

**OTSM S.A. OF MAINTENANCE COMPULSORY
STOCKS AND TRADING OF CRUDE OIL AND
PETROLEUM PRODUCTS**

Financial Statements
in accordance with IFRS for the
year ended 31 December 2017

COMPANY REGISTRATION NUMBER: 1178122701000

REGISTERED OFFICE: 8^A CHIMARRAS STR, 15125 MAROUSSI, GREECE

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Company Information

Directors Howard Prince-Wright – Chairman of the Board
Emmanouil Markakis – Member and legal representative
Sofia Grigoriadou – Member
Vasilis Konstantinidis - Member

Registered Office: 8A Chimarras Str.
15125 Maroussi, Greece

Registration number: 117812701000

Auditors: KPMG Certified Auditors AE
3, Stratigou Tombra Str,
153 42 Aghia Paraskevi,
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Independent Auditor's Report

Statement of Financial Position

	Note	<u>2017</u>	<u>2016</u>
ASSETS			
Non current assets			
Deferred income tax asset	7	9.473	7.076
Total non current assets		9.473	7.076
Current assets			
Oil stock held	6	91.429	118.972
Accounts receivable and other receivables	8	28.990	43.617
Cash and cash equivalents	9	42	369
Total current assets		120.461	162.958
Total assets		129.934	170.034
EQUITY			
Share capital	10	2.000	2.000
Retained earnings and reserves	11	111	19.147
Total equity		2.111	21.147
LIABILITIES			
Current liabilities			
Trade and other payables	12	34.127	21.006
Tax payables	15	107	6.439
Derivative financial instruments	13	13.031	16.685
Borrowings	14	80.558	104.757
Total current liabilities		127.823	148.887
Total liabilities		127.823	148.887
Total equity and liabilities		129.934	170.034

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

These financial statements were approved by the board on 14 June 2018.

H. Prince-Wright

E.Markakis

S. Doukas
 Lic No OEE 0100520 A' Class

Chairman of the Board

Member of the Board

RSM Business Advisors EPE

Statement of Comprehensive Income

	Note	<u>2017</u>	<u>2016</u>
Revenue	16	33.444	33.919
Cost of sales	17	(49.588)	(54.939)
Gross profit		(16.144)	(21.020)
General and administrative costs		(222)	(284)
Operating result		(16.366)	(21.304)
Finance income	18	145	143
Finance cost	18	(5.212)	(6.320)
Finance (expenses)/ income - net		(5.067)	(6.177)
Loss before income tax		(21.433)	(27.481)
Income tax credit / (expense)	19	2.397	8.819
Loss after tax for the year		(19.036)	(18.662)
Other comprehensive income for the year net of tax		-	-
Total comprehensive loss for the year		(19.036)	(18.662)

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Note	Share capital	Reserves	Retained Earnings	Total Equity
Balance at 1 January 2016		2.000	667	37.142	39.809
Other comprehensive income for the year		-	-	-	-
Loss for the year		-	-	(18.662)	(18.662)
Total comprehensive loss for the year		-	-	(18.662)	(18.662)
Balance at 31 December 2016		2.000	667	18.480	21.147
Balance at 1 January 2017		2.000	667	18.480	21.147
Other comprehensive income for the year		-	-	-	-
Loss for the year		-	-	(19.036)	(19.036)
Total comprehensive loss for the year		-	-	(19.036)	(19.036)
Balance at 31 December 2017		2.000	667	(556)	2.111

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

Statement of Cash flows

	Note	<u>2017</u>	<u>2016</u>
Loss before tax		(21.433)	(27.481)
Adjustments for:			
Depreciation of property, plant and equipment	5	0	18
Finance expenses-net (disclosed in investing and financing activities)	18	5.067	6.178
NRV provision (oil stock held)		0	(17.633)
Change of fair value of derivative financial instruments	13	(3.653)	49.902
		(20.019)	10.984
Changes in working capital			
Decrease/ (increase) in oil stock held		27.543	(1.799)
Decrease/ (increase) in trade and other receivables		22.551	30.027
Increase/ (decrease) in trade and other payables		13.079	(18.718)
		63.173	9.510
Cash generated from operating activities		43.154	20.494
Taxes paid	15	(14.214)	(2.454)
Net cash generated from operating activities		28.940	18.040
Cash flows from investing activities			
Interest received	18	145	143
Net cash used in investing activities		145	143
Cash flows from financing activities			
Payment of long term borrowings	14	(24.100)	(11.400)
Interest paid	14	(5.312)	(6.434)
Net cash generated from financing activities		(29.412)	(17.834)
Net (decrease)/ increase in cash and cash equivalents		(327)	349
Cash and cash equivalents on the beginning of the period		369	20
Net (decrease)/ increase in cash and cash equivalents		(327)	349
Cash and cash equivalents at the end of the period	9	42	369

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 General information

OTSM S.A. OF MAINTENANCE COMPLULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS (the “Company”) operates in the oil industry. Based on the articles of incorporation, the Company’s activities include a) holding Compulsory Stock on behalf of third parties pursuant to a Compulsory Stock Obligations (CSO) Delegation Agreement and b) trading of crude oil and petroleum products.

