



MANAGEMENT REPORT OF THE BOARD OF
DIRECTORS OF SOCIETE ANONYME NAMED THE
“HELLENIC GAS TRANSMISSION SYSTEM OPERATOR
S.A.”

on the Yearly Financial Statements of Year 1.1.2019-31.12.2019

18th May 2020

To the Yearly General Assembly of the Shareholders (or Shareholders' Assembly)

Dear Shareholders, we have the honor to submit to you the Yearly Report of the Board of Directors according to the statute and article 150 of L. 4548/2018 and the financial statements of the Company for the year ending 31/12/2019, so as to inform you about the financial performance of the Company and request for your approval.

Contents

Message from the Chairman of the Board of Directors	4
Message from the CEO	6
DESFA profile	8
Values and strategic targets	8
Values	8
Strategic targets	9
Shareholders and Company structure as at 31/12/2019	10
Composition of the corporate bodies	10
Board of Directors	10
Audit Committee	11
Remuneration Committee.....	11
Management Team	11
Financial situation: Key figures.....	12
The Network operations.....	14
Commercial.....	16
Regulated activities	16
Use of the National Natural Gas System (NNGS): Transportation System & LNG Facility	16
Sale of Electricity	20
Balancing and Operational Gas Services of NNGTS (profit neutral activities)	20
Security of Supply in the Natural Gas market (profit neutral activities)	20
Additional Services included in regulated revenues and expenses	21
Non regulated activities	21
Connection fees.....	23
Financial revenues.....	23
The development of the network	24
Main risks, uncertainties and opportunities	26
Framework	26
Reference to the supply chain related to the main Suppliers of the system and the rules of cooperation between them - Supply chain	27
Safety of stock:	27
Future prospects and how they are affected by the existing regulatory framework.	27
Regulatory Risk	27
Market Risk.....	28
Other risks that are related to the activity or industry that the Company is developing ...	30
Potential impact of COVID-19 on DESFA's business.....	30
Risk of the development of Macroeconomic Parameters.....	31

Quality, Health, Safety and Environmental Issues	34
Quality, Health, Safety and Environmental Management Systems	34
QHSE Monitoring	35
Emissions Trading System	35
Carbon Footprint	36
Awards.....	36
Employment Issues.....	37
A policy of diversification and equal opportunities (regardless of gender, religion, or other aspects).....	37
Respect for employees' rights and trade union freedom	38
Education systems, promotion mode, etc.	38
CORPORATE SOCIAL RESPONSIBILITY.....	38
Legal framework.....	39
Business model summary.....	39
Corporate Governance	39
Administration principles and internal management systems	39
DESFA's Certification	40
Expected evolution of the Company	41
Information relating to the acquisition of shares	42
No "own shares" were acquired during the year 2019.....	42
Branches of the Company	42
The Company does not have any branches.....	42
Use of "financial instruments"	42-43

Message from the Chairman of the Board of Directors

Dear Shareholders and Stakeholders,

2019 was a milestone year in the history of the Hellenic Gas Transmission System Operator S.A. (“DESFA” or the “Company”), as it was the first year that it operated under its new ownership by a consortium of international shareholders, with the state also maintaining an important minority shareholding. This marked the beginning of a new journey, namely the transformation of the company from public to private and from national to international.

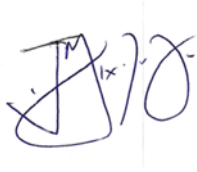
This transformation takes place in the middle of the so-called Energy transition which has raised the importance of Natural Gas in the global Energy mix, as we move towards a greener and more sustainable world. This has manifested in Greece through the recently published National Plan for Energy the Climate and the role that DESFA is expected to play in its implementation through the company’s long-term investment plan. Our Vision is to consolidate DESFA as a key regional player in the Natural Gas management business and to assist Greece to emerge as a reliable gas transport and trading hub, as part of an interconnected, secure, and economically efficient European market.

2019 was a highly successful year, with timely implementation of many challenging projects and a strong performance in all Key Performance Indicators (KPIs), from Safety to Operational Excellence, as well as record revenues. In a year when a new, milestone labour agreement was signed, and many initiatives were implemented or kicked-off under the new ownership and Board membership. We will continue our improvement efforts in this direction towards making DESFA a model Energy company in Greece and the wider South East Mediterranean region.

By working within our Values of Integrity, Responsibility, Collaboration and Pursuit of Excellence, our ambition is to cultivate a company culture based on the safety of our operations, the well-being of our staff and partners and the high standards and cost-efficiency of our services. This was particularly evident during the recent COVID-19 crisis, whereby the company embraced modern technological options to safeguard the safety of our staff and partners by working remotely but effectively, while maintaining continuity of our operations and seamless flow of Natural Gas into the Energy system.

Last but not least, DESFA remains committed to ESG issues, working in close partnership with a diverse range of stakeholders. We continue to invest in the welfare, engagement and training of our staff and we are in continuous and transparent dialogue with interested parties

regarding economic development and environmental sustainability and CSR issues in the communities where we operate. We seek to add value to our partners ethically, socially, and with environmental responsibility, whilst we contribute to employment creation and the strengthening of the Greek economy.

A handwritten signature in blue ink, appearing to read 'Y. Michopoulos', with a vertical line drawn through the middle of the signature.

Dr Yanos Michopoulos

Chairman of the BoD

Message from the CEO

Hellenic Gas Transmission System Operator S.A. (“DESFA” or the “Company”) in 2019 succeeded in important milestones, which further consolidated its role as one of the main enhancers of the development of Greece as a regional energy hub.

The 2nd upgrade of the Revithoussa LNG Terminal, completed in November 2018, allowed the Greek market to benefit from the world wide low prices of LNG, leading to the strong increase in the use of the terminal as well as to the growth of exports towards Bulgaria, with a significant positive effect on the revenues of the Company.

Demand in 2019 exceeded expectations, especially in regard to power production and export to Bulgaria, creating the conditions for regulated over recovery that will contribute to further reduce transmission tariffs in 2021.

In March 2019, the new regulatory framework was defined by the Regulatory Authority for Energy (RAE), introducing for the years 2019 to 2022 the new WACC on equity and the additional WACC premium on strategic projects, that is expected to be introduced in 2020. The new regulatory framework, as well as the 4th Amendment of the Tariff Regulation, introduced in May 2019, are providing for stable and well defined revenues scenarios, supporting the current and future investments of DESFA and its growth as a regional player.

In the summer of 2019 the new Ten Years Development Plan of the Company was set in public consultation and in October was submitted officially to RAE, introducing improvements in some of the most strategic projects of DESFA. A re-assessment of some projects was carried out, allowing to anticipate the expected date of completion for the investments related to small scale LNG (the truck loading and the new jetty in Revithoussa). The ten-years development plan is a milestone for the development of the Greek network and the expansion of the demand of LNG in non-traditional areas, such as shipping and off-the-grid applications. The new initiatives will contribute to the development of the Greek economy as well as to the new targets of decarbonization set by the new National Energy And Climate Plan.

During the year, DESFA successfully used the balancing platform (in 2019, 60% of the total balancing gas purchases took place on the Balancing Platform) and ensured its participation in the Hellenic Energy Exchange (HENEX), that will develop the trading platform for the Greek energy market.

From the organizational point of view, DESFA succeeded in introducing an important pillar for the transition of the Company towards a fully private organization, by signing the new Collective Labor Agreement (CLA) and the Internal Labor Regulation (ILR) with the Unions organization, SEDESFA.

In the second half of 2019, the business transformation roadmap of DESFA was defined, introducing a new organization and a challenging roadmap of processes' and digital transformations, that will allow DESFA to be ahead of the growing demand of flexibility, efficiency and data availability coming from the market's participants.

Last but not least, DESFA has invested energies and obtained good results in the non-regulated services. The agreement for the operations and maintenance of TAP gas infrastructures in Greece was finalized and implemented: DESFA started to provide highly trained and skilled personnel, reliable and modern technology and practices within its already existing and widely distributed organization.

Nicola Battilana
Chief Executive Officer

DESFA profile

The Hellenic Gas Transmission System Operator (DESFA) S.A., was founded in 2007 and is the owner of the National Natural Gas System (NNGS), consisting of the high pressure National Natural Gas Transmission System and the LNG Terminal on the islet of Revithoussa. DESFA has full and exclusive rights for the operation, management, utilization and development of the NNGS and its interconnections, according to European and national legislation.

In 2018, DESFA's ownership changed after SENFLUGA Energy Infrastructure Holdings S.A., a Company with a shareholding structure consisting of Europe's top three natural gas transmission companies, Snam, Enagas, and Fluxys, acquired 66% of the Company's share capital.

DESFA offers third party access to the NNGS and the Revithoussa LNG facility, in the most cost effective, transparent and direct way, without any discrimination among users and following the European and National regulatory framework. Other services provided by DESFA relate to: Operation & Maintenance to gas transmission and distribution networks, Operation & Maintenance to LNG facilities, Metrology, Inerting, Gassing Up & Cool down of LNG Vessels, Training, Lightning and cathodic protection studies and Natural gas facilities studies.

DESFA also provides highly trained and qualified personnel, reliable and innovative technology, practices and services to third parties, such as TAP and DEDA.

