TERÉGA SAS

IFRS consolidated financial statements
Position at 30 June 2020

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1 Consolidated statement of income

In thousands of euros	*Notes*	30-June-20	30-June-19
Revenues	5.10.1	231,751	249,959
Other income	5.10.2	144	693
Purchases consumed	5.10.3	(19,688)	(32,245)
Personnel expenses	5.10.3	(32,672)	(31,595)
External expenses	5.10.3	(18,550)	(20,286)
Taxes and duties		(12,139)	(10,853)
Allowances for amortisation/depreciation & provisions	5.9.2 - 5.9.3	(54,010)	(51,170)
Other current operating income and expenses		(2,600)	(1,525)
Current operating profit/loss		**92,236**	**102,977**
Other non-current operating income and expenses	5.6	(244)	44
Operating profit/loss		**91,992**	**103,021**
Share of profit(loss) of equity-accounted companies		-	-
Operating profit/loss after share of the income of companies accounted for by the equity method		**91,992**	**103,021**
Net financial debt cost	5.10.4	(19,691)	(18,414)
Other financial income and expenses	5.10.4	-	(0)
Pre-tax profit (loss)		**72,302**	**84,607**
Income tax	5.10.5	(30,532)	(35,835)
Net profit (loss) for the period		**41,769**	**48,772**
Profit (loss) for the period attributable to:			
- owners of the company		41,769	48,772
- equity interest without control		-	-
Earnings per share		0.85	1.00
Diluted earnings per share		0.85	1.00

In thousands of euros	*Notes*	30-June-20	30-June-19
Net profit (loss)		**41,769**	**48,772**
Other elements of comprehensive income:			
Actuarial gains and losses		-	71
Impact of deferred taxes	5.9.6.1	-	(18)
Elements not to be reclassified in profit (loss) subsequently		**-**	**53**
Total other elements of the comprehensive income		**-**	**53**
Total comprehensive income		**41,769**	**48,825**
Attributable to the owners of the company		41,769	48,825
Attributable to equity interests without control		-	-

Statement

2 Consolidated statement of financial position

In thousands of euros	*Notes*	30/06/2020	31/12/2019
Assets			
Goodwill	5.9.2	420,756	420,756
Other intangible assets	5.9.2	90,883	93,730
Tangible assets	5.9.3	2,397,015	2,415,399
Investments in equity-accounted companies		509	-
Other non-current financial assets		379	379
Other non-current assets		3,149	0
Deferred tax assets	5.9.6.1	23	23
Non-current assets		**2,912,713**	**2,930,286**
Inventory	5.9.4	26,756	25,223
Other current financial assets		119	119
Trade receivables	5.9.5	43,441	60,099
Current payable tax receivables		1,284	5,291
Other current assets		20,009	2,914
Cash and cash equivalents	5.9.7	422,262	38,462
Current assets		**513,871**	**132,108**
Total assets		**3,426,584**	**3,062,395**
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	(59,870)	(118,543)
Convertible bonds	5.9.8	670,000	670,000
Profit (loss) for the year attributable to the owners of the company	1	41,769	76,841
Shareholder equity attributable to the owners of the company		**1,212,426**	**1,188,825**
Total shareholder equity		**1,212,426**	**1,188,825**
Non-current financial debts	5.9.10	1,817,154	1,425,565
Employee benefits	5.10.6	31,968	31,672
Deferred tax liabilities	5.9.6.1	250,364	243,129
Non-current liabilities		**2,099,485**	**1,700,366**
Current financial debts	5.9.10	28,657	74,149
Current provisions	5.9.9	410	830
Trade payables	5.9.11	32,733	61,960
Payable tax liabilities		-	-
Other current liabilities	5.9.12	52,873	36,264
Current liabilities		**114,673**	**173,203**
Total shareholder equity and liabilities		**3,426,584**	**3,062,395**

3 Consolidated statement of changes in shareholder equity

In thousands of euros	Capital	Non-distributed profit (loss)	Actuarial reserves	Convertible bonds(1)	Other reserves	Consolidated reserves	Total shareholder equity
Shareholder equity at 31 December 2018	**489,474**	**33,736**	**(1,456)**	**670,000**	**9,958**	**(106,678)**	**1,166,087**
Profit (loss)		76,841					76,841
Total other elements of the comprehensive income			(1,826)				(1,826)
Total comprehensive income for the period	-	**76,841**	**(1,826)**	-	-	**-**	**75,015**
Interest from convertible bonds						(35,146)	(35,146)
Dividends		(17,132)					(17,132)
Total contributions from and distributions to owners of the company	-	**(17,132)**	-	-	-	**(35,146)**	**(52,278)**
Shareholder equity at 31 December 2019	**489,474**	**93,446**	**(3,282)**	**670,000**	**9,958**	**(141,824)**	**1,188,825**

