

**ANNUAL REPORT  
2023**



On the Yearly  
Financial Statements of Year  
**1.1.2023-31.12.2023**

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



**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 31.12.2023, so as to inform you about the financial performance of the Company and request for your approval.





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# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS (BOD)

**Dear Shareholders and Stakeholders,**



In 2023, after the turmoil in gas markets and changes in supply routes the year before, DESFA continued to strengthen its gas infrastructure, safeguarding the security of natural gas supply. Despite unprecedented physical phenomena, the floods in Thessaly and the wildfires in Thrace, apart from minor damages, our operations were not interrupted.

Thus, in spite of these challenges, we did remain focused on the execution of our strategy and Development plan. Commercial operation of the Compressor Station of Nea Messimvria was achieved, the first LNG Truck Loading Station in Greece in Revithoussa was completed and progress was made on critical projects, including the Connection with the FSRU of Alexandroupolis, the two new Compressor Stations in Komotini and Ampelia and the High-Pressure Pipeline to West Macedonia. Besides, we took the FID of the new Investment of the Pipeline Nea Messimvria – Evzoni/ Gevgelija and its Metering Station, to interconnect the NNGS with North Macedonia.

Important steps were done in the context of energy transition, with the inclusion of the hydrogen infrastructure project, to connect Greece with Bulgaria, in the 6th PCI list. Integrating carbon capture and storage in Prinos PCI project, became the first CCUS PCI development in the SE Europe.

The new 2023-2032 Ten Year Development Plan was approved by RAWEW, with planned CAPEX of approximately € 1.3 billion, where about 500 millions correspond to new projects.

Regarding the prospect to align the increase of capacity at Greece's Northern Interconnection Points with its neighboring TSOs, providing thus the option to include new entry points (FSRUs) in the same process, and in coordination with the Vertical Corridor, a Call of Interest was launched for the Market Test for the expansion of the capacity of the System!

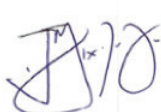


With respect to non-regulated activities, our portfolio of services continued growing with the addition of a contract with Nomagas, for the coordination and supervision of the execution of the North Macedonia interconnector.

Financial results were positive too, with operating profit increased to €205 millions.

Great priority was given, as before, to our commitment to Health and Safety and to ESG responsibility. DESFA's Net Zero Master Plan was completed, while the BOD approved the company's Net Zero commitment to reduce emissions by 50% by 2030 (compared to 2018) and achieve Carbon Neutrality by 2040. Besides, social contribution was high on our priorities through sponsorships, donations and volunteering, with positive impact not only to local communities but equally so to our personnel.

All in all, 2023 has been a very fruitful and successful year for DESFA, thanks most of all to the commitment of our personnel and the support of our partners and shareholders!



**Konstantinos Kosmadakis,**  
Chairman of the BoD



## MESSAGE FROM THE CEO

**Dear Shareholders and Stakeholders,**



2023 saw important achievements for DESFA, both in the execution of the large scale projects to strengthen the natural gas infrastructures in Greece, fostered by the unprecedented energy crisis caused by the Russian Invasion of Ukraine and necessary to guarantee the security of supply of Greece and South-East Europe, as well in our efforts toward implementing innovative gas technologies – such as renewable gases, Hydrogen and Carbon Capture and Sequestration – that will significantly contribute to the country's energy transition.

2023 has marked the approval by RAWEW of the new c.a. 1.3 billion Ten Year Development Plan (TYDP) 2023-2032, vs. c.a. 900mn€ in 2021 plan, and of the Regulatory Period 2024-2027 Incentive Based Tariff Methodology, including a 7.85% WACC fixed over the period, which ensures to the Company the regulatory stability and visibility necessary to support the financial and operating commitments required for such large-scale investments. Key milestones have been met in the execution of the TYDP, such as the completion of the compressor station of Nea Messimvria, of the first LNG Truck Loading Station in Greece in Revithoussa and of the Amfitriti M/R station, which connects the Alexandroupolis FSRU –participated by DESFA at 20% and expected to be operation in spring 2024 - to DESFA's grid, the final investment decision of the North Macedonia Interconnector, as well as major progresses in all the ongoing projects such as West Macedonia pipeline, Ambelia and Komotini compressors stations.

In line with DESFA's long term strategy to evolve its grid into a multi molecules' transport network in Greece and serving the goals of EU decarbonization, two major projects proposals have been developed, for a 540km dedicated Hydrogen backbone connecting Greece to Bulgaria and for an integrated CO<sub>2</sub> logistic solution in Greece – in conjunction with Energean's sequestration project in Prinos – which have both been recognized as Projects of Common Interest (PCIs) by the EU Commission and Parliament, thus unlocking potential for EU financial support, and which we will continue bringing forward and maturing in 2024.

All this while the energy market has remained highly volatile, with large swings in the direction of the flows of natural gas, which our grid has smoothly accommodated with no disruptions to the users. In these very unstable circumstances, 2023 DESFA revenues and profit have almost doubled on a YoY basis, as a consequence of high premia recognized by the market players for the use of the Greek gas infrastructures, which on one side strongly confirms the decision to invest in removing network bottlenecks and expand the system capacity, while on the other side has enabled DESFA to support the national Security of Supply (SoS) Plan, by temporarily contributing those extra profits to cover the costs of the SoS actions. Once these profits are recovered through the SoS levy, they will be utilized either to finance the projects required to



remove such bottlenecks or to reduce future charges to the network users. To assess any further need, above what foreseen in the TYDP, for expansion of the capacity of the Greek Natural Gas System, DESFA has launched a Market Test in coordination with the Vertical Corridor initiative, promoted with other TSOs of South and Eastern Europe, to increase gas throughput from Greece to SEE/CEE region, thus enhancing Greece and DESFA network strategic role as a gateway for security of supply of the regions. Finally, we have added another non-regulated service contract to our portfolio including KIPIC and TAP, with the successful award of a contract with Nomagas, our partner in the North Macedonia interconnector, to coordinate and supervise the execution of the North Macedonia side of the project, thus confirming DESFA growing international standing as a partner of choice in the development and operation of gas infrastructures.

Last year has been a very challenging year for our operations not only for the consequences of the war and of the gas crisis, but of major weather related events, such as the large wild fires in Eastern Macedonia and Trace, close to our Komotini and Amfitriti construction sites, and the dramatic floodings in Thessaly region, which have caused significant impacts to our infrastructures but no interruption of our operations, thus proving the resilience of the natural gas grid and the continuous dedication of DESFA's people to ensure the integrity of the system and uninterrupted quality of service, also through volunteering initiatives to support the communities affected by such natural disasters. Our continuous commitment to the Health & Safety of all our employees, contractors, sub-contractors and local communities, and to our Environment, Social and Governance responsibility, has been further strengthened with the approval by DESFA Board of Directors of the Net Zero Targets, committing to climate neutrality by 2040 and Net Zero by 2050, and confirmed by the further reduction in 2023 of CO<sub>2</sub> footprint, the renewed OGMP Gold Standard certification on Methane Emission and excellent results in terms Safety in the Work Place. Our key priority is to continue along these paths and ensure a safe and sustainable business environment for many years to come.

**Maria Rita Galli,**  
Chief Executive Officer







**DESFA**  
**PROFILE**

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### 1. DESFA Profile

#### *Establishing Greece as an energy gateway while paving the way to a greener future*

DESFA pursues its business activity as Greece's natural gas Transmission System Operator (TSO), operating and developing the Greek National Natural Gas System and its interconnections, with safety, reliability, transparency, and commercial innovation.

With extensive experience in the development and management of gas infrastructure, DESFA has been proven a trusted energy partner in Southeast Europe and beyond. Leveraging our robust infrastructure and expertise, we play a vital role in bolstering energy security and diversifying gas supply sources in Greece and the wider region, establishing Greece as an energy gateway through opening new energy routes that ensure access of the Greek and Southeast European market to new competitive sources of supply. At the same time, we enable the seamless integration of new infrastructure into our system, fostering competition in the Greek energy market, to the benefit of end consumers.

Committed to halve Greenhouse Gas emissions by 2030 and achieve carbon neutrality by 2040, we pave the way to a greener energy future, working intensively for the decarbonization of our network with the integration of renewable gases, such as hydrogen and biomethane, while championing cutting-edge energy solutions and technologies, such as carbon capture and storage.

We foster sustainable growth, creating added value for the environment, society, corporate governance, our people, and the communities where we operate, loyal to our vision to be a model of business excellence and corporate responsibility in every aspect of our operation. We promote a diverse and inclusive organization that attracts talent and innovative ideas, generating new opportunities for the country and the wider region.







### Vision

We are the warrantor of the proper functioning of the energy supply system, enhancing competitiveness and extroversion and improving life quality, while we lead the energy transition to achieve carbon neutrality by 2040 via our innovative sustainable energy network.

Our vision is to safely operate and develop a technologically advanced multi molecules network, which transmits and stores clean, reliable, and affordable gas energy carriers.

We are committed to maintain and significantly strengthen our role as a pillar of energy stability in Greece and Southeast Europe. Placing Greece as a gateway for diversified gas energy imports, we develop the Greek renewable gases network (i.e. hydrogen, biomethane), paving new energy ways, and the carbon dioxide logistic chain, enabling its efficient capture, transportation, liquefaction and shipping to a storage site.

### Mission

As a reliable gas infrastructures partner in Southeast Europe & beyond, we constantly evolving our system paving the way to new carbon-neutral energy routes. We generate added value to the environment, society, corporate governance, our people, and the communities, where we operate, fostering a diverse and inclusive organization that attracts talent and innovative ideas that create new opportunities for the country.



## Values

We operate based on clearly identified values, ensuring that all DESFA Employees are working towards the same goals, supporting the Company's mission, and shaping our corporate culture.

### *We focus on Integrity*

- › Our outmost priority is **the Health and Safety** of our Employees and Users, guaranteeing **the security of our infrastructures** and acting for the mitigation of operational risks in Greece and the wider Southeast European region. In conducting business, DESFA is inspired by and complies with the principles of **fairness, efficiency, honesty, transparency**, and impartiality in all our business partnerships, having adopted a **zero - tolerance approach** to any form of corruption.

### *We promote Excellence & Leadership*

- › Our aim is for all our employees to be **proud** of the work they do and the Company they work for. We promote a culture of **a continuous improvement**, through the **empowerment** of all our people to excel themselves and seek opportunities for the enhancement of our operation and services. We continuously redefine the standard of **excellence** in every aspect of our business operation and culture, developing the leaders of the future energy market.

### *We empower Collaboration*

- › We believe in the power of working together, building, and encouraging collaboration across teams for the achievement of our shared objectives and the internal dissemination of knowledge, information, and technical know-how, fostering innovation and leading the way to energy transition.

### *We invest in Sustainability & Innovation*

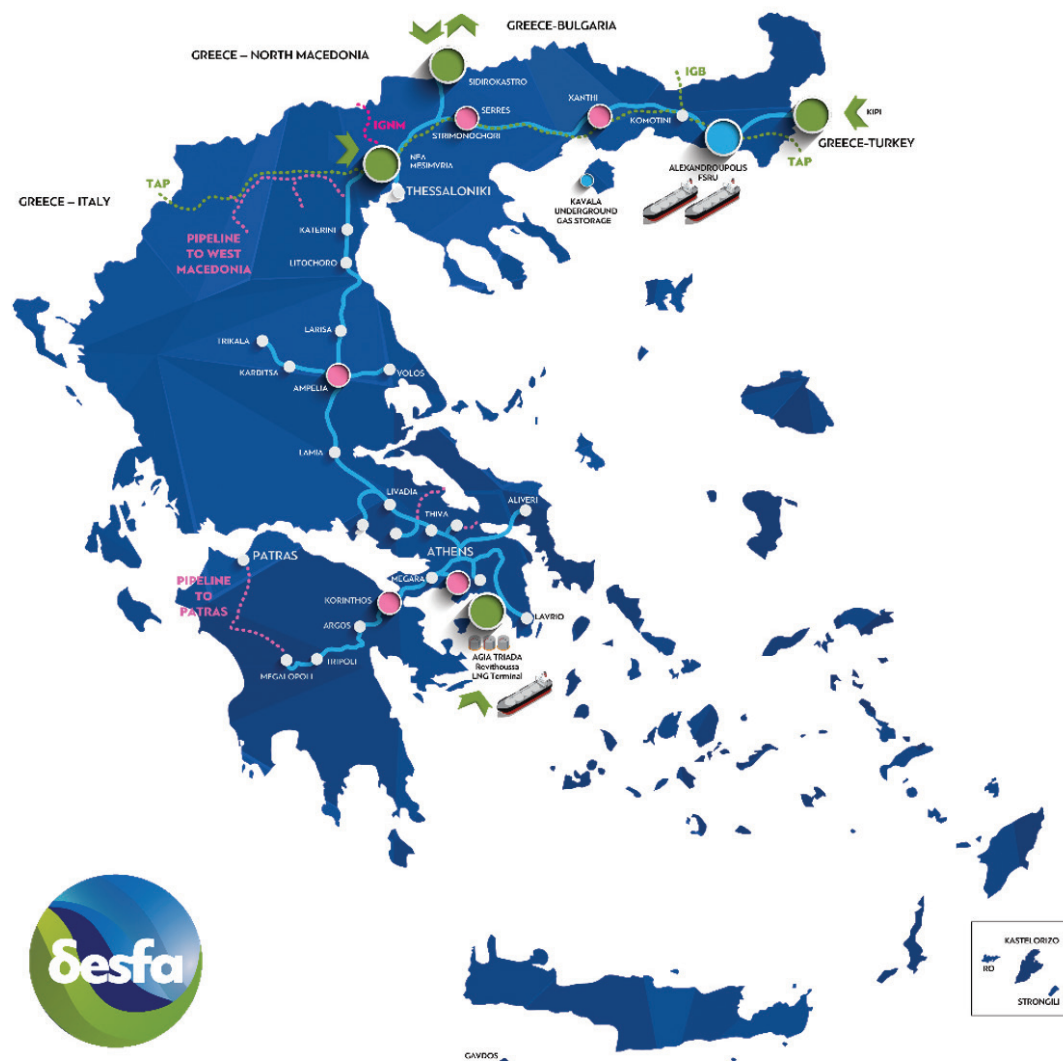
- › We are committed to **incorporate ESG factors in our business model**, focusing on those with a high impact on the **climate** and the **environment** towards **net-zero emissions**. We foster innovation to pursue a sustainable energy system and to promote the protection of natural resources, ensuring an environmentally safe operation for the societies where we operate.



## 1.1. DESFA network & LNG terminal

The National Natural Gas System is composed of the National Natural Gas Transmission System (NNGTS or Transmission Network) and the Liquefied Natural Gas Terminal (LNG Terminal) in Revithoussa. The Transmission Network, as well as the LNG Terminal, operate under DESFA's certified Management System according to ISO 9001, ISO 14001 and ISO 45001 International Standards.

The **Transmission Network** transports gas from four (4) Entry Points, namely i) the Greek-Bulgarian border (upstream TSO BULGARTRANGAZ), ii) the Greek-Turkish border (upstream TSO BOTAS), iii) the Entry Point in Nea Mesimvria connecting the NNGTS with the Trans Adriatic Pipeline (TAP), as well as iv) the LNG Entry Point (Agia Triada), to the main areas of consumption in continental Greece.





The Transmission Network consists of:

- › 1.466 km of main gas transmission pipeline and its branches.
- › The Border Metering Stations at Sidirokastro and Kipi, as well as the Metering/Regulating (M/R) Station at N. Mesimvria for the connection of NNGTS to TAP.
- › The Compression Station at Nea Mesimvria, Thessaloniki.
- › 55 Natural Gas Metering and Regulating Stations.
- › The Natural Gas Control and Dispatching Centers at Patima near Athens and at Nea Mesimvria near Thessaloniki.
- › The Operation and Maintenance (O&M) Centers of Sidirokastro, Vistonida (with the satellite station at Kipi BMS), Nea Mesimvria (with the satellite station at Ptolemaida), Ampelia, Patima, Spathovouni, as well as the Kipi TAP O&M.
- › The Remote Control and Communication System, composed by fiber optic cables and other dedicated devices.

The gas supply has been secured throughout 2023, as the network availability at the delivery points has been uninterrupted. The Key Performance Indicator (KPI) measuring the network's non-availability at the delivery points has been equal to 0% (i.e. 100% availability of all entry points).

In 2023, DESFA invested in interconnecting NNGS with other systems by taking the FID for the project "Pipeline Nea Messimvria – Evzoni/ Gevgelija and Metering Station". DESFA continued implementing its ambitious development plan through 2023, making progress on vital projects, including the "Connection with the FSRU of Alexandroupolis" project, the two new Compressor Stations in Komotini and Ampelia and the "High-Pressure Pipeline to West Macedonia".

The NNGTS was strengthened through the commercial operation of the "Upgrade of Nea Messimvria CS" project. Furthermore, two projects for the connection of new industrial users "New M/R Station AdG III" and "New M Station AdG IV" were also handed over for use and the development of the "Technical Training Centre in Nea Messimvria" was completed.

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, the Terminal successfully expanded in 2007 and more recently in 2018 with the construction of the third tank, increasing the total LNG storage capacity to 225.000m<sup>3</sup> LNG. The Terminal adopts the most environmentally friendly technology and operates, in accordance with the strictest safety and security regulations. In particular, the Terminal falls under the requirements of the Seveso III Directive, providing for the highest safety standards, whose application is constantly verified and certified by independent operators.

With a storage capacity of 225.000m<sup>3</sup> LNG and a regasification capacity of 1.250 m<sup>3</sup> LNG / 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.



In addition, a **Truck Loading (TL) Station** is also integrated to the LNG terminal since its inauguration in October 2022. The facility consists of a new, dedicated overhead pipeline network that supplies LNG from the LNG storage tanks to the TL-Station. With its initially single loading bay with flexible cryogenic hoses of a peak flow of 100 m<sup>3</sup> LNG / h, the TL's technical loading capacity is sufficient to fill an LNG Truck within approximately one hour, taking also into account the necessary preparatory activities. It is also worth mentioning that all necessary provisions for a potential capacity upgrade (addition of loading-bays) have been taken into consideration during the design process, with the view to minimize the required construction time of additional loading bays, should the market so require.





## 1.2. DESFA network & LNG terminal


Through the provision of non-regulated services (NRS) we aim to leverage on our operation, maintenance, training and engineering expertise and become a solid partner to our customers for services that we already successfully apply in our own business.

In fact, over the past year, income from additional non-transmission and Non-Regulated services has increased by 13% (vs 2022), which is mainly attributable to a revenue increase in DESFA's operation and maintenance services provided to KIPIC at the LNGI Terminal in Al- Zour thanks to the successful achievement of performance goals set. DESFA's current contracts of NRS are:

### *O&M of the LNG terminal Station of Al Zour, Kuwait*

The 2<sup>nd</sup> O&M Year of the LNGI Terminal in Al-Zour commenced in May 2023 and DESFA increased its team to almost 160 employees and managed to achieve high score on the KPIs agreed with KIPIC, achieving operational excellence of the LNGI terminal. In November 2023, the American Society of Safety Professionals, Kuwait Chapter awarded DESFA the Silver Award for HSE Excellence in Oil & Gas in Kuwait.

With regard to the operational performance of the terminal, DESFA's team in Kuwait received 87 LNG ships within 2023, with total LNG quantity transferred equal to 13.084.722m<sup>3</sup> while the total gas send-out within 2023 was equal to 297.728BBTU.

	2023	Since Start up*
		
Ships	87	212
LNG Import	13,084,722	31,386,202
Gas Send-out	297,728	688,170

m<sup>3</sup>

BBTU

*LNGI terminal in Al-Zour Operational data*

\* From Start-up until December 2022

### *TAP*

DESFA continued delivering high quality services in the context of the Maintenance Agreement for TAP involving Operation and Maintenance (O&M) Services, Alert Response Services, Warehouse and Materials Management, O&M Center Facilities Services, Support to Commissioning Services, other additional services.

As we entered the 4<sup>th</sup> Operational Year (2023) DESFA achieved 100% in Maintenance KPI's. Furthermore, DESFA team at Gas Compressor Station of Kipoi received high accolades from TAP for their valuable contribution. The positive feedback received from TAP serves as a testament to the expertise and dedication of our people.



### 1.2. DESFA network & LNG terminal

#### *Contract Administration and Supervision of works on construction of the gas interconnection pipeline North Macedonia – Greece, on the territory of N. Macedonia*

In September 2023, DESFA was awarded following an open procedure launched by NOMAGAS and supervised by EIB a supervision contract for the construction of the North Macedonia part of the Gas Interconnector Greece-North Macedonia (IGNM), a 68 km gas pipeline which will be part of the 123 km gas interconnector between N. Macedonia and Greece.

