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SIGNED IN

GREEK LANGUAGE

Gas Distribution Company
Thessaloniki – Thessalia S.A.
(EDA THESS)

Financial Statements
in compliance with the
International Financial Reporting Standards
as adopted by the European Union
for the year ended

December 31st, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the company **"GAS DISTRIBUTION COMPANY THESSALONIKI – THESSALIA S.A."**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of (the "Company"), which comprise the statement of financial position as at 31st December 2019, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Company GAS DISTRIBUTION COMPANY THESSALONIKI – THESSALIA S.A. as at 31st December 2019, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as incorporated in 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 are independent of the Company, throughout our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, as incorporated in Greek Law, together with the ethical requirements that are relevant to the audit of the financial statements in Greece, and we have fulfilled our ethical responsibilities in accordance with these requirements and the above-mentioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information includes the Board of Directors' Report, for which reference is also made in section «Report on Other Legal and Regulatory Requirements» but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 as incorporated in Greek Law, 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 as incorporated in Greek Law, 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 management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Company's 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 management 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

Taking into consideration that management is responsible for the preparation of the Board of Directors' Report pursuant to the provisions of Article 2, paragraph 5 (part B) of Law 4336/2015, we note that:

a) In our opinion, the Board of Directors' Report has been prepared in accordance with the legal requirements of article 150 of Law 4548/2018 and its content is consistent with the accompanying financial statements for the year ended 31.12.2019.
b) Based on the knowledge obtained in the course of our audit for the Company GAS DISTRIBUTION COMPANY THESSALONIKI – THESSALIA S.A. and its environment, no material inconsistencies in the Directors' report have been identified.

Thessaloniki, February 27th, 2020
The Certified Auditor Accountant

Konstantinos Katsagannis
Audit Registration Number 25921
ERNST & YOUNG (Hellas)
Certified Audit Accountants S.A.
Himarras 8B, 151 25 Marousi
Audit Company Registration Number 107

(all amounts are expressed in Euro)

Statement of Financial Position

Statement of Financial Position	Notes	31.12.2019	31.12.2018
Assets			
Tangible assets	5	66.719.925,77	42.160.228,59
Intangible assets	6	250.386.318,86	260.297.569,91
Right of use of assets	7	3.247.688,99	0,00
Deferred tax asset	8	1.080.882,78	1.195.968,56
Long-term receivables	10	260.264,74	257.829,74
Non - Current Assets		**321.695.081,14**	**303.911.596,80**
Inventories	9	1.617.805,51	2.448.912,98
Trade and other receivables	10	17.417.341,94	19.055.659,75
Cash and cash equivalents	11	12.174.015,10	12.664.135,69
Current Assets		**31.209.162,55**	**34.168.708,42**
Total Assets		**352.904.243,69**	**338.080.305,22**
Equity & Liabilities			
Share capital	12	247.127.605,00	247.127.605,00
Reserves	13	16.987.378,53	16.079.768,20
Retained earnings		18.968.557,81	21.213.434,50
Equity		**283.083.541,34**	**284.420.807,70**
Long-term loan	14	31.100.000,00	19.200.000,00
Financial liabilities for leases	14	2.275.653,04	0,00
Provision for personnel compensation	15	1.833.616,00	1.574.034,00
Grants	16	9.897.850,14	10.310.260,58
Other long-term liabilities	17	681.690,81	286.920,73
Non - Current Liabilities		**45.788.809,99**	**31.371.215,31**
Trade and other payables	17	14.932.902,45	16.282.663,76
Short term portion of long term loans	14	8.100.000,00	5.600.000,00
Financial liabilities for leases	14	998.989,91	0,00
Income tax payable	18	0,00	405.618,45
Current Liabilities		**24.031.892,36**	**22.288.282,21**
Total Liabilities		**69.820.702,35**	**53.659.497,52**
Total Equity & Liabilities		**352.904.243,69**	**338.080.305,22**

(all amounts are expressed in Euro)

Income Statement

Income Statement	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Distribution revenue		56.477.506,26	51.767.787,09
Connection charges		257.773,09	179.918,58
Other income	19	942.549,62	879.932,21
Total distribution revenue		**57.677.828,97**	**52.827.637,88**
Personnel cost	20	-12.575.237,25	-11.466.607,74
Other Operating Expenses	21	-8.929.458,68	-9.281.933,06
Payroll capitalization	20	5.368.241,61	5.105.851,52
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**41.541.374,65**	**37.184.948,60**
Depreciation tangible & intangible assets	5, 6	-13.627.037,92	-12.598.473,39
Depreciation of rights of use of assets	7	-1.093.407,24	0,00
Amortization of grants	16	412.410,44	412.410,42
Earnings before interest and taxes		**27.233.339,93**	**24.998.885,63**
Interest income	22	234.359,36	231.269,31
Interest expense	22	-871.357,50	-540.728,89
Earnings before taxes		**26.596.341,79**	**24.689.426,05**
Income tax	18	-6.733.572,49	-7.413.385,43
Earnings after taxes		**19.862.769,30**	**17.276.040,62**

Statement of Comprehensive Income

Statement of Comprehensive Income	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Profit after taxes		19.862.769,30	17.276.040,62
Items that will not be classified in the financial results at later time			
(Losses)/Profit from remeasurement of defined benefit plan	15	-133.550,00	93.211,00
Income tax related to actuarial (Losses) /Gain	8	30.499,34	-33.241,83
Total comprehensive income after taxes		**19.759.718,64**	**17.336.009,79**

The accompanying notes constitute an integral part of these Financial Statements

(all amounts are expressed in Euro)

Statement of Changes in Equity

Statement of Changes in Equity	Share Capital	Statutory Reserves	Other Reserves	Accum. Profit	Total Shareholders' Equity
Balance at 01.01.2019	**247.127.605,00**	**16.195.806,55**	**-116.038,35**	**21.213.434,50**	**284.420.807,70**
Net profits after taxes	0,00	0,00	0,00	19.862.769,30	**19.862.769,30**
Other comprehensive losses after taxes	0,00	0,00	-103.050,66	0,00	**-103.050,66**
Total comprehensive income/ (losses) after taxes	**0,00**	**0,00**	**-103.050,66**	**19.862.769,30**	**19.759.718,64**
Distribution to reserves (Note 13)	0,00	1.010.660,99	0,00	-1.010.660,99	**0,00**
Dividends paid (Note 26)	0,00	0,00	0,00	-21.096.985,00	**-21.096.985,00**
Balance at 31.12.2019	**247.127.605,00**	**17.206.467,54**	**-219.089,01**	**18.968.557,81**	**283.083.541,34**
Balance at 01.01.2018	**247.127.605,00**	**15.332.004,52**	**-176.007,52**	**16.713.060,28**	**278.996.662,28**
Adjustment for the application from IFRS 15	0,00	0,00	0,00	4.624.777,24	**4.624.777,24**
Revalued Balance 01.01.2018	**247.127.605,00**	**15.332.004,52**	**-176.007,52**	**21.337.837,52**	**283.621.439,52**
Net profits after taxes	0,00	0,00	0,00	17.276.040,62	**17.276.040,62**
Other comprehensive income after taxes	0,00	0,00	59.969,17	0,00	**59.969,17**
Total comprehensive income after taxes	**0,00**	**0,00**	**59.969,17**	**17.276.040,62**	**17.336.009,79**
Distribution to reserves	0,00	863.802,03	0,00	-863.802,03	**0,00**
Dividends paid (Note 26)	0,00	0,00	0,00	-16.536.641,61	**-16.536.641,61**
Balance at 30.06.2018	**247.127.605,00**	**16.195.806,55**	**-116.038,35**	**21.213.434,50**	**284.420.807,70**

(all amounts are expressed in Euro

Statement of Cash Flows

Statement of Cash Flows	Notes	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Cash Flows from Operating Activities			
Profit before taxes		26.596.341,79	24.689.426,05
Adjustments for:			
Depreciation of tangible assets	5	3.088.419,41	2.001.722,49
Amortization of intangible assets	6	10.538.618,51	10.596.750,90
Amortization of grants	16	-412.410,44	-412.410,42
Net (loss) /profit from destruction /disposal of fixed assets	5	15.546,19	-4.813,57
Depreciation of rights of use of assets	7	1.093.407,24	0,00
Provision for personnel compensation	15	138.172,10	141.758,00
Provision for inventory impairment	9	420,34	4.007,74
Provision for doubtful debts	10	11.203,10	12.963,37
Interest expense	22	871.357,50	540.728,89
Interest income	22	-234.359,36	-231.269,31
		41.706.716,38	**37.338.864,14**
Decrease in inventories		830.687,13	258.473,30
Decrease in trade and other receivables		2.494.694,87	1.901.603,14
Decrease in trade and other payables		-1.480.801,30	-323.088,55
Increase in trade and other long-term liabilities		394.770,08	231.953,98
Benefits paid	15	-12.140,10	0,00
		43.933.927,06	**39.407.806,01**
Interest paid		-635.955,10	-44.831,10
Income tax paid	18	-7.863.620,98	-8.658.003,25
Net cash flows from operating activities		**35.434.350,98**	**30.704.971,66**
Cash Flows from investing activities			
Capital expenditure related to network	5	-26.339.840,73	-25.175.854,88
Purchases of other tangible assets	5	-1.951.189,51	-730.880,48
Proceeds from disposal of tangible assets	5	0,00	4.816,94
Interest received		234.359,36	231.269,31
Net cash flows from investing activities		**-28.056.670,88**	**-25.670.649,11**
Cash flows from financing activities			
Payments of financial liabilities for leases	14	-1.170.815,69	0,00
Reiceipts from issued long term borrowing	14	20.000.000,00	12.000.000,00
Repayment of bank loans	14	-5.600.000,00	-3.200.000,00
Dividends paid	26	-21.096.985,00	-16.536.641,61
Net cash flows from financing activities		**-7.867.800,69**	**-7.736.641,61**
Decrease in cash and cash equivalents		**-490.120,59**	**-2.702.319,06**
Cash and cash equivalents at beginning of the year	11	12.664.135,69	15.366.454,75
Cash and cash equivalents at the end of year		**12.174.015,10**	**12.664.135,69**

