



Galp Gás Natural Distribuição, S.A.

# Management Report and Accounts First Half of 2019

Head Office: Rua Tomás da Fonseca – Torre C – 1600-209 Lisboa

Share Capital: 89,529,141.00 EUR

MCRC/NIPC: 509148247

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## 1. EXECUTIVE SUMMARY

### Main Highlights for the First Half of 2019

Consolidated EBITDA of Galp Gás Natural Distribuição, S.A. ("GGND") was €52.2 million, down by €3.4 million corresponding to 6% decrease year-on-year ("YoY") mainly due to the decrease occurred in the remuneration rate on its assets ("RoR") approved by Entidade Reguladora dos Serviços Energéticos ("ERSE").

Net income reached €9.3 million, a decrease of 27% or €3.4 million YoY, of which the main causes are the reduction in Allowed Revenues due to the decrease of the RoR, not offset by the decrease of OPEX.

Financial Position of GGND in the first half of 2019 is in line with the ending balance of December 31, 2018.

Net Debt on June 30, 2019 reached €576.3 million, with the Net Debt to EBITDA ratio standing at 5.6x and the Debt Service Coverage Ratio at 7.2x, both fulfilling the financial ratios defined under Eurobond agreement with enough buffers.

In the first half of 2019, 8,821 GWh of natural gas was distributed, a decrease of 170 GWh corresponding to 2% YoY, which is justified by a decrease of residential and commercial customers consumption due to higher temperatures than those registered last year.

Investment amounted to € 12.0 million, down by €1.9 million YoY, which represents a 14% decrease, mainly due to delay of network construction. During the 1H2019, 4,378 of connection points were developed and 43 km of network constructed.

As of June 30, 2019, GGND generated a negative Net Cash Flow of €11.1 million, mainly due to the 34% YoY reduction in Cash Flow from operating activities. This decrease was mainly due to the 6% reduction in natural gas volumes in the residential segment, as mentioned above, as well as the 9% average reduction in the Distribution Network Use Tariff (URD).

### Regulatory Framework

The natural gas distribution business is supported by the application of regulated tariffs approved by ERSE, based on Allowed Revenues, which are calculated based on the remuneration of CAPEX, recovery of allowed operating costs, and adjustments mainly related to the tariff deviation.

The recovery of the capital is defined by multiplying the regulated asset base ("RAB") by RoR published by ERSE, plus the recovery of depreciation of the assets.

The tariff deviation is defined as the difference between the estimated/recovered Allowed Revenues in year n-2 and the actual Allowed Revenues for that same period.

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

The RoR established by ERSE for Gas Year 2018-2019 was 5.82% in the natural gas distribution business, comparing to 6.65% in the previous Gas Year.

In April 2019, ERSE approved the revision of the Tariff Regulation<sup>1</sup>. As a major change the Regulatory Period would now be 4 years, as compared to 3 years until now. However, the regulatory parameters relevant for the Allowed Revenues calculation would be applied from January 2020 (civil year). To accommodate for this change, ERSE has extended the application of the previous regulatory period parameters, which were to be valid until 30 June 2019, till the end of 2019.

As for the Allowed Revenues calculation methodology, ERSE has kept the methodology, with RAB remuneration (RoR indexed to 10y PT-Bonds), depreciation and amortization costs, and recovery of OPEX indexed to efficiency factors (inflation, connecting points and distributed gas), with revision of the applicable regulatory parameters<sup>2</sup>.

## Risk Management

As a holding company of the regulated group companies (“GGND Group Companies”) which operate in the natural gas distribution sector, the existence of robust internal regulatory system and the disciplined approach to the risks are important aspects of GGND.

GGND Group Companies’ operations are of long-term nature, which implies that many of the risks to which it is exposed are permanent. However, the internal framework assures that the activities are conducted in accordance with strategic objectives, and the risks are properly managed in a way that created long-term value for shareholders.

GGND identified as the main risks of the first half of 2019, as described in the Management Report for 2018: (i) Regulatory, Legislative and Compliance Uncertainties, (ii) Information System Failure, (iii) Project Implementation Risks, (iv) Financial and Market Risks; and (v) Dependence on Third Parties.

GGND's main risks are managed, monitored and communicated according to the general guidelines accepted by GGND and its Group Companies.

The main risks identified above are those also potentially foreseen in the second half of 2019.

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<sup>1</sup> <http://www.erse.pt/pt/gasnatural/regulamentos/tarifario/Documents/Articulado%20RT%202019.pdf>

<sup>2</sup> <http://www.erse.pt/pt/gasnatural/tarifaseprecos/2019220/Paginas/default.aspx>

## 2. KEY INDICATORS

Operational Indicators	FIRST HALF				
	UNIT	2018	2019	Variation	% Var.
Connection Points <sup>1</sup>	#	1,058,779	1,063,157	4,378	0.4%
Gas Volume Distributed	GWh	8,991	8,821	(170)	(1.9%)
Total Network Extension <sup>1</sup>	km	12,099	12,142	43	0.4%
20bar network	km	648	648	-	0.0%
4bar network	km	11,451	11,494	43	0.4%
CAPEX	€k	13,932	12,029	(1,903)	(13.7%)
Rights of Use of Assets (IFRS 16) - Gross Value	€k	0	14,894	14,894	100.0%

<sup>1</sup> The values related to 2018 refers to 31 December

Financial Indicators	FIRST HALF				
	(thousand Euros)	2018	2019	Variation	% Var.
Turnover		91,154	82,215	(8,939)	(9.8%)
EBITDA <sup>1</sup>		55,569	52,163	(3,406)	(6.1%)
EBIT		34,324	30,109	(4,215)	(12.3%)
Financial Results		(4,333)	(4,633)	(300)	6.9%
Net Income		12,686	9,268	(3,418)	(26.9%)
Net Cash Flow		22,395	(11,091)	(33,486)	(149.5%)
Financial Debt <sup>2</sup>		622,131	613,299	(8,831)	(1.4%)
Net Fixed Assets <sup>3</sup>		1,087,093	1,068,271	(18,822)	(1.7%)

<sup>1</sup> Operating Result (excluding Amortisation, depreciation and impairment loss on fixed assets)

<sup>2</sup> Bank Loans Non-Current + Bank Loans Current

<sup>3</sup> Tangible Assets + Intangible Assets

## 3. ECONOMIC AND FINANCIAL REVIEW

### 3.1 ANALYSIS OF RESULTS

Income Statement	FIRST HALF			
(thousand Euros)	2018	2019	Variation	% Var.
Turnover	91,154	82,215	(8,939)	(9.8%)
Cost of Sales	(1,711)	(1,369)	342	(20.0%)
Net Operating Costs	(33,874)	(28,682)	5,192	(15.3%)
<i>External Supplies and Services</i>	(28,635)	(23,362)	5,273	(18.4%)
<i>Employee Costs</i>	(9,722)	(9,631)	91	(0.9%)
<i>Other Operating Income (Costs)</i>	4,640	4,437	(203)	(4.4%)
<i>Impairment Loss on Receivables</i>	(58)	(33)	25	(43.5%)
<i>Provisions</i>	(98)	(93)	5	(5.0%)
<b>EBITDA</b>	<b>55,569</b>	<b>52,163</b>	<b>(3,406)</b>	<b>(6.1%)</b>
Amortisation, Depreciation and Impairment Loss on Fixed Assets <sup>1</sup>	(21,245)	(22,054)	(809)	3.8%
<b>EBIT</b>	<b>34,324</b>	<b>30,109</b>	<b>(4,215)</b>	<b>(12.3%)</b>
Financial Results <sup>2</sup>	(4,333)	(4,633)	(300)	6.9%
<b>Profit before Tax</b>	<b>29,991</b>	<b>25,476</b>	<b>(4,515)</b>	<b>(15.1%)</b>
Income Tax	(7,696)	(6,473)	1,223	(15.9%)
Energy Sector Extraordinary Contribution (CESE)	(9,609)	(9,735)	(126)	1.3%
<b>Consolidated Net Income</b>	<b>12,686</b>	<b>9,268</b>	<b>(3,418)</b>	<b>(26.9%)</b>

<sup>1</sup> Includes IFRS 16

<sup>2</sup> Includes share results of investments in Tagusgás, S.A.

