

Management Report and Accounts First Half of 2020

Galp Gás Natural Distribuição, S.A.

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. Main highlights of the first half of 2020

Financial performance

Consolidated EBITDA of Galp Gás Natural Distribuição, S.A. (“GGND”) was €53.8 m, increasing by €1.5 m YoY, corresponding to 2.9%, mainly due to consolidation of Tagusgas, which contributed with €4.0 m, offsetting decrease in the rate of return (“RoR”) and s-2 adjustment, published by the Energy Services Regulatory Authority (ERSE), to the total amount of c. -€2.3 m (excluding Tagusgás).

Net income reached €8.0 m, a decrease of €1.3 m, minus 13.7% YoY, of which the main causes are the reduction in allowed revenue due to the aforementioned reduction in RoR and s-2 adjustment, plus an increase in depreciation of €2.6 m (or €1.0 m excluding Tagusgás). The main positive effects were the favorable impact of Tagusgás of €1.2 m and lower CIT of €1.0 m (or €1.6 m excluding Tagusgás).

Cash flow generated by operating activities increased €4.7 m YoY to €48.0 m, supported by the improvement in working capital during the period, as a result of a decrease in payments to suppliers, lower payment related to employee costs, lower payment of VAT and lower TOS payment. These effects contributed to compensate negative impacts resulting from reduction in volumes of natural gas and an average reduction of 3.5% on distribution tariff (URD). FCF stood at €37.2 m, plus €5.7 m YoY.

Net Debt on June 30, 2020, reached €601.8 m, reducing €35 m compared to December 2019, mainly due to a higher cash generation and repayment of the final instalments of loans bank contracted the EIB.

The ratio of net debt to EBITDA ratio standing at 5.7x and the debt service coverage ratio at 3.7x, both fulfilling the financial ratios defined under EMTN program.

In the first half of 2020, 8,682 GWh of natural gas was distributed, which, including Tagusgás, decreased 1.6% YoY. Excluding Tagusgás, and in view of this slowdown in the economy, there was a reduction of 8.6% in the volume of natural gas distributed in the first half, due to the general reduction in consumption, with greater impact from non-residential customers. The decrease in the industrial sector was more significant (-9.2% YoY).

CAPEX amounted to €11.0 m, down by €1.0 m YoY, which represents an 8.2% decrease, mainly already planned and in line with the flexibility provided for in the budget. During the first half of 2020, 3,340 of connection points were developed and 72 km of network constructed.

GGND sold the company Tagusgás Propano, S.A. during the first half of the year with a add value of €0.07 m with the operation.

Since the acquisition of 58.03% of Tagusgás' share capital took place in July 2019, the comparative values to June 2019 do not reflect the consolidation, by the full method, of its results, because until this date the financial participation of GGND in this company was recorded using the equity method.

S&P Rating

In May 2020, S&P Global Ratings reaffirm GGND's long-term rating of 'BBB-' with a stable outlook.



As a consequence of the current situation related to the pandemic associated with COVID-19, the management of GGND implemented the measures contained in its contingency plan, ensuring the continuity of the distribution service, as well as the management and maintenance of activities, operations and all conditions for the provision of energy service as an essential public service to consumers, along the lines established by ERSE.

On March 18, 2020, ERSE published Regulation n.º. 255-A/2020¹, which establishes exceptional and urgent measures in the energy sector due to the epidemiological emergency COVID-19, namely extension by 30 days of the notice period for the interruption of supply to domestic customers (annual consumption up to 10,000 m³) and the possibility for consumers and traders to request the instalment payment of debts, without interest and default, respectively.

On April 8, 2020 with the approval of its Regulation n.º. 356-A/2020², ERSE extended the deadlines for exceptional measures until June 30, 2020, establishing new measures, and also covering companies.

However, pursuant to Law n.º. 7/2020, of April 10th, the interruption of supply to domestic customers due to a fact attributable to the customer was prohibited, a provision meanwhile revised by the Law n.º. 18/2020, of May 29th, which extended the term of application of this measure until September 30, limited it to situations of unemployment, drop in household income equal to or greater than 20%, or infection by COVID-19.

As mentioned above, the reduction in consumption, because of control measures over the COVID-19 outbreak had an immediate impact from March onwards.

At the end of first quarter, GGND developed scenarios of potential impact of COVID-19 on the economy, with regard to the decrease in invoiced volumes. This initial projection foresaw a decrease for 2020 of 11%, and at the end of the semester it was registered a 6% decrease. Evolution of volumes delivered in June, shows better recovery of consumption than scenarios prepared by GGND.

With regard to instalment payments, provided in the extraordinary rules approved by ERSE, they had no impact on the companies of the GGND Group, until June 2020, nor they are expected to have until the end of the year, despite some intentions having been received application by suppliers.

Regarding CAPEX, the evolution until June shows the flexibility identified in CAPEX plan. Considering the suspension of some CAPEX due to the control of this economic slowdown, measures were taken to maintain the construction of the network, namely via the rescheduling of the network development and service lines that were anticipated due to restrictions of the interaction with the customer.

Due to the current uncertainty and duration of the pandemic of COVID-19, there may be some pressure at the CFFO until the end of the year, reflecting the invoice reduction, which can lead to a temporary impact on financial covenants with expected recovery in 2022 and 2023.

GGND management continues to monitor and assesses the evolution of the situation and its impacts through working groups specifically created for this purpose, in order to ensure the implementation of needed measures to mitigate the risks of the COVID-19 pandemic in its operations and financial performance.

