9.85%.

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

**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.

*(amounts in thousands of euro)*

**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.

**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:

| | 1/1/2018-31/12/2018 | 1/1/2017-31/12/2017 | Deviation |
|---|---|---|---|
| PERFORMANCE AND PROFITABILITY RATIOS | | | |
| Gross Profit Margin | 41.47% | 41.07% | 0.40% |
| EBITDA Margin | 34.89% | 40.21% | -5.32% |
| EBIT | 26.53% | 31.73% | -5.20% |
| EBT Margin | 28.69% | 33.96% | -5.27% |
| EAT Margin | 19.17% | 22.41% | -3.24% |
| INVESTMENT RATIOS | | | |
| Earnings per share after tax | 0.3857 | 0.4532 | -14.89% |
| LIQUIDITY RATIOS | | | |
| | 31/12/2018 | 31/12/2017 | Deviation |
| General liquidity (Current assets / short-term liabilities) | 9.84 | 10.20 | -3.61% |
| CAPITAL STRUCTURE & VIABILITY RATIOS | | | |
| Equity / Debt | 471.34% | 428.27% | 43.06% |

**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. That decision has remained in effect to this day following successive extensions.

Article 33 of Law 4258/2014 on arrangements for setting the tariffs of EYDAP and EYATH, applied from 1.7.2015 to 31.12.2018, according to which tariffs for water supply and sewerage services were to be approved by decisions of the Special Secretary for Water, following consultations with the Minister of Finance and other relevant agencies.

In Special Secretariat for Water 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", general costing and billing rules for water services were laid down. 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. At the same time, the objective of the Joint Ministerial Decision is to ensure that pricing policy for water offers adequate incentives to users to efficiently use water resources and for the different uses of water to adequately contribute to recovery of the cost of water supply services. Services are charged for based on cost factors, including financial costs, environmental costs and resource costs. Financial costs are worked out by the provider (EYATH S.A. in this instance) whereas environmental and resource costs are calculated and approved by decision of the competent authority, and overall are added to tariffs as an environmental levy per m3 of water used.

Pricing Policy for the 2019-2023 period, which EYATH S.A. recommended to the Special Secretariat for Water, was approved by decision No. 26142/180 of the Special Secretary for Water (Government Gazette 1105/B/3.4.2019) and takes effect on 1.5.2019. The new pricing policy follows the logic of a drop in the cost of water for lower levels of consumption, to ensure it has a social focus, and a rise in cost for high consumption to avoid natural resource wastage. At the same time, the social tariff has been retained and improved for groups of consumers who are socially and economically vulnerable; it is tied into the social and income criteria used for the social residential tariffs for electricity (tariffs A and B), which beneficiaries can access automatically without bureaucratic procedures, and without needing to submit supporting documents. An environmental levy is included in the new tariffs, which is paid over to the Green Fund to finance water resource management and protection projects. For 2021-2023 there will be a 2% annual increase in tariffs (apart from household scale one with consumption of up to 10 m3/4-months) to ensure that the company's investment plan can be implemented (which foresees major water supply and sewerage projects, such as an extension to the Thessaloniki water treatment plant, maintenance of the Aravissos aqueduct, works to improve the water supply and sewerage networks), while the sewerage levy fixed charges and special water cycle levy will remain firm and fixed over the tariff's 5-year period.

**MAJOR EVENTS**

***Change in the shareholder line-up and voting rights***

The Interministerial Committee for Restructuring and Privatisation decided at its meeting on 21.2.2018 to revoke Decisions No. 195/27.10.2011 (Government Gazette 754/B) and No. 206/25.4.2012 (Government Gazette 1363/B/26.4.2012) of that Committee, to the extent that they transferred 14,520,000 and 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/22.2.2018.

Following that, 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.

***Investment projects***

During 2018 EYATH S.A. launched various open tender procedures to put the following water supply and sewerage designs and projects out to tender relating to extensions to networks, repair or replacement of pipelines or new projects.

- Technical Advisor services under the Framework Agreement for Technical Advice for EYATH S.A.'s Strategic and Business Plan designs and works. Budget: € 1.32 million (plus VAT). Currently, the appointment of the contractor is still awaited.
- Drafting of supporting designs / Framework Agreement for the preparation of support designs to meet EYATH S.A.'s needs. Budget: € 725,000 (plus VAT). The Framework agreement has been signed and the first implementing agreement is about to be signed.
- Contract for first group of urgent water supply works 2019. Budget: € 2.5 million (plus VAT). Currently, the appointment of the contractor is still awaited.
- Framework Agreement to improve - repair the Aravissos aqueduct. Budget: € 3.37 million (plus VAT). Currently, the appointment of the contractor is still awaited.
- Works to complete connection of the Thessaloniki low-lying areas, which includes 7 sewerage sub-projects in the area where transport hub K16 is being built. Budget: € 6 million (plus VAT). At present, signing of the contract with the contractor is still pending.

During 2018, Decision No. 4391/2.8.2018 approved inclusion of the operation entitled "Construction of an extension to the Thessaloniki Water Treatment Plant - Phase A2" in the Central Macedonia 2014-2020 operational programme (operation MIS code: 5028173) with a budget of € 21.4 million (plus VAT). The Company is currently updating the tender documents and drafting the tender notice, and it plans to put the project out to tender in 2019.

During 2018, cases of extending sewerage networks with third parties assuming part of the cost were examined. These related to pipelines around 3.5 km long in various areas. Other cases examined included repairs/replacements of sewerage pipelines of around 10 km long.

In 2018 the special sewerage regulations were approved (Joint Ministerial Decision No. 1793 B'/21-5-2018) which relates to the terms and conditions imposed on all activities and operators who generate liquid waste other than residential homes, to enable the liquid waste to be disposed of via EYATH S.A.'s sewerage network. The regulations incorporate the environmental legislation and will reduce the impact on EYATH's sewerage network and also the environmental impact of the liquid waste itself.

***The subsidiary EYATH SERVICES S.A.***

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 the injunction of the contract staff against the Company and the subsidiary EYATH SERVICES S.A. and since that date those persons have ceased offering their services to the company. EYATH SERVICES S.A. has not provided any water supply and sewerage services in the period from 1.3.2018 to the present day. On 2.4.2019 the main cases filed by former contract workers against EYATH S.A. and EYATH SERVICES S.A. was heard and judgment is awaited.

On 12.4.2018 the Thessaloniki Regional Branch of the EFKA Fund sent the company's subsidiary EYATH Services S.A. decisions imposing social security contributions and decisions imposing additional social security contribution charges totalling € 2,376,029.24. Those decisions were the result of an audit of contracts which examined the social security contributions of employees on independent service contracts / contracts for work at the subsidiary over the period 1.7.2010 - 31.12.2016. Those fines were paid by the subsidiary and it has filed an objection with the local EFKA Fund committee which handles those matters.

Decision No. 270/2018 of EYATH S.A.'s Board of Directors approved a € 2,400,000 increase in the share capital of the wholly owned subsidiary EYATH SERVICES S.A. in May 2018, paid in cash, for the purpose of covering the said fine imposed by the Thessaloniki Regional Branch of the EFKA Fund. Following completion of that share capital increase, the subsidiary's share capital stood at € 2,460,000 divided into 4,920,000 registered shares with a nominal value of € 0.50 each. The Company then formed an impairment provision equal to the increase in the subsidiary's share capital based on the present value of future cash flows which are expected to flow from the subsidiary.

On 7.6.2018 another decision from the EFKA Fund was sent to the Company following settlement of social security cases for all employees on contracts up to 28.2.2018, for a total of € 242,952.94 including surcharges. EYATH SERVICES S.A. paid that amount and also filed an objection with relevant local committee concerning that fine.

***Acquisition of a holding***

EYATH S.A. participated in the share capital increase of the Metropolitan Development Agency of Thessaloniki, acquiring a 7.28% stake for around € 50 thous.

***Fault with the Aravissos pipeline***

During the period ended, there was a major fault / break in the Aravissos pipeline, meaning that the supply of water from the Aravissos springs to the Thessaloniki urban area was suspended, and there were consequent extensive water supply problems throughout the entire city. Although technical works were completed on schedule, the considerable turbidity of the water in the Aravissos river, available at the Dendropotamos Pumping Station after completion of the works to replace the damaged section of the Aravissos pipeline was something unforeseen. Only after the water in the Aravissos river was found to be safe to drink was it channelled to the city once again.

As a company which manages a public commodity, to assist with the effects of water shortages in the Thessaloniki urban area resulting from that fault to the extent it could, EYATH S.A.'s Board decided to:

- Exempt consumers of special tariffs (social tariff, disabled tariff, large family tariff, etc.) from the standing charges on the next bill.
- Provide technical and financial assistance to public hospitals to ensure they had sufficient supplies of drinking water in the case of water supply problems.
- Assist Municipalities with the financial costs they incurred during the water shortages to secure drinking water for municipal services (such as old people's homes, kindergartens, etc.).
- Reduce the charges for business tariffs in 2018 Q2 by taking 12% of the original tariff for those business consumers who had no past-due debts.
- Not apply charges for works to fix leaks on consumers' external branch lines, for the period from 28.3.2018 to 15.4.2018.
- Commission the Central Macedonia Annexe of the Technical Chamber of Greece to prepare an expert report on the damage to the pipe.

According to the Technical Chamber of Greece / Central Macedonia Annexe's technical report, delivered to EYATH S.A. in February 2019, the cracking in the cement Aravissos pipeline was due to corrosion of the steel reinforcements. In their expert report, engineers from the Technical Chamber of Greece / Central

Macedonia Annexe took the view that the method followed by EYATH S.A. technical staff to repair the pipeline was the right one, that the duration of the works was reasonable, and the capacity of the existing water supply network appears to have been used to the full to distribute available quantities of water to the city.

After the damage occurred, a questionnaire was prepared and distributed to EYATH S.A. staff for the first time. It was sent in hard copy and electronic format in July 2018. The questions posed were also used in the public opinion poll conducted by an external associate (November – December 2018) and combining the results of the two helped the company develop a targeted communications policy.

Immediately after the Aravissos pipeline broke, Prof. Emeritus Giorgos Penelis was invited to update the Aravissos pipeline repair study which he had prepared in early 2000. The update was submitted to EYATH S.A. in August 2018. Then as part of EYATH S.A.'s activities in relation to this matter, which have been included in the company's Strategic and Business Plan, tender documents were prepared for a framework agreement to improve - repair the Aravissos pipeline, with a budget of € 3.4 million and an option for € 1.0 million. The framework agreement relates to work to improve and repair the Aravissos aqueduct which the design considers to be necessary. The tender procedure was run in December 2018 and a contractor for the project is expected to be selected soon.

During the year, the following steps were also taken for preventative maintenance and to check the Aravissos aqueduct:

a. 10 boreholes were sunk along the length of the pipeline's route to monitor ground water levels.
b. Preparatory steps were taken for specialist checks using spectral analysis of satellite images of the pipeline's entire route (around 52 km) to reveal any underground, and hidden leaks.
c. Preparatory steps were taken for an internal acoustic inspection of the pipeline to identify leaks and air bubbles.

***Recruitment of new staff***

- 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). The process was completed in 2018, since by 31.12.2017 126 staff had taken up their posts. The increase of the company's workforce, with new employees will allow EYATH S.A. to fill job positions and to expand its activities and contribute towards the economic growth of the wider region.

***Annual General Meeting of Shareholders***

The Annual Ordinary General Meeting of Shareholders held on 31.5.2018:

- Approved EYATH S.A.'s separate and consolidated annual financial statements.
- Released members of the Board of Directors and certified public accountants from all liability.
- Approved the distribution of dividends from the profits for 2017.
- Approved the fees and remuneration paid to the Board and it secretariat.
- Confirmed the election of members of the Board to replace those who had resigned
- Appointed the Audit Committee in accordance with Article 44 of Law 4449/2017.
- Approved amendments the Articles of Association of EYATH S.A.

***Changes to the Board of Directors***

Mr. Evdoxos Petridis tendered his resignation on 10.5.2018 from the position of non-executive Board member.

The Board decided at its meeting on 30.8.2018 (Decision No. 391/2018) to accept the resignation of the head of the HRADF S.A. Project, Mrs. Marina Kouri.

**VISION - MISSION**

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 old and new 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' assets. To this end, it seeks to improve the quality of the services it provides through an investment programme, to upgrade its facilities and to expand its technological infrastructures, and the ICT systems it has.

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

**PROSPECTS**

***Flood protection works***

In March 2019 a framework agreement was signed with the Central Macedonia Region to clean and maintain the rainwater network in the Thessaloniki urban area. The project has a budget of € 4 million and will run for 2 years.

***Strategic and Business Plan***

An exceptionally ambitious investment plan worth € 175 million was prepared in partnership between Management and specialists within the company and is currently being implemented. It includes tens of projects and designs involving the maintenance, replacement and extension of infrastructure in the city's water supply and sewerage system. The investment plan includes some flagship projects such as: extension of the Thessaloniki Water Treatment Plant (Phase A2), with NSRF Funding of € 21.5 million (plus VAT), sewerage works to complete the connection between low-lying areas of Thessaloniki (works in the Dendropotamos area and interchange K16) with a budget of € 6 million (plus VAT), extension to the water supply network SCADA worth € 3.35 million (plus VAT), the framework agreement to improve and repair the Aravissos water pipeline with a budget of € 3.37 million (plus VAT), sewerage works at pump houses, discharge pipes and the coastal pipeline, with a budget of € 5.4 million (plus VAT), and replacement of water meters, extension of the water supply network into new areas and others.

To help implement its Strategic Plan, EYATH S.A. has put out to tender technical advisor services for support with and drafting of the supporting designs (geotechnical, geological and environmental designs) with a total pre-estimated fee of € 2.05 million (plus VAT).

Board of Directors' decision No. 414/13-9-2018 approved the updated Strategic and Business Plan for the 2018-2024 period whose objective is 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 and face water supply problems due to over-abstraction, salinization, etc.;
- 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 in relation to 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 citizen awareness about environmental issues and brief them about the company's contribution to society as a whole, and about its business activities.

***Investments in the sewerage sector***

At present a new tender procedure is under way which includes sewerage works to improve - upgrade the A5 wastewater pumping station (at the Port) and the A2B pumping station (at the Thessaloniki Industrial Area), to replace the twin force discharge pipes for sewerage at the A5 wastewater pumping station (at the Port), construction of a coastal collecting pipe at B3 pumping station and rainwater drain pipe and improvements to the A17 pumping station at Finikas.

***Functional and technological modernisation***

In 2013 EYATH S.A. prepared a plan for functional and technological modernisation to be implemented in 4 phases, in the areas of retail, support and admin. 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, To properly prepare the project entitled "implementation of a new integrated customer service and billing system" EYATH S.A. launched an open public consultation on the tender procedure's special terms.

The consultation document was posted to the Company's website on 17.5.2018 requesting a description of the proposed solutions based on the requirements in the special terms document, that the compliance table, indicative timeframe and details of the project team be filled out, and a budget provided, and that comments/observations about the scope and specifications of the system to be developed be provided.

When the response period ended (on 9.7.2018) the views of the interested parties were collected and the company began to review them and on 8.8.2018 posted general comments and observations about the views on the website.

At present, the specifications for supply of a new customer service and customer management system are being prepared which take account of the results of that consultation process.

***Improving customer service***

During the first 6 months of 2019, the Customer Service Division is expected to be relocated to new, cutting-edge offices at 6 Angelaki St., where consumers will be able to have all their day-to-day transactional needs met. The purpose of relocating is to improve service and communication with consumers inside open-plan, ergonomic, well-designed premises, by applying accelerated procedures.

The Company has completed the design of its new website, which, among other things, will improve channels of communication with customers. The website will be launched during the first half of 2019.

In addition, during 2019 further improvements to phone services and online customer service are expected thanks to the design and development of an integrated service which will receive, record, and manage customer requests made by phone or electronically via the website or email.

***Water supply SCADA***

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. The project is designed 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.

In May 2018 the Central Macedonia Region approved the tender documents for the project entitled "Remote control and automation of water supply systems within EYATH's remit" with a total budget of € 3,347,049.00 + VAT which is being funded by the NSRF. The last date for submitting tenders was 30.7.2018 and tenders were opened on 24.8.2018 at which time the process of having them evaluated by the competent tender committee commenced. It is expected that the tender procedure to select the contractor will be completed and the relevant contract signed by 2019 Q3 but that depends on whether any more administrative objections are filed.

***Sewerage system SCADA***

During 2018 the design and specification of the project to upgrade the sewerage pump station SCADA system was finalised; most of the systems relate to the Thessaloniki Waste Water Treatment Plant's sewerage system.

In the near future the relevant tender notice for an international tender procedure to procure and install the new SCADA system is expected to be published.

***Pilot projects***

Pilot digitisation of customer records has been completed, and there are now plans to digitise all customer records.

The water supply customer database is currently being standardised to allow consumption data to be automatically interconnected to GIS data (hydraulic modelling).

The Company is exploring the adoption of smart meter technologies as part of a pilot project; they offer cutting-edge solutions for recording consumption levels, and the aim is to see how they can be adopted on a large scale. More specifically:

1. A system to remotely monitor consumption at AUTH water meters has been installed, maintained and operated.

The project relates to the supply, installation, operation and maintenance of a remote monitoring and consumption management system for water meters at the AUTH campus, where average consumption is 26,000 m3 per 4 months. This will:

- allow the information recorded by the water meters to be monitored remotely and in real time.
- allow controlled access to available consumption data.
- prevent overconsumption and leaks, and avoid needless charges thereby helping save water. The consumption levels recorded are presented below.

2. Creation of integrated infrastructure for 3 EYATH S.A. pilot district metering areas (DMAs) to systematically check, record, monitor and manage water and to measure and manage water consumption so as to:

- automate and significantly increase the frequency of consumption sampling per water meter.
- draw technical conclusions about the existence of leaks on the water supply network and quantify unseen losses.

***EYATH's geographical remit***

According to Article 26 of Law 2937/2001, 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.

Note that the operations of no operating sector have been discontinued.

**GROUP AND COMPANY RESEARCH & DEVELOPMENT OPERATIONS**

During the period ended the Group spent € 116 thous. on R&D expenses which related primarily to staff salaries for their participation in research activities and third party fees and expenses for a pilot scheme to use satellites to identify hidden leaks.