In thousands of euros	Capital	Non-distributed profit (loss)	Actuarial reserves	Convertible bonds(1)	Other reserves	Consolidated reserves	Total shareholder equity
Shareholder equity at 31 December 2019	**489,474**	**93,446**	**(3,282)**	**670,000**	**9,958**	**(141,824)**	**1,188,825**
Profit (loss)		41,769					41,769
Total comprehensive income for the period	-	**41,769**	-	-	-	-	**41,769**
Interest from convertible bonds						(18,169)	(18,169)
Total contributions from and distributions to owners of the company	-	-	-	-	-	**(18,169)**	**(18,169)**
Shareholder equity at 30 June 2020	**489,474**	**135,216**	**(3,282)**	**670,000**	**9,958**	**(159,993)**	**1,212,426**

(1) Convertible bonds issued by the Group are considered as equity instruments according to IAS 32. 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-20	30-June-19
Net profit (loss) for the period	1	41,769	48,772
Removal of expenses and income with no cash impact			
Amortisation/depreciation and provisions	5.3.2 - 5.9.3	53,657	50,204
Income tax	5.10.5.1	30,532	35,835
Financial result	5.10.4	19,691	18,414
Change in working capital requirement		(17,590)	(5,526)
Tax paid		(10,733)	(16,313)
Net cash flow related to operating activities		**117,326**	**131,386**
Acquisition of tangible and intangible assets	5.9.2 - 5.9.3	(32,550)	(48,805)
Transfer of tangible assets		-	0
Investment grants received		-	772
Net cash flow related to investment activities		**(33,059)**	**(48,033)**
Loans issued	5.9.10	398,338	22,890
Loan repayments	5.9.10	(71,750)	(66,583)
Interest paid		(27,056)	(26,946)
Net cash flow related to financing activities		**299,532**	**(70,639)**
Impact of exchange rate fluctuations		-	-
Change in cash flow		**383,799**	**12,714**
Opening cash and cash equivalents		38,462	33,680
Closing cash and cash equivalents	5.9.7	422,262	46,394

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 2020 are drawn up in relation to the Company and its subsidiaries, referred to together as "the Group", and each individually as "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).

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 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

IFRS 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 2020:

IFRS ADOPTED BY THE EU *(and related amendments)*	IMPACT	SEE 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 - Financial Reporting in 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 IFRS	**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 2019
The Group has applied the following standards applicable as of 1 January 2019:

IFRS 16 - Leases

IFRS 16 eliminates the distinction between simple lease and financial lease in IAS 17 and requires almost all lease agreements on the balance sheet:

- an asset representative of the right of use of the leased asset during the term of the contract;
- offsetting a liability in respect of the obligation to pay rents.

The application of IFRS 16 has no significant consequences in the Group's consolidated financial statements as at 31 December 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 application of IFRIC 23 will therefore have no significant consequences in the Group's consolidated financial statements as at 31 December 2019.

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 in 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 period of use of tangible and intangible assets used for the calculation of amortisation and depreciation: these estimates are presented in note 5.5.2.3 of the accounting principles;

- 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 (assumptions described in note 5.10.6);
- the valuation of the financial instruments (see note 5.5.1.3);
- 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 from the date of their acquisition of control or, for reasons of convenience, if the impact is not material, from the date of establishment of the most recent consolidated balance sheet.

The consolidated financial statements presented in this document cover the period from 1 January to 30 June 2020, compared with 31 December 2019 for balance sheet accounts and 30 June 2019 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 transactions in account between the fully consolidated company and its consolidated subsidiaries

5.4.3 Partially controlled interests: equity-accounted companies

Equity accounting consists in including the consolidating company's share of equity and profit or loss in its financial statements.

