

distribuição
gás natural



Galp Gás Natural Distribuição, S.A.

Interim Management Report and Condensed Consolidated Accounts

First Half 2022

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1. Who we are

The Group **Galp Gás Natural Distribuição, S.A. (GGND)** is the largest operator of the gas distribution network in Portugal, a company with 175 years of history that is undergoing a refoundation process after the change in its shareholder structure in March 2021.

GGND manages a network of 13,578 km and is present in 102 municipalities across the country, through its stake in nine gas distribution companies. Five of these distributors operate under public service concession contracts signed with the Portuguese State in 2008, with a 40-year duration, while the others operate under licences with a 20-year duration.

Through its controlled companies, GGND is responsible for the management of the medium and low-pressure gas distribution network, in a public service regime and under the terms defined by the concession contracts or license, by sector-specific legislation and by the Energy Services Regulator (ERSE).

The Group companies' distribution operations are responsible for supplying more than one million connection points and for the distribution of 18.1 TWh of natural gas per year.

GGND represents about 70% of the gas distribution activity in Portugal and contributes to territorial integration by making accessible the gas network to consumers in the interior and coastline of the country, ensuring free choice of energy vector to consumers.

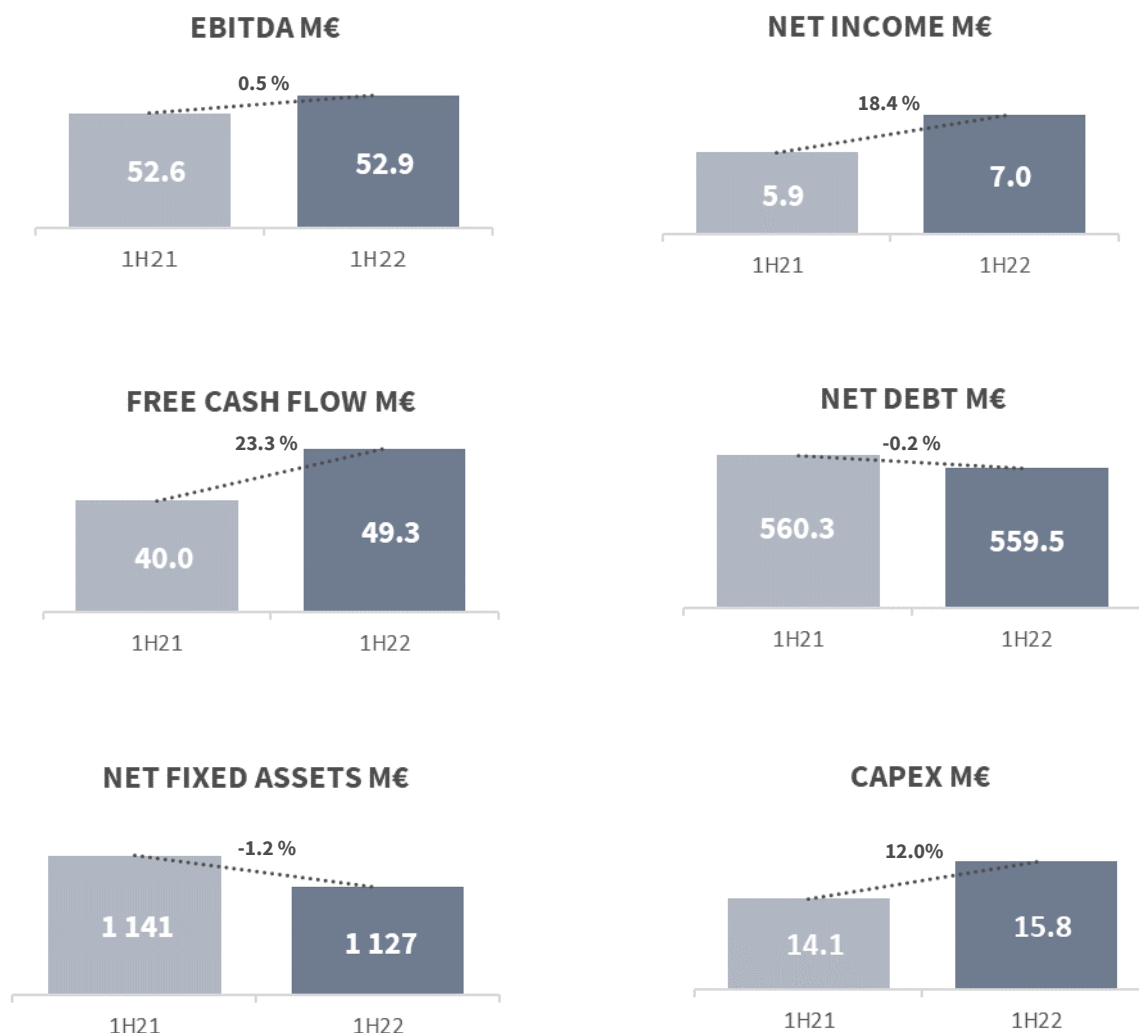
With 94% of its network mostly in polyethylene and with an average age less of than 16 years, GGND has one of the most modern and efficient infrastructures in Europe, which allows it to ensure a completely safe supply and a quality service, complying with all the criteria established by ERSE and sector-specific legislation.

The Group is also at the forefront in the distribution of renewable gases, as the polyethylene network allows the transport of hydrogen (mixed or pure) and non-fossil gases such as biomethane.

GGND is in a transformation process, assuming its role of a relevant player in the transition to a low carbon economy. Its goal is to grow, create value and embrace the transformation and sustainable progress of the communities where it is present.

2. Highlights of the first half of 2022

2.1 Financial indicators



thousands of €	First Half			
	2022	2021	Var. YoY	% Var. YoY
EBITDA	52 861	52 611	250	0.5%
EBIT	28 752	27 603	1 149	4.2%
Financial results	(5 053)	(5 099)	46	(0.9%)
Net income	7 013	5 922	1 091	18.4%
Free cash flow ¹	49 318	39 988	9 330	23.3%
Net debt ²	559 466	560 336	(870)	(0.2%)
Net fixed assets ³	1 126 873	1 140 675	(13 802)	(1.2%)
CAPEX ⁴	15 755	14 067	1 688	12.0%

¹ Cash flows from operating activities - Cash flows from investment activities

² Bank debt + Bond loans - Cash and equivalents

³ Tangible assets + Intangible assets (excluding Goodwill)

⁴ Capital expenditure considers the additions of the year of tangible and intangible assets



2.2 Operational indicators

	Unit	First Half			
		2022	2021	Var. YoY	% Var. YoY
Connection points ¹	#	1 128 059	1 126 159	1 900	0.2%
Gas volume distributed	GWh	8 888	9 227	-338	(3.7%)
Total network extension ¹	km	13 578	13 498	80	0.6%
Primary network	km	790	790	0	-
Secondary network	km	12 788	12 708	80	0.6%
Service lines	km	363 958	358 477	5 481	1.5%

¹ The values for 2021 report as of December 31

	First Half			
	2022	2021	Var. YoY	%Var. YoY
Employees number ¹	398	398	0	-
Gender				
Men	269	274	-5	(1.9%)
Women	129	124	5	3.9%
Health and safety ¹				
Cases of occupational diseases	0.00	0.00	0.00	-
Lost Time Injury Frequency (LTIF) ²	5.20	2.74	2.46	47.3%
Lost Time Injury Severity rate (LTIS) ³	0.19	0.07	0.12	63.2%

¹ The values for 2021 report as of December 31

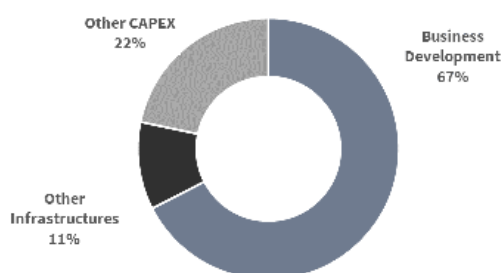
² LTIF Lost Time Injury Frequency - (N. of fatalities + lost workday cases) * 10⁶ / hours worked

³ LTIS Lost Time Injury Severity rate - N. of working days lost by C3 accident * 1000 / hours worked

2.3 CAPEX

Investment in the first half of 2022 amounted to €15.8 million, up €1.7 million (12.0%) YoY.

