TERÉGA SAS

Consolidated financial statements
30 June 2019
IFRS

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1 Consolidated statement of income

In thousands of euros	*Notes*	30 June 2019	30 June 2018
Revenues	5.5.7	249,959	229,530
Other activity income	5.10.2	693	1,599
Purchases consumed	5.10.3	(32,245)	(18,844)
Personnel expenses	5.10.3.2	(31,595)	(29,281)
External expenses	5.10.3.3	(20,286)	(21,477)
Taxes and duties	5.10.5	(10,853)	(10,616)
Allowances for amortisation/depreciation & provisions	5.9.2 - 5.9.3	(51,170)	(67,172)
Other current operating income and expenses		(1,525)	(1,632)
Current operating profit/loss		**102,977**	**82,107**
Other non-current operating income and expenses		44	(7)
Operating profit/loss		**103,021**	**82,099**
Net financial debt cost	5.9.10	(18,414)	(18,540)
Other financial income and expenses	5.10.4	(0)	(24)
Pre-tax profit (loss)		**84,607**	**63,536**
Income tax	5.10.5	(35,835)	(35,809)
Net profit (loss) for the period		**48,772**	**27,727**
Profit (loss) for the period attributable to:			
- owners of the company		48,772	27,727
Earnings per share		1.00	0.57
Diluted earnings per share		1.00	0.57

In thousands of euros	*Notes*	30 June 2019	30 June 2018
Net profit (loss)		**48,772**	**27,727**
Other elements of comprehensive income:			
Actuarial gains and losses		71	973
Impact of deferred taxes	5.9.6	(18)	(251)
Elements not to be reclassified in profit (loss) subsequently		**53**	**722**
Change in fair value of financial instruments (cash flow hedges) Impact of deferred	5.9.10.4	-	-
taxes on financial instruments		-	-
Elements likely to be subsequently reclassified in profit (loss)		**-**	**-**
Total other elements of the comprehensive income		**53**	**722**
Total comprehensive income		**48,825**	**28,448**
Attributable to the owners of the company		48,825	28,448
Attributable to equity interests without control		-	-

2 Consolidated statement of financial position

In thousands of euros	*Notes*	30/06/2019	31/12/2018
Assets			
Goodwill	5.5.2	420,756	420,756
Intangible assets	5.5.2	83,848	83,423
Tangible fixed assets	5.5.3	2,383,199	2,385,990
Other non-current financial assets		379	1,151
Deferred tax assets	5.9.6	5	5
Non-current assets		**2,888,188**	**2,891,325**
Inventory	5.9.4	25,171	22,591
Other current financial assets		50	50
Trade receivables	5.9.5	60,810	69,103
Current payable tax receivables		1	2,961
Other current assets		21,140	17,159
Cash and cash equivalents	5.9.7	46,394	33,680
Current assets		**153,567**	**145,544**
Total assets		**3,041,755**	**3,036,869**
Shareholder equity and liabilities			
Capital	5.9.8	489,474	489,474
Issue premiums	5.9.8	71,053	71,053
Reserves	5.9.8	(81,815)	(114,433)
Convertible bonds	5.9.8	670,000	670,000
Profit (loss) for the year attributable to the owners of the company	1	48,772	49,994
Shareholder equity attributable to the owners of the company		**1,197,483**	**1,166,087**
Equity interests without control		**-**	**-**
Total shareholder equity		**1,197,483**	**1,166,087**
Non-current financial debts	5.9.10	1,426,572	1,423,265
Employee benefits	5.10.6	29,189	29,116
Deferred tax liabilities	5.9.6	239,880	233,171
Non-current liabilities		**1,695,641**	**1,685,552**
Current financial debts	5.9.10	53,027	81,832
Current provisions	5.9.9	1,390	2,501
Trade payables	5.9.11	33,740	66,942
Payable tax liabilities		720	-
Other current liabilities	5.9.12	59,753	33,955
Current liabilities		**148,630**	**185,230**
Total shareholder equity and liabilities		**3,041,755**	**3,036,869**

3 Consolidated statement of changes in shareholders equity

In thousands of euros	*Notes*	Capital	Issue premiums	Non-distributed profit (loss)	Actuarial reserves	Convertible bonds	Other reserves	Consolidated reserves	Total	Total shareholder equity
Shareholder equity at 01 January 2018		**489,474**	**71,053**	**8,216**	**(2,178)**	**670,000**	**9,958**	**(71,533)**	**1,174,991**	**1,174,991**
Total comprehensive income for the period										
Profit (loss)				49,994					49,994	49,994
Total other elements of the comprehensive income	1				722				722	722
Total comprehensive income for the period		**-**	**-**	**49,994**	**722**	**-**	**-**	**-**	**50,715**	**50,715**
Issue of ordinary shares								(35,146)	(35,146)	(35,146)
Dividends				(24,474)					(24,474)	(24,474)
Total contributions and distributions from / to owners of the company		**-**	**-**	**(24,474)**	**-**	**-**	**-**	**(35,146)**	**(59,619)**	**(59,619)**
Shareholder equity at 31 December 2018		**489,474**	**71,053**	**33,736**	**(1,456)**	**670,000**	**9,958**	**(106,678)**	**1,166,087**	**1,166,087**

In thousands of euros	*Notes*	Capital	Issue premiums	Non-distributed profit (loss)	Actuarial reserves	Convertible bonds (1)	Other reserves	Consolidated reserves	Total	Total shareholder equity
Shareholder equity at 31 December 2018		**489,474**	**71,053**	**33,736**	**(1,456)**	**670,000**	**9,958**	**(106,678)**	**1,166,087**	**1,166,087**
Total comprehensive income for the period										
Profit (loss)				48,772					48,772	48,772
Total other elements of the comprehensive income	1				53				53	53
Total comprehensive income for the period		**-**	**-**	**48,772**	**53**	**-**	**-**	**-**	**48,825**	**48,825**
Interest from convertible bonds (1)								(17,428)	(17,428)	(17,428)
Total contributions and distributions from / to owners of the company		**-**	**-**	**-**	**-**	**-**	**-**	**(17,428)**	**(17,428)**	**(17,428)**
Shareholder equity at 30 June 2019		**489,474**	**71,053**	**82,508**	**(1,403)**	**670,000**	**9,958**	**(124,106)**	**1,197,483**	**1,197,483**

(1) Convertible bonds issued by the Group are considered as equity instruments according to IAS 39. The nominal sum as well as the interest paid (after tax) are therefore classed as shareholder equity (see capital and reserves note). The interest incurred is entered as other debt.

4 Consolidated statement of cash flow

In thousands of euros	*Notes*	30 June 2019	30 June 2018
Net profit (loss) for the period	1	48,772	27,727
Removal of expenses and income with no cash impact			
Amortisation/depreciation and provisions	5.9.2 - 5.9.3 - 5.9.9	50,204	67,155
Income tax	5.10.5	35,835	35,809
Financial result	5.10.4	18,414	18,563
Change in working capital requirement		(5,526)	(21,642)
Tax paid		(16,313)	(23,677)
Net cash flow related to operating activities		**131,386**	**103,936**
Acquisition of tangible and intangible assets	5.9.2 - 5.9.3	(48,805)	(56,926)
Change in loans and other financial assets		772	9
Net cash flow related to (used by) investment activities		**(48,033)**	**(56,915)**
Issue of loans	5.9.10	22,890	36,035
Loan repayments		(66,583)	(15,789)
Interest paid		(26,946)	(26,910)
Net cash flow related to (used by) financing activities		**(70,639)**	**(6,665)**
Impact of exchange rate fluctuations		-	-
Change in cash flow		**12,714**	**40,356**
Opening cash and cash equivalents		33,680	32,552
Closing cash and cash equivalents	6.14	46,394	72,908

5 Notes to consolidated financial statements

5.1 Entity presenting the financial statements

TERÉGA SAS is a company domiciled in France, with its registered office at 40 avenue de l'Europe, Pau. The consolidated financial statements of the Company at 30 June 2019 are comprised of the financial statements of the Company and its subsidiaries, with the whole being referred to as "the Group", and each individual company as "the entities of the Group".