5.4.4 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 principles used on the establishment of the group

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

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 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**

	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 - €500 M bond	(63)	22	(41)
Allocation of the acquisition price	**810**	**(279)**	**531**
Goodwill			**421**

In application of the principles laid down by IFRS 3, as it concerned a business combination, the valuation at fair value of certain tangible and intangible assets acquired respectively led to a re-measurement of €797 million and €39 million (see paragraphs relating to the tangible assets, intangible assets and goodwill).
The €500 million bond was revalued at its fair value with a negative impact of €63 million.
Residual goodwill of €421 million was then recorded for the difference between the cost of acquiring TERÉGA SA and the net fair value of the assets and liabilities restated as part of the acquisition.

5.5.1.2 Recognition of the tax expense

TERÉGA SAS belongs to the tax group of which TERÉGA HOLDING is the consolidation parent company. The tax consolidation agreement between TERÉGA HOLDING, TERÉGA SAS, TERÉGA SOLUTIONS SAS (formerly Newco

1), LOCATEREGA (formerly Newco 2), and TERÉGA SA provides that the profit (loss) for tax purposes is definitively acquired by the parent company. The tax expense applied in the accounts of TERÉGA SAS thus corresponds to the profit (loss) for tax purposes of TERÉGA SA, TERÉGA SOLUTIONS, LOCATEREGA, and TERÉGA SAS as if they were taxed separately.
The reintegration of financial expenses has also been maintained at the TERÉGA HOLDING level, with taxation at the group level.

5.5.2 Accounting methods and valuation rules - Presentation basis

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

5.5.2.1 Business combinations

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 consideration 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 previously 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 consideration 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 then measured at the cost, less the accumulation of impairment losses.

5.5.2.2 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 equity instruments according to IAS 32.
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.

5.5.2.3 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 accounting practice 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.

5.5.2.4 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 position if, and only if, the Group legally has the right to offset the amounts and has the intention to either settle them for a net sum or liquidate the assets and pay off the liabilities simultaneously.

5.5.2.5 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 amortised cost according to the effective interest rate method, less any impairment losses. Loans and receivables include trade receivables and other debtors.

5.5.2.6 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.

5.5.2.7 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 amortised cost according to the effective interest rate method.

5.5.2.8 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 impaired 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.

5.5.3 Intangible assets

5.5.3.1 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 amortisation and accumulated impairment losses.

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

5.5.3.2 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.

5.5.3.3 Amortisation

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.

5.5.3.4 Impairment 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 amortisation, if no impairment loss had been recorded.

5.5.4 Tangible assets

5.5.4.1 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.

5.5.4.2 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.

5.5.4.3 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.

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 useful lives for tangible assets are as follows:

- 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 cushion gas corresponds to a permanent gas reserve that makes it possible to maintain the level of pressure required for storage and to maintain the delivery speeds requested by customers.
Regarding its depreciation: see note 5.8 on “information on the comparability of accounts”.

5.5.4.4 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.

5.5.5 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 impairment is created on the basis of a detailed analysis of rotations by article.

5.5.6 Employee benefits

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

Defined-benefit plan
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 present 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.

5.5.6.1 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.

5.5.6.2 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.

5.5.7 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.

5.5.8 Revenues

Revenues mainly correspond to the income from transmission and storage capacities but also income 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.

5.5.9 Lease agreements

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

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.

- IFRS 16 eliminates the distinction between simple lease and financial lease in IAS 17 and requires almost all lease agreements on the balance sheet: an asset representative of the right of use of the leased asset during the term of the contract;
- offsetting a liability in respect of the obligation to pay rents.

The application of IFRS 16 has no significant consequences in the Group's consolidated financial statements as at 30 June 2020.

5.5.10 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.

5.5.11 Taxes

Income taxes include tax liabilities and deferred taxes. 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 financial year 2020, the tax rate applied by the group is 32.02%.

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 settle 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 used. 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.

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.
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.

5.5.12 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

Issue of a bond

On 20 February 2020, TERÉGA SAS issued an eight-year fixed-rate bond on the European market listed on Euronext Paris for a nominal amount of €400 million. Bonds bear interest at an annual fixed rate of 0.625% and will mature on 27 February 2028.

European Commission investigation

The European Commission, by notification received by the French authorities on 2 March 2020, initiated a State aid investigation into the mechanism for regulating natural gas storage activities in France. At this stage, TERÉGA has no visibility over the duration or potential impacts of this survey on the economic model of storage activity in France.