DESFA will act as FIDIC Supervision Contractor and will provide management services to NOMAGAS related to contract & operational management, technical, administrative, and legal supervision on the Project construction and commissioning, as well as technical & administrative support services during the phase of selection of the EPC contractor.

Being assigned these services gives DESFA the opportunity to ensure enhanced end to end supervision of the construction of the N. Macedonia pipeline securing where needed alignment between the two projects (Greek and N. Macedonia part) while it is also indicative of DESFA's potential to expand its non regulated services portfolio.

### 1.3. Our Participations in other Entities

#### *Gastrade*

DESFA holds a 20% in Gastrade, the first company operating in Greece to be granted a license for an Independent Natural Gas System which has the objective to design, develop, operate, and manage the infrastructure for the reception, transmission and distribution of natural gas.

The Alexandroupolis FSRU Project comprises the FSRU and the permanent infrastructure which connects the FSRU to the Greek National Natural Gas Transmission system.

The FSRU will be stationed approximately 17.6 km SW of the town of Alexandroupolis in NE Greece, will have an LNG storage capacity of 153,500 cubic meters and three regasification units, each with a regasification capacity of 315.000 cubic meters (267 mmscfd) of LNG/hour. The FSRU entered into construction phase within 2023 while expected COD is in Q2 2024.







The Alexandroupolis FSRU is a project of strategic significance for Greece and SEE that:

- › Contributes to supply security, liquidity and efficiency of Greece and SE Europe and to the diversification of sources and routes of natural gas supply
- › Strengthens the strategic role of Greece in SE Europe
- › Promotes competition among gas suppliers and supports the development of a trading hub in the wider region of SE Europe, leading to lower prices that will benefit final consumers
- › Complementary to other NG regional projects, e.g IGB, TAP, IGPMC.

### *Hellenic Energy Exchange*

DESFA is one of the founding shareholders of HEnEx and holds a 7% share and one seat in the BoD of the Hellenic Energy Exchange (HEnEx), established on June 18, 2018 as a spin off of the former Greek electricity market operator LAGIE.

HEnEx S.A. has been designated by RAEWW as Nominated Electricity Market Operator (NEMO) for the operation of the Day-Ahead and Intraday Electricity Markets. Since '20, following the approval of the Hellenic Capital Market Commission (HCMC), HEnEx S.A is operating the Energy Financial Market, as Market Operator of the Energy Derivatives Market and since March '22, HEnEx S.A. is also operating the Natural Gas Trading Platform.

EnExClear, a subsidiary of HEnEx, is responsible for the clearing and settlement of transactions concluded in the Day-Ahead and Intraday Markets, for the transactions on the HEnEx's Natural Gas Trading Platform as well as the clearing and settlement of positions in the Balancing Market. Through its participation, DESFA can promote the establishment of a regional commercial and transportation hub around its network, by complementing the modern, user-friendly access framework with a transparent marketplace with reliable price signals.









**GOVERNANCE  
& ORGANIZATION**

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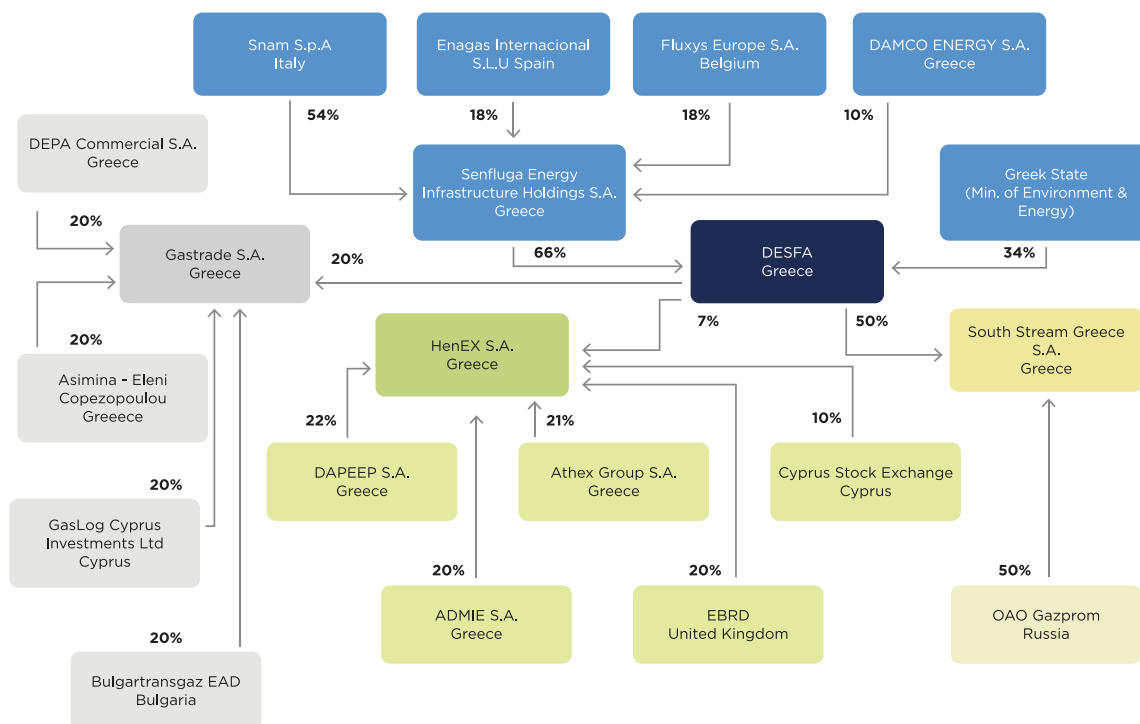


### 2. Governance & Organization

#### Shareholders and Company structure as at 31.12. 2023

Desfa's shareholders are the Hellenic Republic with a stake equal to 34% and Senfluga SA (a consortium formed by Snam, Enagás, Fluxys and DAMCO) with a stake equal to 66%.

The Company participates in the shareholding structure of: i. Gastrade SA with a stake equal to 20%, ii. South Stream Greece SA with a stake equal to 50%<sup>1</sup>, and iii. 1 HenEx SA with a stake equal to 7%.



#### Information relating to the acquisition of shares

No "own shares" were acquired during the year 2023.

#### Branches of the Company

The Company has a branch office at Mitropolit Teodosij Gologanov Street no.7/I-DP 10, Skopje - Center, Republic of North Macedonia established for the purposes of executing its contract with Nomagas.

1. DESFA participates in the shareholding structure of South Stream Greece S.A. with a stake equal to 50%. South Stream Greece S.A. has been a dormant company. Therefore, in 2023 both its shareholders (i.e. PJSC Gazprom and DESFA) have decided to proceed with the dissolution and liquidation of South Stream Greece S.A.



## 2.1. Corporate bodies

### *Board of Directors (BoD)*

- › Konstantinos Kosmadakis: Chairman of the BoD
- › Ben De Waele: Vice Chairman
- › Marta Bellagamba: Member
- › Salvatore Branca: Member
- › Anna Mantakou: Member
- › Panagiotis Tambourlos: Member
- › Carlos Ródenas de la Vega: Member
- › Theodoros Tsakiris: Member
- › Eleftherios Kritikos: Member
- › Matteo Caserotti: Member
- › Sergio Molisani: Member

The term of office of the Board of Directors is until 01/06/2025.

### *Audit Committee*

- › Panagiotis Tampourlos, Chairman
- › Carlos Ródenas de la Vega
- › Marta Bellagamba
- › Eleftherios Kritikos

### *Nominations and Remuneration Committee*

- › Anna Mantakou, Chairperson
- › Theodoros Tsakiris
- › Ben De Waele
- › Matteo Caserotti

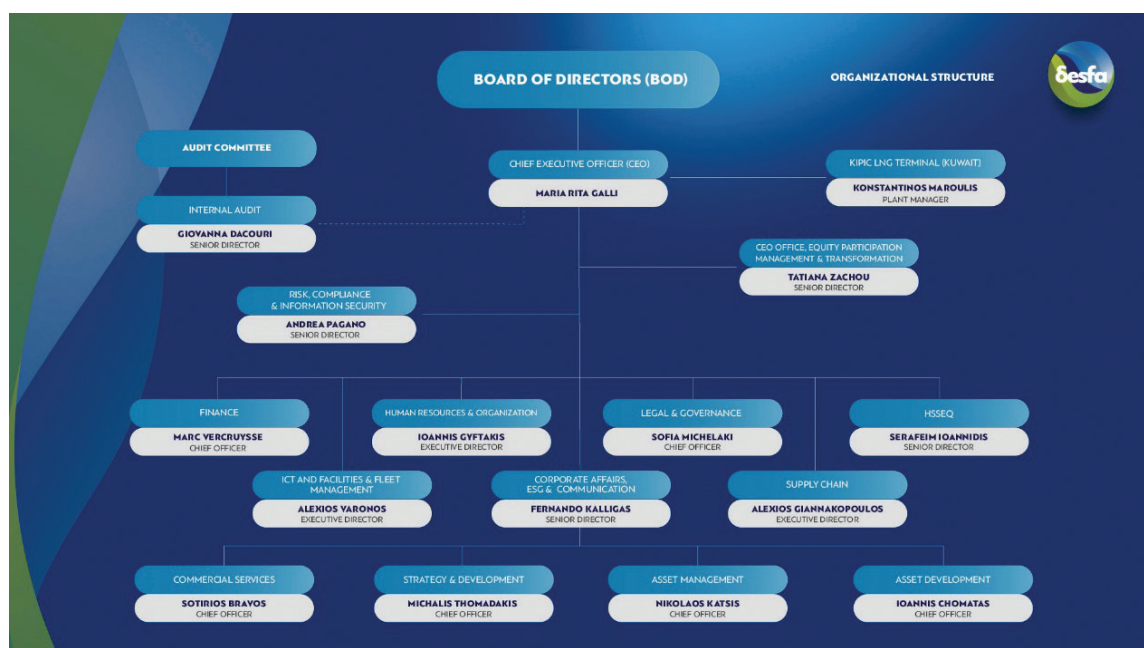
Within year 2023, the following changes took place in the composition of the Board of Directors and the Board Committees:

- › On 20/09/2023, Mr. Matteo Caserotti was appointed as Member of the Board of Directors and Member of the Nomination and Remuneration Committee, in replacement of the resigned Member Ugo Venier.



### 2.2. Management team

The Management team (as of 31.12.2023) 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's strategy and articles of associations.

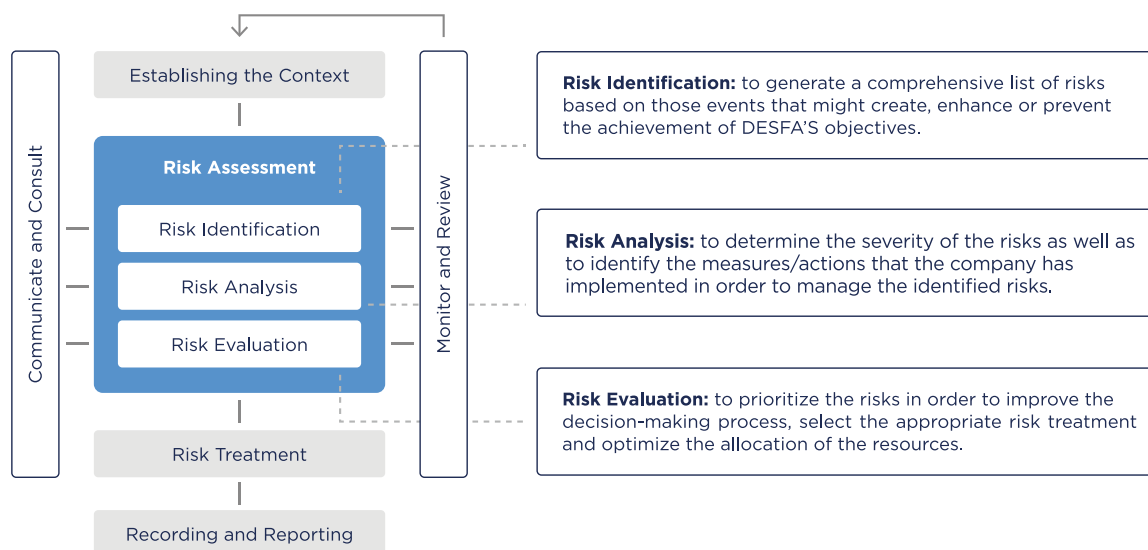


### 2.3. Internal Control & Risk Management System

#### 2. 3.1 Enterprise Risk Management

DESFA's Enterprise Risk Management (ERM) unit embraces an effective approach to enterprise risk management, focusing on the following key pillars: risk identification, risk analysis, risk evaluation and continuous monitoring. Utilizing Key Risk Indicators (KRIs) as essential tools and implementing targeted mitigation actions, the relevant risk owners and stakeholders identify a range of risks, including financial, reputational, operational, legal/ regulatory / compliance, and strategic factors. This process allows DESFA to navigate a complex risk universe with agility and resilience. Continuous monitoring and adaptation ensure that risk management practices remain robust and responsive to evolving threats and opportunities.





DESFA'S ERM and Risk Assessment Framework

The ERM unit implements an ERM methodology aligned with the international best practices (i.e. COSO ERM framework, ISO 31000:2018 “Risk Management – Guidelines”).

Furthermore in 2023, ERM unit, as part of its internal advisory role, provided continuous support to DESFA management in several areas, including Risk assessment methodologies, harmonization analysis which ensured a comprehensive and integrated approach to risk management across the company. This helped the company to identify risks that may impact the business as a whole and prioritize mitigation efforts and ensured that risks are managed in a coordinated and effective manner, reducing the likelihood of gaps or overlaps in risk management efforts and make risk-based decisions that are aligned with strategic objectives.

Management of specific business risks is analyzed in Section 8.4.

### 2.3.2 Business Ethics & Compliance

Based on the Anticorruption Model already approved in 2022, DESFA was certified in 2023 with ISO 37001:2016 (Anti-Bribery Management System) proving Company's commitment to upholding the best anti-corruption practices within the corporate environment in a structured and efficient way. Indicatively, the utilization of KYC (“Know Your Counterparty”) questionnaires for third party compliance due diligence was activated over the year in a range of critical pillars, i.e. vendors under evaluation for the Vendors List, business partners, beneficiaries of sponsorships/donations and during the recruitment process. Furthermore, in the context of raising awareness in all aspects of Business Ethics, training was delivered to personnel through three different channels: annual live sessions on the Company's core compliance policies, periodical Internal Communications to all personnel on targeted subjects (corruption, harassment etc) and Compliance Updates workshops.

With respect to Data Protection, in 2023 the Company moved towards operationalization of the framework already in place. Based on the principles of Privacy by Design and by Default, the Data Minimization and Data Deletion procedures were approved and launched.



### 2.3.3 Information Security & Business Continuity

DESFA is committed to safeguard critical assets and ensure uninterrupted operations in the face of adversity, by enhancing the organization's resilience against evolving threats and disruptions.

In 2023, an Information Security and Business Continuity Department, organizationally independent from ICT Department, was established to provide up to date governance with the industry best practices and enhance the overall 2nd level of control related to the cyber security and business resilience.

Key company documents such as the Information Security and Business Continuity Policy and the associated Framework were entered into force, enhancing DESFA's corporate system framework.

In coordination with relevant internal stakeholders, particularly ICT Dept. for the technical implementations, diligent efforts and strategic initiatives have been carried out to fortify our defences and to safeguard Desfa critical assets against cyber-attacks and data breaches. In fact, this has been registered also during the Enterprise Risk Assessment of the company performed by ERM dept., which reported a decreased likelihood and an overall improvement of the control environment regarding to the specific risk "O7.2 - Cybersecurity".

Desfa enhanced its Information Security and Business Continuity posture, concluding in our pursuit and successful application for international standards ISO/IEC 27001:2022 (Information Security) and ISO/IEC 22301:2019 (Business Continuity) certifications, with a view of implementing the relevant certification audits, acquiring the certifications within 2024 and be also compliant with the NIS2 directive for cybersecurity in critical infrastructure.

Over the past year we have refined and strengthened our ISMS framework to align with industry best practices and regulatory requirements. By implementing comprehensive risk assessments, tailored controls, a data classification project, a penetration test and vulnerability assessment, and by fostering a culture of security awareness with campaigns including all DESFA people, we have reinforced our defense against cyber threats and data breaches.

Recognizing the importance of preparedness in mitigating operational disruptions, we have prioritized the enhancement of our BCMS. Through collaborative efforts with key stakeholders, we have developed and implemented Business Impact Analysis, robust Business Continuity Plans, and also a "table-top" exercise, to support and ensure the swift recovery and continuity of critical functions during unforeseen events.

Empowering our workforce with the knowledge and skills to champion cybersecurity and business continuity has been a cornerstone of our strategy. We have conducted comprehensive awareness campaigns and a "phishing" campaign to educate employees on security best practices.

As we look towards the future, we remain steadfast in our commitment to advancing information security and business continuity practices, ensuring operational resilience in an increasingly complex threat landscape, and safeguarding the trust and confidence of our stakeholders.

### 2.3.4 Health & Safety, Physical Security, Environment and Quality (HSSEQ)

At DESFA, we recognize that our success is inherently tied to our ability to prioritize the Health & Safety, Security, Environment, and Quality (HSSEQ) aspects of our operations. Our commitment to Zero Accidents is a fundamental value that guides our decisions, actions, and relationships.



In our pursuit of excellence, we integrate HSSEQ considerations into every facet of our business, from strategic planning to daily operations. We understand that fostering a culture of safety, sustainability, and quality starts from the top and permeates throughout the organization. Therefore, we empower our leadership, employees, contractors, and partners to actively contribute to the advancement of Health & Safety objectives, embracing the value of Leadership by Example.

Health and safety are paramount concerns for us. We are dedicated to providing a work environment where every individual feels valued, respected, and protected. Through innovative improvement initiatives, robust training and competence awarding programs, and the implementation of best practices, we strive to achieve Zero Accidents, and ensure the well-being of our workforce.

Security is another critical pillar of our commitment. We safeguard our assets and infrastructure with state-of-the-art technologies and protocols. In our newly created Physical Security Control Center we monitor all main facilities vigilantly and adaptable to emerging threats, maintaining the trust and confidence of our stakeholders.

Environmental stewardship is integral to our business philosophy. We recognize the finite nature of our natural resources and the urgent need to mitigate our impact on the planet. Therefore, we embrace sustainable practices, minimize waste generation, reduce emissions, and actively seek opportunities to innovate for a greener future.

Our commitment extends beyond our own operations to encompass the entire value chain. We work closely with suppliers, contractors, and partners to uphold shared values and standards, promoting transparency, accountability, and continuous improvement throughout our ecosystem.

In summary, at DESFA, our dedication is unwavering. It is not just a responsibility; it is a privilege and an opportunity to make a positive impact on the world. By living our values and embracing the principles of HSSEQ, we strive to create a safer, more sustainable, and higher-quality future for all.

### **2.3.5 Internal Audit**

In addition to the above, in 2023 DESFA also strengthened its internal audit capabilities, and carried out extensive risk-based audits to monitor the effectiveness and efficiency of the internal control system and processes according to the methodology included in the Internal Audit Charter. The activities included the development and execution of the Internal Audit Plan.

The activities were carried out by ensuring that the conditions of independence and autonomy are preserved, as well as the due professional diligence, objectivity, and competence, according to the International Standards for the Professional Implementation of Internal Audit (IIA Standards) and the IIA Code of Ethics.

Regarding DESFA's Whistleblowing Policy, DESFA received 3 reports in 2023. The main issues reported concerned alleged behavior contrary to the Code of Ethics. The reports were processed by the Internal Audit Division and, upon decision of the competent Ethics Committee, 2 were formally filed, while 1 is under assessment.

Finally, DESFA informed the Labor Inspectorate, as competent authority, regarding the establishment of internal reporting channels and the assignment of the Senior Director of Internal Audit as the responsible person for the receipt of whistleblowing reports, in compliance to the provisions of Law N. 4990/2022.







**FINANCIAL  
PERFORMANCE**

**3**



### 3. Financial & Performance

#### Key figures & Analysis

DESFA's Operating Profit of 2023 increased by €92 million compared to 2022:

- › Revenue increased by €278 million, mainly due to: **1.** a significant increase of Regulated Revenues by more than €80 million due to the application of auction premia invoiced in 2023 as a result of the energy crisis in 2022/2023, combined with higher overall capacity bookings and increased tariffs compared to 2022; **2. i)** the realization of the 2022 Preventive Action Plan from the Security of Supply Activity with its exceptional measures for the winter of 2022-2023 such as the Underground Storage in neighboring countries and the chartering of the FSU; as well as **2. ii)** the full year 2023 effect from pass-through invoicing of energy costs (fully applied as from 1<sup>st</sup> of July 2022 onwards) and higher costs for Balancing Gas (prices and quantities); and **3.** Other Income with higher connection fees in 2023 compared to 2022, whereas 2022 also had important reversals of provisions for litigations.
- › Cost of Sales shows similar increase in 2023 due to the two elements (2.i, 2.ii) stated above under Revenue, whereas the other operating expenses mainly increased due to higher personnel costs in 2023 (effects from a higher number of employees combined with inflation) and due to higher maintenance materials costs.