Thessaloniki, February 27th, 2020

Chairman of the BoD: **Ioannis Tsitsopoulos**

General Manager: **Leonidas Bakouras**

Finance Manager: **Theodosios Bakirtzis**

Tax Consultant: **Nikolaos Zeberligos**

The accompanying notes constitute an integral part of these Financial Statements

Notes to the Financial Statements

1. General Information

The GAS DISTRIBUTION COMPANY THESSALONIKI-THESSALY S.A. (former GAS SUPPLY COMPANY OF THESSALONIKI S.A.) or "Company" or "EDA THESS" was founded in 2000 as a Société Anonyme in accordance with Greek Corporate Law. The Company has its principal place of business on 256 Monastiriou & 7 Glinou street, 54628, Thessaloniki, Greece, where it was installed by March 2011.

The Company's share capital is fully paid up, stands at €247,127,605,00 and is divided into 247,127,605,00 registered shares with a nominal value of €1 each.

The Company's current shareholding structure is as follows:

(1) DEPA S.A.: 126,035,079 shares, i.e. 51%

(2) ENI Gas e Luce S.p.A: 121,092,526 shares, i.e. 49%.

In compliance with Law 4001/2011, as from 30.12.2016 the Company became the legal Operator of the Distribution Networks of Thessaloniki and Thessaly. Pursuant to Article 8, L.4336/2015, by the issuance of the aforementioned Distribution Licenses on 31.12.2018, the provisions of the Distribution Licenses issued by the Ministry of Development in 2000 pursuant to the provisions of L.2364/1995 (OGG A 256), are abolished.

In accordance with paragraph 6 of Art. 80A of Law 4001/2011, as amended by Laws 433/2015 and 4414/2016 and in force, EDA THESS has become the universal successor of the two EPAs in their distribution sectors. In particular, pursuant to the provisions of the above provisions of the law, EDA THESS fully succeeded to the rights and obligations of the sectors related to the activity of the Distribution Network of the two EPAs.

On 31.12.2018, the Natural Gas Distribution License (RAE's dec. 1314/2018 OGG B' 5922/31.12.2018) and the Natural Gas Distribution Network Operation License (RAE's dec. 1315/2018 OGG B' 5916/31.12.2018), were granted to the Company, pursuant to the provisions of L. 4001/2011, and the Licensing Regulation (OGG B' 3430/17.08.2018). The period of validity of the Licenses is 25 years, expiring on 31.12.2043 and may be extended by decision of the Regulatory Authority for Energy under the provisions of the Law and the Licensing Regulation.

With the Distribution Network Operation License, the management right and operation of the distribution networks in the geographic areas of Thessaloniki and Thessaly, is granted to the Company. The geographical area of the license covers the Regional Unit of Thessaloniki and the Region of Thessaly.

The attached Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union for the year ended 31st December 2019 and have been approved by the Board of Directors on 27 February 2020.

2. Basis for the Preparation of Financial Statements and significant Accounting Policies

2.1 Basis for the Presentation of Financial Statements

The Financial Statements have been prepared in accordance with IFRS as issued by the International Board (IASB) as well as in accordance with their interpretations, as issued by the IASB Standards Interpretation Committee, as adopted by the European Union and are mandatory applied for the years ending 31st December 2019. There are no standards and interpretations of standards that have been applied before the date of their application.
The Financial Statements of the company have been prepared in accordance with the historical cost principle and on the basis of the going concern principle.

The preparation of the Financial Statements in accordance with IFRS require the adoption of specific estimations and assumptions. It also requires management judgment when applying the Company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimations are significant in the Financial Statements are indicated in note 4 below.

The financial data are presented in Euro which is the applicable currency for the Company's operation and presentation.

In the statement of Financial Position are disclosed separately the tangibles and the intangible assets belonging to EDA THESS and DEPA SA. According to the article 80B of Law N. 4001/2011, the networks of Distribution that had been constructed until 31.03.2017 remain in the exclusive property of DEPA SA and transferred as tangible assets to DEPA SA. DEPA as the owner of the Network is not entitled to an exchange for the concession of the management and exploitation of Distribution Networks of Thessaloniki and Thessalia up to the amortization of the right of use and beneficial use of assets and specifically until the expiration of the License on 31.12.2043. Respectively, the construction of Distribution Network completed from April 1st, 2017 by EDA Thess who manages the Distribution Network of Thessaloniki and Thessaly, under their respective distribution licenses, is in the exclusive ownership of EDA Thess and will be amortized until the expiration of the Distribution License on 31.12.2043.

According to the provisions of Article 80a of Law 4001/2011, the Company is obliged, following the decision of RAE, to keep separate accounts, in accordance with the provisions of Article 89 by geographical area.

Until the date of preparation of the Financial Statements, the allocation rules have not been issued. The Company will be able to prepare and submit to RAE separate financial statements in accordance with approved allocation rules and in accordance with the provisions of article 89 of Law 4001/2011, following the issuance of the relevant regulatory decision by the Authority, which is expected within 2020. In the same context, once approved, it will be feasible to disclose the approved distribution rules and the separate Financial Statements for each geographical area in the notes the Financial Statements.

2.2 New Standards, interpretations and modifications on existing I.F.R.S.

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2019

- **IFRS 16: Leases**
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

  The Company first applied IFRS 16 on 1 January 2019, using the modified retrospective approach, whereby the retrospective effect of applying the standard was recognized at that date. The comparative figures have not been recast.

  The Company has used the exemption provided by the standard for the determination of leases. This practically means that it applied the requirements of IFRS 16 to all contracts that were effective on January 1, 2019 and were recognized as leases under IAS 17 and IFRIC 4. In addition, the Company used the standard exemptions in respect of leases less than 12 months of fixed assets with low value leases. Finally, the Company applies a single discount rate to each category of leases with similar characteristics (such as leases of similar duration, for similar fixed assets and in a similar financial environment).
  The Company recognized the right to use fixed assets and liabilities for those leases previously classified as operating, other than low value leases. The right to use fixed assets is recognized as a lease liability, adjusted by the amount of any pre-paid lease related to the lease recognized in the statement of financial position immediately before the effective date. The lease liability was recognized as the present value of the remaining payments, discounted at the cost of additional borrowing at the date of initial application.
  The effect of the application of IFRS 16 was to increase the rights to use fixed assets and lease liabilities by Euro 3.884.040,18 (Note. 7).

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has made an assessment of the effect of the standard and does not expect that this standard will have an impact on the financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the

equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. Management has made an assessment of the effect of the standard and does not expect that this standard will have an impact on the financial statements.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has made an assessment of the effect of the standard and does not expect that this standard will have an impact on the financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has made an assessment of the effect of the standard and does not expect that this standard will have an impact on the financial statements.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. Management has made an assessment of the effect of the improvements and does not expect that this standard will have an impact on the financial statements.

  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - ***IAS 12 Income Taxes***: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - ***IAS 23 Borrowing Costs***: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards issued but not yet effective and not early adopted by the Company

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor

and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has made an assessment of the effect of the standard and does not expect that this standard will have an impact on the financial statements.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management estimates that these amendments will not have an impact on the financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management estimates that these amendments will not have an impact on the financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management estimates that these amendments will not have an impact on the financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management estimates that these amendments will not have an impact on the financial statements.

2.3 Basic Accounting Principles

2.3.1 Intangible Assets

According to Article 80B of Law 4001/2011, the Distribution Networks that had been constructed until 31.03.2017 remain in the exclusive property of DEPA SA and are transferred as a "tangible asset" to DEPA SA. DEPA SA, as Network Owner, is not entitled to anything in exchange for the granting of the management and operation of the Distribution Networks of Thessaly and Thessaloniki until the amortization of right to use and the beneficial use, and specifically until the expiry of the Distribution License on 31.12.2043.

The rights and obligations that govern the relationship of the Company with the owner of the Distribution Network assets that existed on 1 April 2017 are set out in Appendix IV of the Company's Distribution Network Management Authorization (ΦΕΚ Β' 5916/31.12.2018) relating to fixed assets referred to in Appendix II and III of the License. The Existing Distribution Network, which was built and completed before April 1, 2017, and its replacements or restorations, is owned by DEPA with the exception of the smart metering.