#### TURNOVER

Turnover reached €82.2 million in first half of 2019, showing 10% decrease or €8.9 million YoY. This variation was due to the decrease of the Network Access Tariff and decrease of Allowed Revenues, inherent to lower RoR approved by ERSE, partially offset by a positive amount of ERSE adjustment.

#### NET OPERATING COSTS

Net Operating Costs was €28.7 million, 15% decrease YoY, primarily due to the decreased in the Network Access Tariff.

## EBITDA

GGND recorded in the first half of 2019, an EBITDA of €52.2 million, which represents 6% decrease YoY, mainly due to the decrease of RoR.

## AMORTISATION AND DEPRECIATION

Amortisation and Depreciation reached €22.1 million whose increase YoY was mainly due to the application of IFRS 16.

## FINANCIAL RESULTS

The Financial Results were negative in €4.6 million, which shows a slight decrease by €0.3 million YoY, mainly due to the application of IFRS 16.

## NET INCOME

Net Income of the period was €9.3 million, 27% lower YoY mainly due to the decrease of RoR not offset by the reduction in Net Operating Costs.

The Corporate Income Tax reached €6.5 million, 16% decrease YoY, mainly due to lower Profit before Tax obtained until June 30, 2019.

The Energy Sector Extraordinary Contribution ("CESE") had a negative impact on results of *circa* €9.7 million, due to the recognition of €8.6 million of CESE for the year 2019 and the remaining amount of default interest.

## 3.2 REVIEW OF THE FINANCIAL POSITION

Financial Position			
(thousand Euros)	31 December, 2018	30 June, 2019	Variation
Fixed Assets	1,077,842	1,068,271	(9,571)
Right of Use of Assets	0	14,380	14,380
Investments in Associates	12,506	12,670	12,670
Goodwill and Other Financial Assets	2,278	2,278	-
Other Receivables	15,047	27,871	12,824
Deferred Tax Asset	16,015	16,455	440
<b>Non-current Assets</b>	<b>1,123,688</b>	<b>1,141,925</b>	<b>18,237</b>
Inventories	1,695	1,716	21
Trade and Other Receivables	64,039	54,504	(9,535)
Cash and Cash Equivalents	48,107	37,014	(11,093)
<b>Current Assets</b>	<b>113,841</b>	<b>93,234</b>	<b>(20,607)</b>
<b>Total Assets</b>	<b>1,237,529</b>	<b>1,235,159</b>	<b>(2,370)</b>
<b>Equity</b>	<b>236,840</b>	<b>210,206</b>	<b>(26,635)</b>
Bank Loans	609,270	604,955	(4,315)
Other Non-Current Liabilities	326,518	346,272	19,754
Deferred Tax Liabilities	7,272	10,150	2,878
<b>Non-Current Liabilities</b>	<b>943,060</b>	<b>961,377</b>	<b>18,317</b>
Bank Loans and Overdrafts	8,349	8,344	(5)
Trade and Other Payables	44,881	47,146	2,265
Current Income Tax	4,399	8,086	3,687
<b>Current Liabilities</b>	<b>57,629</b>	<b>63,576</b>	<b>5,947</b>
<b>Total Liabilities</b>	<b>1,000,689</b>	<b>1,024,953</b>	<b>24,265</b>
<b>Total Liabilities and Equity</b>	<b>1,237,529</b>	<b>1,235,159</b>	<b>(2,370)</b>
Net Debt <sup>1</sup>	569,512	576,285	6,773
Capital Employed <sup>2</sup>	806,352	786,491	(19,861)

<sup>1</sup> Bank Loans Non-Current + Bank Loans Current - Cash and Cash Equivalents

<sup>2</sup> Equity + Net Debt

In the first half of 2019, Non-Current Assets increased by €18.2 million, mainly due to the application of IFRS 16.

The decrease of Total Assets was due to lower balance of Cash and Cash Equivalents, because the decreased of Clients Receipts as of June 2019.

Total Equity of GGND amounting €210.2 million decreased by €26.6 million compared to December 31, 2018, mainly due to €36.9 million of dividends distributed to shareholders, partially offset by consolidated Net Income for the semester of €9.3 million.



## FINANCIAL RATIOS

Financial Ratios	FIRST HALF	Lock-up	Default
	2019	Threshold	
Net Debt <sup>1</sup> / EBITDA	5.6x	> 6.5x	> 7.0x
Debt Service Coverage Ratio <sup>2</sup>	7.2x	< 2.0x	< 1.5x

<sup>1</sup> Bank Loan + Bond + Accrued Interest - Cash and equivalents

<sup>2</sup> (Cash Flow from Operacional Activity - Capital Expenditure)/Interest Service

Financial Ratios as of June 30, 2019 are in compliance with the financial covenants under the Eurobond agreement.

### 3.3 REVIEW OF THE CASH FLOW STATEMENT

Cash Flow Statement	FIRST HALF			
	(thousand Euros)	2018	2019	Variation
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		<b>16,672</b>	<b>48,105</b>	<b>31,433</b>
Clients receipts		148,004	129,590	(18,414)
Payments to suppliers		(37,798)	(40,819)	(3,021)
Payments related to Employees		(6,045)	(6,204)	(159)
Other operating (payments)/receipts		(39,097)	(38,863)	234
(Payment)/Receipt of Income Tax		(1)	(448)	(447)
<b>Cash flows from Operating Activities</b>		<b>65,062</b>	<b>43,256</b>	<b>(21,806)</b>
Cash Flow from Capital Expenditure		(12,050)	(11,737)	313
Dividends from Associated Companies and Other Financial Investments		3	(53)	(56)
<b>Cash flows from Investing Activities</b>		<b>(12,047)</b>	<b>(11,790)</b>	<b>257</b>
(Payment)/Receipt of Loans		(4,749)	(4,749)	-
Net Financial Expenses <sup>1</sup>		(245)	(910)	(665)
Payment of Dividends		(25,626)	(36,898)	(11,272)
<b>Cash flows from Financing Activities</b>		<b>(30,620)</b>	<b>(42,557)</b>	<b>(11,937)</b>
<b>Cash and Cash Equivalents at the End of the Period</b>		<b>39,067</b>	<b>37,014</b>	<b>(2,053)</b>

<sup>1</sup> Includes Amortisations and Interest of finance leases contracts (IFRS 16)

Cash Flow from Operating Activities decreased by €21.8 million YoY, mainly because of the decreased of clients receipts. This decrease was mainly due to the 6% reduction in natural gas volumes in the residential segment, as mentioned above, as well as the 9% average reduction in the Distribution Network Use Tariff (URD).

After the payment of dividends of €36.9 million to shareholders, the Cash and Cash Equivalents of GGND at the end of the period stands at €37.0 million.