The TERÉGA Group, located in Pau, in the French department of Pyrénées-Atlantiques, has the mission of offering and developing, on the European market, a natural gas transmission and storage service.

5.2 History of the establishment of the TERÉGA Group and background to the preparation of the consolidated financial statements of TERÉGA SAS

On 30 July 2013, all of the shares of TERÉGA SA (formerly TIGF SA), previously held by TGEHF, were sold to TERÉGA SAS (formerly TIGF INVESTISSEMENTS), itself held by TERÉGA HOLDING (formerly TIGF HOLDING).

TERÉGA SAS's consolidated financial statements as at 31 December 2018 and 31 December 2017 as well as those as at 30 June 2019 are therefore to be considered within the context of a financing round and were specifically prepared in order to be incorporated into a Prospectus for the issuance of transferable securities to be filed with the French Financial Markets Authority (AMF). They were approved by the Board of Directors on 17 October 2019.

5.3 Accounting principles

5.3.1 Declaration of compliance

The accounting principles chosen for the preparation of the consolidated financial statements comply with the IFRS standards and interpretations as published by the IASB and approved by the European Union at 31 December 2018 and presented in detail on the website of the European Commission (https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en).

5.3.2 Standards, interpretations and amendments applied

The IFRS standards as well as their interpretations and amendments are presented in the table below. They were applied by the Group in its consolidated financial statements at 30 June 2019:

IFRS STANDARDS ADOPTED BY THE EU *(and related amendments)*	IMPACT	EXPLANATORY NOTES
IAS 1 - Presentation of Financial Statements	**Yes**	**Notes 1 - 2**
IAS 2 - Inventories	**Yes**	**Note 5.5.4**
IAS 7 - Statement of Cash Flows	**Yes**	**Note 4**
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	**Yes**	**Note 5.5**
IAS 10 - Events after the Reporting Period	**NA**	
IAS 11 - Construction Contracts	NA	
IAS 12 - Income Taxes	**Yes**	**Note 5.5.10**
IAS 16 - Property, Plant and Equipment	**Yes**	**Note 5.5.3**
IAS 17 - Leases	NS	Note 5.5.8
IAS 18 - Revenue	**Yes**	**Note 5.5.7**
IAS 19 - Employee Benefits	**Yes**	**Note 5.10.6**
IAS 20 - Government Grants	**Yes**	**Note 5.5.3.4**
IAS 21 - The Effects of Changes in Foreign Exchange Rates	NS	**Note 5.5.11**
IAS 23 - Borrowing Costs	**Yes**	**Note 5.9.10**
IAS 24 - Related Party Disclosures	**Yes**	**Note 5.11**
IAS 26 – Accounting and Reporting by Retirement Benefit Plans	NA	
IAS 27 - Separate Financial Statements	NA	
IAS 28 - Investments in Associates and Joint Ventures	NA	
IAS 29 - Hyperinflationary Economies	NA	
IAS 32 - Financial instruments	**Yes**	**Note 5.5.1.3**
IAS 33 - Earnings Per Share	NA	Non-listed company
IAS 34 - Interim Financial Reporting	NA	
IAS 36 - Impairment of Assets	**Yes**	**Note 5.5.1**
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	**Yes**	**Note 5.9.9**
IAS 38 - Intangible Assets	**Yes**	**Note 5.9.2**
IAS 39 - Financial Instruments: Recognition & Measurement	**Yes**	**Note 5.5.1.3**
IAS 40 - Investment Property	NA	
IAS 41 - Agriculture	NA	
IFRS 1 - First-time adoption of International Financial Reporting Standards	**NA**	
IFRS 2 - Share-based Payment	NA	Non-listed company
IFRS 3 - Business Combinations	**Yes**	**Note 5.5.1**
IFRS 4 - Insurance Contracts	NS	
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	NA	
IFRS 6 - Exploration for and Evaluation of Mineral Resources	NA	
IFRS 7 -Financial instruments: Disclosures	**Yes**	**Note 5.5.1.3**
IFRS 8 - Operating Segments	NA	Non-listed company
IFRS 9 - Financial Instruments	NS	**Note 5.5.1.3**
IFRS 10 - Consolidated Financial Statements	**Yes**	**Notes 1 - 2**
IFRS 11 - Joint Arrangements	NA	
IFRS 12 - Disclosure of Interests in Other Entities	NA	
IFRS 13 - Fair Value Measurement	**Yes**	**Note 5.9.10**
IFRS 15 - Revenues from Contracts with Customers	**NS**	**Note 5.10.1**
IFRS 16 - Leases	NS	Note 5.5.8

5.3.2.1 New mandatory standards, amendments and interpretations

Mandatory Standards, Amendments and Interpretations as of 1 January 2018
IFRS 9 and IFRS 15, which have been in force since 1 January 2018, have no significant impact on the Group's consolidated financial statements, as detailed in notes 5.5.1.3 & 5.5.7.

Mandatory Standards, Amendments and Interpretations as of 1 January 2019

IFRS 16 - Leases

The current revenue recognition practice for leases is substantially in line with IFRS 16. Therefore, the application of IFRS 16 does not have a significant impact on the Group's consolidated financial statements as at 30 June 2019.

IFRIC 23 – "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies the application of IAS 12 "Income Taxes" relating to the recognition and valuation, where there is uncertainty, of the treatment of income tax.
The positions currently held by the Group comply with IFRIC 23. The application of this standard has no significant impact on the positions chosen by the company.

5.3.2.2 New standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The standards, amendments and interpretations published by the IASB but not yet adopted by the European Union will only enter into force in a mandatory manner from this adoption and are therefore not applied by the Group.

5.3.3 Estimates and judgements

The preparation of the consolidated financial statements requires the management to exercise judgement in making estimates and assumptions likely to affect the application of accounting methods. The actual values may be different from the estimated values.

The estimates and the underlying assumptions are constantly reviewed. The impact of the changes of accounting estimates is recorded during the period of the change and all the subsequent periods affected.

The assumptions and estimates mainly concern:

- The measurement of the fair value of the assets acquired and liabilities recovered in the context of business combinations (see note 5.5.1.1);
- The recognition of the current tax expense;
- The period of use of tangible and intangible assets used for the calculation of depreciation: these estimates are presented in notes 5.5.2.3 of the accounting principles and methods and valuation rules;
- The measurement of the recoverable value of the goodwill (assumptions described in note 5.5.1.1);
- The measurement of the obligations linked to defined benefit plans (see note 5.10.6);
- The measurement of the deferred tax assets (see note 5.9.6);
- The estimation of disputes concerning tax audits (see note 5.6).

5.4 Consolidation principles

The acquired subsidiaries are consolidated in the Group's financial statements as from the date of their acquisition of control.

The consolidated financial statements presented in this document cover the period from 1 January to 30 June 2019, compared with 31/12/2018 for balance sheet accounts and 30 June 2018 for income statements.
All of the Group's companies have a closing date of 31 December.