Values and strategic targets

Values

DESFA operates according to and is guided by its corporate values, which are the pillars of its culture and philosophy and cornerstones for every business activity:

- Integrity
- Responsibility
- Collaboration
- Pursuit of excellence

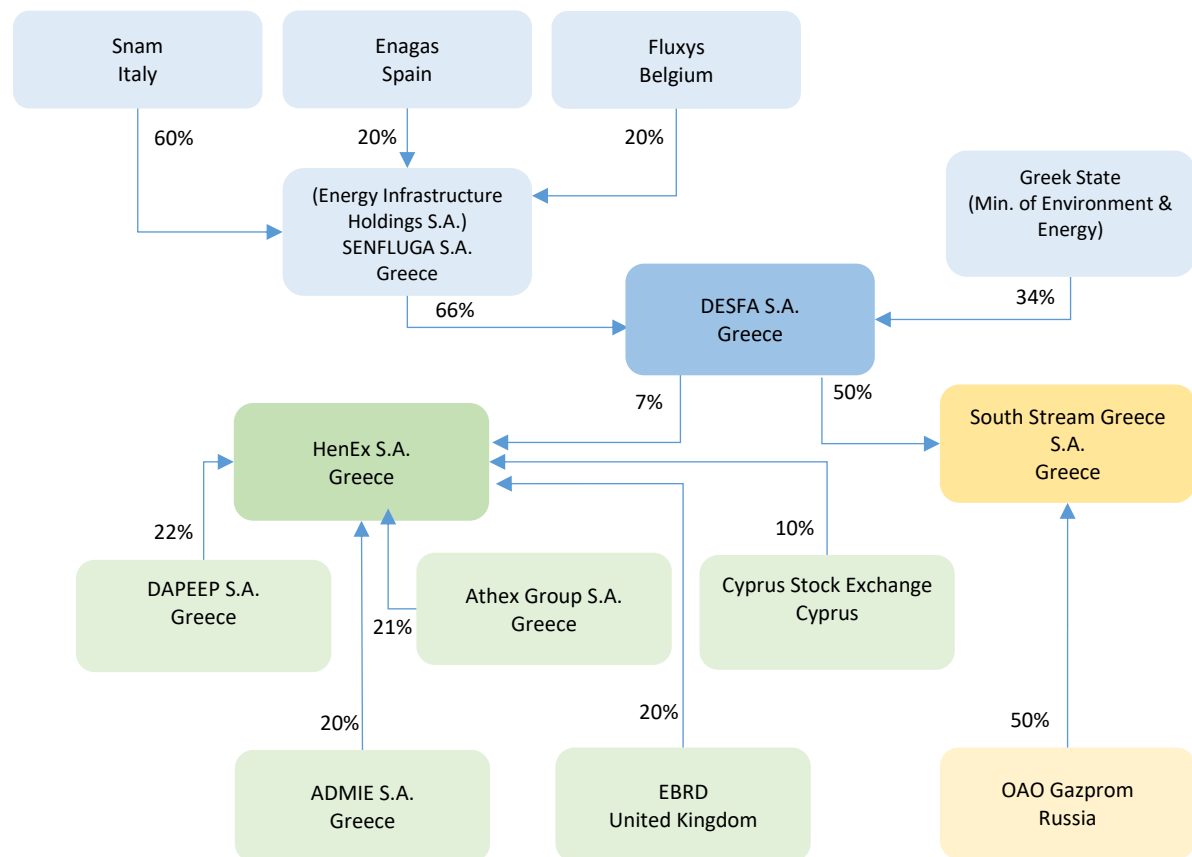
Strategic targets

DESFA operates in the framework of the Greek and European regulation, providing its services for the smooth operation and development of the energy market of Greece with a vision of a central role of Greece in the Balkan region and a progressively decarbonized economy, where natural gas will play an important role, as the backbone of the renewable energy sources.

The most important targets that DESFA is currently pursuing are:

- Expanding the gas network, reliably and efficiently, in order to enhance the expected growth of natural gas demand and reach the targets of decarbonization defined by the National Energy And Climate Plan of Greece.
- Continuously improving processes and systems for the safe, reliable and efficient operation of the natural gas network, maintaining the highest standard of services to all users.
- Enhancing security of supply through NNGS infrastructure and facilities.
- Promoting an open natural gas market and introducing new services and products in a market oriented and efficient way
- Enabling natural gas to reach new markets, such as the maritime sector and off-the-grid users, through small scale LNG and CNG applications
- Actively promoting the creation of the national wholesale energy market, within a regional scope and horizon, by participating in HENEX and other relevant initiatives.
- Promoting, developing and maintaining international partnerships with the interconnected operators and other players, with the aim to consolidate its role in the region and enhance centrality of the Greek energy market.
- Maintaining the highest standard of its employees, with emphasis on Safety, Quality, Environment and digital transformation, through dedicated programs of continuous training and assessment of competences and skills.

Shareholders and Company structure as at 31/12/2019



Composition of the corporate bodies

Board of Directors

The Board of Directors comprises of the following members:

- Michopoulos Yanos: Chairman of the BoD
- Urrestarazu Romero Luis: Vice Chairman
- Galli Maria Rita: Member
- Schizzi Michela: Member
- Vennekens Erik Jean: Member
- Tampourlos Panagiotis: Member
- Kosmadakis Konstantinos: Member
- Tsakiris Theodoros: Member
- Manousos Stavros: Member
- Venier Ugo: Member
- La Torre Francesco: Member

The term of office for the Board of Directors is 3 years.

Audit Committee

- Panagiotis Tampourlos, Chairman
- Erik Jean Vennekens
- Francesco La Torre
- Stavros Manousos

Remuneration Committee

- Konstantinos Kosmadakis, Chairman
- Yanos Michopoulos
- Luis Romero Urrestarazu
- Ugo Venier

Management Team

The Management team is responsible for the day-to-day and operational management of the Company. The Management team also makes investment proposals to the Board of Directors within the framework of the Company strategy and articles of associations.

- Nicola Battilana: Chief Executive Officer,
- Thierry Grauwels: Chief Financial Officer (CFO),
- Eleftheria Vassilaki: Human Resources Director
- Sophia Michelaki: Legal, governance and Compliance Director,
- Nikos Katsis: Asset Management Director,
- Dimitrios Kardomateas: Business Development Director
- Sotirios Bravos: Commercial Services Director,
- Ioannis Chomatas: Asset Development Director,
- Petros Theodorakis: General Services and Supply Chain Director,
- Fernando Kaligas: Head of Corporate Affairs & CEO Office
- Serafeim Ioannidis: Health, Quality, Safety and Environment Head,
- Alexios Giannakopoulos: Enterprise Risk Management and Internal Audit Head.

Financial situation: Key figures

In comparison with the results of 2018, the EBITDA of 2019 increased by EUR 36 million.

- Revenues increased by EUR 33 million due to the increase of Revenue from use of NNGS (EUR +31,3 million), resulting from the increase of natural gas demand, export to Bulgaria and use of Revithoussa LNG plant in 2019. The Non Regulated revenues also increased (EUR +2,0 million) due to the Operation and Maintenance Services for the Trans Adriatic Pipeline (TAP) and despite the decrease of Electricity sales (EUR 0,6 million)
- Expenses decreased by EUR 3 million, despite an increase of Personnel & Outsourced Personnel costs (EUR +5,1 million) as well as 3rd party expenses EUR +1,1 million. A positive impact on expenses came from Bad Debt provision reversal of EUR -6,5 million, additional provisions for Impairment and Devaluation of Fixed Assets (obsolete stock) by about EUR 4 million and reduction of 3rd party services (EUR 2,0 million), although part of the decrease relates to the adoption of IFRS 16, through which approximately EUR 1,72 million of lease payments are now allocated between principal and interest against the capitalized lease obligations.

<i>Amounts in thousand €</i>	<i>1/1/2019 - 31/12/2019</i>	<i>1/1/2018 - 31/12/2018</i>
Revenue	243.349	199.485
Cost of Sales	(112.305)	(93.809)
Gross profit	131.044	105.676
Other operating income	14.332	4.393
	145.376	110.069
Administrative expenses	(16.304)	(13.495)
Distribution expenses	(554)	(543)
Other operating expenses	(2.926)	(2.173)
Amortisation of fixed asset grants	12.064	11.283
Operating profit	137.657	105.140
Finance costs – net	(7.448)	(5.533)
Profit before income tax	130.209	99.608
Income tax expense	(26.263)	(26.158)
Profit for the year	103.946	73.450

Regarding the assets of the Company on 31 December 2019, the balance sheet (in Euros) is presented below:

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

Total Equity of the Company on 31.12.2019 was EUR 867 million. Total Borrowings of the Company on 31.12.2019 was EUR 155 million.

The cash and cash equivalent as of 31.12.2019 are equal to EUR 137 million.