<i>Statement Of Comprehensive Income</i>		
Amounts in thousand €	1/1/2023- 31/12/2023	1/1/2022 -31/12/2022
Revenue	573.157	295.211
Cost of Sales	(371.046)	(192.678)
<b>Gross profit</b>	<b>202.111</b>	<b>102.533</b>
Other income	19.728	27.806
	<b>221.838</b>	<b>130.339</b>
Administrative expenses	(24.087)	(21.315)
Distribution expenses	(1.209)	(1.284)
Other expenses	(2.740)	(6.283)
Amortization of fixed asset grants	11.150	11.211
<b>Operating profit</b>	<b>204.953</b>	<b>112.667</b>
Finance costs – net	(3.424)	(6.416)
<b>Profit before income tax</b>	<b>201.529</b>	<b>106.252</b>
Income tax expense	(44.742)	(24.645)
<b>Profit for the year</b>	<b>156.788</b>	<b>81.607</b>
<b>Other comprehensive income</b>		
Profits/Losses from Cash flow Hedging	(12.291)	8.700
Actuarial (loss)/profit on retirement benefit obligations	89	516
Deferred tax relating to these items	2.684	(2.027)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(9.517)</b>	<b>7.188</b>
<b>Total comprehensive income for the year</b>	<b>147.270</b>	<b>88.795</b>



## 3. Financial & Performance

<i>Balance Sheet</i>		
Amounts in thousand €	31/12/2023	31/12/2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	1.321.558	1.198.479
Intangible assets	20.802	17.372
Investments in associates	18.528	14.968
Financial assets at fair value through profit or loss	350	350
Other non-current assets	67.325	8.267
Financial assets at amortised cost	8.320	0
Financial assets at fair value through other comprehensive income	3.464	9.231
<b>Total non-current assets</b>	<b>1.440.347</b>	<b>1.248.666</b>
<b>Current assets</b>		
Inventories	24.109	31.607
Trade and other receivables	144.743	91.236
Income tax asset	0	0
Cash and cash equivalents	179.313	201.357
Financial assets at fair value through profit or loss	0	117
<b>Total current assets</b>	<b>348.165</b>	<b>324.316</b>
<b>TOTAL ASSETS</b>	<b>1.788.511</b>	<b>1.572.983</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	491.265	491.265
Reserves	50.319	52.046
Retained earnings	369.106	300.109
<b>Total equity</b>	<b>910.690</b>	<b>843.420</b>
<b>Non-current liabilities</b>		
Employee benefit obligations	3.287	3.440
Borrowings	365.809	231.025
Lease liabilities	8.677	7.144
Provisions	1.918	1.918
State grants	210.245	215.343
Other non-current liabilities	155	148
Interest rate SWAP Liability	5.943	0
Deferred tax liabilities	39.607	37.375
<b>Total non-current liabilities</b>	<b>635.641</b>	<b>496.393</b>



<i>Balance Sheet</i>		
Amounts in thousand €	31/12/2023	31/12/2022
<b>Current liabilities</b>		
Trade and other payables	150.267	195.547
Borrowings	44.662	13.445
Lease liabilities	1.757	1.365
Derivatives Liabilities	0	633
State grants	11.048	11.134
Current income tax liabilities	31.710	8.221
Other taxes payable	2.735	2.825
<b>Total current liabilities</b>	<b>242.179</b>	<b>233.170</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.788.511</b>	<b>1.572.983</b>

Particular balance sheet evolutions are:

- non-current assets included in 2023 a new subordinated bond loan from Gastrade (under financial assets at amortised cost), whereas the 2023 capital contributions to Gastrade were presented under Investments in associates;
- current assets indicated a significant increase in Trade and other receivables mainly related to the Security of Supply ("SOS") charges to be recovered in the period 2024-2027 through an extra Levy (RAEWW's decisions 888/22 & E-221/23, E-81/23), as well as the higher advance payments to suppliers (in the context of the ongoing investment plan);
- non-current liabilities increased for Borrowings due to new drawdowns under the 2021 bond loan (to finance the ongoing investment plan);
- current liabilities indicated a decrease in trade payables due to lower outstanding network user cash guarantees at end of 2023, whereas the borrowings contained a short term bank debt product to finance the SOS account.

The corresponding key financial ratios are:

Ratios		2023	2022
Gearing ratio	= (Total debt)/ (Total debt + total equity)	31,10%	22,47%
Return on Equity	= (Profit After Tax)/ (Total Equity)	17,22%	9,68%
Return on Assets	= (Profit After Tax)/ (Total Assets)	8,77%	5,19%
Liquidity ratio	= (Current Assets)/ (Current liabilities)	1,44	1,39







## **OUR STRATEGY**

# **4**



### 4. Our Strategy

#### 4.1. Strategic priorities

DESFA operates in the framework of the Greek and European regulation, providing its commercial and technical services for the efficient operation and development of the energy market of Greece, with a vision of strengthening the central role of Greece as a key energy hub in the SEE region and promoting a progressively decarbonized economy, where natural gas plays and will continue to play an important role providing flexibility and stability to an energy system, with growing share of renewable energy sources, and will be progressively replaced by decarbonized and renewable gases such as Hydrogen and Biomethane. In addition, DESFA is leveraging on its expertise and know-how by providing respective services to third parties through its non-regulated services portfolio. DESFA is pursuing all the above while ensuring the long-term financial stability of the company and prioritizing cost efficiency as well as technical safety and effectiveness to optimize its operations.

Long Term Sustainable Business development has been a pillar of DESFA's strategy for 2023, reflected in the following priorities:

- › The execution of the **Development Plan of the NNGS 2023-2032**, implementing key projects to reinforce the existing network, to expand the use of natural gas in new areas and to create new entry and exit capacities, to enable progressive phase out of coal in power generation and consolidate Greece as an import gate for natural gas and LNG in South Eastern Europe, ensuring diversification of supply sources and security of supply for the entire region. This is being achieved while ensuring the future proof nature of all the new infrastructures which are designed and built with specifications which will enable the transportation via the new pipelines of pure hydrogen in the future, therefore acting as a pillar of the long-term Greece and EU decarbonization strategy.
- › The **launch of a Market Test** for the expansion of the capacity of the Greek Natural Gas System, during which interested parties will express their interest for booking future capacity at the NNGS, including at new supply points and at Interconnection Points. The Market Test process is fully coordinated with the Vertical Corridor initiative. An initiative of DESFA along with other TSOs of the South and Eastern Europe, to align efforts to upgrade their transmission systems, to overcome bottlenecks and finally to increase gas throughput from Greece to SEE/CEE region.
- › The **further development of the Small-Scale LNG (SSLNG)** market in Greece, through the construction of the new SSLNG jetty in Revithoussa for small vessels reloading. SSLNG applications will allow natural gas to reach new markets, such as the maritime sector and off-the-grid users, therefore contributing to the decarbonization of hard to abate sectors.
- › **Support the development of Hydrogen market in Greece & EU** through the forming of a Hydrogen (H<sub>2</sub>) Roadmap to assist the long-term strategy towards the 2050 decarbonization goals
- › The **development of CC(U)S value chain in Greece**, where Desfa intends to play a vital role in the mid-stream part of the value chain, providing an important leverage to the decarbonization of the Greek industry in line with new NECP targets
- › The undertaking of necessary actions for the acceleration of **the development of the biomethane industry** in Greece
- › The **further expansion of the regulated services** provided by DESFA, through the development of new concepts and products (e.g. the virtual gas liquefaction service and the possibility of selling to DESFA offsetting gas at the Gas Trading Platform) providing new business opportunities to the NNGS Users.



## 4.2. Regulatory developments

### *Ten Year Development Plan (TYDP)*

In February 2023, DESFA issued for public consultation the draft Development Plan 2023-2032. Following the public consultation DESFA submitted its proposal to RAEWW in March 2023 whilst final submission and approval followed in June 2023. RAEWW approved the TYDP 2023-2032 with decision E-68/2023. The approved, TYDP includes strategic projects for the debottlenecking of the NNGTS, the development of the network and the expansion of the natural gas market in areas, where gas network does not currently exist. It shall be highlighted that all new investments are designed to be 100% H2 ready as per the request also of RAEWW.

A total of 80 projects had been proposed by DESFA, with planned CAPEX of approximately € 1.3 billion, from which an amount of €476 million corresponds to new projects (62% increase from the 2022-2031 TYDP).



More specifically, the most important new projects are:

- › the “Duplication of Karperi-Komotini HP pipeline” (€ 290 million), a project aiming to the provision of firm capacity from the VTP to all Exit Points of the specific branch and from all Northeastern Entry Points to all Exit Points of the branch
- › the “Duplication of the HP branch Patima -Livadeia” (€ 140 million), which primarily aims to the provision of firm capacity to the Dioriga FSRU Gas Users, and, therefore, should be implemented subject to the FID of Dioriga Gas.

Furthermore, this TYDP includes for the firsttime projects relating to energy transition and decarbonization through the appropriate investments. These projects refer to a pilot pyrolysis project and the connection of DESFA’s grid to the planned H<sup>2</sup> valley in West Macedonia, for the injection of green hydrogen to the existing network and are highly correlated to the reduction of methane emissions in the NNGTS.



## OUR STRATEGY

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### *Market tests*

During the non-binding phase of the Market Test, which launched by DESFA in March 2023, (see also section 5.2.1 below) interested parties were asked to submit their non-binding demand indications for the booking of future capacity in the NNGS. Exit capacity was requested at all interconnection points between the NNGS and neighboring gas transmission systems. In addition, there was also significant interest for capacity at new entry points (connection with FSRU projects). At the end of October DESFA published two demand assessment reports jointly prepared with ICGB and Bulgartransgaz including the non-binding demand interest at Komotini and Sidirokastro IPs. In mid-December 2023, DESFA organized a Shippers' day event where the details of the next phases of the Market Test were presented.

DESFA has finalized the necessary documents (Guidelines, Gas Transportation Agreement, Notice) for the launch of the binding phase of the Market Test by mid-April 2024. The Guidelines have been approved by RAEWW and the Binding Phase of the Market Test has been launched with the upload of a relevant Notice in DESFA's website in May 2nd 2024. Capacity will be offered after the annual yearly capacity auctions in July 2024. The whole process including the signing of the GTAs is expected to have been finalized by the end of September 2024.

The Market Test is fully aligned with the recent advances on the **Vertical Corridor**, enabling the possibility to align the increase of capacity at Greece's Northern Interconnection Points with its neighboring TSOs and providing the option to combine this increase with the inclusion of new entry points (FSRUs) in the same process.

In parallel, DESFA, in cooperation with TAP and Snam Rete Gas, initiated the binding phase of a Market Test process for the expansion of TAP pipeline. For DESFA, this process includes possible capacity expansion at Nea Messimvria IP. The binding bids submission was completed in January 2023.

### *Wholesale market development*

DESFA continued in 2023 to pursue the optimization of its operations and the further integration of the marketplace to its activities, while supporting the development of the wholesale market.

In light of the above, DESFA submitted to RAEWW a proposal for purchasing "offsetting gas" through the Trading Platform. The aim of the proposal is to reform the current "offsetting gas" purchasing procedure for both the NNGTS and the LNG terminal, towards a more efficient, market-based approach, utilizing to the extent possible the marketplace.

The implementation of the project, currently under development, is expected to expand the potential sellers' base, thus increasing the competition and optimizing procurement prices for DESFA, while leaving the current scheme of "framework contracts" as a secondary back up mechanism. Furthermore, the proposed scheme shall pool in a single marketplace all TSO's needs and thus boost liquidity to the benefit of the market as a whole.

In addition, through the project, two new tools for the TSO are introduced:

- The Virtual Liquefaction process (for the time being only as an operational tool and not a service offered to the Users)
- OBA arrangements between the transmission system and the LNG terminal, providing operational flexibility and more certainty to the Users with regard to their allocated quantities.



### *Incentive based Regulation*

Following ACER's opinion issued in July 2023, RAEWW with Decision E-59/2023 (Gov. Gazette B' 4192/29.06.2023), approved the new Tariff Regulation framework applicable from year 2024, with the first Regulatory Period being 2024-2027. The new Tariff Regulation aims to meet the Regulator's objective for a coherent and consistent framework for all electricity and gas Operators, setting common guidelines to achieve higher transparency and efficiency. The new framework, introduces for the first time performance related incentives for the TSO as well as changes in both revenue and tariff setting principles.

The main additions of the new Tariff Regulation introduce:

- › A Controllable Opex incentive mechanism (with no sharing factor between consumers and the TSO), where DESFA is allowed to keep all upside if the Opex target is out beaten.
- › A transitional ex-post Capex monitoring process which includes a higher scrutiny on project costs, with potential penalties on cost overruns if not sufficiently justified.
- › A potential financial upside for innovation in relation mostly to the "Energy Transition Agenda".
- › Gradual introduction of financial incentives related to KPIs, applicable from 2026 (complete framework is yet to be defined).

RAEWW approved the Allowed Revenue of Regulatory Period 2024-2027 and 2024 Tariffs, with Decision E-69/2023 (Gov. Gazette B' 7096/18.12.2023). DESFA's WACC<sub>(nominal, pre-tax)</sub> was set at 7,85% for the whole duration of the Regulatory Period.

Taking into account ACER's opinion issued in July 2023, the Regulator's decision also approves DESFA's proposal to switching from a Capacity Weighted Distance (CWD) to a Postage Stamp Reference Price Methodology, and the continuation of the 50% ex-ante socialization of Revithoussa LNG terminal's Revenue. Post 2025, the postage stamp methodology will be reassessed against a modified CWD methodology, while post 2024, the possibility of establishing an ex-post socialization mechanism that takes into account the utilization of the terminal will also be examined.







**OPERATING  
PERFORMANCE**  
PER BUSINESS SEGMENT

5

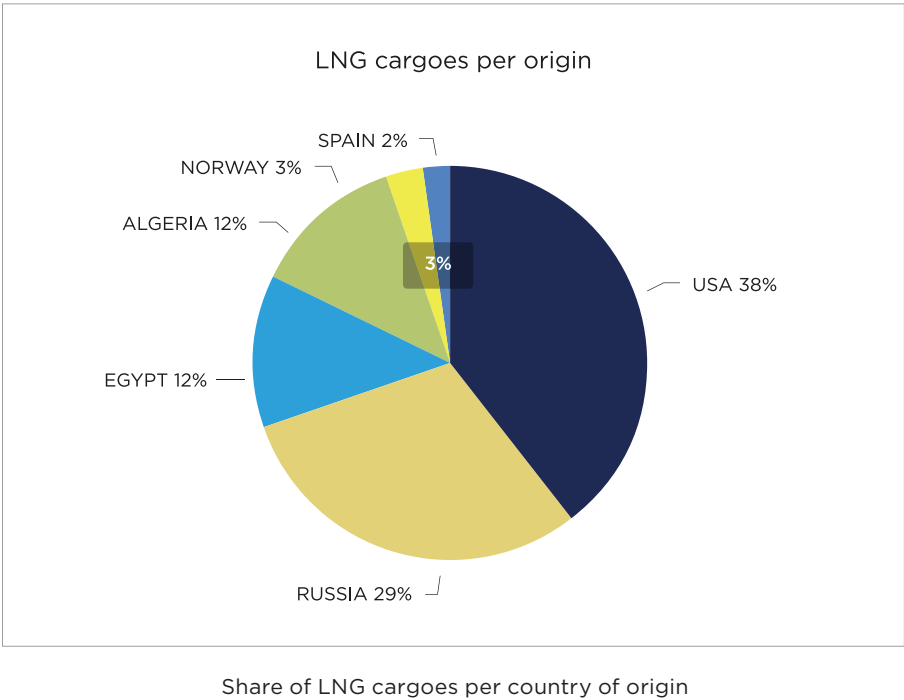


5. Operating Performance per Business Segment

5.1. Our operational performance

In 2023, 41 cargoes were unloaded at the Revithoussa Terminal, with the highest safety and technical standards. This number represents a 47% decrease in number (78 cargoes, 2022 in total) and a 27% decrease in LNG quantities compared to 2022.

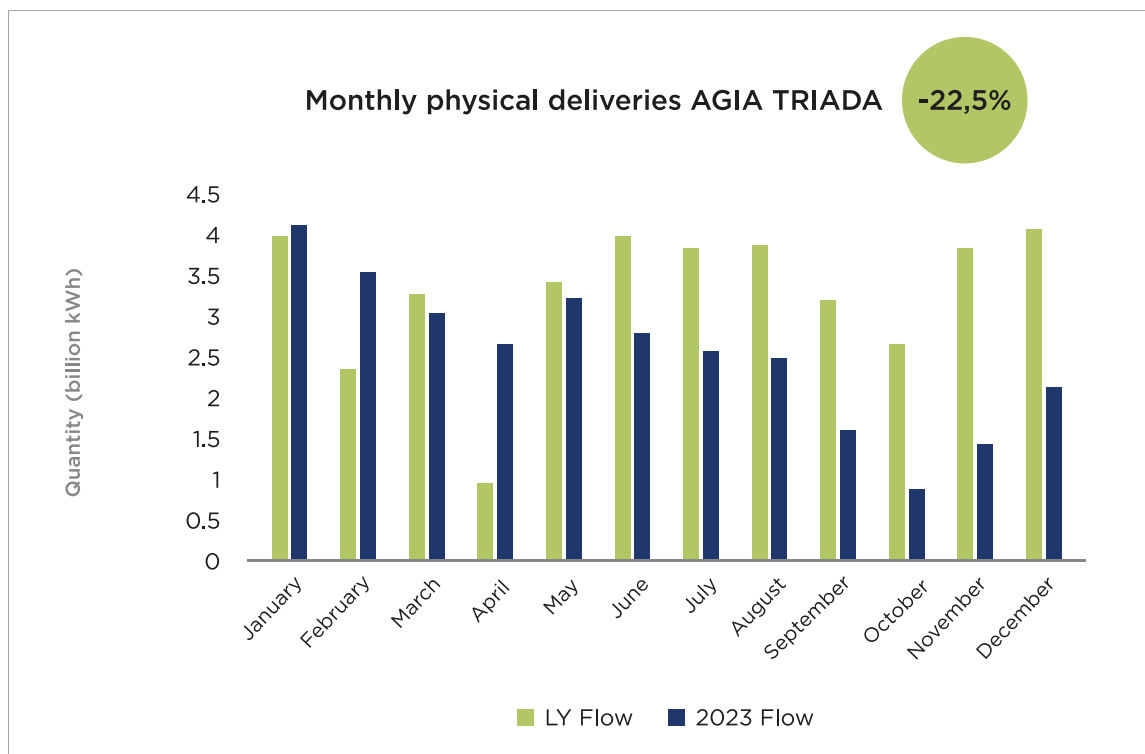
The following graph illustrates the share of LNG cargoes per country of origin for the reference year, indicative of the extensive diversification of supply along with the sources of pipeline gas, indicated in a following table on physical deliveries.