5.4.1 Subsidiaries

A subsidiary company is an entity controlled by the Group. The Group controls an entity if, and only if, all of the conditions below are met:

- It holds power over the entity;
- It is exposed or has the right to variable returns due to its involvement with the entity;
- It has the ability to exercise power over the company so as to influence the amount of the returns it obtains.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control ceases.

5.4.2 Investments controlled exclusively: full consolidation

Full consolidation consists of:

- Integrating the accounts of consolidated companies after any restatements into the accounts of the consolidating company
- Distributing equity and income between the interests of the consolidating company and the interests of other non-controlling shareholders
- Eliminating the reciprocal accounts and transactions between the fully consolidated company and its consolidated subsidiaries.

5.4.3 Transactions eliminated from the consolidated financial statements

The balance sheet balances and transactions and the income and expenses resulting from intra-group transactions are eliminated during the preparation of the consolidated financial statements.

5.5 Accounting principles and valuation rules

5.5.1 Accounting methods and valuation rules - Presentation basis

The accounting methods described below were applied systematically by all the entities of the Group.

5.5.1.1 Business combinations and allocation of goodwill

Business combinations are accounted for in accordance with the principles set out by IFRS 3 by applying the purchase method on the purchase date, i.e. the date on which control is transferred to the Group.

The Group measures goodwill on the acquisition date as:

- the fair value of the compensation transferred; plus
- the amount entered for any profit-sharing that does not grant control in the company acquired; plus
- if the business combination is carried out in stages, the fair value of any shares previous held in the company acquired; less
- the fair value of the identifiable assets acquired and liabilities assumed.

If the difference is negative, the gain arising from the acquisition made under beneficial conditions is immediately recorded on the income statement.

The compensation transferred excludes the amounts relating to the payment of pre-existing relations. These amounts are generally entered on the income statement.
The costs related to the acquisition, other than those related to the issue of debt or equity securities, that the Group covers due to a business combination, are recorded as expenses when they are incurred.
Goodwill is measured at the cost, less the accumulation of impairment losses.

Impairment tests under IAS 36 are entrusted, on an annual basis, to an independent Third Party responsible for assessing the recoverable value of the goodwill.

In accordance with the provisions of IFRS 1 relating to subsidiaries adopting IFRS after their parent company, TERÉGA SAS chose to assess business combinations based on the values adopted by its parent company: TERÉGA HOLDING.

Thus, the allocation of the goodwill as at 30 July 2013, in accordance with the principles set out in note 5.5.3.4 is broken down as follows (in €M):

Acquisition cost as at 30 July 2013	1,596
Shareholder equity acquired at 30 July 2013	644
Initial consolidation difference	**952**

Allocation of the first consolidation difference:	**Gross**	**Deferred tax**	**Net**
Assets re-measured at fair value	835	(288)	**548**
- Tangible assets	*797*	*(274)*	***522***
- Intangible assets	*39*	*(13)*	***25***
Derecognition of investment subsidies	38	(13)	**25**
Liability re-measured at fair value - Bond borrowing of €500 million	(63)	22	**(41)**
Allocation of the acquisition price	810	(279)	**531**
Goodwill			**421**

5.5.1.2 Shareholder equity

The additional costs directly attributable to the issue of new ordinary shares are recorded as a deduction from the shareholder equity. In addition, the convertible bonds issued by the Group are considered as shareholder equity instruments according to IAS 39.
Changes in fair value of the hedging instruments are recorded net of tax as "other elements of the comprehensive income" for the effective portion and on the income statement for the period for their ineffective portion. When the hedging instruments are implemented, the gains or losses accumulated in shareholder equity are recategorised on the income statement in the same section as the element covered. ORAs are recognised in equity to the extent that the redemption is at the discretion of the issuer and that the issuer may decide to repay shares at any time.

5.5.1.3 Financial instruments

On 24 July 2014, the IASB published IFRS 9 “Financial Instruments”, applicable to financial years beginning on or after 1 January 2018.

This standard defines a classification and valuation of financial assets that reflect the business model in which they are managed as well as their contractual cash flows; an impairment methodology based on “expected losses” and a slight revision of hedge accounting.
As the current practice of accounting financial instruments within the TERÉGA Group complies with IFRS 9, the application of this standard therefore does not result in a significant change in the Group’s consolidated financial statements.

5.5.1.4 Non-derivative financial assets

The Group initially records the loans, receivables and deposits on the date on which they are generated. All the other financial assets are initially recorded on the transaction date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights of the cash flow generated by the asset expire, or when it transfers the right to receive the contractual cash flow of a transaction in which practically all risks and benefits inherent to the ownership of the financial asset are transferred. Any interest created or preserved by the Group in transferred financial assets is entered separately as an asset or liability.

The financial assets and liabilities are offset and recorded for their net balance in the statement of financial status if, and only if, the Group legally has the right to offset the amounts and has the intention to either pay them for a net sum or realise the assets and pay off the liabilities simultaneously.

5.5.1.5 Loans and receivables

Loans and receivables are financial assets with fixed or calculable payments which are not listed on an active market. Such assets are recorded initially at the fair value, plus the directly attributable transaction costs. After the initial recording, the loans and receivables are measured at the depreciated cost according to the effective interest rate method, less any impairment losses. Loans and receivables include trade receivables and other debtors.

5.5.1.6 Cash and cash equivalents

Cash and cash equivalents are immediately available assets or short-term, highly liquid investments that are easily convertible into a known amount of cash and are subject to a negligible risk of value change.

5.5.1.7 Non-derivative financial liabilities

The Group initially records the debts issued on the date on which they are generated. All the other financial assets are initially recorded on the transaction date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when the contractual rights are extinguished, cancelled or expire.

The financial liabilities are recorded initially at the fair value, adjusted to include any directly attributable transaction costs. After the initial recording, these financial liabilities are measured at the depreciated cost according to the effective interest rate method.

5.5.1.8 Impairment of non-derivative financial assets

A financial asset that is not recorded at its fair value is examined on each closing date in order to determine if there is an objective indication of impairment losses. A financial asset is depreciated if there is an objective indication that one or more events took place after the initial recording of the asset, and that these events have an impact on the future estimated cash flow of the assets, which can be reliably estimated.

5.5.2 Intangible assets

5.5.2.1 Other intangible assets (excluding goodwill)

The other intangible assets that have been acquired by the Group and that have finite useful lives are recorded at cost less the accumulated depreciation and accumulated impairment losses.

They include, in particular, the customer contracts identified during business combinations and software.

5.5.2.2 Subsequent spending

The subsequent spending relating to intangible assets is activated only if it increases the future economic advantages associated with the specific corresponding asset. Other spending, including spending regarding goodwill or trademarks generated internally, is recorded as an expense at the time it is incurred.

5.5.2.3 Depreciation

The amortisation of intangible assets is recorded as an expense according to the straight-line method over the estimated useful life for each component, starting from the commissioning thereof.

The estimated useful lives for the current period are the following:

- Patents and trademarks 5 years
- Software 5 years
- Development costs 5 years
- Customer contracts 30 years

The amortisation methods, the useful lives and the residual values are reviewed on each closing date and adjusted if necessary.

5.5.2.4 Depreciation of non-financial assets

The book values of the non-financial assets of the Group, other than the inventory and the deferred tax assets, are examined on each closing date in order to assess whether there is any indication that an asset has suffered impairment. If there is such an indication, the recoverable value of the asset is estimated. The goodwill and intangible assets of an undetermined useful life are tested every year. An impairment loss is recorded if the book value of an asset or the cash-generating unit (CGU) to which it belongs is greater than its estimated recoverable value.