***Research projects***

*Smart-water*

The Company is participating in 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 S.A., 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 thous., of which around € 490 thous. will be financed with public money. EYATH S.A.’s budget is around € 170 thous., of which around € 87.5 thous. will be financed with public money. The contract was signed in 2018. The project is being carried out within the agreed schedule.

**Aqua 3s**

During 2018 EYATH S.A. was involved in 4 research proposals as part of the European Horizon 2020 research programme, and approvals are awaited. Of those, initial approval has been obtained for the project entitled: "Enhancing Standardisation strategies to integrate innovative technologies for Safety and Security in existing water networks" (Aqua3S), to utilise innovative technologies and standardise methodologies for the safety and protection of the end product (drinking water). More specifically, the project aims are:

1. Safety and protection of the water supply system in the Thessaloniki wider metropolitan area.
2. Highlighting the best combination of modern, online instrumentation and optimal water supply network topography, to identify a range of pollutants, to prevent accidental and/or deliberate pollution of drinking water.
3. Specifying suitable amelioration measures and actions to monitor water resources, communication between competent rapid response inspection bodies, information gathering methods for use with social media, etc.
4. Systematic presentation and showcasing of procedures, by integrating them into a fixed, standard methodology for addressing emergencies, to safeguard the quality of the end product.

The project's total budget is € 6.9 million and EYATH S.A.'s contribution to the budget is € 188 thous., of which 70% will be financed by the European Union (funding: € 132 thous.). The project will commence around September 2019 in technical and financial terms.

Lastly, to study the marine environment close to the two submerged waste disposal pipes from the two waste treatment plants, and along the coastline near the White Tower, the company entered into a self-financed agreement with the Aristotle University of Thessaloniki's Special Account for Research Grants and the Dept. of Civil Engineering to implement the "Thermaikos Bay Quality Monitoring Programme". 3 sailings took place in 2018 (in spring, summer and autumn). Budget: around € 20 thous.

**CORPORATE SOCIAL RESPONSIBILITY**

Issues of top priority on the international agenda are to secure access for all to water supply / sewerage services by 2030, and proper and sustainable management of water resources for future generations, and are in fact the UN's 6th sustainable development target.

EYATH S.A. works daily to achieve that target within the context of corporate responsibility: Its strategy includes highlighting the vital relationship it has with the local community, and ensure it has a positive environmental impact on the area. 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.A.'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.A.'s values are therefore 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 S.A. ensuring sustainable water management is synonymous with protecting the natural environment; a concept interrelated with sustainable development.

EYATH S.A.'s commitment to environmental protection takes shape through the company's day-to-day practices and all its business activities comply with environmental 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 has significantly reduced 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 now have an ISO 17025 quality management system.
- The Drinking Water Testing Lab implements a quality management system that conforms to ISO 17025.
- it shares know-how with other water management bodies such as municipal water supply and 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.

Responding to letter No. 160/3.5.2018 from the Ministry of the Interior (Macedonia & Thrace) the company's Board issued decision No. 248/2018 resolving to increase annual funding to clean up Thermaikos Gulf from floating objects and oil spills, and to combat cases of pollution by oil and other substances, and it also carries out unscheduled cleaning operations for pollution phenomena such as red tides. It also symbolically cleaned the seabed and seashore in partnership with the dive teams going by the names Aegean Rebreath and Northern Greece Underwater Explorers and the Municipality of Kalamaria, at the Aretsou fishing boat anchorage, collecting 500 kg of waste from the seabed and 47 bags of rubbish from the beach. This was a highly symbolic action for protection of the area's maritime environment.

**SOCIETY AND VULNERABLE SOCIAL GROUPS**

In this sector:

- it 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 makes donations on a case-by-case basis in areas which have been declared in a state of civil emergency;
- it runs info-campaigns for the public about the options available to socially and financially vulnerable population groups;
- it offers work and internships 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; 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.);
- collaborates with the academic community at specialist and general events on environmental issues, attracting audiences comprised of students, experts and ordinary citizens.
- it helps students by providing targeted scholarships. The company has signed an open-ended MoU with the Aristotle University of Thessaloniki and is funding two scholarships: Both are annual and are for postgraduate studies in fields relevant to EYATH S.A., while another one is for 4 years to finance the cost of a PhD.
- 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 above all via daily visits by tens of primary and secondary school pupils, students, associations, and special groups such as refugees, 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.

On 2.8.2018 EYATH S.A.'s management team decided to make € 150,000 available as the least it could do as a sign of solidarity and support for those impacted by the deadly fires which broke out in Attica on 23 July.

In 2018 the Water Supply Museum in partnership with the "Make a Wish" foundation which helps make children's dreams come true, took groups of migrants on a tour in association with the International Organisation for Migration, groups of English-speaking children from private schools in Thessaloniki as well as individual visitors. Lastly the Thermaikos Gulf clean-up programme continues as another major CSR activity, and a series of requests for support from cultural, sporting, charitable organisations and bodies engaged in similar activities (State Theatre of Northern Greece, Kaftanzoglio Stadium, the Alzheimer's Disease Society, etc.) were accepted.

**HUMAN RESOURCES AND TRAINING**

In the human resources sector:

- it provides group life and health insurance for employees;
- 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**

In the well-being and cultural advancement sector:

- it runs the Water Supply Museum which is visited every year by around 6,000 children and individual visitors;
- 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 practically impossible 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.

*(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.

There were no loan liabilities on 31/12/2018.

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.

*(amounts in thousands of euro)*

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.

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). Note that in 2018, the Company’s financial statements were included in the consolidated financial statements of HCAP S.A. for the first time. Consequently, the Group considers the entities related to HCAP S.A. to be related parties (see note 29).

The Group's trading transactions with these related parties during the 01/01/2018-31/12/2018 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 01/01/2018 - 31/12/2018 period and as at 31/12/2018 respectively, as well as during the previous fiscal year, are broken down in the following tables (see note 29 of the financial statements):

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1/2018 - 31/12/2018 | 1/1/2017 - 31/12/2017 | 1/1/2018 - 31/12/2018 | 1/1/2017 - 31/12/2017 |
| Expenses to subsidiary | - | - | 371 | 2,225 |
| Income from other related parties consolidated along with HCAP S.A. | 148 | - | 148 | - |
| Expenses to other related parties consolidated along with HCAP S.A. | 12,273 | - | 12,273 | - |
| Transactions with and fees for executives and board members | 678 | 632 | 674 | 632 |
| Transactions with other related parties | 2 | - | 2 | - |

The Company's expenses for the subsidiary of € 371 are related to meter reading services and distribution of receipts, provided by the subsidiary "EYATH SERVICES S.A.".

Transactions with and fees for executives and board members relate to salaries.

Income from other related parties consolidated along with HCAP S.A. relates primarily to water supply and sewerage network service revenues.

*(amounts in thousands of euro)*

Expenses from related parties consolidated along with HCAP S.A. relate primarily to services received, most of which were expenses for electricity supplied by PPC worth € 11.7 million and the leasing of properties.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Receivables from subsidiary | - | - | 24 | 24 |
| Receivables from other related parties consolidated along with HCAP S.A. | 533 | - | 533 | - |
| Liabilities from subsidiary | - | - | - | 477 |
| Liabilities from other related parties consolidated along with HCAP S.A. | 2,562 | - | 2,562 | - |
| Receivables from management executives and board members | - | 4 | - | 4 |
| Liabilities to management executives and board members | 7 | 3 | 2 | 3 |

The Company's receivable from a subsidiary of € 24 mainly related to receivables in lieu of the approved dividend.

Receivables and liabilities from other related parties consolidated along with HCAP S.A. of € 533 and € 2,562 related to receivables for income from providing water supply and sewerage services both billed and accrued, and services received and prepaid property rental expenses.

Liabilities to management executives and board members related to salaries payable.

The actuarial liability for the company's related parties (management executives) was € 110 on 31/12/2018 (compared to € 126 in 2017).

## EXPLANATORY REPORT OF THE BOARD OF DIRECTORS

(in accordance with Article 4(7) of Law 3556/2007)

**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 before the dividend cut-off 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.
- 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 Law 4548/2018, 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 31/12/2018 were as follows:

*(amounts in thousands of euro)*

| SHAREHOLDER | Number of shares held | Holding on 31/12/2018 | |
|---|---|---|---|
| HCAP | 18,150,001 | 50.00% | +1 Share |
| HRADF | 8,717,999 | 24.02% | |
| SUEZ GROUPE | 1,982,870 | 5.46% | |
| Other shareholders | 7,449,130 | 20.52% | |
| **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/22.2.2018.

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.

The company is in the process of bringing its Articles of Association into line with Law 4548/2018 since under Article 183 of that Law, existing societes anonyme can amend their Articles of Association by decision taken by the company's General Meeting provided that the relevant decision is taken within 1 year of the Law entering into force (1.1.2019), which is to say by 1.1.2020.

**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 OR STAFF 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.

**DIVIDEND POLICY**

On 31.5.2018 the general meeting approved distribution of a dividend of € 0.221/share, or € 8,022 in total for the year 2017, for all 36,300,000 bearer shares.

On 18.4.2019 the Board of Directors decided to recommend that the Ordinary General Meeting of Shareholders distribute a dividend of € 0.126 per share for 2018, which corresponds to 35% of the distributable profits. The dividend is subject to approval by the Ordinary General Meeting of Shareholders and is included in the balance of the account "Retained earnings".

The dividend is subject to a 10% 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.

*(amounts in thousands of euro)*

## STATEMENT OF CORPORATE GOVERNANCE

**Section: I. Principles of Corporate Governance**

In making this statement, and following the provisions of Article 152 of Law 4548/2018, 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 (SEV) 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. (hereinafter EYATH) 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 Board of Directors consists of 10 members, 4 of whom are independent, non-executive members.<br><br>The independent members provide the Board with independent, impartial viewpoints. |
| **Size and composition of the Board: Special practice 2.8** | For the time being, EYATH has not adopted this specific diversity policy on the composition of the Board of Directors. The fact that it 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.<br><br>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). |

***(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 |
|---|---|
| **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 a 1st Vice Chairman who is an executive member of the Board, and a 2nd Vice Chairman who is a non-executive member. |
| **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.<br><br>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.<br><br>Members of the Board of Directors are evaluated by the General Meeting of Shareholders. |
| **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.<br><br>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. |

*(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 |
|---|---|
| **System of internal controls: Special practice 1.7** | In Decision No. 45/2019 the Board of Directors approved the internal regulations of the Board's 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 1st and 2nd class 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 be kept of the items discussed and decided on by the General Meeting signed by the Chairman and Secretary of the meeting.

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.**

<u>a) Composition and modus operandi of the Board</u>

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.

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

**Decisions of the General Meeting and Board of Directors to elect new members**

The Board decided at its meeting on 10.5.2018 (Decision No. 223A/2018) to accept the resignation of the non-executive director, Mr. Evdoxos Petridis.

The Board decided at its meeting on 30.8.2018 (Decision No. 391/2018) to accept the resignation of the head of the HRADF S.A. Project, Mrs. Marina Kouri.

The Board decided at its meeting on 24.1.2019 (Decision No. 023/2019) to accept the resignation of the 2nd Vice Chairman (non-executive), Mrs. Styliani Valani.

On 21.2.2019 an Extraordinary General Meeting of Shareholders in the company was held at the company's seat which decided:

1. To elect Nikos Klitou as an independent non-executive director and Mr. Grigorios Penelis as independent non-executive director, to replace the ones who had resigned, with a 5-year term in office running from 21.2.2019 to 21.2.2024.

2. To elect members of the Audit Committee in accordance with Article 44 of Law 4449/2017, whose line-up is as follows:

- Nikos Klitou, new member and Chairman of the Company's Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
- Panagiotis Gogos, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
- Petros Samaras, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

The elected members of the Board and Audit Committee meet the conditions and independence criteria laid down in Law 3016/2002, as in force, and the conditions in Article 44 of Law 4449/2017.

In light of the above, on 5.3.2019 EYATH S.A.'s Board officially re-established itself and allocated the following roles to its members:

- Ioannis Krestenitis, Chairman & CEO, executive member, whose term in office runs to 10.5.2021.
- Ioannis Papaioannou, 1st Vice Chairman, executive member, whose term in office runs of 10.5.2021.
- Grigorios Penelis, 2nd Vice Chairman, independent non-executive member, whose term in office runs to 21.2.2024.
- Nikos Klitou, independent non-executive member, Chairman of the Audit Committee, whose term in office runs to 21.2.2024.
- Stefania Tanimanidou, independent non-executive member, whose term in office runs to 10.5.2021.
- Panagiotis Gogos, independent non-executive member, whose term in office runs to 10.5.2021.
- Olympia Latsiou-Chrysafi, non-executive member, whose term in office runs to 10.5.2021.
- Petros Samaras, non-executive member, whose term in office runs to 10.5.2021.
- Georgios Archontopoulos, employee representative, non-executive member, whose term in office runs to 10.5.2021.
- Anastasios Sachinidis, employee representative, non-executive member, whose term in office runs to 10.5.2021.

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

*(amounts in thousands of euro)*

| Board of Directors | No. of people | % |
|---|---|---|
| Men | 8 | 80% |
| Women | 2 | 20% |
| Total | 10 | 100% |

The age range of Board members is from 33 to 67.

| Senior Executives | No. of people | % |
|---|---|---|
| Men | 6 | 75% |
| Women | 2 | 25% |
| Total | 8 | 100% |

The age range of senior executives is from 50 to 70.

b) Independence of Board members

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

c) Board meetings

Between 1.1 and 31.12.2018 the Board of Directors met 34 times over the course of the year.

d) Board Committees

### Audit Committee

In the context of corporate governance, evaluation of the internal audit system and implementation of Hellenic Capital Market Commission decision No. 5/204/14.11.2000, Law 3016/2002 of 17.5.2002, and Law 4449/2017 of 24.1.2017, the General Meeting decided to set up a 3-member Audit Committee comprised of members of the Board of Directors which reports to the Board via the Committee Chairman.

The Audit Committee is appointed by the Company's General Meeting of Shareholders and operates in accordance with the provisions of Law 3016/2002 and Law 4449/2017 and its own bylaws approved by the Board of Directors, which set out the purpose, remit, election, line-up, competences and duties of the committee.

#### Audit Committee line-up from 1.1.2018 to 31.12.2018

EYATH S.A.'s Audit Committee consisted of the following persons from 1.1.2018 to the Extraordinary General Meeting of company shareholders held on 21.2.2019:

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

Mr. Panagiotis Gogos served as Audit Committee Chairman from 6.4.2017 to 21.2.2019, when members of the Audit Committee were elected by the Extraordinary General Meeting in accordance with Article 44 of Law 4449/2017, as in force. The Extraordinary General Meeting decided to elect:

1) Nikos Klitou, new member and Chairman of the Company's Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

2) Panagiotis Gogos, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

3) Petros Samaras, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

**Audit Committee Report**

The Audit Committee's main competences, specified in the relevant legislation, involve monitoring the financial reporting process, effective operation of the internal audit system and the risk management system, and proper running of the internal audit unit at the entity being audited. Moreover, its competences relate to monitoring the progress of mandatory audits of the financial statements, and reviewing and monitoring the independence and objectivity of the statutory auditor or auditing firm and ensuring it is maintained, especially in relation to the provision of other services by the statutory auditor or auditing firm to the entity. It is also responsible for selecting the certified public accountant or auditing firm.

With those points in mind, during the period ended the Audit Committee was responsible for:

- monitoring the financial reporting process for the first half of 2018 and annual financial reporting for 2018.
- approving the Audit Committee regulations and making recommendations thereon to the Board;
- approving the annual audit plan for the Internal Audit Unit for 2018 and making recommendations thereon to the Board of Directors;
- receiving the quarterly reports for 2017 Q4 and 2018 Q1, Q2 and Q3 from the internal audit unit, with the findings of their audits and making recommendations to the Board, along with suggestions to Management about how to address the findings.
- selecting certified public accountants for ordinary and tax audits for 2018, and approving their fees, and making recommendations thereon to the Company's General Meeting;
- 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).
- 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.

To help achieve company objectives by adopting a professional, systematic approach to evaluating and improving the effectiveness of audit and management systems, governance processes and risk management, the Audit Committee recommended that the Chairman of the Board, in partnership with an external associate, carry out a risk assessment for the company to:

1. better understand and manage risks at all levels in the company.
2. avoid serious failures or surprises.
3. achieve a greater degree of accountability on risk management issues.
4. add value to business procedures and functions.
5. establish an effective procedure for risk management, fully integrated into business processes.
6. improve the conditions for prudent corporate governance.
7. be the basis for preparing the annual long-term schedule of risk-based audits.

The Risk Assessment was performed in June and July 2018 at the company's facilities and in particular:

- company staff who were to carry out the risk assessment were briefed.
- staff from divisions and departments were given adequate time to reassess risks and then
- on-site meetings between the consultant and all management executives involved in risk assessment at their units were held.

Based on the risk assessment project deliverables, the Audit Committee recommended that a series of procedures, policies, principles, regulations, checks and balances and organisational structures designed to provide a reasonable assurance about the accuracy and reliability of the accounting and business data, to protect and effectively use company resources, to achieve its strategic objectives and to ensure the overall effectiveness and efficiency of its functions, be integrated into the Company's Internal Audit System.

Taking account of the rules in the professional practices framework developed by the Institute of Internal Auditors, the Audit Committee carried out an external assessment of the quality of the internal audit function.

That was done in July 2018 by an experienced external assessor whose conclusions and proposals were presented to the internal audit unit and the chairman of the Board for consultation and final implementation.

The Audit Committee proposed that a modular training programme be set up, which was aimed at all company staff, by issuing an internal call for expressions of interest, which covered all aspects of internal audit in accordance with international standards:

- international standards for the professional practice of internal auditing
- creation and implementation of effective internal audit systems,
- internal audit reports
- checking, preventing and avoiding fraud.

**No. of Audit Committee meetings from 1.1.2018 to 31.12.2018**

The Audit Committee met a total of 13 times during the year.

**External auditors**

In 2018 the Audit Committee held separate meetings with the external certified public accountants without the executive members of the Board of Directors or other company employees being in attendance. The Audit Committee evaluated the effectiveness of the external audit procedure and monitored its performance. Having assessed the experience and knowledge of the audit team from Grant Thornton S.A., the Committee reached the conclusion that the audit procedure implemented by the external auditors was effective. In addition, the Committee found that the external auditors were objective and independent.