Around 67% of this investment corresponds to the expansion of the network to new areas and consequent connection of new customers, in line with GGND's strategy to contribute to greater territorial cohesion, ensuring greater freedom of choice for families and competitiveness for industries. In the first half of the year, 80 km of gas distribution network were built, totalling 13,578 km, bringing this modern infrastructure to 1,900 new industrial and residential connection points.



Since GGND networks are prepared to receive renewable gases, the connection of more consumption points to the distribution network is aligned with the commitments for the decarbonization goals, allowing, in a more immediate phase, access to a more cost-effective energy with lower emissions, and in a later phase, the injection of renewable gases, such as biomethane and hydrogen.

2.4 Developments in the infrastructure decarbonization process - Green pipeline project

In October 2021, GGND publicly launched the Green Pipeline Project (GPP) – a pioneer project in the injection of green hydrogen (H₂) in the natural gas network in Portugal. This pilot project is being developed in Seixal, in the distribution network of the concession of the Group's company – Setgás. This project involves the direct participation of several institutional and technical partners, and relies on the local production of green hydrogen, which will be transported to the gas network, where it will be mixed with natural gas and distributed in a network that supplies around 80 customers in the residential, tertiary, and industrial sectors. First, hydrogen will be mixed with natural gas in a percentage of 2%_{vol}, increasing, over a period of two years, to a maximum of 20%_{vol}, avoiding with this percentage, the emission of 60.29 tonnes of CO_{2eq} per year, which is equivalent to the carbon sequestered by about 36 thousand trees.

During the 1st Half of 2022, GGND concluded the construction of a new network segment, 1,400 metres long, in which 100% of H₂ already circulates, connecting the hydrogen production site to the injection and mixing point.

GPP also aims to study the impact of the injection of H₂ in the management of the distribution infrastructure and consumer burner equipment, gathering know-how and skills so that Distribution System Operators can be properly prepared to respond to requests from interested parties and thus contribute to the National Plan for Hydrogen goal of incorporating between 10-15% hydrogen in natural gas networks by 2030.

The Project was awarded Distinction for exceptional merit and relevance by the Innovation Support Fund.

2.5 Gas distributed

The volume of natural gas distributed in the network stood at 8,888 GWh, recording a reduction of 3.7% YoY, mainly impacted by the decrease in the industrial segment (-5.6%), but partially offset by the increase in consumption in the tertiary segment (+15.9%) and residential (+0.1%).

Notwithstanding the current geopolitical context following the invasion of Ukraine by Russia, GGND has not recorded to date significant impacts in terms of the volume of gas distributed.

In the current context, the company's management is permanently monitoring the evolution of gas consumption in each of its customer segments in order to anticipate risk mitigation measures.

2.6 Regulatory framework

The natural gas distribution business is supported by the application of regulated tariffs approved annually by ERSE, based on Allowed Revenue.

The regulatory period, understood as the period in which the parameters for calculating Allowed Revenue remain constant, has been extended to 4 years, instead of the previous 3 years, starting to coincide with civil years. Thus, the 5th regulatory period runs from January 1, 2020 to December 31, 2023.

Regarding the calculation of Allowed Revenue, ERSE maintained the methodology, which results from the sum of: (i) capital cost, defined as the product of the regulated asset base ("RAB") by the rate of return of regulated assets indexed to average yield the average yield of 10-years treasury bonds issued by the Portuguese State ("RoR") published by ERSE, plus

depreciation and amortization of those assets; (ii) the recovery of OPEX (allowed operating costs) indexed to efficiency factors (inflation, consumption locations and volume of gas distributed), with revision of the applicable regulatory parameters; and (iii) adjustments, in particular related to tariff deviation.

The tariff deviation is defined as the difference between the Allowed Revenue billed in year *s-2* and the Allowed Revenue estimated by ERSE.

The calculation of the RoR is made according to the average yield of 10-years treasury bonds issued by the Portuguese State.

The RoR published in June by ERSE in its document “Tarifas e preços de gás para o ano gás 2022-2023”, for fiscal year 2022 was 5.05%, reflecting the increase in the yields of the treasury bonds issued by the Portuguese State, comparing to 4.72% in the previous year. In the first half of 2022, the regulated companies of the GGND considered a RoR of 4.70%.

2.7 Internal control system and risk management

GGND, as the largest operator of the distribution network in Portugal, aware of its important role in accelerating the transformation of the energy sector, particularly in the gas sector, is committed to strengthening the effectiveness of its internal control system, ensuring reasonable assurance on the achievement of objectives related to its operations, the reliability and integrity and disclosure of financial and non-financial information, and legal and regulatory compliance.

Within the scope of the transformation process in which GGND finds itself, namely with the change of its organic structure, and to ensure its autonomy from its previous controlling shareholder, GGND's management bodies approved the Internal Control Manual (ICM), which establishes the principles, responsibilities and mechanisms for compliance with internal control requirements, and the new governance structure for internal control and risk management, adopting the robust "three lines of defence" model, in line with best practices. In this context, the diagnosis was completed on the policies, standards and procedures dependent on/for the ICM, with a need for review and development, namely the Internal Control and Risk Management Policies, which will be revised during the third quarter of 2022.

GGND Group's operations are of a long-term nature, which implies that many of the risks to which it is exposed are permanent. However, risk triggers, internal or external, are changeable and may develop and evolve over time, and may vary in probability, severity and detectability.

Furthermore, the internal regulatory framework ensures that activities are conducted in accordance with the strategic objectives, and that the main risks to which GGND is exposed are managed, monitored and communicated through a cyclical and integrated risk treatment process aimed at reducing their probability of occurrence or limiting their impact.

GGND has identified the following key risks and uncertainties in the first half of 2022, and these are not expected to change over the next six months:

- Regulatory and compliance uncertainties;
- Information systems and cybersecurity weaknesses;
- Project execution, namely in terms of the autonomy of process and resources.

In addition, regarding liquidity risk, as at 30 June 2022, GGND has €115.4 million in cash and cash equivalents, as well as €20.0 million in available but not used credit lines, totalling €135.4 million. These amounts are sufficient to meet all of its current liabilities.

2.8 ESG performance

2.8.1 Stakeholder auscultation

As part of its ESG journey, GGND has been promoting several initiatives that contribute to the definition of a sustainability agenda and a sustained medium-long term roadmap.

In order to fulfil its commitments, GGND recognizes that, in its different areas of activity, stakeholders play an important role in the development of its strategy. For this reason, it is essential to listen to the opinion of each entity with which it relates and understand their expectations, in order to ensure the generation of value through a sustainable activity.

To this end, GGND is conducting a consultation process, recognizing the importance of continuously improving its action in the communities where it operates. This consultation practice will be recurrent and will allow GGND to listen to and better understand its stakeholders, responding to their expectations and interests as well as identifying relevant and material issues. The involvement of stakeholders in GGND's governance model will allow to anticipate their expectations and leverage its performance as an organization.

During the first semester, GGND promoted the internal identification of the main stakeholder groups, through workshops at various levels of the organization, based on the AA1000 Standard on Stakeholder Engagement - Guidance Criteria for the Stakeholder mapping process.

2.8.2 Human rights policy

GGND assumes its activities with respect for the principles of Human Rights and Labour, in a context of alignment with the principles of the Global Compact, under the reference of the United Nations Universal Declaration of Human Rights.

These commitments were reviewed and enabled the preparation of a GGND Human Rights policy, to be approved in the third quarter of 2022, and which aims to approve and identify the principles to safeguard Human Rights in conducting its own activities, seeking to involve all stakeholders, assuming their defense and promotion, whatever the context in which it operates.