The corresponding key ratios are:

<i>Ratios</i>		<i>2019</i>	<i>2018</i>
Gearing ratio	= (Total debt)/(Total debt + total equity)	16,76%	17,18%
Return on Equity	= (PAT)/(Total Equity)	11,99%	7,74%
Return on Assets	= (PAT)/(Total Assets)	7,34%	4,85%
Liquidity ratio	= (Current Assets)/(Current liabilities)	2,12	3,22

The Network operations

The National Natural Gas System is composed of the National Natural Gas Transmission System (NNGTS) and the Liquefied Natural Gas Terminal (LNG Terminal) in Revithoussa.

The NNGTS transports gas from the Greek-Bulgarian border (upstream TSO BULGARTRANGAZ) and the Greek-Turkish border (upstream TSO BOTAS), as well as from the LNG Entry Point (Agia Triada), to the main areas of consumption in continental Greece.

The NNGTS consists of:

- The main gas transmission pipeline and its branches;
- The Border Metering Stations at Sidirokastro and Kipi;
- The Compression Station at Nea Mesimvria, Thessaloniki;
- The Natural Gas Metering and Regulating Stations;
- The Natural Gas Control and Dispatching Centers at Patima Magoulas near Athens and at Nea Mesimvria near Thessaloniki;
- The Operation and Maintenance Centers of Sidirokastro Border Station, Northern Greece, Eastern Greece, Central Greece and Southern Greece; and
- The Remote Control and Communication System, composed by fiber optic cables and other dedicated devices.

The Revithoussa LNG Terminal is one of the most important energy infrastructures of the country. The Terminal is located on the islet of Revithoussa, 500 meters approximately from the coast of Agia Triada, in the gulf of Pachi at Megara, 45 km west of Athens. Designed, and built in 1999 according to the best international standards, successfully expanded in 2007 and more recently in 2018 with the construction of the third tank, the Terminal adopts the most environmentally friendly technology and operates in accordance with the strictest safety regulations. In particular, the Terminal falls under the requirements of the Seveso Directive (Directive 2012/18/EU), providing for the highest safety standards whose application is constantly verified and certified by independent operators, as the Terminal operates under DESFA's certified Management System according to ISO 9001, ISO 14001 and ISO 45001 International Standards.



In October 2007 and December 2018, the 1st and 2nd upgrading phases of the Terminal were completed respectively, ensuring:

- increased storage capacity of the Terminal from 130,000 to 225,000 m³ LNG;
- increased LNG gasification capacity;
- the docking of larger LNG cargoes up to Q max index.

With a storage capacity of 225,000 m³ LNG and a regasification capacity of 1250 m³/h as a Sustained Maximum Send out Rate, the Terminal is an important energy asset for Greece, providing security of energy supply, operational flexibility in the transmission system and increased capability to meet peak gas demand.

The first Qflex cargo (216.000 m³ LNG) was berthed at the LNG Terminal on 20.07.2019 and 50 cargoes were unloaded, increasing the number compared to 2018 by 108%, following the highest safety and technical standards.

The technical capacity of the Reverse Flow Exit Point 'Sidirokastro' was increased as of 01.01.2020 to 5.7 MNm³/Day (from 4.1 MNm³/Day).

Commercial

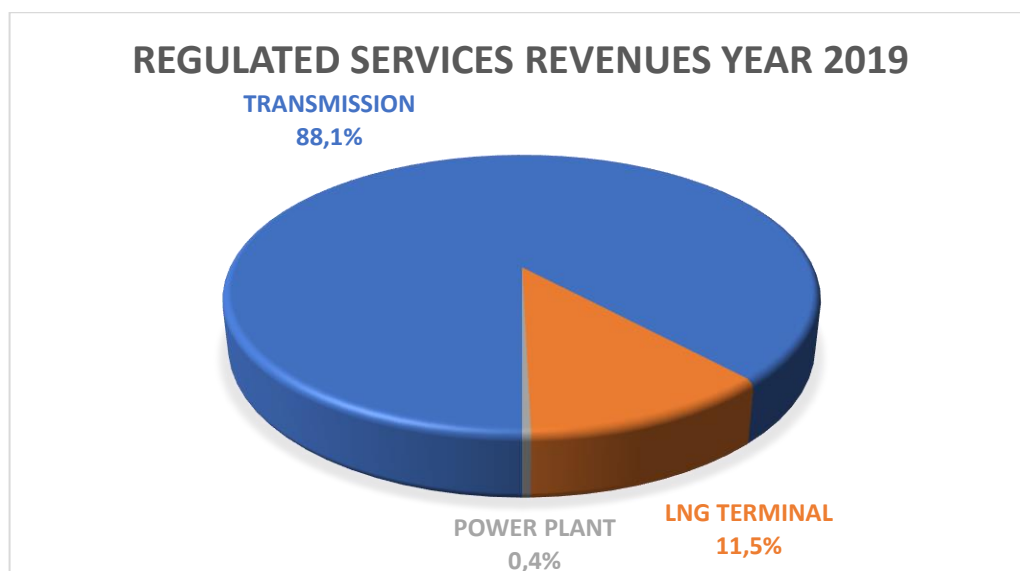
DESFA activities are separated into regulated and non-regulated activities according to the 4th Amendment of the Tariff Regulation.

Regulated activities

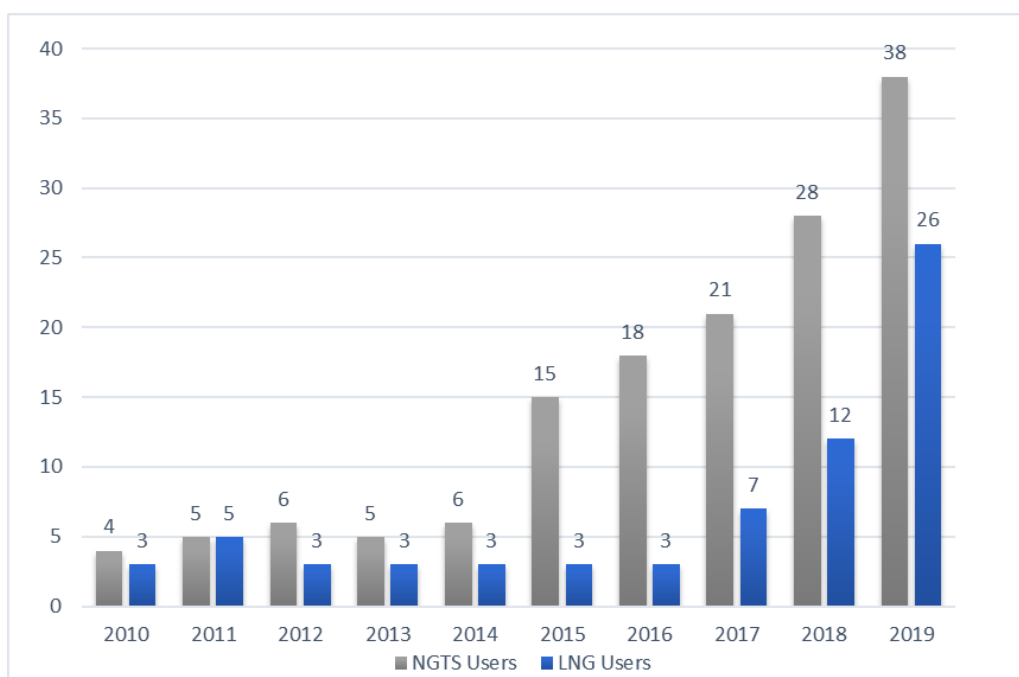
The regulated activities include the use of the national natural gas system as well as the additional services related to its use.

Use of the National Natural Gas System (NNGS): Transportation System & LNG Facility

The regulated services include the provision of Third Party Access to the Greek Natural Gas Transmission System and the Revithoussa LNG facility.



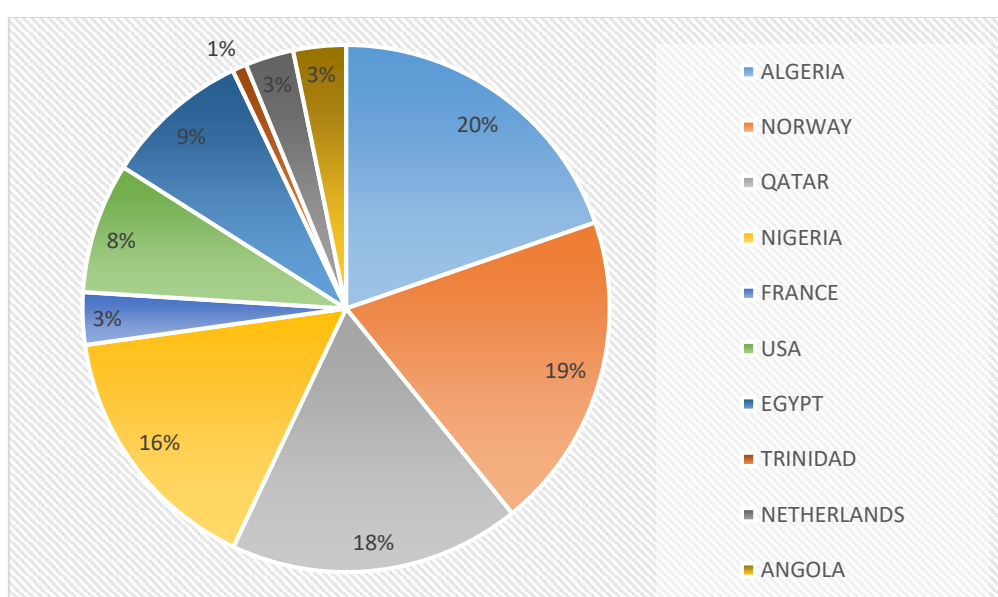
In 2019, DESFA expanded the provision of Regulated Services (Natural Gas Transmission and LNG Regasification) to a significant number of new Users, many of them being foreign (EU) companies.