The Company is incorporated in Greece and the address of its registered office is 8^A Chimarras Str. Maroussi, Greece.

The Company is a 100% subsidiary of DMEP UK Ltd which is in turn a 100% subsidiary of DMEP HoldCo Ltd. Both DMEP HoldCo and DMEP UK are companies incorporated in the United Kingdom. The shareholders of DMEP HoldCo Ltd are Bridge Opportunity Ltd with a shareholding of 52% and Hellenic Petroleum International A.G with a shareholding of 48%.

The Company’s financial year commences on 1 January and ends on 31 December. The Company was incorporated on 27 September 2011 and thus its first financial period commenced on 27 September 2011 and ended on 31 December 2012.

The Company adopts International Financial Reporting Standards as adopted by the European Union.

The Company’s functional and presentation currency is the Euro, and the financial information in these Financial Statements is expressed in thousands of Euro (unless otherwise stated).

The Company’s Financial Statements are included in the consolidated financial statements of DMEP HoldCo Ltd., which is registered in the United Kingdom.

The Financial Statements of OTSM S.A. for the year ended 31 December 2017, were approved for issue by the Board of Directors on 14 June 2018. The shareholders of the Company have the power to amend the Financial Statements after issue.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

2.1 Basis of preparation

The Financial Statements of OTSM S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”), as adopted by the European Union (“EU”), and present the financial position, results of operations and cash flows of the Company on a going concern basis.

These Financial Statements have been prepared under the historical cost convention, except for the derivative financial assets and liabilities which are measured at fair value through profit or loss.

The preparation of Financial Statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4 “Critical accounting estimates and judgments”. These estimates are based on management’s best knowledge of current events and actions, while actual results ultimately may differ from those estimates.

2.1.1 Going concern

During the year ended 31 December 2017, the Company’s operations resulted in net losses after tax of €19,0 million. Furthermore, as of 31 December 2017, the Company’s current liabilities exceeded current assets by €7,4 million, mainly as a result of the accounting mismatch in the valuation methods used for inventories and derivatives.

The business model of the Company as well as its cash flows are largely dependent on the utilisation of excess tank capacity. During the last two years management made an ongoing effort to reduce excess tank capacity. Management are now confident that all appropriate measures have been taken to ensure that excess tank capacity is kept at a minimum. The Company’s business activities, together with the factors likely to affect its future development, performance and position have been set out in its business plan. The Board of Directors considers the expected financial performance and results of the Company to be healthy. During the next 5 years the Company expects to generate normalised EBITDA of the order of € 5,5 million on an annual basis. Financial year 2018 April results to date show positive results with Net Income before Tax closing at €7,7 million and positive working capital position.

Having considered the above as well as the fact that the Company’s liabilities are mainly comprised of the bond loan which is fully collateralized by the holding levels of stocks, the Company’s management has concluded that the going concern is the appropriate basis of preparation of the current as well as the prior year’s financial statements. The going concern basis is considered appropriate, since any issues and uncertainties that have arose as of today have been effectively addressed and the Company is expected to continue its current operations and activities without any major interruption for the foreseeable future.

2.1.2 New standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Company

The accounting principles and calculations used in the preparation of the financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2016, except for the following amended IFRS’s, which have been adopted by the Company as of 1 January 2017. The below amendments did not have a significant impact on the financial statements for the year ended 31 December 2017:

- *IAS 12 (Amendments) “Recognition of Deferred Tax Assets for Unrealised Losses”*. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to

address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined-versus-separate assessment.

- *IAS 7 (Amendments) “Disclosure initiative”*. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

(b) Standards issued but not yet effective and not early adopted

- *IFRS 9 “Financial Instruments – Classification and Measurement”*. The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 “Financial Instruments” and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017 an impact assessment of IFRS 9 was performed. Based on the above assessment the following impact from the adoption of the new standard is expected:

Financial assets currently held will continue to be measured on the same basis under IFRS 9, and accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Company’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss that will continue to be measured on the same basis under IFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company’s risk management practices. The Company does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under IAS 39. The Company does not expect any impact.