**Provision of auditing and non-auditing services by the external auditors:**

In 2018 with the Audit Committee's approval, Grant Thornton S.A. provided the Group with the following additional services:

Non-Audit Services:

1. Training seminars on accounting and tax issues. Grant Thornton S.A.'s fee for providing these services was € 1,200.

2. Support for preparing the Transfer Pricing folder for 2018. Grant Thornton S.A.'s fee for providing these services was € 2,000.

In light of the above, Grant Thornton S.A.'s overall fee for providing non-audit services in 2018 was € 3,200, which corresponds to 5.38% of the total fee for the company's mandatory audit.

Consequently, the additional fees do not exceed the limit set by the Audit Committee for the provision of additional services by the external auditors, and in the view of the Audit Committee, there is no doubt about the external auditor's independence and integrity.

**Audit Committee activities for 2019**

In 2019 the Audit Committee will focus its attention on risk management, and in particular on making the Company's risk management framework more systematic and on effectively managing the most important risks.

The following steps have already been scheduled for 2019 in that context:

A training course run from 8.4.2019 to 12.4.2019 at the company's facilities, to familiarise the competent staff with implementation methodologies, which will result in the adoption of procedures to create better informed staff in general.

The Audit Committee believes that initiatives to highlight areas that need organisational improvements which were identified during the company's risk assessment process, and the accompanying proposals about how to resolve them, put the company is a better position since it has management tools at its disposal such as:

- The findings of the external assessment done by the Internal Audit Unit, which set out the next steps needed to improve the Internal Audit Unit's operations.
- Thanks to the risk assessment, the emphasis on the fact that all employees are responsible for implementing the Internal Audit System within their own remit, and it is not just a matter for the Internal Audit Unit.
- Recording operating procedures, risk management procedures and checks and balances which the Company has put in place to determine the adequacy and effectiveness of the Internal Audit and Risk Management system.

One of the issues which was of concern to the Audit Committee, and which it considered it had to make specific reference to -given its sensitivity- was procurement procedures. The Committee's careful approach revealed some gaps in the procedure for identifying and evaluating suppliers. The Audit Committee intends to recommend that Management commission a study of the whole process by an external expert, to formulate proposals on who to rectify weaknesses in the procedure.

In addition, the Audit Committee updated the bylaws for the committee itself and for the Internal Audit Unit (which is currently nearing completion) in accordance with Article 44 of Law 4449/2017 of 24.1.2017 and international practices, to promote its work and enable it to help Management in the joint attempt to create value, doing so from a stronger position.

Lastly, aware of the importance of the risk of corruption and bribery (a risk that can be critical if it arises), the Audit Committee recommended bringing the Greek anti-corruption action plan into line with European policy and the OECD guidelines, and that a project of preventative corruption and bribery control be planned and implemented immediately (this was done in March 2019). In brief, the project included preparing an official anti-corruption and bribery policy, which was something the Company did not have (this has been tailored to the needs and environment of EYATH S.A.) and a specially designed programme to brief EYATH S.A. staff about corruption and bribery issues, to raise awareness among all EYATH S.A. staff holding positions of responsibility, about such phenomena and to help them understand the aspects and dimensions of such a serious risk.

<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. 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**

Pricing Policy for the 2019-2023 period, which EYATH recommended to the Special Secretariat for Water, was approved by decision No. 26142/180 of the Special Secretary for Water (Government Gazette 1105/B/3.4.2019) and takes effect on 1.5.2019.

Given that as of 1.1.2019 the provisions of Article 31(5) and (6) of Law 4024/2011 cease to apply (as specified in the provisions of Article 33(a) of Law 4354/2015), the Company is in consultations with the SEEYATH trade union to forge a new collective labour agreement.

The Board decided at its meeting on 24.1.2019 (Decision No. 023/2019) to accept the resignation of the 2nd Vice Chairman (non-executive), Mrs. Styliani Valani.

On 21.2.2019 an Extraordinary General Meeting of Shareholders in the company was held at the company’s seat which decided:

1. To elect Nikos Klitou as an independent non-executive director and Mr. Grigorios Penelis as independent non-executive director, to replace the ones who had resigned, with a 5-year term in office running from 21.2.2019 to 21.2.2024.
2. To elect members of the Audit Committee in accordance with Article 44 of Law 4449/2017, whose line-up is as follows:
   - Nikos Klitou, new member and President of the Company’s Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
   - Panagiotis Gogos, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
   - Petros Samaras, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

The elected members of the Board and Audit Committee meet the conditions and independence criteria laid down in Law 3016/2002, as in force, and the conditions in Article 44 of Law 4449/2017.

In light of the above, on 5.3.2019 EYATH S.A.’s Board official re-established itself and allocated the following roles to its members:

- Ioannis Krestenitis, Chairman & CEO, executive member, whose term in office runs to 10.5.2021.
- Ioannis Papaioannou, 1st Vice Chairman, executive member, whose term in office runs of 10.5.2021.
- Grigorios Penelis, 2nd Vice Chairman, independent non-executive member, whose term in office runs to 21.2.2024.
- Nikos Klitos, independent non-executive member, Chairman of the Audit Committee, whose term in office runs to 21.2.2024.
- Stefania Tanimanidou, independent non-executive member, whose term in office runs to 10.5.2021.
- Panagiotis Gogos, independent non-executive member, whose term in office runs to 10.5.2021.

***(amounts in thousands of euro)***

- Olympia Latsiou-Chrysafi, non-executive member, whose term in office runs to 10.5.2021.
- Petros Samaras, non-executive member, whose term in office runs to 10.5.2021.
- Georgios Archontopoulos, employee representative, non-executive member, whose term in office runs to 10.5.2021.
- Anastasios Sachinidis, employee representative, non-executive member, whose term in office runs to 10.5.2021.

There are no events between 31 December 2018 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, 18 April 2019

**ON BEHALF OF THE BOARD OF DIRECTORS**

| | | |
|---|---|---|
| Ioannis Krestenitis | Ioannis Papaioannou | Nikos Klitos |
| Chairman of the Board of Directors & CEO | Vice Chairman | Director & Chairman of the Audit Committee |
| ID Card No. AB 680550 | ID Card No. AE 183479 | ID Card No. AM 674658 |

## The Independent Certified Public Accountants

To the shareholders of company "THESSALONIKI WATER SUPPLY AND SEWERAGE CO S.A."

Audit Report on the separate and consolidated financial statements

Opinion

We have audited the accompanying separate and consolidated financial statements of THESSALONIKI WATER SUPPLY AND SEWERAGE CO S.A. (the Company), which consist of the separate and consolidated statement of financial position as at 31 December 2018, and the separate and consolidated statements of comprehensive income, changes in equity and cash flows for the year which ended on that date, and a summary of significant accounting policies and methods, and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements fairly present, in all material respects, the financial position of the Company and its subsidiary (the Group) as at 31 December 2018, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Basis of audit opinion

We conducted our audit in accordance with International Standards of Auditing which have been transposed into Greek law. Our responsibility under those standards is further outlined in the section of the report entitled "Auditor's responsibility for auditing the separate and consolidated Financial indicators statements". We are independent of the Company and the subsidiary included in the consolidation throughout our entire appointment, in line with the Code of Ethics for Professional Auditors issued by the International Ethics Standards Board for Accountants which has been transposed into Greek law and the ethics requirements which relate to the auditing of separate and consolidated Financial indicators statements in Greece. We have performed our ethical obligations in accordance with the requirements of the legislation in force and the aforementioned Code of Ethics. We consider that the auditing proof which we have obtained is adequate and suitable to support our opinion.

Most important audit issues

The most important audit issues are those issues which in our professional opinion were of major importance in our audit of the separate and consolidated financial statements in the period audited. Those issues and the related risks of material misstatement were addressed in the context of auditing the separate and consolidated financial statements as a whole, in shaping our opinion on them and we will not express a separate opinion on those matters.

| Most important audit issues | How the most important audit issue was addressed in our audit |
|---|---|
| **Trade receivables - Assessment of the recoverability of trade receivables** | |
| On 31.12.2018 the Group and Company's trade and other receivables stood at € 86,794 thousand and € 86,695 thousand respectively, whereas the relevant accumulated impairment referred to in notes 13 and 14 of the attached financial statements stood at € 29,757 and € 29,757 respectively for the Group and Company.<br><br>At the end of each reporting period management assesses the recoverability of the Group and Company's trade receivables, in order to present their recoverable amount, recognising the impairment provisions needed for expected credit losses. That process entails major judgements and estimates about proper implementation of IFRS 9 "Financial instruments", adopted by the Group on 1.1.2018, using the cumulated impact method.<br><br>Given the high value of the trade and other receivables and the level of judgement and estimates needed, we consider assessment of the recoverability of trade and other receivables to be an area of particular audit interest.<br><br>The Group and Company disclosures about recognition of impairment of trade and other receivables are included in notes 2.4, 5.1, 13 and 14 of the attached financial statements. | Our auditing procedures to assess the recoverability of the trade receivables included:<br><br>• Evaluating the assumptions and methodology used by Management to identify the recoverability of trade receivables or to characterise them as bad debt.<br><br>• Examining the letters of response from the lawyers about bad debt handled during the year and identifying any issues which indicate the balance of trade receivables which will not be recoverable in the future.<br><br>• Assessing the level of impairment of trade receivables taking into account specific categories of debtors and factors such as balance maturity, major debtors and high risk debtors.<br><br>• Assessing the recoverability of balances by comparing amounts at the end of the period with subsequent receipts/settlements.<br><br>• Assessing application of the new methodology in accordance with the provisions of IFRS 9 and the accuracy and completeness of the data used by Management in the calculation model.<br><br>• Assessing the adequacy and suitability of the Company and Group's disclosures in notes 2.4, 5.1, 13 and 14 of the attached financial statements. |
| **Contingent liabilities and provisions arising from litigation** | |
| On 31.12.2018 the Group was faced with a series of actions, extrajudicial notices and future claims in court cases totalling approximately € 36 million, for which it has formed a provision of approximately € 3.49 million. Reference to this is made in notes 5.5, 19 and 30 of the attached financial statements.<br><br>Management uses legal advisors to periodically examine all major cases. 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.<br><br>Management assessment of the development of court cases entails subjectivity, since it requires major judgements to be made which include estimates based on the most recently available information, determining the likelihood of the risk | Our audit procedures for contingent liabilities and provisions arising from litigation included but were not limited to:<br><br>• Analysing the provisions formed and comparing them with the detailed lists of pending court cases held by the Company's legal department.<br><br>• Obtaining direct letters of confirmation from external lawyers who are handling pending court cases.<br><br>• Discussions with the Group's legal department about legal cases and their potential outcome, and evaluating the reasonableness of estimates and presumptions underscoring Management's position. |

| | |
|---|---|
| and reliable information from related court cases. A negative development in the progress of litigation or based on assessments made by Management and external legal advisors, could lead to impairment losses being recognised which could have a major impact on the Group's results.<br><br>Taking those factors into account, Management's major estimates and the level of provisions and contingent liabilities, we identified the specific topic as a major one in our audit. | • Also assessing the adequacy and suitability of the Company and Group's disclosures in notes 5.5, 19 and 30 of the attached financial statements. |

Other information

Management is responsible for the other information. "Other information" is included in the Management Report of the Board of Directors which is referred to in the section entitled "Report on other legal and regulatory requirements" and "Statements by Board of Directors members" but does not include the financial statements themselves and the audit report thereon.

Our opinion on the separate and consolidated financial statements does not include the other information and we do not express any form of assurance on them in this opinion.

As for our audit of the separate and consolidated financial statements, our responsibility is to read the "Other Information" and in doing so to examine whether the "Other Information" is materially inconsistent with the separate and consolidated financial statements or the knowledge we obtained during the audit or appears otherwise to be materially erroneous. If based on the work carried out, we reach the conclusion that there is a material error in the "Other information" we are obliged to report that fact. We have nothing to report on that matter.

Management and governance officer responsibility for the separate and consolidated financial statements

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

When preparing the separate and consolidated financial statements, Management is responsible for evaluating the Company and Group's ability to continue as a going concern, making the relevant disclosures on issues of continuing operations and use of the going concern principle, unless and if Management either intends to liquidate the Company and Group or suspend operations, or there is no other realistic alternative choice from taking such steps.

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

Auditor's responsibility for auditing the separate and consolidated Financial Statements

Our objectives are to obtain reasonable assurances about the extent to which the separate and consolidated financial statements, overall, are free of material misstatements due to fraud or error, and to issue an audit report which includes our opinion. Reasonable assurances are high level assurances but are not a guarantee that the audit which is carried out in accordance with the International Standards of Auditing, which have been transposed into Greek law, will identify all material misstatements when they exist. Misstatements may arise due to fraud or error and are considered to be material when, taken on their own or individually, one could reasonably expect them to affect the financial decisions of users taken based on those separate and consolidated financial statements.

The auditor's duty according to the International Standards of Auditing which have been transposed into Greek law is to use professional judgement and maintain professional scepticism during the entire audit. Moreover

- We must identify and evaluate the risks of material misstatement in the separate and consolidated financial statements which are due either to fraud or error by designing and implementing audit procedures which reflect those risks and obtain audit proof which is adequate and suitable to provide a basis for our opinion. The risk of failing to identify material misstatements due to fraud is higher than the risk due to error, since fraud may include collusion, forgery, deliberate omissions, false assurances or bypassing internal auditing checks and balances.
- We understand the internal auditing checks and balances which are related to the audit, in order to design audit procedures suitable for the circumstances, but not to express an opinion on the effectiveness of the Company's and Group's internal auditing checks and balances.
- We evaluate the suitability of accounting policies and methods used and the reasonableness of accounting estimates and the relevant disclosures made by Management.
- We decide on the suitability of Management using the going concern principle and, based on the audit proof obtained, decide about whether there is material uncertainty about events or circumstances which could indicate material uncertainty about the Company's and Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are obliged in our audit report to draw attention to the relevant disclosures in the separate and consolidated financial statements or, if those disclosures are inadequate, to alter our opinion. Our conclusions are based on audit proof which was obtained up to the date of the audit report. However, future events or conditions could mean that the Company and Group cease to operate as a going concern.
- We evaluate the overall presentation, structure and content of the separate and consolidated financial statement disclosures and the extent to which the separate and consolidated financial statements present the underlying transactions and events in a manner that ensures a fair presentation.
- We collect adequate and appropriate audit proof relating to financial reporting by entities or business activities within the Group to express an opinion on the separate and consolidated financial statements. We are responsible for guiding, overseeing and carrying out the audit of the Company and its subsidiaries. We remain exclusively responsible for our auditing opinion.

Among other things, we notify the governance officers the intended audit scope and schedule and the key audit findings, including any major shortcomings in the internal audit checks and balances we have identified during our audit.

We also inform governance officers that we have complied with the relevant ethical requirements on independence and inform them about all relationships and issues which could reasonably be considered to affect their independence and the relevant protective measures needed, where appropriate.

Of the issues notified to the governance officers, we specify those issues which were of great importance in auditing the separate and consolidated financial statements in the period audited, and consequently constitute the most important audit issues.

Reference to other legal and regulatory issues

**1. Board of Directors' Management Report**

Taking into consideration that Management is responsible for preparing the Board of Directors' Management Report and the Corporate Governance Statement which is part of this report, in implementation of the provisions of Article (5) (of Part B) of Law 4336/2015, we note that:

1. a) The Management Report prepared by the Board of Directors includes a corporate governance statement which provides the information required by Article 43bb of Codified Law 2190/1920.
2. In our opinion, the Management Report of the Board of Directors has been prepared in accordance with the applicable legal requirements in Articles 43a and 107A, and Article 43bb(1)(c) and (d) of Codified Law 2190/1920 and its content corresponds to the attached separate and consolidated financial statements for the period which ended on 31/12/2018.

3. In light of the opinion we formed during our audit about the company THESSALONIKI WATER SUPPLY AND SEWERAGE CO S.A. and its environment, we have not identified any material misstatements in the Management Report of the Board of Directors.

**2. Additional report to the Audit Committee**

Our opinion on the attached separate and consolidated financial statements is consistent with our additional report to the Company's Audit Committee specified in Article 11 of Regulation (EU) No 537/2014.

**3. Provision of non-audit services**

We did not provide the Company and its subsidiary with non-audit services which are prohibited by Article 5 of Regulation (EU) No 537/2014.

The permissible non-audit services we have provided to the Company during the period ended on 31st December 2018 are disclosed in note 24 of the attached separate and consolidated financial statements.

**4. Appointment of the auditor**

We were appointed as certified public accountants for the company for the first time by decision of the Annual Ordinary General Meeting of Shareholders dated 4.8.2011. Since then our appointment has been renewed without fail for a total of 8 years based on decisions taken annually by the Ordinary General Meeting of Shareholders.