Evolution of the Transmission & LNG Users (2010-2019)

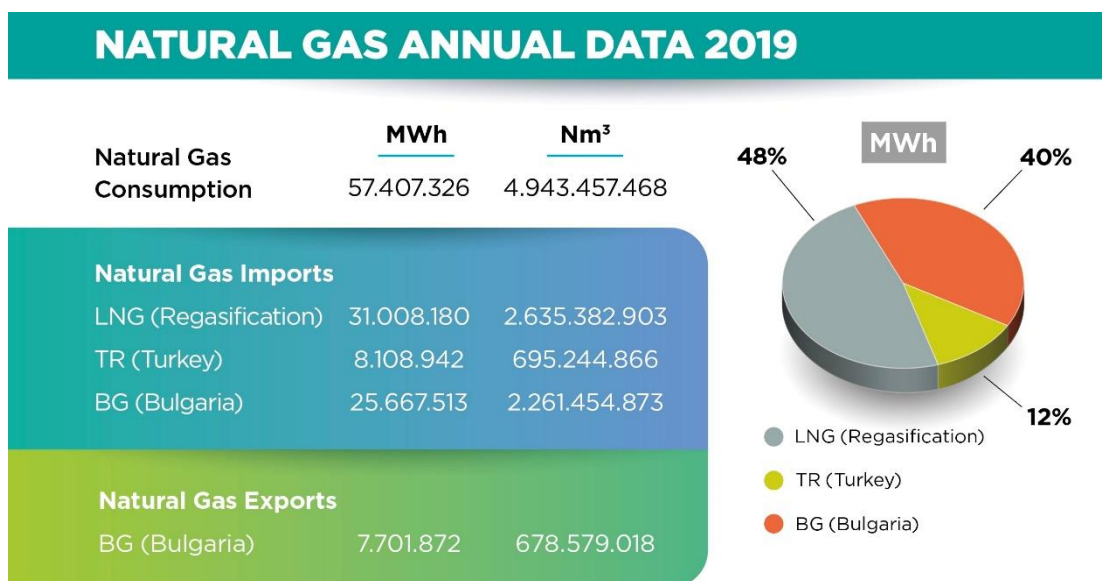
The main driver for this increase of Users' activity was twofold:

- The upgrade of the LNG Facility and the favorable (low) LNG prices caused a major increase of LNG imports. Specifically, during the Year 2019 an increase of 137% in the scheduling of LNG unloading's was observed. Also, for the first time a company from abroad scheduled and unloaded an LNG Cargo to the Revithoussa LNG Terminal. LNG represented approx. 47% of the total Year Imports. This ratio is the highest recorded in DESFA's history.



LNG Cargoes Unloading in 2019

- Natural Gas exports to Bulgaria were significantly high, as many Users sought to benefit from the low LNG prices. Approx. 680 million cubic meters of natural gas were exported to Bulgaria, an amount of 12% of the total natural gas demand (internal consumption and exports to Bulgaria). This volume of exports is also unprecedented for DESFA.



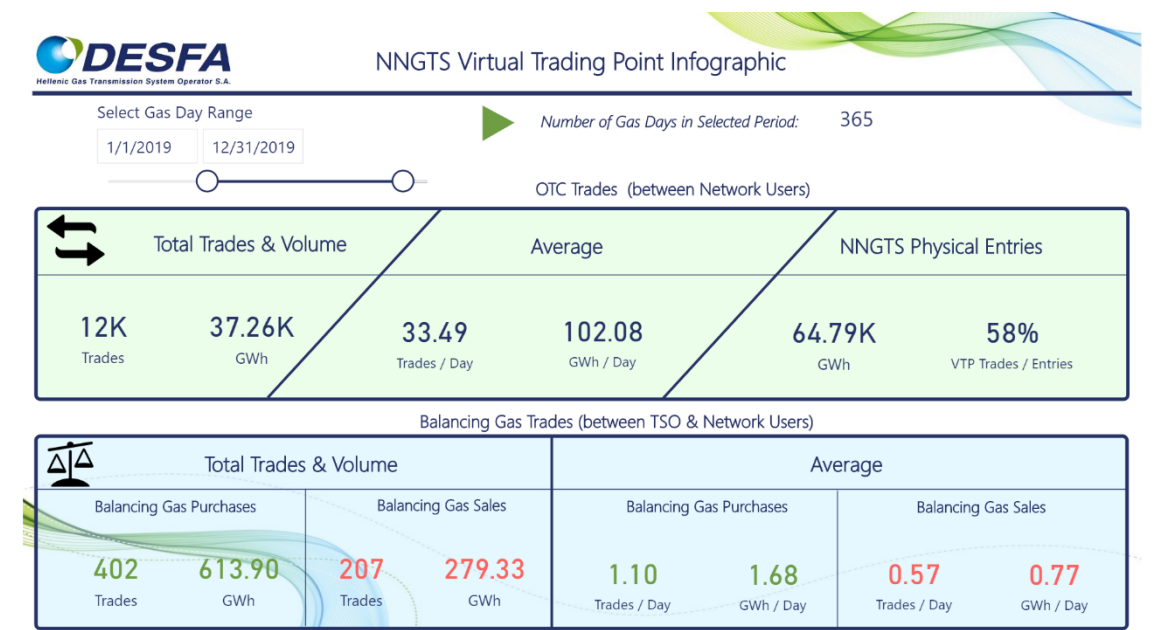
* LNG Regasification does not include quantities re-gasified by DESFA for Balancing Purposes



Imports & Demand for Year 2019

DESFA actively supported and facilitated the increased User activity. Specifically:

- Provided support, training and clarifications to potential Users, especially from foreign countries, regarding the regulatory framework.
- Continued to improve DESFA's commercial capacity booking software to add new features and to ensure uninterrupted user access. Moreover, significant progress was made in incorporating all LNG services into the platform. However, due to the imminent proposed revision of the LNG Network Code, DESFA must implement the new changes to the Electronic Information System when they are approved by RAE (planned to go live in Q3 of 2020).
- Tested procedures, validated and verified processes and algorithms, aiming to implement the Greek and European Network Codes in the Electronic Information System (EIS) for natural gas, contributing actively and responsibly to a well-functioning gas market.
- Managed the users' nominations/re-nominations, confirmed quantities, virtual trading points (VTP) transactions, indicative allocations, data-exchange with adjacent TSOs & DSOs via Electronic Information System (EIS).



Virtual Trading Point Infographic for the Year 2019

The infographic above shows the total volume of trades that took place at the Virtual Trading Point (VTP) in 2019, (both between pairs of shippers and between TSO and shipper for balancing purposes). Note that:

- 58% of the imported quantities was traded at the VTP

- 12.000 OTC trades held in the VTP (between Network Users)
- 402 Purchases and 207 Balancing Sales Trades held from DESFA for Balancing purposes

DESFA is in close cooperation with TAP, IGB and BOTAS, for the conclusion of interconnection agreements at the respective interconnection points.

Sale of Electricity

DESFA invoices revenue for the sale to DAPEEP of electricity produced at the CHP unit of the LNG facility on the island of Revithoussa. Despite the fact that, for accounting purposes, this item is recorded as revenue, from a regulatory perspective, said revenue reduces the total costs of the LNG facility. In 2019, the sales of electricity amounted to EUR 0,9 million.

Balancing and Operational Gas Services of NNGTS (profit neutral activities)

Revenues and expenses resulting from this activity are set off without resulting in any gain or loss for the Operator.

The procurement of gas for those activities is made following an international tender procedure as well as through the balancing platform. It is worth mentioning that approximately 60% (in terms of volume) of the total balancing gas purchases in 2019 were conducted on the Balancing Platform, while the rest via use of Balancing Services.

Security of Supply in the Natural Gas market (profit neutral activities)

The Security of Supply Levy, which is paid by the natural gas consumers, in order to safeguard their compensation and the supply of natural gas, as a minimum to the Protected Users in case of emergency situations.

DESFA is responsible for managing said account (Security of Supply Account). From this account, DESFA will compensate the power producers for the alternative fuel installations they maintain and their readiness to use this fuel in case of Crisis, as well as the Gas Suppliers for the disruption of supply of their interruptible clients in case of Crisis. The revenues and costs of said activity are recorded separately and do not affect the Company's financial results. To further ensure Security of Supply for the NNGS in 2019, DESFA monitored the implementation of the following measures:

- Managed the maintenance of a seasonal LNG safety reserve, which Power Producers must keep in the LNG Facility through the winter (December to February) as per the Preventive Action Plan.
- Maintained a registry of interruptible big industrial customers connected to the NNGS.