- *IFRS 15 “Revenue from Contracts with Customers”*. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The new standard is based on the principal that revenue is recognised when control of a good or service is transferred to a customer.

The Company plans to adopt the new standard on the required effective date using the modified retrospective method. During 2017, the Company performed an assessment of IFRS 15 and no material differences from the current accounting policies were identified. Therefore, the new standard is not expected to have a significant impact on the Company’s financial statements, upon adoption.

- *IFRS 15 (Clarifications) “Revenue from Contracts with Customers”* The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB’s intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance

obligations amending the wording of the “separately identifiable” principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

- *IFRS 16 “Leases”* The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The standard will affect primarily the accounting for operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of € 159 million. However, , the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company’s profit and classification of cash flows.

This is due to the fact that, some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The Company expects to complete the assessment of the impact from the implementation of the new standard over the next year.

- *IFRS 9 (Amendment) “Prepayment features with negative compensation”*. The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be ‘negative compensation’), to be measured at amortised cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU.
- *IFRIC Interpretation 22 “Foreign currency transactions and advance consideration”*. The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU.
- *IFRIC Interpretation 23 “Uncertainty over income tax treatments”*. The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU.
- The IASB has issued the Annual Improvements to IFRSs (2015 – 2017 Cycle), which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1

January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.

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

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Euro, which is the Company's functional and presentation currency. Given that certain of the Company's activities involve oil transactions, in line with industry practices, most crude oil and oil products are based on the international reference prices of crude oil and oil products in US Dollars. The Company translates this value to Euro at the time of each transaction.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the Financial Statements' line that is relevant to the specific transaction, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.3 Property, plant and equipment

Motor vehicles are comprised of tank trucks. Motor vehicles are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Repairs and maintenance are charged to the statement of comprehensive income as incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as shown on the table below for the main classes of assets:

– Motor vehicles	5 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 2.4).

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

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and, are tested annually for impairment. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows an asset is expected to

generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. As at 31 December 2017 all financial assets represent derivative financial instruments for hedging purposes and loans and receivables as classified below:

2.5.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include "Trade and other receivables" and "Cash and cash equivalents" in the statement of financial position.

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on trade-date –which is the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortized cost using the effective interest method.

2.5.3 Impairment of financial assets

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Impairment testing of trade receivables is described in Note 2.8.

2.5.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is a decision to settle on a net basis or realize the asset and settle the liability simultaneously, otherwise assets and liabilities are presented separately in the financial statements. The clearance of the balances can be done at a net basis if respecting agreement with the counterparty exists.

2.6 Derivative financial instruments and hedging activities

As part of its risk management policy, the Company utilizes financial and commodity derivatives to mitigate the impact of future price volatility of crude oil and petroleum products. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Depending on the characteristics of each transaction,

the respective derivative may be designated as a hedging instrument. In cases where it is designated, the Company designates these derivatives as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or;
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In case the Company enters into certain derivative contracts that are designated as cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place).

When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the derivative is de-designated and the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within "Other operating (losses) / gains – net".

The derivatives that are not designated as hedges and do not qualify for hedge accounting are classified as held-for-trading and accounted for at fair value through profit or loss. Changes in the fair value of such derivative instruments are recognized immediately in the statement of comprehensive income within "Cost of Sales" (if the derivative transactions are matching physical positions and trades or close proxies thereof), or in "Other operating (losses) / gains - net" (if it is not possible to achieve a fully matched position).

2.7 Oil Stock held

Oil stocks are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

The cost of oil stock is determined using the costing formula of monthly weighted average cost. Goods exchanged or swapped for goods of a similar nature and value are not regarded as sales and purchases.

2.8 Trade receivables

Trade receivables, which generally are settled within one month, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the statement of comprehensive income and is included in "General and administrative costs".

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments such as marketable securities and time deposits with original maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.11 Borrowings

Borrowings essentially represent the major part of the Company's financial liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. At the end of the reporting period payable amounts of bank overdrafts are included within borrowings in current liabilities on the statement of financial position. In the statement of cash flows, bank overdrafts are shown within financing activities.

2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

2.13 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently are measured at amortized cost and using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.14 Provisions

Provisions for environmental restoration and legal claims are recognized when: The Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

2.15 Environmental liabilities

Liabilities for environmental remediation costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

2.16 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized as follows:

(a) Sales of goods – Oil stock transactions

Revenue on sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are recognized when the Company has delivered the products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured. Sales of goods undertaken in the course of ordinary activities that are incidental to the main revenue-generating activities are not regarded as sales. These incidental activities relate to the exchange or swap of goods which are of a similar nature and value, thus not regarded as a transaction which generates revenue. When goods are exchanged or swapped for goods which are of a similar nature and value the exchange is not regarded as a transaction which generates revenue.