Athens, 19 April 2019

| The Certified Public Accountant | The Certified Public Accountant |
|---|---|
| Athanasia Arabatzi | Christos Vargiemezis |
| ICPA Reg. No. 12821 | ICPA Reg. No. 30891 |

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Α.Μ. ΣΟΕΛ 127

*(amounts in thousands of euro)*

## Statement of Financial Position

| | Note: | THE GROUP 31/12/2018 | THE GROUP 31/12/2017 | THE COMPANY 31/12/2018 | THE COMPANY 31/12/2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Tangible assets | 7 | 72,525 | 76,878 | 72,525 | 76,878 |
| Intangible assets | 8 | 297 | 342 | 297 | 342 |
| Participations in subsidiaries | 9 | - | - | 60 | 60 |
| Deferred tax assets | 27 | 3,453 | 3,133 | 3,453 | 3,133 |
| Other long-term assets | 10 | 3,119 | 3,914 | 3,119 | 3,914 |
| Financial assets measured at fair value through other comprehensive income | 11 | 50 | - | 50 | - |
| **Total non-current assets** | | **79,444** | **84,267** | **79,504** | **84,326** |
| **Current Assets** | | | | | |
| Inventories | 12 | 1,755 | 1,620 | 1,755 | 1,620 |
| Trade receivables and contractual assets | 13 | 56,140 | 48,428 | 56,103 | 48,399 |
| Other receivables | 14 | 899 | 825 | 835 | 843 |
| Cash and cash equivalents | 15 | 71,634 | 65,210 | 71,317 | 64,914 |
| **Total current assets** | | **130,428** | **116,083** | **130,011** | **115,776** |
| **TOTAL ASSETS** | | **209,871** | **200,349** | **209,515** | **200,103** |
| **LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 16 | 40,656 | 40,656 | 40,656 | 40,656 |
| Premium on capital stock | 16 | 2,830 | 2,830 | 2,830 | 2,830 |
| Reserves | 17 | 29,620 | 29,065 | 29,596 | 29,042 |
| Results carried forward | | 100,033 | 89,873 | 99,725 | 89,880 |
| **Total equity** | | **173,138** | **162,424** | **172,807** | **162,408** |
| Non-controlling interests | | - | - | - | - |
| **Total equity** | | **173,138** | **162,424** | **172,807** | **162,408** |
| **Liabilities** | | | | | |
| **Long-term liabilities** | | | | | |
| Provisions for employee benefits | 18 | 1,909 | 1,892 | 1,909 | 1,892 |
| Provisions for contingencies and expenses | 19 | 5,128 | 8,246 | 5,128 | 7,715 |
| Grants | 20 | 1,642 | 1,994 | 1,642 | 1,994 |
| Other long-term liabilities | 21 | 14,801 | 14,417 | 14,801 | 14,417 |
| **Total long-term liabilities** | | **23,481** | **26,548** | **23,481** | **26,017** |
| **Short-term liabilities** | | | | | |
| Trade and other liabilities | 22 | 11,946 | 10,849 | 11,920 | 11,155 |
| Dividends payable | | 43 | 124 | 43 | 124 |
| Short-term tax liabilities | 23 | 1,263 | 405 | 1,263 | 398 |
| **Total short-term liabilities** | | **13,252** | **11,377** | **13,227** | **11,677** |
| **Total Liabilities** | | **36,733** | **37,925** | **36,708** | **37,694** |
| **TOTAL OWNERS' EQUITY AND LIABILITIES** | | **209,871** | **200,349** | **209,515** | **200,103** |

**Notes:**

The Group and Company have not adjusted the comparative figures from 2017 when applying IFRS 9 and IFRS 15, and recognised the overall impact thereof in the "Retained earnings" account on 1.1.2018, however, for the sake of comparability, they reclassified certain accounts in the comparator period (see note 2.4).

The disclosures on pages 48 to 92 constitute an integral part of these financial statements.

*(amounts in thousands of euro)*

## Statement of Comprehensive Income

| | Note: | THE GROUP 1/1 -31/12/2018 | THE GROUP 1/1 -31/12/2017 | THE COMPANY 1/1 -31/12/2018 | THE COMPANY 1/1 -31/12/2017 |
|---|---|---|---|---|---|
| **Sales** | | 73,030 | 73,401 | 73,030 | 73,401 |
| Less: Cost of sales | 24 | (42,744) | (43,258) | (42,650) | (41,796) |
| **Gross profit margin** | | **30,286** | **30,143** | **30,380** | **31,605** |
| Other operating income | 25 | 2,609 | 3,039 | 2,316 | 2,953 |
| | | **32,895** | **33,182** | **32,696** | **34,558** |
| Selling and distribution expenses | 24 | (6,895) | (4,566) | (7,043) | (6,072) |
| Administrative expenses | 24 | (4,634) | (3,814) | (4,591) | (3,952) |
| Research & Development expenses | 24 | (116) | (148) | (116) | (148) |
| Other operating expenses | 25 | (1,874) | (1,367) | (1,914) | (834) |
| **Results of operations** | | **19,376** | **23,288** | **19,033** | **23,552** |
| Net financial income | 26 | 1,575 | 1,643 | 1,573 | 1,642 |
| **Result from usual business** | | **20,951** | **24,931** | **20,606** | **25,194** |
| Income from investments | | - | - | - | - |
| **Results before tax** | | **20,951** | **24,931** | **20,606** | **25,194** |
| Income tax | 27 | (6,950) | (8,481) | (6,947) | (8,400) |
| **Results net of tax** | | **14,001** | **16,449** | **13,659** | **16,794** |
| **Allocated among:** | | | | | |
| Parent shareholders | | 14,001 | 16,449 | 13,659 | 16,794 |
| Non-controlling interests | | - | - | - | - |
| **Other comprehensive income net of tax:** | | | | | |
| Data that will not be subsequently classified in the Income Statement: | | | | | |
| Actuarial Results | | 84 | 96 | 84 | 96 |
| **Total comprehensive income net of tax** | | **14,084** | **16,545** | **13,742** | **16,890** |
| **Allocated among:** | | | | | |
| Parent shareholders | | 14,084 | 16,545 | 13,742 | 16,890 |
| Non-controlling interests | | - | - | - | - |
| **Earnings per share (in euro per share)** | 28 | **0.3857** | **0.4532** | **0.3763** | **0.4626** |
| Basic | | | | | |

**Notes:**

The Group and Company have not adjusted the comparative figures from 2017 when applying IFRS 9 and IFRS 15, and recognised the overall impact thereof in the "Retained earnings" account on 1.1.2018, however, for the sake of comparability, they reclassified certain accounts in the comparator period (see note 2.4).

The disclosures on pages 48 to 92 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 31/12/2017 according to IFRS** | **40,656** | **2,830** | **12,029** | **17,035** | **89,874** | **162,424** |
| Adjustments due to implementation of IFRS 9 | - | - | - | - | (877) | (877) |
| Adjustments due to implementation of IFRS 15 | - | - | - | - | 5,555 | 5,555 |
| **Balance on 1/1/2018 according to IFRS** | **40,656** | **2,830** | **12,029** | **17,035** | **94,552** | **167,102** |
| Total comprehensive income net of tax 1/1 - 31/12/2018 | - | - | 554 | - | 13,447 | 14,001 |
| Other Comprehensive Income for the period 1/1 - 31/12/2018 | - | - | - | - | 84 | 84 |
| Other changes | - | - | - | - | (26) | (26) |
| Dividends distributed | - | - | - | - | (8,022) | (8,022) |
| **Balance on 31/12/2018 according to IFRS** | **40,656** | **2,830** | **12,583** | **17,035** | **100,034** | **173,138** |
| **Balance on 1/1/2017 according to IFRS** | **40,656** | **2,830** | **11,184** | **17,035** | **82,449** | **154,155** |
| Total comprehensive income net of tax 1/1 - 31/12/2017 | - | - | 845 | - | 15,605 | 16,449 |
| Other Comprehensive Income for the period 1/1 - 31/12/2017 | - | - | - | - | 96 | 96 |
| 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** |

## Statement of changes in equity (Company)

| | Share capital | Share premium | Statutory Reserve | Other reserves | Other comprehensive income / results carried forward | Total |
|---|---|---|---|---|---|---|
| **Balance on 31/12/2017 according to IFRS** | **40,656** | **2,830** | **12,007** | **17,035** | **89,881** | **162,408** |
| Adjustments due to implementation of IFRS 9 | - | - | - | - | (877) | (877) |
| Adjustments due to implementation of IFRS 15 | - | - | - | - | 5,555 | 5,555 |
| **Balance on 1/1/2018 according to IFRS** | **40,656** | **2,830** | **12,007** | **17,035** | **94,559** | **167,086** |
| Total comprehensive income net of tax 1/1 - 31/12/2018 | - | - | 554 | - | 13,105 | 13,659 |
| Other Comprehensive Income for the period 1/1 - 31/12/2018 | - | - | - | - | 84 | 84 |
| Dividends distributed | - | - | - | - | (8,022) | (8,022) |
| **Balance on 31/12/2018 according to IFRS** | **40,656** | **2,830** | **12,561** | **17,035** | **99,726** | **172,807** |
| **Balance on 1/1/2017 according to IFRS** | **40,656** | **2,830** | **11,162** | **17,035** | **82,112** | **153,795** |
| Total comprehensive income net of tax 1/1 - 31/12/2017 | - | - | 845 | - | 15,949 | 16,795 |
| Other Comprehensive Income for the period 1/1 - 31/12/2017 | - | - | - | - | 96 | 96 |
| Dividends distributed | - | - | - | - | (8,276) | (8,276) |
| **Balance on 31/12/2017 according to IFRS** | **40,656** | **2,830** | **12,007** | **17,035** | **89,881** | **162,408** |

**Notes:**
The Group and Company have not adjusted the comparative figures from 2017 when applying IFRS 9 and IFRS 15, and recognised the overall impact thereof in the “Retained earnings” account on 1.1.2018, however, for the sake of comparability, they reclassified certain accounts in the comparator period (see note 2.4).

The disclosures on pages 48 to 92 constitute an integral part of these financial statements.

*(amounts in thousands of euro)*

# Cash Flow Statement

## Indirect method

| | Note: | THE GROUP 1/1 -31/12/2018 | THE GROUP 1/1 -31/12/2017 | THE COMPANY 1/1 -31/12/2018 | THE COMPANY 1/1 -31/12/2017 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Profit / (loss) before income tax (continuing operations) | | 20,951 | 24,931 | 20,606 | 25,194 |
| **Plus/(Minus) adjustments for:** | | | | | |
| Depreciation | 7 & 8 | 6,454 | 6,576 | 6,454 | 6,576 |
| Fixed asset investment subsidies | | (351) | (351) | (351) | (351) |
| Provisions | | 4,590 | 1,605 | 4,892 | 1,075 |
| Offsetting of prior period provisions | | (1,480) | - | (1,205) | - |
| Interest and related (income) / expenses | | (1,575) | (1,643) | (1,875) | (1,642) |
| | | **28,588** | **31,117** | **28,520** | **30,851** |
| Decrease/ (increase) in inventories | | (135) | (283) | (136) | (283) |
| Decrease/(increase) in trade and other receivables | | (4,804) | (3,945) | (5,274) | (3,945) |
| Increase / (Decrease) of trade and other liabilities (except loans) | | (1,393) | 1,473 | 1,132 | 1,706 |
| Decrease/ (increase) in other long-term receivables | | 795 | (2,034) | 795 | (2,034) |
| (Less): | | | | | |
| Interest charges and related expenses paid | | (133) | (77) | 169 | (77) |
| Tax paid | | (8,350) | (8,344) | (8,259) | (8,210) |
| **Total inflow/(outflow) from operating activities (a)** | | **14,568** | **17,908** | **16,948** | **18,009** |
| **Cash Flows from Operating Activities** | | | | | |
| Purchases of tangible assets | 7 | (2,005) | (3,086) | (2,005) | (3,086) |
| Purchase of intangible assets | 8 | (51) | (33) | (51) | (33) |
| Sales of fixed assets | | - | 2 | - | 2 |
| Increase in investment in subsidiaries | | - | - | (2,400) | - |
| Other Investments | 11 | (50) | | (50) | |
| Interest received | | 1,708 | 1,720 | 1,706 | 1,718 |
| **Total inflow/(outflow) from investing activities (b)** | | **(397)** | **(1,398)** | **(2,799)** | **(1,399)** |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | | (7,746) | (7,997) | (7,746) | (7,997) |
| **Total inflow / (outflow) from financing activities (c)** | | (7,746) | (7,997) | (7,746) | (7,997) |
| **Net increase/ (decrease) in cash and cash equivalents for the period (a) + (b) + (c)** | | **6,424** | **8,513** | **6,403** | **8,613** |
| Cash assets and equivalents at start of year | | 65,210 | 56,697 | 64,914 | 56,302 |
| **Cash assets and equivalents at end of period** | 15 | **71,634** | **65,210** | **71,317** | **64,914** |

**Notes:**
The Group and Company have not adjusted the comparative figures from 2017 when applying IFRS 9 and IFRS 15, and recognised the overall impact thereof in the "Retained earnings" account on 1.1.2018, however, for the sake of comparability, they reclassified certain accounts in the comparator period (see note 2.4).

The disclosures on pages 48 to 92 constitute an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

The **THESSALONIKI WATER SUPPLY AND SEWERAGE CO. S.A.**, trading as EYATH S.A. (hereinafter the Company) has its registered offices at 127 Egnatias St., Thessaloniki GR-54635, and has been listed since 2001 with its shares traded in the high cap category on the Athens Exchange. It provides water supply and sewerage services to more than 1 million citizens in the wider Thessaloniki urban area.

Thessaloniki Water Supply and Sewerage Co. S.A. (EYATH) is a societe anonyme which was established by Article 20 of Law 2651/1998 (Government Gazette 248/A) following the merger of the companies "Thessaloniki Water Supply Organisation S.A." (OYTH S.A.) and "Thessaloniki Sewerage Organisation S.A." (OATH S.A.). Article 18 of Law 2937/2001 states that EYATH S.A. is governed by the provisions of Law 2190/1920, Law 4548/2018, Article 22 of Law 2733/1999 which applies to EYATH S.A. from publication of that law, and also by the provisions of Emergency Law 1563/1939, Legislative Decree 787/1970, Presidential Decrees 156/1997 and 157/1997 and Article 20 of Law 2561/1998, and is under the supervision of the Ministers of Finance and Macedonia-Thrace.

Decision No. ΕΓΑ/606/26-7-2001 of the Ministers of Economy-Finance-Macedonia-Thrace was issued pursuant to Article 18(9) of Law 2937/2001, which drew up the Company's Articles of Association. However, those Articles of Association were amended and codified on 31.5.2018 and entered in the General Commercial Registry on 24.7.2018 (entry No. 1430512 / notice No. 1195562). The company is in the process of bringing its Articles of Association into line with Law 4548/2018 since under Article 183 of that law, existing societes anonyme can amend their Articles of Association by decision taken by the company's General Meeting provided that the relevant decision is taken within 1 year of the law entering into force (1.1.2019), which is to say by 1.1.2020.

Article 18(2) of Law 2937/2001 and Article 4(1)(a) of its Articles of Association expressly state that EYATH S.A.'s objects include the provision of water supply and sewerage services, the design, construction, installation, operation, running, management, maintenance, extension and renewal of water supply and sewerage systems. To achieve its objects, the company can (among other things) enter into all manner of contracts. Moreover, under Article 20 of Law 2937/2001 and the tripartite agreement of 27.7.2001 signed by the Greek State, EYATH S.A. Fixed Assets and EYATH S.A., an exclusive right to provide water supply and sewerage services in the geographical areas within its remit, as defined in Article 26(1) of that same Law was conferred on EYATH S.A.

Moreover, via the subsidiary EYATH SERVICES S.A., the group seeks to provide telecom services via the water supply and sewerage networks and is also involved in the generation and sale of electricity, which is primarily generated by utilising water from springs, dams, aqueducts and pipelines.

Board of Directors:

1. Ioannis Krestenitis, Chairman & CEO, executive member
2. Ioannis Papaioannou, 1st Vice Chairman, executive member
3. Grigorios Penelis, 2nd Vice Chairman, independent non-executive member.
4. Nikos Klitou, independent non-executive member, Chairman of the Audit Committee.
5. Stefania Tanimanidou, independent non-executive member
6. Panagiotis Gogos, independent non-executive member
7. Olympia Latsiou - Chrysafi, non-executive member
8. Petros Samaras, non-executive member
9. Georgios Archontopoulos, employee representative, non-executive member
10. Anastasios Sachinidis, employee representative, non-executive member

| | |
|---|---|
| Companies Reg. No. | 41913/06/B/98/32 |
| General Commercial Reg. No. | 58240404000 |

Auditing Company: GRANT THORNTON SA
56 Zefyrou St.
Paleo Faliro GR-17564
Athens, Greece
ICPA (GR) Reg. No. 127

## 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 2018. The key accounting policies implemented for drawing up the financial statements for the period that ended on 31 December 2018 are the same as those followed when drawing up the annual financial statements of the year ended on 31 December 2017, and are described in them. Where necessary, the comparable data have been reclassified to reconcile with any changes to the presentation of the current period's 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 18/4/2019 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 1.1.2018. In 2018, the Company and Group adopted IFRS 15 and IFRS 9. Where not otherwise stated, other amendments and interpretations which applied for the first time in 2018 have no impact on the consolidated financial statements. The Company and Group did not engage in early adoption of standards, interpretations or amendments which have been issued by the IASB and adopted by the EU, which are not mandatorily applicable in the 2018 period.

**<u>Standards and interpretations mandatory for the current fiscal year</u>**

**IFRS 9 "Financial instruments"**

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 on the basis of IAS 39. IFRS 9 also establishes a principle-based approach of hedge accounting and addresses inconsistencies and weaknesses in the current model of IAS 39. The impact on the Group of implementing this standard is outlined in note 2.4.

**IFRS 15 "Revenue from Contracts with Customers"**

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 adopted the standard retrospectively, with the cumulative impact of initial adoption being recognised on the date of initial adoption (1.1.2018) as an adjustment to the opening balance of the retained earnings account. The impact on the Group of implementing this standard is outlined in note 2.4.

In addition to the above, amendments were also published for the following standards, which are not applicable to the Company and Group.

**IAS 40 (amendments) "Transfers of investment property"**

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.

**IFRIC 22 "Foreign Currency Transactions and Advance Consideration"**

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.

**IFRS 4 "Insurance contracts" (Amendment) "Applying the new IFRS 9 with IFRS 4"**

The amendments introduce two approaches: The amended standard will (a) give entities which issue insurance contracts the option to recognise in their other comprehensive income and not in their income statement, any discrepancies that arise from applying IFRS 9 before the new standard on insurance contracts is issued, and (b) give entities whose activities primarily relate to the insurance sector the option to temporarily defer application of IFRS 9 to 2021. Entities which have opted to defer applying IFRS 9 will continue to apply IAS 39 on financial instruments. IFRS 4 has no impact on the Group and Company.

**IFRS 2 "Share-based payments" (Amendment) "Classification and Measurement of Share-based Payment Transactions"**

The amendment provides clarifications in relation to the measurement base as regards cash settled share-based payment transactions and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. They further introduce an exception as regards the principles of IFRS 2 based on which a payment transaction must be handled as if it were to be settled entirely in equity instruments, in the cases where the employer is required to withhold an amount for covering the tax obligations of employees arising from share-based payment transactions and paying it to the tax authorities.

**Annual improvements to the IFRS in 2014 (2014-2016 Cycle)**
**IAS 28 "Investments in Associates and Joint Ventures"**

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.