### 4. Relevant Events Occurred after the Closing of the First Half of 2019

On 15th of July, GGND has completed the acquisition of 58.03% of Tagusgás, S.A., for an amount of €31.8 million, holding 99.36% of the share capital of this Company. In addition, the impact of this acquisition maintains the performance of the financial covenants in compliance.

Lisbon, 10 September 2019

The Board of Directors

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Carlos Manuel Costa Pina  
Chairman

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Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco  
Deputy Chairman

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Gabriel Nuno Charrua de Sousa  
Member

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Yoichi Onishi  
Member

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José Manuel Rodrigues Vieira  
Member

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Ana Isabel Simões Dias dos Santos Severino  
Member

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Maria Marta Geraldès  
Member

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Yoichi Noborisaka  
Member

## Annex

### I - Governing Bodies

Composition of the governing bodies of Galp Gás Natural Distribuição as of 30 June 2019 is as follows:

#### Board of Directors

José Manuel Rodrigues Vieira (COO)

#### Chairman:

Carlos Manuel Costa Pina

#### Vice-Chairman

Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco

#### Members:

Gabriel Nuno Charrua de Sousa

Naohiro Hayakawa <sup>3</sup>

José Manuel Rodrigues Vieira

Ana Isabel Simões Dias dos Santos Severino

Maria Marta de Figueiredo Geraldês Bastos

Yoichi Noborisaka

#### Executive Committee

#### Chairman:

Gabriel Nuno Charrua de Sousa (CEO)

#### Members:

Naohiro Hayakawa (CFO) <sup>3</sup>

#### Supervisory Board

#### Chairman:

Daniel Bessa Fernandes Coelho

#### Members:

Pedro Antunes de Almeida

Armindo José Faustino dos Santos Marcelino

#### Suplente:

Amável Alberto Freixo Calhau

#### Statutory Auditors

#### Permanent:

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., enrolled at the OROC with number 183 and in CMVM with number 20161485, represented by António Joaquim Brochado Correia, ROC number 1076.

#### Alternate:

José Manuel Henriques Bernardo, ROC number 903.

<sup>3</sup> Replaced by Yoichi Onishi on July 31, 2019

## General Shareholders Meeting Board

### Chairman:

Ana Perestrelo de Oliveira

### Secretary:

Rafael Lucas Pires

## Company Secretary

### Permanent:

Rita Picão Fernandes

### Alternate:

Inês Figueira

## II - Notice and Statement

### 1. Shareholders with qualifying holdings on 30 June 2019

Shareholders	Nr. of Shares	Nominal Value	%
Galp Gás & Power, SGPS, S.A.	69,385,084	1.00 EUR	77.50%
MEET Europe Natural Gas, Lda.	20,144,057	1.00 EUR	22.50%
<b>Total</b>	<b>89,529,141</b>	<b>1.00 EUR</b>	<b>100.00%</b>

### 2. Share ownership on 30 June 2019 by current members of the Board of Directors and the supervisory bodies

As of 30 June 2019, none of the members of the administration and supervisory board held shares or bonds issued by **GGND**.

### 3. Main Transactions between related parties during the first half of 2019

(Article no. 246, paragraph 3 c) of the CVM).

During the first half of 2019 there were no relevant transactions between **GGND** related parties that had a significant effect on its financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2018, which were susceptible to have a significant effect on its financial position or on its respective performance over the first six months of the financial year 2019.

## 4. Statement of compliance of information presented

### Statement of compliance of the Board of Directors

According to article 246, paragraph 1. c) of the CVM, the Board of Directors of GGND declares that:

To the best of their knowledge, (i) the information presented in the financial statements concerning the first half of the financial year 2019 was produced in conformity with the applicable accounting requirements and gives a true and fair view of GGND's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and (ii) the report and accounts for the first half of 2019 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 10 September 2019

#### The Board of Directors

##### Chairman:

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Carlos Manuel Costa Pina

##### Vice-Chairman:

---

Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco

##### Members:

---

Gabriel Nuno Charrua de Sousa

---

Yoichi Onishi

---

José Manuel Rodrigues Vieira

---

Ana Isabel Simões Dias dos Santos Severino

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Maria Marta Geraldes

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Yoichi Noborisaka

## Statement of compliance of the Supervisory Board

According to article 246, paragraph 1. c) of the CVM, each of the members of the Supervisory Board of GGND mentioned below declares that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2019 was produced in conformity with the applicable accounting requirements and gives a true and fair view of GGND's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and the report and accounts for the first half of 2019 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 10 September 2019

### The Supervisory Board

#### Chairman:

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Daniel Bessa Fernandes Coelho

#### Members:

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Pedro Antunes de Almeida

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Armando José Faustino dos Santos Marcelino



### III - CONSOLIDATED FINANCIAL STATEMENTS



# **Consolidated Financial Statements as of 30 June 2019**

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## Consolidated statement of financial position

### Galp Gás Natural Distribuição, S.A.

#### Consolidated Statement of Financial Position as of 30 June 2019 and 31 December 2018

(Amounts stated in thousand Euro - €k)

Assets	Notes	June 2019	December 2018
<b>Non-current assets:</b>			
Tangible assets	4	497	507
Intangible assets and Goodwill	5	1,070,050	1,079,610
Right-of-use assets	6	14,380	-
Investments in associates and joint ventures	7	12,670	12,506
Deferred tax assets	13	16,455	16,015
Other receivables	9.2	27,871	15,047
Other financial assets		3	3
<b>Total non-current assets:</b>		<b>1,141,925</b>	<b>1,123,688</b>
<b>Current assets:</b>			
Inventories	8	1,716	1,695
Trade receivables	9.1	13,349	12,093
Other receivables	9.2	41,155	51,946
Cash and cash equivalents	10	37,014	48,107
<b>Total current assets:</b>		<b>93,234</b>	<b>113,841</b>
<b>Total assets:</b>		<b>1,235,159</b>	<b>1,237,529</b>
<b>Equity and Liabilities</b>			
<b>Equity:</b>			
Share capital and Share premium		89,529	89,529
Reserves		9,116	7,468
Retained earnings		92,986	120,324
<b>Total equity attributable to shareholders:</b>		<b>191,632</b>	<b>217,321</b>
Non-controlling interests	16	18,574	19,519
<b>Total equity:</b>		<b>210,206</b>	<b>236,840</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Financial debt	11	604,955	609,270
Lease liabilities	6	13,338	-
Other payables	12	215,747	217,400
Post-employment and other employee benefits liabilities	14	54,043	55,802
Deferred tax liabilities	13	10,150	7,272
Provisions	15	63,144	53,316
<b>Total non-current liabilities:</b>		<b>961,377</b>	<b>943,060</b>
<b>Current liabilities:</b>			
Financial debt	11	8,344	8,349
Lease liabilities	6	1,147	-
Trade payables		6,506	11,111
Other payables	12	39,494	33,770
Current income tax payable	13	8,086	4,399
<b>Total current liabilities:</b>		<b>63,576</b>	<b>57,629</b>
<b>Total liabilities:</b>		<b>1,024,953</b>	<b>1,000,689</b>
<b>Total equity and liabilities:</b>		<b>1,235,159</b>	<b>1,237,529</b>

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

## Consolidated income statement and statement of comprehensive income

### Galp Gás Natural Distribuição, S.A.

#### Consolidated Income Statement and Statement of Comprehensive Income for the six-month period ended 30 June 2019 and 30 June 2018