3. Financial performance

3.1 Consolidated results

thousands of €	First Half			
	2022	2021	Var. YoY	% Var.YoY
Turnover	77 114	79 718	(2 604)	(3.3%)
Net operating costs	(24 253)	(27 107)	2 853	(10.5%)
Cost of sales	(1 096)	(1 021)	(76)	7.4%
External supplies and services	(17 878)	(19 579)	1 702	(8.7%)
Employee costs	(9 799)	(11 058)	1 259	(11.4%)
Other operating income (costs)	4 467	4 558	(90)	(2.0%)
Impairment loss on receivables	52	(7)	59	(873.0%)
EBITDA	52 861	52 611	250	0.5%
Amortisation, depreciation and impairment ¹	(24 014)	(24 919)	905	(3.6%)
Provisions	(95)	(90)	(5)	6.0%
EBIT	28 752	27 603	1 149	4.2%
Financial results ¹	(5 053)	(5 099)	46	(0.9%)
Profit before tax	23 699	22 504	1 195	5.3%
Taxes	(6 253)	(5 762)	(491)	8.5%
Energy sector extraordinary contribution	(10 131)	(10 485)	354	(3.4%)
Consolidated net income	7 315	6 257	1 059	16.9%
Non-controlling interests	(302)	(335)	32	(9.6%)
Net income to GGND	7 013	5 922	1 091	18.4%

¹Includes IFRS 16

Turnover in 1H 2022 amounted to €77.1 million, a decrease of 3.3% compared to the previous year (YoY). This evolution is basically explained by the reduction in URT and UGS tariffs (pass-through revenues with no impact on EBITDA), by approximately €2.3 million, whose effect had the same impact on the External supplies and services caption.

Allowed revenues, included in turnover, amounted to €70.6 million, minus 1.1% YoY. This reduction was offset by an increase in technical services provided to customers of approximately €0.5 million YoY, as a result of the recovery in activity.

Net operating costs, excluding the pass-through effect, were €23.1 million, a decrease of 2.8%, reflecting the reduction in personnel costs due mainly to the reduction in variable remuneration.

EBITDA was €52.9 million, an increase of 0.5% YoY, mainly explained by the reduction in operating costs, as the RoR was kept at the floor at 4.7%.

Depreciation decreased 3.6% YoY to €24.0 million, due to the increase in the useful life of assets allocated to Group companies whose licenses to operate the local distribution network were extended until 31 December 2027.

EBIT was €28.8 million, an increase of 4.2% YoY.

Financial results were -€5.1 million in line with the same period of last year, reflecting mainly interest related financing costs.

Taxes increased 8.5% to €6.3 million, following the better performance in the semester, but it should be noted that the Extraordinary Contribution on the Energy Sector (CESE) continues to significantly impact the result (€10.1 million corresponding to the CESE for 2022, fully booked at the beginning of the year to which it relates), as in previous years.

GGND Group's net income, in the first 6 months of 2022, amounted to €7.0 million, an increase of €1.1 million (+18.4%) when compared to the same period of the previous year, for the reasons explained above.

3.2 Cash Flow

thousands of €	First Half		
	2022	2021	Var. YoY
Cash and equivalents at the beginning of the period	67 484	76 879	(9 395)
Clients receipts	132 016	129 458	2 558
Payments to suppliers	(26 053)	(34 303)	8 250
Payments related to employees ¹	(12 796)	(10 627)	(2 169)
(Payment)/Receipt of Income Tax	(585)	(780)	195
Payment of value-added tax (VAT)	(17 368)	(17 188)	(180)
Payment of underground taxes (TOS)	(11 781)	(11 113)	(668)
Other operating (payments)/receipts ²	(953)	(797)	(157)
Cash flows from operating activities	62 480	54 650	7 830
Cash flow from capital expenditure	(13 164)	(14 661)	1 497
Financial investments	3	0	3
Cash flows from investing activities	(13 162)	(14 661)	1 500
Payment of loans	(521)	(521)	0
Net financial expenses ³	(902)	(1 013)	111
Payment of dividends	0	(485)	485
Cash flows from financing activities	(1 423)	(2 019)	596
Net cash flow	47 895	37 970	9 926
Cash and equivalents at the end of the period	115 379	114 848	531

¹ Includes payments to employees, retirement and pre-retirement, pension fund, social security and staff income tax

² Includes the payments of € 13 thousand relating to CESE 2014 process -adjustment of late payment interest

³ Includes payments of interests, similar costs, lease payments and lease interest (IFRS 16)

In the first 6 months of 2022, operating cash flow increased by 14.3% YoY to €62.5 million. This evolution is explained by the following main favourable reasons:

- (i) increase in clients receipts of €2.6 million YoY due to higher volumes distributed in the residential (+0.1%) and tertiary (+15.9%) segments, whose average tariffs, which despite a slight decrease, are higher than those of the industrial segment;
- (ii) a €8.3 million reduction in payments to suppliers, due to the reduction in compensation defined by ERSE, delayed payments in comparison with the previous year, as well as delays in the execution of services;

- (iii) partially offset by the increase in payments to employees of €2.2 million, due to adjustments in remuneration for personnel assigned from GGND to Galp Group companies in the same period of the previous year.

Cash flow from investing activities recorded a positive variation of €1.5 million, as a result of a temporary decrease in investment.

Net cash flow was €47.9 million, an increase of €9.9 million YoY and the cash at the end of the period amounted to €115.4 million.

Free cash flow reached €49.3 million, up €9.3 million YoY, mainly driven by an improvement in operating cash flow of €7.8 million YoY.

3.3 Financial situation

thousands of €	30 Jun.2022	31 Dec.2021	Var. vs 31 Dec.2021
Net fixed assets	1 126 873	1 134 733	(7 860)
Active use rights (IFRS 16)	11 091	11 499	(409)
Working capital ¹	7 284	36 339	(29 055)
Subsidies to investment	(201 850)	(205 535)	3 685
Other non-current assets (liabilities)	(118 070)	(118 246)	176
Capital employed	825 328	858 791	(33 463)
Short-term debt	1 042	1 042	0
Long-term debt	673 803	673 969	(166)
Total debt	674 845	675 011	(166)
Cash and equivalents	115 379	67 484	47 895
Net Debt	559 466	607 527	(48 062)
Leases (IFRS 16)	11 674	12 027	(353)
Equity	254 189	239 236	14 953
Total equity and net debt	825 328	858 791	(33 462)
Net Debt to equity	2.2x	2.5x	-

¹ Working capital = Current assets - Current liabilities (excluding cash and equivalents, short-term debt, short-term leases and short-term subsidies)

As at 30 June 2022, GGND's net fixed assets were €1,126.9 million, a reduction of €7.9 million YoY, as the level of investment did not offset amortisations and depreciations for the year.

Working capital decreased to €7.3 million, mainly due to the effect of the €10.5 million reduction in the short-term tariff deviation and the €8.4 million increase in tax payable.

Other non-current assets/(liabilities) remained in line, due to the increase in provisions of around €10.0 million related to CESE for 2022, which was partially offset by the reduction of €9.5 million in net liabilities with post-employment benefits and other benefits.

The tariff receivable deviation recorded at the end of June 2022 amounted to €16.1 million decreasing €13.5 million.

At 30 June 2022, net debt stood at €559.5 million, down €48.1 million compared to December 2021, due to increase in liquidity, with cash and cash equivalents at the end of the period amounting to €115.4 million.

It should also be noted that during the first half of the year, GGND began work on the preparation and analysis of the refinancing of its €600 million EMTN programme maturing in September 2023, with the support of an international reference bank.

3.4 Financial ratios

Under the EMTN Programme (Euro Medium Term Note) issued by GGND, financial covenants were defined, which represent a protection for its Creditors. These ratios have two limits, one in the form of lock-up of dividends distribution and the other in the form of event of default.

The net debt to EBITDA ratio standing at 5.4x and the debt service coverage ratio at 10.7x, allows compliance with the defined financial ratios.