**Standards and Interpretations mandatory for later accounting periods**

**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 amendment is not expected to have any material effect on the Company and the Group's 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 Group and the Company intend to apply IFRS 16 from the mandatory application date (1.1.2019) using the simplified transition approach. In this approach, the Group and the Company will recognise a liability that will be measured at its present value as it results from the discounting of the remaining lease payments with the incremental borrowing cost that existed at the date of initial application of the Standard. Furthermore, it will recognise a right to use an asset by measuring that right in an amount equal to the corresponding liability that will be recognised, adjusted for any lease advances existing before the date of first application. Comparative information will not be restated, and no impact on equity is expected from application of the new standard upon first-time adoption. Furthermore, the Group and the Company have decided to apply the exemption provided by the Standard with respect to the determination of leases, and in particular, the applicable IFRS 16 practice, according to which it does not need to reassess whether a contract is, or contains, a lease on the date of the first transition. This means that IFRS 16 will be applied to contracts that have already been recognised as leases under IAS 17 "Leases" and IFRIC 4 "Determining whether a contract contains a lease".

With regard to short-term leases and leases of low value fixed assets, the Group and the Company will use the exemptions provided by the Standard and will choose to recognise the lease payments of those leases as expenses using the straight-line method.

In addition, the Group and the Company will apply the practical option granted by the standard to lessees, not to separate non-leased assets from leases and, conversely, to account for any leased and associated non-leased items as a single lease. Finally, the Group and the Company have decided to apply a single discount rate to each category of leases with similar characteristics depending on the remaining duration of each lease.

The Group and the Company estimate that they will recognise approximately €1,424 thousand for assets with usage rights and approximately € 1,283 thousand for lease liabilities.

The relevant assets with usage rights and the lease liabilities to be recognised relate mainly to the leases of office space and technical facilities.

**IFRIC 23 Interpretation "Uncertainty over income tax treatments"** (effective for annual accounting periods commencing on or after 1.1.2019)

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.

**IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement"** (effective for annual accounting periods commencing on or after 1.1.2019)

The amendments lay down how entities must define pension costs when changes are made to defined benefit pension plans.

**IFRS 17 "Insurance contracts"** (effective for annual accounting periods commencing on or after 1.1.2021)

IFRS 17 was published in May 2017 and replaces IAS 4. IFRS 17 establishes the principles of recognition, measurement and presentation of insurance contracts which fall within the standard's scope and the relevant disclosures. The purpose of the standard is to ensure that an entity provides relevant information that presents a reasonable picture of these contracts. The new standard resolves comparability problems which existed under IFRS 4 since it requires all insurance contracts to be accounted for in a consistent manner. Insurance liabilities must be measured at current cost and not at historical cost. The standard has not yet been adopted by the European Union.

**IAS 28 (Amendments) "Long-term Interests in Associates and Joint Ventures"** (effective for annual accounting periods commencing on or after 1.1.2019)

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.

**IFRS 3 (Amendments) "Definition of business combination"** (effective for annual accounting periods commencing on or after 1.1.2020)

The new definition focuses on the concept of an enterprise's return in the form of providing goods and services to customers, as opposed to the previous definition that focused on returns in the form of dividends, lower costs or other economic benefits to investors and other parties. These amendments have not yet been adopted by the European Union.

**IAS 1 and IAS 8 (Amendments) "Definition of materiality"** (effective for annual accounting periods commencing on or after 1.1.2020)

The amendments clarify the definition of materiality, and how it should be used, supplementing the definition with guidelines that have been provided so far in other parts of the IFRSs.

In addition, the clarifications accompanying the definition have been improved.

Finally, the amendments ensure that the definition of materiality is consistently applied to all IFRSs. These standards have not yet been adopted by the European Union.

**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.

**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"**

*(amounts in thousands of euro)*

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.

**IAS 23 "Borrowing Costs"**

The amendments clarify how an entity treats as part of its general borrowing any loan specifically taken out to develop an asset when that asset is ready for the use for which it was intended or for sale.

### 2.3 Reclassifications

During the period ended dividends payable were reclassified and moved from "trade and other liabilities" to a separate line in the statement of financial position entitled "dividends payable". To ensure that proper comparisons can be drawn, the relevant change was also made in the comparator period.

"Trade and other receivables" were also divided up and reclassified as "trade receivables and contractual assets" and "other receivables".

The table below shows the reclassifications referred to above.

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31/12/2017 | Reclassifications | 31/12/2017 adjusted | 31/12/2017 | Reclassifications | 31/12/2017 adjusted |
| **ASSETS** | | | | | | |
| **Non-Current Assets** | | | | | | |
| Tangible assets | 76,878 | - | 76,878 | 76,878 | - | 76,878 |
| Intangible assets | 342 | - | 342 | 342 | - | 342 |
| Participations in subsidiaries | - | - | - | 60 | - | 60 |
| Deferred tax assets | 3,133 | - | 3,133 | 3,133 | - | 3,133 |
| Other long-term assets | 3,914 | - | 3,914 | 3,914 | - | 3,914 |
| **Total non-current assets** | **84,267** | - | **84,267** | **84,326** | - | **84,326** |
| **Current Assets** | | | | | | |
| Inventories | 1,620 | - | 1,620 | 1,620 | - | 1,620 |
| Trade and other receivables | 49,253 | (49,253) | - | 49,242 | (49,242) | - |
| Trade receivables and contractual assets | - | 48,428 | 48,428 | - | 48,399 | 48,399 |
| Other receivables | - | 825 | 825 | - | 843 | 843 |
| Cash and cash equivalents | 65,210 | - | 65,210 | 64,914 | - | 64,914 |
| **Total current assets** | **116,083** | - | **116,083** | **115,776** | - | **115,776** |
| **TOTAL ASSETS** | **200,349** | - | **200,349** | **200,103** | - | **200,103** |
| **LIABILITIES** | | | | | | |
| **EQUITY** | | | | | | |
| Share capital | 40,656 | - | 40,656 | 40,656 | - | 40,656 |
| Premium on capital stock | 2,830 | - | 2,830 | 2,830 | - | 2,830 |
| Reserves | 29,065 | - | 29,065 | 29,042 | - | 29,042 |
| Results carried forward | 89,873 | - | 89,873 | 89,880 | - | 89,880 |
| **Total equity** | **162,424** | - | **162,424** | **162,408** | - | **162,408** |
| Non-controlling interests | - | | - | - | | - |
| **Total equity** | **162,424** | - | **162,424** | **162,408** | - | **162,408** |
| **Liabilities** | | | | | | |
| **Long-term liabilities** | | | | | | |
| Provisions for employee benefits | 1,892 | - | 1,892 | 1,892 | - | 1,892 |
| Provisions for contingencies and expenses | 8,246 | - | 8,246 | 7,715 | - | 7,715 |
| Grants | 1,994 | - | 1,994 | 1,994 | - | 1,994 |
| Other long-term liabilities | 14,417 | - | 14,417 | 14,417 | - | 14,417 |
| **Total long-term liabilities** | **26,548** | - | **26,548** | **26,017** | - | **26,017** |
| **Short-term liabilities** | | | | | | |
| Trade and other liabilities | 10,973 | (124) | 10,849 | 11,279 | (124) | 11,155 |
| Dividends payable | - | 124 | 124 | - | 124 | 124 |
| Short-term tax liabilities | 405 | - | 405 | 398 | - | 398 |
| **Total short-term liabilities** | **11,377** | - | **11,377** | **11,677** | - | **11,677** |
| **Total Liabilities** | **37,925** | - | **37,925** | **37,694** | - | **37,694** |
| **TOTAL OWNERS' EQUITY AND LIABILITIES** | **200,349** | - | **200,350** | **200,103** | - | **200,103** |

### 2.4 Changes to accounting policies

The Group applied the new IFRS 9 and IFRS 15 standards from 1.1.2018. The two standards were adopted without revising the comparative information and therefore the cumulative effect from retrospective application of the new accounting policies is presented in equity as at 1.1.2018.

The new accounting policies which were applied for the first time in the year 2018 are described in notes 3.5 and 3.15.

The impact of adopting these new policies as well as a brief description of past accounting policies is set out below:

**IFRS 9 "Financial instruments"**

Impact of reclassification

Up to 31.12.2017 the Group classified financial assets under "loans and receivables" for measurement purposes. On 31.12.2017 the Group and Company's "loans and receivables" related to trade receivables and non-current receivables from currently-earned income. Those items, including the line "trade and other receivables" in the statement of financial position as at 31.12.2017 and 31.12.2018 were classified as financial assets at amortised cost and so there was no impact on the Group and Company's equity due to reclassification.

Adoption of IFRS 9 "Financial instruments" did not result in changes in the accounting policies on financial liabilities since the Group does not have financial liabilities valued at fair value.

Impact of the new accounting policy on impairment

Up to 31.12.2017 the Group assessed on each reporting date whether there were objective signs that a financial asset or pool of financial assets had been impaired. A financial asset or pool of financial assets was impaired only if there was an objective indication of impairment, as a result of one of more facts which occurred after initial recognition of the asset (prejudicial event) and that prejudicial event(s) impacted on expected future cash flows for the financial asset or pool of financial assets, and could be reliably assessed.

As a result of applying IFRS 9, the Group needed to revisit its methodology for identifying the impairment of trade receivables since under IFRS 9 the Group now calculates impairment losses rather than expected credit losses. The overall impact of that change on equity on 1.1.2018 was a drop of € 877 thousand.

**IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and all related interpretations about revenues from contracts with customers apart from those contracts which fall within the scope of other standards. The new standard introduces a 5-step model to identify revenues from contracts with customers:

1. Identify the contract with the customer.
2. Determine the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the contract performance obligations.
5. Recognise revenues when or where an economic entity fulfils the performance obligation.

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 itself to be entitled to in exchange for these goods or services. It also includes the principles which an economic entity must implement to determine the measurement of the revenue and the time of its recognition. According to

*(amounts in thousands of euro)*

IFRS 15, revenues are recognised when the customer acquires control of the goods or services, and specifies the time of transfer of control either as a specific point in time or a period of time.

Revenue is defined as the amount which an economic entity expects to be entitled to as consideration for the goods or services which were transferred to a customer, apart from amounts collected on behalf of third parties (VAT, other sales taxes). Variable amounts are included in the price and are either calculated using the "expected value" method or the "most likely amount". An economic entity recognises revenues when (or as) it fulfils the contract performance obligations, by transferring the goods or services. The customer acquires control of the goods or services where he can direct how they are to be used and in effect enjoys all the financial benefits from the goods or services. Control is transferred over a period or at a specific point in time.

**Liabilities from contracts with customers**

If a customer pays consideration or the economic entity retains rights over a part of the consideration which is unreserved before the entity transfers the goods or services to the customer, the Group presents the contract as a liability from a contract with a customer, when payment is made or becomes due (whichever occurs first).

For the Group, liabilities from contracts with customers arise from down payments made in lieu of water consumption and water supply services, which customers pay when they sign the water supply and sewerage services agreement. Those liabilities are accounted for and included in the "Other long-term liabilities" lines in the statement of financial position.

Down payments for water consumption and the provision of water supply services are returned to customers when the contract is terminated. The Group reached the conclusion that the best approach is to present the above liabilities from contracts with customers as long-term liabilities since they can be expected to be settled at a period more than 12 months hence.

**Revenues from providing water supply and sewerage services**

The Group is involved in providing water supply and sewerage services. 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. At the end of each period, the Group recognises a contractual asset when it has satisfied its performance obligations before the customer makes payment or before the payment is due, for example when the goods or services are transferred to the customer before the Group's right to issue a bill arises. The Group has reassessed the application of the standard and concluded that the amount it expects to be entitled to receive in exchange for the specific services it has transferred to a customer by the end of the period will be presented in its entirety rather than as the difference between it and the corresponding amount for the previous year. Applying the Standard has had a positive impact on the Group's and Company's equity.

Specifically, the adjustments in the items in the Statement of Financial Position as at 1.1.2018 were as follows:

| | Group | Company |
|---|---|---|
| **Amounts in € '000** | **Measurement** | **Measurement** |
| Trade receivables & contractual assets | 7,824 | 7,824 |
| Deferred tax assets | -2,269 | -2,269 |
| Retained earnings | 5,555 | 5,555 |

***(amounts in thousands of euro)***

The table below shows the impact of the two standards on the Statement of Financial Position and the Statement of Comprehensive Income as at 1.1.2018, taking into account the reclassification in note 2.4.

| | THE GROUP | | | | THE COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2017 | IFRS 15 - Transition adjustments | IFRS 9 - Transition adjustments | 1/1/2018 adjusted | 31/12/2017 | IFRS 15 - Transition adjustments | IFRS 9 - Transition adjustments | 1/1/2018 adjusted |
| **ASSETS** | | | | | | | | |
| **Non-Current Assets** | | | | | | | | |
| Tangible assets | 76,878 | - | - | 76,878 | 76,878 | - | - | 76,878 |
| Intangible assets | 342 | - | - | 342 | 342 | - | - | 342 |
| Participations in subsidiaries | - | - | - | - | 60 | - | - | 60 |
| Deferred tax assets | 3,133 | (2,269) | - | 864 | 3,133 | (2,269) | - | 864 |
| Other long-term assets | 3,914 | - | - | 3,914 | 3,914 | - | - | 3,914 |
| **Total non-current assets** | **84,267** | **(2,269)** | **-** | **81,998** | **84,326** | **(2,269)** | **-** | **82,057** |
| **Current Assets** | | | | | | | | |
| Inventories | 1,620 | - | - | 1,620 | 1,620 | - | - | 1,620 |
| Trade and other receivables | - | - | - | - | 0 | - | - | - |
| Trade receivables and contractual assets | 48,428 | 7,824 | (877) | 55,376 | 48,399 | 7,824 | (877) | 55,347 |
| Other receivables | 825 | - | - | 825 | 843 | - | - | 843 |
| Cash and cash equivalents | 65,210 | - | - | 65,210 | 64,914 | - | - | 64,914 |
| **Total current assets** | **116,083** | **7,824** | **(877)** | **123,031** | **115,776** | **7,824** | **(877)** | **122,724** |
| **TOTAL ASSETS** | **200,349** | **5,555** | **(877)** | **205,029** | **200,103** | **5,555** | **(877)** | **204,782** |
| **LIABILITIES** | | | | | | | | |
| **Equity** | | | | | | | | |
| Share capital | 40,656 | - | - | 40,656 | 40,656 | - | - | 40,656 |
| Premium on capital stock | 2,830 | - | - | 2,830 | 2,830 | - | - | 2,830 |
| Reserves | 29,065 | - | - | 29,065 | 29,042 | - | - | 29,042 |
| Results carried forward | 89,873 | 5,555 | (877) | 94,551 | 89,880 | 5,555 | (877) | 94,558 |
| **Total equity** | **162,424** | **5,555** | **(877)** | **167,102** | **162,408** | **5,555** | **(877)** | **167,086** |
| Non-controlling interests | - | - | - | - | - | | | - |
| **Total equity** | **162,424** | **5,555** | **(877)** | **167,102** | **162,408** | **5,555** | **(877)** | **167,086** |
| **Liabilities** | | | | | | | | |
| **Long-term liabilities** | | | | | | | | |
| Provisions for employee benefits | 1,892 | - | - | 1,892 | 1,892 | - | - | 1,892 |
| Provisions for contingencies and expenses | 8,246 | - | - | 8,246 | 7,715 | - | - | 7,715 |
| Grants | 1,994 | - | - | 1,994 | 1,994 | - | - | 1,994 |
| Other long-term liabilities | 14,417 | - | - | 14,417 | 14,417 | - | - | 14,417 |
| **Total long-term liabilities** | **26,548** | **-** | **-** | **26,548** | **26,017** | **-** | **-** | **26,017** |
| **Short-term liabilities** | | | | | | | | |
| Trade and other liabilities | 10,849 | - | - | 10,849 | 11,155 | - | - | 11,155 |
| Dividends payable | 124 | - | - | 124 | 124 | - | - | 124 |
| Short-term tax liabilities | 405 | - | - | 405 | 398 | - | - | 398 |
| **Total short-term liabilities** | **11,378** | **-** | **-** | **11,378** | **11,677** | **-** | **-** | **11,677** |
| **Total Liabilities** | **37,926** | **-** | **-** | **37,926** | **37,694** | **-** | **-** | **37,694** |
| **TOTAL OWNERS' EQUITY AND LIABILITIES** | **200,349** | **5,555** | **(877)** | **205,029** | **200,103** | **5,555** | **(877)** | **204,781** |

## 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.

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 CO. 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 Financial assets

a) Classification, recognition and measurement

To a large extent IFRS 9 retains the existing requirements in IAS 39 on classification and measurement of financial liabilities. However, it removes the previous IAS 39 categories on financial assets: assets held to maturity, loans and receivables, and assets available for sale.

In accordance with IFRS 9, the Group and Company's financial instruments are measured at fair value through profit and loss, at amortised cost or at fair value through other comprehensive income.

Classification is based on two criteria:

- the business model within which the financial asset is held, namely whether the objective is to hold it to collect contractual cash flows or collect contractual cash flows and sale financial assets and

- whether the contractual cash flows form a financial asset which consists Solely of Payments of Principal and Interest (the SPPI criterion).

Normal purchases and sales of investments are recognised on the date the transaction takes place, which is the date the Group and Company undertake to purchase or sell the asset.

Upon initial recognition, the Group and the Company measure a financial asset at fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets measured at fair value through profit or loss are recognised directly in profit or loss.

Investments cease to be recognised when the rights to receive cash flows from financial assets expire or are transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

The Group and Company use the following categories to classify and measure financial assets:

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if held in the context of a business model for the purpose of retaining them and collecting contractual cash flows which meet the SPPI criterion. Interest earned from those assets is included in financial income and recognised using the effective interest rate. Any profit or loss arising from deletion is recognised immediately in the Income Statement.

The Financial assets classified in this category are "trade and other receivables". Trade and other receivables are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method, unless the results of discounting, less any impairment losses, are not significant.

<u>Financial assets measured at fair value through other comprehensive income</u>

According to the relevant requirements of IFRS 9, upon initial recognition, the Group and Company may irrevocably opt to present subsequent changes in the fair value of an equity investment not intended for commercial exploitation, in other results directly in equity.

Gains and losses from those financial assets are never recycled in the results for the period. Dividends are recognised as other income in the income statement when the payment entitlement has been established unless the Group and the Company benefit from such income as recovery of part of the cost of the financial asset, in which case those profits are recognised in the statement of comprehensive income. Equity instruments designated at fair value through comprehensive income are not subject to impairment testing.

This is done for each individual equity instrument.

The Group and the Company have chosen to classify investments in this category (see note 11).