Additional Services included in regulated revenues and expenses

With RAE's letter O-62313 / 13.10.2015 entitled "Guidelines for accounting separation of natural gas companies", revenues (and expenses) of certain activities are considered as income (and costs) of regulated activities for Transportation and use of LNG Facility, respectively, as indicatively for the Transmission System: gas odourization services, services at border metering stations and for LNG Facility: nitrogen infusion and cooling-down services for LNG ships. RAE issued in May 2019, the 4th Amendment of the Tariff Regulation separating the abovementioned services in two categories: a) the Non-Transmission Services which are namely the additional services related to the transmission system and b) the Additional LNG Services which are the services related to the LNG Facility. RAE's Decision with a clear listing of the above DESFA services is pending.

Non regulated activities

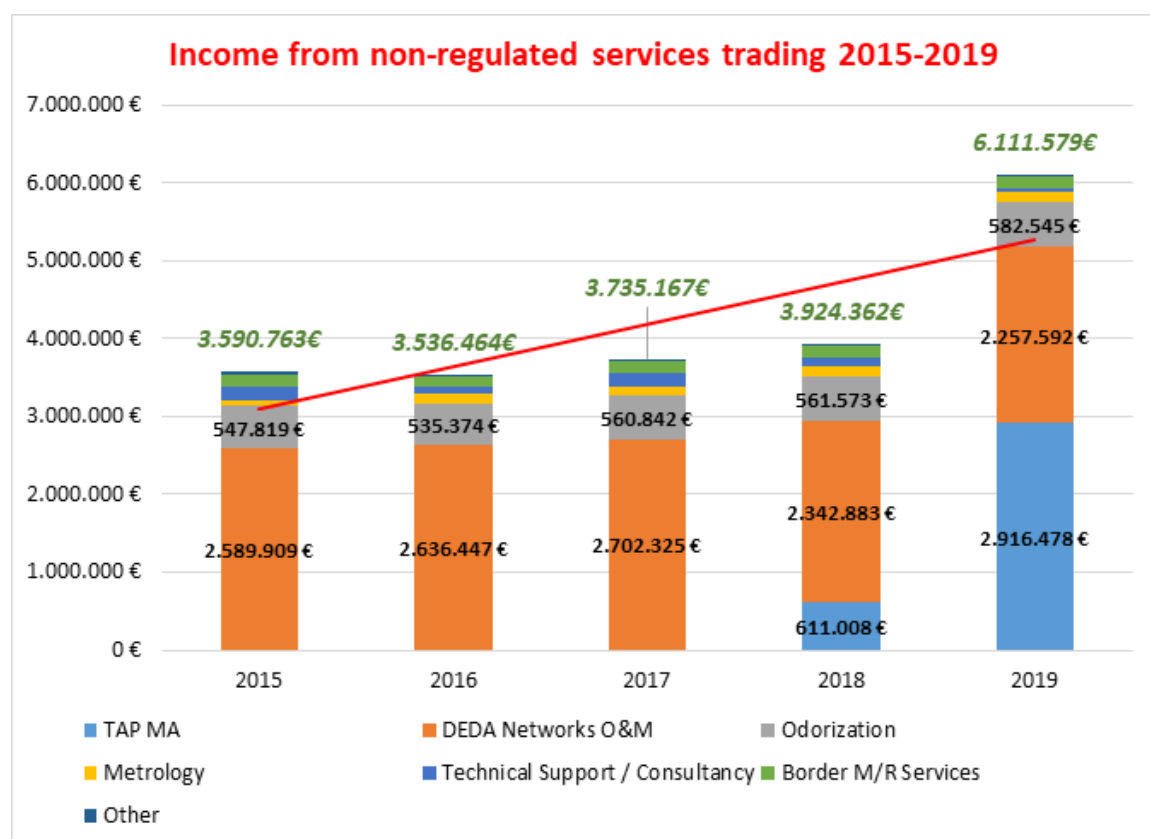
DESFA significantly diversified its services in 2019 towards non-regulated activities. These activities mainly include supply of technical services to third companies, such as Technical Support Services to gas distribution companies, technical review of studies for internal installations of gas, O&M services to medium and low pressure systems, IT services, other consulting services.

RAE issued in May 2019, the 4th Amendment of the Tariff Regulation where it was stated that a certain percentage of the net profit of the Non-Regulated activities will be considered as "regulated revenue" as it will be added in the calculations of the Recoverable Difference of the Regulated Services of Transmission and LNG of the current year. Namely, it separates the non-regulated activities between

- those that are provided by the Operator without requiring the use of fixed assets that are included in the NNGS RAB, or other new additional investment and for which 50% of the net profits is added on the actual regulated revenues of DESFA and

- those that are provided by the Operator without requiring the use of fixed assets that have already been included in the NNGS RAB but require new investments that will not be included in the RAB of NNGS and for which 20% of net profits is added on the actual regulated revenues of DESFA. This percentage may change, fluctuating between zero percent (0%) and thirty percent (30%) with a decision of RAE following a justified request of DESFA.

The following graphs show the evolution of DESFA's revenue from Additional and Non-Regulated services during the period 2015-2019 (per year and per service) as well as a presentation of respective clients.



The graph above demonstrates DESFA's declining dependence of one single customer, diversifying its revenues streams and reducing the Company's risk. In the future, DESFA will continue to seek opportunities to develop its non-regulated activities under strict guidelines. The opportunities must achieve financial profitability and economies of scale. From a business perspective, they need to boost the brand name, strengthening DESFA competitiveness and embrace innovation in peripheral sectors while considering the public and the energy sector benefits as a whole

Connection fees

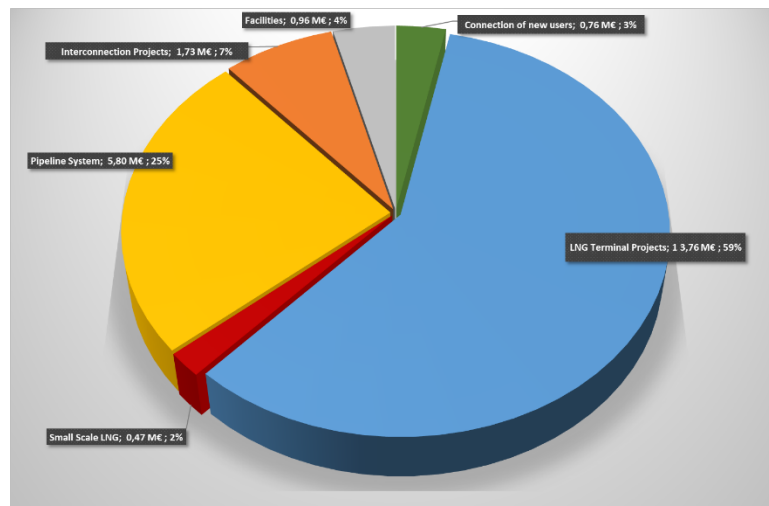
DESFA collects connection fees in accordance with Articles 5 and 5A of the Tariff Regulation for projects upon request of Users to connect their facilities with the Transmission System. These fees correspond to the cost of relevant projects, which are not included in the RAB.

Financial revenues

DESFA has additional revenues from the management of its cash reserves. This management is carried out according to a procedure established by decision of the Board of Directors of the Company (Regulation for Managing Reserves - decision of the Board of Directors 348/03 / 24.10.2017). In 2019 this Regulation was amended (BoD decision 387/03/16.04.2019).

The development of the network

In 2019, the Company made notable investments. The graph below demonstrates the distribution of invoiced amounts in 2019 per category of project.



CAPEX Invoiced Amount Distribution per category of projects in 2019 (not included internal cost)

Most important of which being the completion of accompanied works of the 2nd Upgrade of Revithoussa project, enhancing the reliability and uninterrupted operation of the LNG Terminal, resulting in payments of 12 million euros approx. during 2019.

Also, the construction of “M/R Station at N. Messimvria for the connection of NNGTS to TAP” was a significant project that commenced during 2019 and is expected to be completed by the end of 2020. With this investment, the uni-directional flow from TAP to NNGTS is secured and the flexibility of the NNGTS and the security of supply, are enhanced.

The total budget for the project is 12 million€ and is included in the PCI list. The FEED study is co-financed by Connecting Europe Facility (CEF), while the construction of the project is co-financed with 59% from PA 2014-2020.

Another important project is the “Upgrade of Nea Messimvria compressor station”, which completed its maturity phase and is planned to initiate its construction phase. The project is necessary to ensure the hydraulic stability of the system due to the TAP pipeline’s interconnection.

Furthermore, the Company is actively involved in the development of LNG bunkering value chain that will enable the introduction of LNG as a marine fuel for the shipping industry in the eastern Mediterranean. This is accomplished by various actions under Poseidon Med II, a co-

funded program by the Connecting Europe Facility (CEF) of the European Union, with DESFA being the Technical Coordinator, participating in dissemination actions to the stakeholders of the market, executing studies for new Small Scale LNG Infrastructure at Heraclion, Patras and Igoumenitsa Port, etc.

In this context, the Company has also executed critical studies to develop the Revithoussa terminal as a supply point for bunkering.

The proximity to the port of Piraeus, which is the larger short shipping port of the Mediterranean and an important port for container trade, makes it the appropriate choice for Greece to comply with the Directive of European Union on the deployment of alternative fuels infrastructure.