¹ <https://dre.pt/application/conteudo/130399848>

² <https://dre.pt/application/conteudo/131292972>



Regulatory Framework

The natural gas distribution business is supported by the application of regulated tariffs approved by ERSE, based on Allowed Revenues³.

The regulatory period, understood as the period in which the parameters for calculating Allowed Revenue remains constant, has been extended to 4 years, instead of the previous 3 years, starting to coincide with calendar years. Thus, the 5th regulatory period will run 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) cost of capital, defined as the product of the regulated asset base (“RAB”) by the rate of return on regulated assets indexed to the average yield of 10-years treasury bonds issued by the Portuguese State (“RoR”) published by ERSE, plus amortization and depreciation of those assets; (ii) the recovery of OPEX (net operating costs allowed) indexed to efficiency factors (inflation, consumption locations and volume of gas distributed), with review of the applicable regulatory parameters⁴; and (iii) adjustments, namely related to the tariff deviation.

The tariff deviation is defined as the difference between the allowed revenues invoiced in the year s-2 and the actual allowed revenues in the same period.

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

The RoR established by ERSE for Gas Year 2019-2020 was 5.20% in the natural gas distribution business, comparing to 5.82% in the previous Gas Year.

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 2020, as described in the Management Report for 2019: (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 predicted for the second half of 2020, highlighting the liquidity risk. As of 30 June 2020, GGND has €73.7 m in cash and cash equivalents, as well as €70.0 m in available and therefore unused credit lines, totaling €143.7 m. These amounts are sufficient to satisfy all of our current liabilities.

³ <https://www.erse.pt/atividade/regulamentos-gas-natural/tarifario/>

⁴ Regulamento n.º 361/2019, publicado no Diário da República, 2.ª série - n.º 79/2019, de 23 de abril; aprovação das Tarifas e Preços de gás natural para o ano gás 2019-2020 e Parâmetros para o período de regulação 2020-2023, segundo a Diretiva n.º 12/2019, publicada no Diário da República, 2.ª série - n.º 123/2019, de 1 de julho.

2. Key indicators

2.1 Operational indicators

	Unit	First Half			
		2020	2019	Variation YoY	
Connection points ¹	#	1,112,830	1,109,490	3,340	0.3%
Gas volume distributed ²	GWh	8,682	8,821	(138)	(1.6%)
Total network extension ¹	km	13,266	13,194	72	0.5%
20bar network	km	789	789	0	-
4bar network	km	12,476	12,404	72	0.6%

¹ The figures for 2019 refer to December 31, so they include Tagusgás operating indicators

² The figures for 2019 refer to June 2019, so they exclude Tagusgás' operational indicators

2.2 Financial information

thousands of €

	First Half			
	2020	2019 [*]	Variation YoY	
EBITDA	53,772	52,257	1,515	2.9%
EBIT	29,070	30,110	(1,040)	(3.5%)
Financial results	(5,183)	(4,993)	190	3.8%
Net income	7,994	9,268	(1,274)	(13.7%)
Free cash flow ¹	37,172	31,466	5,706	18.1%
Net debt ²	601,844	576,285	25,559	4.4%
Net fixed assets ³	1,160,936	1,068,271	92,665	8.7%
CAPEX ⁴	11,040	12,029	(989)	(8.2%)

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

* Excludes Tagusgás, until June 2019 financial participation was recorded using the equity method



3. Financial information

3.1 Income statement

thousands of €

	First Half			
	2020	2019 [*]	Variation YoY	
Turnover	83,747	82,215	1,533	1.9%
Net operating costs	(29,975)	(29,958)	18	0.1%
Cost of sales	(1,793)	(1,369)	424	31.0%
External supplies and services	(22,705)	(23,362)	(658)	(2.8%)
Employee costs	(10,136)	(9,631)	505	5.2%
Other operating income (costs)	4,696	4,437	258	5.8%
Impairment loss on receivables	(38)	(33)	5	16.3%
EBITDA	53,772	52,257	1,515	2.9%
Amortisation, depreciation and impairment ¹	(24,634)	(22,054)	2,579	11.7%
Provisions	(69)	(93)	(25)	(26.3%)
EBIT	29,070	30,110	(1,040)	(3.5%)
Share results of investments	70	360	(291)	(80.7%)
Financial results ¹	(5,183)	(4,993)	190	3.8%
Profit before tax	23,956	25,477	(1,521)	(6.0%)
Taxes	(5,490)	(6,473)	(984)	(15.2%)
Energy sector extraordinary contribution	(10,472)	(9,735)	737	7.6%
Consolidated net income	7,994	9,268	(1,274)	(13.7%)
Non-controlling interests	(370)	(341)	28	8.3%
Net income to GGND	7,624	8,927	(1,303)	(14.6%)

¹Includes IFRS 16

* Excluding Tagusgás, until June 2019 financial participation was recorded using the equity method

Turnover

Turnover reached €83.7 m in first half of 2020, showing 1.9% increase YoY. This variation was due to the contribution of €6.4 m in Tagusgás, allowing to offset the decrease in the network access tariff and consequently the allowed revenue, inherent to a lower RoR and negative s-2 adjustment published by ERSE, amounting -€2.3 m (excluding Tagusgás).

Net operation cost

Net operating costs was €30.0 m, keeping in line with the figures for the same period in 2019, which means that the increase in costs related to Tagusgás, were accommodated by cost optimization and reduction, mainly due to the decrease in the network access Tariff (URT + UGS).



EBITDA

EBITDA increased 2.9% YoY to € 53.8 m, mainly due to the consolidation of Tagusgás' EBITDA of €4.0 m, which accommodated the reduction in allowed revenue, above mentioned.