COVID-19

The entity's financial statements have been prepared on a going concern basis. The entity expects a limited impact of Covid-19 on its financial statements in 2020. The entity's management is not aware of any factors that would jeopardise the entity's ability to continue operating and that would have a material impact on the financial statements as at 30 June 2020.

Acquisition of Dualmetha shares

In May 2020, the TERÉGA Group acquired a 19.96% stake in Dualmetha through TERÉGA Solutions SAS.

5.7 Information relating to the scope

The scope of consolidation is as follows:

Companies	Consolidation method	30/06/2020 % control	30/06/2020 % stake	31/12/2019 % control	31/12/2019 % stake
TERÉGA SA	Full consolidation	100.00%	100.00%	100.00%	100.00%
TEREGA SOLUTIONS SAS	Full consolidation	100.00%	100.00%	100.00%	100.00%
DUALMETHA SAS	Equity method	19.96%	19.96%	0.00%	0.00%
LOCATEREGA	Full consolidation	100.00%	100.00%	100.00%	100.00%
TERÉGA SAS	Full consolidation	100.00%	100.00%	100.00%	100.00%

In 2020, TERÉGA Newco 1 and TERÉGA Newco 2 were renamed TERÉGA Solutions SAS and Locaterécga.

In May 2020, the TERÉGA Group acquired a 19.96% stake in Dualmetha through TERÉGA Solutions SAS.

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 2020 and 31 December 2019 or 30 June 2019.

5.8.2 Change in accounting method

There is no change in accounting method as at 30 June 2020.

5.8.3 Change in accounting estimate

There is no change in accounting estimates as at 30 June 2020.

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

5.9.2.1 Changes in the financial year

Gross values *(In thousands of euros)*	**31/12/2018**	**Acq.**	**Transfers/ Scrapping**	**31/12/2019**	**Acq.**	**Transfers/ Scrapping**	**30/06/2020**
Goodwill	420,761			420,761			420,761
Development costs	536	2,979	-	3,515	-	-	3,515
Software	98,365	22,075	(10,385)	110,055	-	-	110,055
Customers	38,711	-	-	38,711	-	-	38,711
Intangible assets in progress	6,609	1,696	-	8,305	7,553	-	15,858
Gross values	**564,982**	**26,749**	**(10,385)**	**581,347**	**7,553**	**-**	**588,900**

Amortisation and impairment *(In thousands of euros)*	**31/12/2018**	**Allowances**	**Transfers/ Scrapping**	**31/12/2019**	**Allowances**	**Transfers/ Scrapping**	**30/06/2020**
Goodwill impairment	(5)			(5)			(5)
Amt./Imp. devel. costs	(6)	(133)	-	(138)	(353)	-	(491)
Amt./Imp. software	(53,797)	(15,019)	10,385	(58,431)	(9,406)	-	(67,836)
Amt./Imp. customer base	(6,996)	(1,290)	-	(8,287)	(642)	-	(8,928)
Amortisation and impairment	**(60,804)**	**(16,442)**	**10,385**	**(66,861)**	**(10,401)**	**-**	**(77,261)**
Net book value	**504,179**		**-**	**514,486**		**-**	**511,639**

Goodwill:

At the last annual close on 31 December 2019, the impairment tests carried out did not result in any adjustments.

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 ATS2 and ATR7.

The sensitivity of the impairment test was tested on a change in WACC as well as on a change in the indexation of the value of the BAR (Regulated Asset Base). The analysis did not identify any significant risk in the valuation of the company's value.

Given the economic and health situation of the first half of 2020 related to Covid-19, an impairment test was carried out on 30 June 2020 and did not reveal any significant risk on the measurement of the enterprise value.

Software

No significant change in software in the first half of 2020.