Main risks, uncertainties and opportunities

Framework

DESFA, in line with the international best practices, has instituted the Enterprise Risk Management (ERM) unit, in order to manage the corporate risks. The ERM unit has developed an Enterprise Risk Management system that supports Management in its strategic decisions. DESFA's ERM System is based on ISO 31000:2009 "Risk Management – Principles and Guidelines", according to which Risk Management in an organization should create and protect value and be part of all processes

In compliance with corporate governance international practices and aiming to provide the framework on how to manage risks at all levels, "DESFA's Risk Management Policy-2nd edition" and Risk Management Procedure-2nd edition" are in force, as a governance structure within all DESFA's departments, defining functions and providing guidance for the roles and responsibilities in and between Company's coordinators.

Furthermore, for the effective implementation of the Risk Management Policy, DESFA has established two committees within the Company's structure:

- a. Risk Management Committee, chaired by the CEO. Members of the Committee are the Division Directors and Managers of organizational units addressed directly to the CEO. Its main role is to set risk appetite and risk tolerance limits. Moreover, to review, coordinate and supervise the risk management process applied throughout DESFA's activities.
- b. Internal Control Committee, chaired by CRO. Members of the Committee are the Internal Audit Manager, the Quality & Safety Manager and the Chief Compliance Officer. Its principal duty is to exchange information and monitor all Company's procedures and sub-actions related to Risk Management and risk inventory.

Following the external inspection of DESFA's Management Systems, the Risk Management Department was certified according to ISO 9001: 2015. The provision of resources for the in depth register and management of Company's risks (committee designation for risk management, designation of business owners per site, risk management policy) were marked on the findings of the relevant Certificate.

The Company continuously monitors developments with the aim of minimizing as much as possible the potential negative effects that may arise from various events. The usual financial and other risks to which the Company is exposed are:

Reference to the supply chain related to the main Suppliers of the system and the rules of cooperation between them - Supply chain

The Company's key suppliers are from the European market. The cooperation rules are defined by bilateral agreements and are in line with the current regulatory framework. There are no overdue debts to the Suppliers (in addition to debts that are in dispute) or other breaches in relation to the contracts signed.

There are also no suppliers whose termination of cooperation would jeopardize the operation of the Company and the Company maintains an adequate stock of materials in the event of a temporary failure to provide it with the suppliers

Safety of stock:

The Company minimizes the risk and possible losses due to loss of gas stock due to natural disasters or other causes (terrorist acts, unintended actions by third parties). In particular, the Company covers through an insurance contract the gas stock in the pipelines (the stock of materials related to the infrastructure of the NNGS is not insured).

Future prospects and how they are affected by the existing regulatory framework.

Regulatory Risk

DESFA's operation is highly correlated with the Regulatory Authority for Energy (RAE), as more than 90% of his activities are regulated through RAE's Decisions.

2019 was a year of significant importance for DESFA from a regulatory perspective. Already from 2018 the process for a regular tariff revision for the period 2019-2022 had started. DESFA after long discussions with the Regulator, submitted its final proposal on 10.5.2019 based on the directions of RAE. RAE published the relevant Decision (540/2019) on 30.05.2019 approving the parameters related to the Required Revenue of the Transmission and the LNG Facility Activity together with the tariffs of 2019. Tariffs of 2019, according to the provision off Article 88 of Law 4001/2011, applied from 01.09.2019.

Meanwhile, in 2019 started the procedure for the harmonization of the Tariff Regulation with the European Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas. DESFA submitted to RAE its proposal for the 4th Amendment of the Tariff Regulation in September 2018, which was set in public consultation by RAE up to 31.01.2019. RAE on 25/4/2019 set in public consultation a new proposal of the amended Tariff Regulation that was composed by the Regulator. The consultation lasted until 10 May 2019. RAE published their final Decision (539/2019) on 30.05.2019. DESFA after the issue of RAE's Decision calculated and submitted to the Authority the draft Tariff Decision 2020. 2020 Tariffs were approved by the Regulator through RAE's Decision 566/2019 and were published in the O.G.G ON 2.7.2019.

Further to that, in August 2019, DESFA issued for public consultation the draft Development Plan 2020-2029, including strategic projects for the development of the network and the expansion of the natural gas market in several sectors as well as in areas where gas network does not exist. DESFA, taking into consideration the comments of the stakeholders as well as some preliminary directions from RAE, submitted his updated proposal to RAE on 5.12.2019. RAE issued the draft Development Plan 2020-2029 for public consultation from the mid of December 2019 until mid of January 2020.

On the 4Q 2019 DESFA submitted to RAE its proposal on the 5th amendment of the Gas Network Code. The major points of this proposal include:

- The offer of competing capacity and conditional capacity
- The offer of Intraday Transmission and Regasification Capacity bookings
- Amendments on balancing prices methodology
- Amendments on LNG Vessel Monthly Unloading Planning, and optimization of short-term use of the terminal (anti-hoarding measures and UIOLI on storage space, LNG swaps procedure etc.), with urgent need of implementation due to the strong utilization of the Revithoussa LNG Terminal.

RAE put DESFA's proposal on public consultation, until the end of January 2020

Market Risk

The evolution of oil prices.

Up to now, the general notion was that natural gas prices and crude oil prices were highly correlated. In that sense, DESFA revenues are affected inversely to the price of crude oil. A

sharp increase in oil prices would lead to higher gas prices and a consequent loss of gas competitiveness, particularly in the power sector in comparison to lignite, as well as to a reduction in demand for transported gas quantities.

As correlation between LNG and Brent is decreasing in many long-term contracts and as the short-term contracts are increasing in share, natural gas prices are more and more correlated with the TTF prices. In addition, gas prices are affected by the competition from LNG, which became much cheaper in H2 2019, thus affecting pipeline gas prices too.

CO₂ prices

These prices affect the demand for gas in a twofold way. High CO₂ prices enhance the competitiveness of gas against lignite. However, when lignite comes out of the scene, high CO₂ prices affect negatively the competitiveness of gas against RES. The CO₂ values fluctuated in 2019 between 18,71-29,78 Euros / t CO₂.

In terms of own CO₂ emissions, in order to manage the price fluctuation DESFA has formulated a fixed CO₂ emission rights purchase policy to ensure acceptance by RAE of the relative costs. It should be noted that DESFA's operation profile for 2019 resulted in a significant decrease of emissions, leading, according to Commission Decision 2011/278/EU, in significant reductions of free allocated allowances through a mechanism called "partial cessation".

Competition from RES and the fossil fuel phase –out plans:

This is recognized as a considerable risk for the natural gas in the long run. DESFA, after analysis of the energy demand taking into account the National Energy & Climate Plan, believes that gas will continue to be part of the energy balance of Greece and Europe in the foreseeable future, at least up to 2030. This is highly supported also from the government's announcement in September 2019 for the full decommissioning of all lignite plants until 2028. The need for a switching to cleaner fuels will be covered in the short to medium term from natural gas. Further to that, especially transport and shipping sectors are expected to further increase natural gas demand. Therefore, the risk for the forthcoming years is not considered as significant, although de-carbonization policies are admittedly the main risk in the long-run, which has to be dealt with in the development of adaptation policies.

Risk of dependence on a limited number of Users

The risk of high dependence of the Company's revenues on a single customer, was significantly reduced; 95% of the total regulated revenues in 2019 came from ten (10) network users,

having a share greater than 1%. Together, DEPA SA and Mytilineos represented 57% of the said revenues (32% in 2019 against 43% in 2018 for DEPA SA and 25% in 2019 against 18% in 2018 for Mytilineos). The dependence factor of non-regulated services income to services offered to DEDA and DEPA was further significantly decreased as DESFA's maintenance services to TAP moved on to phase 2 (commissioning/pre-commissioning) and soon to phase 3 (operations) of the Agreement, with a material positive subsequent impact in DESFA's non-regulated services income from TAP for 2019 and for the years to come.

In general, the market risk is not borne by DESFA in accordance with the Tariff Regulation, as there is a mechanism for adjustments and revisions of tariffs. Nevertheless, the existence of a natural gas market with upward prospects in Greece and the neighboring area (as foreseen in the Development Study 2020-2029 published on the DESFA website) ensures the stability of DESFA's operations and creates new investment opportunities.

Other risks that are related to the activity or industry that the Company is developing

Potential impact of COVID-19 on DESFA's business

The COVID-19 outbreak has developed rapidly in 2020. In order to deal with the impact of these circumstances the Company undertook to protect its employees, ensure the continuous smooth operation of the facilities, the smooth operation of the gas market and monitor the potential performance impact.

More specifically regarding its staff, DESFA adapted the Company's Emergency Response Plan and prepared detailed measures as soon as similar measures were reported to have been applied in Italy by some of the peers in the energy sector. Internal communication via regular mailings was immediately activated, with guidelines and updates, informing DESFA's employees about the official instructions regarding social distance, hygiene measures, home working, restrictions on personal movements, etc.