(Amounts stated in thousand Euro - €k)

	Notes	June 2019	June 2018
Sales	17	2,985	2,863
Services rendered	17	79,230	88,290
Other operating income	17	16,666	18,791
Financial income	19	17	42
Results from associates and joint ventures	7	360	398
<b>Total revenues and income:</b>		<b>99,258</b>	<b>110,384</b>
Cost of sales	18	(1,369)	(1,711)
Supplies and external services	18	(23,362)	(28,635)
Employee costs	18	(9,631)	(9,722)
Amortisation, depreciation and impairment losses on fixed assets	18	(22,054)	(21,245)
Provisions	18	(93)	(98)
Impairment losses on receivables	18	(33)	(58)
Other operating costs	18	(12,228)	(14,151)
Financial expenses	19	(5,010)	(4,773)
<b>Total costs and losses:</b>		<b>(73,781)</b>	<b>(80,393)</b>
<b>Profit before taxes and energy sector extraordinary contribution:</b>		<b>25,477</b>	<b>29,991</b>
Income taxes	13	(6,473)	(7,696)
Energy sector extraordinary contribution	13	(9,735)	(9,609)
<b>Consolidated net (loss)/income for the period</b>		<b>9,268</b>	<b>12,686</b>
<b>(Loss)/income attributable to:</b>			
<b>Galp Gás Natural Distribuição, S.A. Shareholders</b>		<b>8,927</b>	<b>12,224</b>
<b>Non-controlling interests</b>	16	341	462
<b>Basic and Diluted Earnings per share (in Euros)</b>		<b>0,10</b>	<b>0,14</b>
<b>Consolidated net (loss)/income for the period</b>		<b>9,268</b>	<b>12,686</b>
<b>Items which will not be recycled in the future through net income:</b>			
Remeasurements		1,373	643
Income taxes related to remeasurements	13	(114)	-
<b>Items which may be recycled in the future through net income:</b>			
Hedging reserves		(263)	(383)
Income taxes related to above items		66	96
<b>Total Comprehensive income/(loss) for the period, attributable to:</b>		<b>10,330</b>	<b>13,042</b>
<b>Galp Gás Natural Distribuição, S.A. Shareholders</b>		<b>9,989</b>	<b>14,506</b>
<b>Non-controlling interests</b>		<b>341</b>	<b>(1,464)</b>

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

## Consolidated statement of changes in equity

### Galp Gás Natural Distribuição, S.A.

Consolidated Statement of changes in equity for the six-month period ended as of 30 June 2019 and 30 June 2018  
(Amounts stated in thousand Euro - €k)

	Share Capital and Share Premium		Reserves			Sub-Total	Non-controlling interests	Total
	Share Capital	Share Premium	Hedging Reserves	Other Reserves	Retained earnings			
<b>Balance as of 1 January 2018</b>	<b>89,529</b>	-	<b>(449)</b>	<b>6,413</b>	<b>117,413</b>	<b>212,906</b>	<b>19,893</b>	<b>232,799</b>
Consolidated net income for the period	-	-	-	-	12,224	12,224	462	12,686
Other gains and losses recognised in Equity	-	-	287	-	(644)	(357)	(8)	(365)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>287</b>	<b>-</b>	<b>11,580</b>	<b>11,867</b>	<b>454</b>	<b>12,321</b>
Dividends distributed / Interim dividends	-	-	-	-	(24,170)	(24,170)	(1,456)	(25,626)
Increase/decrease in capital reserves	-	-	-	1,274	(1,274)	-	-	-
<b>Balance as of 30 June 2018</b>	<b>89,529</b>	-	<b>(162)</b>	<b>7,687</b>	<b>103,549</b>	<b>200,603</b>	<b>18,891</b>	<b>219,494</b>
<b>Balance as of 1 January 2019</b>	<b>89,529</b>	-	<b>(219)</b>	<b>7,687</b>	<b>120,324</b>	<b>217,321</b>	<b>19,519</b>	<b>236,840</b>
Consolidated net income for the period	-	-	-	-	8,927	8,927	341	9,268
Other gains and losses recognised in Equity	-	-	(197)	(5)	1,265	1,062	-	1,062
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(197)</b>	<b>(5)</b>	<b>10,192</b>	<b>9,989</b>	<b>341</b>	<b>10,330</b>
Dividends distributed / Interim dividends	-	-	-	-	(35,655)	(35,655)	(1,250)	(36,905)
Increase/decrease in capital reserves	-	-	-	1,850	(1,875)	(22)	(37)	(59)
<b>Balance as of 30 June 2019</b>	<b>89,529</b>	-	<b>(416)</b>	<b>9,532</b>	<b>92,986</b>	<b>191,632</b>	<b>18,574</b>	<b>210,206</b>

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

## Consolidated statement of cash flow

### Galp Gás Natural Distribuição, S.A.

#### Consolidated Statement of Cash Flow for the six-month period ended 30 June 2019 and 30 June 2018

(Amounts stated in thousand Euros - €k)

	Notes	June 2019	June 2018
<b>Operating activities:</b>			
Cash received from customers		129,590	148,004
Cash (payments) to suppliers		(40,819)	(37,798)
(Payments) relating to Tax on oil products ("ISP")		(197)	(203)
(Payments) to the pension fund		(301)	(387)
(Payments) to early retirements and pre-retirements		(1,121)	(1,311)
(Payments) relating to personnel		(4,397)	(3,919)
(Payments) of insurance expenses with retirements		(385)	(428)
Other (payments) relating to the operational activity		(38,666)	(38,895)
(Payments) of income taxes		(448)	(1)
<b>Cash flows from operating activities (1)</b>		<b>43,256</b>	<b>65,062</b>
<b>Investing activities:</b>			
Cash (payments) for the acquisition of tangible and intangible assets		(11,737)	(12,050)
Cash (payments) relating to financial investments		(54)	-
Cash receipts from interests and similar income		1	3
<b>Cash flows from investing activities (2)</b>		<b>(11,790)</b>	<b>(12,047)</b>
<b>Financing activities:</b>			
Cash (payments) relating to loans obtained	11	(4,749)	(4,749)
Cash (payments) from interests and similar costs		(272)	(245)
Cash (payments) relating to leasing	6	(409)	-
Cash (payments) relating to leasing interests	6	(229)	-
Dividends paid		(36,898)	(25,626)
<b>Cash flows from financing activities (3)</b>		<b>(42,557)</b>	<b>(30,620)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(11,091)	22,395
Effect of foreign exchange rate changes in cash and cash equivalents		-	-
Cash changes by changes in the consolidation perimeter		-	-
Cash and cash equivalents at the beginning of the period		48,105	16,672
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>37,014</b>	<b>39,067</b>

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

## Notes to the consolidated financial statements

### 1. Corporate information

Galp Gás Natural Distribuição, S.A. ("Company") was incorporated as of 2 December 2009 under the name Galp Gás Natural Distribuição, SGPS, S.A., whose corporate purpose is to manage shareholdings of other companies. As of 1 April 2015 by unanimous decision of the sole shareholder GDP Gás de Portugal, SGPS, S.A., the Company changed its corporate name to the current Galp Gás Natural Distribuição, S.A., changing its corporate business to the exercise of activities in the energy sector, in particular in the distribution of natural gas, including the service delivery of support to corporate business, in the areas of management, administration and logistics, purchase and supply and information systems.

Its Head Office is in Lisbon, Rua Tomás da Fonseca, Torre C 1, 1600-209 Lisbon.