5.9.3 Tangible assets

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

Gross values *(In thousands of euros)*	31/12/2018	Acq.	Transfers/ Scrapping	31/12/2019	Acq.	Transfers/ Scrapping	30/06/2020
Land	10,426	606	-	11,031	33		11,064
Land development	10,724	331	-	11,057	-	-	11,057
Buildings	88,607	6,295	-	94,902	-	-	94,902
Tech installations, material & tools	2,816,668	134,465	(534)	2,950,598	402	-	2,951,000
Other tangible assets	1,536	301	(83)	1,755	56	-	1,811
Office equipment	1,019	637	(23)	1,633	10	-	1,643
Transmission equipment	5	-	-	5	-	-	5
IT equipment	5,548	843	(444)	5,947	365	-	6,312
Tangible fixed assets in progress	60,762	(27,830)	0	32,932	24,131	-	57,063
Advances and deposits on tang. assets	89		(5)	85		-	85
Gross values	**2,995,385**	**115,647**	**(1,088)**	**3,109,944**	**24,997**	**-**	**3,134,941**

Depreciation and impairment *(In thousands of euros)*	31/12/2018	Allowances	Transfers/ Scrapping	31/12/2019	Allowances	Transfers/ Scrapping	30/06/2020
Depr./Imp. on land development	(5,235)	(954)	-	(6,190)	(483)		(6,672)
Depr./Imp. on buildings	(19,544)	(4,590)	-	(24,134)	(2,430)	-	(26,563)
Depr./Imp. on technical installations, material & tools	(581,152)	(79,269)	534	(659,886)	(39,739)	-	(699,626)
Depr./Imp. on other tangible assets	(821)	(102)	83	(841)	(60)	-	(901)
Depr./Imp. on office equipment	(292)	(147)	23	(416)	(82)	-	(498)
Depr./Imp. on transmission equipment	(1)	(0)	-	(2)	(0)	-	(2)
Depr./Imp. on IT equipment	(2,349)	(1,172)	444	(3,076)	(587)	-	(3,663)
Depreciation and impairment	**(609,395)**	**(86,234)**	**1,084**	**(694,545)**	**(43,381)**	-	**(737,926)**
Net book value	**2,385,990**		**(5)**	**2,415,399**		**-**	**2,397,015**

Acquisitions in the first half of 2020 mainly concern the modernisation and maintenance of the network.

5.9.4 Inventory

Gross values (In thousands of euros)	30/06/2020			31/12/2019		
	Gross values	Imp.	Net values	Gross values	Imp.	Net values
Raw materials, supplies and other consumables	29,047	(2,291)	26,756	27,447	(2,224)	25,223
Gross values	**29,047**	**(2,291)**	**26,756**	**27,447**	**(2,224)**	**25,223**

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

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

5.9.5 Trade receivables and other debtors

In thousands of euros	30/06/2020	31/12/2019
Trade receivables	5,189	28,384
Unbilled revenues	38,253	31,716
Customer dep. & related accounts	(0)	(0)
Trade receivables	**43,441**	**60,099**

Unbilled revenues in relation to receivable items mainly concern storage capacity and gas transmission income allocated to June 2020 and invoiced in July 2020.

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	31/12/2019	Profit (loss) for the period	Shareholder equity	30/06/2020
Deferred tax assets	23	-	-	23
Deferred tax liabilities	(243,129)	(15,792)	8,558	(250,364)
Net deferred tax	**(243,106)**	**(15,792)**	**8,558**	**(250,341)**

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

Deferred taxes in equity correspond to the convertible bond interest for the period from 1 January to 30 June 2020.

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

The valuation of deferred tax assets and liabilities must reflect the tax consequences that would result from how the entity expects, at the closing date, to recover or settle the book value of its assets and liabilities.

5.9.6.2 Deferred tax types for the period

	31/12/2019	Profit (loss) for the period	Other reserves	30/06/2020
- Deferred tax on the difference between the book profit (loss) and the profit (loss) for tax purposes	1,598	(584)	-	1,014
- Deferred tax on revaluation difference on tangible and intangible assets (allocation of the acquisition price)	(188,164)	(1,760)	-	(189,924)
- Deferred tax on expenses from the acquisition of securities	39,942	-	-	39,942
- Deferred tax on cancellation of regulated provisions	(112,044)	(4,124)	-	(116,168)
- Deferred tax on social commitments	7,645	81	-	7,726
- Deferred tax according to IFRIC 21	(188)	897	-	709
- Deferred tax on adjustment of financial debt (fair value and effective interest rate)	8,106	(10,302)	8,558	6,362
Net deferred tax	**(243,106)**	**(15,792)**	**8,558**	**(250,340)**
- of which deferred tax assets	23	-	-	23
- of which deferred tax liabilities	(243,129)	(15,792)	8,558	(250,364)
Net deferred tax	**(243,106)**	**(15,792)**	**8,558**	**(250,340)**

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 placed above TERÉGA SAS.