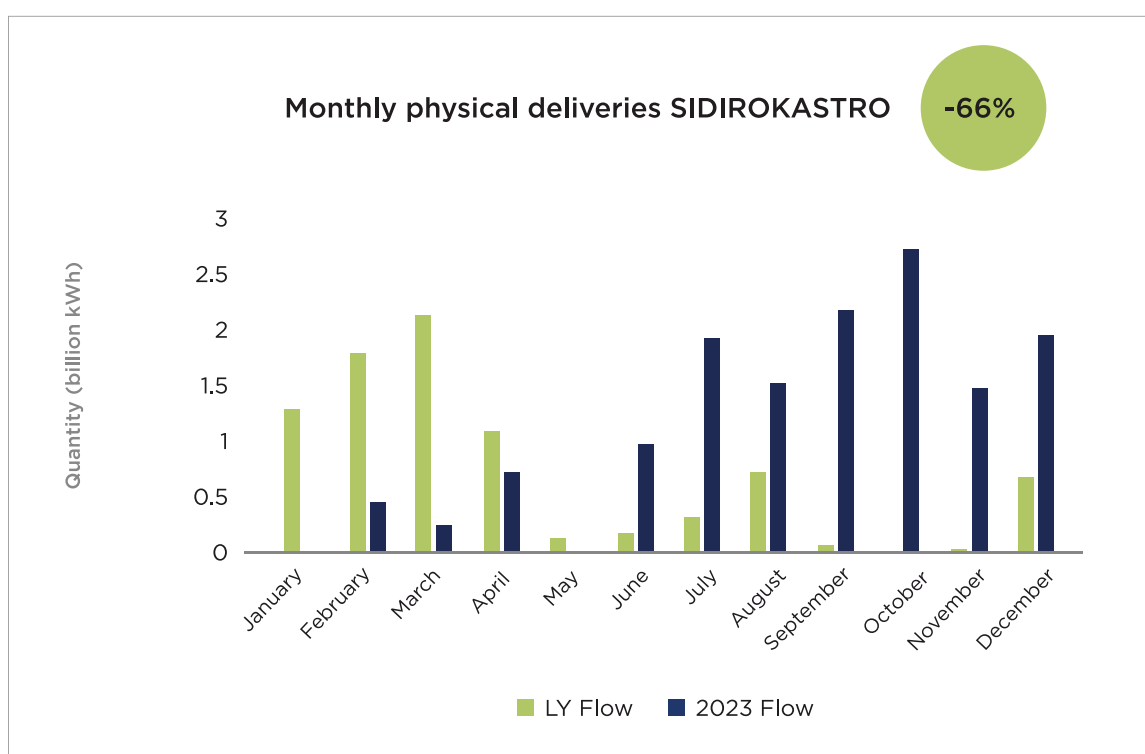
The LNG Terminal’s regasification availability was uninterrupted. The KPI has been maintained at 100% throughout 2023.

As a result of the decrease of LNG cargoes delivered and re-gasified at the Revithoussa Terminal, the physical deliveries at the Entry Point of Agia Triada decreased by 22.5% in comparison to 2022.





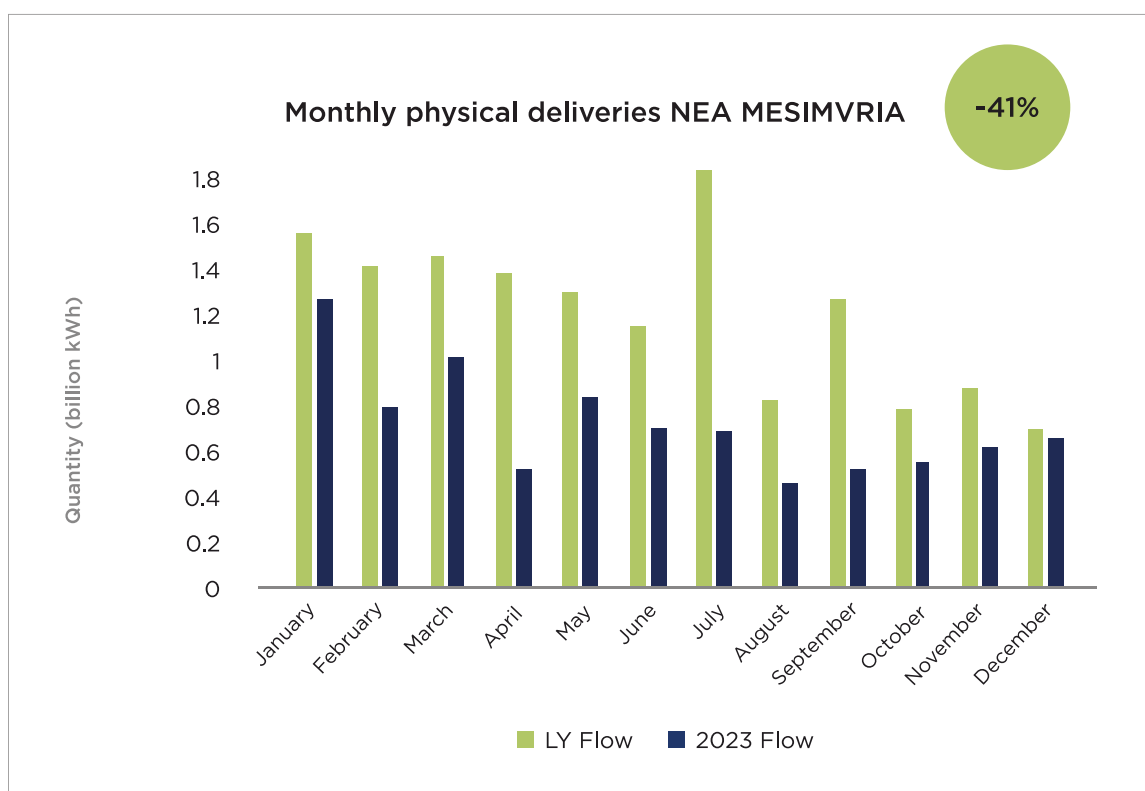
At the same time, at the Entry Point of Sidirokastro, physical deliveries increased by 66%, as a result of the sharp decrease in exports compared to last year during which the pipeline gas – due to enter Greece at the Sidirokastro Entry Point – was virtually re-exported in Bulgaria and other upstream markets, having been swapped with the additional LNG quantities received at the Revithoussa Terminal which were consumed in Greece.





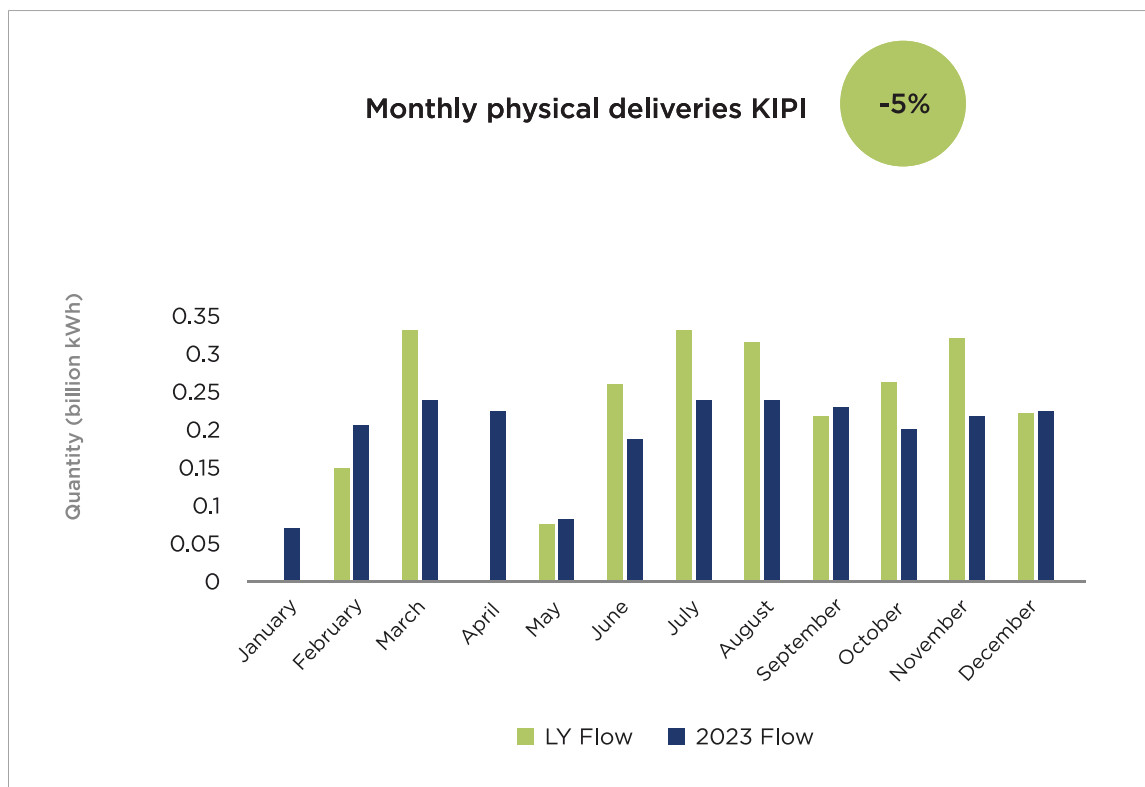
## OPERATING PERFORMANCE PER BUSINESS SEGMENT

The Nea Mesimvria Entry Point, connecting NNGTS with TAP maintains its role as a pillar security of supply, as proven by the constant physical deliveries of gas from TAP to the NNGTS, despite a 41% drop in physical deliveries vs. 2022 due to the start-up of commercial operation of IGB pipeline in October 2022 and the transmission of gas quantities to Bulgarian Network directly from TAP into IGB.

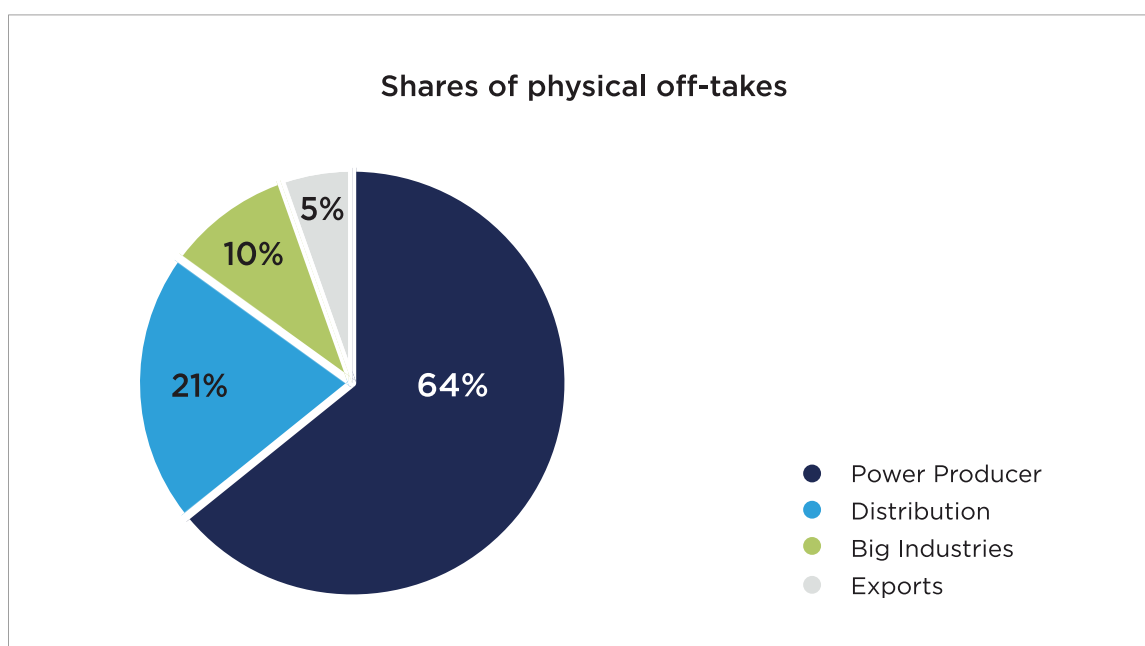


Finally, the physical deliveries from Kipi Entry Point have decreased by 5%, consistent with last year's profile following the expiration of the long-term contract held by the Users for the delivery of quantities through this Point.





As a result, the Physical offtakes from Transmission Network's Exit Points during the reference period (FY2023) have decreased by 13% compared to the previous year (54 TWh in 2023 compared to 62TWh in 2022), mainly due to lower demand by all categories of domestic off-takers. The split of physical offtake amongst the main consumers' categories (Electricity Producers, Big Industries, Distribution Networks and Exports) is reported in the chart below.





## OPERATING PERFORMANCE PER BUSINESS SEGMENT

### Uninterrupted performance despite climate challenges – The case of “Daniel” & “Elias” storm

In the region of Thessaly in Central Greece, in September of 2023, two severe geohazard phenomena took place: Storm Daniel (04/09/23) and Storm Elias (28/09/23). Storm Daniel, also known as Cyclone Daniel, was the deadliest Mediterranean tropical-like cyclone in recorded history, as well as the costliest tropical cyclone on record outside of the north Atlantic Ocean. Storm Elias was a second powerful storm that followed and caused floods, near Volos City.

Severe rainfall led to extensive floods that caused damages of more than two billion euros and rendered the phenomenon the costliest ever recorded. The floods in Thessaly swept away roads and houses while crops were destroyed, causing serious long-term damage, as the thick layer of mud made the soil infertile - it is estimated that soil will be fully functional again in 5 years.

In addition to the above, damage was recorded to DESFA infrastructures as several Above Ground Installations (stations) were fully covered with water. Furthermore, due to water's action, surface erosion phenomena occurred in many ROW locations causing, in some cases, even pipeline exposure, especially at stream / river crossings.

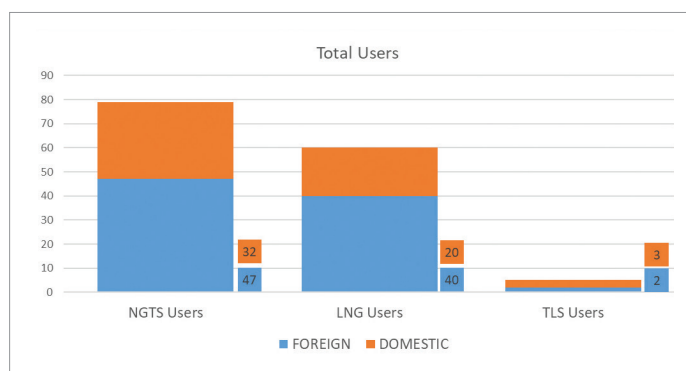
In order to reinstate damages immediately, restoration works took place at six (6) stations. Several electrical and mechanical parts/equipment were repaired or substituted.

Concerning the soil erosion rehabilitation, extensive earthworks also took place. In the cases of stream or river erosion, works were even more demanding, as it was necessary to apply additional protection measures for the protection/reinstatement of the pipeline, such as gabion boxes, drainage channels and rip-rap.

Despite the difficult challenges, DESFA succeeded in maintaining the uninterruptible gas supply until the completion of all restoration works.

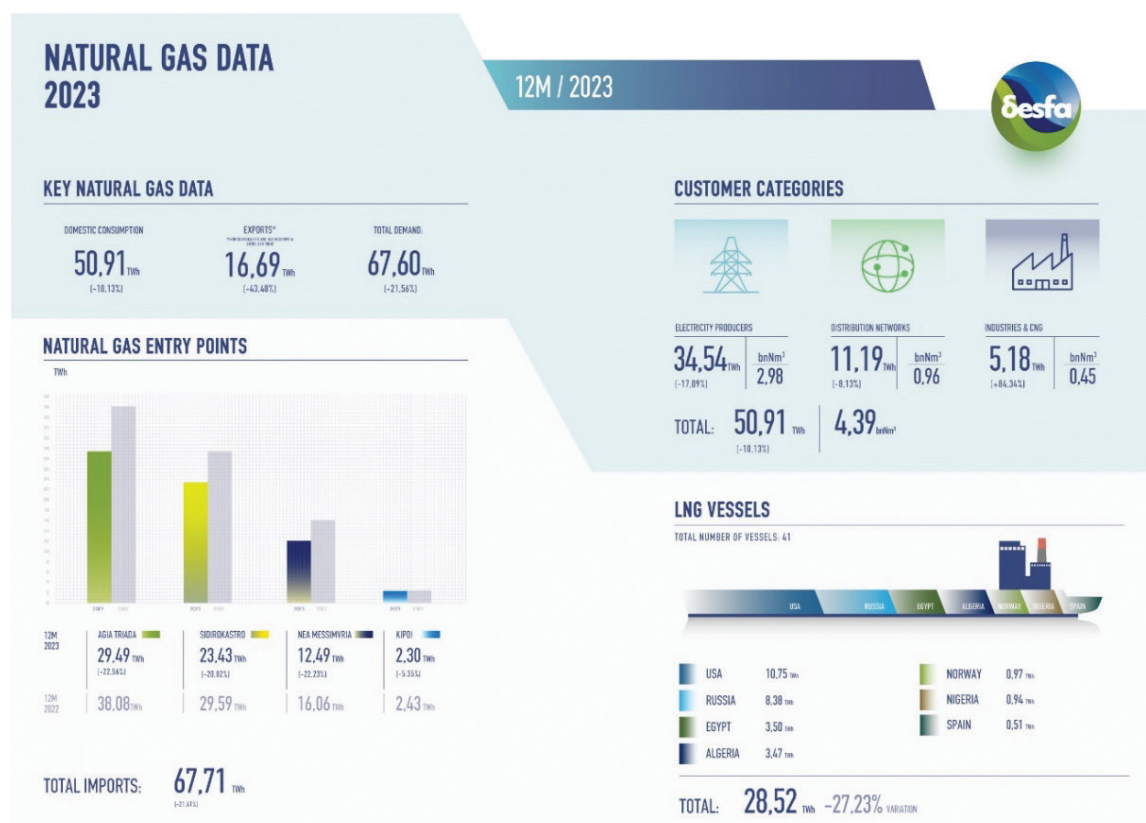
### 5.2 Commercial Overview

Following the above, revenues for the provision for services in the NGTS represent 80% of the total revenues by these two activities with the remaining 20% attributed to revenues from the LNG facility. Our Users base coming both from the domestic and foreign market expanded by approx. 20% vs. 2022 for Natural Gas Transmission (total 79), Use of the LNG Facility (total 60), and Truck Loading service (total 5).





An overview of the quantities that were allocated<sup>2</sup> at NNGTS Entries & Exits in 2023 is shown in the below graph.



Overview of quantities allocation at NNGTS Entries & Exits in 2023

2023 commercial outlook can be summarized as follows:

- Domestic Demand decreased by approx. 10% vs 2022**, driven mainly by decreased consumption for consumers connected to distribution networks and for power production.
- Exports to Bulgaria decreased significantly vs 2022 (-43%)**. The extremely high exports of 2022 were due to the curtailment of Russian gas deliveries to Bulgaria, that turned Greece into one of its main supply sources in 2022. However, in 2023 Bulgaria managed to differentiate its supply sources, via the IGB pipeline (delivering gas from TAP) and via Turkey, following the two countries' relevant agreement in 2023, allowing access to the Turkish transmission system to transfer up to 1.5bn m<sup>3</sup>/yr to Bulgaria, and opening up access for Bulgargaz to Turkish LNG terminals.
- NG Imports from pipeline Entry Points were overall decreased**, due to reduction on imports from Bulgaria, TAP and Turkey, following the overall decreased demand.
- LNG imports were also reduced compared to 2022 (-26%)** due to the overall decreased demand. It is important to note, however, that LNG was the main supply source of Greece in 2023, representing 44% of total imports.

2. Note: Allocated quantities refer to commercial data that may differ from physical flows for points used both for imports and exports



## OPERATING PERFORMANCE PER BUSINESS SEGMENT

In addition, the table below summarizes the key data regarding trades that took place at the Virtual Trading Point in 2023. It includes both OTC transactions between shippers and anonymous trades that took place on the Natural Gas Trading Platform:

VTP Trade Data 2023 [TWh]	
<b>Total Market Volume (Imports to the NNGTS)</b>	<b>67,71</b>
OTC (Bilateral) Trades at the VTP	46,03
Trades at the Trading Platform	8,99
<b>Total VTP Trades</b>	<b>55,02</b>
<b>Churn Ratio (VTP Trades / Market Volume)</b>	<b>82%</b>

### *DESFA Balancing Activity on the Trading Platform*

In 2023, DESFA executed also a total of 950,8 GWh of trades on the Trading Platform for Balancing the NNGTS, with a total value of 43,3 million Euro. 80% of said trades represented purchases of natural gas (to compensate for shippers' short imbalance positions) and the remaining 20% represented sales of natural gas (to compensate for shippers' long imbalance positions). Also, a good level of price efficiency was achieved, as the deviations of DESFA's trades vs the market weighted average price were on average less than 5% (much lower than the applicable marginal prices small adjustment of 10%).

### Other sources of revenues under regulated activities

#### **Balancing and Operational Gas 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 was made through the NG Trading Platform (93% of the total balancing gas purchases in 2023) while the rest via use of Balancing Services (injection of regasified LNG for balancing purposes from Revithoussa).

#### **Security of Supply in the Natural Gas Market (profit neutral activities)**

The Security of Supply (SoS) Levy is paid by the natural gas consumers, in order to finance measures safeguarding the Security of Supply of the country and ultimately the uninterrupted supply of natural gas to the protected customers (i.e. households and critical facilities, like hospitals, schools) in case of emergency situations.