DEPA grants to the Company, without anything in exchange, the management and exploitation of the Existing Network.

The above assets of DEPA SA are presented as intangible assets in the Company's Statement of Financial Position and are amortized until the expiry of the License (2043).

2.3.2 Tangible Fixed Assets

In compliance with Law, the expansion works on Distribution Networks operated by the Company from 01.04.2017 belong to its exclusive property and are presented as tangible fixed assets in the Statement of Financial Position.

Fixed assets are presented at historical cost less accumulated depreciation and any impairment. Acquisition and construction cost include any costs directly attributable to the acquisition and construction of fixed assets. Subsequent expenditure is included in the carrying amount of the asset only when it is likely that future economic benefits will flow to the Company and the asset cost can be reliably estimated.

The residual value and useful life of the assets are reviewed and determined at each date of preparation of the Financial Statements, if necessary.

Depreciation is computed based on the straight-line method over the estimated useful lives of such assets and starts when the asset becomes available for use. Plant and equipment are depreciated as follows:

Leasehold improvements:	over the life of the lease contract or useful life if shorter
Machinery and equipment:	8 years
Distribution network:	Until the License expiration (2043)
Vehicles:	8 years
Furniture and fittings (including software):	3-5 years

Depreciated values of assets are reviewed for impairment when events or amendments indicate the depreciated value may not be recoverable. In case of such indication and whenever depreciated values exceed the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the highest between net selling price and value in use. Value in use is assessed by the estimated future cash flows in their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to such asset. Impairment losses are recognized in the Income Statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.3.3 Impairment of non-financial assets

Assets of indefinite useful life are not subject to amortization and are reviewed annually for impairment. Assets subjected to amortisation are reviewed for impairment when events indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount may not be recoverable. The recoverable amount is the highest of an asset's fair value less costs to sell and value in use. Value in use is assessed by the estimated future cash flows in their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to such asset. Impairment losses are recognised in the Income Statement of the year they arise.

2.3.4 Financial Instruments

Financial instrument is any contract that creates a financial asset to a company and a financial liability or an equity instrument in another one.

I. Financial Assets

Initial recognition and measurement

At initial recognition financial assets are classified depending on their nature and characteristics into one of the following three categories:

I. Financial assets measured at amortized cost,
II. Financial assets measured at fair value through profit or loss,
III. Financial assets measured at fair value through other comprehensive income

All financial assets are initially recognized at their fair value, which is usually the acquisition cost plus direct transaction costs. Purchases and sales of investments are recognized at the date of the transaction, which is the date the Company commits to purchase or sell the item.

Subsequent measurement

i. **Financial assets measured at amortized cost**

This category classifies the financial assets for which both of the following conditions are met:

1. the financial asset is retained within a business model, the objective of which is to hold financial assets for the purpose of collecting contractual cash flows; and
2. under the contractual terms of the financial asset, cash flows that consist exclusively of capital repayment and interest on the outstanding capital are created at specific dates.

This category includes all the financial assets of the Company.

ii. **Financial assets measured at fair value through profit or loss**.

A financial asset is measured at fair value through profit or loss, unless is measured at amortized cost according to paragraph (i) or fair value through other comprehensive income in accordance with paragraph (ii).

However, at initial recognition, the Company may elect irrevocably for specific investments in equity instruments that would otherwise be measured at fair value through profit or loss, presenting other comprehensive income on subsequent changes in fair value

Realized and unrealized gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss in the period in which they arise.

iii. **Financial assets measured at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

1. the financial asset is retained in the context of a business model the objective of which is achieved both by the collection of contractual cash flows and the sale of financial assets; and
2. under the contractual terms of the financial asset, cash flows that consist exclusively of capital repayment and interest on the outstanding capital are created at specific dates.

At the date of the Financial Statements the Company did not have investments of this category.

Derecognition of financial asset

The Company ceases to recognize a financial asset when the contractual rights to the cash flow of the financial asset expire or transfer the financial asset and the transfer meets the conditions for write-off.

Reclassification of financial assets

Reclassification of financial assets occurs in rare cases and is due to a decision by the Company to modify its business model for the management of those financial assets.

Impairment of financial assets

Under IFRS 9, impairment of financial assets measured at amortized cost or at fair value through other comprehensive income occurs by recognizing the expected credit losses.

At each reporting date, IFRS 9 requires measuring the provision for a financial instrument for an amount equal to the expected lifetime loss if the credit risk of the financial instrument has increased significantly since initial recognition. On the other hand, if at the reporting date the credit risk of a financial instrument has not increased significantly from the initial recognition, IFRS 9 requires the provision for a loss provision for that financial instrument to be equal to the expected 12-month credit losses.

The risk parameters taken into account for the calculation of expected credit losses are the estimated default probability, the percentage of loss on the principal due to the fact that the client has failed to repay the amount due and the outstanding balance of the Company in case of default the customers. In certain cases, the Company may assess for certain financial information that there is a credit event when there is internal or external information indicating that the collection of amounts determined under the relevant contract is unlikely to be collected as a whole.

As a general rule, the assessment of the classification in stages shall be carried out at each reporting period.

With regard to 'Trade and other receivables, IFRS 9 requires the application of the simplified approach to the calculation of expected credit losses. The Company, using this approach, has calculated the expected credit losses over the life of the receivables. For this purpose, a credit loss forecasting table was used to measure the projections in a way that reflects past experience and predictions of the future financial situation of customers and the economic environment.

II. Financial liabilities

Initial recognititon

The balances of suppliers and other liabilities are recognized at cost that is the fair value of the future payment for the purchases of goods and services provided. Trade and other short-term liabilities are not interest-bearing accounts and are usually settled at 0-60 days.

All loans are initially recorded at cost, which reflects the fair value of the receivables less the relevant direct acquisition costs where they are significant. After initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account issuing costs and the difference between the original amount and the maturity. Gains and losses are recognized in profit or loss when liabilities are written off or impaired through the amortization process.

Subsequent measurement

After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method except for:

a. financial liabilities at fair value through profit or loss.

b. financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach is applied.

c. financial guarantee contracts

d. loan commitments at lower interest rates than those on the market.

The unamortised cost of loans is calculated by taking into account issuing costs and the difference between the original amount and the maturity. Gains and losses are recognized in profit or loss when the liabilities are written off or impaired, and through the amortization process.

Amounts repayable within one year from the date of the Financial Statements are entered as current liabilities whereas amounts payable at a later stage are entered as long-term loans.

Derecognition

An entity ceases to recognize a financial liability (or part thereof) in its financial statements when, and only when, it is repaid, that is, when the commitment set out in the contract is fulfilled, canceled or expires. An exchange between an actual debtor and a borrower of debt securities in substantially different terms is accounted for as a repayment of the original financial liability and recognition of a new financial liability. Similarly, a material changes in the terms of an existing financial liability (whether due to a borrower's financial difficulty or not) is accounted for as a repayment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of a financial liability (or a portion of a financial liability) payable or transferred to another party and the consideration paid, including the non-cash assets and the liabilities assumed, is recognized in the income statement.

Reclassification of financial liabilities

The Company may not reclassify any financial liability.

Offsetting financial instruments

The offsetting of financial assets with liabilities and the presentation of the net amount in the Financial Statements is made only if there is a legal right to offset and there is an intention to settle the net amount resulting from the offsetting or simultaneous settlement.

2.3.5 Inventory

Inventories consist of materials related to the construction of gas distribution network and spare parts used for maintenance. Inventories are valued at the lowest between cost and net realizable value. Net realizable value is the estimated selling price of stocks in the ordinary course of business less any costs of sale where applicable. The Company measures inventories at the weighted average cost.

Appropriate allowance is made for obsolete, useless and slow-moving materials. The reductions in value of inventories to net realizable value and other reserves losses are entered in the Income Statement of the period displayed.

2.3.6 Trade and other receivables

The commercial receivables which generally have a credit of 0-60 days are entered at fair value (originally invoiced amount) minus the provisions for any uncollectable balance amounts.

The remaining receivable which are expected to be collected within a year from the reporting date, are entered at fair value less the provisions for any uncollectable balance amounts, while long-term receivable accounts (balance amounts deviating from the standard credit limits) are valued at unamortized cost on the basis of the effective interest rate method.

A provision for bad debts is made when the collection of a total amount due is no longer possible. Furthermore, the Company calculates the expected credit losses over the life of the receivables and prepares a related provision. For this purpose, a forecasting matrix of credit losses is used, based on aging of balances, to measure the related provisions in a way that reflects past experience and forecasts of the future financial situation of customers and the economic environment.

The balance of such provision for bad debts is applicably adjusted to each reporting date, in order to reflect the potentially relevant risks.

Any written-off balance of customers is charged to the existing provision for bad debts. The Company does not write off any receivable until all possible legal actions are taken for its collection. The provision amount is entered as an expense item in the Income Statement.

Any subsequent recovery of amounts for which a provision had been made, are credited under "Other revenues" in the Income Statement.