The financial statements are presented in Euro (functional currency) as this is the currency preferably used in the economic environment in which the Company operates.

### 2. Significant Accounting Policies

#### 2.1. Basis of presentation

Consolidated financial statements for the six-month period ended 30 June 2019, were prepared in accordance with the IAS 34 - Interim Financial Reporting. These statements do not include all the notes that are normally prepared in the annual financial statements. Additionally, only material changes required by IFRS 7 and IFRS 13 were disclosed. In this context, these financial statements should be read in conjunction with the GGND Group's consolidated financial statements for the year ended 31 December 2018.

Based on the results of the GGND Group and its business units, as well as the macroeconomic conditions of the countries and segments in which each business unit operates, there were no indications, as of 30 June 2019, that lead us to reassess the conclusions reached in the preparation of the annual financial statements as of 31 December 2018, regarding the recoverability of tangible, intangible assets, goodwill and investments in associates and joint ventures.

These consolidated financial statements have been prepared in thousand euro, unless otherwise stated. Due to rounding, the totals and subtotals of the tables presented may not be equal to the sum of the numbers presented.

#### 2.2. Impact resulting from the application of new or amended IFRS standards

##### IFRS 16 - Leases

###### Accounting policy

The Group has applied, as of 1 January 2019, IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

###### Recognition

The Group recognises a right-of-use asset and lease liability in the beginning date of the contract. The right of use of the asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any lease payments made on or before the beginning date, plus any initial direct costs incurred, as well as an estimate of decommissioning and removal costs of the underlying asset (if applicable) deducted from any incentive granted.



Lease liability is initially recognised at the present value of rents not yet paid at the date of the contract, discounting the interest rate implied in the lease. or in case it is not possible to easily determine this rate, using the incremental interest rate of the lease. In general, the Group uses its incremental interest rate as the discount rate to be applied, Lease payments included in the measurement of leasing liability include the following:

- fixed payments, deducted from any incentives already received;
- variable lease payments, dependent on a certain rate or index;
- amounts due under a residual value guarantee;
- exercise price of the call option, if it is reasonably certain that the lessee exercises the option;
- payment of penalties for termination of the contract, if it is reasonably certain that the lessee cancels the contract.

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when future payments change as a result of a rate or index, if there is a change in the Group's estimate of the amount to be paid under a residual value guarantee, or if the Group changes its assessment of the option to purchase, its extension or termination.

When lease liabilities are remeasured, the right-of-use value is also adjusted, or a profit or loss is recognised in the income statement, if the carrying amount of the right-of-use was already reduced to zero.

The Group presents the right-of-use assets and the lease liabilities under headings duly segregated in the consolidated statement of financial position.

#### ***Short-term finance leases or low value asset leases***

The Group does not recognise an use-of-right asset or lease liability, for lease agreements lasting less than 12 months or low value leases. The Group recognises the expenses associated with these leases as an operating cost over the life of contract.

#### ***Depreciation***

The right-of-use asset is depreciated using the straight-line method of depreciation based on the lower of the asset's useful life or the end of the lease. The estimated useful life of the right-of-use assets is the same basis as for the other tangible assets.

#### ***Impairments***

The right-of-use asset is periodically reduced by impairment losses, and adjusted for certain variations in the lease obligation associated with the asset.

#### **Estimates and judgments**

##### ***Useful lives, asset residual values and discount rates***

The determination of the assets' residual values, estimated useful lives and discount rates are based on premises of lease agreements (or similar assets) and are defined based on management judgment, as well as the best practices by sector peers.

##### ***Right-of-use assets impairment***

Identifying impairment indicators, estimating future cash flows and determining asset fair value imply a high judgment level from the Board of Directors in respect to the identification and evaluation of the different impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

See Note 6.

### 3. Segment reporting

The Group consists of Galp Gás Natural Distribuição and its subsidiaries that carry out their activities of distribution and commercialisation of natural gas under a last resort regime.

The Natural Gas operating segment covers the areas of distribution and commercialisation of natural gas under a last regime resort.

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

The financial information for the previously identified segments, as of 30 June 2019 and 2018 is presented as follows:

	Unit: € k							
	Consolidated		Gas & Power		Others		Consolidation adjustments	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Income</b>								
Sales and Services Rendered	82,215	91,153	82,075	90,987	6,012	5,894	(5,872)	(5,728)
Cost of sales	(1,369)	(1,711)	(1,369)	(1,711)	-	-	-	-
Other revenues and expenses	(28,589)	(33,776)	(29,592)	(35,999)	(4,869)	(3,505)	5,872	5,728
<b>EBITDA</b>	<b>52,257</b>	<b>55,667</b>	<b>51,114</b>	<b>53,278</b>	<b>1,143</b>	<b>2,389</b>	-	-
Amortisations, depreciation and impairment losses on fixed assets	(22,054)	(21,245)	(21,766)	(21,245)	(289)	-	-	-
Provisions (net)	(93)	(98)	(93)	(98)	-	-	-	-
<b>EBIT</b>	<b>30,110</b>	<b>34,324</b>	<b>29,255</b>	<b>31,935</b>	<b>854</b>	<b>2,389</b>	-	-
Results from associates and joint ventures	360	398						
Other financial income	(4,993)	(4,731)						
Income tax	(6,473)	(7,696)						
Energy Sector Extraordinary Contribution	(9,735)	(9,609)						
<b>Consolidated Net (loss)/income , of which:</b>	<b>9,268</b>	<b>12,686</b>						
Attributable to non-controlling interests	(341)	(462)						
Attributable to shareholders of Galp Gás Natural Distribuição, S.A.	8,927	12,224						

#### As of 20 June 2019 and 31 December 2018

#### OTHER INFORMATION

##### Segment Assets <sup>(1)</sup>

Financial investments <sup>(2)</sup>	14,948	14,785	3	3	14,945	14,782	-	-
Other assets	1,220,211	1,222,744	1,189,680	1,195,455	518,312	520,813	(487,781)	(493,524)
<b>Segment Assets</b>	<b>1,235,159</b>	<b>1,237,529</b>	<b>1,189,683</b>	<b>1,195,458</b>	<b>533,257</b>	<b>535,595</b>	<b>(487,781)</b>	<b>(493,524)</b>
of which Rights-of-use assets	14,380	-	8,049	-	6,331	-	-	-

#### Investment in Tangible and Intangible Assets

1) Net amount

2) 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 2019 the breakdown and movements in tangible assets were as follows:

	<b>Unit: € k</b>
	<b>Land, natural resources and buildings</b>
<hr/>	
<i>As of 30 June 2019</i>	
Acquisition cost	938
Accumulated depreciation	(441)
<b>Net amount</b>	<b>497</b>
<hr/>	
<b>Balance as of 1 January 2019</b>	<b>507</b>
Depreciation and impairment	(9)
<b>Balance as of 30 June 2019</b>	<b>497</b>

## 5. Intangible assets and Goodwill

During the six-month period ended 30 June 2019 the breakdown and movements in intangible assets and goodwill were as follows:

	Unit: € k									
	Concession arrangements									
	Land	Buildings	Basic equipment	Reconversion of natural gas consumption	Intangible assets in progress	Others concession arrangements	Total concession arrangements	Others intangible assets	Goodwill	Total
<i>As of 30 June 2019</i>										
Acquisition cost	12,186	8,988	1,195,264	584,653	3,461	22,042	1,826,593	956	2,336	1,829,885
Accumulated amortization	(4,164)	(6,244)	(490,310)	(238,191)	-	(20,507)	(759,417)	(358)	(61)	(759,835)
<b>Net amount</b>	<b>8,022</b>	<b>2,744</b>	<b>704,954</b>	<b>346,461</b>	<b>3,461</b>	<b>1,535</b>	<b>1,067,177</b>	<b>598</b>	<b>2,275</b>	<b>1,070,050</b>
<b>Balance as of 1 January 2019</b>	<b>8,155</b>	<b>2,885</b>	<b>711,134</b>	<b>351,437</b>	<b>1,508</b>	<b>1,684</b>	<b>1,076,802</b>	<b>533</b>	<b>2,275</b>	<b>1,079,610</b>
Additions	-	-	-	-	11,862	-	11,862	167	-	12,029
Amortisations	(133)	(165)	(13,596)	(7,355)	-	(181)	(21,429)	(102)	-	(21,531)
Write-offs/Disposals	-	-	(58)	-	-	-	(58)	-	-	(58)
Transfers	-	24	7,474	2,380	(9,909)	31	-	-	-	-
<b>Balance as of 30 June 2019</b>	<b>8,022</b>	<b>2,744</b>	<b>704,954</b>	<b>346,461</b>	<b>3,461</b>	<b>1,535</b>	<b>1,067,177</b>	<b>598</b>	<b>2,275</b>	<b>1,070,050</b>



## 6. Finance leases

The rights of use are detailed as follows:

	Unit: € k		
	Buildings	Other rights of use	Total
<i>As of 30 June 2019</i>			
Acquisition cost	14,362	532	14,894
Accumulated amortisation	(401)	(112)	(514)
<b>Net amount</b>	<b>13,961</b>	<b>419</b>	<b>14,380</b>
<b>IFRS 16 adoption as of 1 January 2019</b>	<b>15,415</b>	<b>465</b>	<b>15,880</b>
Additions	-	94	94
Amortisation	(401)	(112)	(514)
Currency exchange differences and other adjustments	(1,053)	(28)	(1,081)
<b>Balance as of 30 June 2019</b>	<b>13,961</b>	<b>419</b>	<b>14,380</b>

The lease liabilities are detailed as follows:

	Unit: € k
	June 2019
<b>Maturity analysis – contractual undiscounted cash flow</b>	<b>18,610</b>
Less than one year	1,163
One to five years	4,152
More than five years	13,294
<b>Lease liabilities included in the statement of financial position</b>	<b>14,485</b>
Current	1,147
Non current	13,338

The amounts recognised in the consolidated income statement for the period are as follows:

	Unit: € k
	June 2019
	<b>367</b>
Interest on lease liabilities	229
Expenses related to leases not in the scope of IFRS 16	137

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

	Unit: € k
	June 2019
<b>Financing activities</b>	<b>638</b>
Cash (payments) relating to leasing	409
Cash (payments) relating to leasing interests	229



## 7. Investments in associates

The financial investments in associates held as of 30 June 2018 and 31 December 2018 are as follows:

								Unit:€k		
Companies	Head Office		Main activity	Percentage of interest held		Book Value				
	City	Country		June 2019	December 2018	June 2019	December 2018			
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(a)	Santarém	Portugal	Natural gas and other pipelined fuelled gases production and distribution	41.33%	41.33%	12,670	12,506		
<b>Net value of financial investments</b>							<b>12,670</b>	<b>12,506</b>		

(a) Participation held by Galp Gás Natural Distribuição, S.A.

The movement in financial investments in associates which are reflected by the equity method, in the period of six-months ended June 30, 2019 was as follows:

					Unit: € k	
	31 December 2018	Equity Method income	Hedging reserves Adjustments	30 June 2019		
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	12,506	360	(197)	12,670		
	12,506	360	(197)	12,670		

## 8. Inventories

Inventories as of 30 June 2019 and 31 December 2018 are detailed as follows:

			Unit: € k	
	June 2019	December 2018		
<b>Raw, subsidiary and consumable materials</b>	<b>1,716</b>	<b>1,695</b>		
Other raw materials	1,636	1,619		
Write-downs on raw, subsidiary and consumable materials	1,745	1,728		
	(109)	(109)		
<b>Goods</b>	<b>80</b>	<b>76</b>		
Goods	80	76		



## 9. Trade and other receivables

### 9.1. Trade receivables

The caption Trade receivables as of 30 June 2019 and 31 December 2018 includes the following detail:

		Unit: € k	
	Notes	June 2019	December 2018
		<b>13,349</b>	<b>12,093</b>
Trade receivables		13,805	12,516
Allowance for doubtful amounts	9.3	(456)	(423)

### 9.2. Other receivable

The caption Other receivables as of 30 June 2019 and 31 December 2018 includes the following detail:

		June 2019		December 2018	
	Notes	Current	Non-current	Current	Non-current
		<b>41,155</b>	<b>27,871</b>	<b>51,946</b>	<b>15,047</b>
<b>State and other Public Entities</b>		-	-	-	-
<b>Other debtors</b>		<b>443</b>	-	<b>153</b>	-
Suppliers debtor balances		433	-	143	-
Advances to suppliers		10	-	10	-
<b>Related Parties</b>		<b>127</b>	-	<b>306</b>	-
Other receivables from associates, joint ventures and other related parties		127	-	306	-
<b>Other accounts receivables</b>		<b>25,966</b>	<b>5,755</b>	<b>22,174</b>	<b>5,755</b>
Personnel		123	-	99	-
Collateral provided		84	-	52	-
Subsoil occupation levies		23,607	5,755	20,448	5,755
Other receivables		2,152	-	1,575	-
<b>Accrue income</b>		<b>13,218</b>	<b>22,101</b>	<b>28,358</b>	<b>9,280</b>
Sales and services rendered not yet invoiced		-	-	14,428	-
Adjustment to tariff deviation - "pass through"		10,198	-	10,857	-
Adjustment to tariff deviation- regulated revenue		2,031	22,101	2,871	9,280
Uniformity tariff compensation		347	-	193	-
Other accrued income		643	-	9	-
<b>Deferred charges</b>		<b>1,402</b>	<b>15</b>	<b>958</b>	<b>12</b>
Prepaid rents		7	-	7	-
Interest and other financial charges		145	-	64	-
Prepaid insurance		599	-	141	-
Other deferred costs		651	15	746	12
<b>Impairment of other receivables</b>	<b>9.3</b>	<b>(3)</b>	-	<b>(3)</b>	-

The caption Subsoil occupation levies amounting to €29,362 k refers to levies on subsoil occupation already paid to local municipalities. 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 commercialisation entities or to end customers.



The decrease in the caption Accrued income – sales and services rendered not yet invoiced compared to December 2018 is due to the fact that, in the period under review, the referred adjustment was considered in the caption Adjustment to tariff deviation – regulated revenue.