5.9.7 Cash and cash equivalents

In thousands of euros	30/06/2020	31/12/2019
Marketable securities - Cash equivalents	-	-
Cash	422,262	38,462
Total net cash	**422,262**	**38,462**

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.

5.9.8 Capital and reserves

At 30 June 2020, as well as at 31 December 2019, the share capital amounted to €489,474 K, consisting of 48,947,355 shares with a nominal value of €10.

The Group set up external funding as well as a convertible bond with a nominal value of €790,000 K with an initial maturity of 30 years. Convertible bonds issued by the Group are considered as equity instruments according to IAS 39. The interest expenses on the ORA (after tax) are classified as shareholder equity.

On 26 February 2015, €120,000 K of the ORA was 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 30 June 2020.

5.9.9 Provisions

In thousands of euros	31/12/2019	Allowances	Reversals used	30/06/2020
Provisions for disputes - current	509	-	(420)	89
Other provisions for expenses - current	321	-	-	321
Current provisions	**830**	**-**	**(420)**	**410**
Total provisions	**830**	**-**	**(420)**	**410**

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.

5.9.10 Financial debt

5.9.10.1 Changes for the period

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

In thousands of euros	31/12/2019	Increase	Reduction	Other	30/06/2020
Bonds - non-current	1,419,013	394,876	-	-	1,813,889
Issue of equity securities and state advances - non-current	-	26,874	(26,874)	-	0
Other loans and similar debts - non-current	6,552	858	(4,146)	-	3,265
Accrued interest on loans - non-current	-	-	(3,475)	3,475	-
Total non-current	**1,425,565**	**422,608**	**(34,495)**	**3,475**	**1,817,154**
Loans and debt with credit institutions - current	65,000	-	(65,000)		-
Accrued interest on loans - current	9,149	22,983	-	(3,475)	28,657
Total current	**74,149**	**22,983**	**(65,000)**	**(3,475)**	**28,657**
Total financial debt	**1,499,714**	**445,591**	**(99,495)**	**-**	**1,845,811**

In thousands of euros	Total	N+1	N+2	N+3	N+4	>=N+5
	30/06/2020					
Bond issues	1,813,889	-	524,390	-	-	1,289,500
Other loans and similar debts	3,265	-	3,265	-	-	-
Accrued interest on borrowing	28,657	28,657	-	-	-	-
Total financial debt	**1,845,811**	**28,657**	**527,654**	**-**	**-**	**1,289,500**

The financial structure is composed of:

- Bonds for €1,813,889 K, primarily including:
  - Public bond for €500,000 K, maturing in 2021, rate 4.339%
  - Public bond for €550,000 K, maturing in 2025, rate 2.200%
  - Private bond for €350,000 K, maturing 2035, rate 2.998%
  - Private bond for €400,000 K, maturing 2028, rate 0.625%

- RCF reserve loan with a drawdown capacity of €250,000 K. A €65,000 K RCF repayment was made in the first half of 2020. There were no drawdowns during this period

- Accrued interest on loans for €28,657 K

- Other non-current loans and similar debts for €3,265 K (mainly customer guarantees equivalent to deposits and securities received)

The Group complies with its contractual commitments to banking ratios.

5.9.10.2 Net financial debt

Net financial debt *In thousands of euros*	31/12/2018	Change in the period	31/12/2019	Change in the period	30/06/2020
Gross cash	33,680	4,783	38,462	383,799	422,262
Debit balances and current bank loans	-	-	-	-	-
Net cash	**33,680**	**4,783**	**38,462**	**383,799**	**422,262**
Gross financial debt	1,505,097	(5,382)	1,499,714	346,096	1,845,811
Net financial debt	**1,471,417**	**(10,165)**	**1,461,252**	**(37,703)**	**1,423,549**

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 and constructive control, in which all the 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.

The maximum exposure to the credit and counterparty risk on the closing date is the following:

			30/06/2020			
In thousands of euros	Total	N+1	N+2	N+3	N+4	>=N+5
Trade receivables	43,441	43,442	-	-	-	-
Current payable tax receivables	1,284	1,284	-	-	-	-
Social receivables	7,751	7,751	-	-	-	-
Tax receivables	10,356	10,356	-	-	-	-
Other receivables	688	688	-	-	-	-
Total receivables	**63,521**	**63,521**	**-**	**-**	**-**	**-**

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 liquid assets 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.