The recoverable value of an asset or a CGU is the highest value between useful value and the fair value, less the sales costs. In order to assess the useful value, the estimated future cash flows are updated to the rate, before tax, that reflects the current assessment of the time value of money market and the risks specific to the asset or the CGU. Impairment losses are recorded on the income statement. An impairment loss recorded for the CGUs is first of all allocated to the reduction of the book value of any goodwill allocated to the CGU (of a CGU group), then to the reduction of the book values of the other CGU assets (of the CGU group) in proportion to the book value of each CGU asset (of the CGU group).

In the context of impairment tests, the TIGF Group is considered as a single Cash-Generating Unit, since both the Transmission and Storage activities benefit from synergies and pooling implemented from a decision-making, managerial, operational, commercial and financial perspective - and are interdependent in terms of cash flow. They also meet the same economic and financial constraints since their level of investment and acceptance is regulated by the CRE (Energy Regulatory Commission).

An impairment loss recorded for goodwill cannot be reversed. For the other assets, the book value, increased due to the reversal of an impairment loss must not be greater than the book value which would have been determined, net of depreciations, if no impairment loss had been recorded.

5.5.3 Tangible assets

5.5.3.1 Recording and measurement

A tangible asset is measured at cost as defined below, less the accumulation of the depreciation and the accumulation of impairment losses.

The cost includes the spending directly attributable to the acquisition of the asset. When components of tangible assets have different periods of use, they are recorded as distinct tangible assets (major components).

The profit or loss on the transfer of tangible assets (corresponding to the difference between the net income from the sale and the book value of the asset) is recorded on the income statement.

5.5.3.2 Subsequent costs

Subsequent costs are activated only when it is likely that there will be economic advantages for the Group associated to this element. The spending linked to maintenance and repairs is recorded as an expense when it is incurred.

5.5.3.3 Depreciation

Tangible assets are depreciated according to the straight-line method on the income statement, over the estimated useful life for each component. Land is not depreciated.

The tangible assets are depreciated from the time they are installed and ready for use, or for goods produced internally, from the time the asset is completed and ready for use.

The estimated useful lives for the current period and the comparative period for significant tangible assets are the following:

- Pipework and connections 50 years
- Compression stations 30 years
- Constructions 25 years
- Fittings 10 years
- Equipment and tools 10 years
- Transmission equipment 10 years
- Office and IT equipment 5-10 years
- Furniture 10 years
- Cushion gas 75 years

The amortisation methods, the useful lives and the residual values are reviewed on each closing date and adjusted if necessary.

5.5.3.4 Investment subsidies

The European investment subsidies received by the companies of the Group are recorded as a deduction from the assets and are entered on the income statement over the functional lifespan of the assets they contributed to financing.

5.5.4 Inventory

Inventory is measured at the lowest value between the cost and the net realisation value. The cost of inventory is calculated using the average weighted cost method. The cost of entry into inventory of items includes actual accessory purchase costs, excluding transport.

The provision for materials and supplies inventory depreciation is created on the basis of a detailed analysis of rotations by article.

5.5.5 Employee benefits

The Group grants certain employees post-employment benefits (retirement schemes) as well as other long-term benefits (long-service awards).

5.5.5.1 Defined benefit plan - Pensions

The net obligation of the Group for defined benefit plans is measured separately for each plan by estimating the sum of the future benefits acquired by the staff in exchange for services provided during the current and previous periods; this sum is discounted to determine its current value. Post-employment costs not recorded and the fair value of the assets of the plan are then deducted. The discount rate is equal to the interest rate, on the date of closure, of the first category obligations with a due date close to that of the Group's commitments and which are denominated in the currency for payment of the services.
The calculations are made every year by a qualified actuary, using the projected unit credit method. For defined benefit plans, the Group records all the actuarial differences in shareholder equity.

5.5.5.2 Other long-term staff benefits

The Group's net obligation for long-term benefits, other than pension schemes, is equal to the value of the future benefits acquired by the staff in exchange for services rendered during the current period and previous periods. These benefits are primarily composed of long-service awards.

5.5.5.3 Short-term staff benefits

The obligations for short-term benefits are measured on a non-discounted basis and recorded when the corresponding service is provided. A liability is recorded for the amount that the Group expects to pay for profit-sharing and bonus plans paid in cash in the short term if the Group has a current legal or constructive obligation to make these payments in exchange for past services rendered by the staff member and that a reliable estimation may be made of the obligation.

5.5.6 Provisions

A provision is recorded when the Group has a current legal or constructive obligation as a result of a past event, that the obligation may be reliably estimated and that it is likely that an outflow of resources representative of economic benefits will be required to settle the obligation. For provisions whose time frame is greater than 12 months, the amount of the provision is determined by discounting the future expected cash flows at the rate, before tax, reflecting the current assessment by the market of the time value of money and the specific risks in this liability. The effect of the accretion is recorded in the financial charges.

5.5.7 Revenues

Revenues primarily correspond to receipts from transmission and storage capacities, and also from receipts from connection and transit contracts.

The Group records sales when:

- A contractual relation is proven;
- The provision of services is completed;
- The price is fixed or determinable.

The recognition of income from contracts with customers is based on the following five steps:

- Identification of the contract with the client;
- Identification of the obligation to execute, represented by the contractual promise to transfer goods and/or services to a client;
- Determination of the transaction price;
- Allocation of the transaction price to the execution obligations identified on the basis of the separate selling price for each property or service;
- The registration of products when the corresponding performance obligation has been fulfilled, or at the time of the transfer to the customer of the promised property or service. The transfer will be considered to be carried out when the customer obtains control of the goods or services, which may take place in time or at a specific time.

As regards the activities carried out by the TERÉGA Group, revenues are generally recognised when the service is provided. Most of the basic revenues concern regulated activities, whose revenues are governed by the regulatory framework established by the CRE (Energy Regulatory Commission).
As a result, the economic terms of the services provided are defined in accordance with regulations rather than negotiations.

Under the neutrality principle defined by applicable law, transactions in the balancing market do not generate costs or revenues, since they are only batches in transit and are redistributed annually to the gas community. The difference (positive or negative) between the invoice and the forecast is covered in the EIAA (Expenses and Income Adjustment Account).

The current revenue recognition practice is essentially in line with the requirements of IFRS 15. The application of IFRS 15 therefore has no significant impact on how revenues are recognised in the Group's consolidated financial statements.

5.5.8 Lease agreements

Leases are classified as operating leases and are not recorded in the Group's statement of financial status.

Payments under operating leases are recorded on the income statement on a straight-line basis over the term of the lease agreement. The benefits received from the lessor form an integral part of the net total of rental expenses and are recorded, less the expenses, over the term of the lease agreement.

On 13 January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 "Leases" and will apply to financial years beginning on or after 1 January 2019. IFRS 16 replaces the single lease expense line with depreciation of leased assets and interest expense on lease liabilities. This standard aligns the treatment of lease expenses for all leases.

The current revenue recognition practice for leases is substantially in line with IFRS 16. Therefore, the application of IFRS 16 does not have a significant impact on the Group’s consolidated financial statements as at 30 June 2019.

5.5.9 Financial income and charges

The cost of the net financial debt is mainly composed of the interest charges in connection with the financial debts calculated according to the effective interest rate.

The other financial products and expenses include the income from financial assets and the foreign exchange earnings.

5.5.10 Taxes

The tax on the profit includes tax liabilities and deferred tax. Payable and deferred taxes are recorded on the income statement unless they relate to a business combination or to items recorded directly as equity or other elements of comprehensive income.