EBIT

EBIT decreased 3.5% YoY to €29.1 m, reflecting the €2.6 m increase in depreciation.

Financial results

During the semester, the financial results were negative at €5.2 m revealing a slight increase due to the interest Mizuho Bond issued in August of 2019.

Income tax and CESE

Income tax decreased from €6.5 m to €5.5 m, following lower operating results.

CESE had a negative impact on results in about €10.5 m, due to the recognition of €9.2 m of the recognition of CESE for the year 2020 and the remaining amount related to late payment interest.

Net income

The net income was €8.0 m, 13.7% below YoY, mainly due to the reduction in RoR and s-2 adjustment (-€2.3 m), and an increase in depreciations of €1.0 m (excluding Tagusgás), not offset by the Tagusgás' positive impact of €1.2 m and a reduction of CIT by €1.0 m (or €1.6 m excluding Tagusgás), due to lower profit before tax.

3.2 Cash flow

thousands of €

	First Half		
	2020	2019*	Variation
Cash and equivalents at the beginning of the period	42,705	48,105	(5,400)
Clients receipts	122,305	129,590	(7,285)
Payments to suppliers	(30,768)	(40,819)	10,050
Payments related to employees ¹	(10,889)	(11,618)	730
(Payment)/Receipt of Income Tax	(3,463)	(448)	(3,015)
Payment of value-added tax (VAT)	(15,069)	(17,804)	2,735
Payment of underground taxes (TOS)	(12,413)	(15,064)	2,651
Other operating (payments)/receipts	(1,751)	(581)	(1,170)
Cash flows from operating activities	47,952	43,256	4,696
Cash flow from capital expenditure	(13,615)	(11,737)	(1,879)
Financial investments	2,835	(54)	2,890
Interest and similar income	0	1	(1)
Cash flows from investing activities	(10,780)	(11,790)	1,010
Payment of loans	(4,749)	(4,749)	-
Net financial expenses ²	(1,014)	(910)	(104)
Payment of dividends	0	(36,898)	36,898
Cash flows from financing activities	(5,763)	(42,557)	36,794
Net cash flow	31,409	(11,091)	42,500
Change in scope	(445)	-	-
Cash and equivalents at the end of the period	73,669	37,014	36,655

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

² Includes lease payments and lease interest (IFRS 16)

* Excludes Tagusgás, until June 2019 financial participation was recorded using the equity method

The CFFO increased 10.9% YoY to €48.0 m, since the reduction in terms of clients receipts was compensated by lower payments to suppliers, lower payment related to employees, VAT, and TOS.

Cash flow from investment activities was favorably impacted by the sale of 100% of Tagusgás Propano's stake, for €2.8 m (including shareholder loan).

Cash flow at the end of the period was €73.7 m.



3.3 Financial position

thousands of €

	30 Jun.2020	31 Dec.2019 **	Var. vs 31 dec.2019
Net fixed assets	1,160,936	1,176,350	(15,414)
Active use rights (IFRS 16)	12,805	13,915	(1,110)
Working capital	(2,359)	7,986	(10,344)
Subsidies to investment	(219,641)	(223,476)	3,835
Other non-current assets (liabilities)	(115,579)	(110,109)	(5,470)
Capital employed	836,162	864,666	(28,503)
Short-term debt	1,052	5,268	(4,216)
Long-term debt	674,473	674,626	(153)
Total debt	675,524	679,894	(4,370)
Cash and equivalents	73,680	42,705	30,974
Net Debt	601,844	637,188	(35,344)
Equity	234,318	227,477	6,841
Total equity and net debt	836,162	864,666	(28,503)
Net Debt to equity	2.6x	2.8x	-

** Includes Tagusgás

As of 30 June 2020, net fixed assets was €1,160.9 m, down by €15.4 m YoY, reflecting the increase in depreciation, not offset by the increase in CAPEX.

The decrease in capital employed was mainly due to the favorable variation in working capital.

The net debt in this period was €601.8 m, showing a reduction of €35.3 m, supported by the higher cash generation and repayment of the last instalment of loans contracted with the EIB.

3.4 Financial ratios

	First Half	Lock-up	Default
	2020	Limits	
Net Debt ¹ / EBITDA ²	5.7x	> 6.5x	> 7.0x
Debt Service Coverage Ratio ³	3.7x	< 2.0x	< 1.5x

¹ Bank Loan + Bond + Accrued Interest - Cash and equivalents

² EBITDA as of June 30, 2020, annualized on a straight-line basis

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

Net Debt / EBITDA and DSCR ratio under the EMTN program as at 30 June 2020 are in compliance.



4. Relevant events occurred after the closing of the first half of 2020

Due to the current situation resulting from the COVID-19 outbreak, which continues to the present date and is expected to continue to result in some constraints / adverse effects in the coming months, GGND management will continue to monitor the evolution of the situation through a monitoring group created specifically for this purpose and to ensure the implementation of the measures contained in its Contingency Plan, with the necessary adjustments in view of the developments verified at each moment. Measures have been taken to protect people and prevent the risk of contagion, considering Employees, Customers, Suppliers and other Stakeholders. They also aim at controlling operational risk, maintaining their activities and mitigating materially relevant financial impacts on GGND Group companies.

