HELLENIC GAS TRANSMISSION SYSTEM OPERATOR S.A.

357-359 MESOGEION AVE., CHALANDRI

General Register of Commerce No: 7483601000

Financial Statements for the year ended 31 December 2019

in accordance with the International Financial Reporting Standards (IFRS)

as adopted by the European Union

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[Translation from the original text in Greek]

Independent auditor's report

To the Shareholders of "HELLENIC GAS TRANSMISSION SYSTEM OPERATOR S.A."

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of "HELLENIC GAS TRANSMISSION SYSTEM OPERATOR S.A." (the "Company") which comprise the statement of financial position as of 31 December 2019, the statements of comprehensive income, changes in equity and cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the statutory requirements of Law 4548/2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as they have been transposed into Greek Law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

During our audit we remained independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that has been transposed into Greek Law, and the ethical requirements of Law 4449/2017, that are relevant to the audit of the financial statements in Greece. We have fulfilled our other ethical responsibilities in accordance with Law 4449/2017, and the requirements of the IESBA Code.

Other Information

The members of the Board of Directors are responsible for the Other Information. The Other Information is the Board of Directors Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the Other Information and except to the extent otherwise explicitly stated in this section of our Report, we do not express an audit opinion or other form of assurance thereon.

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In connection with our audit of the financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Board of Directors Report, we considered whether the Board of Directors Report includes the disclosures required by Law 4548/2018.

Based on the work undertaken in the course of our audit, in our opinion:

- The information given in the the Board of Directors' Report for the year ended at 31 December 2019 is consistent with the financial statements.

- The Board of Directors' Report has been prepared in accordance with the legal requirements of article 150 of Law 4548/2018.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this respect.

Responsibilities of Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the requirements of Law 4548/2018, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

With respect to the Board of Directors Report, the procedures we performed are described in the "Other Information" section of our report.

Additionally, we have audited the unbundled financial statements of the Company as at 31 December 2019, which consist of the unbundled statements of comprehensive income, the unbundled statements of financial position as well as the notes on the accounting of unbundled financial statements. The preparation of the aforementioned unbundled financial statements is the responsibility of the management of the HELLENIC GAS TRANSMISSION SYSTEM OPERATOR S.A. and have been prepared in accordance with the provisions of articles 80A and 89 of Law 4001/2011 and the No. 332/2016 decision of the Regulatory Authority for Energy.

Based on our audit, we have determined that the unbundled financial statements as at 31 December 2019 of the Company have been prepared in accordance with the provisions of Law 4001/2011 and the No. 332/2016 decision of the Regulatory Authority for Energy.

pwc

Athens,18 May 2020
The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors - Accountants
268, Kifissias Avenue
152 32 Halandri
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Statement of Comprehensive Income

Amounts in thousand €	*Notes*	*1/1/2019 - 31/12/2019*	*1/1/2018 - 31/12/2018*
Revenue	**3**	243.349	199.485
Cost of Sales	**4**	(112.305)	(93.809)
Gross profit		**131.044**	**105.676**
Other operating income	**5**	14.332	4.393
		145.376	**110.069**
Administrative expenses	**4**	(16.304)	(13.495)
Distribution expenses	**4**	(554)	(543)
Other operating expenses	**4**	(2.926)	(2.173)
Amortisation of fixed asset grants	**19**	12.064	11.283
Operating profit		**137.657**	**105.140**
Finance costs – net	**6**	(7.448)	(5.533)
Profit before income tax		**130.209**	**99.608**
Income tax expense	**12**	(26.263)	(26.158)
Profit for the year		**103.946**	**73.450**
Other comprehensive income			
Foreign exchange differences		-	(42)
Actuarial (loss)/profit on retirement benefit obligations	**21**	(250)	69
Deferred tax relating to these items		85	88
Other comprehensive (loss)/income for the year, net of tax		**(165)**	**115**
Total comprehensive income for the year		**103.780**	**73.565**

The notes on pages 11 to 46 are an integral part of these financial statements.

Statement of Financial Position

Amounts in thousand €	*Notes*	*31/12/2019*	*31/12/2018*
ASSETS			
Non-current assets			
Tangible asssets	**7**	1.193.167	1.217.096
Intangible assets	**8**	13.431	13.776
Investments in associates	**9**	355	355
Financial assets at fair value through profit or loss	**10**	350	350
Other non-current assets	**11**	263	261
Total non-current assets		**1.207.566**	**1.231.838**
Current assets			
Inventories	**13**	18.346	22.305
Trade and other receivables	**14**	52.065	32.084
Income tax asset		-	10.158
Cash and cash equivalents	**15**	136.910	217.864
Total current assets		**207.321**	**282.411**
TOTAL ASSETS		**1.414.887**	**1.514.249**
EQUITY AND LIABILITIES			
Equity			
Share capital	**16**	639.051	639.051
Reserves	**16**	33.779	25.293
Retained earnings		193.971	285.493
Total equity		**866.801**	**949.837**
Non-current liabilities			
Employee benefit obligations	**21**	3.998	3.995
Borrowings	**18**	155.682	174.583
Lease liabilities	**20**	5.080	-
Provisions	**27**	21.374	21.931
State grants	**19**	247.289	256.564
Other non-current liabilities	**29**	145	145
Deferred tax liabilities	**12**	16.817	19.420
Total non-current liabilities		**450.385**	**476.638**
Current liabilities			
Trade and other payables	**22**	68.939	64.464
Borrowings	**18**	18.896	22.438
Lease liabilities	**20**	1.594	-
Current income tax liabilities		3.599	-
Other taxes payable	**23**	4.673	872
Total current liabilities		**97.701**	**87.774**
TOTAL EQUITY AND LIABILITIES		**1.414.887**	**1.514.249**

The notes on pages 11 to 46 are an integral part of these financial statements.

Statement of Changes in Equity

Amounts in thousand €	Share capital	Statutory reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2018	**639.051**	**24.844**	**449**	**257.429**	**921.773**
Change in accounting policy – IAS 19	-	-	-	52	**52**
Restated equity at 1 January 2018	**639.051**	**24.844**	**449**	**257.481**	**921.825**
Profit for the year	-	-	-	73.450	**73.450**
Other comprehensive income	-	-	-	**63**	**63**
Total comprehensive income for the year	-	-	-	**73.513**	**73.513**
Transactions with owners in their capacity as owners:					
Dividends paid (Note 17)	-	-	-	(45.500)	**(45.500)**
	-	**-**	**-**	**(45.500)**	**(45.500)**
Balance at 31 December 2018	**639.051**	**24.844**	**449**	**285.493**	**949.837**
Balance at 1 January 2019	**639.051**	**24.844**	**449**	**285.493**	**949.837**
Adoption of IFRS 16 (Note 2.23)	-	-	-	52	**52**
Restated equity at 1 January 2019	**639.051**	**24.844**	**449**	**285.545**	**949.889**
Profit for the year	**-**	**-**	**-**	103.946	**103.946**
Other comprehensive income	**-**	**-**	**-**	-217	**-217**
Total comprehensive income for the year	**-**	**-**	**-**	**103.729**	**103.729**
Transfer to statutory reserve	-	8.486	-	(8.486)	**-**
Transactions with owners in their capacity as owners:					
Dividends paid (Note 17)	**-**	**-**	**-**	(186.818)	**(186.818)**
Balance at 31 December 2019	**639.051**	**33.330**	**449**	**193.971**	**866.801**

The notes on pages 11 to 46 are an integral part of these financial statements.

Cash Flow Statement

Amounts in thousand €	*Notes*	*1/1/2019 - 31/12/2019*	*1/1/2018 - 31/12/2018*
Cash flows from operating activities			
Profit/(Loss) before income tax		130.209	99.608
Adjustments for:			
Depreciation and amortization	**7,8**	59.960	55.340
Provisions	**12, 13, 27**	(10.095)	3.328
Amortization of grants for investments in fixed assets	**19**	(12.064)	(11.283)
Gains from disposal of assets		2	197
Finance costs – net	**6**	7.448	5.540
		175.460	**152.730**
Change in operating assets and liabilities:			
(Increase) / Decrease in inventories		(158)	(2.540)
(Increase) / Decrease in trade and other receivables		(6.814)	26.173
Increase / (Decrease) in trade and other payables		4.672	(9.346)
Increase / (Decrease) in other taxes payable		3.801	(4.279)
Cash (used in)/generated from operations		**176.963**	**162.738**
Income taxes paid		(14.785)	(61.110)
Finance costs paid		(8.826)	(8.697)
Net cash inflows from operating activities		**153.350**	**92.931**
Cash flows from investing activities			
Payments for acquisition of investments in other companies	**10**	-	(350)
Purchases of tangible assets	**7**	(27.210)	(44.411)
Purchases of intangible assets	**8**	(463)	(565)
Proceeds from grants for investments in fixed assets	**19**	2.789	11.079
Interest received and investment income		1.181	2.705
Net cash (outflows) from investing activity		**(23.702)**	**(31.542)**
Cash flows from financing activities			
Repayments of borrowings		(22.443)	(25.801)
Principal element of lease payments		(1.341)	-
Dividends paid	**17**	(186.818)	(45.500)
Net cash (outflows) from financing activities		**(210.602)**	**(71.301)**
Net (decrease) in cash and cash equivalents		**(80.954)**	**(9.912)**
Cash and cash equivalents at the beginning of year		217.864	227.776
Cash and cash equivalents at the end of year		**136.910**	**217.864**

The notes on pages 11 to 46 are an integral part of these financial statements.

Notes to the Financial Statements

1. Establishment and activities

1.1. General information

HELLENIC GAS TRANSMISSION SYSTEM OPERATOR (the "Company" or "DESFA") was founded in Athens in 2007 and has its registered office at 357-359 Mesogeion Avenue, in the municipality of Chalandri, Prefecture of Attica, Greece. It was the result of the spin-off of the gas branch of company "DEPA S.A." on 30 June 2006, when the company drafted its Pre-spin off Balance Sheet, in accordance with the provisions of Laws 2166/1993 and 3428/2005. The term of the Company has been set at ninety-nine (99) years from the date of registration in the Registry of Sociétés Anonymes and may be extended by virtue of a resolution of the General Meeting of Shareholders.