(b) Sales of services

For sales of services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.17 Leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Presently, the Company does not have any leases that are classified as finance leases.

Leases where the lessors retain substantially all the risks and rewards of ownership are classified as operating leases. Payments or receipts made under operating leases (net of any incentives received from the lessors) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved, by the Company's Shareholders' General Meeting.

2.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In this respect, the prior year balance of the Deferred income tax asset has been reclassified from Current assets to Non – current assets for comparability purposes.

3 Financial risk management

3.1 Financial risk factors

The Company's activities include oil trading which involve crude oil, diesel and unleaded gasoline as well as the holding and storage of Compulsory Stock Obligations (CSO's) on behalf of third parties. As such, the Company is exposed to a variety of financial and commodity markets risks including foreign exchange and commodity price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Company's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Company to the extent possible.

Commodity price risk management is supervised by Management following approval of the Company's Board of Directors.

(a) *Market risk*

(i) Foreign exchange risk

As explained in note 2.2 “Foreign currency translation”, the functional and presentation currency of the Company is the Euro. However, in line with industry practice in all international crude oil and oil trading transactions, underlying commodity prices are based on international reference prices quoted in US dollars.

Foreign currency exchange risk arises on two types of exposure:

- **Financial Position translation risk:** All of the oil stock held by the Company is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro leads to a reduction in the realizable value of oil stock included in the Statement of Financial Position. In order to manage this risk, the Company has entered into derivative transactions involving cash flow hedges. There are no financial assets or liabilities in foreign currency.
- **Gross Margin transactions and translation risk:** Transactions in crude oil and oil products are based on international Platt’s USD prices. This leads to exposure in terms of the Gross Margin translated in Euro. This exposure is linearly related to the Gross margin of the Company in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results. USD denominated transactions are cash settled in Euro by applying market USD to Euro exchange rates.

(ii) Commodity price risk

The Company’s primary activity as an entity which has undertaken part of a third’s party compulsory stock obligation results into exposure to commodity price risk. Changes in current or forward absolute price levels vs acquisition costs affect the value of oil stock. Essentially commodity price risk is driven from crude oil price fluctuations between the date that it acquires oil stock and the one that it sells the oil stock.

In the case of price risk, the level of exposure is determined by the amount of priced oil stock carried at the end of the reporting period. In periods of sharp price decline, as Company’s policy is to report its oil stock at the lower of historical cost and net realizable value, results are affected by the reduction in the carrying value of the oil stock. The extent of the exposure relates directly to the level of oil stocks and rate of price decrease. This exposure is hedged with derivatives to the extent that the cost of such instruments is considered positive, from a risk – return point of view and subject to the structure of the market (contango vs. backwardation).

The sensitivity of the fair value of the open derivatives contracts affecting the Company’s total comprehensive income to an immediate 5% increase or decrease in all reference prices, would have been € 5m as at 31 December 2017 (2016: € 2m). This figure is offset with the respective gains / losses arising from the Company’s oil stocks.

(iii) Cash flow and fair value interest rate risk

The Company’s income and operating cash flows are substantially independent of changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, while borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company’s borrowings are all of variable rates of interest. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR), has a proportionate impact on the Company results. At 31 December 2017, if interest rates on Euro denominated borrowings had been 0,5% higher with all other variables held constant, post-tax losses for the year would have been € 400 thousand greater (2016: € 521 thousand).

(b) *Credit risk*

Credit risk is managed by the Company’s Management. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, taking into account its financial

position, past experience and other factors. The utilization of credit limits and indication of impairment are regularly monitored.

The counterparties of derivative financial instruments and cash and cash equivalents are local Greek Banks with credit rating Caa3 from Moody's.

The Financial instruments that have the major credit exposure are as follows:

	<u>2017</u>	<u>2016</u>
Trade and other receivables	28.990	43.617
Cash and cash equivalents	42	369
Total	<u>29.032</u>	<u>43.986</u>

(c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, the availability of funding through the issued bond loan and the credit terms of the fee agreements entered into with third parties which fully meet the Company's working capital needs.

Further details of the bond loan are provided in note 14, "Borrowings".

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Trade and other payables equal their carrying balance as the impact of discounting is not significant.