Lisbon, 28 of July 2020

The Board of Directors

Carlos Manuel Costa Pina
Chairman

Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco
Vice-Chairman

Gabriel Nuno Charrua de Sousa
Member

Yoichi Onishi
Member

José Manuel Rodrigues Vieira
Member

Ana Isabel Simões Dias dos Santos Severino
Member

Maria Marta Geraldès
Member

Yoichi Noborisaka
Member

5. Appendixes

5.1 Governing bodies

Composition of the governing bodies of Galp Gás Natural Distribuição as at 30 June 2020 is as follows:

Board of the General Meeting

Ana Paz Ferreira da Câmara Perestrelo de Oliveira, *Chairman*
Rafael de Almeida Garrett Lucas Pires, *Secretary*

Company Secretary

Rita Andrade Lopes Picão Fernandes Campos de Carvalho, *Permanent*
Inês Freire Figueira Ribeiro, *Alternate*

Board of Directors

Carlos Manuel Costa Pina, *Chairman*
Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco, *Vice-Chairman (independent)*
Gabriel Nuno Charrua de Sousa, *Member*
Yoichi Onishi, *Member*
José Manuel Rodrigues Vieira, *Member*
Ana Isabel Simões Dias dos Santos Severino, *Member*
Maria Marta de Figueiredo Geraldes Bastos, *Member*
Yoichi Noborisaka, *Member*

Executive Committee

Gabriel Nuno Charrua de Sousa, *CEO*
Yoichi Onishi, *CFO*
José Manuel Rodrigues Vieira, *COO*

Audit Board

Daniel Bessa Fernandes Coelho, *Chairman*
Pedro Antunes de Almeida, *Member*
Armindo José Faustino dos Santos Marcelino, *Member*
Amável Alberto Freixo Calhau, *Alternate Member*

Statutory Auditor

PricewaterhouseCoopers & Associados – SROC, Lda, enrolled at the OROC with number 183 and in CMVM with number 20161485, represented by:
Rita da Silva Gonçalves dos Santos, ROC n.º 1681, *Effective*
José Manuel Henriques Bernardo, ROC n.º 903, *Alternate*



5.2 Mandatory statements

Shareholders with qualifying holdings as at 30 June 2020

Shareholders	Nr. Of Shares	Nominal Value	%
Galp Gas & Power, SGPS, S.A.	69,385,084	1,00 EUR	77.5%
MEET Europe Natural Gas, Lda.	20,144,057	1,00 EUR	22.5%
Total	89,529,141	1,00 EUR	100%

Share ownership as at 30 June 2020 by current members of the Board of Directors and the supervisory bodies

As at 30 June 2020, none of the members of the administration and supervisory board held shares or bonds issued by **GGND**.

Main Transactions between related parties during the first half of 2020

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

During the first half of 2020 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 2019, 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 2020.



5.3 Statement of compliance of information presented

Statement of compliance of the Board of Directors

Under the terms and for the purposes of Article 246, first paragraph, c) of the Portuguese Securities Code, each of the below-mentioned members of the Board of Directors of **GGND** declares that, to the fullest extent of their knowledge, the information presented in the consolidated financial statements concerning the first half of the financial year 2020 was prepared in accordance with the applicable accounting standards and gives a true and fair view 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 2020 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, 28 July 2020

The Board of Directors

Chairman:

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

Maria Marta Geraldês

Yoichi Noborisaka

distribuição
gás natural





Statement of compliance of the Audit Board

Under the terms and for the purposes of Article 246, first paragraph, c) of the Portuguese Securities Code, each of the below-mentioned members of the Audit Board of **GGND** declares that, to the fullest extent of his/her knowledge, the information presented in the consolidated financial statements concerning the first half of the financial year 2020 was prepared in accordance with the applicable accounting standards and gives a true and fair view 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 2020 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, 28 July 2020

The Audit Board

Chairman:

Daniel Bessa Fernandes Coelho

Members:

Pedro Antunes de Almeida

Armindo José Faustino dos Santos Marcelino

5.4 Consolidated financial statements as at June 30, 2020





Consolidated Financial Statements as of 30 June 2020

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Consolidated Statement of Financial Position

Galp Gás Natural Distribuição, S.A.

Consolidated Statement of Financial Position as of 30 June 2020 and 31 December 2019.

(Amounts stated in thousand Euro - €k)

Assets	Notes	June 2020	December 2019
Non-current assets:			
Tangible assets	4	479	917
Intangible assets and Goodwill	5	1,162,733	1,177,708
Rights-of-use of assets	6	12,805	13,915
Deferred tax assets	13	15,529	15,582
Other receivables	9.2	30,776	28,265
Other financial assets		6	6
Total non-current assets:		1,222,328	1,236,393
Current assets:			
Inventories	8	2,402	1,995
Trade receivables	9.1	9,595	11,334
Other receivables	9.2	47,127	42,714
Current income tax receivable	13	737	2,594
Cash and cash equivalents	10	73,680	42,705
Total current assets:		133,540	101,342
Total assets:		1,355,868	1,337,735
Equity and Liabilities			
Equity:			
Share capital		89,529	89,529
Reserves		11,045	9,454
Retained earnings		114,042	108,905
Total equity attributable to shareholders:		214,616	207,888
Non-controlling interests	16	19,701	19,590
Total equity:		234,318	227,477
Liabilities:			
Non-current liabilities:			
Financial Debt	11	674,473	674,626
Liabilities for finance leases	6	12,027	13,014
Other payables	12	214,875	220,718
Post-employment and other employee benefits liabilities	14	60,772	60,295
Deferred tax liabilities	13	19,957	20,496
Provisions	15	76,176	65,190
Total non-current liabilities:		1,058,280	1,054,340
Current liabilities:			
Financial debt	11	1,052	5,268
Liabilities for finance leases	6	1,088	1,115
Trade payables		12,941	9,596
Other payables	12	47,574	39,940
Current income tax payable	13	615	-
Total current liabilities:		63,271	55,918
Total liabilities:		1,121,550	1,110,258
Total equity and liabilities:		1,355,868	1,337,735