1.2. Scope of activity

The company engages in the operation, maintenance, management, exploitation and development of the National Gas System (ESFA) in Greece, as defined by Article 6 of Law 3428/2005, including its connections, so that the ESFA is cost-effective, technically perfect and complete, as well as capable of meeting the needs of users, as defined in Article 2(31) of Law 3428/2005, for gas in a safe, adequate and cost-effective way.

2. Summary of significant accounting policies

2.1. Basis of preparation

These financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and their interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of IASB, as adopted by the European Union.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of equity investments at fair value through profit or loss, in accordance with the going concern basis of accounting.

The financial statements for the year ended 31 December 2019 were approved for issuance by the Board of Directors on 18/05/2020 and are subject to the final approval of the General Meeting of Shareholders.

The financial statements of the Company are included in the consolidated financial statements of its parent company, Senfluga Energy Infrastructure Holdings S.A..

2.2. Implications of COVID-19 on the Company's business

The COVID-19 outbreak has developed rapidly in 2020. As explained in Note 31. "Events occurring after the reporting period", measures taken by various governments to contain the virus have negatively affected economic activity. At this stage, the impact on the Company's business and results is limited.

In order to deal with the impact of these circumstances the Company has taken specific measures to minimize disruption of operation while safeguarding the safety of its people: application of segregation of shifts, physical distance of employees and avoidance of any gathering, use of protective devices (masks, gloves, etc.), enhanced cleaning and disinfection, home working where applicable, mobile work force for technicians, restricted access to premises and plants (fever measurements, protective devices, segregated points for delivery of materials and mail, etc.).

Notes to the Financial Statements (continued)

At the same time, the Company possesses the required liquidity to fulfill its obligations and finance its ongoing operations. Whilst uncertain, management does not believe, however, that the impact of the COVID-19 virus would have a material effect on the Company's financial condition or liquidity.

2.3. Presentation of financial statements

The financial statements are presented in Euro, which is the group's functional and presentation currency.

All amounts are presented in Euro thousands, unless stated otherwise.

2.4. New standards, interpretations of and amendments to existing standards

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning on or after 1 January 2019. The Company's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

Standards and Interpretations effective for the current financial year

IFRS 16 'Leases'

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The effect from applying the standard to the Company is described in Note 7.

IFRS 9 (Amendments) 'Prepayment Features with Negative Compensation'

The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss. These amendments did not have any effect on the Company.

IAS 28 (Amendments) 'Long term interests in associates and joint ventures'

The amendments clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. These amendments did not have any effect on the Company's financial statements.

Notes to the Financial Statements (continued)

IFRIC 23 'Uncertainty over income tax treatments'

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This interpretation did not have any effect on the Company's financial statements.

IAS 19 (Amendments) 'Plan amendment, curtailment or settlement'

The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. These amendments did not have any effect on the Company as there have been no changes to the Company's defined benefit pension plans.

Annual Improvements to IFRS (2015 – 2017 Cycle)

The amendments set out below include changes to four IFRSs.

IFRS 3 'Business combinations'

The amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 'Joint arrangements'

The amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 'Income taxes'

The amendments clarify that a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23 'Borrowing costs'

The amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

These amendments did not have any effect on the Company.

Notes to the Financial Statements (continued)

Standards and Interpretations effective for subsequent periods

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

2.5. Functional and Presentation Currency, and Foreign Exchange Conversion

The Company keeps its accounting books in Euro, which is the Company's functional and presentation currency. Transactions that are carried out in a foreign currency are converted to Euro using the official exchange rate that applies on the day each transaction is carried out. On the financial statement preparation date, the assets and liabilities amounts expressed in other currencies are converted to Euro so as to reflect current exchange rates. The profit and loss arising from foreign currency transactions and the end-of-period measurement of foreign currency amounts are recorded in the statement of comprehensive income.

2.6. Tangible fixed assets

Tangible assets are presented in the financial statements at their acquisition cost. The initial cost of acquisition is subsequently reduced by: (a) accumulated depreciation, and (b) any impairment loss. The initial fixed asset acquisition cost includes the purchase price, including import duties and non-refundable purchase taxes and compensation for land expropriation, as well as all necessary expenses to prepare the fixed assets for their intended use. Subsequent expenditures incurred in connection with tangible assets are capitalised when the future economic benefits expected to flow from the use of the affected assets increase. All other expenditures relating to the repair, maintenance, etc. of fixed assets are recorded in the expenses of the fiscal year when they were incurred. Upon withdrawal or sale of fixed assets, the relevant cost and accumulated depreciation is deleted from the corresponding accounts in the withdrawal or sale period, and the relevant profits or losses are recognised in profit or loss. Depreciation is charged to the statement of comprehensive income using the straight-line method over the useful lives of fixed assets. Land is not depreciated. The estimated useful economic life per category of fixed asset is:

Buildings and installations	1 - 20	years
Plant, machinery and equipment	7 - 40	years
Transportation equipment	5 - 7	years
Furniture and fixtures	3 - 7	years

The residual values and useful lives of tangible fixed assets are revised and adjusted at each financial position date.

Notes to the Financial Statements (continued)

2.7. Intangible fixed assets

2.7.1. Easements

Easements are recognised in intangible assets at the amounts paid by the Company to beneficiaries as right of way for the installation of the gas system. Amortisation is charged to profit or loss using the straight-line method over the useful lives of the assets. Their estimated useful economic life is 40 years as the relevant expenditure is considered to be consequential to the gas pipeline installation investment, which has the same useful economic life.

2.7.2. Software

Software is recognised as an intangible asset at acquisition cost. The expenses incurred to increase or expand the performance of software beyond its initial specifications are recognised as capital expenses added to the initial software cost. Amortization of software is charged to profit or loss using the straight-line method over the useful economic life of such software, which is estimated to be 1-3 years.

2.8. Investments in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are measured at cost less impairment. For the impairment assessment refer to Note 2.9.

DESFA does not prepare ‘economic interest’ financial statements for its associate, since the entity is dormant, respective amounts are immaterial, the entity’s debt or equity instruments are not traded in a public market and the entity did not file, and is not in the process of issuing, any class of instruments in a public market. Furthermore, DESFA is not obliged to prepare consolidated financial statements as its financial statements are included in the consolidated financial statements of its immediate parent company, Senfluga Energy Infrastructure Holdings S.A.

2.9. Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment at each balance sheet date and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised, as expense immediately, for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Fair value less costs to sell is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Notes to the Financial Statements (continued)

2.10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company has the following financial assets as at 31 December 2019: Trade & Other receivables, Cash and cash equivalents and other non-current assets, of which are categorized to be measured at amortised cost as well as an equity investment which is classified within financial assets at fair value through profit or loss in the statement of financial position.

(i) Initial recognition and subsequent measurement of financial assets

The Company classifies its financial assets, at initial recognition in the following measurement categories:

- Financial assets at fair value through profit or loss ("FVPL");
- Financial assets at amortised cost.

The classification of financial assets at initial recognition depends on the Company's business model for managing the Company's financial assets and the contractual terms of the cash flows.

With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price determined under IFRS 15 "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI criterion and is performed at an instrument level.

For the purpose of subsequent measurement, financial assets are classified in three categories:

a) Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of an asset is recognised directly in profit or loss, together with any foreign exchange gains/losses. Impairment losses are presented in the separate line item "Net gains/(losses) on impairment of financial assets" in the income statement.

b) Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Other gains/losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented in the separate line item "Net gains/(losses) on impairment of financial assets" in the income statement.

Notes to the Financial Statements (continued)

c) Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gain or loss is recognised in profit or loss in “Other gains/(losses)” in the period in which it arises.

The Company holds no assets at fair value through other comprehensive income as at 31 December 2019.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired. This category includes all financial assets of the Company, except for the investments are measured at fair value through profit or loss (Financial assets at fair value through profit or loss).

For assets measured at fair value, gains and losses will be recorded in profit or loss. Gains or losses arising from changes in the fair value are recognized in the income statement within “Gains / (losses) from investments and other financial assets - Impairment”.

(ii) Impairment

The Company assesses at each reporting date, whether a financial asset or group of financial assets is impaired and recognizes, if necessary, an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies the simplified approach permitted by IFRS 9. Based on this approach, the Company recognises the credit losses that are expected throughout the lifetime of trade receivables (expected lifetime losses). Further details on trade receivables are disclosed in Note 14.

For all other financial assets at amortized cost, the general approach is applied. These assets are considered to have low credit risk and any loss allowance is therefore limited to 12 months’ expected losses.

(iii) Derecognition

Financial assets are derecognised when:

- the rights to receive cash flows from the financial asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The rights to receive cash flows from the financial asset have been transferred and either the Company (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Initial recognition and subsequent measurement of financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For the purpose of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

2.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12. Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. The cost of inventories is determined using the weighted average cost method and includes all the necessary expenses incurred for inventories to be taken to their placement location. The net realizable value of inventories is their estimated selling price during the normal operation of the Company minus the estimated necessary costs for sale thereof. On each reporting date, inventories that are obsolete, useless and with very low inventory turnover are tested for impairment. Provisions are formed for the reduction of the acquisition value of inventories in net realisable value, which are registered in profit or loss during the period where such reductions arise. The provisions are reviewed at each subsequent period.

Notes to the Financial Statements (continued)

2.13. Cash and cash equivalents

Cash and cash equivalents include cash, sight deposits, short-term high liquidity investments of up to three months.

2.14. Share Capital

Ordinary shares are classified in equity. The cost directly attributable to issuing new shares is recognized directly in equity as a reduction of share premium.

2.15. Borrowings

All loans and borrowings are initially classified at cost being the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, borrowings are measured at amortized cost using the effective interest method. Any difference between the amount received (net of acquisition cost) and the amount to be repaid is recognized in profit and loss over the loan period.

2.16. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company acts as a lessee.

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets in accordance with IFRS 16.

i. Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets.

If ownership of the leased asset is transferred to the Company at the end of the lease term or its cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Company has lease contracts for buildings, vehicles and other equipment used in their operations. The lease contracts may contain both lease and non-lease components.

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company use the Company's incremental borrowing rate because the interest rate implicit in the lease is not readily determinable.

Notes to the Financial Statements (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced through the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a reassessment or modification of the lease contract.

Details for the Company's leases are included in Note 7, while the effect from the initial application of the standard to the Company is described in Note 2.23.