- Balance sheet of financial instruments

The market values of financial assets and liabilities measured at fair value in the statement of financial position were classified according to the hierarchy below as defined by IFRS 7:

  - Level 1: the fair value is based on the listed prices (non-adjusted) observed on active markets, for identical assets or liabilities.

  - Level 2: the fair value measured with the help of data (“inputs”), other than the prices in level 1, which may be observed for the assets or the liabilities in question, either directly (in price form) or indirectly (determined on the basis of price).

  - Level 3: the fair value measured with the help of data (“inputs”) which are not based on observable market data (non-observable “inputs”).

5.9.11 Trade payables and other creditors

In thousands of euros	30/06/2020	31/12/2019
Trade payables	6,342	6,624
Invoices not yet received	26,392	55,336
Trade payables	**32,733**	**61,960**

The amount of the invoices not yet received at the end of June 2020 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 2019 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	30/06/2020	31/12/2019
Employment-related debts - current	27,495	22,381
Tax debts (except corporate tax and company added-value contribution) - current	23,168	11,472
Other debts - current	2,209	2,410
Deferred income & other accrual accounts	-	-
Other current liabilities	**52,873**	**36,264**

Employment-related debts were higher at 30 June 2020 due to:

- The provision of €1,623 K established for optional/mandatory profit sharing for the first half of 2020 (the 2019 provision is still recorded in debts at 30 June 2020)
- VAT accounts for €4,680 K and provisions for miscellaneous taxes (CET, TF, C3S) for €7,884 K

5.9.13 Other current assets

In thousands of euros	30/06/2020	31/12/2019
Suppliers - Advances and advances paid	1	-
Debtor suppliers (discounts, rebates, reductions and other credit notes)	1,213	875
Receivables from employees & social security bodies	7,751	168
Tax receivables - excluding corporate tax - current	10,356	1,765
Other receivables - current	23	45
Prepaid expenses	666	61
Gross values	**20,009**	**2,914**

Receivables from staff and social welfare bodies are offset by liabilities for €7,183 K.
Tax receivables were higher as of 30 June 2020 due to advance payments on CFE and CVAE for a total of €5,433 K and VAT receivables for €3,186 K.

5.10 Notes on the consolidated statement of income

5.10.1 Income

In thousands of euros	30/06/2020	30/06/2019
Production of services sold	228,873	237,780
Sales of goods	2,877	12,179
Revenues	**231,751**	**249,959**

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*	30/06/2020	%	30/06/2019	%
Transmission	155,031	67%	171,899	69%
Storage	76,719	33%	78,059	31%
Revenues	**231,751**		**249,959**	

Revenues are generated entirely in France.

5.10.2 Other income

The following are the most significant elements:

In *thousands of euros*	30/06/2020	30/06/2019
Other income	138	614
Transfers of operating expenses	5	79
Other income	**144**	**693**

Other income is mainly from re-billing for pipe diversions under work agreements.

5.10.3 Purchases and expenses

5.10.3.1 Purchases of materials, supplies and goods

In thousands of euros	30/06/2020	30/06/2019
Purchases of RM, supps. & other goods	(7,863)	(12,775)
Change RM invent., supps. & other goods	1,601	2,580
Other purchases	-	1
Non-inventory purchases of materials and supplies	(13,426)	(22,052)
Purchases consumed	**(19,688)**	**(32,245)**

5.10.3.2 Personnel expenses

In thousands of euros	30/06/2020	30/06/2019
Staff remuneration	(17,511)	(17,466)
Social sec. and provident expenses	(9,169)	(8,748)
Other personnel expenses (including incentive schemes)	(3,696)	(3,237)
Employee profit-sharing	(2,000)	(2,000)
Allocations/Provisions for pension obligations	(353)	(569)
Reversals/Provisions for pension obligations	57	424
Net reversal / (allocation) for pension obligations	*(296)*	*(145)*
Personnel expenses	**(32,672)**	**(31,595)**

5.10.3.3 External expenses

In thousands of euros	30/06/2020	30/06/2019
General sub-contracting	(5,442)	(7,808)
Rentals and rental expenses	(1,014)	(834)
Maintenance and repairs	(5,104)	(5,487)
Insurance premiums	(375)	(400)
Miscellaneous	(334)	(731)
Remuneration of intermediaries & fees	(529)	(279)
Advertising	(630)	(608)
Transmission	(94)	(56)
Travel, assignments	(843)	(1,584)
Postage	(1,287)	(1,722)
Banking services	(1,767)	(75)
Other external expenses	(1,131)	(702)
External expenses	**(18,550)**	**(20,286)**