(b) Impairment

The Group and Company recognise provisions for impairment for expected credit losses for all financial assets apart from those measured at fair value through profit and loss. The relevant methodology depends on whether there is a significant increase in credit risk.

For contractual assets and customer receivables, the Group and the Company apply the simplified approach permitted by IFRS 9.

Based on this approach, the Group and the Company recognise the credit losses that are expected over the lifetime of these receivables.

The Group and the Company have applied IFRS 9 retrospectively, but have chosen not to update comparative information.

Therefore, comparative information is presented in accordance with the previous accounting policy of the Group and the Company.

The impact of the application of the new accounting policy on 1.1.2018 and a brief description of accounting policies that were applied until 31.12.2017 can be found in note 2.4.

### 3.6 Trade receivables

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. If it is expected that these balances will be collected within a year or less (or more if this is part of the normal business cycle) then the receivables are classified as current assets.

If not, they are classified as non-current assets.

Trade receivables are posted initially at fair value and subsequently valued at amortised cost using the effective interest rate less impairment losses.

### 3.7 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.

### 3.8 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 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.

### 3.11 Dividends

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

### 3.12 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.

### 3.13 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.

### 3.14 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.

### 3.15 Revenue recognition

Revenue is defined as the amount which an economic entity expects to be entitled to as consideration for the goods or services which were transferred to a customer, apart from amounts collected on behalf of third parties (VAT, other sales taxes).

An economic entity recognises revenues when (or as) it fulfils the contract performance obligations, by transferring the goods or services it has promised to the customer. The customer acquires control of the goods or services where he can direct how they are to be used and in effect enjoys all the financial benefits from the goods or services. Control is transferred over a period or at a specific point in time.

#### *3.15.1. Revenue from the supply of water and sewerage services and related services*

The Group and Company are involved in providing water supply and sewerage services. Revenue for each of the two performance obligations mentioned above is recognised over time as the customer receives -and at the same time uses- the benefits of water consumption and usage of the sewerage network. Revenue is measured on the basis of the quantities of water consumed and the current price lists. The Group and the Company bill customers for water and sewerage services mainly on a quarterly basis, based on relevant meter readings.

The customer receivable is recognised when there is an unconditional right for the entity to receive the price for the contractual obligations performed for the customer. A contract asset is recognised when the Group (or Company) has satisfied its performance obligations before the customer makes payment or before the payment is due, for example when the goods or services are transferred to the customer before the Group's (or Company's) right to issue a bill.

The contractual obligation is recognised when the Group (or the Company) receives a consideration from the client (prepayment) or when it reserves the right to a price that is unconditional (deferred income) before the performance of the obligations of the contract and the transfer of the goods or services. The contractual obligation is de-recognised when the contractual obligations are performed and the revenue is recorded in the income statement

For the Group and Company, liabilities from contracts with customers arise from down payments made in lieu of water consumption and water supply services, which customers pay when they sign the water supply and sewerage services agreement. Those liabilities are accounted for and included in the "Other long-term liabilities" lines in the statement of financial position.

Down payments for water consumption and the provision of water supply services are returned to customers when the contract is terminated. The Group reached the conclusion that the best approach is to present the above liabilities from contracts with customers as long-term liabilities since they can be expected to be settled at a period more than 12 months hence.

#### *3.15.2. Income from interest*

Income from interest is recognised based on the accrual principle.

#### *3.15.3. Income from dividends*

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

### 3.16 Cost of financing

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

### 3.17 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.

### 3.18 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.

### 3.19 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.

### 3.20 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.

### 3.21 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.

### 4.1 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 31/12/2018.

***(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.

### 4.2 Credit risk

The Group applies the expected credit loss model to trade receivables and non-current receivables from currently earned income. The Group applies the simplified approach permitted under IFRS 9 to these receivables, under which the Group recognises the credit losses expected over the lifetime of the receivables.

*(amounts in thousands of euro)*

To calculate expected credit losses, trade receivables and non-current receivables from currently earned income were grouped together based on common credit risk characteristics and days past due. Non-current receivables from currently earned income have the same risk features as trade receivables and so the same methodology was followed to calculate the expected credit losses.

For trade receivables and non-current receivables from currently earned income from the public sector, the expected credit losses were calculated as the difference between the contractual cash flows and the present value of the expected cash flows, taking into account the possibility of default by the State over the lifetime of the those receivables.

### 4.3. Liquidity risk

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

The maturity of Group and Company financial assets on 31/12/2018 can be broken down as follows:

| | THE GROUP | | | | THE 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 |
| Other long-term liabilities | - | - | 14,801 | 14,801 | - | - | 14,801 | 14,801 |
| Suppliers and other liabilities | 11,989 | - | - | 11,989 | 11,963 | - | - | 11,963 |
| Short-term tax liabilities | 1,263 | - | - | 1,263 | 1,263 | - | - | 1,263 |
| **Total** | **13,252** | **-** | **14,801** | **28,053** | **13,227** | **-** | **14,801** | **28,027** |

The maturity of Group and Company financial assets on 31/12/2017 can be broken down as follows:

| | THE GROUP | | | | THE 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 |
| 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** | **25,793** | **11,677** | **-** | **14,417** | **26,093** |

### 4.4 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 | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Total borrowing | - | - | - | - |
| Less: Cash assets | (71,634) | (65,210) | (71,317) | (64,914) |
| **Net debt** | **(71,634)** | **(65,210)** | **(71,317)** | **(64,914)** |
| Total equity | 173,138 | 162,424 | 172,807 | 162,408 |
| **Total capital** | **101,504** | **97,214** | **101,490** | **97,494** |
| **Gearing ratio** | **-70.57%** | **-67.08%** | **-70.27%** | **-66.58%** |

### *4.5* 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 apply the simplified approach in IFRS 9 to calculate expected credit losses, according to which the impairment provision is always measured at the amount of expected lifetime losses of customer receivables and contractual assets. The Group and Company have formed provisions for bad debt to adequately cover the loss which can be reliably assessed as coming from those receivables. The provision formed is adjusted in each reporting period, with changes in it being recognised in the results for the period (more information in Notes 13 and 14).

### 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.

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

Revenues are recognised in accordance with the accounting policy in paragraph 13.5. In cases where the Group and Company have not measured the quantities consumed by the reporting date, they estimate the quantities consumed based on historical data and recognise the relevant revenue. 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

***(amounts in thousands of euro)***

| | Group data for the period 1/1 - 31/12/2018 | | |
|---|---|---|---|
| | Provision of Water Supply Services | Provision of Sewerage Services | Group Total |
| Sales to third parties | 47,562 | 25,468 | 73,030 |
| **Less: Total cost of sales** | (22,910) | (19,834) | (42,744) |
| **Gross Profit (losses)** | **24,652** | **5,634** | **30,286** |
| Other operating income | 1,699 | 910 | 2,609 |
| Selling and distribution expenses | (4,335) | (2,560) | (6,895) |
| Administrative expenses | (2,893) | (1,742) | (4,634) |
| Research & Development expenses | (71) | (45) | (116) |
| Other operating expenses | (1,220) | (653) | (1,874) |
| **Earnings / (losses) before taxes, financial and investment results** | **17,833** | **1,543** | **19,376** |
| Net Financial Income | 1,046 | 529 | 1,575 |
| Result from usual business | 18,879 | 2,072 | 20,951 |
| **Results before tax** | **18,879** | **2,072** | **20,951** |
| Income tax | (6,289) | (661) | (6,950) |
| **Results net of tax** | **12,590** | **1,411** | **14,001** |
| **Earnings / (losses) before taxes, financial and investment results and depreciation** | **22,996** | **2,482** | **25,479** |

| | 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** |
| Other operating income | 2,004 | 1,035 | 3,039 |
| Selling and distribution expenses | (3,011) | (1,554) | (4,566) |
| Administrative expenses | (2,515) | (1,299) | (3,814) |
| Research & Development expenses | (98) | (50) | (148) |
| Other operating expenses | (902) | (465) | (1,367) |
| **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** |

## 6.1.2 Distribution of Assets and Liabilities per business segment

| | Group data as at 31/12/2018 | | |
|---|---|---|---|
| **Group data** | Provision of Water Supply Services | Provision of Sewerage Services | Group Total |
| Fixed Assets | 41,422 | 31,400 | 72,822 |
| Trade receivables, contractual assets and other receivables | 37,075 | 19,963 | 57,038 |
| Non-allocated assets | - | - | 80,011 |
| **Total assets** | **78,497** | **51,363** | **209,871** |
| Future subsidy income | - | 1,642 | 1,642 |
| Liabilities | 7,793 | 4,196 | 11,989 |
| Non-allocated liabilities | - | - | 196,240 |
| **Total Liabilities** | **7,793** | **5,839** | **209,871** |
| Additions of Tangible and Intangible Assets | 884 | 1,173 | 2,057 |

*(amounts in thousands of euro)*

| 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 |
| Trade receivables, contractual assets 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** | **6,954** | **6,013** | **200,349** |
| | | | |
| Additions of Tangible and Intangible Assets | 1,290 | 1,829 | 3,119 |

## 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 can be broken down 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 1/1/2018** | **18,896** | **5,871** | **116,613** | **1,940** | **3,606** | **4,779** | **151,705** |
| Additions 1/1 - 31/12/2018 | - | 28 | 384 | - | 381 | 1,212 | **2,005** |
| Redistributions 1/1 - 31/12/2018 | - | - | 1,546 | - | - | (1,546) | **-** |
| Settlements 1/1 - 31/12/2018 | - | - | - | (59) | - | - | **(59)** |
| **Total on 31/12/2018** | **18,896** | **5,899** | **118,543** | **1,881** | **3,987** | **4,445** | **153,651** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **Balance on 1/1/2018** | **-** | **2,039** | **68,644** | **1,195** | **2,950** | **-** | **74,827** |
| Depreciation of period 1/1 - 31/12/2018 | - | 153 | 5,950 | 86 | 170 | - | **6,358** |
| Settlements 1/1 - 31/12/2018 | - | - | - | (59) | - | - | **(59)** |
| **Total on 31/12/2018** | **-** | **2,192** | **74,594** | **1,222** | **3,120** | **-** | **81,126** |
| | | | | | | | |
| **Net carried value on 31/12/2017** | **18,896** | **3,832** | **47,969** | **745** | **656** | **4,779** | **76,878** |
| **Net carried value on 31/12/2018** | **18,896** | **3,706** | **43,950** | **659** | **867** | **4,445** | **72,524** |

*(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 1/1/2017** | **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) | - |
| Divestitures 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 1/1/2017** | **-** | **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** |
| Divestitures 1/1 - 31/12/2017 | **-** | - | - | (23) | - | - | **(24)** |
| **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** | **80,274** |
| **Net carried value on 31/12/2017** | **18,896** | **3,832** | **47,969** | **745** | **656** | **4,779** | **76,878** |

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 1/1/2018** | **18,896** | **5,871** | **116,613** | **1,940** | **3,606** | **4,779** | **151,705** |
| Additions 1/1 - 31/12/2018 | **-** | 28 | 384 | **-** | 381 | 1,212 | **2,005** |
| Redistributions 1/1 - 31/12/2018 | **-** | **-** | 1,546 | **-** | **-** | (1,546) | **-** |
| Settlements 1/1 - 31/12/2018 | **-** | **-** | **-** | (59) | **-** | **-** | **(59)** |
| **Total on 31/12/2018** | **18,896** | **5,899** | **118,543** | **1,881** | **3,987** | **4,445** | **153,651** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **Balance on 1/1/2018** | **-** | **2,039** | **68,644** | **1,195** | **2,950** | **-** | **74,827** |
| Depreciation of period 1/1 - 31/12/2018 | **-** | 153 | 5,950 | 86 | 170 | **-** | **6,358** |
| Settlements 1/1 - 31/12/2018 | **-** | **-** | **-** | (59) | **-** | **-** | **(59)** |
| **Total on 31/12/2018** | **-** | **2,192** | **74,594** | **1,222** | **3,120** | **-** | **81,126** |
| | | | | | | | |
| **Net carried value on 31/12/2017** | **18,896** | **3,832** | **47,969** | **745** | **656** | **4,779** | **76,878** |
| **Net carried value on 31/12/2018** | **18,896** | **3,707** | **43,950** | **660** | **868** | **4,445** | **72,525** |

| | 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 1/1/2017** | **18,896** | **5,826** | **111,917** | **1,955** | **3,533** | **6,516** | **148,642** |
| Additions 1/1 - 31/12/2017 | **-** | 45 | 691 | 8.00 | 73 | 2,269 | **3,086** |
| Redistributions 1/1 - 31/12/2017 | **-** | **-** | 4,005 | - | **-** | (4,005) | **-** |
| Divestitures 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 1/1/2017** | **-** | **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** |
| Divestitures 1.1 - 31.12.2017 | **-** | **-** | **-** | (23) | **-** | **-** | **(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)*

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

## 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 1/1/2018** | 1,121 | 1,121 | 1,121 | 1,121 |
| Additions 1/1 - 31/12/2018 | 51 | 51 | 51 | 51 |
| **Total on 31/12/2018** | **1,172** | **1,172** | **1,172** | **1,172** |
| **Accumulated depreciation** | | | | |
| **Balance on 1/1/2018** | 780 | 780 | 780 | 780 |
| Depreciation of period 1/1 - 31/12/2018 | 95 | 95 | 95 | 95 |
| **Total on 31/12/2018** | **875** | **875** | **875** | **875** |
| **Net carried value on 31/12/2017** | **342** | **342** | **342** | **342** |
| **Net carried value on 31/12/2018** | **297** | **297** | **297** | **297** |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | Software Applications | Total | Software Applications | Total |
| **Acquisition or valuation value** | | | | |
| **Balance on 1/1/2017** | 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 1/1/2017** | 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** |

## 9. PARTICIPATIONS IN SUBSIDIARIES

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

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Opening balance** | **60** | **60** |
| Share capital increase in holdings | 2,400 | - |
| Impairment of holdings | (2,400) | - |
| | 60 | 60 |
| Sale of shares in subsidiary | - | - |
| **Balance at end of period** | **60** | **60** |

Decision No. 270/2018 of EYATH S.A.'s Board of Directors approved a € 2,400,000 increase in the share capital of the wholly owned subsidiary EYATH Services S.A. in May 2018 paid in cash. Following completion of that share capital increase, the subsidiary's share capital stood at € 2,460,000 divided into 4,920,000 registered shares with a nominal value of € 0.50 each. Then based on its accounting policies and the requirements of IAS 36, the Company formed an impairment provision equal to the increase in the subsidiary's share capital increase based on the present value of future cash flows which are expected to flow from the subsidiary.

*(amounts in thousands of euro)*

## 10. LONG-TERM RECEIVABLES

Long-term receivables on 31/12/2018 primarily related to the guarantees provided to PPC (€ 474, compared to € 404 in 2017) and long-term trade receivables after arrangements made for their repayment were € 2,645, compared to € 3,510 in 2017.

## 11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| **Balance at start of period** | - | - | - | - |
| Additions | 50 | - | 50 | - |
| **Closing balance** | **50** | **-** | **50** | **-** |

The financial assets measured at fair value through other comprehensive income include the purchase of 1,783 shares in the Metropolitan Development Agency of Thessaloniki acquired during 2018.

Fair value was measured at "level 3: prices from valuation models not based on observable market data", and there was no change in fair value.

| | Group | | Fair value | THE COMPANY | | Fair value scale |
|---|---|---|---|---|---|---|
| *Assets* | 31 December 2018 | 31 December 2017 | | 31 December 2018 | 31 December 2017 | |
| Financial assets measured at fair value through other comprehensive income | 50 | - | | 50 | - | Level 3 |

## 12. INVENTORIES

Group and Company inventories can be broken down as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Raw direct and indirect materials - consumables - spare parts | 1,791 | 1,655 | 1,791 | 1,655 |
| Impairment of inventories | (35) | (35) | (35) | (35) |
| **Total after impairment** | **1,755** | **1,620** | **1,755** | **1,620** |

There is an impairment provision of € 35 on the Group's inventories (2017: €35).
There are no pledges on the Group's inventories.

*(amounts in thousands of euro)*

## 13. TRADE RECEIVABLES AND CONTRACTUAL ASSETS

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Trade receivables | 42,096 | 40,606 | 42,078 | 40,580 |
| Doubtful – disputed customers and debtors | 28,906 | 24,849 | 28,906 | 24,849 |
| Contractual assets | 13,242 | 7,128 | 13,242 | 7,128 |
| Years' receivable income | 802 | 692 | 784 | 692 |
| | **85,045** | **73,277** | **85,009** | **73,248** |
| Less: Provision for bad debt | (28,906) | (24,849) | (28,906) | (24,849) |
| **Total trade receivables and contractual assets** | **56,140** | **48,428** | **56,103** | **48,399** |

The "contractual assets" account relates to accrued, uninvoiced income from customers from supplying water and sewerage services, which will be invoiced for in the subsequent period. The change from the previous year is due to the application of IFRS 15 (para. 2.4).

The "non-current receivables from current income" account primarily includes revenues from interest on time deposits to be collected.

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.

12% of the value of trade receivables comes from one customer, however, since it is a Greek state agency, the company considers that there is no question of it not being able to pay the amounts owed to the Company, nor any concentration risk from providing credit to the specific customer.

The change in bad debts (trade and other receivables) and the provision formed can be broken down as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| 31 Dec. in accordance with IAS 39 | 25,700 | 23,210 | 25,700 | 23,210 |
| Forecast adjusted via retained earnings | 877 | - | 877 | - |
| Provision on 1 Jan. in accordance with IFRS 9 | 26,577 | 23,210 | 26,577 | 23,210 |
| Increase in provision recognised in income statement | 3,732 | 2,539 | 3,732 | 2,539 |
| Receivables written off | - | (49) | - | (49) |
| Reversal of unused provisions | (552) | - | (552) | |
| **Balance on 31 December** | **29,757** | **25,700** | **29,757** | **25,700** |

To measure expected future credit losses, the Group and Company divide up receivables based on maturity. The loss rates for each category of receivables were estimated based on historical data and taking into account current conditions.

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.