2.17. Income tax (current and deferred)

The income tax for the fiscal year includes current and deferred taxes. Current and deferred income taxes are calculated based on the relevant amounts reflected in the financial statements, in accordance with the tax laws applicable in Greece. Current income tax refers to tax on the taxable profits of the company as reformed in accordance with the requirements of the tax law and calculated on the basis of the applicable tax rate.

Deferred tax is determined using the liability method for all the temporary tax differences, as at the reporting date, between the tax basis and book value of the assets and liabilities. The expected tax effects of the temporary tax differences are determined and presented either as deferred tax liabilities or as deferred tax assets.

Deferred tax assets are recognized for all tax-deductible temporary differences and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the tax-deductible temporary difference can be used, based on the estimated future performance of the Company.

The book value of the deferred tax assets is reviewed at each Financial Position date and is reduced to the extent that taxable profits will not be available against which a part or the total of the deferred tax assets can be used.

Current Income tax assets and liabilities for the current and previous fiscal years are measured at the amount expected to be paid to the tax authorities (or recovered from them), using tax rates (and tax laws) that have been enacted by the reporting date.

2.18. Dividends

Dividends are recognized as a liability at the time of approval by the General Meeting of Shareholders.

2.19. Employee benefits

The Company contributes to both defined benefit and defined contribution plans. The liability in respect of defined benefit pension or retirement plans is the present value of the defined benefit obligation at the balance sheet date. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and they are included in other reserves in the statement of changes in equity and in the balance sheet.

Notes to the Financial Statements (continued)

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.20. Revenue from contracts with customers

The Company recognizes revenue related to the provision of services at a price that reflects the consideration it expects to be entitled to exchange goods or services in accordance with IFRS 15. It examines in detail the terms of the contract with the client as well as all relevant facts and circumstances related to the transfer of goods or services under the five-step model-framework provided. Revenue is recognized at the time that control of the goods or services is transferred to the customers, which is deemed to coincide with the time of satisfaction of contract obligations.

The recording of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation, represented by the contractual promised to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sales price of each good or service; (v) recording of the revenue when the related performance obligation has been satisfied, or at the time of transfer to the customer of the good or service promised; the transfer will be considered as made when the customer obtains control over the goods or services, which may take place over time or at a specific point in time.

As regards the activities carried out by the Company, revenue is generally recognized as follows:

Regulated services

Transmission of natural gas

Revenue from the transmission of natural gas is recognized as the service is provided based on: a) the amount of transmission capacity booked by each user (customer) via his approved booking applications and b) the quantity (in energy units) of natural gas transmitted for each user (customer), during the month in question.

According to the article 4 of the Standard Contract Framework Agreement the Transmission User must pay a monthly fee to the Operator for the provision of the services agreed in the Agreement and in the Approved Application by the latter. The Fee is calculated and invoiced pursuant to the provisions of the Network Code, the Tariff Regulation, the NNGS Usage Tariff and any relevant delegated acts. The Transmission User is been invoiced on a monthly basis.

Use of LNG services

Revenue from the use of LNG services is recognized as the service is provided based on: a) the amount of regasification capacity booked by each user (customer) via his approved booking applications and b) the quantity (in energy units) of liquefied natural gas regasified for every user (customer), during the month in question.

Notes to the Financial Statements (continued)

According to the article 4 of the LNG Contract Framework Agreement the LNG User must pay a monthly fee to the Operator for the provision of the services agreed in the Agreement and each Approved LNG Application by the latter. The Fee is calculated and invoiced pursuant to the provisions of the Network Code, the Tariff Regulation, the Usage Tariff of the NNGS and the relevant delegated acts. The LNG User is been invoiced monthly.

Sales of balancing and operating gas

The Company ensures in any case the balance between Natural Gas Deliveries and Receptions in the National Natural Gas Transmission System (NNGTS) by the Transmission Users (Gas Balancing), taking into account the losses and stored quantities of Natural Gas on the Transmission System, aiming to the reliable, secure and effective operation thereof. The revenue from sales and operating gas is recognized over the period that the service is provided based on achieving the neutralization of the positive or negative balancing position of the Transmission Users in the system on a monthly basis. The Transmission User is invoiced on a monthly basis.

Security of supply duty

The Regulatory Authority for Energy (RAE) has set the maximum limit of the security of supply account, a unitary security of supply charge per category of natural gas customers and per standard power generation unit. According to the respective RAE decision, the Company maintains a separate interest-bearing account for inputs and outflows relating to security of supply matters, which will be refinanced by the interest accruing from the inventory of that account. The revenue deriving from the security of supply account is recognized on a monthly basis according to RAE decision (344/2014).

Non-regulated services

Supplementary Transmission Services

Supplementary Transmission Services include the services of metering systems calibration, the conduct of Dew Point Control Measurements and the provision of Equipped Working Space at the NGTS Entry Points. Revenue is recognized when the service is provided.

Other Non Regulated Services

Other Non Regulated Services include operation and maintenance services for distribution networks, CNG facilities. LNG facilities and LNG tankers, pipeline protection and other technical support services. Revenue is recognised when the service is provided.

2.21. Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

2.22. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23. Changes in accounting policies

Adoption of IFRS 16

The Company has adopted IFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions of the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The effect of the adoption of IFRS16 is disclosed in note 7.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's (i.e. the Company's) incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.8%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the Financial Statements (continued)

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

(ii) Measurement of lease liabilities

Amounts in thousand €	**2019**
Operating lease commitments disclosed as at 31 December 2018	14.891
Discounted using the lessee's incremental borrowing rate at 1 January 2019	7.963
Lease liabilities recognised as at 1 January 2019	**7.963**
Of which are:	
Current lease liabilities	1.615
Non-current lease liabilities	6.348

(iii) Adjustments recognized in the balance sheet on 1 January 2019

Amounts in thousand €	**2019**
Right-of-use assets – increase	8.015
Lease liabilities - increase	(7.963)

The net impact on retained earnings on 1 January 2019 was an increase of € 52k.

Lease liabilities are disclosed in Note 20.

2.24. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements and the related notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that arise upon the occurrence of the relevant events could thus differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in statement of comprehensive income. The use of estimates is significant for the following items:

- **Impairment testing of Property, Plant and Equipment:** The Company’s items of Property, Plant & Equipment are tested for impairment at the reporting date when indications of impairment exist. If any such indication exists, the recoverable amount of the items of Property, Plant and equipment is assessed by identifying those assets that form an independent Cash Generating Unit. The pipeline infrastructure of the Company has been assessed to be a single Cash Generating Unit for this purpose.

  Future cash flows are projected based on the Company’s business plan approved by management taking into consideration the approved regulatory income for the period covered by the plan. A terminal value is also calculated based on a reasonable perpetuity rate.

Notes to the Financial Statements (continued)

The key assumptions used by management in projecting cash flows for impairment testing at 31 December 2019 are the following:

- Regulated revenue: Management has based its analysis on the current regulatory framework, calculating recoverable differences based on the most recent updates and developments. Required revenue is estimated until 2033, including the new recoverable differences arising each year between the revenue from tariffs and the required revenue. Required revenue is calculated based on the prevailing regulatory WACC (from 7.44% in 2022, which is the end of current regulatory period, to 7.26%).

- Capital expenditure: The annual amounts are derived from the Company's 10 year Development Plan approved by RAE. Any capital expenditure relating to expansion has been excluded from the calculation, so that only maintenance capital expenditure is included.

- Terminal value: in order to capture the value of business beyond 2033 management estimated a Terminal Value based on a perpetuity formula. The perpetuity rate assumed was 1.5%.

- Pre-tax discount rates: Reflect specific risks relating to the relevant segment and the country risk for Greece. The pre-tax discount rates ranges used in 2019 and 2018 were 7.1% to 7.5% and 8.54% to 9.26% respectively.

- **Depreciation and Amortisation:** Depreciation of tangible assets and amortization of intangible assets with a finite useful life. The process of determining depreciation and amortization expense entails reviewing periodically the remaining useful lives of assets. Refer to Notes 2.6 and 2.7.
- **Provisions for contingencies:** There are pending disputed cases relating to the Company. Management assesses the outcome of these cases in order to recognise asset or liability. Where a negative outcome is possible, the Company forms the required provisions. Provisions, where required, are calculated on the basis of the current value of the estimates made by the management of the cost to be incurred for settling the expected liabilities as of the reporting period date. Refer to Note 27.
- **Impairment of trade and other receivables:** Estimation of expected credit loss for trade and other receivables. Refer to Note 25.2.
- **Impairment of inventory:** Estimation of inventory devaluation. Refer to Note 2.12
- **Assessment of uncertain tax positions:** Determination of the provision for income taxes that the Company is subjected to, requires significant judgment. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audits based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Financial Statements (continued)

3. Revenue

Revenue is analysed as follows:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018-31/12/2018**
Transmission	192.517	173.361
Use of LNG services	23.803	10.848
Electricity	925	1.556
Additional services	2.624	3.296
Non regulated sales	5.210	3.241
Sales of balancing and operating gas	13.840	7.181
Security of supply fees	4.430	2
Total	**243.349**	**199.485**

4. Expenses

Cost of sales

Cost of sales is analyzed as follows:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018-31/12/2018**
Personnel fees and expenses	11.245	8.607
Third party fees and expenses	10.919	9.893
Utilities and services	5.834	6.841
Taxes and duties expenses	13.494	2.435
Purchases of Natural Gas	9.253	3.173
Depreciation and amortization	59.071	55.357
Staff indemnity provision	69	53
Miscellaneous expenses	2.420	7.450
Total	**112.305**	**93.809**

Administrative expenses

Administrative expenses are analyzed as follows:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018-31/12/2018**
Personnel fees and expenses	6.822	4.773
Third party fees and expenses	6.210	5.198
Utilities and services	626	1.574
Taxes and duties expenses	55	60
Depreciation and amortization	889	-
Staff indemnity provision	39	57
Miscellaneous expenses	1.663	1.833
Total	**16.304**	**13.495**

Notes to the Financial Statements (continued)

Distribution expenses

Distribution expenses are analyzed as follows:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018-31/12/2018**
Personnel fees and expenses	87	84
Third party fees and expenses	187	279
Utilities and services	2	16
Taxes and duties expenses	24	18
Miscellaneous expenses	254	146
Total	**554**	**543**

Other operating expenses

Other operating expenses are analyzed as follows:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018-31/12/2018**
Extraordinary and non-operating expenses	26	78
Extraordinary losses	2	670
Expenses from previous years	2.548	1.161
Staff retirement indemnities	350	59
Provisions for contingencies	-	205
Total	**2.926**	**2.173**

5. Other operating income

Other operating income consists of the following items:

Amounts in thousand €	**1/1/2019-31/12/2019**	**1/1/2018- 31/12/2018**
Other income	1.185	1.531
Rental income	3	374
Income from settlement of legal cases	1.227	759
Reversal of provision for security supply levy	11.360	1.729
Reversal of provisions for extraordinary contingencies	557	-
Total	**14.332**	**4.393**

Other income mainly relates to income from users' connection fees (€ 648k).