DESFA is responsible for managing the SoS Account and for keeping a registry of interruptible big industrial customers connected to the NNGTS. The movements and balance of the said account are published on DESFA's website and a relevant report is prepared and submitted to RAEWW on a bimonthly basis. From this account, DESFA compensates the beneficiaries, as provided for in the Preventive Action Plan. In 2023, DESFA was requested by RAEWW to provide additional funds to the SoS account, to be able to compensate the significant cost of the extraordinary actions that the Preventive Action Plan foresaw. These additional funds were secured using auction premia collected by DESFA in 2022 and 2023 and a bank credit line that was opened for this purpose. The full amount of funding will be recovered by DESFA through the collection of SoS levy in a 5-year period (2023 - 2027).



### **Additional Services included in regulated revenues and expenses**

With GG 4192/29.06.2023, RAEWW issued its Decision E-59/2023 “Amendment of the Regulation for the Required Revenue and Invoicing Methodology of the National Natural Gas System Operator’s activities – 6th Revision” as well as Decision O-103799/12.07.2023 regarding the corrections of the GG 4192/29.06.2023, categorizing the Non Transmission and Additional LNG Regulated services into: a) Non-Transmission Services for Metrology and Odorization services and b) Additional LNG for Cooling down/inerting/tank filling of LNG vessels, Loading of LNG vessels, LNG Truck Loading, small-scale LNG, and LNG Bunkering.

### **SSLNG: Truck Loading**

The gasification of new off-the-grid regions in Greece has been a public policy objective for the last few years, to improve economic conditions in those areas and fulfill sustainability objectives. Within 2022 the regulatory framework for the Truck Loading Service (TLS) was finalized and the Framework Agreement of the TLS were approved by RAE. In the beginning of 2023 DESFA proposed the rules and procedures for the performance test of the TLS. RAE with Decision No. 71/2023 (Gov. Gazette B’ 655 / 09.02.2023) approved them, with the performance test being successfully completed on 29.03.2023.

The service began to be offered commercially on 23.10.2023 from the pier of Perama Megaridos, while slots are available to interested users of the LNG Truck Loading Facility through DESFA’s electronic information system.

RAEWW, with its letter (Pr. No. O-99614) dated 30.11.2022, had informed DESFA of its decision to extend the transitional TLS pricing methodology (Decision 592/2022) for 2024. In this context, DESFA, with its letter (Pr. No. 7158/03.01.2024), submitted its proposal to maintain 2024 tariff at the same level with 2023 (i.e. 650 euros per loading), a level which is considered to strike a good balance between competitiveness and cost recovery, while giving a signal of stability to the market, initially giving users the opportunity to further test the new service and then assisting the development of the market.

## **5.2.1. Other commercial activities**

### **Day-to-day Commercial Operations**

In 2023, DESFA actively supported and facilitated User activity. Specifically:

- › Provided support, training, and clarifications to potential Users, especially from foreign countries, regarding the regulatory framework.
- › Managed primary and secondary NG Transport and LNG market.
- › Managed the users’ nominations/re-nominations, confirmed quantities, VTP transactions, indicative allocations, data-exchange with adjacent TSOs and Distribution System Operators (DSOs) via Electronic Information System (EIS).
- › Traded gas in the trading platform (HEnEx) for the buy or sell balancing gas, when necessary.
- › Signed an Advanced Reservation Capacity Agreement for a new CCGT Power Plant in Alexandroupolis.
- › Market Test for the expansion of the NNGS

In March 2023, DESFA launched the Market Test Process for the expansion of the NNGS. During the non-binding phase, 27 companies submitted their requests for the aggregated capacity of 180 mill. Nm<sup>3</sup>/d or 65 bcma. The Demand Assessment Report, which was published in December, concluded that there was sufficient demand by the market to initiate the Design phase. The results along with the outline of the next phases of the Market Test Process were presented to the RAEWW.



## OPERATING PERFORMANCE PER BUSINESS SEGMENT

Throughout the above processes, DESFA has been in close cooperation with the Vertical Corridor TSOs by hosting and participating in numerous meetings, both technical and high level, in order to ensure the design of incremental capacity projects for meeting the increased demand along the route.



Vertical Corridor Map

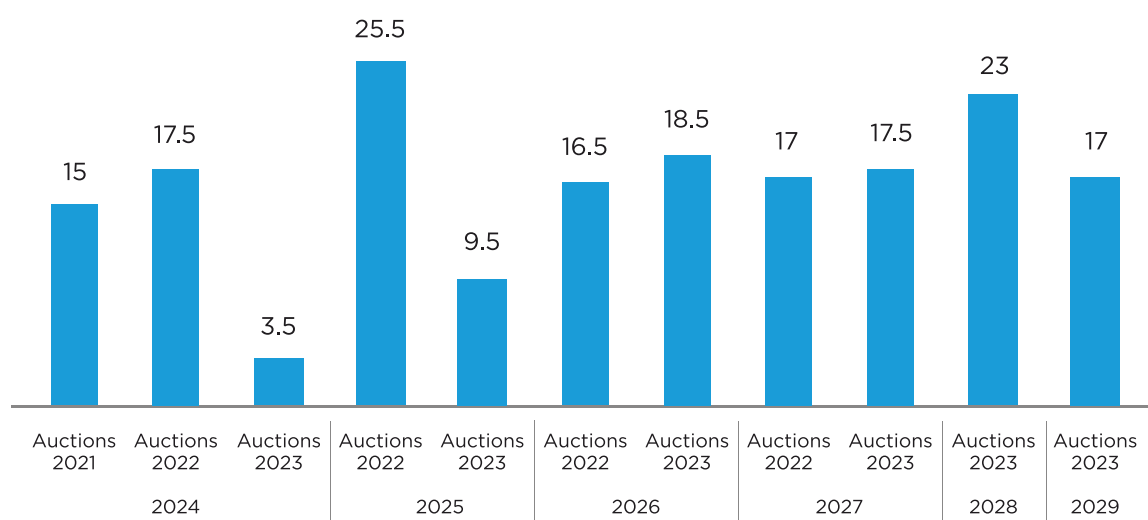


### Projects of Specific Interest

DESFA also engaged in several projects of specific interest involving the following:

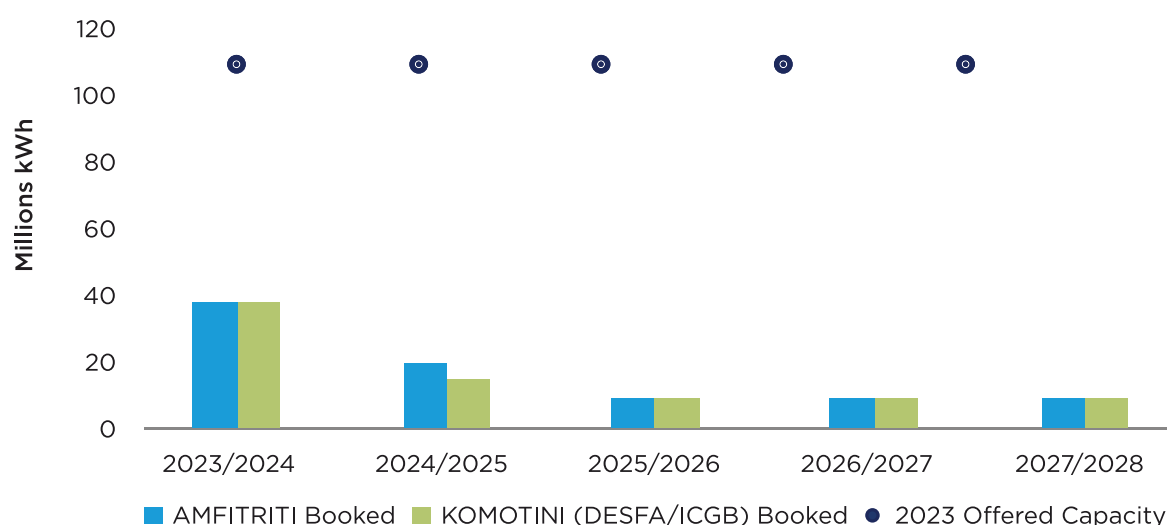
- After the end of the LNG Auctions for Years 2024-2038, LNG unloading slots were allocated for auctioned years 2024-2029

### Booked Slots per Year (Twh)



In 2023 for the first time bFZK<sup>3</sup> capacity to the new Entry Point of NNGS “Amfitriti” – connection point with FSRU Alexandroupoli for the GY 2023/2024 and BZK capacity from the new Entry Point of NNGS “Amfitriti” to new Exit Point Komotini (DESFA/ICGB) for GY 2023/2024 up to 2027/2028 was auctioned.

### Route AMFITRITI - KOMOTINI (DESFA/ICGB) - (107 GWh)





## OPERATING PERFORMANCE PER BUSINESS SEGMENT

### AMFITRITI bFZK (46 GWh)



Following the provisions of the Preventive Action Plan for the 2022-23 winter period as approved by RAEWW, DESFA signed with all eligible suppliers, two standard contracts with the purpose of a) reimbursing obliged suppliers for storing gas in neighboring countries' Underground Storage Facilities during the winter period and b) reimbursing obliged power producers for keeping seasonal safety LNG reserves in Revithoussa (taking advantage of the expanded storage capacity due to the chartering of the FSU). The cost of both contracts was reimbursed from the Security of Supply Account.

A feasibility study was conducted in collaboration with academia and leading business experts, to explore the potential usage of blockchain technology to facilitate secondary market trades for transmission and/or LNG capacity and storage. The conclusion of the study was that there is potentially added value for the shippers, as they would be able to execute transactions via smart contracts in a secure, fast, and efficient manner. A pilot project is under consideration for 2024.

### 5.3. Our network responds to market challenges

2023 marked the completion of several important projects that expanded our network:

- › The **“Upgrade of Nea Messimvria CS”**: A 3<sup>rd</sup> compressor unit with similar characteristics to the existing ones was installed and is under commercial operation since November 2023. The project helps to withdraw the gas flow congestion from North to South, increasing also and securing the technical capacity of physical reverse flow (South to North), while improving the NNGS efficiency and ensuring smooth operation. The project was financed from the Partnership Agreement 2014-2020 co-funding program with a percentage of 46,9%.



- › The **“New M/R Station AdG III”** was handed over for use in September 2023 while the **“New M Station AdG IV”** was handed over for use in June 2023. The project of the new M/R Station (AdG III) in the area of Distomo Viotia included the dismantling of the existing temporary AdG III M/R station and the construction of a new one with a capacity of 23.500 Nm<sup>3</sup>/h ) to supply Natural Gas to the “Aluminum of Greece-ADG”.  
The project of the new Metering Station (AdG IV) included the construction of Metering skids with capacity of 142.500 Nm<sup>3</sup>/h, to supply natural gas to the new installations “New Combined Cycle Gas Turbine Power Plant (C.C.G.T.) Agios Nikolaos II”.
- › The construction of the **“Technical Training Centre in Nea Messimvria”** that was completed in December 2023.

Furthermore, in 2023 major interconnection with other systems projects and pipeline projects were in the implementation phase:

- › The **“Connection with the FSRU of Alexandroupolis.”** The construction works regarding the Metering/Regulating Station were completed in early '24 and the associated commissioning works follow Gastrade schedule. The new M/R Amphitrite Station will be used for the receipt and control of the flow and the invoicing of the transferred quantities of natural gas from the point of entry, downstream of the scraper station of the Connected System.
- › The **“High pressure pipeline to West Macedonia”** that will be compatible with H2 transportation up to 100% and thus supports the national decarbonization policy. The project will supply the district heating installations for several cities and other regional consumption through the interconnection with other projects and involves the extension of the existing NGTS via a new pipeline branch up to the region of West Macedonia. In 2023, critical permits (Environmental Terms Amendment, Installation Acts and Installation License) were issued. The total quantities of steel pipes were delivered in October 2023, and the construction works are in progress.
- › The **“Pipeline Nea Messimvria - Evzoni/ Gevgelija and Metering Station”**. The project aims at the interconnection of natural gas transmission systems of Greece and North Macedonia and will enhance the diversification of supply sources for North Macedonia. Meanwhile, the project enhances the regional development of the natural gas market and the involvement of more market players thus enhancing the role of Greece as a hub. In October 2023, the Final Investment Decision was taken while two international tender procedures regarding the Supply of Steel Pipes (awarded in December) and the Engineering and Construction of the Pipeline were launched. The Environmental Terms Renewal was also issued in December 2023.

During 2023, there was important progress in several **projects of compressor stations (CS)**:

- › The **“Komotini CS”** The project aims at increasing the pressure of the gas in the branch of Eastern/Central Greece (Kipi-Karperi), to address the changing dynamics of the Greek and the regional gas market due to the operation of IGB and the Gastrade FSRU as well as the increased interest for LNG flows from the Greek NGTS to the SE European region. During 2023, Installation and Building permits were issued, construction activities commenced in July and manufacturing of the Compressor Units was in progress.
- › Moreover, the implementation phase of the projects included in the intermediate temporary technical solution, which will enable the transportation of NG from the FSRU Alexandroupolis to the IGB with a minimum delivery pressure of 60 barg in Komotini, until the operation of the CS were also in progress in 2023 including:
  - › Regulating station in Komotini.
  - › Connection of the new Power Plant of Thermoelectriki up to the NNGTS West of LVS Komotini (pipeline from the M-station up to the 24” network).
  - › Construction of LVS and Hot-tapping connection for the new Power Plant of Thermoelectriki, West of LVS Komotini.



## OPERATING PERFORMANCE PER BUSINESS SEGMENT

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- › The **“CS in Ampelia”** was also in progress during 2023, but the extreme weather events that occurred consecutively in the area during September 2023 (Typhon “Daniel” and “Elias” rainstorms) caused severe problems and damage to the Project’s site. Damage was repaired, the recovery plan was defined and additional antiflood works have been scheduled. Regarding the Project’s progress during 2023, all permits have been issued, all three turbocompressors have been delivered to the site, and their foundations have been completed.  
The Project will improve NNGS efficiency and ensure hydraulic stability, as it will progressively increase the technical capacity of the NNGS station in the southern part of Greece, which concentrates the larger part of the demand.  
The Project is co-financed from the partnership Agreement A 2014-2020 co-funding program with a percentage of 50,5%.
- › The **Booster CS in Nea Messimvria**. The project will enable full bi-directional flow in the interconnection between NNGS and TAP and will increase the efficiency and effective operation of the NNGS. The EPC contract was in progress in 2023 while permitting procedure was also ongoing. Site mobilization has been completed, and the site preparation and excavation works have been initiated.
- › The **LNG Terminal Boil-off Gas (BOG) CS**. In line with DESFA’s environmental aspiration, this project helps to decrease LNG losses, thus reducing emissions by installing a new CS for the produced boil-off gases to increase the pressure and inject them into the NNGS.  
The new CS helps eliminate the carbon dioxide emissions during the period of nonoperation of the Terminal, maximizing the environmental benefits of the project.  
Construction works were completed in November 2023. The shutdown of Revithoussa is announced for May 2024 to perform the final activities for the Project entry to the system.  
The project is co-financed from the Partnership Agreement 2014-2020 co-funding program with a percentage of 60%.  
Furthermore, DESFA continued to be actively involved in opening the ssLNG market, with significant environmental benefits. In this context, in 2023, DESFA proceeded with the implementation of the following ssLNG projects:
  - › Temporary supply of Aspros through ssLNG Installations.
  - › Temporary supply of Naousa through ssLNG Installations.
 With these investments, DESFA will undertake responsibility for installing a complete ssLNG Station, including storage, regasification, heating, metering, regulating and remote-control facilities. The implementation will be realized with modular small-size tanks and gasifiers, which are easy to relocate, thus maximizing possible synergies and minimizing relevant costs.
- › The **“New jetty for small-scale LNG in Revithoussa”** project was also in the implementation phase. The project is part of the necessary steps towards adopting liquefied natural gas as a marine fuel in the Eastern Mediterranean. It introduces Greece to a new gas market sector, bunkering. The project is co-financed from the PA 2014-2020 co-funding program with a percentage of 50%.
- › **“High-Pressure Pipeline to Patras”** entered the maturity phase during 2023. The Project will connect the city and the Industrial Area (VIPE) of Patras with the NNGS, with provision for future extensions to other cities of the Western Greece Region. The Basic Design of the Project was completed and the file regarding the project’s environmental terms issuance was submitted for approval to the relevant authority.
- › Furthermore, during the 2023 pre-feasibility phase of an important new pipeline project, **“Duplication of Karperi-Komotini HP pipeline”** was completed. The project aims to provide firm capacity from the VTP to all Exit Points of the specific branch and from all Northeastern Entry Points to all Exit Points of the branch.











**OUR COMMITMENT  
TO ENERGY TRANSITION**

6



### 6. Our commitment to Energy Transition

In light of the ambitious goals of the EC to combat climate change and promote sustainable development, DESFA reiterates its firm commitment to facilitate the energy transition in Greece. As Europe pursues its goals of carbon neutrality by 2050, DESFA recognizes the imperative need to promote green gases, particularly hydrogen and biomethane, to reshape Greece's energy landscape, while further strengthening this effort through the study and development of carbon capture and transport technologies.

As natural gas will gradually be replaced by green gases in the country's energy mix, DESFA recognizes its central role in facilitating the transport and storage of these gaseous products. By investing in infrastructure and adopting innovative solutions, DESFA aims to support Greece's transition to a sustainable energy future.

At a European level, DESFA constantly evaluates the changes in the legislative framework and adapts its strategy, such as the revision of the Directive on Renewable Energy Sources for the certification of renewable gases and hydrogen, the Cross-Border Adjustment Mechanism and the imports of renewable hydrogen, the provisional agreement on hydrogen and decarbonized gas market package and the updated EU rules to decarbonize the gas market and create a hydrogen market and the participation in the establishment of the European Network of Network Operators for Hydrogen (ENNOH).

In conclusion, DESFA is fully committed to promoting the energy transition agenda in Greece and the SE Europe by contributing actively to Europe's wider efforts to combat climate change. By promoting the development and adoption of green gases, DESFA seeks to play a leading role in shaping a cleaner and more sustainable energy future.

#### 6.1. Green Hydrogen

As the hydrogen market in Greece is forecasted to grow, DESFA is developing solutions that will support the evolution. This is why we developed **“a roadmap on hydrogen market evolution in Greece”** that was shared both with RAEWW and the Ministry of Environment and Energy. The document, starting with an overview of the upcoming regulatory framework for hydrogen and decarbonized gases, focused on the provisions that the Gas and Hydrogen Package and presented the results of the technical studies performed for injecting into the current systems quantities of hydrogen.



In addition, 2023, marked an important milestone thanks to the inclusion of our project “10.3.1 Internal hydrogen infrastructure in Greece towards the Bulgarian border” in the 6<sup>th</sup> PCI list under corridor Hydrogen interconnections in Central Eastern and Southeastern Europe (HI East). DESFA plans to construct a new 540km long pipeline exclusively for the transport of pure H<sub>2</sub> with a total budget of ~€1bn. The pipeline will start from Southern part of Greece and will reach interconnection point with Bulgaria allowing not only the connection of demand and supply



center in Greece but also export of excess H<sub>2</sub> produced in Greece. The inclusion of the project in the **announced 1<sup>st</sup> PCI list** by the European Commission under the new TEN-E Regulation, makes it eligible for grants via CEF funding program. The project will connect to Bulgartransgaz's dedicated H<sub>2</sub> pipeline, which is also a PCI project.

In parallel, DESFA continues its active participation in:

- › The **European Hydrogen Backbone (EHB) initiative**, a group of now 33 European gas infrastructure companies across 28 countries, working together to plan a pan-European dedicated hydrogen transport infrastructure.
- › **Gas for Climate (GfC) initiative**, a group of eleven leading European gas transport companies and three renewable gas industry associations, working to analyse and create awareness about the role of renewable and low carbon gas in the future decarbonized energy system.
- › **European Clean Hydrogen Alliance, Transmission and Distribution Roundtable** that supports the large-scale deployment of clean hydrogen technologies by 2030 and where DESFA is one of the three co-chairs with the responsibility to deliver a Learnbook on the implementation of the EU hydrogen supply corridors.



DESFA continued participating in the works of associations like ENTSG, GIE, Hydrogen Europe, contributing to the preparation of position papers and documents that support the role of the gas infrastructure and of the gas TSOs for the energy transition towards a decarbonized economy.

On November 7<sup>th</sup>, 2023, DESFA organized also the second edition of its **Hydrogen Day**, themed: "Hydrogen Networks: Transforming Vision into Action", engaging competent stakeholders in a constructive dialogue regarding upcoming regulatory and policy evolutions for hydrogen, while delving into the decarbonization roadmaps for the gas grids that will support the emerging hydrogen market, with a special focus on Southeast Europe and Greece.