	First Half	Lock-up	Default
	2022	Limits	
Net Debt ¹ / EBITDA ²	5.4x	> 6.5x	> 7.0x
Debt Service Coverage Ratio ³	10.7x	< 2.0x	< 1.5x

¹ Bank Loan + Bond (including Origination Fess) + Accrued Interest - Cash and equivalents

² EBITDA + provisions as of June 30, 2021, annualized on a straight-line basis

³ (Cash Flow from Operating Activity - CAPEX Payments) annualized/ Interest Service annualized

4. Relevant facts occurring after the close of the first half of 2022

Due to the current situation resulting from the geopolitical conflict between Russia and Ukraine, GGND's management is monitoring the evolution of the macroeconomic situation, namely sources of gas supply, prices, volumes and interest rates, in order to control any operational risks, ensure the maintenance of its activities and mitigate any materially relevant financial impacts on GGND Group companies. Up to the date of approval of the accounts, the geopolitical conflict between Russia and Ukraine had no significant impacts on the activity.

Lisbon, July 28, 2022

The Board of Directors

Diogo António Rodrigues da Silveira
Chairman

Jaroslava Korpancová
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
Member

Yoichi Onishi
Member

Pedro Álvaro de Brito Gomes Doutel
Member

José Manuel Rodrigues Vieira
Member

5. Annexes

Annex I – Governing bodies

The composition of the governing bodies of Galp Gás Natural Distribuição, S.A. as at 30 June 2022, for the current 2022-2024 term of office, is as follows:

Board of the General Meeting

Nuno Cunha Rodrigues, Chairman
Rafael de Almeida Garrett Lucas Pires, Secretary

Company Secretary

Pedro Maria Soares Cruz Teles Feio, Effective
Ana Trouillet Pessoa, Alternate

Board of Directors

Diogo António Rodrigues da Silveira, Chairman
Jaroslava Korpancová, Member
Karl Klaus Liebel, Member
Ippei Kojima, Member
Nuno Luís Mendes Holbech Bastos, Member
Gabriel Nuno Charrua de Sousa, Member (CEO)
Yoichi Onishi, Member (CSO)
Pedro Álvaro de Brito Gomes Doutel, Member (CFO)
José Manuel Rodrigues Vieira, Member (COO)

Executive Committee

Gabriel Nuno Charrua de Sousa, CEO
Yoichi Onishi, CSO
Pedro Álvaro de Brito Gomes Doutel, CFO
José Manuel Rodrigues Vieira, COO

Audit Board¹

Pedro Miguel Ribeiro de Almeida Fontes Falcão, Chairman
Manuel Lázaro Oliveira de Brito, Member
José Carlos Carvalho Brites, Member
Amável Alberto Freixo Calhau, Alternate member

Statutory Auditor

PricewaterhouseCoopers & Associados – SROC, Lda., represented by:
Rita da Silva Gonçalves dos Santos, ROC n.º 1681, Effective
José Manuel Henriques Bernardo, ROC n.º 903, Alternate

¹ As per shareholders unanimous resolution of 16 May 2022

Annex II – Mandatory statements

A. Shareholders with qualifying holdings as at 30 June 2022

Acionistas	N.º de Ações	Valor Nominal	%
Allianz Infrastructure Luxembourg II S.à r.l.	40 743 759	1,00 EUR	45,51%
Allianz European Infrastructure Acquisition Holding S.à r.l.	26 412 050	1,00 EUR	29,50%
Meet Europe Natural Gas, Lda.	20 144 057	1,00 EUR	22,50%
Petrogal, S.A.	2 229 275	1,00 EUR	2,49%
Total	89 529 141	1,00 EUR	100,00%

B. Share ownership as at 30 June 2022 by current members of the Board of Directors and the supervisory bodies

(Article 447 no. 5 of the Commercial Companies Code)

As at 30 June 2022, none of the members of the Board of Directors and Audit Board held shares or bonds issued by GGND.

C. Main transactions between related parties carried out in the first half of 2022

During the first half of 2022 there were no relevant transactions between GGND related parties that had a significant impact on its financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2021, during the first 6 months of the financial year 2022.

Annex III – Statement of compliance of the information presented

Statement of compliance of the Board of Directors

In accordance with the applicable reporting principles applicable for the interim financial reporting, each member of the GGND Board of Directors below declares that, to the best of their knowledge, the information presented in the condensed consolidated financial statements concerning the first half of the financial year 2022 was prepared in accordance with the applicable accounting standards, giving a true and fair value of the assets and liabilities, financial position and results of GGND and the companies included in the perimeter consolidation, and that the interim management report for the first half of the year 2022 faithfully describes the main events that occurred during the period to which it refers and the impact on the respective financial statements, as well as a description of the main risks and uncertainties for the next six months.

Lisbon, July 28, 2022

The Board of Directors

Diogo António Rodrigues da Silveira
Chairman

Jaroslava Korpancová
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
Member

Yoichi Onishi
Member

Pedro Álvaro de Brito Gomes Doutel
Member

José Manuel Rodrigues Vieira
Member

Statement of compliance of the Audit Board

Within the scope of the exercise of duties of the members of Audit Board of Galp Gás Natural Distribuição, S.A. and in accordance with the applicable reporting principles applicable for the interim financial reporting, each member of the GGND Board of Directors below declares that, to the best of their knowledge, the information presented in the condensed consolidated financial statements concerning the first half of the financial year 2022 was prepared in accordance with the applicable accounting standards, giving a true and fair value of the assets and liabilities, financial position and results of the Company and the companies included in the perimeter consolidation, and that the interim management report for the first half of the year 2022 faithfully describes the main events that occurred during the period to which it refers and the impact on the respective financial statements, as well as a description of the main risks and uncertainties for the second half of the year.

Lisbon, July 27, 2022

The Audit Board

Pedro Miguel Ribeiro de Almeida Fontes Falcão
Chairman

Manuel Lázaro Oliveira de Brito
Member

José Carlos Carvalho Brites
Member

Annex IV – Condensed consolidated financial statements as at June 30, 2022



Condensed Consolidated Financial Statements as at 30 June 2022

Galp Gás Natural Distribuição, S.A.

Disclaimer:

Translation of a report originally issued in Portuguese. In the event of a discrepancy, the Portuguese language version prevails.

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Condensed Consolidated Statement of financial position

Galp Gás Natural Distribuição, S.A.

Condensed consolidated statement of financial position as at 30 June 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

Assets	Notes	June 2022	December 2021
Non-current assets:			
Tangible assets	4	441	450
Intangible assets and Goodwill	5	1 128 708	1 136 558
Rights-of-use of assets	6	11 091	11 499
Deferred tax assets	12	15 689	17 551
Other receivables	8	14 417	14 237
Other financial assets		3	3
Total non-current assets:		1 170 349	1 180 299
Current assets:			
Inventories	7	1 544	1 810
Trade receivables	8	6 892	10 696
Other receivables	8	65 582	68 406
Cash and cash equivalents	9	115 379	67 484
Total current assets:		189 396	148 395
Total assets:		1 359 745	1 328 694
Equity and Liabilities			
Equity:			
Share capital		89 529	89 529
Ancillary capital contributions		19 516	19 516
Reserves		13 037	12 080
Retained earnings		111 601	97 911
Total equity attributable to shareholders:		233 684	219 036
Non-controlling interests	15	20 505	20 200
Total equity:		254 189	239 236
Liabilities:			
Non-current liabilities:			
Financial Debt	10	673 803	673 969
Lease liabilities	6	10 683	11 012
Other payables	11	194 539	197 415
Post-employment and other employee benefits liabilities	13	52 863	62 370
Deferred tax liabilities	12	16 472	19 596
Provisions	14	79 220	69 256
Total non-current liabilities:		1 027 580	1 033 617
Current liabilities:			
Financial debt	10	1 042	1 042
Lease liabilities	6	990	1 015
Trade payables	11	10 424	8 381
Other payables	11	55 864	44 185
Current income tax payable	12	9 656	1 217
Total current liabilities:		77 976	55 840
Total liabilities:		1 105 556	1 089 457
Total equity and liabilities:		1 359 745	1 328 694

The accompanying notes form an integral part of the condensed consolidated statement of financial position and should be read in conjunction.