The accounting 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 2020 and 30 June 2019

(Amounts stated in thousand Euro - €k)

	Notes	June 2020	June 2019
Sales	17	2,986	2,985
Service rendered	17	80,762	79,230
Other operating income	17	15,813	16,666
Financial income	17, 19	24	17
Results related to investments in associates and joint ventures	7	70	360
Total operating income:		99,655	99,258
Cost of sales	18	(1,793)	(1,369)
External supplies and services	18	(22,705)	(23,362)
Employee costs	18	(10,136)	(9,631)
Amortisation, depreciation and impairment loss on fixed assets	18	(24,634)	(22,054)
Provisions	18	(69)	(93)
Impairment losses on receivables	18	(38)	(33)
Other operating costs	18	(11,117)	(12,228)
Financial costs	18, 19	(5,208)	(5,010)
Total operating costs:		(75,699)	(73,781)
Result before taxes and energy sector extraordinary contribution:		23,956	25,477
Income tax	13	(5,490)	(6,473)
Energy sector extraordinary contribution	13	(10,472)	(9,735)
Consolidated net result for the period		7,994	9,268
Result attributable to:			
Galp Gás Natural Distribuição, S.A. shareholders		7,624	8,927
Non-controlling interests	16	370	341
Earnings per share (in Euro)		0.09	0.10
Consolidated net result for the period		7,994	9,268
Items which will not be recycled in the future through net income:			
Actuarial gain and losses - Retirement benefits		(915)	1,373
Income tax related to actuarial gains and losses	13	19	(114)
Items which may be recycled in the future through net income:			
Hedging reserves		-	(263)
Income taxes related to the items above		-	66
Total comprehensive income of the period attributable to:		7,099	10,330
Galp Gás Natural Distribuição, S.A. shareholders		6,729	9,989
Non-controlling interests		370	341

The accounting 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 30 June 2020 and 30 June 2019

(Amounts stated in thousand Euro - €k)

	Share Capital	Hedging Reserves	Reserves		Sub-Total	Non-controlling interests	Total
			Other Reserves	Retained earnings			
Balance as of 1 January 2019	89,529	(219)	7,687	120,324	217,321	19,519	236,840
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
Comprehensive income for the period	-	(197)	(5)	10,192	9,989	341	10,330
Dividends distributed / Interim dividends	-	-	-	(35,655)	(35,655)	(1,250)	(36,905)
Increase/decrease in capital reserves	-	-	1,850	(1,875)	(23)	(37)	(59)
Balance as of 30 June 2019	89,529	(416)	9,532	92,986	191,632	18,574	210,206
Balance as of 1 January 2020	89,529	-	9,454	108,905	207,888	19,590	227,477
Consolidated net income for the period	-	-	-	7,624	7,624	370	7,994
Other gains and losses recognised in Equity	-	-	-	(895)	(895)	-	(895)
Comprehensive income for the period	-	-	-	6,729	6,729	370	7,099
Dividends distributed / Interim dividends	-	-	-	-	-	-	-
Increase/decrease in capital reserves	-	-	1,592	(1,592)	-	(258)	(258)
Balance as of 30 June 2020	89,529	-	11,045	114,042	214,616	19,701	234,319

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



Consolidated statement of cash flows

Galp Gás Natural Distribuição, S.A.

Consolidated Statement of Cash Flows for the six month period ended 30 June 2020 and 30 June 2019

(Amounts stated in thousand Euro - €k)

	Notes	June 2020	June 2019
Operating activities:			
Cash received from customers		122,305	129,590
Cash (payments) to suppliers		(30,768)	(40,819)
(Payments) relating to Tax on oil products ("ISP")		(392)	(197)
(Payments) to the pension fund		(381)	(301)
(Payments) to early retirements and pre-retirements		(1,153)	(1,121)
(Payments) relating to personnel		(5,244)	(4,397)
(Payments) of insurance expenses with retirements		(439)	(385)
Other (payments) relating to the operational activity		(32,512)	(38,666)
(Payments) of income taxes		(3,463)	(448)
Cash flows from operating activities (1)		47,952	43,256
Investing activities:			
Cash received for the disposal of tangible and intangible assets		13	-
Cash (payments) for the acquisition of tangible and intangible assets		(13,629)	(11,737)
Cash received from financial investments		2,835	-
Cash (payments) from financial investments		-	(54)
Cash receipts from interests and similar income		-	1
Cash flows from investing activities (2)		(10,780)	(11,790)
Financing activities:			
Cash (payments) relating to loans obtained	11	(4,749)	(4,749)
Cash (payments) from interests and similar expenses		(428)	(272)
Cash (payments) relating to leases	6	(389)	(409)
Cash (payments) relating to leasing interests	6	(198)	(229)
Dividends paid		-	(36,898)
Cash flows from financing activities (3)		(5,763)	(42,557)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		31,409	(11,091)
Cash changes by changes in the consolidation perimeter		(445)	-
Cash and cash equivalents at the beginning of the period		42,705	48,105
Cash and cash equivalents at the end of the period	10	73,669	37,014

The accounting notes form an integral part of the consolidated statement of cash flows 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., with the corporate purpose of managing shareholder interest in other group companies. As of 1 April 2015 by unanimous decision of the sole shareholder of GDP Gás de Portugal, SGPS, S.A., the Company changed its corporate name to the current one, Galp Gás Natural Distribuição, S.A., as well as 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 Group operates.