## 6.2. CCS

2023 was also the year that innovative projects relating to energy transition and decarbonization were introduced. In this frame, DESFA explores the benefits of large-scale aggregation CO<sub>2</sub> projects in Greece by offering an end-to-end solution on the midstream part of the CCS (Carbon Capture and Storage) value chain, starting with the emitters of the Attica region. Specifically, DESFA's ApolloCO<sub>2</sub> large-scale project examines the construction of a pipeline for collecting CO<sub>2</sub> emissions and a single liquefaction, temporary storage, export terminal of liquid (L) CO<sub>2</sub>, and transportation of LCO<sub>2</sub> by carriers to the Prinos permanent storage facility and / or other permanent storage facilities.

Most integrated assessment models for climate conclude that Energy Efficiency (EE) and green/low carbon energy levers will not be sufficient to meet Paris Climate Agreement goals. Countries and organizations will need to find additional solutions to bridge the gap.

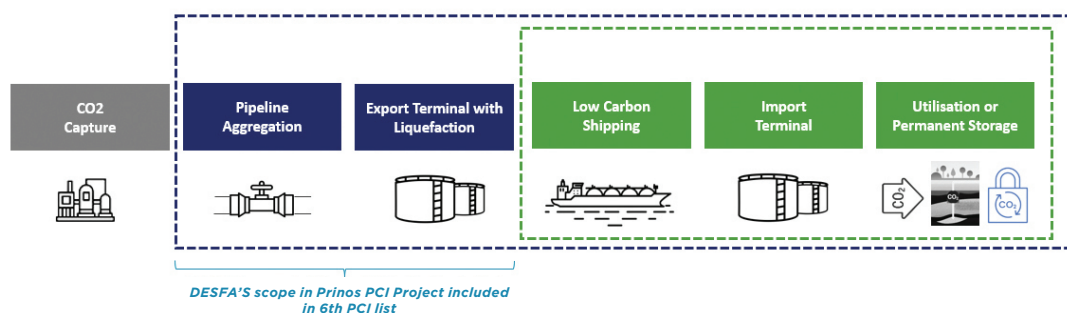


## OUR COMMITMENT TO ENERGY TRANSITION

Carbon Capture Utilization & Storage (CCUS) solutions are recognized to have a relevant role to drive the transition, complementing hydrogen and other renewable gases economies and enabling a gradual shift from fossil fuels.

Due to an increasing interest in CCUS solutions in Greece, DESFA decided to explore possible opportunities of involvement in this new potential business, which has many communalities with the Natural Gas regassification, transportation and storage sector. If developed, such solutions will contribute to the achievement of the targets of decarbonization of Greece and the EU.

As also highlighted in the Industrial Carbon Management strategy, published by EU in February 2024, CCS hubs in parallel with a trans-European clustering network are among the most efficient routes to prosper the EU CCS market. Therefore, DESFA, with vast experience in the transportation of gases, is targeting to enable the development of the first CCS in the SE Europe, by aggregating CO<sub>2</sub> by emitters in Southern Greece through pipelines into a single liquefaction and export terminal that will enable its sea transportation towards the permanent sequestration facilities in the Mediterranean, creating economies of scale and potential synergies.



Leveraging the 2022 study on the potential size of this new business in Greece and the “end-to-end orchestrator” opportunity for the company, within 2023, DESFA performed a series of pre-feasibility studies for the midstream part of the CCUS value chain. More specifically, these studies covered:

- › The pipeline aggregation and transportation of the captured CO<sub>2</sub> from the fence of the emitters premises up to the liquefaction terminal
- › The development of a CO<sub>2</sub> liquefaction terminal close to Revithoussa in order to take advantage of the cold energy from the LNG
- › A high-level permitting roadmap

The outcomes of the studies assisted in further understanding and assessing the transportation cost of the CO<sub>2</sub> up to the permanent storage facilities and defining next steps and actions.

### PCI Project

Further to the above, in 2022, DESFA in cooperation with Energean, submitted to the 6th PCI list, a project proposal regarding the value chain of CCUS. It is envisaged Prinos CO<sub>2</sub> Storage Project to represent the first CO<sub>2</sub> storage hub at industrial/commercial scale in the Mediterranean. The project aims to serve CO<sub>2</sub> produced by local sources and remote sources from those hard-to-

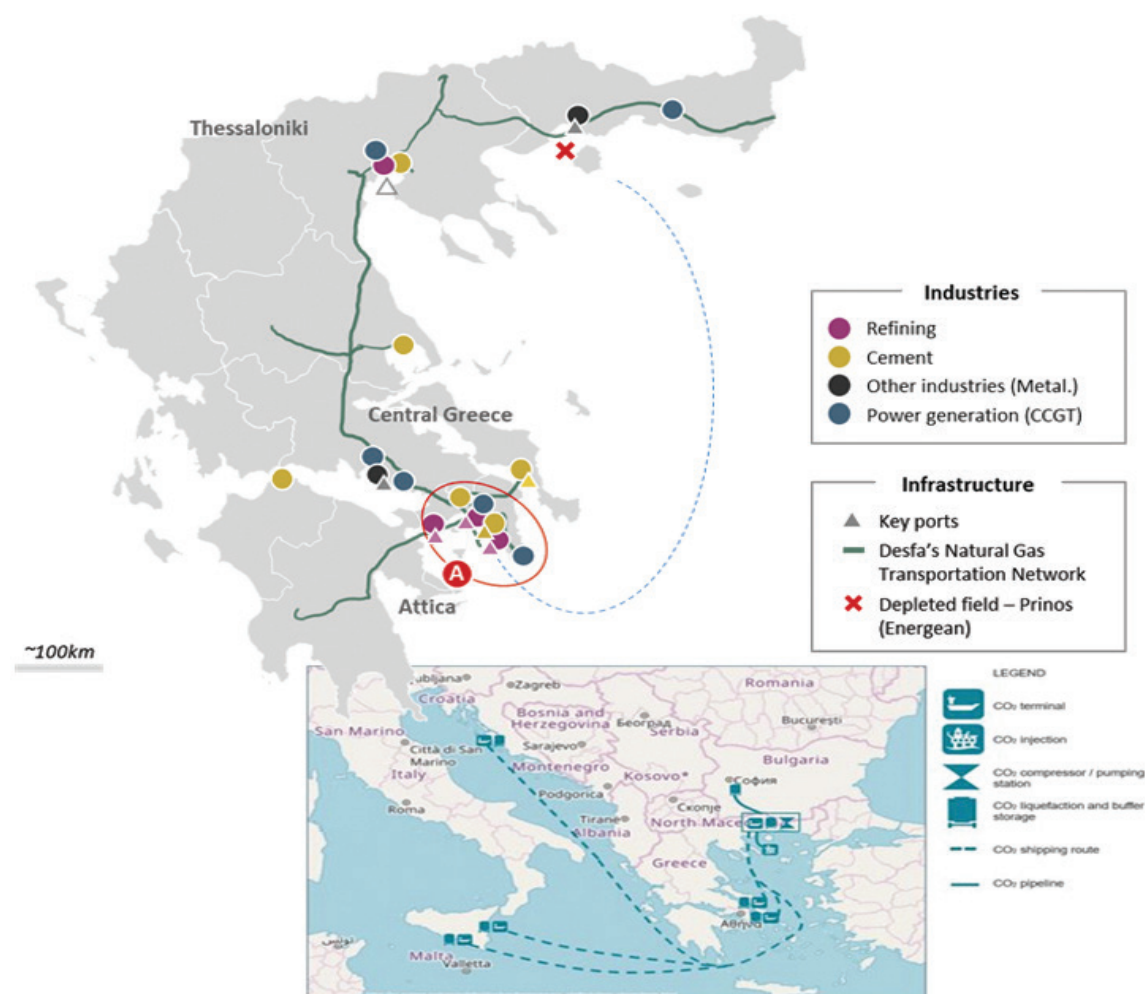


abate emitters. DESFA's project contribution includes the construction of a dedicated CO<sub>2</sub> pipeline connecting emitters from the region of Attica.

This pipeline will aggregate the volumes in a liquefaction terminal in Revythoussa, where the CO<sub>2</sub> will be liquefied and temporarily stored in a dedicated facility, until its loading to CO<sub>2</sub> carriers that will transport it via sea to Prinos or any other Mediterranean Storage facilities.

The project promotes the development of CCS hubs and it is fully aligned with EU's Industrial Carbon Management Strategy that sets the ambition of a single CCS market. More specifically, hub development could offer several benefits for the emitters, by unlocking scale effects, increasing absorption of EU and national funding and simplifying permitting, licensing and regulatory procedures.

In Q4 2023, "Prinos PCI" project was found eligible for inclusion in the 6<sup>th</sup> PCI list and became the first CCUS PCI project in the SE Europe, while it has already been assessed as eligible for REPowerEU funds for the pipeline part of the project.





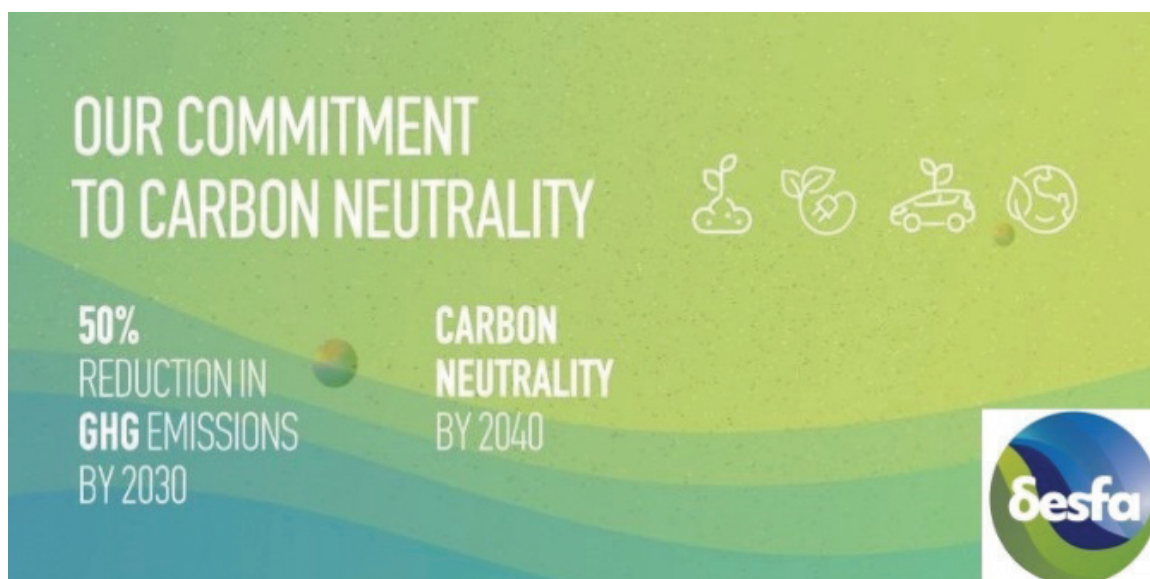
### 6.3. The Net-Zero path & Carbon footprint

The reduction of GHG emissions is a top priority for DESFA in alignment with the requirements set by the European Green Deal, which aims for a 55% reduction in GHG emissions by 2030 and Carbon Neutrality by 2050 and DESFA's own environmental policy.

To this effect DESFA **completed a Net Zero Master Plan** that outlines the quantification of emissions, strategies for reducing emissions, and the establishment of a monitoring system and developed its **Net Zero Calculation Tool** that has the capability to calculate baseline emissions using historical data, Ten Year Development Plan and Demand Forecast. The Tool can generate different scenarios for mitigating GHG emissions in line with the company's targets and thus DESFA can pinpoint precise pathways for quantifying emission reductions.

Finally, on the 30<sup>th</sup> of June 2023, DESFA's BoD approved the company's Net Zero commitment to reduce its Scope 1 & Scope 2 (market based) emissions by 50% by 2030 (compared to 2018) and achieve Carbon Neutrality by 2040.

In fact in 2023, DESFA's GHG emissions (Scope 1 - direct emissions from DESFA's equipment and facilities & Scope 2 indirect emissions from electricity consumption within the company's facilities) were lower compared to the previous five-year average, meeting the company's high-performance targets.





## 6.4. Biomethane

DESFA further pursued its roadmap towards an FID for its Biomethane project, that will be developed in cooperation with two strategic partners, Polyeco (pioneer in waste treatment) and Ergoplaning (expert and leading investor in Biogas production and policy), along the valuable expertise of DESFA's shareholders. It has started as an endeavor to establish a sustainable and efficient biomethane production facility, designed to test and demonstrate the feasibility and efficiency of biomethane production under real-world conditions. This initiative not only serves as a model for future large-scale applications but also contributes to waste reduction and the generation of a clean, sustainable energy source. Important milestones were reached in this direction involving the selection of a suitable plot, archaeological permitting granted, the amendment of Chapter 12 of the Network Code by including provisions for the injection and transportation of biomethane into the grid plus all necessary relevant changes, and others.









**SUSTAINABILITY STRATEGY  
& ESG SCORECARD  
(INCL. ALSO CSR)**

**7**



## 7. Sustainability strategy & ESG scorecard (incl. also CSR)

### ESG Reporting

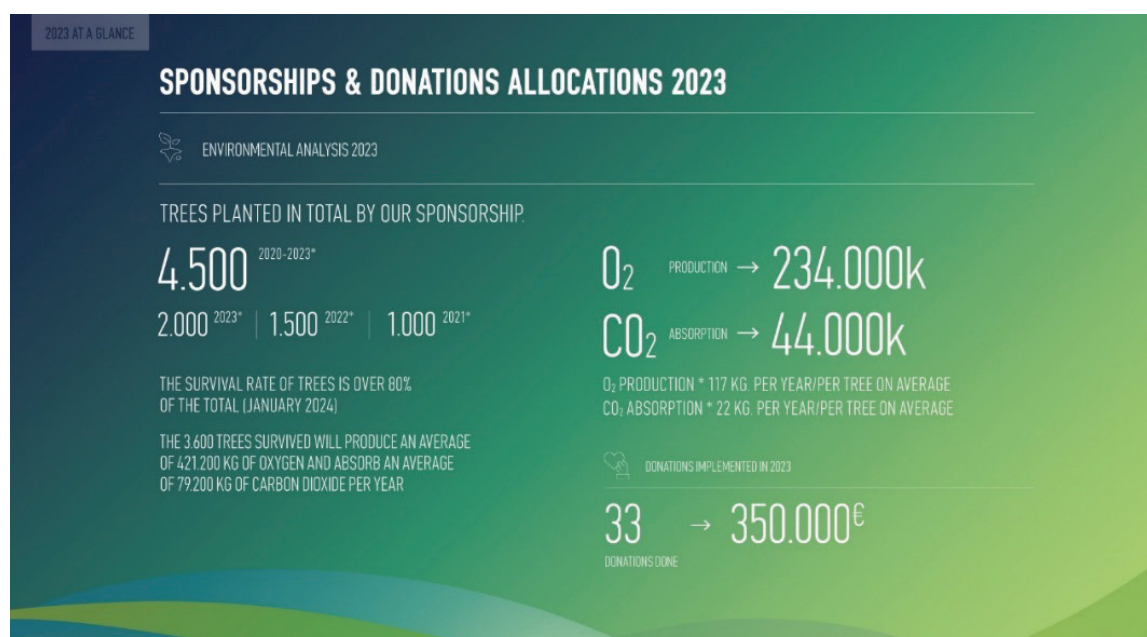
DESFA is taking steady steps towards a clean energy future through the continuous development of its infrastructure and the reduction of the environmental footprint of its operations.

In 2023, the company published **DESFA's ESG Report for the year 2022**, which demonstrates its performance, strategy and initiatives in the areas of Environment, Society and Corporate Governance, in accordance with the official Sustainable Development Goals of the United Nations (UN SDGs) and is based on international standards for non-financial reporting, presenting information regarding the management approach and the performance on material sustainability topics relevant to DESFA business activities. The report, aligned with its financial reporting period, refers to the period of 01.01.2022-31.12.2022.

The scope of this report is limited to DESFA activities and does not include information regarding any other affiliated Company. It has been prepared in accordance with the new GRI Standards 2021 and GRI 11 Oil and Gas Sector 2021, the updated Athens Stock Exchange ESG Reporting Guide 2022 and the SASB Standard «Oil and Gas - Midstream 2018». The report also partly covers the TCFD recommendations on climate-related financial disclosures and presents the impacts of the Company in the context of the Sustainable Development Goals of the United Nations (UN SDGs).

### Corporate Social Responsibility (CSR) Program

DESFA continued implementing a series of initiatives, through sponsorships, donations and volunteering to affect in a positive way local communities we work with, to actively contribute to the fight against climate change, to provide equal opportunities to all, fully aligned with our corporate ESG strategy, vision and values, and the principles of the Company's Sponsorships & Donations procedure.



For one more year, our attempts focused on initiatives that are related to the protection of the environment and biodiversity, social care and inclusion, food poverty, and enhancing our relations with local communities and active engagement in joint actions. In 2023, we also run job reskilling and skill enhancement programs in different areas of interest, while we responded to various crisis emergencies.



### Corporate Social Responsibility (CSR) Program

ESG strategy	Beneficiary	Action
Environment		
GHG emissions	Environmental Voluntary Initiatives with We4U	5 beach clean-ups, 1 stream clean-up, 4 tree plantings, planting 2.000 trees in total and conducting 5 environmental seminars in elementary schools attended by 119 children
Local communities	10 <sup>th</sup> Offroad Rally Greece	Support the organization of the 10th Rally Greece Offroad in the area of Argos Orestiko & implementing a parallel action for the opening & maintenance of mountain routes on Mt Vitsi
Climate change	Hellenic Federation of Volunteers of Wild Protection and Fire Fighting Organizations	Purchasing personal protective equipment & firefighting materials and distributing them to the federation's member associations all over Greece (20 in total)
Climate change Local Communities	Megara Volunteers Group	Purchasing personal protective equipment
Biodiversity	Iliopouli Animal Welfare Shelter Association	Support stray animals & providing first aid materials for their needs
Society		
Local Communities	Thriassio General Hospital of Elefsina	Renovation of the Surgical Care Unit
Social Care	NGO +plefsi	Supply of a modern triplex cardiac ultrasound, supporting the provision of medical services in remote areas
Social Care Wellbeing	NGO "With Diabetes as a Guide"	Support the creation of an awareness campaign on diabetes & supplying diabetes diagnostic tests
Social Care Wellbeing	Panhellenic Association of Women with Breast Cancer "Alma Zois"	Sponsor the running event and participating in the race with fifty 50 employees
Children and people with disabilities	Cerebral Palsy Greece's Open Door Centre of Education and Rehabilitation	Supply of special mattresses for the Temporary Accommodation Home of Open Door and the construction & decoration of the garden of the Supported Living Home "ARIADNE" in Agios Dimitrios
Children and people with disabilities	Panhellenic Association of Parents, Guardians and Friends of People with Visual Impairment and Additional Disabilities "Amimoni"	Support their work for children and adults with vision impairments & additional disabilities



## SUSTAINABILITY STRATEGY & ESG SCORECARD (INCL. ALSO CSR)

Society		
Food poverty	NGO "The Love Van"	Fourteen (14) sessions of meal preparations to distribute them to homeless people in the center of Athens and also covered the repair expenses and technical adjustments of the van
Food poverty Local Communities	Social Groceries of Nea Messimvria, Nea Chalkidona, Salamina and Aspropyrgos	Provided food supplies through supermarket coupons to 4 Social Groceries
Education & Excellence	Scholarships / MSc in "Energy: Strategy, Law & Economics"	Two (2) full scholarships for students of the International and European Studies Department of the International, Business and Economics Schools of the University of Piraeus
Education Innovation Local Communities	Educational Innovation Pole of the Region of Western Macedonia	5 portable three-dimensional 3D scanners, 30 training kits for the development of atmosphere environmental measurements, distributed to 5 sub-divisions across the region of West Macedonia
Education Digitalization Local Communities	10 <sup>th</sup> Kindergarten of Elefsina	educational technological equipment (interactive boards and laptops)
Education Digitalization Local Communities	29 <sup>th</sup> Kindergarten of Serres	educational technological equipment (interactive boards and laptops)
Social Care Local Communities	Primary School of Apalos of Alexandroupolis	Providing oil for the school's heating needs
Local Communities Wellbeing	6th Road Race of the Port of Megara - Nea Peramos	Support the organization of the road race, while participating in the race
Local Communities Wellbeing	Naturist and Mountaineering Association in Sidirokastro (FOSS)	Support the organization of the Half Marathon in the area of Sidirokastro, while participating in the race
Excellence Inclusion	Stelios Malakopoulos (paralympic athlete)	Purchasing a set of artificial members for the athlete, to enable his participation in international competitions
Emergency Crisis Relief Local Communities	Fire Department of Alexandroupolis	200 meals to the first responders, the first days of the fires
Emergency Crisis Relief Local Communities	Municipality of Alexandroupolis	supermarket coupons for families affected by the fires in the area
Emergency Crisis Relief	United Nations High Commissioner for Refugees (UNHCR)	Fundraising for supporting refugees affected by the earthquakes in Turkey and Syria



Governance		
Equal opportunities Inclusion	ActionAid	Design and implementation of 2 “Job Readiness” programs in Athens & Thessaloniki, supporting vulnerable men & women to develop skills & acquire equal opportunities to possess and maintain a job (more than 87 people and 10 local businesses benefited in both cities).
Equal opportunities Inclusion Local Communities	Wise Greece	Design an Employability and Entrepreneurship program for adults that runs for a year in the area of West Macedonia (Kozani, Grevena, Kastoria, Ptolemaida, Florina) addressed to local communities. The program is still in progress and will be completed within 2024.
Excellence Equal opportunities Inclusion	Dual Career program of the Hellenic Olympic Committee	Design a program for the professional placement of Olympian athletes after completing their athletic careers through a holistic approach and special test assessments, assisting them in fully exploiting their best traits. The program that started in 2023 is still in progress and will be completed in 2024.