Condensed consolidated statement of income and comprehensive income

Galp Gás Natural Distribuição, S.A.

Condensed consolidated statement of income and comprehensive income for the six-month periods ended 30 June 2022 and 30 June 2021

(Amounts stated in thousand Euros - € k)

	Notes	June 2022	June 2021
Sales	16	1 820	1 708
Service rendered	16	75 294	78 010
Other operating income	16	20 163	18 364
Financial income	16 and 18	27	47
Total revenues and income:		97 304	98 129
Cost of sales	17	(1 096)	(1 021)
External supplies and services	17	(17 878)	(19 579)
Employee costs	17	(9 799)	(11 058)
Amortisation, depreciation and impairment loss on fixed assets and Rights-of-use of assets	17	(24 014)	(24 919)
Provisions	14 and 17	(95)	(90)
Impairment losses on receivables	17	52	(7)
Other operating costs	17	(15 696)	(13 806)
Financial costs	17 and 18	(5 079)	(5 145)
Total costs and expenses:		(73 605)	(75 625)
Earnings before taxes and other contributions:		23 699	22 504
Income tax	12	(6 253)	(5 762)
Energy sector extraordinary contribution	14	(10 131)	(10 485)
Consolidated net income for the period		7 315	6 257
Result attributable to:			
Shareholders of Galp Gás Natural Distribuição, S.A.		7 013	5 922
Non-controlling interests	15	302	335
Earnings per share (amount in Euros)		0.08	0.07
Consolidated net income for the period		7 315	6 257
Items which will not be recycled in the future through net income:			
Actuarial gains and losses - retirement benefits		9 148	420
Income tax related to actuarial gains and losses	12	(1 510)	-
Other adjustments – prior year corrections		-	(268)
Total comprehensive income of the period attributable to:		14 953	6 409
Shareholders of Galp Gás Natural Distribuição, S.A.		14 647	6 074
Non-controlling interests	15	305	335

The accompanying notes form an integral part of the condensed consolidated statement of income and comprehensive income and should be read in conjunction.

Condensed consolidated statement of changes in equity

Galp Gás Natural Distribuição, S.A.

Condensed consolidated statement of changes in equity for the six-month periods ended 30 June 2022 and 30 June 2021

(Amounts stated in thousand Euros - € k)

	Share capital	Ancillary capital contributions	Reserves	Retained earnings	Sub-Total	Non-controlling interests	Total
Balance as at 1 January 2021	89 529	-	11 045	115 476	216 050	19 952	236 002
Consolidated net income for the period	-	-	-	5 922	5 922	335	6 257
Other gains and losses recognised in equity	-	-	-	152	152	-	152
Comprehensive income for the period	-	-	-	6 074	6 074	335	6 409
Increase/decrease in reserves	-	-	1 035	(1 035)	-	(502)	(502)
Balance as at 30 June 2021	89 529	-	12 080	120 514	222 124	19 785	241 909
Balance as at 1 January 2022	89 529	19 516	12 080	97 911	219 036	20 200	239 236
Consolidated net income for the period	-	-	-	7 013	7 013	302	7 315
Other gains and losses recognised in equity	-	-	-	7 635	7 635	3	7 638
Comprehensive income for the period	-	-	-	14 647	14 647	305	14 953
Increase/decrease in reserves	-	-	957	(957)	-	-	-
Balance as at 30 June 2022	89 529	19 516	13 037	111 601	233 684	20 505	254 189

The accompanying notes form an integral part of the condensed consolidated statement of changes in equity and should be read in conjunction.

Condensed consolidated statement of cash flows

Galp Gás Natural Distribuição, S.A.

Condensed consolidated statement of cash flows for the six-month periods ended 30 June 2022 and 30 June 2021

(Amounts stated in thousand Euros - € k)

	Notes	June 2022	June 2021
Operating activities:			
Cash received from customers		132 016	129 458
(Payments) to suppliers		(26 053)	(34 303)
(Payments) relating to employees		(12 796)	(10 627)
(Payments) of value-added tax (VAT)		(17 368)	(17 188)
(Payments) of income taxes		(585)	(780)
(Payments) relating to Energy Sector Extraordinary Contribution	14	(13)	-
(Payments) relating to subsoil occupation levies		(11 781)	(11 113)
Other (payments) relating to the operational activity		(940)	(797)
Cash flow from operating activities (1)		62 480	54 650
Investing activities:			
Cash received from disposals of tangible and intangible assets		-	1
(Payments) for the acquisition of tangible and intangible assets		(13 164)	(14 663)
Cash received from interests and similar income		3	-
Cash flow used in investing activities (2)		(13 162)	(14 661)
Financing activities:			
(Payments) related to loans obtained	10	(521)	(521)
(Payments) from interests and similar costs		(380)	(380)
(Payments) relating to leases	6	(353)	(461)
(Payments) relating to lease interests	6	(169)	(173)
Dividends paid		-	(485)
Cash flow used in financing activities (3)		(1 423)	(2 019)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		47 895	37 970
Cash and cash equivalents at the beginning of the period		67 484	76 879
Cash and cash equivalents at the end of the period	9	115 379	114 848

The accompanying notes form an integral part of the condensed consolidated statement of cash flows and should be read in conjunction.

Notes to the condensed consolidated financial statements as at 30 June 2022

1 Corporate information

Parent-Company

Galp Gás Natural Distribuição, S.A. (designated as GGND or Company), with Head Office at Rua Tomás da Fonseca in Lisbon, Portugal, develops its corporate purpose in the energy sector, especially the natural gas distribution and commercialisation, including supporting management services in the areas of management, administration and logistics, purchasing and supply and information systems.

The group

On 30 June 2022, Galp Gás Natural Distribuição, S.A. and its subsidiaries (designated as GGND Group or Group) develop their activities in the distribution and last resort commercialisation of natural gas.

2 Significant accounting policies

2.1. Basis of presentation

Condensed consolidated financial statements for the six-month period ended 30 June 2022 were prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by European Union. These condensed financial statements do not include all the notes that are usually prepared in the annual financial statements. Additionally, only material changes were disclosed as required by IFRS 7 and IFRS 13. In this context, these condensed financial statements should be read in conjunction with the GGND Group's consolidated financial statements for the year ended 31 December 2021.

The accounting policies adopted as at 30 June 2022 are consistent with those applied for the year ended 31 December 2021 and for the semester ended 30 June 2021.

Based on the results of the GGND Group, as well as the macroeconomic environment in Portugal and the segment in which it operates, there were no indications, as at 30 June 2022, that would lead us to reassess the conclusions reached in the preparation of the annual financial statements as at 31 December 2021, regarding the recoverability of tangible and intangible assets.

These condensed consolidated financial statements have been prepared in thousand Euros (unit: € k), unless otherwise stated, since this is the preferred currency in the economic environment in which the Group operates. Due to rounding, the totals and subtotals of the tables presented may not be equal to the sum of the numbers presented.

The new standards/changes to the standards (IFRS as adopted by the European Union) that came into force in the period did not have a material impact on the financial statements.

The statement of cash flows as at 30 June 2022 includes a caption of payments relating to subsoil occupation levies. On 30 June 2021 these payments were included in the caption of other (payments)/receipts relating to the operational activity. Additionally, on 30 June 2022 this last caption include payments of tax on oil products ("ISP") while on 30 June 2021 these payments were in a separate caption. The comparative amounts as at 30 June 2021 in these financial statements have been changed consistently.

Providing and disclosing information

Following the exit of the United Kingdom from the European Union, and since the bonds issued by Galp Gás Natural Distribuição, SA under Medium Term Note Programme are admitted to trading on the main market of the London Stock Exchange, Galp Gás Natural Distribuição, S.A. is no longer subject to the supervision of the Portuguese Securities Market Commission (CMVM) and therefore the obligations to provide and disclose information provided for in the Portuguese Securities Code (CVM). Thus, Galp Gás Natural Distribuição, S.A. is now subject to the supervision of the Financial Conduct Authority (FCA) and continues to provide and disclose relevant information in accordance with the reporting and transparency obligations established by the FCA for issuers of securities.