	<u>2017</u>	<u>2016</u>
Less than a year		
Borrowings (including interest to maturity)	81.808	106.658
Derivative financial instruments	13.031	16.685
Trade and other payables	34.127	21.006
Total	<u>128.965</u>	<u>144.349</u>

3.2 Capital risk management

The Company's objective with respect to capital structure, which includes both equity and debt funding, is to safeguard its ability to continue as a going concern and to have in place an optimal capital structure from a cost perspective.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Statement of Financial Position) less "Cash & Cash equivalents". Total capital employed is calculated as "Total Equity" as shown in the Statement of Financial Position plus net debt.

Due to the nature of the Company's operations the gearing ratio is high.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Total Borrowings (Note 14)	80.558	104.757
Less: Cash and equivalents (Note 9)	<u>(42)</u>	<u>(369)</u>
Net Debt	80.516	104.388
Total Equity	<u>2.111</u>	<u>21.147</u>
Total capital employed	<u>82.627</u>	<u>125.535</u>
Gearing ratio	<u>97%</u>	<u>83%</u>

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets that are measured at fair value at 31 December 2016 and 2017:

	Level 1	Level 2	Level 3
As at 31 December 2016			
Liabilities	-	16.685	-
Derivatives financial instruments	<u>-</u>	<u>16.685</u>	<u>-</u>
As at 31 December 2017			
Liabilities	-	13.031	-
Derivatives financial instruments	<u>-</u>	<u>13.031</u>	<u>-</u>

The valuation prices for Company's derivatives are provided by financial institutions and are based on marketable data (traded futures).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3.4 Reporting variance on valuation

For risk management purposes the Company aims to maintain a fully hedged position through derivatives, which however are not designated as hedges and thus no hedge accounting is applied. The valuation of its oil stocks at the balance sheet date is done on the basis of the lower of cost and NRV (10 days average after the balance sheet date on a consistent basis) whereas the valuation of the derivative contracts is done on the basis of the forward prices prevailing at the balance sheet date and refer to the future date of closing the hedged position. The different basis of valuation creates a mismatch which may impact either positively or negatively the results of the Company. As of 31 December 2017, if the stock was sold and the derivative contract closed then the Company's loss before tax would be € 11.2m lower (2016: € 9.5m lower losses).

4 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Income taxes

Estimates are required in determining the provision for income taxes that the Company is subjected to. This requires significant judgment. There are some transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company selects methods that are based on market conditions existing at the end of each reporting period. To this effect the Company uses valuations received from the specialised departments of Financial Institutions.

(c) Estimated impairment of non-financial asset

The Company tests annually whether investments and non-financial assets have suffered any impairment in accordance with its accounting policies. Significant judgement is involved in management's determination of these estimates.

(d) NRV test

The Company uses its judgement based on the experience in the industry to select the best estimate for future selling prices, on a consistent basis an average of spot prices during a period shortly after the Financial Position date is selected to be the basis for this estimate unless there is commitment or certainty that stock at the balance sheet date will be disposed in predetermined dates which alternatively form the basis of the NRV estimate.

(e) *Hedging effectiveness testing*

The Company uses the “dollar offset method” for the retrospective on-going assessment of hedge effectiveness. The hedging instrument’s reference index is a future index at the ICE Future Exchange. However the testing is performed not using future prices but with outright prices from Platt’s market Crudewire since forecast values is expected to be priced with the Brent quotation from the Platt’s platform. The correlation of the two indices is high.

From 2015 onwards the Company has decided to not apply hedge accounting for derivatives used to hedge exposure in crude oil commodity prices. Derivatives are accounted for as held for trading with charges in the profit and loss thereby creating fluctuations in the Income Statement at year end.

5 Property, plant and equipment

Cost	Motor vehicles
As at 1 January 2016	100
Additions	-
As at 31 December 2016	<u>100</u>
Accumulated Depreciation	
As at 1 January 2016	82
Change for the period	18
As at 31 December 2016	<u>100</u>
Net book value as at 31 December 2016	<u>-</u>
Cost	
As at 1 January 2017	100
Additions	-
As at 31 December 2017	<u>100</u>
Accumulated Depreciation	
As at 1 January 2017	100
Change for the period	-
As at 31 December 2017	<u>100</u>
Net book value as at 31 December 2017	<u>-</u>

The Company has not pledged any property, plant and equipment as security for borrowings during the years ended 31 December 2017 and 2016.

6 Oil Stock held

	<u>2017</u>	<u>2016</u>
Crude oil	76.936	97.307
Unleaded gasoline	9.670	12.729
Diesel	4.823	8.936
Total	<u>91.429</u>	<u>118.972</u>

Write-down of oil stock to net realisable value, included in 'Cost of Sales' in the statement of comprehensive income, as at 31 December 2017 amounted to nil (2016: € nil).