Payable tax is the estimated tax owed (or to be received) on the taxable profit (or loss) for a period, determined using tax rates that have been adopted or practically adopted on the balance sheet date and any adjustment of the amount of the tax payable in respect of previous periods. For the 2017 and 2018 financial years, the tax rate applied by the group is 34.43%.

The deferred tax is recorded on the basis of the time differences between the book value of the assets and liabilities and their tax bases. The following elements do not give rise to any recognition of deferred tax:

- the initial recognition of an asset or a liability in a transaction which is not a business combination and which affects neither the accounting profit nor the taxable profit;

- the time differences relating to investments in subsidiaries and joint ventures insofar as it is unlikely that they will be reversed in a foreseeable future;

- the taxable time differences generated by the initial recognition of goodwill.

The deferred tax assets and liabilities are measured at the tax rates which are expected to be applied over the period during which the asset will be realised and the liability settled, on the basis of the tax rates which have been adopted or practically adopted on the closing date.

To determine the amount of the tax due and deferred, the Group takes into account the impact of the uncertain tax positions and the additional taxes and interest which may be due.

The deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax assets and liabilities and if they concern taxes on the same income payable to the same tax authority, either on the same taxable entity, or on different taxable entities, but which are intended to pay the current tax assets and liabilities on the basis of the net amount or to realise the tax assets and settle the liabilities simultaneously.

A deferred tax asset is recognised for temporary deductible differences and tax losses and unused tax credits only insofar as it is likely that the Group will have sufficient future taxable profits against which the asset can be charged. The deferred tax assets are examined at each closing date and are reduced insofar as it is unlikely that sufficient taxable profit will be available.

The Group assesses its tax uncertainties in accordance with the principles of IFRIC 23; the application of this standard will therefore not have a significant impact on the Group's consolidated financial statements. This standard clarifies the application of the provisions of IAS 12 "Income Taxes" concerning accounting and valuation, where there is uncertainty about the treatment of income tax.

5.5.11 Foreign currency

Foreign currency transactions are converted into the functional currency of the Group by applying the exchange rate in force on the transaction date. Monetary assets and liabilities recorded in foreign currencies on the balance sheet date are converted into the functional currency by using the exchange rate on that date.
Foreign exchange rate differences arising from these conversions are recorded on the income statement.

5.6 Typical facts of the periods presented

Tax audits

Audit of Accounting for Tax Years 2013/2014/2015

TERÉGA SA was audited for accounting in 2016 for financial years 2013 to 2015
In its tax assessment notice, the auditing unit notified TERÉGA SA that it questioned the depreciable nature of the cushion gas used for the Izaute and Lussagnet underground gas storage sites and therefore intends to reject the deductibility of the annual depreciation charge. TERÉGA SA has formally contested the tax authorities' position.
On 13 October 2017, TERÉGA SA brought the dispute related to the depreciable nature of cushion gas before the French Direct Tax and Turnover Tax Commission (CNIDTCA).

As indicated in note 5.13 on post-closing events, on 19 March 2019, TERÉGA SA received a letter from the National and International Audits Department (DVNI) announcing the abandonment of the recovery on the non-deductibility of the cushion gas depreciation.

Accounting audit for financial years 2016 and 2017

On 19 December 2018, TERÉGA SA received an inspection notice from DVNI covering financial years 2016 and 2017. The inspection is in progress.

Storage regulation

French law 2017-1839 of 30 December 2017, bringing an end to the search for and exploitation of hydrocarbons and implementing various provisions relating to energy and the environment, was published in the Official Journal of the French Republic on 31 December 2017. Its Article 12 provides for regulation of the revenue of storage operators.

The decision of the Energy Regulation Commission (CRE) concerning a draft decision on the revenue of storage operators was published on 22 February 2018 and took effect during the 2018 financial year.

The regulated asset base (RAB) approved by the Energy Regulation Commission amounts to €1,156.1 million with a weighted average cost of capital (WACC) rate of 5.75% for an authorised revenue of €153.4 million in 2018.

5.7 Information relating to the scope

The scope of consolidation is as follows:

Companies	Consolidation method	30/06/2019		30/06/2018	
		% control	% stake	% control	% stake
TERÉGA SA	Full consolidation	100.00%	100.00%	100.00%	100.00%
TERÉGA NEWCO 1	Full consolidation	100.00%	100.00%	0.00%	0.00%
TERÉGA NEWCO 2	Full consolidation	100.00%	100.00%	0.00%	0.00%
TERÉGA SAS	Full consolidation	100.00%	100.00%	100.00%	100.00%

On 19 December 2018, TERÉGA Newco 1 and TERÉGA Newco 2 were incorporated, 100% owned by TERÉGA SAS. They entered the scope of consolidation for the year ended 31 December 2018.

5.8 Information on the comparability of accounts

5.8.1 Change in presentation

There is no change in the presentation of the accounts between 30 June 2019 and 31 December 2018 or 30 June 2018.

5.8.2 Change in accounting method

Changes in accounting methods as at 30 June 2019 have no significant impact on the accounts (see notes 5.5.1.3 and 5.9.10 respectively on IFRS 9 and IFRS 15).

5.8.3 Change in accounting estimate

- **Financial year ended 31 December 2018**

The deliberation of the Energy Regulatory Commission (CRE) of 22 March 2018 marks the start of storage facilities regulation and resulted in a draft decision on the revenue of storage operators. In this deliberation, the CRE takes into account cushion gas (gas injected into underground storage sites, essential for their operation) in the Regulated Asset Base (BAR) and uses a depreciation period of 75 years.

The Group therefore decided to amortise cushion gas in the IFRS consolidated financial statements over 75 years from 1 January 2018, the start of storage activity regulation; this leads to a negative impact of -€7,760 K on IFRS 2018 consolidated income.

- **Half-yearly consolidated financial statements ended 30 June 2019**

Nothing significant is to be reported.

5.9 Notes on the consolidated statement of financial position

5.9.1 Functional and accounting currency

The consolidated financial statements of the Group are presented in euros, the functional currency of the Company. Unless otherwise specified, all the financial information presented in euros is rounded up to the nearest thousand euros.

5.9.2 Intangible assets and goodwill

The change in intangible assets is analysed as follows:

Gross values *(In thousands of euros)*	31/12/2018	Acquisitions	Transfers/ Scrapping	Reclassifications	30/06/2019
Goodwill	420,756	-	-	-	420,756
Development costs	536	-	-	-	536
Software	98,365	-	-	-	98,365
Customers	38,711	-	-	-	38,711
Current intangible fixed assets	6,609	8,263	-	-	14,872
Gross values	**564,977**	**8,263**	**-**	**-**	**573,240**

Depreciation and impairment *(In thousands of euros)*	31/12/2018	Acquisitions	Transfers/ Scrapping	Reclassifications	30/06/2019
Goodwill impairment	-	-	-	-	-
Depr./Imp. devel. costs	(6)	(53)	-	-	(59)
Depr./Imp. of software	(53,797)	(7,144)	-	-	(60,941)
Amortisation/Impairment of software	(6,996)	(640)	-	-	(7,636)
Depreciation and impairment	**(60,799)**	**(7,837)**	**-**	**-**	**(68,636)**
Net book value	**504,178**	**426**	**-**	**-**	**504,604**

Goodwill

At the last annual close on 31 December 2018, the impairment tests carried out did not result in the identification of impairment losses.