It should also be noted that according to the regime provided by the FCA, for financial years beginning after 31 December 2020, the IFRS issued by the IASB and adopted by the European Union are equivalent to the international financial reporting standards adopted by the United Kingdom for the purposes of Transparency Rules (as defined by section 474 (1) of the Companies Act 2006).

Under the publication of Law No. 99-A/2021, of 31 December, GGND ceased to qualify as a Public Interest Entity in Portugal, with effect from 1 January 2022, due to the fact that its securities were not admitted to trading on a regulated market in Portugal.

2.2. Impacts of the macroeconomic situation

Despite the current geopolitical implications of the Russian invasion of Ukraine, GGND has not registered until this moment significant impacts in the volume of gas distributed. Nevertheless, GGND's management is monitoring the sources of gas supply, prices, volumes and interest rates, in order to control any operational risks, to ensure the maintenance of its activities and to mitigate any possible relevant financial impacts on the entities of the Group. In particular, the evolution of the inflation rate and the interest rate may impact the rate of return ("RoR") on regulated assets, and, on the other hand, the discount rate used to update the post-employment and other employee benefits liabilities (Note 13), as well as the interest rate on loans to be borrowed in the future. It should be noted that the possible impacts on the interest rates of the Group's financial debt are mitigated due to the fact that the main loan of GGND (EMTN Program – issuance of Notes) has a fixed interest rate.

3 Segment reporting

Operational segments

The Group at 30 June 2022 is comprised by Galp Gás Natural Distribuição, S.A. and its subsidiaries that carry out their activities of distribution and commercialization of natural gas on a last resort basis.

The Gas operational segment encompasses the areas of distribution and commercialisation of natural gas on a last resort basis.

Regarding "Others", the Group considered the holding company Galp Gás Natural Distribuição, S.A..

Condensed Consolidated Financial Statements as at 30 June 2022

The financial information for the previously identified segments, as at 30 June 2022 and 2021 are presented as follows:

	Unit: € k							
	Consolidated		Natural gas		Others		Consolidation adjustments	
	2022	2021	2022	2021	2022	2021	2022	2021
Income								
Sales and services rendered	77 114	79 718	76 793	79 488	10 086	10 470	(9 764)	(10 240)
Cost of sales	(1 096)	(1 021)	(1 097)	(1 021)	1	-	-	-
Other income and expenses	(23 157)	(26 086)	(26 033)	(27 616)	(7 218)	(8 701)	10 093	10 230
EBITDA	52 861	52 611	49 663	50 852	2 868	1 769	329	(10)
Amortisation, depreciation and impairment losses	(24 014)	(24 919)	(23 522)	(24 507)	(492)	(412)	-	-
Provisions (net)	(95)	(90)	(95)	(90)	-	-	-	-
EBIT	28 752	27 603	26 046	26 255	2 376	1 357	329	(10)
Other Financial income and expenses	(5 052)	(5 099)						
Income tax	(6 253)	(5 762)						
Energy Sector Extraordinary Contribution	(10 131)	(10 485)						
Consolidated net income, of which:	7 315	6 257						
Attributable to non-controlling interests	(302)	(335)						
Attributable to shareholders of Galp Gás Natural Distribuição S.A.	7 013	5 922						

OTHER INFORMATION⁽¹⁾

Segment assets⁽²⁾

Financial investments ⁽³⁾	2 278	2 278	3	3	2 275	2 275	0	0
Other assets	1 357 467	1 326 415	1 297 174	1 274 002	259 753	213 527	(199 460)	(161 114)
Segment assets	1 359 745	1 328 694	1 297 177	1 274 005	262 029	215 802	(199 460)	(161 114)
of which rights-of-use of assets	11 091	11 499	6 270	6 509	4 821	4 991	-	-

1) 2021 amounts refer to the year ended 31 December 2021

2) Net amount

3) Accounted for based on the equity method of accounting (including Goodwill and other financial assets)

4 Tangible assets

During the six-month period ended 30 June 2022 the breakdown and movements in tangible assets were as follows:

	Unit: € k
	Land, natural resources and buildings
<i>As at 30 June 2022</i>	
Acquisition cost	938
Accumulated depreciation	(497)
Net amount	441
Balance as at 1 January 2022	450
Depreciation and impairment	(9)
Balance as at 30 June 2022	441

5 Intangible assets and Goodwill

During the six-month period ended 30 June 2022 the breakdown and movements in intangible assets and goodwill are as follows:

Unit: € k

	Lands	Buildings	Basic equipment	NG consumption reconversion	Assets under construction	Other concession agreements	Concession agreement Total concession agreement	Other intangible assets	Goodwill	Total
<i>As at 30 June 2022</i>										
Acquisition cost	12 714	12 246	1 374 577	625 955	5 369	24 962	2 055 823	4 873	2 336	2 063 032
Accumulated amortisation	(4 978)	(7 687)	(610 279)	(284 928)	-	(24 033)	(931 905)	(2 359)	(61)	(934 324)
Net amount	7 737	4 559	764 298	341 027	5 369	929	1 123 919	2 514	2 275	1 128 708
Balance as at 1 January 2022	7 860	4 686	770 097	346 211	1 706	1 205	1 131 764	2 519	2 275	1 136 558
Additions	-	-	-	-	15 439	-	15 439	316	-	15 755
Amortisations	(134)	(130)	(15 668)	(7 138)	-	(206)	(23 277)	(322)	-	(23 598)
Write-offs/ disposals	-	-	(7)	-	-	-	(7)	-	-	(7)
Transfers	11	-	9 876	2 329	(11 776)	(441)	-	-	-	-
Other adjustments	-	3	-	(375)	-	372	-	-	-	-
Balance as at 30 June 2022	7 737	4 559	764 298	341 027	5 369	929	1 123 919	2 514	2 275	1 128 708

6 Rights-of-use of assets and lease liabilities

The rights-of-use are detailed as follows:

	Buildings	Other rights-of-use	Unit: € k Total
<i>As at 30 June 2022</i>			
Acquisition cost	13 537	381	13 918
Accumulated amortisation	(2 565)	(262)	(2 828)
Net amount	10 972	119	11 091
Balance as at 1 January 2022	11 326	174	11 499
Amortisations	(354)	(52)	(406)
Other adjustments	-	(2)	(2)
Balance as at 30 June 2022	10 972	119	11 091

The lease liabilities are detailed as follows:

	Unit: € k	
	June 2022	December 2021
Maturity analysis - contractual undiscounted cash flow	14 482	15 003
Less than one year	1 005	1 030
One to five years	3 754	3 788
More than five years	9 723	10 186
Lease liabilities included in the consolidated statement of financial position	11 674	12 027
Current	990	1 015
Non-current	10 683	11 012

In addition to the depreciation of rights-of-use for the period presented in the first table of this Note, the amounts recognised in the consolidated statement of income for the period are as follows:

	Unit: € k		
	Notes	June 2022	June 2021
		546	214
Interest on lease liabilities	18	169	178
Expenses related to short-term, low value and variable payments leases ¹		377	36

¹ Includes short-term leases and variable payments recognised on the goods transportation caption.