*(amounts in thousands of euro)*

## 14. OTHER RECEIVABLES

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Loans and other receivables from staff | 432 | 335 | 432 | 335 |
| Short-term receivables from related parties | - | - | 24 | 24 |
| Sundry debtors | 1,012 | 876 | 925 | 876 |
| Advances and credit control account | 112 | 159 | 112 | 159 |
| Prepaid expenses | 193 | 304 | 193 | 304 |
| | **1,749** | **1,676** | **1,686** | **1,698** |
| Less: Provision for bad debt | (851) | (851) | (851) | (851) |
| **Total of trade and other receivables** | **899** | **825** | **835** | **847** |

The "Loans and other receivables from staff" account includes interest-free short-term payrolling advances, cash assistance and short-term interest-bearing loans to staff.

The advances and credit management account on 31/12/2018 mainly included receivables-bills for payment of the Company's collectors and other associates.

## 15. CASH AND CASH EQUIVALENTS

Cash assets can be broken down as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Cash | 124 | 57 | 124 | 57 |
| Sight and time deposits | 71,510 | 65,152 | 71,192 | 64,857 |
| **Total** | **71,634** | **65,210** | **71,317** | **64,914** |

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:

| **(Fitch)** | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| CCC+ | 16,856 | - | 16,856 | - |
| CCC | 27,666 | - | 27,349 | - |
| RD | - | 36,123 | - | 35,828 |
| Sight and time deposits in banks not rated by Fitch | 26,988 | 29,029 | 26,988 | 29,029 |
| **Total** | **71,510** | **65,152** | **71,192** | **64,857** |

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

## 16. SHARE CAPITAL

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

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| 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.

*(amounts in thousands of euro)*

According to the Company's Shareholder Registry, on 31/12/2018, shareholders with a significant participation percentage in the Company were:

| SHAREHOLDER | Number of shares held | Holding on 31/12/2018 | |
|---|---|---|---|
| HCAP | 18,150,001 | 50.00% | +1 Share |
| HRADF | 8,717,999 | 24.02% | |
| SUEZ GROUPE | 1,982,870 | 5.46% | |
| Other shareholders | 7,449,130 | 20.52% | |
| **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/22.2.2018. In light of that 18,150,001 shares of 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, 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.

## 17. RESERVES

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Statutory Reserve | 12,585 | 12,031 | 12,562 | 12,007 |
| 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** | **29,620** | **29,065** | **29,596** | **29,042** |

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.

*(amounts in thousands of euro)*

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.
The figure of € 16,635 (Other reserves) was created in accordance with Law 2937/2001 amending and supplementing the provisions on the adequacy of equity of investment firms and credit institutions, reforms relating to EYATH S.A. and other provisions”.

## 18. 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.

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 | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| Payroll expenses | 9,918 | 7,185 | 9,918 | 7,185 |
| Employer contributions | 2,545 | 1,820 | 2,545 | 1,820 |
| Other benefits and staff expenses | 303 | 84 | 303 | 84 |
| Personnel dismissal and retirement compensation provision | 142 | 124 | 142 | 124 |
| **Total cost** | **12,908** | **9,213** | **12,908** | **9,213** |
| **No. of employees** | **361** | **380** | **361** | **380** |

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, 11 employees were recruited via staff recruitment competitions on private law fixed term contracts (of 8 months duration) in 2018, and the corresponding figure for such employees the previous year was 41.

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:

*(amounts in thousands of euro)*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Provisions for retirement benefits | 1,910 | 1,892 | 1,910 | 1,892 |
| | **1,910** | **1,892** | **1,910** | **1,892** |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Current value of non-financed liabilities | 1,910 | 1,892 | 1,910 | 1,892 |
| Fair value of plan assets | | | | |
| | **1,910** | **1,892** | **1,910** | **1,892** |
| Non-recognised interim liability | | | | |
| Direct recognition of interim liability | | | | |
| Non-recognised actuarial profits/(losses) | | | | |
| Non-recognised cost of past experience | | | | |
| **Net liability recognised in balance sheet** | **1,910** | **1,892** | **1,910** | **1,892** |

**Amounts recognised in income statement**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Cost of current employment | 130 | 76 | 130 | 76 |
| Interest on liability | 38 | 40 | 38 | 40 |
| **Normal expenses in income statement** | **168** | **116** | **168** | **116** |
| Recognition of past service cost | - | - | - | - |
| Cost of cutbacks / settlements / termination of service | 12 | 8 | 12 | 8 |
| Reorganisation costs | - | - | - | - |
| Other expenses / (income) | - | - | - | - |
| **Total expense in income statement** | **180** | **124** | **180** | **124** |

**Changes in net liability recognised in the balance sheet**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Net liability at start of period | **1,892** | **1,998** | **1,892** | **1,998** |
| Employer contributions | - | - | - | - |
| Benefits paid by employer | (66) | (95) | (66) | (95) |
| Total expense recognised in income statement | 180 | 124 | 180 | 124 |
| Amount recognised directly in comprehensive income statement | (97) | (135) | (97) | (135) |
| **Net liability at end of period** | **1,910** | **1,892** | **1,910** | **1,892** |
| Adjustment | | | | |
| **Net liability at end of period** | **1,910** | **1,892** | **1,910** | **1,892** |
| **Re-measurements** | | | | |
| (Profit)/Loss from change in assumptions | - | - | - | - |
| (Profit)/Loss from the current period | - | 135 | - | 135 |
| **Total charges to other comprehensive income** | **-** | **135** | **-** | **135** |
| **Change in net value of liability** | | | | |
| Present value of liability at start of period | **1,892** | **1,998** | **1,892** | **1,998** |
| Cost of current employment | 130 | 76 | 130 | 76 |
| Interest cost | 38 | 40 | 38 | 40 |
| Benefits paid by employer | (66) | (95) | (66) | (95) |
| Cost of cutbacks / settlements / termination of service | 12 | 8 | 12 | 8 |
| Past service cost during previous period | - | - | - | - |
| Amounts recognised in other comprehensive income | (97) | (135) | (97) | (135) |
| **Present value of liability at end of period** | **1,910** | **1,892** | **1,910** | **1,892** |

| **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 2020 and 2.3% thereafter | 0% up to 2020 and 2.3% thereafter | 0% up to 2020 and 2.3% thereafter |
| Retirement Increase Rate | 0.00% | 0.00% | 0.00% | 0.00% |

On the value date (31.12.2018) use of a 0.5% higher discount rate would result in the present value of the actuarial obligation being 6% lower while, the exact opposite, use of a 0.5% lower discount rate would result in the present value of the actuarial obligation being 6% higher.

The relevant sensitivity tests for the expected pay rise, namely a pay rise of 0.5% higher than expected would result in an actuarial obligation 4% higher, and the exact opposite, use of an expected pay rise 0.5% lower than expected would result in an actuarial obligation 4% lower.

Based on the actuarial study, the gross value of the amount recognised in other comprehensive income is € 97 million, of which the net amount is € 69 and the corresponding deferred tax is € 24.

*(amounts in thousands of euro)*

## 19. PROVISIONS FOR CONTINGENCIES AND EXPENSES

A provision of € 3,487 covers contingent liabilities that may arise during the settlement of litigation with third parties and Group staff.

A provision of € 1,642 relates to the provision for the cost of removing an accumulated mass of sludge at the Thessaloniki Waste Water Treatment Plant and a provision for removing by-products from the same facility.

For the period ended on 31.12.2018 the change in the provisions account for the Group and Company was as follows:

| | THE GROUP | | |
|---|---|---|---|
| **Long-term provisions** | **Pending litigation** | **Provisions for contingencies & expenses** | **Total** |
| **1 January 2018** | **6,036** | **2,210** | **8,246** |
| Additional provisions for year | 1,268 | - | **1,268** |
| Provisions used/reversal of provisions for the period | (3,817) | (568) | **(4,385)** |
| **31 December 2018** | **3,487** | **1,642** | **5,129** |

| | THE COMPANY | | |
|---|---|---|---|
| **Long-term provisions** | **Pending litigation** | **Provisions for contingencies & expenses** | **Total** |
| **1 January 2018** | **5,505** | **2,210** | **7,715** |
| Additional provisions for year | 1,268 | - | **1,268** |
| Provisions used/reversal of provisions for the period | (3,286) | (568) | **(3,854)** |
| **31 December 2018** | **3,487** | **1,642** | **5,128** |

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

| | GROUP | | | |
|---|---|---|---|---|
| **Long-term provisions** | **Pending litigation** | **Provision for tax** | **Provisions for contingencies & expenses** | **Total** |
| **1.1.2017** | **6,188** | **500** | **2,200** | **9,188** |
| 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** | **8,546** |

| | COMPANY | | | |
|---|---|---|---|---|
| **Long-term provisions** | **Pending litigation** | **Provision for tax** | **Provisions for contingencies & expenses** | **Total** |
| **1 January 2017** | **6,188** | **500** | **2,200** | **9,188** |
| 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** | **8,015** |

## 20. GRANTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| **Opening balance** | **1,994** | **2,345** | **1,994** | **2,345** |
| Depreciation of grants carried forward to results | (351) | (351) | (351) | (351) |
| **End of period balance** | **1,643** | **1,994** | **1,643** | **1,994** |

*(amounts in thousands of euro)*

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.

## 21. OTHER LONG-TERM LIABILITIES

The sum of € 14,801 on 31/12/2018 and € 14,417 on 31/12/2017 related to guarantees from customers for use of meters and for bills, which were 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 at carried cost because customers may request those amounts back at any time.

## 22. TRADE AND OTHER LIABILITIES

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Suppliers | 7,572 | 5,319 | 7,559 | 5,293 |
| Cheques payable | 10 | 8 | 10 | 8 |
| Other Taxes - Duties | 1,016 | 764 | 1,016 | 764 |
| Insurance and pension fund dues | 569 | 468 | 569 | 468 |
| Liabilities to related parties | - | - | - | 477 |
| Accrued expenses | 1,470 | 2,301 | 1,464 | 2,287 |
| Sundry creditors | 1,308 | 1,990 | 1,302 | 1,859 |
| **Total** | **11,946** | **10,849** | **11,920** | **11,155** |

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | SHORT-TERM 2018 | | SHORT-TERM 2018 | |
| | WITHIN 6 MONTHS | FROM 6 TO 12 MONTHS | WITHIN 6 MONTHS | FROM 6 TO 12 MONTHS |
| Suppliers | 7,572 | - | 7,559 | - |
| Cheques payable | 10 | - | 10 | - |
| Insurance and pension fund dues | 569 | - | 569 | - |
| Sundry creditors | 1,308 | - | 1,302 | - |
| Accrued expenses | 1,470 | - | 1,464 | - |
| Other taxes and duties | 1,016 | - | 1,016 | - |
| **Total** | **11,946** | **-** | **11,920** | **-** |

| | 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 | - |
| 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** | **10,849** | **-** | **11,155** | **-** |

## 23. SHORT-TERM TAX LIABILITIES

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Income tax | 1,263 | 405 | 1,263 | 398 |
| | **1,263** | **405** | **1,263** | **398** |

*(amounts in thousands of euro)*

## 24. EXPENSES PER CATEGORY

Expenses per category for the Group and Company in 2018 can be broken down as follows:

**THE GROUP**

| for the period ended on 31/12/2018 | Cost of Goods Sold | Selling & distribution expenses | Administrative expenses | Research & Development expenses | Total |
|---|---|---|---|---|---|
| Cost of goods used | 2,044 | - | - | - | 2,044 |
| Self-supplied fixed assets | (132) | - | - | - | (132) |
| Staff salaries and expenses | 8,134 | 2,097 | 2,581 | 96 | 12,908 |
| Third party fees and expenses | 1,057 | 761 | 872 | 20 | 2,711 |
| Electricity | 11,237 | 16 | 21 | - | 11,274 |
| Rent | 234 | 83 | 49 | - | 366 |
| Maintenance - Repair expenses | 11,549 | 55 | 16 | - | 11,620 |
| Other charges for outside services | 1,143 | 84 | 261 | - | 1,488 |
| Expenses from tax and duties | 253 | 106 | 248 | - | 607 |
| Miscellaneous Expenses | 1,029 | 514 | 329 | - | 1,871 |
| Depreciation of tangible & intangible assets | 6,196 | - | 258 | - | 6,454 |
| Provisions for bad debt | - | 3,179 | - | - | 3,179 |
| **Total** | **42,744** | **6,895** | **4,634** | **116** | **54,389** |

**THE COMPANY**

| for the period ended on 31/12/2018 | Cost of Goods Sold | Selling & distribution expenses | Administrative expenses | Research & Development expenses | Total |
|---|---|---|---|---|---|
| Cost of goods used | 2,044 | - | - | - | 2,044 |
| Self-supplied fixed assets | (132) | - | - | - | (132) |
| Staff salaries and expenses | 8,134 | 2,097 | 2,581 | 96 | 12,908 |
| Third party fees and expenses | 963 | 909 | 837 | 20 | 2,729 |
| Electricity | 11,237 | 16 | 21 | - | 11,274 |
| Rent | 234 | 83 | 49 | - | 366 |
| Maintenance - Repair expenses | 11,549 | 55 | 16 | - | 11,620 |
| Other charges for outside services | 1,143 | 84 | 257 | - | 1,484 |
| Expenses from tax and duties | 253 | 106 | 246 | - | 605 |
| Miscellaneous Expenses | 1,029 | 514 | 325 | - | 1,868 |
| Depreciation of tangible & intangible assets | 6,196 | - | 258 | - | 6,454 |
| Provisions for bad debt | - | 3,179 | - | - | 3,179 |
| **Total** | **42,650** | **7,043** | **4,591** | **116** | **54,400** |

For the 2018 annual period, management expenses included fees for the auditing form of € 3 which relates to permissible non-auditing tasks.

The corresponding expenses for 2017 can be broken down per category for the Group and company as follows:

*(amounts in thousands of euro)*

| THE GROUP | | | | | |
|---|---|---|---|---|---|
| **for the period ended on 31/12/2017** | **Cost of Goods Sold** | **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 | - | 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 Goods Sold** | **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 | - | 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** |

## 25. OTHER OPERATING EXPENSES - OTHER OPERATING INCOME

Other operating income can be broken down as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| Income from Subsidies | 130 | 173 | 130 | 173 |
| Income from services provided | 125 | 67 | 125 | 67 |
| Rent | 20 | 89 | 3 | 3 |
| Depreciation on subsidies | 351 | 351 | 351 | 351 |
| Other prior period income | 64 | 33 | 64 | 33 |
| Other income | 439 | 188 | 439 | 188 |
| Revenue from seized guarantees | - | 677 | - | 677 |
| Income from prior period provisions | 1,480 | 1,460 | 1,205 | 1,460 |
| **Total other operating income** | **2,609** | **3,039** | **2,316** | **2,953** |

Other operating expenses can be broken down as follows:

*(amounts in thousands of euro)*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| Tax and other fines and surcharges | 99 | 77 | 99 | 77 |
| Compensation to third parties for damage to the water supply and sewerage network | 96 | 22 | 96 | 22 |
| Compensation under court rulings | 53 | 118 | 53 | 118 |
| Other expenses, provisions and losses | 1,268 | 1,114 | 1,570 | 581 |
| Losses from replacement of water meters and Other losses | 28 | 6 | 28 | 6 |
| Other prior period expenses | 329 | 29 | 67 | 29 |
| **Total other expenses** | **1,874** | **1,367** | **1,914** | **834** |

Other expenses, provisions and losses on 31.12.2018 stood at € 1,268 (2017: € 1,114) and included provisions for pending litigation.

## 26. FINANCIAL INCOME/(EXPENSES)

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| Interest charges on bank liabilities | | | | |
| Other financial expenses | 133 | 78 | 133 | 77 |
| **Total financial expenses** | **133** | **78** | **133** | **77** |
| Interest and related income | 1,708 | 1,720 | 1,706 | 1,718 |
| **Total financial income** | **1,708** | **1,720** | **1,706** | **1,718** |
| **Net financial income/(expenses)** | **1,575** | **1,642** | **1,573** | **1,642** |

Note that the balance in the Group account "Interest and related income" as at 31/12/2018 of € 1,708 includes default interest on customer bills of € 380 and other interest of € 1,328 which primarily relates to interest from deposits. The policy of charging default interest on customer bills has been implemented since 16/5/2007 by decision of the Company's Board of Directors.

The “other financial expenses” account primarily records bank commissions for bank transactions and issuing guarantee letters.

## 27. INCOME TAX

According to Greek tax law, the tax rate was 29% for 2018 and 2017. Under Article 23 of Law 4579/2018 the income tax rates will gradually reduce to 28% for income in the 2019 tax year, 27% for income in the 2020 tax year, 26% for income in the 2021 tax year and 25% for income in tax years from 2022 onwards.

The tax burden on the results was as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| Income tax | 9,527 | 8,277 | 9,524 | 8,196 |
| Income tax settlement differences | 25 | - | 25 | - |
| Deferred tax | (2,602) | 204 | (2,602) | 204 |
| **Total** | **6,950** | **8,481** | **6,947** | **8,400** |

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:

***(amounts in thousands of euro)***

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| **Earnings before tax** | **19,376** | **24,931** | **20,606** | **25,194** |
| Tax calculated at the Company's tax rate (29%). | 5,619 | 7,230 | 5,976 | 7,306 |
| Expenditure not exempted from income tax | 148 | 294 | 148 | 294 |
| Income tax settlement differences | 25 | - | 25 | - |
| Untaxed income | (489) | (440) | (487) | (440) |
| Impact of change in tax rates | (396) | - | (396) | - |
| Permanent differences | 2,043 | 1,397 | 1,682 | 1,240 |
| **Total taxes in Comprehensive Income Statement** | **6,950** | **8,481** | **6,947** | **8,400** |

The impact on the reduction in tax rates made by Article 23 of Law 4579/2018 was € 396 for the Group and Company.