Notes to the Financial Statements (continued)

6. Finance costs – net and foreign exchange differences -net

The item is analyzed as follows:

Amounts in thousand €	1/1/2019 - 31/12/2019	1/1/2018 - 31/12/2018
Interest and other bank charges	8.355	8.245
Interest charge on leases	274	
Total financial expenses	**8.629**	**8.245**
Interest and investment income	(1.181)	(2.705)
Total financial income	**(1.181)**	**(2.705)**
Net financial expenses / (income)	**7.448**	**5.540**

Notes to the Financial Statements (continued)

7. Tangible assets

The Group's tangible assets are broken down as follows:

Amounts in thousand €	Land	Buildings	Machinery	Vehicles	Furniture, fittings and equipment	Assets under construction	Total
Cost							
Balance at 1 January 2018	**7.976**	**96.507**	**1.761.522**	**1.576**	**39.669**	**115.094**	**2.022.342**
Additions	-	37	91	-	317	42.789	**43.234**
Estimated cost of construction period	-	-	-	-	-	1.193	**1.193**
Transfers	8	11.159	91.027	-	-	(102.195)	**-**
Disposals	-	-	(586)	(243)	(195)	(16)	**(1.040)**
Balance at 31 December 2018	**7.984**	**107.703**	**1.852.054**	**1.333**	**39.791**	**56.865**	**2.065.730**
Accumulated depreciation							
Balance at 1 January 2018	**-**	**(72.094)**	**(682.568)**	**(1.560)**	**(38.490)**	**-**	**(794.712)**
Depreciation for the year	-	(3.751)	(50.231)	(9)	(660)	-	**(54.651)**
Disposals	-	-	293	242	194	-	**729**
Balance at 31 December 2018	**-**	**(75.845)**	**(732.505)**	**(1.327)**	**(38.956)**	**-**	**(848.634)**
Net book amount at 31 December 2018	**7.984**	**31.858**	**1.119.549**	**6**	**835**	**56.865**	**1.217.096**

Notes to the Financial Statements (continued)

Amounts in thousand €	Land	Buildings	Machinery	Vehicles	Furniture, fittings and equipment	Assets under construction	Total
Cost							
Balance at 1 January 2019	**7.984**	**107.703**	**1.852.054**	**1.333**	**39.791**	**56.865**	**2.065.730**
Restatement on adoption of IFRS 16 (Note 2.23)	-	6.511	-	1.334	170	-	**8.015**
Restated balance at 1 January 2019	**7.984**	**114.214**	**1.852.054**	**2.667**	**39.961**	**56.865**	**2.073.745**
Additions	-	-	322	-	369	26.519	**27.210**
Transfers	-	6.919	42.408	-	3.539	(52.866)	**-**
Disposals	-	-	-	-	(3)	-	**(3)**
Balance at 31 December 2019	**7.984**	**121.133**	**1.894.783**	**2.667**	**43.866**	**30.518**	**2.100.952**
Accumulated depreciation							
Balance at 1 January 2019	**-**	**(75.845)**	**(732.505)**	**(1.327)**	**(38.956)**	**-**	**(848.634)**
Depreciation for the year	-	(4.895)	(52.982)	(526)	(750)	-	**(59.153)**
Disposals	-	-	-	-	1	-	**1**
Balance at 31 December 2019	**-**	**(80.740)**	**(785.488)**	**(1.853)**	**(39.705)**	**-**	**(907.786)**
Net book amount at 31 December 2019	**7.984**	**40.394**	**1.109.296**	**815**	**4.161**	**30.518**	**1.193.167**

Notes to the Financial Statements (continued)

Leases – Right-of-use assets

The right-of-use assets included in Property, plant and equipment have resulted from the application of IFRS 16 as from 1 January 2019 and are disclosed separately in the following table:

Amounts in thousand €	Buildings	Vehicles	Furniture, fittings and equipment	Total
Cost				
Impact of IFRS 16 implementation	6.511	1.334	170	**8.015**
Total net book value at 1 January 2019	**6.511**	**1.334**	**170**	**8.015**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
Depreciation charge for the year	(881)	(520)	(42)	**(1.443)**
Net book amount at 31 December 2019	**5.630**	**814**	**128**	**6.572**

8. Intangible assets

The Company's intangible assets are analysed as follows:

Amounts in thousand €	Software	Easements	Total
Cost			
Balance at 1 January 2018	**3.163**	**26.012**	**29.175**
Additions	562	3	**565**
Balance at 31 December 2018	**3.725**	**26.015**	**29.740**
Accumulated depreciation			
Balance at 1 January 2018	**(2.316)**	**(12.942)**	**(15.258)**
Amortisation charge for the year	(184)	(522)	**(706)**
Balance at 31 December 2018	**(2.500)**	**(13.464)**	**(15.964)**
Net book amount at 31 December 2018	**1.225**	**12.551**	**13.776**

Amounts in thousand €	Software	Easements	Total
Cost			
Balance at 1 January 2019	**3.724**	**26.016**	**29.740**
Additions	427	36	**463**
Balance at 31 December 2019	**4.151**	**26.051**	**30.203**
Accumulated depreciation			
Balance at 1 January 2019	**(2.500)**	**(13.464)**	**(15.964)**
Amortisation charge for the year	(285)	(523)	**(808)**
Balance at 31 December 2019	**(2.785)**	**(13.987)**	**(16.772)**
Net book amount at 31 December 2019	**1.366**	**12.064**	**13.431**

Notes to the Financial Statements (continued)

9. Interests in associates

The company "SOUTH STREAM GAS PIPELINE SOCIÉTÉ ANONYME" was established and registered in the Registry of Sociétés Anonyme of the Prefecture of Athens under S.A. Reg. No. 69873/01/01AT/B/10/198, on 13 July 2010. The company's objective is to: (a) develop, finance, construct, manage, operate and maintain the part of the South Stream gas pipeline that is in Greece, which is owned by the company, and (b) provide support services relating to the activities referred to under (a) above, as well as to prepare studies of all types concerning the above activities. DESFA and OAO GAZPROM each have a 50% holding in the company. The company is currently dormant; therefore, no financial results are generated.

10. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss relate to the equity investments, being a 7% participation in the newly established company "HELLENIC EXCHANGE EQUITY SA". This participation is classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

11. Other non-current assets

The Company's non-current assets represent guarantee deposits provided for office rent, electricity, water supply and other utilities amounting to €263 thousand.

12. Current and deferred tax

(i) Income tax expense

Amounts in thousand €	**31/12/2019**	**31/12/2018**
Current tax on profit for the year	28.780	25.369
Adjustments for current tax of prior periods	-	(594)
Current tax	**28.780**	**24.775**
Deferred tax	(2.517)	1.383
Total tax through P&L	**26.263**	**26.158**

Notes to the Financial Statements (continued)

(ii) Numerical reconciliation of income tax expense

A reconciliation between the income tax expense and the accounting profit before tax multiplied by tax rates in force in Greece (2019: 24%, 2018: 29%) is as follows:

Amounts in thousand €	**1/1/2019 – 31/12/2019**	**1/1/2018 – 31/12/2018**
Profit before taxes	**130.209**	**99.608**
Tax at statutory tax rate	31.250	28.886
Tax effect of:		
Non-deductible expenses	4.312	1.385
Adjustments for current tax of prior periods	-	(594)
Non-taxable or specially taxed income	(8.260)	(3.520)
Change in tax rate	(1.039)	-
Income tax expense	**26.263**	**26.158**

(iii) *Current income tax liability / asset*

Income tax liability / asset is analysed as follows:

Amounts in thousand €	**31/12/2019**	**31/12/2018**
Income tax	28.780	25.369
Prepaid income tax for the year	(23.650)	(35.053)
Refund of prepaid income tax	(1.269)	-
Withholding income tax for the year	(263)	(475)
Total income tax liability/(asset) in Statement of Financial Position	**3.598**	**(10.158)**

(iv) Deferred tax

Deferred tax balances are as follows:

Amounts in thousand €	**31/12/2019**	**31/12/2018**
Deferred tax assets	14.728	9.408
Deferred tax liabilities	(31.545)	(28.828)
Total deferred tax in Statement of Financial Position	**(16.817)**	**(19.420)**

(Amounts in Euro thousand)

Notes to the Financial Statements (continued)

Deferred tax assets and liabilities are analysed as follows:

Deferred tax assets	Provisions	Total
At 1 January 2018	**9.408**	**9.408**
(Charge) / credit to P&L	5.234	**5.234**
(Charge) / credit to OCI	86	**86**
At 31 December 2019	**14.728**	**14.728**

Deferred tax liabilities	Tangible assets	Capitalization of borrowing costs	Other	Total
At 1 January 2018	**24.422**	**4.222**	**184**	**28.828**
Charge / (credit) to P&L	2.894	(169)	(8)	**2.717**
Charge / (credit) to OCI	-	-	-	**-**
At 31 December 2019	**27.316**	**4.053**	**176**	**31.545**

13. Inventories

The Company's inventories are analyzed as follows:

Amounts in €	**31/12/2019**	**31/12/2018**
Natural gas	12.866	12.398
Materials for the construction and maintenance of a natural gas pipeline	17.725	18.034
Total cost	**30.591**	**30.432**
Impairment provision for obsolete stock	(12.245)	(8.127)
Net balance	**18.346**	**22.305**

Impairment provision for obsolete stock

Amounts in €	**Financial assets at fair value through profit and loss**
At 1 January 2019	**8.127**
Write – down for the year	4.118
At 31 December 2018	**12.245**

A write-down of inventories amounting to € 4.118 thousand for impairment was recognised as an expense during the year ended 31 December 2019 and classified in cost of sales in the Statement of Comprehensive Income. There are no liens on inventories.