### 9.3. Impairment of trade and other receivables

Movement on impairment of trade and other receivables in the six-month period ended 30 June 2019 was as follows:

Unit: € k

	Initial balance	Increase	Decrease	Ending balance
	<b>426</b>	<b>35</b>	<b>(3)</b>	<b>458</b>
Trade receivables	423	35	(3)	456
Other receivables	3	-	-	3

### 10. Cash and cash equivalents

For the periods ended 30 June 2019 and 31 December 2018 the caption Cash and cash equivalents is detailed as follows:

Unit: € k

	Notes	June 2019	December 2018
		<b>37,014</b>	<b>48,105</b>
Cash and cash equivalents		37,014	48,107
Bank overdrafts	11	(1)	(2)

### 11. Financial debt

Loans obtained as of 30 June 2019 and 31 December 2018 were as follows:

Unit: € k

	Notes	June 2019		December 2018	
		Current	Non-Current	Current	Non-Current
		<b>8,344</b>	<b>604,955</b>	<b>8,349</b>	<b>609,270</b>
<b>Bank loans</b>		<b>8,344</b>	<b>7,787</b>	<b>8,349</b>	<b>12,561</b>
Origination Fees		(3)	(25)	-	-
Loans and commercial paper		8,347	7,813	8,347	12,561
Bank overdrafts	10	1	-	2	-
<b>Bonds and Notes:</b>		<b>-</b>	<b>597,168</b>	<b>-</b>	<b>596,709</b>
Origination Fees		-	(2,832)	-	(3,291)
Bond loans and Notes		-	600,000	-	600,000



The movement of financial debt for the period comprised between 31 December 2018 and 30 June 2019 was as follows:

	Unit: € k					
	Initial balance	Increases	Principal amortisations	Bank overdrafts movements	Adjustments	Ending balance
<b>Financial debt</b>	<b>617,619</b>	-	<b>(4,749)</b>	<b>(1)</b>	<b>430</b>	<b>613,299</b>
<b>Bank loans</b>	<b>20,910</b>	-	<b>(4,749)</b>	<b>(1)</b>	<b>(29)</b>	<b>16,131</b>
Origination Fees	-	-	-	-	(29)	(29)
Loans and commercial paper	20,908	-	(4,749)	-	-	16,159
Bank overdrafts	2	-	-	(1)	-	1
<b>Bonds and Notes:</b>	<b>596,709</b>	-	-	-	<b>459</b>	<b>597,168</b>
Origination Fees	(3,291)	-	-	-	459	(2,832)
Bond loans and Notes	600,000	-	-	-	-	600,000

During the first half of 2019 the following reimbursements were made:

- partial repayment of € 521k of the Project Finance financing agreement by Beiragás - Companhia de Gás das Beiras, S.A.;
- partial repayments of € 4,228k of financing contracted with the European Investment Bank;

The financial debt, excluding origination fees and bank overdrafts as of 30 June 2019 presents the following expected repayment plan:

	Unit: € k		
	Loans		
Maturity	Total	Current	Non-Current
	<b>616,159</b>	<b>8,347</b>	<b>607,813</b>
2019	3,598	3,598	-
2020	5,270	4,749	521
2021	1,042	-	1,042
2022	1,042	-	1,042
2023 and following	605,208	-	605,208



## 12. Other payables

As of 30 June 2019 and of 31 December 2018 Other payables were detailed as follows:

	Unit: € k			
	June 2019		December 2018	
	Current	Non-current	Current	Non-current
	<b>39,494</b>	<b>215,747</b>	<b>33,770</b>	<b>217,400</b>
<b>State and other public entities</b>	<b>6,198</b>	-	<b>6,068</b>	-
Payable VAT	4,722	-	5,206	-
"ISP" - Tax on oil products	82	-	49	-
Withholding Income tax	587	-	345	-
Social Security contributions	805	-	466	-
Other taxes	2	-	2	-
<b>Other payables</b>	<b>4,011</b>	-	<b>4,209</b>	-
Tangible and intangible assets suppliers	3,990	-	3,915	-
Trade receivables credit balances	17	-	290	-
Advances on sales	4	-	4	-
Other Creditors	-	-	-	-
<b>Related parties</b>	<b>135</b>	-	<b>123</b>	-
Payable dividends	135	-	123	-
<b>Other accounts payables</b>	<b>1,046</b>	-	<b>771</b>	-
Personnel	140	-	66	-
Guarantee deposits and guarantees received	253	-	266	-
Other creditors	653	-	439	-
<b>Accrued costs</b>	<b>19,186</b>	<b>9,400</b>	<b>13,496</b>	<b>7,413</b>
External supplies and services	2,566	-	1,543	-
Payable remunerations	1,873	-	2,582	-
Bonuses to employees	940	-	1,724	-
Accrued interest	6,454	-	2,333	-
Accrued insurance premiums	1,394	-	350	-
Adjustment to tariff deviation - regulated revenue	3,911	9,400	2,989	7,413
Adjustment to tariff deviation - other activities	2,021	-	1,845	-
Accrued personnel costs – others	-	-	123	-
Financial costs and losses	22	-	2	-
Other accrued costs	5	-	5	-
<b>Deferred income</b>	<b>8,918</b>	<b>206,347</b>	<b>9,103</b>	<b>209,987</b>
Investment government grants	8,741	206,347	8,741	209,987
Optical fiber	1	-	184	-
Others	176	-	178	-

### 13. Income tax and energy sector extraordinary contribution

Group companies headquartered in Portugal and whose shareholding percentage held by the Group is 75% or more, provided that such holding gives it more than 50% of the voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, the tax result being calculated at Galp Energia, SGPS, S.A.. The tax rate applied to companies based in Portugal is progressive, with a range between 22.5% and 31.5%.

The estimated income tax of the Company and its subsidiaries is recorded based on their tax results which for the six months ended 30 June 2019 represents a payable tax of € 8,086 k.

Income tax and energy sector extraordinary contribution recognised in the consolidated income statement for the six-month period ended 30 June 2019 and 2018, is detailed as follows:

	Notes	June 2019			June 2018			Unit: €k
		Current tax	Deferred tax	Total	Current tax	Deferred tax	Total	
					<b>16,208</b>			<b>17,305</b>
<b>Income tax</b>		<b>4,148</b>	<b>2,325</b>	<b>6,473</b>	<b>13,100</b>	<b>(5,404)</b>	<b>7,696</b>	
Current income tax		4,148	2,325	6,473	13,356	(5,404)	7,952	
Adjustment of previous year's income tax estimate		-	-	-	(256)	-	(256)	
<b>Energy Sector Extraordinary Contribution "CESE"</b>	<b>15</b>	-	-	<b>9,735</b>	-	-	<b>9,609</b>	

As of 30 June 2019 the deferred tax assets and liabilities movement is as follows:

	31 December 2018	Impact on the income statement	Impact on equity	30 June 2019	Unit: € k
<b>Deferred Taxes – Assets</b>	<b>16,015</b>	<b>553</b>	<b>(114)</b>	<b>16,455</b>	
Adjustments to tangible and intangible assets	6	(1)	-	5	
Retirement benefits and other benefits	11,391	(131)	(114)	11,146	
Regulated revenue	2,512	687	-	3,199	
Temporarily non-deductible provisions	1,369	(2)	-	1,367	
Others	737		-	737	
<b>Deferred Taxes – Liabilities</b>	<b>(7,272)</b>	<b>(2,878)</b>	<b>-</b>	<b>(10,150)</b>	
Adjustments to tangible and intangible assets fair value	(3,213)	56	-	(3,157)	
Regulated revenue	(3,024)	(2,962)	-	(5,986)	
Retirement benefits and other benefits	(2)		-	(2)	
Accounting revaluations	(1,033)	27	-	(1,006)	



#### 14. Post-employment and other employee benefits liabilities

As of 30 June 2019 and 31 December 2018, the assets of the GGND Group Pension Fund, valued at fair value and classified at Level 1, are as follows according to the report presented by the respective management company:

	Unit: € k	
	June 2019	December 2018
<b>Total</b>	<b>21,097</b>	<b>20,622</b>
Shares	5,871	5,326
Bonds	14,599	14,554
Real State	4	21
Liquidity	623	721

As of 30 June 2019 and 31 December 2018, the Group had recorded in liabilities the following amounts related to retirement benefits and other benefits:

	Unit: € k	
	June 2019	December 2018
<b>Net liabilities</b>	<b>(54,043)</b>	<b>(55,802)</b>
<b>Liabilities</b>	<b>(75,140)</b>	<b>(76,425)</b>
Past service liability related to pension fund	(25,876)	(26,098)
Others employee benefits liabilities	(49,264)	(50,326)
<b>Assets</b>	<b>21,097</b>	<b>20,622</b>

The main assumptions considered in the calculation of post-employment liabilities, such as discount rate and growth rate of wages and pensions, have not been adjusted for the six-month period ended 30 June 2019. For further details please refer to the financial statements and accompanying notes as of 31 December 2018.