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:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31-Δεκ-17 |
| Deferred tax assets | 4,896 | 5,212 | 4,896 | 5,212 |
| Deferred tax liabilities | (1,443) | (2,078) | (1,443) | (2,078) |
| **Total deferred tax in the Statement of Financial Position** | **3,452** | **3,133** | **3,452** | **3,133** |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | THE COMPANY | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| **Balance at start of period** | **3,133** | **3,377** | **3,133** | **3,377** |
| Tax on income/equity | 319 | (244) | 319 | (244) |
| **Closing balance** | **3,452** | **3,133** | **3,452** | **3,133** |

| | THE GROUP - THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | As at 31/12/2017 | Credits /(Debits) in equity | Opening balance at 1/1/2018 after impact of IFRS 15 | Credits (Debits) in results | Credits (Debits) in equity | As at 31/12/2018 |
| **Deferred tax liabilities** | | | | | | |
| Adjustment of fixed asset subsidies | (2,078) | - | (2,078) | 635 | - | (1,443) |
| Adjustment for IFRS 15 (note 2.4) | - | (2,269) | (2,269) | 2,269 | - | - |
| | (2,078) | (2,269) | (4,347) | 2,904 | - | (1,443) |
| **Deferred tax assets** | | | | | | |
| Depreciation on tangible assets | 3,686 | - | 3,686 | (342) | - | 3,344 |
| De-recognition of depreciation on capital expenditure and adjustment in depreciation for intangible assets | 170 | - | 170 | (43) | - | 127 |
| Adjustment of value of receivable accounts | 703 | - | 703 | (97) | - | 606 |
| Provisions for contingencies - other provisions | 104 | - | 104 | 225 | - | 329 |
| Personnel dismissal and retirement compensation provision | 555 | - | 555 | (47) | (13) | 491 |
| | 5,217 | - | 5,217 | (302) | (13) | 4,897 |
| **Net deferred tax assets in the statement of financial position** | **3,133** | **(2,269)** | **864** | **2,602** | **(13)** | **3,453** |
| **Presentation in statement of financial position** | | | | | | |
| Deferred tax liabilities (net) | - | | - | | | - |
| Deferred tax assets (net) | 3,133 | | 864 | | | 3,453 |
| | **3,133** | | **864** | | | **3,453** |

*(amounts in thousands of euro)*

| | 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** |

Deferred income tax is calculated using the tax rate expected to apply at the time the tax assets/liabilities mature.

## 28. 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.

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1 -31/12/2018 | 1/1 -31/12/2017 | 1/1 -31/12/2018 | 1/1 -31/12/2017 |
| **Net profits payable to the Company's ordinary shareholders** | **14,001** | **16,449** | **13,659** | **16,794** |
| Average weighted number of shares in circulation | 36,300,000 | 36,300,000 | 36,300,000 | 36,300,000 |
| **Less:** Weighted average number of own shares | | | | |
| 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)** | **0.3857** | **0.4532** | **0.3763** | **0.4626** |

At its meeting on 18/4/2019 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 and Article 160 of Law 4548/2014 of € 0.126 per share (or a total gross sum of € 4.586.626) for 2018.The dividend is subject to approval by the Ordinary General Meeting of Shareholders and is included in the balance of the account "Retained earnings".

## 29. 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). Note that in 2018, the Company's financial statements were included in the consolidated financial statements of HCAP S.A. for the first time. Consequently, the Group considers the entities related to HCAP S.A. to be related parties. The Group's trading transactions with these related parties during the 1/1/2018-31/12/2018 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 1/1/2018 - 31/12/2018 period and on 31/12/2018 respectively, are broken down in the following tables:

*(amounts in thousands of euro)*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 1/1/2018 - 31/12/2018 | 1/1/2017 - 31/12/2017 | 1/1/2018 - 31/12/2018 | 1/1/2017 - 31/12/2017 |
| Expenses to subsidiary | - | - | 371 | 2,225 |
| Income from other related parties consolidated along with HCAP S.A. | 148 | - | 148 | - |
| Expenses to other related parties consolidated along with HCAP S.A. | 12,273 | - | 12,273 | - |
| Transactions with and fees for executives and board members | 678 | 632 | 674 | 632 |
| Transactions with other related parties | 2 | - | 2 | - |

The company's expenses of € 371 are related to meter reading services and distribution of receipts, as well as other services provided by subsidiary “EYATH SERVICES S.A.”.

Transactions with and fees for executives and board members relate to salaries.

Income from other related parties consolidated along with HCAP S.A. relates primarily to water supply and sewerage network service revenues.

Expenses from related parties consolidated along with HCAP S.A. relate primarily to services received (expenses for electricity supplied worth € 11.7 million) and the leasing of properties.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Receivables from subsidiary | - | - | 24 | 24 |
| Receivables from other related parties consolidated along with HCAP S.A. | 533 | - | 533 | - |
| Liabilities from subsidiary | - | - | - | 477 |
| Liabilities from other related parties consolidated along with HCAP S.A. | 2,562 | - | 2,562 | - |
| Receivables from management executives and board members | - | 4 | - | 4 |
| Liabilities to management executives and board members | 7 | 3 | 2 | 3 |

The Company's receivable from a subsidiary of € 24 mainly related to receivables in lieu of the approved dividend.

Receivables and liabilities from other related parties consolidated along with HCAP S.A. of € 533 and € 2,562 related to receivables for income from providing water supply and sewerage services both billed and accrued, and services received and prepaid property rents.

Liabilities to management executives and board members related to salaries payable.

The actuarial liability for the company's related parties (management executives) was € 110 on 31/12/2018 (compared to € 126 in 2017).

## 30. COMMITMENTS FROM CONTINGENT LIABILITIES

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

On 31/12/2018 there were lawsuits, extrajudicial invitations and in general future claims of a total amount of € 36 million approximately against the Company and Group, for which a provision of € 3.49 million in total had been formed, which is included in the long-term liabilities account "Provisions for contingencies and expenses" (see Note 19).

*(amounts in thousands of euro)*

Of those lawsuits, the sum of € 8 million relates to compensation for damage done by flooding or actions from various counterparties/suppliers and contractors for breach of contractual terms and € 28 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.

**30.2 Commitments from operating leases**

As at 31/12/2018, 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 € 366 (2017: € 351).

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 December 2018 | 31 December 2017 |
|---|---|---|
| 0 – 1 years | 396 | 136 |
| 1 – 5 years | 898 | 196 |
| Over 5 years | 262 | 54 |
| | 1,557 | 386 |

**30.3. Other contingent liabilities**

The Group on 31/12/2018 had granted performance bonds for project contracts of a total amount of €526 (31/12/2017: €453).

**30.4 Open tax periods**

**Tax Compliance Report**

For the years 2011 to 2018, the Company and its subsidiary EYATH Services S.A. have undergone a tax audit carried out by 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 2018, 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.

Note that based on recent judgments in similar cases (such as Council of State Judgments No. 1738/2017, 675/2017 and Athens Administrative 3-member Court of Appeal Judgment No. 1490/2016), the administrative courts have ruled that the 2011 accounting period has become statute-barred for tax purposes (given the 5-year statute-barring rule). It should also be pointed out that the Dispute Resolution Directorate accepted an administrative recourse filed by a company asking that audit instructions for the 2012 and 2013 accounting periods be annulled on the grounds that it was no longer possible to audit them given that the 18-month deadlines for carrying them out specified in ministerial decision No. ΠΟΛ. 1159/22-7-2011 had elapsed. Based on those points, it appears that the tax authorities can no longer carry out tax audits on societes anonyme for 2012 and 2013, and that the ability to carry out audits only exists for the 2014-2017 accounting periods, for which the provisions on tax certificates and 18-month deadlines for carrying out random tax audits have been repealed.

## 31. NUMBER OF STAFF EMPLOYED

The number of staff employed full time by the Group on 31.12.2018 was 350 compared to 339 employed in 2017, and the number of staff on a fixed term employment contract was 11 (2017: 41 people).

## 32. MAJOR EVENTS

***Change in the shareholder line-up and voting rights***

The Interministerial Committee for Restructuring and Privatisation decided at its meeting on 21.2.2018 to revoke Decisions No. 195/27.10.2011 (Government Gazette 754/B) and No. 206/25.4.2012 (Government Gazette 1363/B/26.4.2012) of that Committee, to the extent that they transferred 14,520,000 and 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/22.2.2018.

Following that, 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.

***Investment projects***

During 2018 EYATH S.A. launched various open tender procedures to put out the following water supply and sewerage designs and projects out to tender relating to extensions to networks, repair or replacement of pipelines or new projects.

- Technical Advisor services under the Framework Agreement for Technical Advice for EYATH S.A.'s Strategic and Business Plan designs and works. Budget: € 1.32 million (plus VAT). Currently, the appointment of the contractor is still awaited.
- Drafting of supporting designs / Framework Agreement for the preparation of support designs to meet EYATH S.A.'s needs. Budget: € 725,000 (plus VAT). The Framework agreement has been signed and the first implementing agreement is about to be signed.
- Contract for first group of urgent water supply works 2019. Budget: € 2.5 million (plus VAT). Currently, the appointment of the contractor is still awaited.
- Framework Agreement to improve - repair the Aravissos aqueduct. Budget: € 3.37 million (plus VAT). Currently, the appointment of the contractor is still awaited.

- Works to complete connection of the Thessaloniki low-lying areas, which includes 7 sewerage sub-projects in the area where transport interchange K16 is being built. Budget: € 6 million (plus VAT). At present, signing of the contract with the contractor is still awaited.

During 2018, Decision No. 4391/2.8.2018 approved inclusion of the operation entitled “Construction of an extension to the Thessaloniki Water Treatment Plant - Phase A2” in the Central Macedonia 2014-2020 operational programme (operation MIS code: 5028173) with a budget of € 21.4 million (plus VAT). The Company is currently updating the tender documents and drafting the tender notice, and plans to put the project out to tender in 2019.

During 2018, cases of extending sewerage networks with third parties assuming part of the cost were examined. These related to pipelines around 3.5 km long in various areas. Other cases examined included repairs/replacements of sewerage pipelines of around 10 km long.

In 2018 the special sewerage regulations were approved (Joint Ministerial Decision No. 1793 B΄/21-5-2018) which relates to the terms and conditions imposed on all activities and operators who generate liquid waste other than residential homes, to enable the liquid waste to be disposed of via EYATH S.A.’s sewerage network. The regulations incorporate the environmental legislation and will reduce the impact on EYATH’s sewerage network and also the environmental impact of the liquid waste itself.

***The subsidiary EYATH SERVICES S.A.***

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 those persons have ceased offering their services to the company. EYATH SERVICES S.A. has not provided any water supply and sewerage services in the period from 1.3.2018 to the present day. On 2.4.2019 the main cases filed by former contract workers against EYATH S.A. and EYATH SERVICES S.A. was heard and judgment is awaited.

On 12.4.2018 the Thessaloniki Regional Branch of the EFKA Fund sent the company's subsidiary EYATH Services S.A. decisions imposing social security contributions and decisions imposing additional social security contribution charges totalling € 2,376,029.24. Those decisions were the result of an audit of contracts which examined the social security contributions of employees on independent service contracts / contracts for work at the subsidiary over the period 1.7.2010 - 31.12.2016. Those fines were paid by the subsidiary and it has filed an objection with the local EFKA Fund committee which handles those matters. The majority of that amount has been covered with provisions.

- Decision No. 270/2018 of EYATH S.A.’s Board of Directors approved a € 2,400,000 increase in the share capital of the wholly owned subsidiary EYATH Services S.A. in May, paid in cash, for the purpose of covering the said fine imposed by the Thessaloniki Regional Branch of the EFKA Fund. Following completion of that share capital increase, the subsidiary’s share capital stood at € 2,460,000 divided into 4,920,000 registered shares with a nominal value of € 0.50 each. The Company then formed an impairment provision equal to the increase in the subsidiary’s share capital increase based on the present value of future cash flows which are expected to flow from the subsidiary.

On 7.6.2018 another decision from the EFKA Fund was sent to the Company following settlement of social security cases for all employees on contracts up to 28.2.2018, for a total of € 242,952.94 including surcharges. EYATH Services has also filed an objection in relation to this fine with the local committee responsible for these matters.

***Acquisition of a holding***

EYATH S.A. participated in the share capital increase of the Metropolitan Development Agency of Thessaloniki, acquiring a 7.28% stake for around € 50 thousand.

***Fault with the Aravissos pipeline***

During the period ended, there was a major fault / break in the Aravissos pipeline, meaning that the supply of water from the Aravissos springs to the Thessaloniki urban area was suspended, and there were consequent extensive water supply problems throughout the entire city. Although technical works were completed on schedule, the considerable turbidity of the water in the Aravissos river, available at the Dendropotamos Pumping Station after completion of the works to replace the damaged section of the Aravissos pipeline was something unforeseen. Only after the water in the Aravissos river was found to be safe to drink was it channelled to the city once again.

As a company which manages a public commodity, to assist with the effects of water shortages in the Thessaloniki urban area resulting from that fault to the extent it could, EYATH S.A.'s Board decided to:

- Exempt consumers of special tariffs (social tariff, disabled tariff, large family tariff, etc.) from the standing charges on the next bill.
- Provide technical and financial assistance to public hospitals to ensure they had sufficient supplies of drinking water in the case of water supply problems.
- Assist Municipalities with the financial costs they incurred during the water shortages to secure drinking water for municipal services (such as old people's homes, kindergartens, etc.).
- Reduce the charges for tariffs in 2018 Q2 by taking 12% of the original tariff for those business consumers who had no past-due debts.
- Not apply charges for works to fix leaks on consumers' external branch lines, for the period from 28.3.2018 to 15.4.2018.
- Commission the Central Macedonia Annexe of the Technical Chamber of Greece to prepare an expert report on the damage to the pipe.

According to the Technical Chamber of Greece / Central Macedonia Annexe's technical report, delivered to EYATH S.A. in February 2019, the cracking in the cement Aravissos pipeline was due to corrosion of the steel reinforcements. In their expert report, engineers from the Technical Chamber of Greece / Central Macedonia Annexe took the view that the method followed by EYATH S.A. technical staff to repair the pipeline was the right one, that the duration of the works was reasonable, and the capacity of the existing water supply network appears to have been used to the full to distribute available quantities of water to the city.

After the damage occurred, a questionnaire was prepared and distributed to EYATH S.A. staff for the first time. It was sent in hard copy and electronic format in July 2018. The questions posed were also used in the public opinion poll conducted by an external associate (November – December 2018) and combining the results of the two helped the company develop a targeted communications policy.

Immediately after the Aravissos pipeline broke, Prof. Emeritus Giorgos Penelis was invited to update the Aravissos pipeline repair study which he had prepared in early 2000. The update was submitted to EYATH S.A. in August 2018. Then as part of EYATH S.A.'s activities in relation to this matter, which have been included in the company's Strategic and Business Plan, tender documents were prepared for a framework agreement to improve - repair the Aravissos pipeline, with a budget of € 3.4 million and an option for € 1.0 million. The framework agreement relates to work to improve and repair the Aravissos aqueduct which the design considers to be necessary. The tender procedure was run in December 2018 and a contractor for the project is expected to be selected soon.

During the year, the following steps were also taken for preventative maintenance and to check the Aravissos aqueduct:
a. 10 boreholes were sunk along the length of the pipeline's route to monitor ground water levels.
b. Preparatory steps were taken for specialist checks using spectral analysis of satellite images of the pipeline's entire route (around 52 km) to reveal any underground, and hidden leaks.
c. Preparatory steps were taken for an internal acoustic inspection of the pipeline to identify leaks and air bubbles.

***Recruitment of new staff***

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). The process was completed in 2018, since by 31.12.2017 126 staff had taken up their posts. 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.

***Annual General Meeting of Shareholders***

The Annual Ordinary General Meeting of Shareholders held on 31.5.2018.

- Approved EYATH S.A.'s separate and consolidated annual financial statements.
- Released members of the Board of Directors and certified public accountants from all liability.
- Approved the distribution of dividends for 2017.
- Approved the fees and remuneration paid to the Board and it secretariat.
- Confirmed the election of members of the Board to replace those who had resigned
- Appointed the Audit Committee in accordance with Article 44 of Law 4449/2017.
- Approved amendments the Articles of Association of EYATH S.A.

***Changes to the Board of Directors***

- Mr. Evdoxos Petridis tendered his resignation on 10.5.2018 from the position of non-executive Board member.

- The Board decided at its meeting on 30.8.2018 (Decision No. 391/2018) to accept the resignation of the head of the HRADF S.A. Project, Mrs. Marina Kouri.

## 33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Pricing Policy for the 2019-2023 period, which EYATH recommended to the Special Secretariat for Water, was approved by decision No. 26142/180 of the Special Secretary for Water (Government Gazette 1105/B/3.4.2019) and takes effect on 1.5.2019.

Given that as of 1.1.2019 the provisions of Article 31(5) and (6) of Law 4024/2011 cease to apply (as specified in the provisions of Article 33(a) of Law 4354/2015), the Company is in consultations with the SEEYATH trade union to forge a new collective labour agreement.

The Board decided at its meeting on 24.1.2019 (Decision No. 023/2019) to accept the resignation of the 2nd Vice Chairman (non-executive), Mrs. Styliani Valani.

On 21.2.2019 an Extraordinary General Meeting of Shareholders in the company was held at the company's seat which decided:

1. To elect Nikos Klitos as an independent non-executive director and Mr. Grigorios Penelis as independent non-executive director, to replace the ones who had resigned, with a 5-year term in office running from 21.2.2019 to 21.2.2024.
2. To elect members of the Audit Committee in accordance with Article 44 of Law 4449/2017, whose line-up is as follows:
   - Nikos Klitos, new member and President of the Company's Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
   - Panagiotis Gogos, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.
   - Petros Samaras, member of the Audit Committee, whose term in office runs from 21.2.2019 to 10.5.2021.

The elected members of the Board and Audit Committee meet the conditions and independence criteria laid down in Law 3016/2002, as in force, and the conditions in Article 44 of Law 4449/2017.

In light of the above, on 5.3.2019 EYATH S.A.'s Board official re-established itself and allocated the following roles to its members:

- Ioannis Krestenitis, Chairman & CEO, executive member, whose term in office runs to 10.5.2021.
- Ioannis Papaioannou, 1st Vice Chairman, executive member, whose term in office runs of 10.5.2021.
- Grigorios Penelis, 2nd Vice Chairman, independent non-executive member, whose term in office runs to 21.2.2024.
- Nikos Klitos, independent non-executive member, Chairman of the Audit Committee, whose term in office runs to 21.2.2024.
- Stefania Tanimanidou, independent non-executive member, whose term in office runs to 10.5.2021.
- Panagiotis Gogos, independent non-executive member, whose term in office runs to 10.5.2021.
- Olympia Latsiou-Chrysafi, non-executive member, whose term in office runs to 10.5.2021.
- Petros Samaras, non-executive member, whose term in office runs to 10.5.2021.
- Georgios Archontopoulos, employee representative, non-executive member, whose term in office runs to 10.5.2021.
- Anastasios Sachinidis, employee representative, non-executive member, whose term in office runs to 10.5.2021.

There are no events between 31 December 2018 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, 18 April 2019**

| 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).