Other measures included the implementation of medical and psychological support hot lines, testing suspect cases, daily survey to track medical conditions, provision of masks and other relevant protective devices. DESFA also established a platform for all staff to learn remotely. In regard to the continuous operation of the business, specific guidelines and measures were adopted for the employees working at the LNG terminal, dispatching center, compressor station and pipeline network premises and plants. Similar guidelines were issued to Contractors to continue essential services in DESFA's premises. As of today, 51 positions (out

of 280) are required in transmission and LNG facilities for the continuous operations and critical maintenance.

The preventive maintenance program of the critical equipment is under full execution and all the necessary corrective maintenance of the equipment is performed as usual. The patrolling activity has been enhanced, with more inspections per month in the pipeline and the above ground installations.

Additional measures have been the arrangement of special lodges for the accommodation of employees to allow them to remain within the premises for at least one week shift, in case of further worsening of the pandemic.

No cases of Covid-19 have been recorded within Desfa staff to date.

The Company performance is reassessed on regular basis. Several scenario and stress test have been performed. A dedicated cross Company team has been set up. Special attention is given to receivables.

While the Company possesses the required liquidity to fulfill its obligations and finance its ongoing operations, active engagement with lending institutions are ongoing.

Risk of the development of Macroeconomic Parameters

The main significant risk remains the course of the Greek economy, including developments in the restructuring program of the Greek debt. Of course, it is widely recognized that this risk is from the beginning until at least 2022. The different scenarios and the various ways of dealing with them can by no means be predicted to their totality. Meanwhile the Company monitors the developments closely and adjusts its operation and its planning depending on those developments.

It is also noted that the Tariff Regulation greatly mitigates the impact of any adverse developments in this area.

Financial risk

Interest rate risk: Interest rate risk arises from long-term and short-term borrowings. On 31.12.2019 the total sum of long and short term borrowings was fixed rate loans. Therefore, the Company does not face a cash flow interest rate risk, but fair value risk on its fixed interest rate borrowings.

Foreign exchange risk: The Company does not face a currency risk, as substantially most of its assets and loan liabilities are denominated in Euros, while almost all transactions of the Company are also performed in Euros.

Banking risk: Due to the large amount of deposits (EUR 136,9 million as of 31.12.2019 without the security of supply account), the Company is exposed to the credit risk vis-à-vis the financial institutions with which the deposits are held, specifically the risk of an eventual capital deficiency of banks where the deposits are held. This risk is addressed by spreading deposits to all banking institutions that have completed their recapitalization and have an acceptable level of financial reliability (systemic banks). For this purpose, the Company adopted a new Regulation on Cash Reserves Administration Policy in 2017 following a relevant study.

Loan risk: Since the Company's gearing ratio, i.e. the ratio of total loans to the sum of total loans and total equity, on 31.12.2019, was equal to 16,76% (compared to 17,18% in the end of 2018), it is evident that the debt risk of the Company is very low. Under the current regulatory framework, this ratio should not exceed 0,50 (par. 3 of Art. 6 of the Tariff Regulation).

Credit risk

The credit risk of the Company is small. The clients' payments are made to the Company by the end of the month of the corresponding invoices, relating to transactions in the previous month. The Company's payments to suppliers are generally 45 days after the issuance of the respective invoice, except for the gas procurement for balancing purposes and the procurement of operational gas, which follow the respective deadlines similar to those that DESFA imposes to its clients. Generally, no problem occurs in the collection of the Company's receivables. A special exception to the rule is certain invoices of LAGIE and DEPA, which were disputed by the contractors and are under legal claim.

Liquidity Risk

The liquidity risk is kept at low levels through the availability of sufficient cash and credit limits. To ensure this there is a respective provision in the Tariff Regulation (par. 6 of article 4 of Tariff Regulation) and in the Regulation on Cash Reserves Administration Policy of the Company. The cash retained by DESFA exceed this requirement.

Regarding the handling of the Security of Supply Account, the Company, in cooperation with RAE, has introduced the appropriate safeguards to prevent any liquidity risk related to this activity. Therefore, it can be said that the Company faces no liquidity risk.

Accident risk

Safety is DESFA's first priority. It is ensured by the adoption of strictest safety standards when designing systems, by certifying the application of the specifications during the construction

by an independent accredited certification company and by the application of preventive inspection and maintenance protocols as well as the continuous training and evaluation of competence of the operating staff.

DESFA has several measures in-place to decrease the risk of accidents, the most notable being:

- Application of certified managements system according to several International Standards such as ISO 9001, ISO 14001 and ISO 45001.
- Continuous personnel training and awareness.
- Application of a Competence Management System for all HSE activities and tasks.
- Monitoring mechanisms such as:
 - Inspections and audits
 - Investigations and Root Cause Analysis (RCA)
 - Continuous work supervision (PtW)
 - Tool-box-talks
 - Systematic recording and evaluation of non-conformities.
- Communication mechanisms, such as HSE Reports, Lessons Learned, newsletters.
- Measures for the implementation of the SEVESSO directive on the LNG Terminal.

Quality, Health, Safety and Environmental Issues

Quality, Health, Safety and Environmental Management Systems

DESFA, based on Company policies and in line with the code of ethics, considers peoples' health, safety, environmental protection, public safety and quality of services as priority objectives for its sustainable development and is committed to their achievement by adopting and continuously improving a Quality, Health & Safety and Environmental Management System.

DESFA implements and is certified with the most recognizable management systems for Quality per ISO 9001 Environmental per ISO 14001 and Health & Safety per ISO 45001. Apart from those there is an accredited per ISO 17025 laboratory for the purpose of equipment certification and field measurements.

The implemented management systems are supported by a new Integrated QHSE Policy, compliant with the requirements and communicated to DESFA's stakeholders. In addition, there are in total more than 100 Manuals, Procedures, Work Instructions and Forms. All system documentation is handled electronically and supported by HSE Representatives in all facilities and a network of external partners like Occupational Physicians and Safety Technicians.

DESFA's QHSE Policy is based on the following principles:

- To manage activities in compliance with the laws, administrative and Company provisions, as well as with national and international best practices
- To conduct and manage activities and elaborate and activate all the organizational and procedural solutions necessary, in order to prevent accidents, including the SEVESO directive requirements, emergency situations, injuries and occupational diseases
- To optimize business processes, in order to maintain the highest level of effectiveness and efficiency, respecting the health and safety of workers and with the utmost attention to the environment
- To design, implement, manage and dispose of plants, buildings and activities, respecting the protection of health and safety of workers, the environment, and energy savings, and aligning with the best available and economically sustainable technologies
- To manage the implementation of projects, timely, cost-effective as well as qualitatively, in accordance with the NNGS Development Plan and in full compliance with the core principles of Project Management

- To implement the sustainable use of natural resources, the prevention of pollution and the protection of ecosystems and biodiversity
- To control and reduce the environmental impact of Company operations, as well as the rational use of natural resources and energy and to implement operational and management actions to reduce greenhouse gas emissions, with a climate change mitigation approach
- To manage waste, in order to reduce waste production and promote waste recovery at the final destination
- To perform controls, inspections and to ensure information, training, on-going consultation and raising of staff, customers, suppliers, manufacturers, residents and other key business partner's awareness for active and responsible participation in the implementation of the principles and the achievement of the objectives
- To select and promote supplier's development according to the principles of this policy, committing them to maintain consistent behavior
- To guarantee, through appropriate procedures, managerial and organizational tools, the right of clients to access and use services
- To perform audits to evaluate performances and review objectives and programs, and review the policy periodically to assess its effectiveness and take contingent measures

QHSE Monitoring

The Integrated Management System has many different checkpoint, aiming to monitor the adequacy of its performance. All facilities issue monthly QHSE Reports, while a group of auditors frequently visits worksites and relevant findings are monitored. Drills are performed on a yearly basis and QHSE training is provided. All the above are presented at the annual Management review, along with several Key Performance Indicators (KPIs), specifically selected for these processes.

Additionally, all facilities Risk Assessments are frequently updated, HSE committees participate actively on daily HSE issues, Occupational Physicians and Safety Technicians perform regular HSE visits, toolbox talks are performed daily.

Emissions Trading System

The Company participates in the European Greenhouse Gas Emissions Monitoring and Management System (ETS). For this purpose, the Company:

- Monitors in a daily basis the relative parameters for calculating CO₂ for each source stream and emission source. Submits to the relevant department of Ministry of Environment and Energy a Verified Emissions Report for each installation and a relative Declaration of Activity Data. It also provides an Improvement Report for each installation. Liaises frequently with the Competent Authority and the Independent Verification Body with a view to adopting the new legislative requirements
- DESFA is obliged to submit every year to the European Emission Registry CO₂ allowances equal to the previous year's emissions.
- Since 2010, the LNG Terminal and the Compressor Unit in New Messimvria undergo Annual Emissions Verification Inspections of by the Independent TÜV AUSTRIA HELLAS Verification Body. In all these years, no findings (observations or noncompliance) that affect the accuracy and reliability of the calculated emissions were reported.
- Since 2010, LNG Terminal and the Compressor Unit in New Messimvria are classified in the European Emissions Register, in compliance class A, meaning full implementation of the requirements of the relevant European legislation.
- Continuous improvement of the emission calculation methodology with a view to a more accurate approach to real emissions.