Notes to the Financial Statements (continued)

14. Trade and other receivables

The Company's total receivables are broken down as follows:

Amounts in thousand €	**31/12/2019**	**31/12/2018**
Trade debtors	33.010	22.102
Allowance for credit losses	(5.059)	(11.537)
Trade debtors (net)	**27.951**	**10.565**
Advances to suppliers	1.173	1.163
Loans and advances to employees	315	375
Other debtors	307	330
Security supply duty	585	576
Prepaid expenses	561	518
Accrued revenue	21.173	18.557
Total	**52.065**	**32.084**

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Year ended	
Amounts in thousand €	**31/12/2019**	**31/12/2018**
Opening loss allowance at 1 January	**11.537**	**6.574**
Increase in loss allowance recognised in profit or loss during the year	1.666	4.963
Unused amount reversed	(8.144)	-
Closing loss allowance at 31 December	**5.059**	**11.537**

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all trade receivables.

The expected credit loss ("ECL") model is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

To measure the expected credit loss in relation to trade receivables, the Company performs the following:

- For significant clients representing approximately 92% of total balance, the Company assesses the expected credit loss individually, based on the client's specific characteristics and circumstances
- For the remaining clients, the Company has established a provision matrix relying on aging analysis, which is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment losses on trade receivables are presented within Cost of sales. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Financial Statements (continued)

15. Cash and cash equivalents

Cash and cash equivalents include the Company's cash on hand, sight and time deposits. In particular:

Amounts in thousand €	31/12/2019	31/12/2018
Cash on hand	6	14
Sight and time deposits	136.904	217.850
Total	**136.910**	**217.864**

16. Share capital and reserves

The issued share capital of the Company consists of 7.258.644 shares of a nominal value of € 88.04 each.

On 20 December 2018, Senfluga Energy Infrastructure Holdings S.A. acquired 66% of the issued share capital of the Company. Following this transaction, the analysis of the ownership of the Company's shares as at 31 December 2019 and 31 December 2018 is as follows:

Shareholder	Number of shares	Share capital (in € thousand)	Percentage
Senfluga Energy Infrastructure Holdings S.A.	4.790.705	421.774	66%
Ministry of Environment and Energy	2.467.939	217.227	34%
Total	**7.258.644**	**639.051**	**100%**

Under Greek Corporate Law, entities are required to transfer on an annual basis a minimum of five percent of their annual profit (after income taxes) to a statutory reserve, until such reserve equals one-third of the issued share capital. As of December 31, 2019 and 2018, this reserve amounted to Euro 33.779 thousand and 25.293 thousand respectively. This statutory reserve cannot be distributed to shareholders.

17. Dividends

On 28 June 2019, the General Shareholders' meeting approved the distribution of dividend of a total amount of € 186.818 thousand, consisting of € 56.122 thousand (approx. € 7,73 per share) relating to profits from 2018 and € 130,686 thousand (approx. € 18,01 per share) relating to profits from prior years. On 19 June 2018, the General Shareholders' meeting approved the distribution of dividend of a total amount of € 45.500 thousand (approx. € 6,27 per share) relating to profits from 2017.

Notes to the Financial Statements (continued)

18. Borrowings

The Company's borrowings are expressed in Euro and have been granted by the European Investment Bank and by the National Bank of Greece. The amounts payable within one year from the financial statement reporting date are classified as short-term, and those payable beyond one year are classified as long-term. The Company's loans are broken down, per main financing organisation, as follows:

Amounts in € thousand	**31/12/2019**		**31/12/2018**	
Bank	**Short-term liabilities**	**Long-term liabilities**	**Short-term liabilities**	**Long-term liabilities**
EUROPEAN INVESTMENT BANK	545	6.000	545	6.545
EUROPEAN INVESTMENT BANK	1.083	1.083	1.083.333	2.167
EUROPEAN INVESTMENT BANK	833	1.667	833.333	2.500
EUROPEAN INVESTMENT BANK	455	5.455	454.545	5.909
EUROPEAN INVESTMENT BANK	1.304	16.304	1.304.348	17.609
NATIONAL BANK OF GREECE	3.535	-	7.076.250	3.540
EUROPEAN INVESTMENT BANK	1.400	20.300	1.400.000	21.700
EUROPEAN INVESTMENT BANK	1.875	22.500	1.875.000	24.375
EUROPEAN INVESTMENT BANK)	1.563	20.313	1.562.500	21.875
EUROPEAN INVESTMENT BANK	3.636	32.727	3.636.364	36.364
EUROPEAN INVESTMENT BANK	2.667	29.333	2.667	32.000
Total Liabilities	**18.896**	**155.682**	**22.438**	**174.583**

All loan facilities are at fixed interest rates as follows:

Bank	Final maturity date of Long-term liabilities	Loan interest rate
EUROPEAN INVESTMENT BANK	17/7/2031	4,48%
EUROPEAN INVESTMENT BANK	17/7/2021	4,33%
EUROPEAN INVESTMENT BANK	10/7/2022	4,89%
EUROPEAN INVESTMENT BANK	10/7/2032	4,98%
EUROPEAN INVESTMENT BANK	31/1/2033	4,62%
NATIONAL BANK OF GREECE	19/3/2020	4,98%
EUROPEAN INVESTMENT BANK	31/5/2035	3,88%
EUROPEAN INVESTMENT BANK	20/12/2032	3,26%
EUROPEAN INVESTMENT BANK	21/10/2033	3,66%
EUROPEAN INVESTMENT BANK	16/12/2029	1,92%
EUROPEAN INVESTMENT BANK	3/11/2031	1,18%

Loan covenants

Under the terms of the borrowing facilities, the Company is required to comply with the financial covenant that the gearing ratio must be not more than 50%. The Company has complied with this covenant throughout the reporting period.

Notes to the Financial Statements (continued)

19. State Grants

State grants relate to investments in fixed assets and are recognised as income along with the depreciation of the subsidised assets, which mainly concern technical equipmemt. In accordance with the prevailing legislation certain restrictions apply to the transfer of the subidised fixed assets and the modification of the legal status of the Company. The relavant audits performed by the competent authorities have not identified any non-compliance with such restrictions. The movement of the balance of state grants is analysed as follows:

Amounts in thousand €	**31/12/2019**	**31/12/2018**
At 1 January	**256.564**	**256.881**
Grants received	2.789	10.845
Adjustments of amortisation of grants	-	121
Amortisation of grants	(12.064)	(11.283)
At 31 December	**247.289**	**256.564**

20. Lease liabilities

The Company has adopted IFRS 16 “Leases” retrospectively from 1 January 2019. For further details of the adoption of IFRS 16, please refer to Note 2.23.

Lease liabilities at 31 December 2019 are as follows:

Amounts in thousand €	**31/12/2019**
Lease liabilities - current	1.594
Lease liabilities – non-current	5.080
Total lease liabilities	**6.674**

21. Employee benefit obligation

The Group‘s liability to employees working in Greece for the future payment of benefits depending on the employment time of each one of them is measured and presented on the basis of the expected payment of each employee’s accrued right at the financial statement reporting date, discounted at its present value, taking into account the estimated time of payment thereof. The accumulated benefits in each period are charged to profit or loss with a corresponding increase in the retirement liability. The benefits paid to retiring employees are charged against such liability.

Notes to the Financial Statements (continued)

The number of personnel employed by the Company as at 31.12.2019 is 263 (31.12.2018: 213). The movement in the respective employee benefit obligation is as follows:

Amounts in thousand €	31/12/2019	31/12/2018
At 1 January	**3.995**	**3.972**
Expenses recognised in profit and loss	109	110
Actuarial (gains) / losses recognised in Other comprehensive income	250	(69)
Benefits paid	(355)	(18)
At 31 December	**3.999**	**3.995**

The Company' s staff retirement indemnity liability was determined through an actuarial study carried out by an independent recognised actuarial firm. The key amounts and assumptions of the actuarial study of as of 31 December 2019, are presented below:

Basic assumptions in the actuarial study	as of 31/12/2019	as of 31/12/2018
Actuarial method of measurement:	Projected unit Credit Method	Projected unit Credit Method
Average annual long-term rise of inflation	0,944% by 2020, 1,259% by 2021, 1,449% by 2022 and 1,761%thereafter	1,197% by 2019, 1,509% by 2020 and 1,740% by 2021 and thereafter
Average annual payroll increase	1%	17,384% by 2019, 1,197% by 2020 1,509% by 2021 and 1,740% for 2022 and thereafter
Discount interest rate	0,80%	1,60%

The sensitivity of the defined benefit obligation to changes in the basic assumptions is as follows:

	Change in assumption 31/12/2019	Impact on defined benefit obligation 31/12/2019
Discount rate	Increase by 0,5%	Decrease by 3,5%
Salary growth rate	Decrease by 0,5%	Decrease by 3,4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

Notes to the Financial Statements (continued)

22. Trade and other payables

The Company's total trade and other payables are broken down as follows:

Amounts in thousand €	31/12/2019	31/12/2018
Suppliers	20.498	20.199
Social security funds	1.272	466
Sundry creditors	1.455	2.154
Customer prepayments	18.053	13.316
Accrued expenses	22.978	24.030
Related parties (shareholders) (see Note 24)	384	-
Liability to Hellenic Competition Commission	4.299	4.299
Total	**68.939**	**64.464**

23. Other taxes payable

The Company's total other taxes payable are broken down as follows:

Amounts in thousand €	31/12/2019	31/12/2018
Value added tax	2.957	401
Payroll taxes and duties	1.616	302
Third party fees taxes and duties	6	11
Other taxes & duties	94	158
Total	**4.673**	**872**

24. Related party transactions

(a) Shareholders of the Company

Name	Place of incorporation	Ownership interest
Senfluga Energy Infrastructure Holdings S.A.	Greece	66%
Ministry of Environment and Energy	Greece	34%

Senfluga Energy Infrastructure Holdings S.A. consolidates the Company in its own financial statements by applying the full consolidation method.