Oil Stock represent compulsory stock obligation (CSO) delegated by Hellenic Petroleum S.A. to the Company under a CSO Delegation Agreement in line with the legal framework.

7 Deferred income tax asset/ (liability)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are presented below.

The gross movement in the deferred income tax asset/(liability) is as follows:

	<u>2017</u>	<u>2016</u>
Opening balance	7.076	(9.679)
Income statement recovery	2.397	16.755
End of period	<u>9.473</u>	<u>7.076</u>

Deferred tax relates to the following types of deductible (taxable) temporary differences:

	<u>2017</u>	<u>2016</u>
Unamortised up front loan fees	(14)	(37)
Valuation of derivative financial instruments	3.779	4.838
Temp difference on differed income	1.938	2.275
Tax losses	3.770	-
Net deferred income tax asset	<u>9.473</u>	<u>7.076</u>
Deferred income tax liability	<u>-</u>	<u>-</u>
Deferred income tax assets	<u>9.473</u>	<u>7.076</u>

The company has proceeded in partial recognition of Deferred Tax Asset in relation to the tax losses for the year 2017 which are estimated to €21 million of which an amount of €13 million are considered recoverable throughout the next five years according to management business plan. All the above amounts except for the

Deferred Tax Asset on Tax losses which is expected to be utilized in the next 5 year period, are utilized within the next twelve months.

8 Accounts receivable and other receivables

	<u>2017</u>	<u>2016</u>
Trade receivables	3.094	30.132
Other receivables	25.896	13.485
Total	<u>28.990</u>	<u>43.617</u>

Trade receivables represent fee income receivable from related parties.

Other receivables in 2017 represent mainly: a) margin accounts of € 5.000 (2016: € 5.000) maintained at financial institutions which serve as collateral against outstanding derivative transactions b) amounts receivable from Greek State € 768 (2016: € 2.084), c) vat receivable € 12.198 (2016: € 6.387) and d) income tax advance € 7.925 (2016: € 0). See note 15.

The fair values of trade and other receivables approximate their carrying amount.

As at 31 December 2017 there are no past due, doubtful or impaired receivables.

9 Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash at bank and in hand	42	369
Total cash and cash equivalents	<u>42</u>	<u>369</u>

The weighted average effective interest rate on cash and cash equivalents as at 31 December 2017 and 2016 was 0,3% and 0,3% respectively. All cash and cash equivalents are denominated in Euro.

10 Share capital

	Number of shares (authorised and issued)	Nominal Value	Total Share Capital
As at 31 December 2017 and 2016	<u>666.667</u>	<u>3</u>	<u>2.000.001</u>

The amounts in the above table are stated in Euro.

All ordinary shares were authorized, issued and fully paid. The nominal value of each ordinary share is € 3,00 (2016: € 3,00).

The bond loan restricts the issue of any shares, payment of dividends or any other distribution to shareholders unless the Company obtains bondholders consent.

11 Retained earnings and reserves

	Retained Earnings	Statutory reserve	Total
Opening balance at 1 January 2016	37.142	667	37.809
Loss after tax for the period	(18.662)	-	(18.662)
Balance at 31 December 2016	18.480	667	19.147
Opening balance at 1 January 2017	18.480	667	19.147
Loss after tax for the period	(19.036)	-	(19.036)
Balance at 31 December 2017	(556)	667	111

Statutory reserves

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

Profit appropriation has to be approved by the Shareholder's General assembly.

12 Trade and other payables

	<u>2017</u>	<u>2016</u>
Trade payables	34.120	20.918
Accrued expenses	-	15
Other payables	7	73
Total	34.127	21.006

The fair value of trade and other payables approximate their carrying amount as they relate to short term and interest free liabilities.

13 Derivative financial instruments

Commodity Derivative type	2017			2016		
	<u>Notional MT'000</u>	<u>Amount Bbls'000</u>	<u>Liabilities Euro</u>	<u>Notional MT'000</u>	<u>Amount Bbls'000</u>	<u>Assets Euro</u>
Commodity Swaps	253	1.848	(13.031)	354	2.588	(16.685)
			(13.031)			(16.685)
Total			(13.031)			(16.685)

The Company uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices and foreign currency exchange rates on a highly probable forecast transaction. In this framework, on 25 October 2017, the Company has entered into two derivative transactions of commodity price swaps which have not been designated by the Company as hedging instruments and any changes in their fair value is recorded in the statement of comprehensive income within "Cost of Sales" (Note 17) for the year ended 31 December 2017.

The maximum exposure to credit risk at the reporting date is the fair value of potential derivative liabilities in the statement of financial position.