2.3.7 Cash and cash equivalents

Cash and cash equivalents consist of maximum 3-month term deposits and other highly liquid investments.

2.3.8 Share Capital

Share capital comprises the value of the Company's common registered shares, as issued. Incremental costs (share issuance costs) directly attributable to the issue of share capital are deducted from share capital.

2.3.9 Foreign currency translation and transactions

Financial Statements are presented in Euro, the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency using the exchange rates existing on the date of transaction. Debts, assets and liabilities in foreign currency on reporting date are adjusted to reflect the exchange rates prevailing on reporting date. Gains and losses from foreign exchange differences arising from translation of monetary items denominated in foreign currencies during the year and on reporting date with the existing rates, are entered in Income Statement.

2.3.10 Personnel Retirement Benefits

In compliance with the provisions of labour law, the Company reimburses its retirees, with the amount of compensation depending on the years worked and the salary. The program is considered to be a defined benefit plan.

Retirement obligations are calculated at the discounted value of future benefits accumulated at the end of the year, based on the employees' retirement benefit rights during the expected working life. Such obligations are calculated on the basis of financial and actuarial assumptions and are determined by means of the Projected Unit Method.

Net pension costs for the period are comprised in the Statement of Comprehensive Income and consist of the present value of benefits earned during the year, interest on the benefit obligation and the actuarial gains or losses are entered directly in other comprehensive income rather than carried forward. For the prepayment, the Full Yield curve method is used.

Short-term employee benefits in cash and in kind are entered as an expense when accrued.

2.3.11 Provisions

Provisions are entered when the Company has a present obligation (legal or constructive) as a result of a past event, it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of such obligation.

Provisions are re-estimated on each reporting date and adjusted so as to depict the current value of the expense to be made in order the obligation to be settled. Should the effect of the time value of money is significant, provisions are calculated by discounting the expected future cash flows with a pre-tax factor, reflecting the current estimations of the market for the time value of money and, whenever necessary, the risks specifically related to the obligation. Any eventual payables are not recognized to the Financial Statements but rather announced, unless the probability of an outflow of resources incorporating financial benefits is increased and at the same time the probable outflow can be measured with relative accuracy. Eventual claims are not recognized to the Financial Statements but rather announced, should the inflow of financial benefits is likely.

2.3.12 Government grants

As grants concern property of ownership of DEPA SA which are presented as intangible assets, or right of use the gas network in the Statement of the Financial Position, the fair value of the grants is credited to a long term liability account and charged equally to the Income Statement in the period of the amortization of distribution Network intangible assets namely until to 2043. The related amortization is presented separately to the Income Statement.

Grants related to investments will be recognized at fair value when is expected with certainty that the grant will be collected and the Company will be in agreement with all mandatory conditions.

2.3.13 Trade and other payables

The suppliers and other liabilities balances are recognized at cost, which is identical to the fair value of future payment for goods and services provided. Trade and other payables are not interest bearing and are normally settled within 0-60 days.

Part of long-term liabilities are related to guarantees received from distribution users to guarantee future payments.

Guarantees are not interest-bearing accounts and the amounts should be refunded to distribution users in accordance with their respective contracts of use, if there has been no reason for deducting, withholding and / or collecting this amount from the Company.

In the event of termination of the contract of use from the Company due to non-payment of the bad depts, the amount of the guarantee is forfeited to the Company and offset against the amount of bad depts.

2.3.14 Current and Deferred Income Tax

Current tax is calculated in compliance with the tax laws in force in Greece.

Current income tax expense includes income tax calculated on profits the Company, as adjusted in tax returns, additional income taxes resulting from tax audits by the tax authorities and provisions for additional taxes and surcharges on tax issues and is calculated in compliance with the effective tax rates as of Financial Statements date.

Deferred tax is calculated by using the liability method, under the effective rates applicable when will be paid on all temporary differences on reporting date, between the tax basis and book value of assets and liabilities. If deferred income tax arises from the initial entry of an asset or liability in a transaction other than the business combination, then when the transaction affects neither accounting nor taxable profit or loss and therefore not considered.

Deferred tax assets are recogniosed for all deductible temporary differences, tax losses carried forward and tax-deductible transfer of investment laws to the extent that it is likely that taxable profit will be available, against which the deductible temporary differences, tax losses transferred, and transferable rights tax-free deduction of investment laws can be exploited.

The carrying amount of deferred tax assets is reviewed on each reporting date and is reduced to the extent that it is unlikely that there will be sufficient taxable profits against which part or all of the deferred tax assets may be used.

2.3.15 Revenue recognition from contracts with customers

The Company's main sources of revenue are the following

I. Distribution Revenues
II. Revenues from Connection Charges
III. Revenues from other ancillary services (except connection Charges)

The amounts attributable to each Revenue category are presented separately in either the Income Statement or the Explanatory Notes of the Financial Statements.

The Company recognizes revenue when it fulfills a contractual obligation to the individual customer by providing a service (which is the same time when the control of services passes to the customer). The customer acquires control of a service when it can direct its use and take substantially all the remaining benefits from it. If a contract includes more than one contractual obligation, the total value of the contract is allocated to the individual obligations on the basis of the individual sales values. The amount of revenue recognized is the amount attributed to the corresponding contractual obligation that has been settled, based on the consideration expected to be received by the Company under the terms of the contract.

The Company does not enter into contracts where the period between the transfer of the goods or services promised to the customer and the payment by the customer exceeds one year. Consequently, the Company does not adjust the transaction price for the time value of money.

a) Distribution Revenues

The Company, in the context of signed contracts of Network Use, invoices the Distribution users of Gas Network monthly based on the approved distribution invoices by the Regulatory Authority for Energy (RAE) to the Distribution Networks of Thessaloniki and Thessaly.

Revenues from the use of the Natural Gas Distribution Network are the main source of revenue for the Company. Based on the valuation carried out by the Company's Management, gas revenue is recognized over time as the customer receives and at the same time uses the benefits arising from the use of the Network. In particular, revenue is recognized by issuing the invoice to customers on the basis of distributed quantities of natural gas. Therefore, the right to issue an invoice is used to recognize revenue from such contracts.

b) Revenues from Connection Charges

Based on the assessment conducted by the Company's Management, the connection of each customer to the Distribution Network is a separate execution obligation, as the connection has a value for the customer. Therefore, revenue from these one-time charges is recognized at a point in time, namely at the time of the connection to the Network, and the customer acquires control of that service.

c) Revenues from other ancillary services (except Connection Charges)

The Company charges monthly the Ancillary Services provided in accordance with the list of Ancillary and Priced Services of the Distribution Networks of Thessaloniki and Thessaly and their unit prices.

Revenue from ancillary services, mainly including de-activation and reconnection fees, is recognized at the time the service is completed (at a point in time), as at that time the customer acquires control of that service.

Contract assets

At the end of the year, the Company recognizes a contractual asset for accrued revenue that has not yet been invoiced to Gas Network users and which is included in the Trade and other receivables in the Statement of Financial Position. When the relevant invoice is issued to customers, the Company recognizes a relevant receivable, as the issuance of the invoice is the moment when the Company's right in exchange becomes unconditional (if only the passage of time is required to make payment of the said consideration). The amount of the contractual asset at 31st December 2019 is Euro 10,099,598.01 and is included in trade and other receivables in the attached Financial Statements (Note 10). The Company's right to this amount becomes unconditional once the relevant invoices are issued on January of next year.

2.3.16 Interest income

Interest income is recognized on a time proportion basis, determined by the actual performance of the asset.

2.3.17 Leases

- Right of use of assets

The Company recognizes the right of use assets at the commencement of the lease (the date the asset is available for use). The rights to use of assets are measured at their cost less the accumulated depreciation and impairment and adjusted on recalculation of the corresponding lease obligations. The cost of right of use assets includes the amount of lease liabilities recognized, the initial directly related expenses and lease payments made on or before the commencement date, reduced by the amount of discounts or other incentives offered. Except where the Company is reasonably certain that the lease will occur in its possession at the end of the lease contract, the recognized rights of use assets are amortized over the stable method of the shorter period between the useful life of the underlying asset and the terms of lease contract.. The rights of use of assets are subject to impairment testing.

- Lease Liability

At the commencement of the lease, the Company recognizes lease liabilities equal to the present value of the leases over the entire term of the lease contract. Payments include contractual fixed rents, reduced by the amount of subsidies offered, variable rents depending on an index, and amounts for residual value payments expected to be paid. Leases also include the exercise price of a purchase right that is relatively certain to be exercised by the Company and payment of termination penalties if the terms of the contract indicate with relative certainty that the Company will exercise the right of termination. Variable rents that are not dependent from an index are recognized as an expense in the year that the event or the condition arises, and the payment is made.

The Company in order to calculate the present value of payments uses the cost of additional borrowing at the date of lease commencement, if the effective interest rate is not directly determined by the lease contract. Following the commencement of the lease, the amount of the lease liabilities is increased by interest expenses and is reduced by the lease payments made. In addition, the carrying amount of the lease liabilities is revalued if there is a change in the contract, or any change in the term of the contract, in the fixed leases or in the market valuation of the asset. These remeasurements are recorded in one line in the note of right of use of asset as conversions.