2. Significant Accounting Policies

2.1. Basis of presentation

Consolidated financial statements for the six-month period ended 30 June 2020 were prepared in accordance with IAS 34 - Interim Financial Reporting. These financial statements do not include all the notes that are usually 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 2019.

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 of 30 June 2020, that would lead us to reassess the conclusions reached in the preparation of the annual financial statements as of 31 December 2019, regarding the recoverability of tangible and intangible assets.

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 of Covid-19 pandemic

On 11 March 2020 Covid-19 virus was declared pandemic by the World Health Organization (WHO). Prophylactic social isolation was put into practice in several countries, which contributed to the global closure of the economy, reducing the demand for oil and oil products causing a shock in the oil and gas industry, namely in Portugal where GGND operates. However, since the Group' activity is regulated, being the remuneration defined based on the infrastructure's cost and exploration costs related to the concession activity - regulated revenues, the going concern basis is not at risk.

Pensions and other post-employment benefits

Pension plans and other post-employment benefits are reviewed during the year, when there is an indication that there may be significant changes in the fair values of the assets that are part of the plans or in the present value of the liabilities with pensions and other post-employment benefits. The review carried out resulted in a negative impact in the first semester of the year of € 1,554k on the assets that comprise the portfolio. This review affected remeasurements (actuarial losses) included in Equity, as well as the net liability in the Financial Statement of Position. GGND believes that in the second semester of 2020, the high volatility observed in the markets may still affect the fair value of the plan's assets, impacting equity and the corresponding liabilities.



Liquidity risk

GGND decided to carry out a liquidity risk analysis as of 30 June 2020, in order to verify the group's ability to meet its current obligations. As of 30 June 2020, GGND has € 74m in cash and cash equivalents, as well as € 70m in available and unused credit lines, totaling € 144m. These amounts are sufficient to satisfy all of its current liabilities.

3. Segment reporting

The Group 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 Natural 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.

The financial information for the previously identified segments, as of 30 June 2020 and 2019 is presented as follows:

Consolidated Financial Statements as of 30 June 2020

Unit: € k

	Consolidated		Gas & Power		Others		Consolidation adjustments	
	2020	2019	2020	2019	2020	2019	2020	2019
Income								
Sales and services rendered	83,747	82,215	83,551	82,075	6,917	6,012	(6,720)	(5,872)
Cost of sales	(1,793)	(1,369)	(1,793)	(1,369)	-	-	-	-
	-	-	-	-	-	-	-	-
Other revenues and expenses	(28,182)	(28,589)	(28,923)	(29,592)	(6,036)	(4,869)	6,777	5,872
EBITDA	53,772	52,257	52,835	51,114	881	1,143	57	-
Amortisations, depreciation and impairment losses on fixed assets	(24,634)	(22,054)	(24,236)	(21,766)	(398)	(289)	-	-
Provisions (net)	(69)	(93)	(69)	(93)	-	-	-	-
EBIT	29,070	30,110	28,530	29,255	854	854	57	-
Results from associates and joint ventures	70	360						
Other financial income	(5,183)	(4,993)						
Income tax	(5,490)	(6,473)						
Energy Sector Extraordinary Contribution	(10,472)	(9,735)						
Consolidated Net (loss)/income, of which:	7,994	9,268						
Attributable to non-controlling interests	(370)	(341)						
Attributable to shareholders of Galp Gás Natural Distribuição, S.A.	7,624	8,927						

As of 30 June 2020 and 31 December 2019

OTHER INFORMATION								
Segment Assets ⁽¹⁾								
Financial investments ⁽²⁾	2,278	2,278	3	3	2,275	2,275	-	-
Other assets	1,353,590	1,335,457	1,298,688	1,310,722	69,096	525,384	(139,149)	(500,649)
Segment Assets	1,355,868	1,337,735	1,298,691	1,310,725	71,371	527,659	(139,149)	(500,649)
of which Rights-of-use assets	12,805	13,915	7,286	7,786	5,519	6,129	-	-

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 2020 the breakdown and movements in tangible assets were as follow:

	Land, natural resources and buildings	Basic equipment	Tangible assets in progress	Unit: € k Total
As of 30 June 2020				
Acquisition cost	938	-	-	938
Impairments	-	-	-	-
Accumulated depreciation	(460)	-	-	(460)
Net amount	479	-	-	479
Balance as of 1 January 2020	488	426	3	917
Addition	-	-	-	-
Depreciation and impairment	(9)	(29)	-	(39)
Transfers	-	-	-	-
Other adjustments (changes in the consolidation perimeter)	-	(397)	(3)	(400)
Balance as of 30 June 2020	479	-	-	479

5. Intangible assets and Goodwill

During the six month period ended 30 June 2020 the breakdown and movements in intangible assets and goodwill were as follow:

Unit: € k

	Concession arrangements							Other intangible assets	Goodwill	Total
	Land	Buildings	Basic equipment	Reconversion of natural gas consumption	Intangible assets in progress	Other concession arrangements	Total concession arrangements			
As of 30 June 2020										
Acquisition cost	12,673	12,164	1,328,683	617,316	3,276	25,424	1,999,535	1,432	2,336	2,003,303
Accumulated amortization	(4,443)	(7,027)	(545,378)	(259,317)	-	(23,499)	(839,664)	(846)	(61)	(840,570)
Net amount	8,231	5,136	783,305	357,999	3,276	1,924	1,159,871	586	2,275	1,162,733
Balance as of 1 January 2020	8,364	5,321	791,704	364,604	2,696	2,059	1,174,750	684	2,275	1,177,708
Additions	-	-	398	88	10,234	68	10,788	252	-	11,040
Amortisations	(134)	(185)	(15,330)	(7,884)	-	(391)	(23,924)	(197)	-	(24,121)
Write-offs/Disposals	-	-	(1,395)	(348)	-	-	(1,742)	-	-	(1,742)
Transfers	-	-	7,928	1,610	(9,655)	118	-	-	-	-
Other adjustments (changes in the consolidation perimeter)	-	-	-	(71)	-	71	-	(153)	-	(153)
Balance as of 30 June 2020	8,231	5,136	783,305	357,999	3,276	1,924	1,159,871	586	2,275	1,162,733