The amounts recognised in the condensed consolidated statement of cash flows are as follows:

	Unit: € k	
	June 2022	June 2021
Financing activities	522	634
Payments relating to leases	353	461
Payments relating to leasing interests	169	173

7 Inventories

Inventories as at 30 June 2022 and 31 December 2021 are detailed as follows:

	Unit: € k	
	June 2022	December 2021
	1 544	1 810
Raw, subsidiary and consumable materials	1 536	1 802
Other raw materials	1 623	1 890
Write-down on raw, subsidiary and consumable materials	(88)	(88)
Goods	8	8
Goods	8	8

8 Trade and other receivables

8.1 Trade receivables

The caption trade receivables as at 30 June 2022 and 31 December 2021 presents the following detail:

		Unit: € k	
	Notes	June 2022	December 2021
		6 892	10 696
Trade receivables		7 315	11 522
Allowance for doubtful amounts	8.3	(423)	(826)

8.2 Other receivables

The caption Other receivables as at 30 June 2022 and 31 December 2021 presents the following detail:

		Unit: € k			
	Notes	June 2022		December 2021	
		Current	Non-current	Current	Non-current
		65 582	14 417	68 406	14 237
Other debtors		24 365	3 453	26 272	3 453
Subsoil occupation levies		21 941	3 453	19 930	3 453
Suppliers' debtor balances		855	-	649	-
Advances to suppliers		153	-	4 481	-
Other receivables		1 416	-	1 212	-
Related parties		16	-	-	-
Other receivables		16	-	-	-
Assets resulting from contracts		37 189	10 914	40 613	10 743
Sales and services rendered not yet invoiced		14 551	-	14 551	-
Tariff deviation - pass through		9 121	-	10 379	-
Tariff deviation - core		12 582	10 914	15 380	10 743
Other accrued income		935	-	303	-
Deferred charges		4 092	50	1 602	40
Prepaid insurance		2 331	-	1 045	-
Other deferred costs		1 761	50	557	40
Impairment on other receivables	8.3	(81)	-	(81)	-

The caption Subsoil occupation levies amounting to €25 394 k refers to levies on subsoil occupation already paid to local authorities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and in accordance with the Resolution of the Council of Ministers No. 98/2008, dated 8 April, companies have the right to invoice the full amount of subsoil levies paid to the local authorities for the area under concession to commercialization entities or to direct customers.

8.3 Impairment of trade and other receivables

Movement on impairment of trade and other receivables for the six-month period ended 30 June 2022 are presented as follow:

	Initial balance	Increase	Decrease	Utilisation	Unit: € k Ending balance
	907	58	(110)	(352)	504
Trade receivables	826	58	(110)	(352)	423
Other receivables	81	-	-	-	81

9 Cash and cash equivalents

For the periods ended 30 June 2022 and 31 December 2021, Cash and cash equivalents are detailed as follows:

	Unit: € k	
	June 2022	December 2021
Cash and cash equivalents	115 379	67 484

10 Financial Debt

Financial debt as at 30 June 2022 and 31 December 2021 were presented as follows:

	Unit: € k			
	June 2022		December 2021	
	Current	Non-current	Current	Non-current
Bank loans	1 042	673 803	1 042	673 969
Origination Fees	-	-	-	(1)
Loans and commercial paper	1 042	4 688	1 042	5 208
Bonds and Notes	-	669 116	-	668 762
Origination Fees	-	(884)	-	(1 238)
Bond loans and Notes	-	670 000	-	670 000

Financial debt, excluding origination fees and bank overdrafts as at 30 June 2022 presents the following expected repayment plan:

Maturity	Total	Current	Unit: € k	
			Loans	
			Non-current	
	675 729	1 042	674 688	
2022	521	521	-	
2023	601 042	521	600 521	
2024	71 042	-	71 042	
2025 and following	3 125	-	3 125	

Financial debt variations for the period comprised between 31 December 2021 and 30 June 2022 are as follows:

	Initial Balance	Principal amortisations	Adjustments	Unit: € k	
				Ending balance	
Financial debt	675 011	(521)	355	674 845	
Bank loans	6 249	(521)	1	5 729	
Origination Fees	(1)	-	1	-	
Loans and commercial paper	6 250	(521)	-	5 729	
Bonds and Notes	668 762	-	354	669 116	
Origination Fees	(1 238)	-	354	(884)	
Bond loans and Notes	670 000	-	-	670 000	

During the first half of 2022, partial repayments of €521 k regarding the contracted loans were made.

The €70 000 k bond loan bears interest at an interest rate of 0.6% + Euribor 6M. This loan will be fully repaid on 1 August 2024. GGND issued Notes in the amount of €600 000 k, due on 19 September 2023 and with a coupon of 1.375%. In these circumstances, the financial debt is not significantly exposed to interest rate risk, namely the aspects mentioned in Note 2.2.

11 Trade payables and other payables

As at 30 June 2022 and 31 December 2021, trade payables and other payables were detailed as follow:

	Unit: € k			
	June 2022		December 2021	
	Current	Non-current	Current	Non-current
Trade payables	10 424	-	8 381	-
Other payables	55 864	194 539	44 185	197 415
State and other public entities	5 742	-	4 398	-
Payable VAT	4 119	-	3 508	-
“ISP” – Tax on oil products	114	-	126	-
Withholding income tax	719	-	331	-
Social security contributions	790	-	433	-
Other payables	8 188	-	7 345	-
Tangible and intangible assets suppliers	8 172	-	7 326	-
Other creditors	17	-	20	-
Related parties	137	-	137	-
Payable dividends	137	-	137	-
Other payables	2 032	-	2 166	-
Accrued costs	29 999	1 899	20 370	1 091
External supplies and services	2 817	-	4 429	-
Payable remunerations	5 411	-	6 891	-
Interests	6 617	-	2 496	-
Tariff deviation - core	11 781	1 899	4 033	1 091
Tariff deviation - pass through	2 821	-	1 812	-
Other accrued costs	552	-	709	-
Deferred income	9 765	192 640	9 768	196 324
Government grants	9 210	192 640	9 210	196 324
Other deferred income	555	-	557	-

The increase in accrued interest when compared to December is mainly related with the payment term of these interests, due on September of each year.

12 Income tax

The companies that are part of GGND Group for more than 1 year and whose participation percentage is 75% or more, and as long as such participation gives more than 50% of the voting rights, are taxed in accordance with the special regime for the taxation of groups of companies (“RETGS”). With reference to 1 January 2021 the taxable net income of GGND Group is determined by Galp Gás Natural Distribuição, S.A. (previously was Galp Energia SGPS, S.A.). The average tax rate applied to companies based in Portugal was 25%.

As at 30 June 2022 and 31 December 2021, the amount of income tax payable are as follows:

	Unit: € k	
	Liabilities	
	June 2022	December 2021
	(9 656)	(1 217)
State and other public entities	(9 562)	(1 124)
Galp Energia, SGPS, S.A.	(94)	(94)

Income tax recognised in the condensed consolidated statement of income for the six-month period ended 30 June 2022 and 2021, are detailed as follows:

	Unit: € k					
	June 2022			June 2021		
Notes	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income tax	9 025	(2 772)	6 253	8 436	(2 674)	5 762
Current income tax	9 065	(2 772)	6 293	8 525	(2 674)	5 851
Adjustment of previous year's income tax estimate	(40)	-	(40)	(89)	-	(89)

As at 30 June 2022, the deferred tax assets and liabilities movement are presented as follows:

	Unit: € k			
	31 December 2021	Impact on the statements of income	Adjustments	30 June 2022
Deferred tax assets	17 551	(352)	(1 510)	15 689
Adjustments to tangible and intangible assets	4	6	-	10
Retirement benefits and other benefits	11 145	1 598	(1 510)	11 232
Tariff deviation	3 583	(136)	-	3 447
Temporarily non-deductible provisions	2 819	(1 820)	-	1 000
Deferred tax liabilities	(19 596)	3 125	-	(16 472)
Adjustments to tangible and intangible assets fair value	(9 871)	191	-	(9 680)
Tariff deviation	(8 844)	2 905	-	(5 939)
Others	(881)	28	-	(854)

13 Post-employment and other employee benefits liabilities

As at 30 June 2022 and 31 December 2021, the GGND Group Pension Fund assets, valued at fair value and classified at Level 1, are presented as follow, according to the report submitted by the respective management company:

	June 2022	December 2021
Total	18 966	21 597
Shares	4 479	6 305
Bonds	14 202	15 144
Liquidity	285	149

As at 30 June 2022 and 31 December 2021, the Group had recorded in liabilities the following amounts related to Post-employment and other employee benefits:

	June 2022	December 2021
Liabilities	(52 863)	(62 370)
Net liabilities	(52 863)	(62 370)
Liabilities	(71 829)	(83 967)
Liabilities related to pension fund	(23 777)	(29 390)
Other employee benefits liabilities	(48 052)	(54 577)
Assets	18 966	21 597

The discount rate assumption, in the six-month period ended on 30 June 2022, increased compared to 31 December 2021 from 1.05% to 2.50%. As for the other assumptions considered in the calculation of post-employment liabilities, there were no changes compared to 31 December 2021. For more details, please refer to the consolidated financial statements and notes attached with reference to 31 December 2021.