- Short-term leases and leases of assets of low value

The Company applies the exception for short-term leases (ie leases of less than or equal to 12 months from the date of commencement of the lease contract where there is no right to purchase the asset). It also applies the exemption for low value assets (ie less than € 5 thousand). Lease payments for short-term and low-value leases are recognized as an expense on a straight-line basis during the lease period (Note. 24).

- Significant considerations in determining the duration of leases with the right to renewal

The Company determines the duration of the lease as the contractual lease term, including the period covered by (a) the right to extend the lease, if it is relatively certain that the right will be exercised, or (b) the right to terminate the contract, if it is relatively certain that the right will not be exercised.

For some leases, the Company has the right to extend the term of the lease. The Company assesses whether there is relative certainty that the right to renewal will be exercised, considering all relevant factors that create financial incentive to exercise the right to renewal. After the lease commencement date, the Company reviews the term of the lease if there is a significant event or change in the circumstances that are within its control and affect the choice (or not) of exercising the renewal right (such as a change in business strategy of the company).

2.3.18 Expenses

Expenses are recognized in the Income Statement on accrual basis. Payments related to operational leasing are entered in the Income Statement, during the term of the lease.

2.3.19 Profit distribution and dividend distribution

Appropriations for use other than the statutory reserve, and recognition of the liability distribution are entered in the Financial Statements if the distribution is approved by the General Assembly of the Shareholders.

3. Risk Management

3.1 Financial risk management factors

The Company is exposed to several financial risks, such as:

I. market risk (changes in exchange rates, interest rates, market prices);

II. credit risk; and

III. liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Management provides guidance and directions for the overall risk management and the specific internal bodies (such as the liquidity and legal committees) ensure the management of specific risks (such as interest rate risk and credit risk).

Financial assets and liabilities of financial position include cash, trade and other receivables, available for sale financial assets and short-and long-term trade and other liabilities.

The Company does not use derivatives to offset risk aversion. The Company is not engaged in financial tools that could expose it to fluctuations in exchange rates of foreign currencies and interest rates.

I. Market risk:

Risk of exchange rates: The Company operates and functions in Greece. The Company's exposure to currency risk is limited in supply of materials and services. Such transactions are not essential to the operation of the Company.

Thus, no financial tool is used to reduce this risk.

Interest rates risk: The Company's exposure to risk due to changes in interest rates relates primarily to current liabilities. The Company's policy is to monitor the interest rate trends as well as the Company's financing needs.

Investments include either in time deposits or sight deposits to ensure the Company's liquidity.

The Company finances its investments through bank borrowing resulting in charging its earnings with debit interest. An increase in interest rates (change to Euribor) will have a negative effect on the results, as the Company will incur additional borrowing costs.

Interest Rate Sensitivity Analysis		
	Interest rate change in basis points	Impact on Earnings Before Taxes € 000's
2019		
Euro	+/-1%	-/+243
2018		
Euro	+/-1%	-/+149

II. Credit risk:

The biggest credit risk (net of the value of collateral or other security) if the contracting parties meet their obligations with respect to each class of recognized financial asset is the present value of these requirements, as shown in Balance Sheet less the value of securities/ collateral.

The credit risk due to a possible delay of payment by a Distributor User is minimized as, under the User Contracts, all Users have provided either a Letter of Guarantee or a Cash Guarantee. According to the terms of the Contracts, the guarantee letters may be forfeited immediately.

III. Liquidity risk:

Prudent liquidity risk management includes the following:

- maintaining sufficient cash and equivalent assets; and
- adequacy of financial facility.

(all amounts are expressed in Euro

Management monitors the Company's liquidity based on cash inflows and outflows forecasts.
The following table shows financial liabilities that are allocated according to the date of repayment. The following amounts are presented in their book value, since the present value of discounted future cash flows are not significantly different.

The following table analyzes the Liquidity Risk according to the payment period (31.12.2019 & 31.12.2018) based on the payments resulting from the relevant contracts and agreements:

Liquidity Risk according to the payment period		up to 2 months	from 2 months up to 12 months	over 1 year	Total
Commercial & other Liabilities at :	31.12.2019	7.659.204,81	7.273.697,64	0,00	**14.932.902,45**
Other long-term liabilities at:	31.12.2019	0,00	0,00	681.690,81	**681.690,81**
Long term loan at:	31.12.2019	1.425.000,00	6.675.000,00	31.100.000,00	**39.200.000,00**
Financial liabilities from leases:	31.12.2019	180.307,97	818.681,94	2.275.653,04	**3.274.642,95**
Commercial & other Liabilities at:	31.12.2018	7.909.966,21	8.372.697,55	0,00	**16.282.663,76**
Other Long term liabilities at:	31.12.2018	0,00	0,00	286.920,73	**286.920,73**
Long term loan at:	31.12.2018	800.000,00	4.800.000,00	19.200.000,00	**24.800.000,00**

3.2 Fair value estimation

The fair value of a financial instrument is the price that someone would get for selling an asset or that someone would pay to transfer a liability in a normal transaction between market participants on the measurement date. The fair value of financial assets in the Financial Statements on December 31st, 2019 and on December 31st, 2018 was determined by the Management as better as possible.

Fair value measurement methods are hierarchized at three levels:

Level 1: Stock market values from active financial markets for exactly the same marketable items;

Level 2: Other than level 1 values which yet can be directly or indirectly identified through stock prices from active markets;

Level 3: Values for assets or liabilities not based on stock prices from active financial markets.

The amounts shown in the Financial Statements for cash, trade and other receivables as well as trade and other short-term liabilities approximating their respective fair values due to their short-term maturity.

During the period there were no transfers between Levels 1 and 2 or transfers in and out of Level 3 when measuring fair value. Also, during the same period there was no change in the purpose of a financial asset that would lead to different classification of the asset.

There are no differences between the fair values and the respective accounting values of the financial instruments shown in Assets and Liabilities.

3.3 Capital risk factors

The Company's objective in Capital management is the assurance of a continuous productivity and profits for the Shareholders as well as maintaining a capital structure which will reduce the cost of capital.

The capital is reviewed using a Gearing (Leverage) ratio. The factor is calculated as the percentage of long-term debt to the sum of Equity and long-term debt.

4. Critical Accounting Estimates and Judgements

The preparation of Financial Statements in compliance with International Financial Reporting Standards requires Management to make significant judgments & accounting estimates affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the reporting date and the reported revenues and expenses during the reporting year. Although such estimates are based on the best knowledge of Management under the circumstances and the prevailing actual results, they may eventually differ from such estimates. Estimates and judgments are continuously assessed and are based on historical experience and other factors, including reasonably expected future events, under the circumstances.

The areas requiring a higher degree of management judgment, in which assumptions and estimates are significant to the Financial Statements, are as follows:

Estimates and Assumptions

4.1 Revenue recognition and estimates

The Company recognizes revenue when it fulfills a contractual obligation to the customer by providing a service. The Company makes a judgment to determine when the customer acquires control of a service and considers that the customer acquires control when it can direct its use and obtain substantially all the remaining benefits from the service provided to it.

4.2 Income tax

The Company is subject to income tax in compliance with Greek tax laws. A significant judgment in determining income tax provision is required. For some transactions and calculations outright tax calculation is uncertain.

Whenever the final tax outcome of such matters is different from the amounts initially entered, such differences will have an impact on the income tax and the income tax provisions in the period in which they are incurred.

4.3 Estimated impairment of non-financial assets

The Company annually reassesses whether non-financial assets have been impaired in compliance with IAS 36, based on available data and information. The recoverable amounts of assets generating cash inflows are determined by calculating the value in use. Such calculations require the use of estimates.

The unamortized value of intangible assets on rights of network use, is considered fully recoverable due to amortization during the license period up to 2043.

4.4 Programs of specific benefits

The cost of specific benefits programs is determined by means of actuarial valuations, when assumptions on discount rates, the rate of wage growth and mortality rates are used. Due to the long-term nature of the programs, such assumptions are subject to significant uncertainty.

4.5 Bad debts

Bad debts are presented as amounts likely to be recovered. Estimates of the amounts expected to be recovered arise from the Company's experience regarding the likelihood of bad debts.

The Company's policy is that no claim is made until all possible legal actions for their collection have been exhausted.