Notes to the Financial Statements (continued)

(b) Related party entities

The Company has the following balances with related parties, all of them are shareholders of the Parent company, Senfluga Energy Infrastructure Holdings S.A., and relate primarily to liabilities for seconded executives:

Liabilities:	31/12/2019	31/12/2018
SNAM S.p.A.	180	-
ENAGAS INTERNACIONAL S.L.U.	90	-
FLUXYS EUROPE B.V.B.A.	114	-
Total	**384**	**-**

The Greek State (Ministry of Environment and Energy), owns 34% of the Company's share capital.

The Company applies the exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments with government related entities.

(c) Remuneration of BoD members:

Amounts in thousand €	31/12/2019	31/12/2018
BoD members	103	67
SC members	-	108
Total	**103**	**175**

25. Financial risk management

The Company's risk management is controlled by management under policies approved by the board of directors.

The Company is exposed to various financial risks; the most significant risks are market risk - including foreign exchange risk and interest rate risk - credit risk and liquidity risk. The Company's risk management policies are aimed at minimizing the possible negative effects of such risks on the financial position and performance of the Company. As referred in note 2.9 the main financial instruments used by the Company are cash, bank deposits, trade and other receivables and liabilities and bank loans. From time to time, the Company Management reviews and revises the relevant policies and procedures relating to the management of financial risks, as described below:

25.1. Market risk

25.1.1. Interest rate risk

As referred to in note 19 all the Company's borrowings are in Euro. All borrowings are at fixed rate, therefore fair value risk exists. Management continuously monitors interest rate fluctuations and the Company's financing needs and assesses, on an individual basis, the duration of borrowings and the difference between fixed and floating interest rates.The weighted average interest rate of the loans (3.82%) is in line with current interest rates offered by the banks, therefore the fair value of the borrowings approximates their carrying amount.

Notes to the Financial Statements (continued)

25.1.2. Foreign exchange risk

The Company is exposed to limited foreign exchange risk as all its assets and most of its liabilities are in Euro.

25.2. Credit risk

Risk management

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as trade receivables.

The carrying value of financial assets at each reporting date is the maximum credit risk to which the Company is exposed in respect of the relevant assets, which, as at the financial statement reporting date, are broken down as follows:

Amounts in thousand €	**31/12/2019**	**31/12/2018**
Trade receivables and other financial assets	52.065	77.761
Cash and cash equivalents	136.910	217.864
Total current assets	**188.975**	**295.625**

The Company monitors its receivables at all times and the most important user of the National Gas System (ESFA) is DEPA S.A.

The Company has established specific credit policies under which customers are analyzed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, aging profile and existence of previous financial difficulties. The credit risk groups are being assessed on the basis of historical loss experience for each group. The historical loss experience is assessed on an annual basis taking into account, the most recently available data.

The doubtful debt provision is based on the Company's credit policy which is in compliance with IFRS 9. Customers that are characterized as doubtful are reassessed at each reporting date for the estimated loss that is expected and an appropriate impairment allowance is established.

The Company's cash and cash equivalents are mainly invested in highly rated counterparties and with a very short-term tenor.

The Company's financial assets that are subject to the expected credit loss model are trade receivables from provision of services and sales of balancing and operating gas. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Refer also to note 14.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(Amounts in Euro thousand)

Notes to the Financial Statements (continued)

25.3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

The liquidity risk is maintained at low levels through the availability of adequate cash and cash equivalents and credit lines.

Following is a table presenting an analysis of financial liabilities and liabilities resulting from liabilities from suppliers, according to their contractual settlement dates.

31/12/2019	Up to 1 year	Between 1 to 5 years	More than 5 years
Borrowings	18.896	56.530	99.152
Leases	1.623	1.516	12.283
Suppliers	20.882	-	-

31/12/2018	Up to 1 year	Between 1 to 5 years	More than 5 years
Borrowings	22.438	61.988	112.596
Leases	-	-	-
Suppliers	32.711	-	-

25.4. Capital Management

The Company’s objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits other stakeholders, and
- maintain an optimal capital structure to reduce the cost.

The Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

An important means of managing capital is the use of the gearing ratio (ratio of net debt to equity) which is monitored at Company level. Net debt includes interest bearing loans and notes, less cash and cash equivalents.

Amount in €	**31/12/2019**
Long-term borrowings	155.682
Short-term portion of long-term borrowings	18.896
Cash and cash equivalents	(136.910)
Net debt	**37.668**
Total equity	**866.801**
Gearing ratio	**4%**

Notes to the Financial Statements (continued)

26. Fair value measurement

The Company applies fair value measurement to the financial assets at fair value through profit and loss (Note 10), which is classified as Level 3. An explanation of each level follows.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

27. Provisions

Movement of provisions during the financial year is set out below:

Amounts in thousand €	**1/1/2019 – 31/12/2019**
Carrying amount at start of year	21.931
Unused amounts reversed	(557)
Carrying amount at end of year	**21.374**

The Company's contingent liabilities and provisions are analysed as follows:

(i) Cases in litigation or under arbitration

As at 31 December 2019, there remain a number of third-party claims and legal actions against the Company relating to trade and other disputes, as well as actions lodged against the Company involving compensation for expropriation of land related to the construction-extension of the conduit and other tangible assets. Considering the progress of these cases and advice from the Company's legal counsel, the Company has raised a provision for the estimated amount of settlement of the aforementioned cases of €21,374 thousand.

(ii) Tax audit

DESFA S.A. has been tax audited by the tax authorities up to fiscal year 2010. For fiscal years 2011 until 2013 special tax audits were performed in accordance with Article 82(5) of Law 2238/1994 by its statutory auditor and respective tax compliance reports were issued. For fiscal years 2014 to 2018 special tax audits were performed in accordance with Article 65a of Law 4174/2013 by its statutory auditor and respective tax compliance reports were issued. For the fiscal year 2019 the tax audit of the statutory auditor under the provisions of Article 65a of Law 4174/2013 is in progress. This is not expected to result in any material additional liabilities for taxes to those already recorded in the financial statements.

Notes to the Financial Statements (continued)

(i) Letters of guarantee

The Company had provided the following letters of guarantee to suppliers:

Amounts in thousand €	31/12/2019	31/12/2018
Liabilities		
Supplier's letters of guarantee	17.253	4.517
Letters of guarantee from third parties	**17.253**	**4.517**

28. Commitments

28.1. Commitments from operating leases

The Company has entered into contracts for the operating lease of vehicles and buildings. From 1 January 2019, the Company has 45ecognized right-of-use assets and lease liabilities for these leases following the adoption of IFRS 16 (see note 2.22 and note 7 for further information).

The Company's commitments under these operating leases as at 31 December 2018 are analysed as follows:

Amounts in €	31/12/2018
Up to 1 year	1.378.000
From 2 to 5 years	803.000
Over 5 years	12.710.047
Total	**14.891.047**

28.2. Other commitments

Amounts in thousand €	2019	2018
Liabilities		
Commitments for projects under construction	36.285	104.476
Total	**36.285**	**104.476**

29. Other non-current liabilities

The Company' s long-term liabilities represent the performance guarantee in relation to Contract 497/12 with Egnatia Odos, of € 145 thousand.

(Amounts in Euro thousand)

Notes to the Financial Statements (continued)

30. Reclassifications

In the statement of financial position of 2018 the following amounts have been reclassified for better presentation:

i) Income tax asset amounting to € 35.528 thousand from "Trade and other receivables" to "Income tax asset"

ii) Provisions amounting to € 21.387 thousand from "Provisions" to "Trade and other receivables"

iii) An amount of € 17.951 thousand from "Provisions" to "Trade and other payables"

iv) Income tax liability amounting to € 25.369 thousand from "Other taxes payable" to "Income tax asset".

31. Events occurring after the reporting period

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. Management has taken a number of measures to monitor and prevent the effects of the COVID-19 virus, such as safety and health measures for the employees (like social distancing and working from home) and securing the appropriate maintenance and technical support of the premises that are essential to the Company's operation.

At this stage, the impact on our business and results is limited. Management will continue to follow the various national institutes policies and advice and in parallel will do their utmost to continue the Company's operations in the best and safest way possible without jeopardizing the health of its people.

Refer also to Note 2.2.

Athens, 18/05/2020

Ioannis Michopoulos	Panagiotis Tampourlos	Nicola Battilana
Chairman of BoD	**Member of BoD**	**Chief Executive Officer**

Thierry Grauwels	Christiana Mougiou
Chief Financial Officer	**Accounting Manager**

(Amounts in Euro thousand)

APPENDIX: UNBUNDLED FINANCIAL STATEMENTS - UNBUNDLED STATEMENTS OF COMPREHENSIVE INCOME

	Transportation of natural gas	*Use of natural gas service facilities*	*Load balancing*	*Other activities of natural gas*	*Non-Regulated activities*	*Participations*	*Loading liquefied natural gas into trucks*	*Loading of liquefied natural gas on ships*	*Supply safety*	
	s01	**s02**	**s03**	**s05**	**s06**	**s07**	**s08**	**s09**	**s10**	
	01/01/2019-31/12/2019	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**01/01/2019-31/12/2019**	**Total**
STATEMENT OF COMPREHENSIVE INCOME										
Revenue	121.226	97.754	13.840	883	5.217	0	0	0	4.430	243.349
Less: Cost of Sales	-65.606	-16.718	-13840	-258	-1.763	0	-19	-158	-13.942	-112.305
Gross Profit	**55.620**	**81.036**	**0**	**624**	**3.454**	**0**	**-19**	**-158**	**-9.512**	**131.044**
Other operating income	2.960	-64	0	0	70	4	0	1	11.361	14.332
	58.580	**80.971**	**0**	**624**	**3.524**	**4**	**-19**	**-157**	**1.849**	**145.376**
Administrative expenses	-11.009	-4.452	0	-105	-739	0	0	0	0	-16.304
Distribution expenses	-409	-109	0	-4	-32	0	0	0	0	-554
Other operating expenses	-823	-94	0	0	-159	0	0	0	-1.849	-2.926
Amortisation of fixed asset grants	9.511	2.553	0	0	0	0	0	0	0	12.064
Operating profit / (loss)	**55.851**	**78.870**	**0**	**515**	**2.594**	**4**	**-19**	**-157**	**0**	**137.656**
Finance costs - net	-4.718	-2.742	0	0	13	0	0	0	0	-7.447
Foreign exchange differences	0	0	0	0	0	0	0	0	0	0
Profit / (loss) before income tax	**51.133**	**76.127**	**0**	**515**	**2.607**	**4**	**-19**	**-157**	**0**	**130.209**
Income tax expense	-8.767	-16.808	0	-115	-572	-1	0	0	0	-26.263
Profit / (loss) for the period	**42.366**	**59.318**	**0**	**400**	**2.035**	**3**	**-19**	**-157**	**0**	**103.946**
Net profit for the period	**42.366**	**59.318**	**0**	**400**	**2.035**	**3**	**-19**	**-157**	**0**	**103.946**
Other comprehensive income										
Actuarial profit / (loss)	-214	-50	0	33	-17	0	0	-1	0	-250
Deferred Tax	64	15	0	1	5	0	0	0	0	85
Other comprehensive income for the period after taxes	**-150**	**-35**	**0**	**34**	**-12**	**0**	**0**	**-1**	**0**	**-164**
Total comprehensive income for the period after taxes	**42.216**	**59.283**	**0**	**434**	**2.023**	**3**	**-19**	**-158**	**0**	**103.781**