#### 15. Provisions

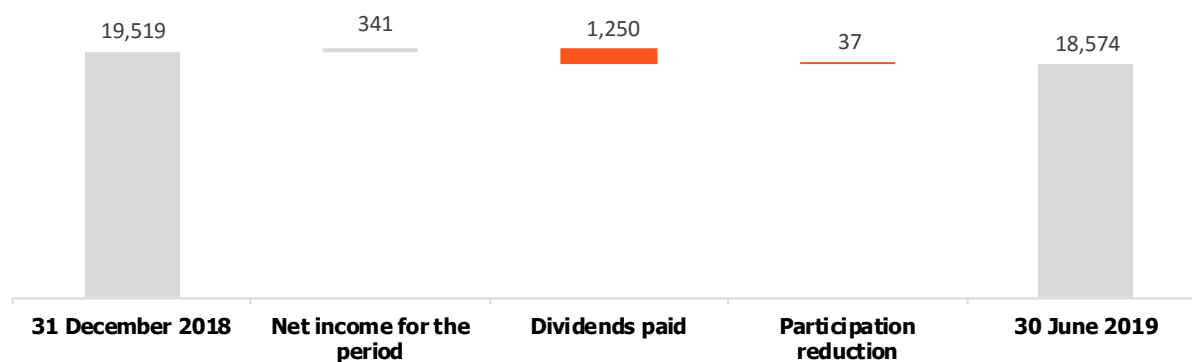
During the six-month period ended 30 June 2019, the changes in provisions were as follows:

	Unit: € k				
	June 2019				December 2018
	Lawsuits	"CESE I"	Other risks and charges	Total	Total
<b>At the beginning of the period</b>	<b>481</b>	<b>50,219</b>	<b>2,616</b>	<b>53,316</b>	<b>42,646</b>
Increases	-	9,735	93	9,828	10,675
Decreases	-	-	-	-	-
Write-offs	-	-	-	-	(5)
<b>At the end of the period</b>	<b>481</b>	<b>59,954</b>	<b>2,710</b>	<b>63,144</b>	<b>53,316</b>



## 16. Non-controlling interests

Unit: €k



## 17. Revenues and income

Revenues and income for the six-month period ended 30 June 2019 and 30 June 2018 are detailed as follows::

	Notes	June 2019	June 2018
		<b>99,258</b>	<b>110,384</b>
<b>Sales</b>		<b>2,985</b>	<b>2,863</b>
Goods		2,985	2,863
Exchange differences		(0)	-
<b>Services rendered</b>		<b>79,230</b>	<b>88,290</b>
<b>Other operating income</b>		<b>16,666</b>	<b>18,791</b>
Revenues arising from the construction of assets under IFRIC 12		11,862	13,952
Others		4,804	4,839
<b>Results from associates and joint ventures</b>	<b>7</b>	<b>360</b>	<b>398</b>
<b>Financial income</b>	<b>19</b>	<b>17</b>	<b>42</b>



## 18. Costs and Losses

Costs and losses for the six-month period ended 30 June 2019 and 30 June 2018 are detailed as follows:

		Unit: € k	
	Notes	June 2019	June 2018
<b>Total costs:</b>		<b>73,781</b>	<b>80,393</b>
<b>Cost of sales</b>		<b>1,369</b>	<b>1,711</b>
Goods		1,369	1,746
Write downs in inventories	8	-	(35)
<b>External supplies and services</b>		<b>23,362</b>	<b>28,635</b>
Subcontracts		9,042	13,544
IT Services		3,698	3,619
Technical Assistance Maintenance and inspection		1,527	1,360
Other specialised services		5,496	5,994
Other costs		3,599	4,118
<b>Employee costs</b>		<b>9,631</b>	<b>9,722</b>
<b>Amortisation, depreciation and impairment losses on fixed assets</b>	<b>4/ 5/ 6</b>	<b>22,054</b>	<b>21,245</b>
<b>Impairment losses on receivables</b>	<b>9.3</b>	<b>33</b>	<b>58</b>
<b>Provision</b>	<b>15</b>	<b>93</b>	<b>98</b>
<b>Other operational costs</b>		<b>12,228</b>	<b>14,151</b>
Other taxes		16	-
Costs arising from the construction of assets under IFRIC 12	17	11,862	13,952
Other operational costs		350	199
<b>Financial expenses</b>	<b>18</b>	<b>5,010</b>	<b>4,773</b>

## 19. Financial income and costs

The detail of the Financial income and costs for the six-month period ended 30 June 2019 and 2018 is as follows:

		Unit: € k	
	Notes	June 2019	June 2018
		<b>(4,993)</b>	<b>(4,731)</b>
<b>Financial income</b>		<b>17</b>	<b>42</b>
Interest on bank deposits		17	42
<b>Financial expenses</b>		<b>(5,010)</b>	<b>(4,773)</b>
Interest on bank loans, bonds, overdrafts and others		(4,167)	(4,686)
Interest on lease liabilities	6	(229)	-
Other financial costs		(614)	(87)



## 20. Subsequent events

On 15 July 2019, the Company completed the acquisition of 58.03% of the share capital of Tágusgás – Empresa de Gás do Vale do Tejo, S.A. by the amount of €31,762 k, holding 99.36% of the share capital of this subsidiary.

## 21. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 10 September 2019.

## 22. Explanation added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with IAS 34 – Interim Financial Reporting and International Financial Reporting Standards as adopted by the European Union some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.



## ***Review Report on the Consolidated Financial Statements***

**(Free translation from the original in Portuguese)**

To the Board of Directors

### ***Introduction***

We have reviewed the accompanying consolidated financial statements of Galp Gás Natural Distribuição, S.A. (the Entity), which comprise the consolidated statement of financial position as at June 30, 2019 (which shows total assets of Euros 1,235,159 thousand and total shareholder's equity of Euros 210,206 thousand, including a net result of Euros 9,268 thousand), the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and cash flows for the six-month period then ended, and the accompanying explanatory notes to the consolidated financial statements, which includes a summary of significant accounting policies.

### ***Management's responsibility***

The Management is responsible to prepare consolidated financial statements which present fairly the consolidated financial position of the Entity and its consolidated financial performance and cash flows 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 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 consolidated financial statements. We conducted our review in accordance with the international standards on review engagements 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 consolidated financial statements, taken as a whole, 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.

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## ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Galp Gás Natural Distribuição, S.A. as at June 30, 2019 and the consolidated financial performance and cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

September 10, 2019

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

António Joaquim Brochado Correia, R.O.C.

**(This is a translation, not to be signed)**