The main work consisted of:

- Determining the asset base to be tested from the consolidated financial statements as at 31 December N;
- Analysing the consistency between the cash flows used for the impairment tests and the tested assets;
- Analysing the differences between the trajectories of Strategic Plan N and N-1 used for asset impairment tests and the consistency of the assumptions used in the Strategic Plan;
- Estimating the weighted average cost of capital (“**WACC**”) applicable to cash flows from transmission and storage activities;
- Estimating the enterprise value of the UGT;
- Performing value sensitivity analyses on key operational and financial assumptions.

The impairment test is based on the parameters published by the CRE in its public consultations referring to ATS1 and ATR6.

The sensitivity of the impairment test was tested on a change in WACC of 3 points as well as on a change in the indexation of the value of the BAR (Regulated Asset Base) from 1 to 1.4. The analysis did not identify any significant risk on the valuation of the business value as at 31 December 2018. Given the absence of a value loss index as at 30 June 2019, the test has not been renewed on this date.

Software

No significant change in software in the first half of 2019.

5.9.3 Tangible assets

The change in tangible fixed assets during the year is as follows:

Gross values *(In thousands of euros)*	31/12/2018	Acquisitions	Transfers/ Scrapping	Reclassifications	30/06/2019
Land	10,425	-	-	-	10,425
Land development	10,726	-	-	-	10,726
Buildings	88,607	-	-	-	88,607
Tech installations, material & tools	2,816,668	-	-	188	2,816,856
Other tangible fixed assets	1,536	-	-	35	1,572
Office equipment	1,019	-	-	307	1,326
Transmission equipment	5	-	-	-	5
IT equipment	5,548	-	-	331	5,879
Current tangible fixed assets	60,762	40,542	-	(862)	100,443
Advances and deposits on tang. assets	89	-	-	-	89
Gross values	**2,995,385**	**40,542**	**-**	**-**	**3,035,927**

Depreciation and impairment *(In thousands of euros)*	31/12/2018	Allowance	Transfers/ Scrapping	Reclassifications	30/06/2019
Depr./Imp. Land development	(5,235)	(482)	-	-	(5,717)
Depreciation/Impairment on buildings	(19,544)	(2,305)	-	-	(21,849)
Depreciation/Impairment on technical installations, material & tools	(581,152)	(39,872)	-	-	(621,024)
Depreciation/Impairment on other tangible assets	(821)	(44)	-	-	(865)
Depr./Imp. on Office equipment	(292)	(64)	-	-	(356)
Depr./Imp. on Transmission equipment	(1)	(0)	-	-	(1)
Depr./Imp. IT equipment	(2,349)	(567)	-	-	(2,915)
Depreciation and impairment	**(609,395)**	**(43,333)**	-	-	**(652,728)**
Net book value	**2,385,990**	**(2,791)**	**-**	**-**	**2,383,199**

Acquisitions in the first half of 2019 mainly concern the modernisation and maintenance of the network.

5.9.4 Inventory

Gross values *(In thousands of euros)*	30/06/2019			31/12/2018		
	Gross values	Impairment	Net values	Gross values	Impairment	Net values
Raw materials, supplies and other consumables	27,232	(2,060)	25,171	24,651	(2,061)	22,591
Gross values	**27,232**	**(2,060)**	**25,171**	**24,651**	**(2,061)**	**22,591**

The inventory is composed of gas stock, primarily for own use, and technical equipment spare parts stock.

5.9.5 Trade receivables and other debtors

In thousands of euros	30/06/2019	31/12/2018
Trade receivables	34,700	25,463
Unbilled revenues	26,110	43,641
Impairment	**(0)**	**(0)**
Trade receivables	**60,810**	**69,103**

Unbilled revenues in relation to receivable items mainly concern storage capacity and gas transmission income allocated to June 2019 and invoiced in July 2019.

5.9.6 Tax assets and deferred tax liabilities recorded

5.9.6.1 Changes in the financial year

The change in deferred taxes during the financial year is analysed as follows:

In thousands of euros	31/12/2018	Profit (loss) of the period	Other elements of comprehensive income	Shareholder equity	30/06/2019
- of which deferred tax assets	5	-		-	5
- of which deferred tax liabilities	(233,171)	(15,842)	(18)	9,151	(239,880)
Net deferred tax	**(233,165)**	**(15,842)**	**(18)**	**9,151**	**(239,874)**

Deferred taxes recognised in "Other comprehensive income" relate to actuarial gains and losses on pension obligations.

The deferred taxes in shareholder equity correspond to the interest on the loan repayable in shares for the period from 1 January to 31 December 2018 recorded as equity in accordance with the principles of IAS 39.

5.9.6.2 Nature and change in deferred taxes for the period

In thousands of euros	31/12/2018	Profit (loss) of the period	Other elements of comprehensive income	Shareholder equity	30/06/2019
- Deferred tax on the difference between the book profit (loss) and the fiscal result	2,026	(892)	-	-	1,134
- Deferred tax on revaluation difference on tangible and intangible assets (allocation of the acquisition price)	(184,593)	(1,622)	-	-	(186,215)
- Deferred tax on expenses from the acquisition of securities	39,942	-	-	-	39,942
- Deferred tax on cancellation of regulated provisions	(103,403)	(4,167)	-	-	(107,570)
- Deferred tax on social commitments	6,707	137	(18)	-	6,826
- Tax deferred according to IFRIC 21 C3S	(184)	1,108		-	924
- Deferred tax on adjustment of financial debt (fair value and effective interest rate)	6,340	(10,406)		9,151	5,085
Net deferred tax	**(233,165)**	**(15,842)**	**(18)**	**9,151**	**(239,874)**

5.9.6.3 Deferred tax assets not recognised

In accordance with the description in Note 5.5.1, the tax deficits of the Group entities are not attributed to the profits of other entities. Each legal company is considered an independent tax entity, with the head of tax consolidation being TERÉGA HOLDING.
Thus, deferred tax assets, corresponding to the deficits consumed by the tax consolidation, not recognised in the consolidated financial statements amounted to €8,992 K as at 30 June 2019 and were €12,393 K as at 30 June 2018.

5.9.7 Cash and cash equivalents

In thousands of euros	30/06/2019	31/12/2018
Transferable securities - Cash equivalents	-	17,021
Cash flow	46,394	16,658
Total net cash	**46,394**	**33,680**

5.9.8 Capital and reserves

At 30 June 2019, as well as at 31 December 2018, the share capital amounted to €489,474 K, consisting of 48,947,355 shares with a nominal value of €10.

In 2013, the Group issued a bond redeemable in shares (ORA) with a nominal value of €790,000 K with a maturity of 30 years.

On 26 February 2015, €120,000 K of ORAs were repaid, divided by the percentage of ownership of the capital of the four shareholders, reducing its nominal value to €670,000 K.

The nominal value remains unchanged at 31 December 2018 and 30 June 2019.