14 Borrowings

Borrowings currently amount to € 80.000 and represent a bond loan which was initially issued on 29 December 2011 for an amount of € 175.000. On 30 October 2015, the Company repaid an amount of € 59.500 and on 26 April 2016, the Company repaid an amount of € 11.400.

On 16 August 2017 the loan was extended until 25 April 2018 with an option for a further extension until 25 October 2018 and on 25 October 2017 the Company repaid an additional amount of € 24.100.

The bond loan is guaranteed by the parent companies DMEP UK Ltd and DMEP Holdco Ltd. In addition the bond holders have pledges on the parent companies' shares and liens on the Company's insurance contracts, other agreements and bank accounts.

The effective interest including amortization of upfront loan commitment fees, for the year ended 31 December 2017 and 31 December 2016 amounts to 5,8% and 5,8% respectively.

Pricing is Euribor for the period selected plus 4,85% margin.

The carrying amounts of the Company's borrowings which approximate their fair value are denominated in Euro.

Below is a table listing notional amount, accrued interest and unamortized fees composing borrowings:

	<u>2017</u>	<u>2016</u>
Notional amount	80.000	104.100
Accrued interest expenses	605	786
Unamortized upfront fees	(47)	(129)
Total	<u>80.558</u>	<u>104.757</u>

The movement has as follows:

	<u>2017</u>	<u>2016</u>
Opening balance	104.757	116.271
Capital repayment	(24.100)	(11.400)
Interest and other charges payable	5.131	6.290
Interest and other charges paid	(5.312)	(6.434)
Change in up-front fees	82	30
Closing balance	<u>80.558</u>	<u>104.757</u>

15 Taxes payable

	<u>2017</u>	<u>2016</u>
Withheld taxes on Bond loan interest	107	139
Current income tax liability	0	6.300
Total	<u>107</u>	<u>6.439</u>

Movement of current income tax (liability)/ asset has as follows:

	<u>2017</u>	<u>2016</u>
Opening balance	6.300	819
Current income tax	-	7.936
Income tax advance (Note 8)	(7.925)	-
Taxes paid	(6.289)	(2.455)
Other	(11)	-
Closing balance (receivable)/ payable	<u>(7.925)</u>	<u>6.300</u>

16 Revenue

	<u>2017</u>	<u>2016</u>
Sale of services - Storage Fees	14.856	10.709
Sale of services - CSO fees	18.588	23.210
Total	<u>33.444</u>	<u>33.919</u>

All sales are provided exclusively in Greece to related parties. Sales represent fees charged to Hellenic Petroleum S.A in accordance with a CSO Delegation agreement and a Storage Agreement that have been put in place. The delegation fee is calculated based upon the requirements of the legal framework which stipulate that it should be based upon the operating costs of storing safety stocks and a reasonable return for capital employed in the storage operations. In December 2015 the delegation fee was revised from € 11,40 /M.T to € 4,90 / M.T. Furthermore the Storage Agreement was amended in November 2015 such that storage fees from 1 November 2015 onwards are based upon actual quantities stored as opposed to tank excess capacity (basis of calculation applied up to October 2015) thus allowing for excess capacity to be rented to third parties.

17 Cost of sales

	<u>2017</u>	<u>2016</u>
Cost of services sold	57.527	58.435
(Gains) arising from goods sold incidental to main revenue generating activity	(6.741)	(44.504)
(Gains)/ losses in derivative financial instruments	(1.199)	41.008
Total	<u>49.588</u>	<u>54.939</u>

The analysis of (gains) / losses of derivatives financial instruments are as follows:

	<u>2017</u>	<u>2016</u>
Recycling of prior year Unrealized (losses)/ gains at year end	(16.685)	33.217
Realized (gains)/ losses of the year	2.456	(8.894)
Unrealized losses at year end	<u>13.031</u>	<u>16.685</u>
Total	<u>(1.199)</u>	<u>41.008</u>

18 Finance expenses - net

	<u>2017</u>	<u>2016</u>
Finance income		
Interest income	<u>145</u>	<u>143</u>
Total finance income	<u>145</u>	<u>143</u>
Finance expense		
Accrued Interest	605	786
Interest expense and similar charges	<u>4.607</u>	<u>5.534</u>
Total finance expense	<u>5.212</u>	<u>6.320</u>
Finance expense-net	<u>5.067</u>	<u>6.177</u>

19 Income tax expense

	<u>2017</u>	<u>2016</u>
Current income tax	-	7.936
Deferred tax (Note 7)	<u>(2.397)</u>	<u>(16.755)</u>
Total	<u>(2.397)</u>	<u>(8.819)</u>

The basic tax rate was 29% for the years ended 31 December 2017 and 31 December 2016.

Reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the period ended 31 December 2017 and 31 December 2016 is as follows:

	<u>2017</u>	<u>2016</u>
(Loss)/ profit before income tax	(21.433)	(27.481)
Tax credit /(expense) at corporate tax rate of 29%	6.215	7.969
Non-deductible expenses	(8)	852
Tax losses for which no deferred income tax was recognised	(2.434)	-
Net interest cost for which no deferred income tax was recognised (thin capitalisation)	(1.376)	-
Other	-	(2)
Income tax credit	<u>2.397</u>	<u>8.819</u>

In 2014, thin capitalization rules as per art. 49 of law 4172/2013 were applied for the first time, whereby the net interest expense is deductible up to a certain percentage of tax EBITDA (60% for 2014, 50% for 2015, 40% for 2016 and 30% thereafter). The net interest expense that exceeds the EBITDA threshold in any year can be offset against future taxable profits without any time constraints.

For financial years ending 31 December 2011 onwards, Greek companies meeting certain criteria were subject to annual tax audits from their statutory auditors. This audit results in the issuance of a Tax Certificate, however the tax authorities reserve the right of future tax audit. The Company has been audited by its respective statutory auditor and has obtained unqualified tax audit certificates for the financial years ended 31 December 2011-2016.

According to recent legislation, the tax audit and the issuance of tax certificates is also valid from 2016 onwards but on an optional basis. The tax compliance examination for the tax year ended 31 December 2017 is currently in progress. Management believes that no additional material liabilities will arise, over those already recognized in the Financial Statements, as a result of the tax compliance audit which is in progress.

20 Related party transactions

i) Sales and exchange of goods and services -HELPE	<u>2017</u>	<u>2016</u>
Sales of goods incidental to main revenue generating activity	244.684	263.025
Exchange of goods	511.939	462.969
Sales of services	33.444	33.919
Total	<u>790.067</u>	<u>759.913</u>
ii) Purchases and exchange of goods and services	<u>2017</u>	<u>2016</u>
Purchases of goods incidental to main revenue generating activity - HELPE	210.400	237.953
Exchange of goods - HELPE	511.939	462.969
Purchases of services - HELPE	57.527	58.435
Purchases of services - Basil Capital Limited	8.222	-
Total	<u>788.088</u>	<u>759.357</u>

iii) Balances arising from sales/purchases of goods /services - HELPE	<u>2017</u>	<u>2016</u>
Receivables from related parties (Note 8)	3.094	30.132
	<u>3.094</u>	<u>30.132</u>
Payables to related parties (Note 12)	34.120	20.911
	<u>34.120</u>	<u>20.911</u>
Net balances from related parties	<u>(31.026)</u>	<u>9.221</u>

Included in the statement of financial position are balances which have arisen from sales/purchases of goods and services in the ordinary course of business on an arm's length basis.

Sale of services represent co-storage rentals and delegation fees for the stockholding of compulsory stocks while purchase of services mainly represent tank operation and tank rental fees.

The delegation fee is calculated based upon the requirements of the legal framework which stipulate that it should be based upon the operating costs of storing safety stocks and a reasonable return for capital employed in the storage operations.

All transactions with related parties are effected under normal trading and commercial terms.

The majority of related parties transactions stated above were entered into with Hellenic Petroleum S.A. Hellenic Petroleum S.A. has a 48% shareholding in the Company through its subsidiary Hellenic Petroleum International A.G.

21 Commitments and contingencies

(a) Litigation

The Company is not involved in any pending litigation.

(b) Leases as lessee

At the end of the reporting period the Company does not hold any material non-cancelable operating leases. However, the Company leases a number of oil tanks from Hellenic Petroleum S.A. under an operating lease, entered into in 2011, which is cancelable by the Company at any time without penalty. The duration of the lease agreement is 10 years and the annual rental expense is approximately € 40 million.

(c) Put and call option

The Company is counterparty to an outstanding put and call option agreement with Hellenic Petroleum S.A. to sell oil stock to Hellenic Petroleum S.A. on 23 April 2018. The put and call option may be exercised by either counterparty at any time before this date under certain conditions. The value of these two options (put and call) is immaterial due to the fact that the terms of the agreement are such that the transaction will be market priced resulting in zero payoff at any time of exercise.

22 Events after the end of the reporting period

- On 25 April 2018, the Bond Loan of € 80.000 was extended to 25 October 2018.
- On 25 April 2018, the Company amended the Storage agreement with Hellenic Petroleum S.A. in order to incorporate a clause about the maximum and minimum quantities of oil stock that will be stored.