Volunteering played, also, a very crucial role this year in our initiatives, strengthening even more our corporate culture and mindset, providing us all the ability to offer our skills and personal time to take part in meaningful actions, impacting in a great way the lives of fellow citizens in need, as well as in protecting the environment.









# **OUR BUSINESS MODEL**

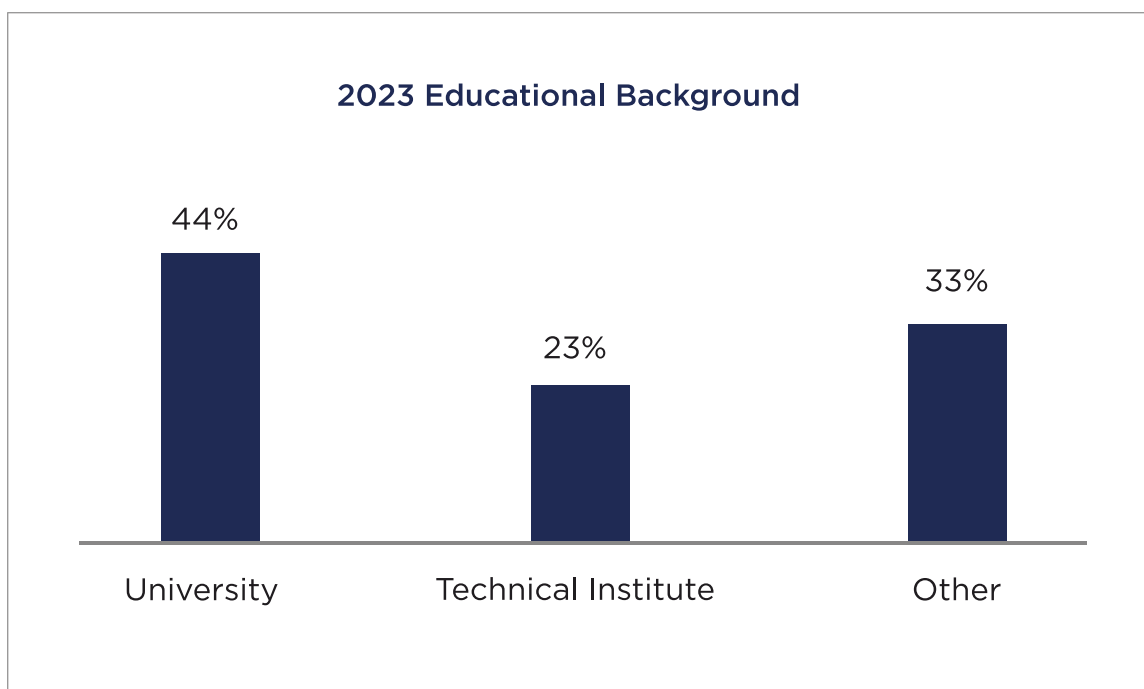
# 8



### 8. Our business model

#### 8.1 Our people

By the year-end of 2023, the Company employed a total of 593 people of various educational backgrounds, representing a wide variety of task-relevant knowledge and skills while remained committed in providing equal opportunities to employees regardless of gender, religion, or other aspects. The representation of women in managerial positions is 30% of the Company's total managerial positions.



DESFA continued investing in its people in 2023 through significant achievements and initiatives, including the introduction of the Career Development Framework, the implementation of the new HRMS, the successful roll out of the new Performance Management System, and the deployment of the annual training plan through the dedicated "Desfa Training Curriculum" platform on our company portal.

DESFA's Collective Labor Agreement (CLA), is in place and is of high significance for the Company both in terms of the value of the Employee Relations for the Management and the direction towards a performance-driven culture. Moreover, the Company considering the high inflation rates that insisted during 2023 because of the unfavorable and extraordinary economic situation, following productive discussion with the Union, decided to grant a one-off amount to support the employees during 2023.

Employee developmental opportunities are fundamental for Desfa and this is reflected in the **Career Development Framework** we introduced in 2023. The Framework combines the Company's organizational structure with the Employee's career streams and provides more developmental 59 opportunities to DESFA Employees without expanding the Company's



organizational structure, while at the same time achieving a balance between the operational requirements of the position and the career stream of the Employee who covers the position.

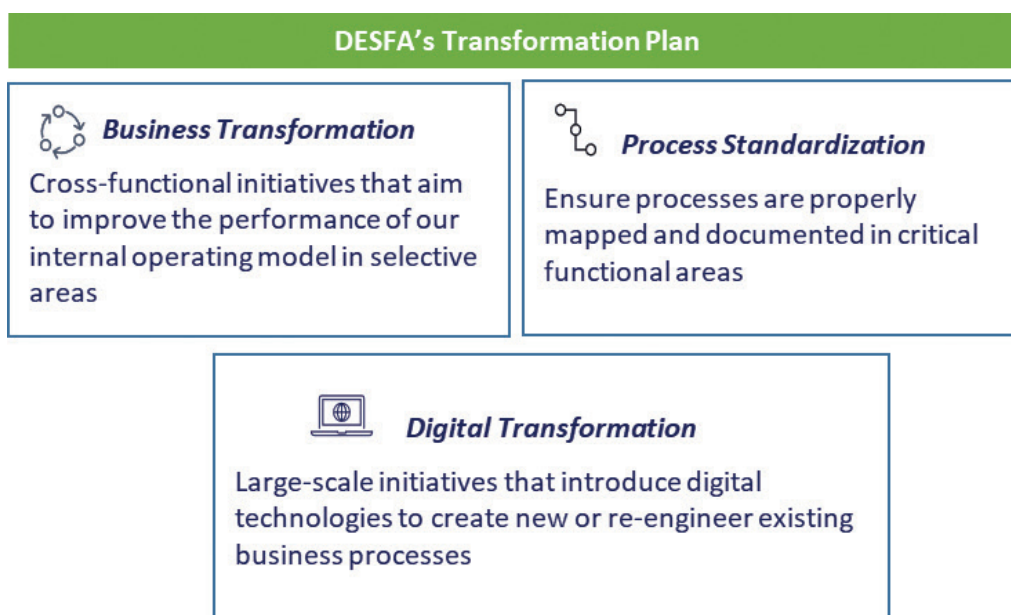
The implementation of the **new HRMS** during 2023 constitutes a step towards a more streamlined and efficient HR operations as it mashes up the functions of various legacy systems in one place, providing numerous advantages and contributing to the overall success and effectiveness of the organization by providing centralized data management, automated processes, improved data accuracy and compliance, enhanced employee experience, facilitating the decision-making process and ultimately serve the scalability as the organization expands, evolves and undergoes organizational changes.

The deployment of the **Annual Training Plan** through the dedicated “Desfa Training Curriculum platform” on our company portal is a developmental initiative which links the Company’s objectives with the development goals of the employees based on their strengths and resulting to the support of the performance management framework in various aspects such as the employee motivation. During 2023 there were more than 50 training courses provided in four pillars: work related skills, soft skills, business skills and supervisory & managerial skills. There were also courses focusing on the very important topic of Diversity, Inclusion & Equality while there was a series of trainings called Manager’s Learning Path aiming to enhance the role of the manager. This is a very important aspect for DESFA since Leadership development is perceived as a competitive advantage because team performance is a structural element of success, so the Company empowers continuously the managers through various types of trainings.

The successful roll out of the new **Performance Management System** (for N-3 and above as a first step) is another important step to promote a sense of fair evaluation based on specific designed principles of alignment with DESFA’s goals, values, strategy and correspond to the culture of the organization. The competencies of the framework were derived from Company’s values, formulating a clear performance management process which adopts and enhances a culture of continuous feedback.

## 8.2. Transformation

DESFA continued investing in modernizing its operating environment through Business and Digital Transformation projects that focused both on its corporate and selected business functions. More specifically, the Transformation Plan 2023 was structured around the following pillars:





## OUR BUSINESS MODEL

From a business transformation and process standardization perspective, the main achievements involved among else the following:

- › Enhancement of DESFA's project management capabilities through systems integration, process automation and a robust performance monitoring framework;
- › Standardization of internal procedures and operating instructions for Commercial Services, ongoing revision of Procurement procedures with focus on controls and launch of vendor prequalification program, process improvement – standardization and introduction of new processes in the areas of HR and Facilities management; standardization of project management related procedures and operating instructions
- › Revision of Revithoussa LNG Terminal processes in areas such as process Safety, Maintenance, Training, Operations leveraging where appropriate also on KIPIC experience
- › Focus on ISO certifications such as indicatively in the areas of Information Security, Antibribery and Energy Management.

Desfa's Digitalization initiatives – projects consist of 3 pillars: IT Transformation, OT Transformation and Digital Innovation, having as target to improve Customer Experience, standardize processes and improve efficiency having technology as enabler and in parallel transform DESFA into a Data-driven decision-making organization. To achieve all that Desfa focused on:

- › **People**, trainings, upskilling and enhancing teams
- › **Processes**, working on ICT Operating Framework & Operating Instructions, IT Service Managements procedures based on IT international standards e.g. ITIL 4
- › **Technology**, implementing systems to apply and monitor all the above like ServiceNow, SAP, Microsoft and Fortinet Solutions





## IT Transformation

### Digital Transformation

DESFA in 2023 continued the Digital transformation journey aimed at enhancing and innovating Information and Communication Technology (ICT) systems, fostering digitalization, automation, cybersecurity, and regulatory compliance. Laying the foundation for a more agile, responsive, and data-driven organization.

In 2023, Digital Transformation program focused on projects already planned or even started:

- › Implementation of new Commercial Information System adopting native cloud technologies and security by design / by default methodologies planned to be completed in 2025
- › Design and Implementation of Portfolio - Project Management System, to support end-to-end monitoring of capital projects, starting from the idea to the completion in conjunction with a robust monitoring framework
- › New corporate website designed based on the communication strategy of the company
- › New HRMS System (as mentioned above) focusing on Central Employee services and Performance - Goals functionalities and preparing new Initiatives:
- › Building Information Modelling initiative
- › Implementation end-to-end Procure to Pay system
- › Implementation “Health Safety Security Quality” system

### ICT Infrastructure and Security

In 2023, in coordination with relevant internal stakeholders, particularly Information Security & Business Continuity dept., ICT proceeded with major enhancements on Infrastructure to support digitalization initiatives and security to prevent cyber threats. Leveraging in advanced technologies such as cloud computing, cloud environment, aiming to streamline operations, optimize resource utilization, and enhance decision-making processes.

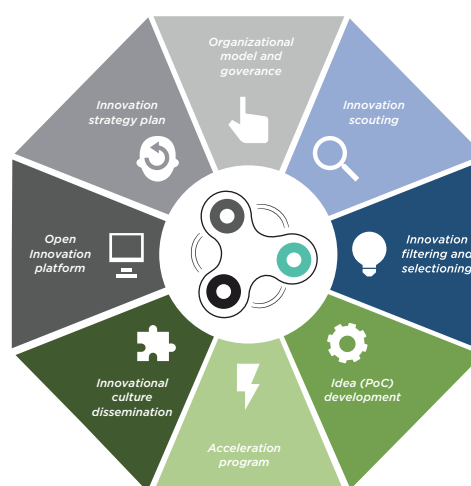
Furthermore, by harnessing the power of automation technologies, automated continues monitoring systems such as more sophisticated SIEM (Security information and event management,) and new SOC (Security Operation Center) services.

Through continued investment in ICT capabilities and collaboration with industry partners, we are shaping the future of gas transmission and delivering sustainable value to our stakeholders.

### Innovation Lab

In early 2023 DESFA decided to invest in Innovation to gain a relevant positioning and cultivate an ecosystem of shared knowledge and mutual grow. The commitment of the company was expressed through the creation of the Innovation Lab, by opening our doors to external partners, startups, researchers, and innovators from various domains.

The Innovation Lab is a working group that aims to foster innovation in the company through several initiatives. It is an open cross-functional collaboration group, built for the adoption of technological solutions and identification of relevant initiatives, aiming to support the adoption of innovative practices and tools leveraging also on





innovation best practices. In collaboration with the Innovation Steering Committee supervision, the working group aims to guarantee a proper governance of all the innovation initiatives. To cultivate an innovation-centric culture within Desfa, the Innovation Lab has outlined comprehensive actions such as effective communication campaigns, internal involvement, and the promotion of an open innovation approach. Additionally, employee engagement is fostered through the proposal and sharing of ideas, incentivized through internal contests.

Innovation Lab Working Group carries out the DESFA+ Acceleration Program, an open innovation program that enables the implementation of corporate open innovation strategy. It represents an enabling factor for all innovation activities within the Company, such as Digital Transformation initiatives or implementation of new technologies and tools to support business. The DESFA+ Acceleration Program aims to scout and identify on the market the main innovative technologies that can help the company to improve the aspect of digital transformation, coordinating activities with external entities such as universities and research centres. The identification comes through the launch of Call4Startup, defined as a challenge to enhance entrepreneurial ideas and offer development opportunities to projects proposed by a participant. The overarching goal is to instill an 'open' mindset, engaging everyone within and outside the organization in the innovation journey. In parallel with the creation of the Innovation Lab Working Group, new role has been created: the Innovation Ambassador. The first two Call4Ideas were launched in November with the aim to seek innovative companies and solution to improve business processes and building management.

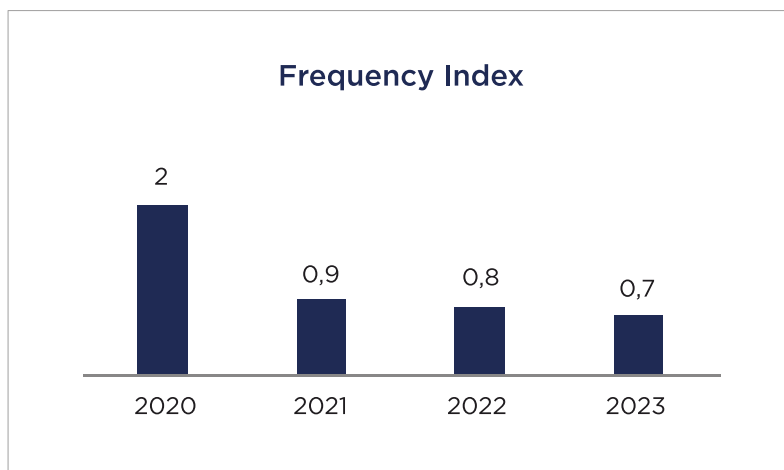
### **8.3 Health, Physical Security, Safety and Environmental Quality (HSSEQ) framework**

#### **Health & Safety**

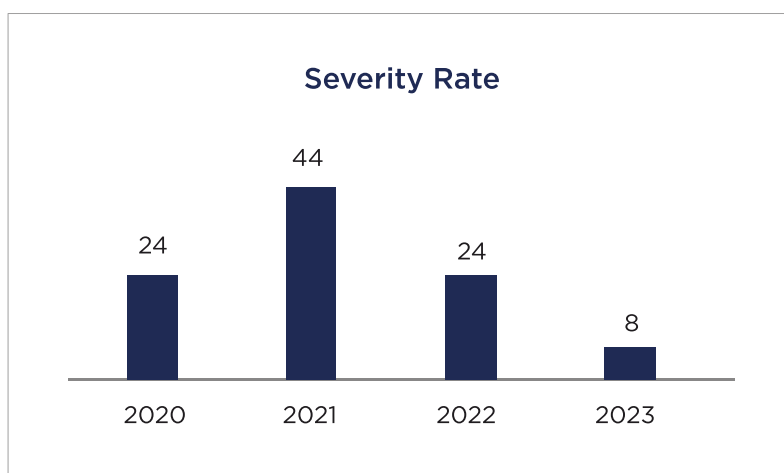
Since 2007 DESFA has been certified for Quality Management per ISO 9001, Environmental Management per ISO 14001, and Health & Safety Management per ISO 45001, covering all facilities and activities, and in 2023 the Energy Management System per ISO 50001 was also certified. The HSSEQ Integrated Management System based on the principle of continuous improvement targets to measure the adequacy and the effectiveness of our system using Key Performance Indicators (KPIs) gathering all necessary data for their formulation and calculation.

In DESFA Health & Safety are considered in a twofold way: frequency and severity. One of the most common KPIs regarding Health & Safety is the frequency index, representing the number of accidents at work per 1million person hours. In 2023 there was one accident, categorized as a "slip & trip", resulting in absence of at least one day, the same as in 2022 and 2021. The increased person hours recorded for our staff and our contractors mainly due to the heavy development activities led to a drop in the relevant index from 0.8 (2022) to 0.7 (2023).





The severity of accidents is monitored by calculating the average number of days lost per accident at work (Severity Rate) and decreased to 8 compared to 24 in 2022.



Our commitment to Health & Safety reflects also on how we invest in creating awareness on HSE issues to prevent risk of incidents and accidents. This is why in 2023 we performed in total 53 exercises that are assessed, and useful lessons are recorded and communicated. In addition, all facilities issue monthly HSSEQ Reports, while a group of auditors frequently visit worksites and relevant findings are monitored. HSSEQ training is also provided regularly in a competence-building framework and based on the verified HSSEQ Competence Management System, aiming to enhance the HSSEQ culture and help new recruits familiarize with our processes. The crown jewel of these events is the HSE Day, a day dedicated to sharing lessons, practices, and awarding those that made significant contribution to our HSSEQ culture.

It is also highlighted, that during 2023 we continued the “Certified First Aid Providers” training initiative across all Company premises and we now have more than 100 people trained and capable of providing 1st aid treatment.



With respect to physical security, DESFA has also set itself the goal of mitigating existing threats to an acceptable level and protecting people, property, and physical assets from any man-made malicious action. The main facilities are monitored electronically with modern Closed-Circuit Television (CCTV) systems controlled and monitored locally and centrally in the newly created Physical Security Control Center, always complying with the General Data Protection Regulation (GDPR).

Continuous training and confirmation of the Physical Security Personnel's adequacy ensure the effectiveness of the Physical Security management system. The above's compliance and efficacy are monitored and regularly measured through Key Performance Indicators.

### Environment

DESFA is actively engaged in the European GHG Emissions Trading System (EU-ETS). Throughout 2023, the company:

- › Conducted daily monitoring of relevant parameters to calculate CO<sub>2</sub> emissions for each source stream and emission source. Subsequently, DESFA submitted a Verified Emissions Report, a Declaration of Activity Data, and an Improvement Report to the Ministry of Environment and Energy for each installation.
- › Successfully underwent Annual Emissions Verification Audits (in January 2023) for the LNG Terminal and the Compressor Unit in Nea Mesimvria, conducted by an independent verification body. DESFA maintained its classification in compliance class A within the European Emissions Register.
- › Took steps to procure emission allowances to fulfill legislative requirements. The weighted average purchase price of emission allowances stood at €75.95/EUA, 9.1% less than the average price of the year. To manage price fluctuations, DESFA will continue to perform monthly purchase of emission allowances, ensuring transparency and appropriate allocation of CO<sub>2</sub> costs for users.

## 8.4 Management of business risks

### Market risk factors

#### *The evolution of gas demand*

The evolution of demand and, therefore, the natural gas volumes transmitted through the DESFA system will be affected by both policy decisions - primarily related to the energy transition - and extraordinary events.