(Amounts in Euro thousand)

UNBUNDLED STATEMENTS OF FINANCIAL POSITION

	Transportation of natural gas	*Use of natural gas service facilities*	*Load balancing*	*Other activities of natural gas*	*Non-Regulated activities*	*Participations*	*Loading liquefied natural gas into trucks*	*Loading of liquefied natural gas on ships*	*Supply safety*	**Total**
STATEMENT OF FINANCIAL POSITION	**s01**	**s02**	**s03**	**s05**	**s06**	**s07**	**s08**	**s09**	**s10**	
ASSETS	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	**31/12/2019**	
Fixed assets										
Tangible assets	820.199	370.455	0	113	1.757	0	364	279	0	1.193.167
Intangible assets	13.430	1	0	0	0	0	0	0	0	13.431
Investments in associates	0	0	0	0	0	355	0	0	0	355
Financial assets at fair value through profit or loss	0	0	0	0	0	350	0	0	0	350
Other non-current assets	152	111	0	0	1	0	0	0	0	263
Total non-current assets	**833.781**	**370.567**	**0**	**113**	**1.757**	**705**	**364**	**279**	**0**	**1.207.566**
Current assets										
Inventories	5.390	12.675	0	0	282	0	0	0	0	18.346
Trade and other receivables	38.235	8.952	0	273	2.908	0	0	0	1.696	52.065
Income tax asset	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	43.270	59.433	0	537	3.170	500	10.000	20.000	0	136.910
Total current assets	**86.896**	**81.060**	**0**	**810**	**6.359**	**500**	**10.000**	**20.000**	**1.696**	**207.321**
TOTAL ASSETS	**920.676**	**451.627**	**0**	**923**	**8.116**	**1.205**	**10.364**	**20.279**	**1.696**	**1.414.887**

(Amounts in Euro thousand)

EQUITY AND LIABILITIES										
EQUITY										
Share capital	444.044	160.802	0	1.000	2.000	1.205	10.000	20.000	0	639.051
Reserves	24.080	8.984	0	57	658	0	0	0	0	33.779
Retained earnings	103.574	86.999	0	1.186	2.437	3	-70	-158	0	193.971
Total Equity	**571.698**	**256.786**	**0**	**2.243**	**5.095**	**1.208**	**9.930**	**19.842**	**0**	**866.801**
LIABILITIES										
Non-current liabilities										
Borrowings	90.871	64.811	0	0	0	0	0	0	0	155.682
Employee benefit obligations	2.692	914	0	6	384	0	0	2	0	3.998
State grants	178.851	68.272	0	0	147	0	0	18	0	247.289
Provisions	23.820	-2.426	0	-1	-19	0	0	0	0	21.374
Leases	1.242	3.831	0	0	6	0	0	0	0	5.080
Other non-current liabilities	145	0	0	0	0	0	0	0	0	145
Inter-activity account	-6.930	5.827	0	-1.693	1.455	-3	441	304	598	0
Deferred tax liabilities	12.698	4.043	0	6	71	0	0	0	0	16.817
Total non-current liabilities	**303.390**	**145.271**	**0**	**-1.682**	**2.045**	**-3**	**441**	**324**	**598**	**450.385**
Current liabilities										
Trade and other payables	43.318	23.801	0	97	526	0	1	105	1.091	68.939
Leases	390	1.202	0	0	2	0	0	0	0	1.594
Borrowings	10.676	8.220	0	0	0	0	0	0	0	18.896
Other taxes payable	4.091	512	0	107	-148	0	-8	7	111	4.673
Current income tax	-12.888	15.834	0	157	596	1	0	1	-104	3.598
Total current liabilities	**45.588**	**49.570**	**0**	**361**	**977**	**1**	**-7**	**113**	**1.098**	**97.700**
Total liabilities	**348.978**	**194.841**	**0**	**-1.320**	**3.021**	**-2**	**434**	**437**	**1.696**	**548.086**
TOTAL EQUITY & LIABILITIES	**920.676**	**451.627**	**0**	**923**	**8.116**	**1.205**	**10.364**	**20.279**	**1.696**	**1.414.887**

(Amounts in Euro thousand)

APPENDIX: UNBUNDLED FINANCIAL STATEMENTS - UNBUNDLED STATEMENTS OF COMPREHENSIVE INCOME

	Transportation of natural gas	*Use of natural gas service facilities*	*Load balancing*	*Other activities of natural gas*	*Non-Regulated activities*	*Participations*	*Loading liquefied natural gas into trucks*	*Loading of liquefied natural gas on ships*	*Supply safety*	
	s01	**s02**	**s03**	**s05**	**s06**	**s07**	**s08**	**s09**	**s10**	
	01/01/2018-31/12/2018	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**01/01/2018-31/12/2018**	**Total**
STATEMENT OF COMPREHENSIVE INCOME										
Revenue	140.821	44.945	9.625	852	3.241	0	0	0	2	199.485
Less: Cost of Sales	-59.663	-21.271	-9.625	-324	-1.192	-4	0	-1	-1.729	-93.809
Gross Profit	**81.158**	**23.674**	**0**	**528**	**2.049**	**-4**	**0**	**-1**	**-1.728**	**105.676**
Other operating income	1.782	49	0	1	829	3	0	0	1.728	4.393
	82.940	**23.724**	**0**	**529**	**2.877**	**0**	**0**	**-1**	**0**	**110.069**
Administrative expenses	-9.679	-3.109	0	-202	-505	0	0	0	0	-13.495
Distribution expenses	-392	-126	0	-7	-18	0	0	0	0	-543
Other operating expenses	-1.124	-199	0	-1	-732	-118	0	0	0	-2.173
Amortisation of fixed asset grants	9.648	1.635	0	0	0	0	0	0	0	11.283
Operating profit / (loss)	**81.394**	**21.925**	**0**	**319**	**1.622**	**-118**	**0**	**-1**	**0**	**105.140**
Finance costs – net	-4.222	-1.408	0	1	88	0	0	0	0	-5.541
Foreign exchange differences	8	0	0	0	0	0	0	0	0	8
Profit / (loss) before income tax	**77.180**	**20.517**	**0**	**320**	**1.711**	**-118**	**0**	**-1**	**0**	**99.608**
Income tax expense	-20.123	-5.481	0	-87	-468	0	0	0	0	-26.159
Profit / (loss) for the period	**57.056**	**15.036**	**0**	**233**	**1.243**	**-118**	**0**	**-1**	**0**	**73.450**
Net profit for the period	**57.056**	**15.036**	**0**	**233**	**1.243**	**-118**	**0**	**-1**	**0**	**73.450**
Other comprehensive income	-33	-9	0	0	-1	0	0	0	0	-42
Actuarial profit / (loss)	53	14	0	0	1	0	0	0	0	69
Deferred Tax	44	37	0	1	6	0	0	0	0	88
Other comprehensive income for the period after taxes	**64**	**43**	**0**	**1**	**7**	**0**	**0**	**0**	**0**	**115**
Total comprehensive income for the period after taxes	**57.121**	**15.079**	**0**	**234**	**1.250**	**-118**	**0**	**-1**	**0**	**73.564**

(Amounts in Euro thousand)

UNBUNDLED STATEMENTS OF FINANCIAL POSITION

	Transportation of natural gas	*Use of natural gas service facilities*	*Load balancing*	*Other activities of natural gas*	*Non-Regulated activities*	*Participations*	*Loading liquefied natural gas into trucks*	*Loading of liquefied natural gas on ships*	*Supply safety*	**Total**
STATEMENT OF FINANCIAL POSITION	**s01**	**s02**	**s03**	**s05**	**s06**	**s07**	**s08**	**s09**	**s10**	
ASSETS	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**	
Fixed assets										
Tangible assets	854.916	361.630	0	311	2	0	0	237	0	1.217.096
Intangible assets	13.762	1	0	13	0	0	0	0	0	13.776
Investments in associates	0	0	0	0	0	355	0	0	0	355
Financial assets at fair value through profit or loss	0	0	0	0	0	350	0	0	0	350
Other non-current assets	143	117	0	0	1	0	0	0	0	261
Total non-current assets	**868.821**	**361.748**	**0**	**324**	**3**	**705**	**0**	**237**	**0**	**1.231.838**
Current assets										
Inventories	8.709	13.063	0	0	533	0	0	0	0	22.305
Trade and other receivables	59.399	15.671	0	397	3.105	0	0	0	10.426	88.998
Cash and cash equivalents	130.015	50.464	0	786	6.100	500	10.000	20.000	0	217.864
Total current assets	**198.122**	**79.197**	**0**	**1.183**	**9.738**	**500**	**10.000**	**20.000**	**10.426**	**329.167**
TOTAL ASSETS	**1.066.943**	**440.945**	**0**	**1.508**	**9.741**	**1.205**	**10.000**	**20.237**	**10.426**	**1.561.005**

(Amounts in Euro thousand)