Carbon Footprint

DESFA issues Carbon Footprint & Sustainability Report for 8 consecutive years, covering data and consumption of the previous year. The Carbon Footprint Report is in agreement with the Greenhouse Gas Protocol (GHG) as an internationally accepted Greenhouse Gas calculation methodology and compatible with other international calculation standards, such as ISO 14064: 2013, allowing immediate integration of the results in the National and International Greenhouse Gas Registers.

Awards

DESFA's performance in QHSE issues is promoted by participating in relevant Competitions. Since 2013, DESFA has received more than 20 Awards for its performance and innovation by Health, Safety and Environmental stakeholders in the following categories: Energy Sector, Emissions, Awareness, Preparedness, Personnel Participation, Competency Management, Waste Management etc.

Employment Issues

2019 was a milestone year for key employment issues, as after long and demanding negotiations the new Collective Labor Agreement (CLA) and the new Internal Labor Regulation (ILR) were signed between the CEO and the Employees' Union (SEDESFA). A dedicated negotiation team, consisted of legal and human resources professionals and having analyzed in depth the demands of a modern and flexible organization, undertook the role of drafting and negotiating the new CLA and ILR with the Union and the Regulatory Authority of Energy (RAE) and determined the new conditions of employment in DESFA.

The new CLA and the new ILR are valid up to 2021 and aim to act as a main lever for the internal development, with a focus on responsibility and meritocracy, providing certainty of employment and possibility of growth for all the employees.

Promoting equal opportunities and protecting diversity are key principles of the Company. The Company encourages and recommends to all employees of the Company to respect the diversity of each employee or associate of the Company and not to accept any conduct that may be discriminatory in any form.

The Company's policy in this area is based on the OECD Guiding Principles and the International Labor Organization (ILO).

A policy of diversification and equal opportunities (regardless of gender, religion, or other aspects)

In 2019, the Company employed a total of 264 people, namely 1 CEO, 1 CFO, 12 Remunerated Advocates and 250 employees of different genders and ages, and the Company's consistent policy is to provide equal opportunities to employees regardless of gender, religion, or other aspects.

The Company's relations with its staff are excellent and there are no work problems. The successful signoff of the new CLA and ILR has been the outcome of collaborative effort between the Management and SEDESFA; in alignment with the requirements of the employees and the vision for the organization. The Management respects the aspirations of DESFA employees and working towards the exploitation and development of their talents for the better of the organization. The dialogue between the two is open and productive based on common enterprise values and objectives.

Respect for employees' rights and trade union freedom

The Company respects the rights of employees and is aligned with the Labor Legislation. In the year 2019, no control body attributed any violations of labor legislation.

In the Company there is a union of employees named: SEDESFA (DESFA Employees' Association).

Education systems, promotion mode, etc.

Selection and recruitment procedures are performed on the basis of the qualifications required for the position and without discrimination. The Company systematically trains all categories of its personnel, either through "internal" or "external" seminars. In particular, the cost of staff training (training seminars and conferences) in 2019 amounted to EUR 95,77 thousand.

The above are subject to the proceedings found in the Internal Labor Regulation. Promotions are based on an evaluation system, implemented in the Company. The Company has undertaken multiple initiatives to enable the successful evaluation system and build a solid profile for its employees in order to invest further in their development. In parallel, DESFA is currently working on the development and establishment of a comprehensive performance appraisal system which would incorporate the input of the aforementioned initiatives, enhancing existing evaluation system and contributing critically to the establishment of a performance driven culture in the organization.

DESFA is capitalizing on the experience of its international shareholders through exchange of knowledge, training methods and practices and participation in dedicated HR workshops among other affiliate companies.

CORPORATE SOCIAL RESPONSIBILITY

DESFA places substantial emphasis on Corporate Social Responsibility (CSR). The Company has pledged to implement a holistic Corporate Social Responsibility Program that guarantees the cooperation with local communities, the alignment with its employees and reducing its carbon footprint. The aim of the program is to transform the energy DESFA carries via the National Natural Gas System into an "Energy Contribution" that supports humanity, culture, environment, sports, the Company's employees, education, and youth, covering essential needs in the local communities that the NNGS crosses.

Legal framework

Business model summary

By Presidential Decree 33 (G.G. A' 31 / 20.02.2007) the Societe Anonyme under the name of "Hellenic Gas Transmission System Operator S.A.", whose purpose is the operation, maintenance, management, utilization and development of the National Natural Gas (NNGS) System, as defined in Article 68 of Law 4001/2011 (Government Gazette A' 179 / 22.08.11), and its interconnections, in order for the NNGS to be cost-effective, technically sound and complete, and in order for the needs of the Users for natural gas to be served in a safe, adequate, reliable and economically efficient way.

The Company's headquarters are in Athens, 357-359 Mesogion Ave. and operates in the energy sector.

Corporate Governance

Amendment of the Company's Articles of Association, in order to be harmonized with the new Greek legislation on Societes Anonymes, was prepared and approved by the General Assembly on December 18, 2019.

Handling of all relationships with Court of Audit, Hellenic Single Public Procurement Authority, Authorities for Co-funded Projects, Ministry of Environment and Energy for the definition of the procurement legal framework applicable to DESFA; officially acknowledged by above competent Authorities that DESFA operates as a private entity as of 20/12/2018 (i.e. upon transfer of 66% of Company shares to Senfluga).

Administration principles and internal management systems

The management of the Company provides direction, leadership and an appropriate environment for its operation to ensure that all its available resources are fully engaged in the achievement of its objectives. The Company's policies at the stages of its productive and operational activity focus on:

- The operational safety of the installations
- Providing high quality services
- Respect for the environment

- The successful delivery of the projects according to the NNGS Development Plan and the strategy of DESFA.
- Implementing procedures based on transparency and equal treatment of Users / Customers
- To safeguard the confidentiality of commercially sensitive and personal data
- To avoid all kinds of discrimination
- Corporate Social Responsibility.

The Company has “Regulations”, which have been approved by the Management of the Company: "Internal Labor Regulation", "Code of Conduct", "Organization Chart", "Internal Control Unit Operation Regulation".

DESFA’s Certification

RAE issued its Decision No. 1220/2018 certifying DESFA as an Ownership Unbundled TSO, which was considered not aligned with applicable legislation for OU TSOs. Therefore, Legal Division took all necessary judicial and extrajudicial measures and supported the Management of the Company towards the Authority to revise the decision, which was actually done. RAE issued a revised decision for DESFA’s certification sustaining most of DESFA’s arguments (New RAE Decision No 460/2019).

Expected evolution of the Company

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

At this stage, the impact on DESFA's business and results is limited and allows DESFA to honor its short term obligations and maintain its ambition level:

- The LNG Terminal, the unloading of the cargoes continues as usual. Within March and April, all planned unloadings were performed successfully, following strict precautionary measures.
- The network transportation services have so far not been affected by the unexpected pandemic. The demand of transportation in the first three months of 2020 is higher by approximately 15% in comparison with the same period of 2019.
- DESFA is implementing the recent Legislative Act (Art. 59 of the Legislative Act of 13.04.2020), facilitating the invoice payment for Natural gas suppliers until 31 May 2020 (i.e. 70% payment upfront, remaining 30% payable in four monthly installments). Such mechanism does not have a material impact on the Company cash flow.
- The current estimate of the additional operating expenses resulting from the protective measures are in the order of a couple of millions euros which would not jeopardize the Company liquidity.

Apart from the immediate actions taken regarding the COVID 19 impact mitigation, the Company expects to continue its upward trend in its results through the expansion of its services and new markets, the upward trend in gas consumption and the regulatory stability that is expected to be achieved in the coming years. The Company strong balance sheet, low gearing and attractiveness for capital suggests that access to liquidity at affordable cost is currently not a concern.

On the regulatory front, a 5th amendment of the NNGS Administration Code maximizing capacity offer and optimizing balancing of the Transmission System, a revision of the NNGS Administration Code concerning the yearly LNG unloading plan and LNG losses and a revision of the Tariff regulation concerning pricing of conditional capacity are expected in 2020.

In addition, the Company will further work with the stakeholders on the tariff recalculation decision (effective from 1/1/2021), the approval of the Accounting Unbundling Rules as well as on the approval of the new entry point at Nea Messimvria/connection with TAP, and related capacity allocation method and tariff.

The Company has also secured the approval of the Ten Years Development Plan from the Regulator by end April. This set the Company on a strong foot in order to further develop its ambitions in Greece. In addition to the TYNDP, DESFA is considering opportunities to develop new business opportunities and geographical areas of the market.

Information relating to the acquisition of shares

No "own shares" were acquired during the year 2019.

Branches of the Company

The Company does not have any branches.

Use of "financial instruments"

The main financial instruments used by the Company are cash, bank deposits, trade and other receivables and liabilities and bank loans

With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price.

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

For trade receivables, the Company applies the simplified approach permitted by IFRS 9. The Company recognizes the credit losses that are expected throughout the lifetime of trade receivables (expected lifetime losses).

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. For the purpose of

subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss.

Halandri, May 18th, 2020
Under the mandate of the BoD

Dr. Yanos Michopoulos
Chairman of the BoD

Panagiotis Tambourlos
Member of the BoD