5.10.4 Financial income and financial expenses

In thousands of euros	30/06/2020	30/06/2019
Interest on bank borrowing	(10,952)	(10,884)
Interest on bonds	(26,080)	(26,111)
Net financial debt cost	**(19,691)**	**(18,414)**
Dividends	-	-
Financial asset income excl. cash equivalents	-	0
Foreign exchange losses	-	(0)
Other financial expenses	-	-
Other financial income and expenses	**-**	**(0)**
Financial result	**(19,691)**	**(18,414)**

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	30/06/2020	30/06/2019
Payable tax (corporate tax at normal rate / additional and exceptional contribution)	(14,740)	(19,993)
Deferred taxes	(15,792)	(15,842)
Income tax	**(30,532)**	**(35,835)**

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 tax expense would be as follows:

In thousands of euros	30/06/2020	30/06/2019
Payable tax (corporate tax at normal rate / additional and exceptional contribution)	(14,740)	(19,993)
Deferred taxes	(15,792)	(15,842)
Income tax	**(30,532)**	**(35,835)**

5.10.5.2 *Reconciliation between the actual tax and the theoretical tax*

In thousands of euros	30/06/2020	30/06/2019
Tax rate	**32.02%**	**34.43%**
Profit (loss) for the period attributable to:		
- owners of the company	41,769	48,772
Consolidated profit (loss) after tax of the consolidated companies	**41,769**	**48,772**
Payable tax	(14,740)	(19,993)
Deferred tax	(15,792)	(15,842)
Income tax	**(30,532)**	**(35,835)**
Consolidated profit (loss) before tax of the consolidated companies	**72,302**	**84,607**
Theoretical tax (at the tax rate of the consolidating company)	**(23,151)**	**(29,130)**
Differences in tax rates	1,406	2,152
Permanent differences between the book profit (loss) and the tax profit (loss)	(14)	(7)
Non-capitalised tax losses	(6,845)	(7,080)
Non-deductible interest	(1,995)	(2,043)
Tax and corporate tax adjustment	25	253
Tax credits	41	20
Effective tax	**(30,532)**	**(35,835)**

5.10.6 Employee benefits

Employee benefits have not been recalculated as at 30 June 2020.
The information below relates to 31 December 2019.

5.10.6.1 *Variation in the net obligation*

In thousands of euros	31/12/2019	31/12/2018
Opening net obligation	29,116	25,257
Cost of services provided over the period	1,719	6,602
Interest expenses	442	276
Actuarial gains and losses CET and MDT	41	(68)
Actuarial gains and losses	2,462	(973)
Benefits paid by the employer	(2,108)	(1,978)
Employee benefits	**31,672**	**29,116**

The staff benefits are primarily composed of the following elements:

- MIP (Mutuelle de l'Industries du Pétrole): supplemental health scheme,
- Early retirement right (CAA): pension scheme intended 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.

5.10.6.2 Net expense recognised in profit (loss)

In thousands of euros	FY 2019	FY 2018
Cost of services provided over the period	(1,719)	(8,372)
Interest expenses	(442)	(552)
Actuarial variations time off in lieu account	(41)	136
Cost of services provided over the period and interest expenses	**(2,202)**	**(8,788)**
Used during the year	2,108	3,956
Expense recorded in profit (loss)	**(94)**	**(4,832)**

5.10.6.3 Actuarial assumptions

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

	31/12/2019	31/12/2018
Discount rate on the closing date Gratuities Other schemes	0.75%	1.50%
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 Other schemes	40.00% 52.00%	40.00% 55.00%
Employee turnover rate	Executive/Non-Executive tables with decreasing rates by age and zero over 55 years of age	Executive/Non-Executive tables with decreasing rates by 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 2020.

5.12.2 Commitments received

In thousands of euros	*Nature*	Valuation as of 30/06/2020	Valuation as of 30/06/2019
Customer bank guarantees	Teréga SA	73,964	64,437
Supplier bank guarantees	Teréga SA	10,271	26,799
Total commitments		**84,235**	**91,237**