6. Finance Leases

The rights of use are detailed as follows:

	Unit: € k		
	Buildings	Other rights of use	Total
As of 30 June 2020			
Acquisition cost	13,561	663	14,224
Accumulated amortisation	(1,155)	(264)	(1,419)
Net amount	12,406	399	12,805
Balance as of 1 January 2020	13,606	309	13,915
Additions	-	195	195
Amortisation	(378)	(96)	(474)
Other adjustments	(821)	(9)	(831)
Balance as of 30 June 2020	12,406	399	12,805

The lease liabilities are detailed as follows:

	Unit: € k	
	June 2020	December 2019
Maturity analysis - contractual undiscounted cash flow	16,619	18,060
Less than one year	1,104	1,130
One to five years	3,933	4,096
More than five years	11,581	12,833
Lease liabilities included in the Statement of Financial Position	13,114	14,129
Current	1,088	1,115
Non-current	12,027	13,014

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

	Unit: € k		
	Notes	June 2020	June 2019
		411	367
Interest on lease liabilities	19	198	229
Expenses related to short-term, low value and variable payments leases ¹		213	137

¹ Includes short-term leases

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

	Unit: € k	
	June 2020	June 2019
Financing activities	587	638
Cash (payments) relating to leases	389	409
Cash (payments) relating to leasing interests	198	229



7. Investments in associates

During the first half of the year, GGND sold Tagusgás Propano, SA to Petrogal, SA, resulting in a capital gain of € 70k. Together with the calculation of the gain on disposal, a reversal of deferred tax liabilities was generated in the amount of € 443k (resulting from the initial calculation of fair value when purchasing Tagus Propano in 2019), recognized in the income tax caption, in the consolidated income statement. Thus, the aggregate impact of this disposal operation in the Income Statement at 30 June 2020 amounted to € 513k.

8. Inventories

Inventories as of 30 June 2020 and 31 December 2019 are detailed as follow:

	Unit: € k	
	June 2020	December 2019
	2,402	1,995
Raw, subsidiary and consumable materials	2,393	1,937
Other raw materials	2,502	2,047
Write-down on raw, subsidiary and consumable materials	(109)	(109)
Goods	10	57
Goods	10	57

9. Trade and other receivables

9.1. Trade receivables

The caption Trade receivables as of 30 June 2020 and 31 December 2019 presents the following detail:

		Unit: € k	
	Notes	June 2020	December 2019
		9,595	11,334
Trade receivables		10,557	12,394
Allowance for doubtful amounts	9.3	(962)	(1,060)

9.2. Other receivables

The caption Other receivables as of 30 June 2020 and 31 December 2019 presents the following detail:

	Unit: € k				
	Notes	June 2020		December 2019	
		Current	Non-current	Current	Non-current
		47,127	30,776	42,714	28,265
State and other Public Entities		1	-	-	-
Other debtors		762	-	503	-
Suppliers debtor balances		744	-	487	-
Advances to suppliers		17	-	16	-
Related Parties		631	-	-	-
Other receivables from associates, joint ventures and other related parties		631	-	-	-
Other accounts receivables		22,426	3,311	21,303	3,320
Personnel		136	-	108	-
Collateral provided		145	-	168	-
Subsoil occupation levies		20,244	3,311	20,213	3,320
Other receivables		1,901	-	814	-
Assets resulting from contracts		22,444	27,443	20,170	24,928
Sales and services rendered not yet invoiced		769	-	769	-
Adjustment to tariff deviation - "pass through"		12,202	-	10,733	-
Adjustment to tariff deviation - core revenue		8,456	27,443	8,493	24,928
Uniformity tariff compensation		350	-	126	-
Other accrued income		667	-	49	-
Deferred charges		884	22	759	18
Prepaid rents		7	-	7	-
Interest and other financial charges		98	-	99	-
Prepaid insurance		16	-	11	-
Other deferred costs		763	22	642	18
Impairment on other receivables	9.3	(22)	-	(21)	-

The caption Subsoil occupation levies amounting to € 23,555 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.

9.3. Impairment of trade and other receivables

Movement on impairment of trade and other receivables for the six-month period ended 30 June 2020 is presented as follows:

	Unit: € k					
	Initial balance	Increase	Decrease	Write-off	Other	Ending balance
	1,081	65	(27)	-	(135)	984
Trade receivable	1,060	60	(22)	-	(135)	962
Other receivable	21	5	(5)	-	-	22

The amount under the heading Other contains € 144k related to the changes in the consolidation perimeter of the entity Tagusgás Propano, SA, which no longer belongs to the GGND Group due to the sale of the shares to Petrogal, SA..