(all amounts are expressed in Euro

5. Tangible assets

Property, Plant & Equipment	Land	Leasehold improvements	Network of distribution	Other machinery	Vehicles	Furniture & office equipment	Assets under construction	Total
Initial Value								
Balance at 01.01.2018	**0,00**	**1.529.938,90**	**8.006.550,84**	**293.272,42**	**14.479,61**	**11.592.102,41**	**7.194.084,80**	**28.630.428,98**
Additions of network	0,00	0,00	0,00	0,00	0,00	0,00	25.175.854,88	**25.175.854,88**
Other additions	4.066,74	35.687,15	0,00	23.887,50	19.896,03	373.728,87	273.614,19	**730.880,48**
Disposals	0,00	0,00	0,00	0,00	0,00	-141.482,53	0,00	**-141.482,53**
Transfers	0,00	0,00	22.530.964,46	0,00	0,00	340.859,04	-22.871.823,50	**0,00**
Transfers to intangible assets (Note 6)	0,00	0,00	0,00	0,00	0,00	0,00	-689.470,41	**-689.470,41**
Balance at 31.12.2018	**4.066,74**	**1.565.626,05**	**30.537.515,30**	**317.159,92**	**34.375,64**	**12.165.207,79**	**9.082.259,96**	**53.706.211,40**
Additions of network	0,00	0,00	0,00	0,00	0,00	0,00	26.339.840,73	**26.339.840,73**
Other additions	0,00	17.979,00	0,00	100.193,00	306,47	1.831.666,32	1.044,72	**1.951.189,51**
Disposals	0,00	0,00	-15.981,19	0,00	0,00	-247.934,06	0,00	**-263.915,25**
Transfers	0,00	1.000,00	27.589.224,71	0,00	0,00	272.614,19	-27.862.838,90	**0,00**
Transfers to intangible assets (Note 6)	0,00	0,00	0,00	0,00	0,00	0,00	-627.367,46	**-627.367,46**
Balance at 31.12.2019	**4.066,74**	**1.584.605,05**	**58.110.758,82**	**417.352,92**	**34.682,11**	**14.021.554,24**	**6.932.939,05**	**81.105.958,93**
Accum. Depreciation								
Balance at 01.01.2018	**0,00**	**821.475,38**	**106.418,02**	**226.803,44**	**9.827,84**	**8.521.214,80**	**0,00**	**9.685.739,48**
Depreciation	0,00	91.898,97	751.829,97	18.688,53	2.067,24	1.137.237,78	0,00	**2.001.722,49**
Disposals	0,00	0,00	0,00	0,00	0,00	-141.479,16	0,00	**-141.479,16**
Balance at 31.12.2018	**0,00**	**913.374,35**	**858.247,99**	**245.491,97**	**11.895,08**	**9.516.973,42**	**0,00**	**11.545.982,81**
Depreciation		56.500,49	1.781.512,81	28.771,85	2.499,24	1.219.135,02	0,00	**3.088.419,41**
Disposals		0,00	-436,25	0,00	0,00	-247.932,81	0,00	**-248.369,06**
Balance at 31.12.2019	**0,00**	**969.874,84**	**2.639.324,55**	**274.263,82**	**14.394,32**	**10.488.175,63**	**0,00**	**14.386.033,16**
Net book value								
31.12.2018	4.066,74	652.251,70	29.679.267,31	71.667,95	22.480,56	2.648.234,37	9.082.259,96	**42.160.228,59**
31.12.2019	4.066,74	614.730,21	55.471.434,27	143.089,10	20.287,79	3.533.378,61	6.932.939,05	**66.719.925,77**

Disposals/destruction of fixed assets	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Receipts from disposals	0,00	4.816,94
Minus net book value	15.546,19	3,37
Net (loss)/ profit from disposal/ destruction/disposalof fixed assets	**-15.546,19**	**4.813,57**

There are no fixed assets pledged as at December 31st, 2019 and 2018.

(all amounts are expressed in Euro

6. Intangible Assets

Intangible Assets	Network License Rights 31.12.2019	Network License Rights 31.12.2018
Cost		
Opening balance	**495.917.346,55**	**495.227.876,14**
Network licence rights additions (Note 5)	627.367,46	689.470,41
Closing balance	**496.544.714,01**	**495.917.346,55**
Accumulated Amortization		
Opening balance	**235.619.776,64**	**225.023.025,74**
Amortization of network licence rights	10.538.618,51	10.596.750,90
Closing balance	**246.158.395,15**	**235.619.776,64**
Net Book Value	**250.386.318,86**	**260.297.569,91**

Network License Rights are amortized over the period of the concession licence until 2043.
The constructed network is adequately insured against any property risk.

7. Right of use of Assets

Right of use of assets	Buildings	Vehicles	Total
Balance at 01.01.2019 (Note 14)	**3.268.470,03**	**615.570,15**	**3.884.040,18**
Additions (Note 14)	0,00	457.056,05	**457.056,05**
Depreciation	-703.594,57	-389.812,67	**-1.093.407,24**
Balance at 31.12.2019	**2.564.875,46**	**682.813,53**	**3.247.688,99**

(all amounts are expressed in Euro

8. Deferred tax assets

Deferred Tax Asset	31.12.2019	31.12.2018
Opening Balance	**1.195.968,56**	**1.467.967,64**
Adjustment for the application from IFRS 15	0,00	-1.888.993,52
(Debit)/Credit in income statement (Note 18)	-145.585,12	1.650.236,27
Credit/(Debit) in other comprehensive income	30.499,34	-33.241,83
Closing Balance	**1.080.882,78**	**1.195.968,56**

Deferred Tax Analysis	Useless Materials	Deferred Revenue	Provision for Staff compensation	Provision for doubtful debts	Intangible Assets	Network Distribution	Grants	Distribution of Profit	Other	Total
Balance at 01.01.2018	**8.827,60**	**1.888.993,52**	**798.788,75**	**27.217,92**	**-1.370.496,17**	**6.976,16**	**88.124,53**	**0,00**	**19.535,33**	**1.467.967,64**
Adjustment for the application of IFRS 15	0,00	-1.888.993,52	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**-1.888.993,52**
Credit/(Debit) in Income Statement (Note 18)	-5.302,24	0,00	-19.022,66	-513,36	331.282,95	-7.496,59	-15.077,01	1.369.707,43	-3.342,25	**1.650.236,27**
Debit in other comprehensive income	0,00	0,00	-33.241,83	0,00	0,00	0,00	0,00	0,00	0,00	**-33.241,83**
Balance at 31.12.2018	**3.525,36**	**0,00**	**746.524,26**	**26.704,56**	**-1.039.213,22**	**-520,43**	**73.047,52**	**1.369.707,43**	**16.193,08**	**1.195.968,56**
Balance at 01.01.2019	**3.525,36**	**0,00**	**746.524,26**	**26.704,56**	**-1.039.213,22**	**-520,43**	**73.047,52**	**1.369.707,43**	**16.193,08**	**1.195.968,56**
Credit/(Debit) in Income Statement (Note 18)	-3.424,48	0,00	-2.868,43	1.620,56	122.180,50	-6.626,12	-5.726,92	-255.939,62	5.199,39	**-145.585,12**
Debit in other comprehensive income	0,00	0,00	30.499,34	0,00	0,00	0,00	0,00	0,00	0,00	**30.499,34**
Balance at 31.12.2019	**100,88**	**0,00**	**774.155,17**	**28.325,12**	**-917.032,72**	**-7.146,55**	**67.320,60**	**1.113.767,81**	**21.392,47**	**1.080.882,78**

Incompliance with Law 4579/2018 provided for a gradual adjustment of tax rates at a rate of twenty-nine percent (29%) for the 2018 tax year, which would be gradually reduced in the coming years to twenty-five percent (25%) for the income of the tax year 2022 and onwards. On 12.12.2019, Law 4646/2019 was adopted, according to which the tax rate was 24% for the income of the fiscal year 2019 and onwards.

The Company, considering the new tax rates and in accordance with IAS 12, has adjusted the deferred tax by recognizing the difference as (income)/expense from income tax in the income statement and other comprehensive income respectively.

(all amounts are expressed in Euro)

9. Inventories

Inventory	31.12.2019	31.12.2018
Network construction materials and spare parts	2.751.987,03	3.471.129,50
Provision for materials not invoiced yet	-1.133.761,18	-1.009.625,95
Provision for obsolete materials	-420,34	-12.590,57
Inventories at the lowest between cost and net realizable value	**1.617.805,51**	**2.448.912,98**

The movement of provision for obsolete materials is analysed as follows:	31.12.2019	31.12.2018
Opening balance	12.590,57	30.440,00
Addition provision	420,34	4.007,74
Utilized provision	-12.590,57	-21.857,17
Closing balance	**420,34**	**12.590,57**

10. Trade and Other Receivables

Trade and Other Receivables	31.12.2019	31.12.2018
Trade receivables (except related parties)	606.808,45	547.208,43
Trade receivables from related parties (Note 23)	4.415.097,52	6.644.644,90
Minus: provision for doubtful debts	-118.021,35	-106.818,25
Total trade receivables	**4.903.884,62**	**7.085.035,08**
Trade receivables from related parties (Note 23)	9.171.681,63	10.999.582,47
Trade receivables from Greak State	1.982.394,47	77.124,67
Other receivables and prepaid expenses	406.513,30	552.659,10
Accrued income	952.867,92	341.258,43
Total other receivables	**12.513.457,32**	**11.970.624,67**
Total	**17.417.341,94**	**19.055.659,75**

Trade and other receivables are expected to be collected within one year from the reporting date of the Financial Statements.

(all amounts are expressed in Euro

Trade and other receivables approximate their fair value on the date of preparation of the Financial Statements.

In any case, the credit risk of any delay in payment by Gas Distribution Users is minimized as all Users have provided either a Letter of Guarantee or a Cash Guarantee under the Terms of Use.

Letters of Guarantee may be immediately withdrawn, in compliance with the terms of the Contracts.