5.9.9 Provisions

In thousands of euros	31/12/2018	Allowances	Reversals used	30/06/2019
Provisions for disputes - current	509	-	-	509
Provisions for restructuring - current	1,539	-	(1,111)	428
Other provisions for expenses - current	453	-	-	453
Current provisions	**2,501**	**-**	**(1,111)**	**1,390**
Total provisions	**2,501**	**-**	**(1,111)**	**1,390**

5.9.10 Financial debt

5.9.10.1 Changes in the financial year

The change in financial debts during the financial year is analysed as follows:

In thousands of euros	31/12/2018	Increase	Reduction	Other	30/06/2019
Bond borrowing - non-current	1,421,778	-	-	-	1,421,778
Loans and debt with credit institutions - current	65,000	18,000	(65,000)	-	18,000
Issue of equity securities and state advances - non-current	-	26,727	(26,727)	-	-
Other loans and similar debts - non-current	1,487	4,890	(1,583)	-	4,794
Accrued interest on loans - current	16,832	22,350	(219)	(3,936)	35,027
Total financial debt	**1,505,097**	**71,967**	**(93,529)**	**(3,936)**	**1,479,598**

	30/06/2019					
In thousands of euros	Total	N+1	N+2	N+3	N+4	>=N+5
Bond issues	1,421,778	-	-	521,778	-	900,000
Loans from credit institutions	18,000	18,000	-	-	-	-
Other loans and similar debts	4,794	-	4,794	-	-	-
Accrued interest on borrowing	35,027	35,027	-	-	-	-
Total financial debt	**1,479,598**	**53,027**	**4,794**	**521,778**	**-**	**900,000**

As at 30 June 2019, the financial structure is composed of:

- Bonds for €1,421,778 K, including:
  - Public bond borrowing for €500,000 K, maturing in 2021, rate 4.339%
  - Public bond borrowing for €550,000 K, maturing in 2025, rate 2.200%
  - Private bond borrowing for €350,000 K, maturing 2035, rate 2.998%

- Reserve Revolving Credit Facility, with a drawdown capacity of €250,000 K. The RCF was the subject of a drawdown of €18 million on 30 June 2019, to be repaid in less than a year.

- Accrued interest on loans for €35,027 K

- Other non-current loans and similar debts for €4,794 K (mainly customer guarantees equivalent to deposits and guarantees received)

5.9.10.2 Net financial debt

Net financial debt *In thousands of euros*	**31/12/2018**	**Change in the period**	**Reclassifications**	**Other**	**30/06/2019**
Gross cash	33,680	12,714	-	-	46,394
Debit balances and current bank loans	-	-	-	-	-
Net cash	**33,680**	**12,714**	**-**	**-**	**46,394**
Gross financial debt	1,505,097	(21,562)	-	(3,936)	1,479,598
Net financial debt	**1,471,417**	**(34,277)**	**-**	**(3,936)**	**1,433,204**

5.9.10.3 Management of risks related to financial assets and liabilities

The Group is exposed to the following risks in connection with the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

The aim of the Group's risk policy and management is to identify and analyse the risks with which the Group is faced, to determine the limits within which the risks must lie and the controls to be implemented, to manage the risks and to ensure compliance with the limits defined. The risk policy and risk management systems are regularly reviewed in order to take into account the developments of the market conditions and the activities of the Group. Through its training and management rules and procedures, the Group aims to develop an environment of rigorous control, in which all members of staff have a good understanding of their roles and obligations.

Credit and counterparty risk

The credit and counterparty risk is managed at a Group level. It represents the risk of financial loss for the Group in the event that a customer or a counterparty fails to meet its contractual payment obligations.

The credit and counterparty risk concerns the cash and cash equivalents, the derivatives and the deposits with banks and financial institutions, as well as customer credit exposure, including unpaid receivables.

In view of the types of customers, which are large European gas producers and the relatively small number of shipping customers, the Group considers that it is exposed only to a marginal credit risk.

Liquidity risk

The liquidity risk is the risk that the Group has difficulties in fulfilling its obligations with regard to financial liabilities which will be settled by a delivery of cash or other financial assets. The Group's approach towards managing the liquidity risk is to ensure, insofar as possible, that it always has sufficient liquidities in hand to honour its liabilities, when they become due, under normal or "stressed" conditions, without incurring unacceptable losses or undermining the Group's reputation.

The contractual cash flow is essentially composed of financial costs relating to the payment of interest and capital repayments.

Market risk

The market risk is the risk that variations in market prices, such as exchange rates, interest rates and prices of share capital instruments, affect the Group's income or the value of the financial instruments held. The purpose of the management of the market risk is to manage and control exposure to market risk within acceptable limits, all the while optimising the profitability / risk ratio.
The Group's financial performance is not substantially influenced by exchange fluctuations since a significant part of the activity is within the euro zone and costs and revenues are generally denominated in the same currency.

The Group was exposed to the variations of market interest rates through variable-rate bank loans. Following the refinancing carried out on 5 August 2015, the Group no longer has any variable-rate bank loans.

5.9.10.4 Information on the fair value of financial assets and liabilities

- Cash, loans and receivables

The Group considers that the book value of cash, trade receivables, other receivables, trade payables, other debts and various deposits and guarantees reflects the market value given the high level of liquidity of these items and their maturity at less than one year.

- Assets re-measured at fair value

Marketable securities are recognised at their acquisition price, which reflects their fair value (the amounts are non-significant).

- Derivatives and hedging instruments

The group does not hold any trading derivative or fair value derivative instrument.
The Group has not implemented cash flow hedging instruments.

- Financial liabilities at amortised cost

With regard to trade payables, the Group considers that the book value reflects the market value due to their high level of liquidity.
The market value of long-term and short-term financial debts is determined using the estimated future cash flows discounted using the rates observed by the Group at the end of the period for instruments with similar conditions and maturities.

5.9.11 Trade payables and other creditors

In thousands of euros	30/06/2019	31/12/2018
Trade payables	4,383	7,965
Invoices not yet received	29,357	58,977
Trade payables	**33,740**	**66,942**

The amount of the invoices not yet received at the end of June 2019 corresponds to the normal cycle of work accepted within the scope of the operations carried out by the Group.

The high level of invoices not received as at 31 December 2018 is linked to the level of investment activities that were particularly high at this time with the receipt of significant work.

5.9.12 Other current liabilities

In thousands of euros	30/06/2019	31/12/2018
Employment-related debts - current	30,717	21,785
Tax debts (except corporate tax and company added-value contribution) - current	26,785	9,730
Other debts - current	2,251	2,376
Deferred income & other accrual accounts	-	63
Other current liabilities	**59,753**	**33,955**

5.10 Notes on the consolidated income statement

5.10.1 Income

In thousands of euros	30/06/2019	30/06/2018
Production of services sold	237,780	218,248
Sales of goods	12,179	11,192
Other rebilling with margin	-	89
Revenues	**249,959**	**229,530**

The production of services sold mainly corresponds to the receipts from transmission and storage capacities, to which the receipts from connection and transit contracts are added.

The sectoral distribution of revenues is as follows:

In thousands of euros	30/06/2019	%	30/06/2018	%
Transmission	171,899	69%	148,787	65%
Storage	78,059	31%	80,742	35%
Revenues	**249,959**		**229,529**	

Revenues are generated entirely in France.

5.10.2 Other income

The following are the most significant elements:

In thousands of euros	30/06/2019	30/06/2018
Other income	614	1,182
Transfers of operating expenses	79	416
Other activity income	**693**	**1,599**

Other income is mainly from rebilling for pipe deviations under work agreements.

5.10.3 Purchases and expenses

5.10.3.1 Purchases of materials, supplies and goods

In thousands of euros	30/06/2019	30/06/2018
Purchases of RM, supps. & other goods	(12,775)	(9,423)
Change RM invents, supps. & other goods	2,580	(2,044)
Purchase of studies	-	(40)
Other purchases	1	1
Non-inventory purchases of materials and supplies	(22,052)	(7,338)
Purchases consumed	**(32,245)**	**(18,844)**

5.10.3.2 Personnel expenses

In thousands of euros	30/06/2019	30/06/2018
Staff remuneration	(17,466)	(15,579)
Social sec. and provident expenses	(8,748)	(8,071)
Stocks Options and Free Shares expenses	-	-
Other personnel expenses (including incentive schemes)	(3,237)	(3,168)
Employee profit-sharing	(2,000)	(2,088)
Allocations/Provisions for pension obligations	(569)	(789)
Reversals/Provisions for pension obligations	424	414
Net reversal / (allocation) for pension obligations	*(145)*	*(375)*
Personnel expenses	**(31,595)**	**(29,281)**

The increase in the payroll is mainly due to an increase in the company's workforce.