EQUITY AND LIABILITIES										
EQUITY										
Share capital	444.044	160.802	0	1.000	2.000	1.205	10.000	20.000	0	639.051
Reserves	19.363	5.420	0	23	487	0	0	0	0	25.293
Retained earnings	190.798	92.682	0	217	1.586	4	0	-1	208	285.493
Total Equity	**654.204**	**258.904**	**0**	**1.241**	**4.072**	**1.209**	**10.000**	**19.999**	**208**	**949.837**
LIABILITIES										
Non-current liabilities										
Borrowings	101.553	73.030	0	0		0	0	0	0	174.583
Employee benefit obligations	2.745	789	0	25	435	0	0	0	0	3.995
State grants	188.057	68.127	0	380		0	0	0	0	256.564
Provisions	41.892	9.571	0	-6	-38	0	0	0	9.850	61.269
Other non-current liabilities	145	0	0	0	0	0	0	0	0	145
Inter-activity account	-2.766	-1.394	0	-511	4.361	-4	0	203	112	0
Deferred tax liabilities	15.519	3.833	0	1	67	0	0	0	0	19.420
Total non-current liabilities	**347.145**	**153.956**	**0**	**-111**	**4.825**	**-4**	**0**	**203**	**9.961**	**515.976**
Current liabilities										
Trade and other payables	29.642	15.936	0	205	335	0	0	35	360	46.513
Borrowings	14.218	8.220	0	0	0	0	0	0	0	22.438
Current tax liabilities	21.733	3.930	0	173	509	0	0	0	-104	26.241
Total current liabilities	**65.593**	**28.085**	**0**	**378**	**844**	**0**	**0**	**35**	**256**	**95.192**
Total liabilities	**412.739**	**182.041**	**0**	**267**	**5.669**	**-4**	**0**	**238**	**10.218**	**611.168**
TOTAL EQUITY & LIABILITIES	**1.066.943**	**440.945**	**0**	**1.508**	**9.741**	**1.205**	**10.000**	**20.237**	**10.426**	**1.561.005**

Notes on the Accounting of Unbundled Financial Statements of HELLENIC GAS TRANSMISSION SYSTEM OPERATOR S.A. for the financial year 2019, in accordance with the Decision No 332/2016 / FEK 3763 / 22.11.2016

1. General information on segregation areas

The accounting unbundling of activities took place in accordance with the instructions of the Regulatory Authority for Energy (RAE) and concerns the distribution of the company's financial statements in unbundled financial statements for each activity of the company. Unbundled financial statements reflect the asset structure, requirements and obligations of each business activity as they would be drawn if they were exercised by different legal entities.

2.a Principles and Rules for Splitting Accounting Segregation

The company, in accordance with RAE's instructions, had to draw up internally unbundled accounts for each distinct activity. The preparation of the unbundled accounts was made extrapolationary by dividing the company accounts directly or indirectly from the activities involved.
Accounts that concern only an activity are allocated directly to this activity. For accounts that cannot be directly allocated to an activity because they relate to either more than one activity or the whole of the Integrated Natural Gas Company (e.g. legal service, computerization, accounting), they have been selected and approved standard rules for the allocation of these accounts. The Integrated Natural Gas Corporation has used these approved rules to divide indirectly into its distinct activities account details that cannot be directly allocated.

2.b Dispensing Principles and Rules for the Preparation of Annual Unbundled Financial Statements

Unbundled financial statements are made ex-accounting, further allocating the financial statements prepared in accordance with International Accounting Standards.

The company in this context and on the basis of the instructions given by Decision 332/2016 of RAE has determined the following 10 activities:

1. Transfer of Natural Gas-S01
2. Use of LNG-S02 Installation
3. Balance load -S03
4. Supporting activities –S04 (intermediate account)
5. Other activities of natural gas -S05
6. Non-Regulated activities –S06
7. Participations in other companies-S07
8. Load LNG on trucks-S08
9. Load LNG on ships-S09
10. Supply Safety-S10

At the end of each accounting year unbundled Statements of Financial Position and Statements of Comprehensive Income have prepared for each of the distinct Natural Gas Activities of the Integrated Natural Gas Operators.

Unbundled financial statements are presented in accordance with International Accounting Standards and Appropriate Accounting Principles and Principles of Accounting Segregation.

3.a Direct Allocation of Accounts to the Affiliated Activities

Accounts directly related to an activity are allocated directly and entirely to this activity. The criterion for direct allocation is mainly the use or mode of creating this account. The direct way of allocating an activity to an activity relates to the allocation without using an intermediate allocation method and is made taking into account the boundaries of each activity (for example, through time or other direct allocation).

3.b Indirect Allocation of Accounts to the Affiliated Activities

Accounts that cannot be allocated entirely directly to an activity should be separated by sharing keys. Sharing should be based on allocation keys and be relevant to the nature of the account.

4. *Notes on the activities*

a) S03 (further divided into S03A-gas balancing and SO3B-operating gas) is a special non-profit activity to monitor the above special DESFA transactions. The latter are regulated by the National Natural Gas System (NNGS) Management Code and the relevant decisions of RAE. On the basis of these, the above activity does not participate in the indirect allocation nor does it receive any expenses and revenues beyond those allowed by the abovementioned decisions: costs are only the purchase price of the operating gas and balancing gas and the cost of transferring the balancing gas to the Users; Revenues are only the (equal) charges of DESFA to Users. This activity does not have fixed assets.

b) S04 (support services) is not an activity in accordance with RAE's decisions but an intermediate account, which is subsequently divided into activities in accordance with the allocation keys and what is specifically mentioned in the present. Supportive services include, but are not limited to, administration and support services, financial services, legal services, strategy and development, IT (when not regarding a specific activity), public relations and corporate social responsibility, internal control, safety, quality and hygiene (when not regarding a specific activity), risk monitoring, etc.

c) S05 (further divided into S05A-other NG and ESFA Activities and S05B - other LNG activities) is an activity to monitor other NG activities. These are activities whose assets are included in S01 and S02 respectively and which are regulated by special reference to the Tariff Regulation and the relevant RAE’s accounting separation decisions.

Therefore, this activity does not include any fixed assets except for some studies to be carried over to S01 and S02 in the year 2019. The services included in S05 are defined in RAE’s decision no. O-62313 / 13.10.2015 (Annex)
and are as follows: For S05A-other NG - NNGTS activities are : NG services, metrology services, PE welding certification and training of NG technicians and for the S05B - other NG services such as: LNG Ship Loading, cool-
down, inserting or water supply.

d) S10 (Security of Supply Account) is a special non-profit activity that reflects the administration of the security of supply account. The latter is governed by the relevant decisions issued by RAE and, on the basis of these, is "segregated" by the other actions of DESFA. Therefore, this activity does not participate in the indirect allocation nor receives any expenses and revenues beyond those allowed by the aforementioned decisions by RAE: income is only the security of supply fee and the interest on the account and the cost only the compensations on the security of supply and any debtor's interest. Also it has no fixed assets.

5. *Methods of Allocation*

Direct Allocation

In order to track the accounting transactions of the activities, using the above individual remarks, individual internal accounts are kept in accordance with the International Financial Reporting Standards (IFRS), where the elements of the assets and liabilities are recorded in a discreet and distinctive manner as well as the corresponding revenues and expenses.

For this purpose, each transaction and its supporting document (purchase / sales invoice, proof of receipt / payment) is identified by the relevant staff and recorded in the account of the activity concerned (DIRECT ALLOCATION). Similarly, the distribution of the working hours of the company's staff is allocated directly. For this purpose a special application (es-project) is used.

Indirect Allocation

Transactions that cannot be directly allotted to an activity because they involve more than one activity or the whole of DESFA SA., are recorded during the financial year in the Support Services - S04. At the end of the year, the balances of accounts accrued in S04 are allocated, based on the allocation keys set by RAE. In the following years, DESFA intends to make an intermediate interim breakdown every three months with a view to timely reviewing the Recoverable Difference. Note that indirect allocation is not applied to S03 and S10.

Below is an analysis and annotation of the allocation keys for indirect allocation under RAE Directive 332/2016:

A) Total of Direct Allocation of Assets' Activity

The accounts related to the creation of the Company's fixed assets are allocated according to the "Total Directly Distributed Fixed Asset Allocation Key". This allocation key reflects the amount of the total fixed assets of the business directly attributable to the total fixed assets of the company that is directly allocated and applied for the allocation of the rest of the balance sheet accounts associated with the assets pool.

As regards the indirect allocation of fixed assets:

1. Fixed assets included in the Regulated Asset Base under the Pricing Regulation (i.e. included in a RAE-approved Development Program or Small Projects List) are allocated to S01 and S02 in proportion to the directly allocated assets.
2. S03A, S03B, and S10, do not include fixed assets due to their specific purpose.

B) Activity turnover

The revenue-generating accounts for the company are allocated according to the "Activity Turnover" key. This allocation key reflects the turnover of the activity in relation to the total turnover of the company (excluding income from S03 and S10). It applies, in particular, to the allocation of the rest of the accounts linked to receivables (e.g. customers).

Activities S03A, S03B and S10, because they are special purpose, do not receive revenue from sharing (generally do not participate in any allocation) and do not participate in the indirect allocation. Their revenue is closely related to their purpose, i.e. for S03A and S03B the proceeds from the disposal of balancing gas and operating gas including the transfer of balancing gas and for S10 the security of supply fees and the interest on the security of the supply security account. For the purposes of calculating this key, account shall not be taken of the amounts accumulated in the revenue accounts of these activities.

C) Personnel Fees and Expenses

The accounts related to the remuneration and expenses of the company's personnel are allocated according to the "Personnel Fees and Expenses" allocation key. This allocation key relates to the level of payroll of the activity in relation to the company's total payroll. It is applied for the allocation of the balance of accounts linked to the employment of staff. This key must be determined on the basis of the salaries of the officials actually engaged in the activity and not on the basis of the salaries of the registered officials.

Activities S03A, S03B and S10, because they are special purpose, receive only the allowable costs and do not participate in the indirect allocations.

D) Net Activity Results

Accounts that are more related to the Company's net result than its Turnover can be allocated according to the “Net Activity Results”' key. A typical example of the application of this key is income tax on profits at year ended. In particular, in case of loss-making activity period, the profitable ones will be burdened proportionately with the rest of the tax.
Activities S03A, S03B and S10, because they are non-profit-making, have no effect and are not involved in the indirect allocation.