Regarding domestic natural gas demand efforts towards energy efficiency to achieve the energy transition targets and a significant increase in RES installed capacity are expected to considerably affect gas demand for power generation, shifting the role of natural gas mainly in providing flexibility to the electricity system. Additionally, the recovery of the industrial sector after the price-shock of 2022 is expected to be slow. Another factor affecting the evolution of demand is the natural gas and CO<sub>2</sub> price developments. In particular, gas demand from industrial consumers and refineries is highly sensitive to gas prices. In the power generation sector, natural gas and CO<sub>2</sub> costs affect the competitiveness of gas fueled units in the power mix Vs lignite units. Nevertheless, the effect of CO<sub>2</sub> prices will most probably diminish due to the gradual withdrawal of the lignite units in the near future. However, gas and CO<sub>2</sub> prices may still play a key role in the overall competitiveness of the Greek electricity generation mix Vs the mix in interconnected countries, impacting the amount of exports/imports of electricity with these countries and, thus, the use of gas as a power generation fuel in Greece.

Regarding transit volumes, during the 2022 crisis Greece emerged as a key transit country for the whole SEE and beyond, through importing and re-exporting LNG. This led to a large increase in the volumes transported through Desfa's system. The evolution of transit volumes is expected to counterbalance to a large extent the effect of the energy transition on the domestic natural gas



demand. However, the market size for these quantities is volatile, depending on policy decisions of neighboring countries regarding energy transition and evolution, geopolitical conditions and their choices on diversification of gas sources.

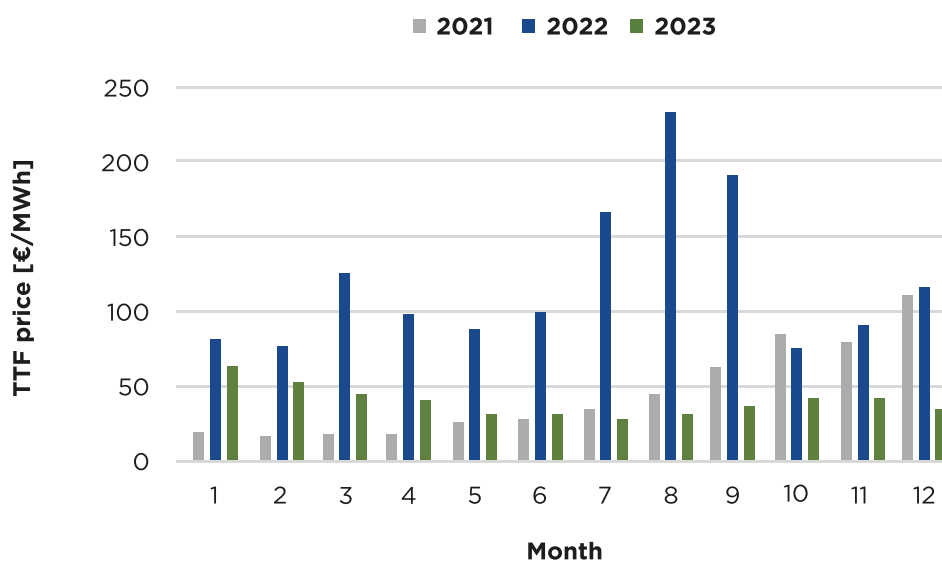
Nevertheless, despite a consensus on a diminishing role for fossil methane towards 2050, the finalized and soon-to-be adopted legislative package of the EU regarding the re-organization of the gas market to accommodate renewable gases as well (the “Gas and Hydrogen Package”), solidifies the role of gases in the energy mix and presents opportunities for the gas industry.

To this end, DESFA has set a number of strategic priorities aiming at mitigating the risks of diminishing gas demand, making full use of gas infrastructure in the future.

DESFA is actively pursuing, at national and European level, the development of a renewable gases market -that will progressively substitute fossil methane- and the associated gas infrastructure. This includes, inter alia, the participation in the European Hydrogen Backbone initiative, the development of a hydrogen infrastructure and the assumption of the role of the Hydrogen Network Operator in Greece, the development of a biomethane market and the development of the market for Carbon Capture and Storage (please refer to relevant sections above). At the same time, DESFA is further developing the natural gas infrastructure, in a market-based way that facilitate the role of Greece as a transportation hub. It is highlighted that all new projects included in Desfa’s TYDP are designed to transport up to 100% hydrogen. To this end, DESFA is participating in the Vertical Corridor initiative that aims at opening up gas routes for LNG Imported in Greece to reach SEE and beyond (please also refer to relevant sections above).

## Fuel prices

European gas prices fell notably during the last year compared to the record highs of the previous year. The evolution of the average TTF gas prices for the last three years is presented in the following graph:



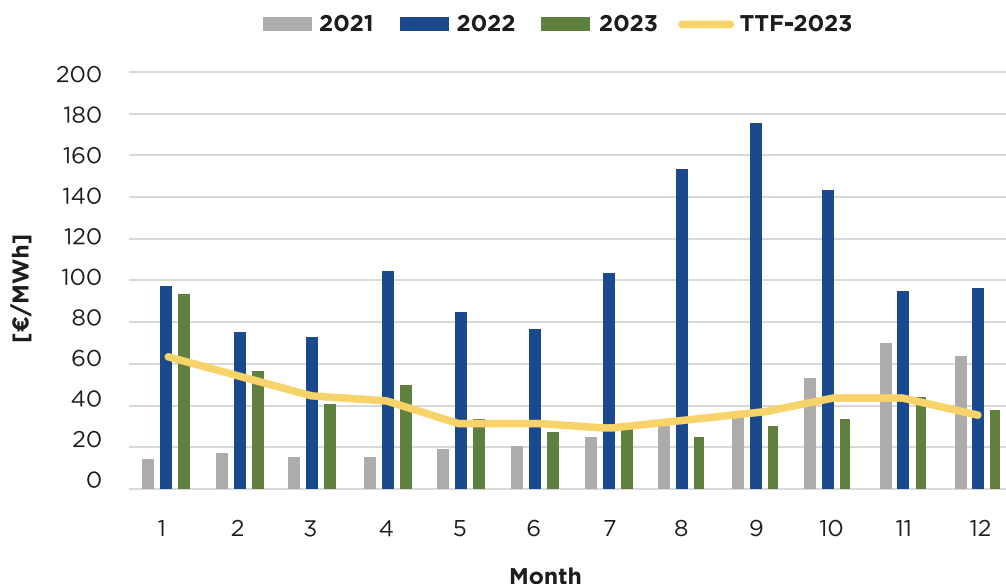
Monthly average TTF prices during the last three years<sup>4</sup>

4. Source <https://www.eex.com/en/market-data/natural-gas>



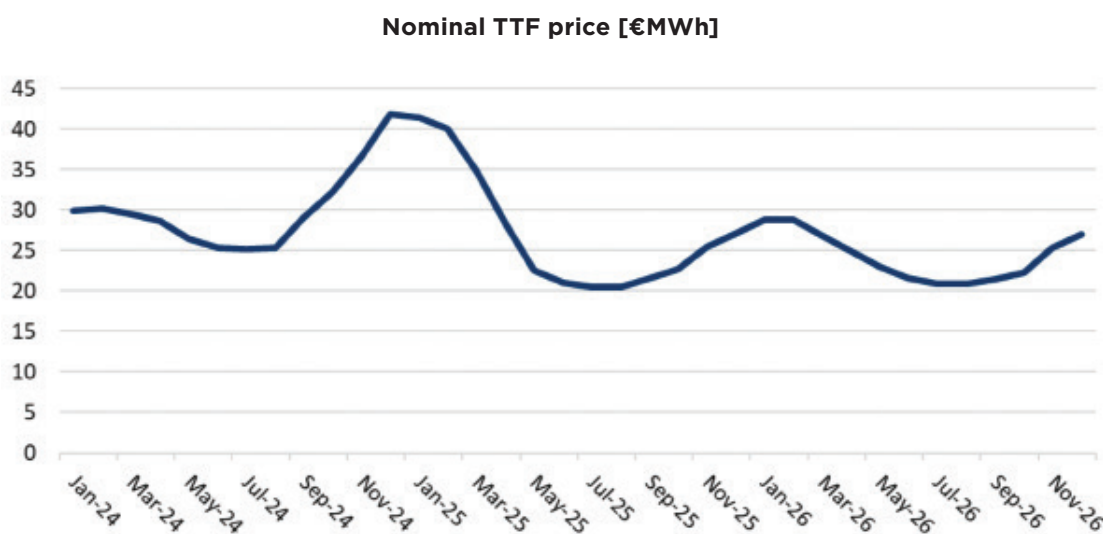
## OUR BUSINESS MODEL

This drop directly affected the average gas import price in Greece falling from 107.0 €/MWh in 2022 to 42.5 €/MWh in 2023, as shown in the following graph:



Monthly average gas import prices in Greece during the last three years compared with monthly TTF average prices for 2023<sup>5</sup>

According to the Gas Short-Term Price Outlook of S&P, gas prices in Europe from 2024 to 2026 are expected to average in approx, 30 €/MWh, with considerable seasonal volatility, as shown in the following graph:



Monthly average TTF price forecast<sup>6</sup>

5. Source: <https://www.rae.gr/psysiko-aerio/agora/mesostathmiki-timi-eisagogis/>

6. Source: S&P European Gas Short-Term Price Outlook, February 2024



## CO<sub>2</sub> prices

The average annual price of Emissions Allowances for 2023 was €83.5/EUA, an increase of 3% compared to the average price for 2022 (€80,92/EUA). Carbon prices remained relatively stable due to the oversupply in the emissions trading scheme (ETS). International analyses predict prices in 2024 to remain high throughout the year, due to hedging from the maritime sector. In order to manage any fluctuations of the price of emission allowances, DESFA will continue to perform monthly purchase of emission allowances, ensuring transparency and appropriate allocation of CO<sub>2</sub> costs for users.

## Risk of the development of Macroeconomic Parameters

### Financial risk

**Interest rate risk:** Interest rate risk arises from interest rate increases in the long-term and short-term variable rate borrowings. On 31.12.2023, long-term borrowings were both on a fixed and variable rate basis. To mitigate the exposure from the interest risk increase, the Company is either issuing/contracting debt on fixed term basis or using market standard financial instruments, like Interest Rate Swaps (IRS). On 31.12.2023 the fixed rate part of the Company's total debt portfolio was 69% (283m/410m), in line with its internal strategy.

**Foreign exchange risk:** In general, most of the Company's assets and liabilities are denominated in Euros, and almost all transactions of the Company are also performed in Euros. In 2023, the Company did not face any material currency risk. Also, since the Company is progressively expanding its services outside the EU zone, policies have been developed to monitor the exposure and take action accordingly.

**Banking risk:** Due to the large number of deposits (€179,3 million as of 31.12.2023 without the SoS account), the Company is exposed to counterparty 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 in Greece that have completed their recapitalization and have an acceptable level of financial reliability (systemic banks).

**Loan risk:** The debt risk of the Company is low. The Company's gearing ratio, i.e., the ratio of total loans to the sum of total loans and total equity, on 31.12.2023, was equal to 31,1% (compared to 22,5% in the end of 2022).

### Credit risk

The credit risk of the Company is low. The clients' payments are made to the Company on agreed credit terms of the corresponding invoices within the next 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, collection risks on the Company's receivables have been low, except for specific disputed historical invoices, which were disputed by the counterparties and are under legal procedures.



### *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 exceeds 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 (despite the significant increase in size of actions in the 2022 Preventive Action Plan).

### *Regulatory risk*

In 2023, RAE approved the new Tariff Regulation (decision “E-59/2023”) applicable for DESFA as well as the decision on the four year regulatory parameters (decision “E-69/2023”) applicable for the 2024-2027 period. The NRA decision on key regulatory parameters such as the WACC and opex as well as the smooth and slow transition to an incentive-based regime have reduced the regulatory risk for the company, while incentivizing DESFA to optimize its operational efficiency in order to keep all the potential upside from meeting the regulatory targets.

### *Project's risk*

DESFA's projects in 2023 faced various risks, from permitting and ROW access issues to Climate Change challenges. DESFA applied comprehensive risk management strategies to mitigate these risks and define recovery plans. Typical cases include the following.

The High-Pressure Pipeline to West Macedonia project faced several instances of archaeological findings along the route of the pipeline, which were dealt with in close cooperation with the competent Archaeological Authorities. To ensure the necessary technical support, a Memorandum of Understanding was signed.

In addition, constraints in ROW activities due to stakeholders' engagement were resolved with careful inspection and scheduled community meetings for the affected landowners to be initially informed about the construction activities and secondly for the compensation issues.

In 2023, the Thessalia area experienced floods, while the Evros area was hit by wildfires. These extreme weather events have caused significant damage to the relative Projects' sites, which was beyond DESFA'S control. As a result, we have developed a recovery plan to address the damage caused. Desfa has scheduled additional anti-flood works in the affected areas of Thessalia to protect the site area.



## *Inflation*

In 2022-2023, inflation has decreased significantly in Europe (from 9,9% in 2022 to 6,3% in 2023), and also in Greece (from 9,3% in 2022 to 4,2% in 2023)<sup>7</sup>. This reflects a progressive moderation of demand pressures on core prices and lower-than-expected pass-through of previous energy and food price shocks. The tightening labor market, together with the recently announced minimum wage increase (as from April 2024), is expected to put some upward pressure on prices, which would partly offset the impact of lower energy prices on inflation. Overall, inflation is expected to decline more gradually in 2024 and 2025, to 2.7% and 2.1% for Greece and to 3.4% and 2.7% for Europe respectively. As a result, despite the inflation decrease in 2023, DESFA has experienced price increase in several areas, primarily being CAPEX.

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7. Source: Inflation rate, average consumer prices: <https://www.imf.org/external/datamapper/PCPIPCH@WEO/GRC/EUQ>







## **2024 OUTLOOK**

**9**



### 9. 2024 Outlook

#### Key Strategic Pillars

DESFA's strategy for 2024 is based on a number of key strategic pillars that focus on the strengthening of the Company's core regulated business, the commitment to foster energy transition, and the exploration of targeted business development opportunities. Development of future proven infrastructure, digital transformation and cultural change are key enablers, while the Company is continuously working to build a consistent contemporary Sustainability Strategy, addressing ESG factors.



#### *Strengthening Regulated Business*

The energy crisis has brought the security of supply at the top of priorities of the energy market policy, together with sustainability and affordability, and has also highlighted the critical role of gas infrastructure in enhancing the security of supply, also on a cross-border basis. The role of gas, either fossil or renewable, will remain important in the specific environment, where security of supply and sustainable infrastructure will have an equal footing in the route to the full decarbonization of the energy mix.

Within this context, DESFA will need to safeguard the expansion of its core business while ensuring the development of future proof assets which will also serve the market in the energy transition era. For DESFA, the implementation of the ambitious (1.3 billion Euro) Development Plan 2023-2032 of large-scale investments in an environment of high technical, social, and financial complexity remains a top priority. Further to the timely implementation of the projects of the current Development Plan, DESFA, in the framework of the Vertical Corridor initiative, is coordinating with its peer TSOs of the South and Central Europe, in one of the wider market test in the history of the EU, for the development of new capacity across several gas routes and at several Interconnection Points in the SEE region in SEE region according to the needs of the market. This will allow only the development of infrastructure needed for the accommodation of market needs and the enhancement of exports in a financially sound manner, without facing the risk of future underutilization of the assets.

#### *Energy Transition*

DESFA, following ongoing developments at EU level on the role of the TSO in the H2 value chain, keeps working on the assessment of the H2 readiness of its existing network, for possible transportation of blends of natural gas and pure H2, but also works on plans to develop a pure H2 high pressure network, which formulate part of the European Hydrogen Backbone. To this end, DESFA has already secured the PCI status of two relevant projects, with the view to obtain future access to European financing for the support of such development. Also, the Company has concluded two feasibility studies with Greek energy companies on the launching of pilot



blending projects, including an assessment of the necessary legal & regulatory framework at both national and EU level.

DESFA is already investing in future-proof infrastructure, designed to be ready to accept 100% Hydrogen, when there is the market need.

At the same time, DESFA participates in all EU-initiatives and groups related to H<sup>2</sup> transportation and is in close cooperation with the TSOs from Bulgaria, Romania, Hungary, Slovakia, Czech Republic and Germany for the development of a South-Eastern European H<sup>2</sup> corridor, in line with the EU Hydrogen Backbone initiative.

In order to design the optimal transportation solution for the future dedicated hydrogen network, DESFA will continue working with the energy companies in Greece to assess hydrogen demand and supply.

However, a key legislative requirement for DESFA to continue investing in dedicated hydrogen infrastructure is the appointment of DESFA as the Hydrogen Transmission Network Operator of Greece. To this end, close cooperation between DESFA and RAEWW for hydrogen blending projects as well as the swift transposition of the “EU Directive on common rules for the internal markets in renewable and natural gases and in hydrogen” in the Greek legislation will support the hydrogen market development. It is noted that this appointment might be necessary even in a provisional manner (especially if there are delays in the transposition), as DESFA is already participating in the establishment of the European Network of Network Operators for Hydrogen (ENNOH).

In addition, acknowledging the importance of an integrated CO<sub>2</sub> capture, transportation, and storage solution for Greece, as a necessity towards the realization of the ambitious climate goals set at EU level, DESFA is working on its role in the CCUS value chain, elaborating, together with partners, on ways which will allow the transportation of CO<sub>2</sub> from its point of capture from industrial emitters to a permanent storage facility. Towards this end, within 2024, DESFA will focus on the progress of the technoeconomic studies with the ambition to reach FEED stage while at the same time identify and apply for funding for its projected infrastructure. Finally, among the ambitions of the year is to heavily engage – along with other stakeholders – in the shaping of the regulatory framework for the CCS value chain.

Finally, DESFA is redesigning the way of estimating future needs for infrastructure, by incorporating into its Business Plan and Development Plan procedures elements of the national and regional demand for natural gas and renewable gases, such as biomethane, hydrogen and synthetic methane, as well as other infrastructure related to the energy transition, such as transportation and sequestration of CO<sub>2</sub>.

### *Business Development Opportunities*

Based on its own competencies and expertise, DESFA actively pursues to expand its portfolio of non-regulated services in Greece and in selected countries abroad to establish its role as a reliable operating partner. To this effect is assessing the appropriate legal structure that could help achieve this goal in the most flexible and effective manner.



## 2024 OUTLOOK

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### *Digital Transformation & ESG strategy*

In order to face the big challenges ahead and move forward, DESFA will need to operate with Efficiency, Digitalization & Innovation, and always with a focus on Culture and Sustainability.

Market Volatility triggers reaction and fast adjustment to new realities. DESFA transforms its way of working, to operate in a more agile and effective way. To become more efficient, the Company plans to substantially integrate the new Incentive Based Regulation into its core business. This new Scheme, introduces performance and efficiency related incentives, touching upon all critical areas of DESFA's operation and asset development delivery, offering opportunities for internal optimization to achieve the targets set and retain the potential financial upside.

In addition, technically innovative solutions and pioneering commercial products and tools will be key drivers towards core business expansion, while innovative business models & financing will foster the Energy Transition process.

DESFA considers sustainability as a guiding principle for defining strategic and operating choices, while ESG factors constitute a valuable tool for creating shared value and making the Company respond beyond what is required by the regulatory framework. DESFA is working along these lines on the development of a consistent & contemporary Sustainability Strategy, addressing ESG factors.

Research & Development

As reflected on the key strategic pillars of DESFA mentioned above, the Company works on the development of R&D and innovation projects in the country, shaping its future role in the era of energy transition. Further, in the context of the readiness for H<sup>2</sup>, DESFA is participating in HORIZON and other Innovation projects. More specifically, DESFA participates in:

- › “24\_7 ZEN project”, aiming to design and build a high performing reversible solid oxide cell (rSOC) plant, operating at high temperatures (≈650 oC), and demonstrate its compatibility with the electricity and gas grids,
- › “Crete valley project”, aiming to create a Renewable Energy Valley ‘Living Lab’ (REV-Lab) in the Crete island, combining leading-edge ICTs technologies [Internet of Things (IoT), Artificial Intelligence (AI), DLT/blockchain, big data, Augmented & Mixed Reality (AR/MR)] with social innovation processes of co-design and co-creation by involving stakeholders (including citizens and businesses) and easy-to-adopt efficient business models.

DESFA, in cooperation with CERTH, has concluded a feasibility study for the production of hydrogen using the method of pyrolysis.

Besides H<sup>2</sup> area, since Q3 2023, DESFA also participates in another HORIZON project called “COREu” that will demonstrate CCS pilot projects and design potential CO<sub>2</sub> routes across the EU.

Further, DESFA supports the modernization and innovation of its internal activities and











**EVENTS OCCURRING  
AFTER THE REPORTING PERIOD**

**10**



## EVENTS OCCURRING AFTER THE REPORTING PERIOD

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### 10. Events occurring after the reporting period

There are no events that could have a material impact on the Company's financial structure or operations that have occurred since 1/1/2024 up to the date of issue of these financial statements.









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