5.10.3.3 External expenses

In thousands of euros	30/06/2019	30/06/2018
General sub-contracting	(7,808)	(7,056)
Rentals and rental expenses	(834)	(725)
Maintenance and repairs	(5,487)	(7,473)
Insurance premiums	(400)	(423)
Miscellaneous	(731)	(491)
Remuneration of intermediaries & fees	(279)	(288)
Advertising	(608)	(969)
Transmission	(56)	(54)
Travel, assignments	(1,584)	(1,582)
Postage costs	(1,722)	(1,511)
Banking services	(75)	(63)
Other external expenses	(702)	(843)
External expenses	**(20,286)**	**(21,477)**

5.10.4 Financial income and financial expenses

In thousands of euros	30/06/2019	30/06/2018
Interest on bank borrowing	(5,470)	(5,494)
Interest on bond issues	(12,944)	(13,046)
Net financial debt cost	**(18,414)**	**(18,540)**
Financial asset income excl. cash equivalents	0	2
Foreign exchange losses	(0)	(26)
Other financial income and expenses	**(0)**	**(24)**
Financial result	**(18,414)**	**(18,563)**

The interest on borrowing is related to the external financing mentioned in the paragraph "financial debt".

5.10.5 Taxes

5.10.5.1 Taxes recorded in the income statement

In thousands of euros	30/06/2019	30/06/2018
Payable tax (corporate tax at normal rate / additional and exceptional contribution)	(19,993)	(21,775)
Deferred taxes	(15,842)	(14,034)
Income tax	**(35,835)**	**(35,809)**

The Finance Act 2018 increased the reduction in corporate tax rates compared with the Finance Act 2017, which had introduced this gradual decrease, from 33.33% to 25% in 2022.

Taking account of the rate change has a positive impact on the accounts at 31 December 2017 of €20 M.

In accordance with the description in Note 5.9.6, tax assets relating to deficits contributed to the "TERÉGA HOLDING" tax consolidation are not recognised in these consolidated financial statements.
Taking into account this asset, the theoretical tax expense would be as follows:

In thousands of euros	30/06/2019	30/06/2018
Payable tax (corporate tax at normal rate / additional and exceptional contribution)	(19,993)	(21,775)
Deferred taxes	(6,850)	(1,641)
Income tax	**(26,844)**	**(23,416)**

5.10.5.2 Reconciliation between the actual tax and the theoretical tax

In thousands of euros	30/06/2019	30/06/2018
Tax rate	**34.43%**	**34.43%**
Profit (loss) for the period attributable to:		
- owners of the company	48,772	27,727
Consolidated profit (loss) after tax of the consolidated companies	**48,772**	**27,727**
Payable tax	(19,993)	(21,775)
Deferred tax	(15,842)	(14,034)
Income tax	**(35,835)**	**(35,809)**
Consolidated profit (loss) before tax of the consolidated companies	**84,607**	**63,536**
Theoretical tax (at the tax rate of the consolidating company)	**(29,130)**	**(21,878)**
Differences in tax rates	2,152	528
Permanent differences between the book profit (loss) and the tax profit (loss)	(7)	(36)
Non-capitalised tax losses	(7,080)	(10,272)
Non-deductible interest	(2,043)	(4,263)
Tax and corporate tax adjustment	253	25
Tax credits	20	87
Effective tax	**(35,835)**	**(35,809)**

5.10.6 Employee benefits

Employee benefits have not been recalculated as at 30 June 2019.
The information below relates to 31 December 2018.

5.10.6.1 Variation in the net obligation

In thousands of euros	31/12/2018	31/12/2017
Opening net obligation	25,257	25,189
Changes to scope	-	-
Cost of services provided over the period	6,602	2,111
Cost of past services	-	-
Interest expenses	276	320
Actuarial gains and losses CET and MDT	(68)	269
Departure from the scheme	-	-
Actuarial gains and losses	(973)	(1,770)
Benefits paid by the employer	(1,978)	(862)
Employee benefits	**29,116**	**25,257**

The staff benefits are primarily composed of the following elements:

- MIP (Mutuelle de l'Industries du Pétrole): supplemental health scheme,
- Right of early cessation of business (CAA): pension scheme whose purpose is to provide a retirement allowance to employees with sufficient years worked,
- End-of-career compensation: payment of capital owed to the employee by the company at the time of retirement,
- Long-service awards: capital paid to the employee when the employee reaches a certain seniority group,
- PEC (Savings Plan selected): days that the former seconded employees have acquired and which they may use in order to retire earlier,
- Malakoff: company insurance scheme,
- CET (Time Savings Account): the aim is to allow employees who so wish to accumulate paid leave rights.

Company agreements

On 17 October 2018 and 18 December 2018 respectively, TERÉGA SA signed an "Early Retirement" agreement and a "Retirement Compensation" agreement that impacted personnel expenses in the consolidated income statement for €4,087 K and €1,185 K as well as the deferred tax item accordingly.
In accordance with IAS 19, these agreements are analysed as post-employment and have a direct impact on 2018 earnings of -€3,893 K.

5.10.6.2 Net expense recognised in profit (loss)

In *thousands of euros*	2018	2017
Cost of services provided over the period	(6,602)	(2,111)
Interest expenses	(276)	(320)
Actuarial variations time off in lieu account	68	(269)
Cost of services provided over the period and interest expenses	**(6,810)**	**(2,700)**
Used during the year	1,978	862
Expense recorded in profit (loss)	**(4,832)**	**(1,838)**

5.10.6.3 Actuarial assumptions

The actuarial valuation of social security commitments under IAS 19 was carried out by an independent actuary.

	31/12/2018	31/12/2017
Discount rate on the closing date		
Gratuities	1.50%	0.75%
Other schemes		1.25%
Expected rate of return on the assets in the scheme	1.50%	1.50%
Average salary increase rate	3.00%	3.00%
Employer contribution rate		
Gratuities	40.00%	40.00%
Other schemes	55.00%	55.00%
Revenues rate	Executive/Non-Executive tables with decreasing rates according to age and zero over 55 years of age	Executive/Non-Executive tables with decreasing rates according to age and zero over 55 years of age
Retirement age	Executive: 62 to 66 years of age Non-Framework: 60 to 63 years of age	Executive: 62 to 66 years of age Non-Framework: 60 to 63 years of age
Life table	Employment phase: TH/TF 00-02 Retirement phase: TGH/TGF 05	Employment phase: TH/TF 00-02 Retirement phase: TGH/TGF 05

5.11 Related parties

The related parties are mainly the sole partner, TERÉGA Holding SAS and the Group Management.

Executive remuneration is not presented in the notes to the consolidated financial statements as this would indirectly lead to showing individual remuneration.

5.12 Off-balance sheet commitments

5.12.1 Commitments made

No commitments were made by the Group at 30 June 2019.

5.12.2 Commitments received

In thousands of euros	*Nature*	Valuation as of 30/06/2019	Valuation as of 30/06/2018
Customer bank guarantees	Teréga SA	64,437	53,011
Supplier bank guarantees	Teréga SA	26,799	26,365
Total commitments		**91,237**	**79,376**