The movement of the provision for bad debts is as follows:

Provision for Trade receivables	31.12.2019	31.12.2018
Opening balance	**106.818,25**	**93.854,88**
Additional provision	11.203,10	12.963,37
Closing balance	**118.021,35**	**106.818,25**

At December 31st, 2019 and 2018, the trade receivables are presented as follows:

Aging Analysis of Receivables	Neither past-due nor impaired	0-30 Days	31-60 Days	61-90 Days	> 90 Days	Total
Commercial Receivables on						
31.12.2019	4.802.677,17	18.927,06	224,15	1.980,39	80.075,85	**4.903.884,62**
31.12.2018	6.983.759,95	49.694,80	71,07	5.981,01	45.528,25	**7.085.035,08**

The long-term receivables of Euro 260,264.74 (31.12.2018: Euro 257,829.74) include guaranteed rents for buildings and vehicles and guarantees to utilities.

11. Cash and Cash Equivalents

Cash & Cash Equivalents	31.12.2019	31.12.2018
Cash on hand	403,84	521,82
Cash at Banks	12.173.611,26	12.663.613,87
Total	**12.174.015,10**	**12.664.135,69**

(all amounts are expressed in Euro

The weighted average interest rate on short-term deposits during the year 2019 is around 1% (2018: 1%).

Interest income on bank sight deposits amounts to Euro 234.050,18 and Euro 231,263.94 respectively for the years ended December 31st, 2019 and 2018 and are included in financial income / expense in the attached Income Statement (Note 22).

12. Share Capital

Share Capital	31.12.2019	31.12.2018
Number of Common Shares	247.127.605,00	247.127.605,00
Total share capital paid	**247.127.605,00**	**247.127.605,00**
Each share has a nominal value of 1 €		

13. Reserves

Reserves	31.12.2019	31.12.2018
Statutory Reserve	17.206.467,54	16.195.806,55
Other Reserves	-219.089,01	-116.038,35
Total	**16.987.378,53**	**16.079.768,20**

Statutory reserve: In compliance with the Greek Company legislation, companies are obliged to hold 5% of their net annual profit as a statutory reserve, until it reaches one third of the paid share capital. During the Company's life, any distribution of the statutory reserve is forbidden.

Other Reserves: Other reserves comprise the following:

- reserve (loss) on actuarial losses relating to the provision of employment termination benefits amounting to Euro 219.500,16 (2018: loss Euro 116.449,50) and
- reserve from exchange local currency capital amounting to Euro 411,15 (2018: Euro 411.15)

14. Long -term Loans

The Long-term borrowing of the Company has been granted by a Greek bank and is expressed in Euro on a floating rate.

Amounts repayable within one year from the date of the Financial Statements are entered as current liabilities whereas amounts payable at a later stage are entered as long-term loans.

The fair value of borrowing approximates the value entered in the books.

The long-term borrowing of the Company is analyzed on its repayment time as follows:

Loans	31.12.2019	31.12.2018
Within one year	8.100.000,00	5.600.000,00
From 1 to 5 years	23.600.000,00	19.200.000,00
More than 5 years	7.500.000,00	0,00
Total	**39.200.000,00**	**24.800.000,00**

Pursuant to the dated 31.07.2017 Decision of the Extraordinary General Assembly of the Company's Shareholders, a contract for the issuance of a five-year common bond loan amounting to Euro 16.000.000,00 was signed on 11.08.2017 with organizer and bondholder "ALPHA BANK SA" and additional bondholder of "ALPHA BANK LONDON LTD". The bond loan is common, with no right to negotiate on regulated markets operating in Greece and without the right to convert it into shares. Repayment was set at twenty (20) quarterly amortization installments, the first to be paid in January 2018 amounting to Euro 800.000,00 and the last installment of Euro 800.000,00 payable on maturity of the bond loan (11.10.2022). The outstanding loan amounts to Euro 9.600.000,00 on December 31st, 2019 since the Company has paid eight installments with total amount Euro 6.400.000,00 in fiscal years 2018-2019.

Pursuant to the dated 25.10.2018 Decision of the Extraordinary General Assembly of the Company's Shareholders, a contract for the issuance of a five-year common bond loan amounting to Euro 12.000.000,00 was signed on 13.11.2018 with organizer and bondholder "ALPHA BANK SA" and additional bondholder of "ALPHA BANK LONDON LTD". The bond loan is common, with no right to negotiate on regulated markets operating in Greece and without the right to convert it into shares. Repayment was set at twenty (20) quarterly amortization installments, the first to be paid in March 2019 amounting to Euro 600.000,00 and the last installment of Euro 600.000,00 payable on maturity of the bond loan on December 2023. The outstanding loan amounts to Euro 9.600.000,00 on December 31st, 2019 since the Company has paid four installments with total amount Euro 2.400.000,00 in fiscal year 2019.

Pursuant to the dated 22.10.2019 Decision of the Extraordinary General Assembly of the Company's Shareholders, a contract for the issuance of an eight-year common bond loan amounting to Euro 20.000.000,00 was signed on 14.11.2019 with organizer and bondholder "ALPHA BANK SA". The bond loan is common, with no right to negotiate on regulated markets operating in Greece and without the right to convert it into shares. Repayment was set at thirty-two (32) quarterly amortization installments, the first to be paid in February 2020 amounting to Euro 625.000,00 and the last installment of Euro 625.000,00 payable on maturity of the bond loan on November 2027. The outstanding loan amounts to Euro 20.000.000,00 on December 31st, 2019 since the Company has not paid any installment in fiscal year 2019.

(all amounts are expressed in Euro

The Company duly meets all its obligations arising from the bond loan including financial ratios on liquidity and capital adequacy.

The average borrowing interest rate of the Company for the year 2019 is approximately 2.91% (2018: 3.33%). The Company, at 31.12.2019 and 31.12.2018 has no unused available credit limits for long-term loans.

The Company has financing agreements for the financing of an amount of Euro 10.000.000,00 for direct financing. The credit agreements have not been used up to today.

The total interest expense for long-term loans for the year ending December 31st, 2019 amounted to Euro 707.831,37 (31.12.2018: Euro 495.897,79) and is included in the financial expenses in the Income Statement (Note. 22).

Financial Liabilities from Leases

The Company, under the application of IFRS 16 has recognized at January 1st, 2019 Financial liabilities from leases amounting to Euro 3.884.040,18 while the additions of the period amounted to Euro 457.056,05 (Note. 7). Interest of financial liabilities from leases amounted to Euro 104.362,41 for the year ended December 31st, 2019 and are included in interest expense in the Income Statement (Note.22), while the Company has paid rent of Euro 1.170.815,69.

The following table shows the present value of the minimum lease payments for the Company as of December 31st, 2019.

Financial liabilities from leases	31.12.2019
Within one year	998.989,91
From 1 to 5 years	1.981.264,15
More than 5 years	294.388,89
Total	**3.274.642,95**

(all amounts are expressed in Euro

15. Provision for staff compensation

Provision for Staff Compensation	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net Liability in BS	**1.833.616,00**	**1.574.034,00**
Components of total charge to Income Statement		
Service cost	100.948,00	118.876,00
Interest cost	31.481,00	22.882,00
Cost of extra benefits	5.743,10	0,00
Total charge to income statement (Note 20)	**138.172,10**	**141.758,00**
Movement of provision		
Net Liability at the beginning of the year	1.574.034,00	1.525.487,00
Total expense recognized in the income statement	138.172,10	141.758,00
Total debit / (credit) in other comprehensive income	133.550,00	-93.211,00
Benefits paid	-12.140,10	0,00
Net Liability at end of the year	**1.833.616,00**	**1.574.034,00**
Assumptions		
Discount Rate	1,50%	2,00%
Rate of compensation increase	2,50%	2,50%
Plan Duration	16,97	17,53

The retirement benefit obligation was defined by means of an actuarial study.

In the expected average annual salary increase by 0.5%, the total employee benefits will increase by 8,5% to Euro 1.989.473,36; while in case of reduction in the expected average annual salary increase by 0.5%, the total employee benefits would be reduced by 7,8% to Euro 1.690.593,95.

In case of an increase of the discount rate by 0.25%, the total employee benefits would be reduced by 4,1% to Euro 1.758.437,74; while in case of reduction of the discount rate by 0.25%, all employee benefits would increase by 4,4% to Euro 1.914.295,10.

(all amounts are expressed in Euro)

16. Grants

Grants	
Balances at 01.01.2018	**10.722.671,00**
Amortization of grants	-412.410,42
Balance at 31.12.2018	**10.310.260,58**
Balances at 01.01.2019	**10.310.260,58**
Amortization of grants	-412.410,44
Balance at 31.12.2019	**9.897.850,14**

Grants were received from the Greek State (Ministry of Development) and are amortized over the period of the License (until 2043).