14 Provisions

During the six-month period ended 30 June 2022, Provisions presented the following movements:

				June 2022	December 2021
	Lawsuits	“CESE I”	Other risk and charges	Total	Total
At the beginning of the period	451	65 174	3 631	69 256	77 713
Increases	-	10 131	95	10 226	12 120
Decreases	-	-	-	-	(5)
Utilisation	-	(13)	-	(13)	(20 572)
Regularisation	-	-	(249)	(249)	-
At the end of the period	451	75 292	3 477	79 220	69 256

CESE

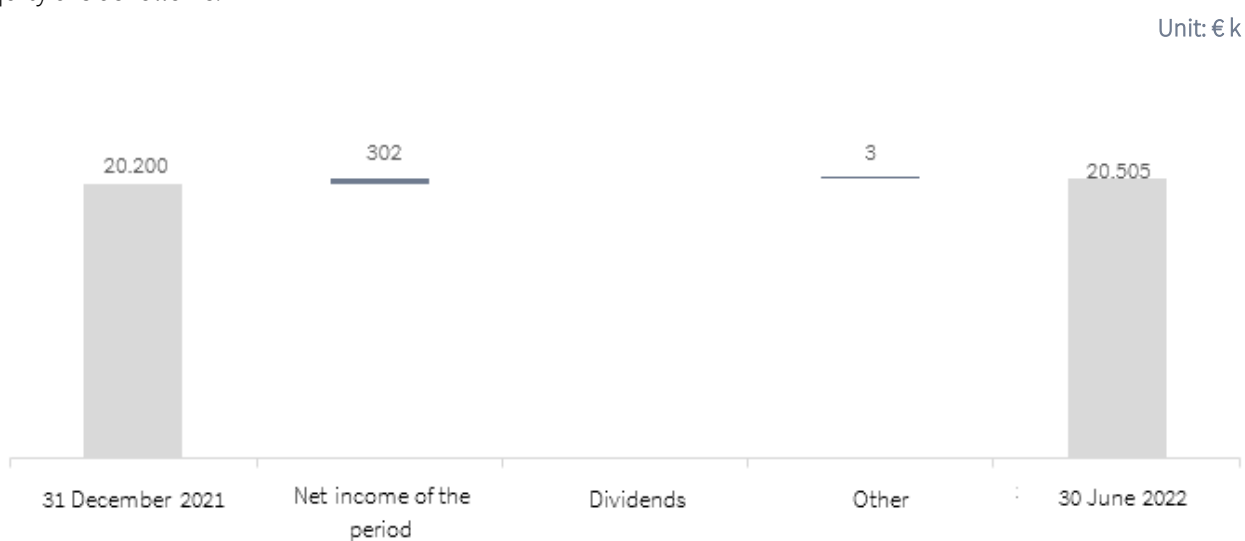
Since 2014, the Group has been subject to a special tax (Energy sector extraordinary contribution - "CESE"), under article No. 228 of Law 83C/2013 of 31 December, which states that companies from the energy sector with assets in certain activities are subject to a fee that is levied on the amount of eligible net assets. Due to the fact that the Group contests the application of this contribution, the Group has not proceeded with the respective settlement since 2014, having recorded the total amount of CESE in the Provisions caption and the expense was recognised in results in the respective years.

The decrease of CESE I in the amount of €13 k is related with payments of interests made by Setgás - Sociedade de Distribuição de Gás Natural, S.A. after the final unfavourable decision of the constitutional court for the year of 2014.

The CESE I increment is an annual recurrent increment in January of each year, with this contribution levied on some of the intangible assets allocated to the concession. For more information, see the Financial Statements as at 31 December 2021.

15 Non-controlling interests

As at 30 June 2022, the changes in non-controlling interests during the six-month period and included in equity are as follows:



The other variations refer mainly to remeasurements with a pension fund.

16 Revenues and income

Revenues and income for the six-month period ended 30 June 2022 and 30 June 2021 are detailed as follows:

	Notes	June 2022	June 2021
		97 304	98 129
Sales:		1 820	1 708
Goods		1 820	1 708
Services rendered		75 294	78 010
Other operating income:		20 163	18 364
Revenue under the IFRIC 12	17	15 439	13 513
Others		4 725	4 851
Financial income	18	27	47

17 Costs and expenses

Costs and expenses for the six-month period ended 30 June 2022 and 30 June 2021 are detailed as follows:

	Notes	June 2022	June 2021
Total costs:		73 605	75 625
Cost of sales:		1 096	1 021
Goods		1 096	1 021
External suppliers and services:		17 878	19 579
Subcontracts – network use		4 819	7 228
IT services		3 081	2 268
Maintenance and repairs		1 344	1 248
Technical assistance and inspection services		1 367	1 327
Reading, billing and collecting services		890	766
Other costs		6 376	6 743
Employee costs		9 799	11 058
Amortisation, depreciation and impairment losses on fixed assets	4, 5 and 6	24 014	24 919
Provisions	14	95	90
Impairment losses on receivables	8	(52)	7
Other costs:		15 696	13 806
Costs under IFRIC 12	16	15 439	13 513
Donations		-	1
Other taxes		25	18
Other operating costs		232	274
Financial expenses	18	5 079	5 145

18 Financial income and expenses

The detail of the Financial income and expenses for the six-month period ended 30 June 2022 and 2021 are as follows:

	Notes	June 2022	June 2021
		(5 052)	(5 099)
Financial income:		27	47
Interest on bank deposits		27	47
Financial expenses:		(5 079)	(5 145)
Interest on bank loans, bonds, overdrafts and other		(4 385)	(4 392)
Interest on lease liabilities	6	(169)	(178)
Other financial costs		(526)	(575)

Unit: € k

19 Subsequent events

Regarding the current geopolitical conflict between Russia and Ukraine, the management of GGND is continually monitoring the evolution of the situation, in order to control possible operational risks, to ensure the maintenance of its activities and to mitigate any materially relevant financial impacts in GGND Group. Until the date of approval of the accounts, geopolitical conflict with Russia had no significant impact on activity.

There were no additional subsequent events after 30 June 2022 with a material impact on the attached condensed financial statements.

20 Approval of the condensed financial statements

The condensed consolidated financial statements were approved by the Board of Directors on 28 July 2022.

21 Translation note

These condensed consolidated financial statements are a translation of the condensed consolidated financial statements originally issued in Portuguese in accordance with the International Financial Reporting Standards as adopted by the European Union, some of which may not conform to the generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version shall prevail.

THE BOARD OF DIRECTORS:

President:

Diogo António Rodrigues da Silveira

Members:

Jaroslava Korpancová

Karl Klaus Liebel

Ippei Kojima

Nuno Luís Mendes Holbech Bastos

Gabriel Nuno Charrua de Sousa

Yoichi Onishi

José Manuel Rodrigues Vieira

Pedro Álvaro de Brito Gomes Doutel

THE ACCOUNTANT:

Ana Brito



Review Report on the Condensed Consolidated Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Galp Gás Natural Distribuição, S.A. (the Entity), which comprise the condensed consolidated statement of financial position as at June 30, 2022 (which shows total assets of Euros 1,359,745 thousand and total shareholder's equity of Euros 254,189 thousand, including a consolidated net income for the period of Euros 7,315 thousand), the condensed consolidated statement of income and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

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Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000

Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Galp Gás Natural Distribuição, S.A. as at June 30, 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

July 29, 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

Rita da Silva Gonçalves dos Santos, ROC no. 1681
Registered with the Portuguese Securities Market Commission under no. 2016129