17. Trade and Other Payables and Other Long-Term Liabilities

Trade and Other Long-Term Liabilities	31.12.2019	31.12.2018
Trade payables (except related parties)	6.071.895,86	6.314.481,60
Payables to related parties (Note 23)	2.194.325,07	2.320.053,62
Other payables	1.522.221,99	1.470.636,80
Accrued expenses	5.144.459,53	6.177.491,74
Total	**14.932.902,45**	**16.282.663,76**

Other long-term liabilities are amounting to Euro 681.690,81 (31.12.2018: Euro 286.920,73) concern guarantees received from Distribution Users as collateral for future payments and are refundable on termination of their contracts.

(all amounts are expressed in Euro)

18. Income Tax

Income Tax	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Current income tax	-6.587.987,37	-9.063.621,70
Deferred tax (Note 8)	-145.585,12	1.650.236,27
Income Tax Expense	**-6.733.572,49**	**-7.413.385,43**
Profit before Taxes	**26.596.341,79**	**24.689.426,05**
Income Tax calculated based on current tax rate (2019: 24%, 2018: 29%)	-6.383.122,03	-7.159.933,55
Tax impact on non deductible expenses	-70.311,67	-575.914,23
Tax impact on non taxed income	4.204,62	7.700,44
Impact from change in tax rate	-284.343,41	314.761,91
Income Tax Expense presented in Income Statement	**-6.733.572,49**	**-7.413.385,43**
Income Tax Payable		
Income Tax	6.587.987,37	7.474.761,09
(-) Income tax advance and other withheld taxes	-6.587.987,37	-7.069.142,64
Total	**0,00**	**405.618,45**
Total Income tax paid during the year	**7.863.620,98**	**8.658.003,25**

The audit for the issuance of tax compliance certificate for fiscal years 2011 - 2018 conducted by the statutory auditors of the Company in compliance with the provisions of Article 82, par. 5, L.2238/1994 and the provisions of Article 65A, L.4174/2013. The audits did not reveal any additional tax liabilities.

For fiscal year 2019 the Company is subject to the tax audit of Chartered Accountants provided by the provisions of Article 65A, L.4174/2013. This audit is in progress and the related tax certificate to be awarded after the publication of the Financial Statements for the year ended December 31st, 2019. In case, on completion of the audit, any additional tax liabilities incur, it is estimated that they will have insignificant impact on the Financial Statements.

On 12.07.2017, the Independent Public Revenue Authority, has issued an order with protocol No 277/0/1118, for the re-audit of the year 2012 of EPA THESSALONIKI S.A. The tax audit has been filed.

In addition, on 12.7.2017, the Independent Public Revenue Authority, has issued an order with protocol No 194/0/1118 for the re-audit of the year 2012 of EPA THESSALIA S.A. The tax audit has been filed.

(all amounts are expressed in Euro

19. Other Income

Other Income	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Income from ancillary services	747.888,11	509.749,98
Income from expenses recharges to third parties	1.064,17	184.685,08
Other income	193.597,34	185.497,15
Total	**942.549,62**	**879.932,21**

Revenues from ancillary services are related to services provided to Distribution Users and/or to Final Customers. They are supplementary to the Basic Distribution Activity and are provided exclusively by the Company within the License Area, in accordance with article 13 of Distribution Network Operation Code (GG B' 1507/02.05.2018)

RAE with the (decision 552/2017 GG B' 2354/11.07.2017), approved the Catalog of Ancillary and Invoiced Services of the Distribution Networks of Thessaloniki and Thessaly and their unitary prices, in accordance with the provisions of article 13 of the Distribution Network Operation Code. According to the approved cost-oriented methodology, the revenue of each service is equal to the corresponding cost.

20. Personnel cost and Number of Employees

Personnel Cost and Number of Personnel	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Payroll expenses	-9.251.732,34	-8.404.534,19
Employer's contributions	-2.310.123,33	-2.137.315,93
Other personnel expenses	-875.209,48	-782.999,62
Provision for personnel compensation (Note 15)	-138.172,10	-141.758,00
Personnel cost	**-12.575.237,25**	**-11.466.607,74**
Number of employees at the end of the year	**293**	**283**

Part of the Personnel cost which amounts to Euro 5.368.241,61 (31.12.2018: Euro 5.105.851,32) has been capitalized at the cost of Distribution Network since it is directly related to the construction.

(all amounts are expressed in Euro)

21. Other Operating Expenses

Other Operating Expenses	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Staff Related Expenses	-814.023,48	-1.200.371,45
Gas Meter Readings	-1.880.791,42	-1.632.776,66
Gas Network Expenses	-1.802.169,06	-1.404.314,65
Software Maintenance	-841.750,82	-694.089,70
Marketing Expenses	-886.127,11	-750.883,47
Building Maintenance	-537.236,52	-1.178.822,38
Service and other costs	-2.167.360,27	-2.420.674,75
Total	**-8.929.458,68**	**-9.281.933,06**

Staff related expenses: Includes other employee expenses (telephony, travel expenses, subscriptions etc.)

Gas Meter Readings: Includes the expenses related to gas meter readings, which are dependent on the number of activated delivery points.

Gas Network Expenses: Includes mainly maintenance expenses related to the safe and smooth operation of the Distribution Network.

Software Maintenance: Includes expenses related to the maintenance of the IT infrastructure and applications.

Marketing Expenses: Includes expenses related to the promotion of the use of natural gas on the Distribution Networks aiming to increase penetration in the License areas, according to the provisions of article 16 of the Code and the safe use of natural gas.

Building Maintenance: Includes expenses related to building such as building security, electricity & water supply etc.

Service and other costs: Includes all other operational expenses of the Company such as third-party fees, consultancy expenses, auditing and fiscal services, maintenance and utilities, post office commissions, messaging services.

(all amounts are expressed in Euro)

22. Financial Income and Expenses

Financial Income & Expense	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Income		
Interest income (Note 11)	234.050,18	231.263,94
Income from interest on late payments	309,18	5,37
Total	**234.359,36**	**231.269,31**
Expenses		
Bank charges	-59.163,72	-44.831,10
Interest on bond loan (Note 14)	-707.831,37	-495.897,79
Interest of financial liabilities from leases (Note 14)	-104.362,41	0,00
Total	**-871.357,50**	**-540.728,89**

23. Related Party Transactions and balances

Income Statement comprises income and expenses arising from transactions between the Company and related parties.

Such transactions mainly consist of sales and purchases of goods and services along with the Gas Network Transfers in the ordinary course of business and are analysed as follows:

Related Party Transactions	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Sales of goods	309,02	0,00
Sales of services	53.620.830,26	51.311.818,01
Gas Network Transfer	627.367,40	689.470,41
Purchases of Services	886.764,96	1.236.085,57
Board of Directors Fees	70.959,60	70.800,00

(all amounts are expressed in Euro)

Closing Balances coming from sales and purchases of goods and services	31.12.2019	31.12.2018
Due from Related Parties (Note 10)	13.586.779,15	17.644.227,37
Due to Related Parties (Note 17)	2.194.325,07	2.320.053,62
Amount due to the board of directors	18.370,58	16.645,83

The open balances at the end of the fiscal year have no collaterals and the settlement is performed in cash.

It is also underlined that there are no specific agreements or co-operations between the Company and its related parties and any transactions between them are carried out based on the usual terms, within the context and the specificities of each market.

24. Operating Leases

Operating Leases	31.12.2019	31.12.2018
Within one year	57.756,59	1.111.835,96
From 1 to 5 years	36.898,40	2.750.073,29
More than 5 years	0,00	434.222,47
Total	**94.654,99**	**4.296.131,72**
Total expense recognized in the income statement	116.699,66	1.148.873,56

Operating leases concern the short-term leases and leases of low value lof vehicles and printers ending on several dates until March 2020 and November 2021, respectively.

(all amounts are expressed in Euro

25. Commitment and Contingent Liabilities/ Assets

The obligations and requirements on the basis of letters of guarantee and unexecuted contracts are as follows:

Commitment and Contingent Liabilities/ Assets	31.12.2019	31.12.2018
Liabilities		
Open network construction contracts still in use	15.500.613,99	3.940.894,14
Letters of Guaranties to vendors and third parties	200.800,00	1.628.333,13
Total	**15.701.413,99**	**5.569.227,27**
Assets		
Letters of guaranties from distribution users	21.515.962,39	20.121.151,01
Letters of guaranties from network constructors & materials' vendors	4.411.195,72	4.656.169,83
Total	**25.927.158,11**	**24.777.320,84**

26. Dividends

In compliance with Greek law, each fiscal year companies may distribute to their Shareholders 35% of profits after tax and withholding for statutory reserves.

The Ordinary General Assembly of Shareholders on 28.06.2018 approved the dividend distribution from 2017 profit of Euro 16.536.641,61 (Euro 0.0669 per share).

The Ordinary General Assembly of Shareholders on 28.05.2018 approved the dividend distribution from 2018 profit of Euro 21.096.980,00 (Euro 0.0854 per share).

On February 27th, 2020 the Board of Directors proposed a dividend from the profits of the year 2019, amounting to Euro 18.749.057,65 (Euro 0.0759 per share). The proposal is subject to approval by the Annual General Assembly.

27. Events after the Reporting Period

There were no events subsequent to the date of the Financial Statements of December 31st, 2019 that would have a significant impact on the understanding of these Financial Statements and should be either disclosed or adjusted to the Financial Statements.