10. Cash and cash equivalents

For the periods ended 30 June 2020 and 31 December 2019 Cash and Cash equivalents is detailed as follows:

	Notes	June 2020	December 2019
		73,669	42,705
Cash and cash equivalents		73,680	42,705
Bank overdrafts	11	(11)	(1)

11. Financial debt

Financial debt as of 30 June 2020 and 31 December 2019 was presented as follows:

	Notes	June 2020		December 2019	
		Current	Non-current	Current	Non-current
		1,052	674,473	5,268	674,626
Bank loans		1,052	6,763	5,268	7,274
Origination Fees		(1)	(8)	(2)	(17)
Loans and commercial paper		1,042	6,771	5,270	7,292
Bank overdrafts	10	11	-	1	-
Bonds and Notes		-	667,710	-	667,352
Origination Fees		-	(2,290)	-	(2,648)
Bond loans and Notes		-	670,000	-	670,000

The movement of financial debt for the period comprised between 31 December 2019 and 30 June 2020 is as follow:

	Initial balance	Increases	Principal amortisations	Bank overdrafts movement	Adjustments	Ending balance
Financial debt	679,894	-	(4,749)	11	369	675,524
Bank loans	12,542	-	(4,749)	11	11	7,815
Origination Fees	(20)	-	-	-	11	(9)
Loans and commercial paper	12,561	-	(4,749)	-	-	7,813
Bank overdrafts	1	-	-	11	-	11
Bonds and Notes	667,352	-	-	-	358	667,710
Origination Fees	(2,648)	-	-	-	358	(2,290)
Bond loans and Notes	670,000	-	-	-	-	670,000

During the first half of 2020 partial repayments of € 4,749k of financing contracted were noted.

The financial debt, excluding origination fees and bank overdrafts as of 30 June 2020 presents the following expected repayment plan:

Unit: € k			
Loans			
Maturity	Total	Current	Non-current
	677,813	1,042	676,771
2020	521	521	-
2021	1,042	521	521
2022	1,042	-	1,042
2023	601,042	-	601,042
2024 and following	74,167	-	74,167

12. Other payables

As of 30 June 2020 and of 31 December 2019 Other payables were detailed as follow:

	Unit: € k			
	June 2020		December 2019	
	Current	Non-current	Current	Non-current
	47,574	214,875	39,940	220,718
State and other public entities	5,595	-	5,111	-
Payable VAT	3,938	-	4,194	-
"ISP" - Tax on oil products	85	-	69	-
Withholding Income tax	687	-	354	-
Social Security contributions	868	-	479	-
Other taxes	18	-	15	-
Other payables	4,632	-	7,167	-
Tangible and intangible assets suppliers	4,571	-	7,130	-
Trade receivables credit balances	57	-	33	-
Advances on sales	4	-	4	-
Other Creditors	-	-	-	-
Related parties	130	-	130	-
Payable dividends	130	-	130	-
Other payables	2,432	-	1,939	-
Personnel	167	-	131	-
Guarantee deposits and guarantees received	270	-	260	-
Other creditors	1,995	-	1,547	-
Accrued costs	25,060	4,449	15,851	6,457
External supplies and services	2,620	-	1,951	-
Payable remunerations	2,004	-	2,781	-
Bonuses to employees	2,868	-	1,937	-
Accrued interest	6,624	-	2,503	-
Accrued insurance premiums	961	-	656	-
Adjustment to tariff deviation - core	6,387	4,449	2,379	6,457
Adjustment to tariff deviation - other activities	3,540	-	3,641	-
Accrued personnel costs - others	28	-	-	-
Financial costs and losses	27	-	2	-
Other accrued costs	1	-	1	-
Deferred income	9,725	210,426	9,742	214,261
Government grants	9,215	210,426	9,215	214,261
Others	509	-	526	-

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

13. Income tax and energy sector extraordinary contribution

The Companies that are part of the Group and whose participation percentage is 75% or more, and as long as such participation gives more than 50% of the voting right, they are taxed in accordance with the special regime for the taxation of groups of companies ("RETGS"), being the fiscal result of the GGND Group determined in the sphere of the majority shareholder 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 income tax estimated of the Company and its subsidiaries is registered based on their tax results, which for the six month ended 30 June 2020, represents a tax receivable amount of € 737 k from companies incorporated in the tax consolidation and a tax payable amount of € 615k from companies outside the tax consolidation perimeter.

Income tax and energy sector extraordinary contribution recognized in the consolidated income statement for the six-month period ended 30 June 2020 and 2019, is detailed as follow:

							Unit: € k
	Notes	June 2020			June 2019		
		Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
				15,962			16,208
Income tax		5,956	(467)	5,490	4,148	2,325	6,473
Current income tax		5,956	(467)	5,490	4,148	2,325	6,473
Adjustment of previous year's income tax estimate		-	-	-	-	-	-
Energy Sector Extraordinary Contribution "CESE"	15	-	-	10,472	-	-	9,735

As of 30 June 2020 the deferred tax assets and liabilities movement is presented as follow:

					Unit: € k
	31 December 2019	Impact on the income statement	Impact on equity	30 June 2020	
Deferred Taxes - Assets	15,582	(71)	19	15,529	
Adjustments to tangible and intangible assets	5	-	-	5	
Retirement benefits and other benefits	11,413	864	19	12,296	
Tariff Deviation	2,126	13	-	2,139	
Temporarily non-deductible provisions	2,037	(948)	-	1,089	
Deferred Taxes - Liabilities	(20,496)	538	-	(19,957)	
Adjustments to tangible and intangible assets fair value	(11,082)	637	-	(10,445)	
Tariff Deviation	(8,444)	(116)	-	(8,560)	
Retirement benefits and other benefits	(3)	1	-	(2)	
Accounting revaluations	(967)	16	-	(951)	

14. Post-employment and other employee benefits liabilities

As of 30 June 2020 and 31 December 2019, 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:

			Unit: € k
	June 2020	December 2019	
Total	19,841	21,395	
Shares	5,096	6,609	
Bonds	14,568	14,299	
Liquidity	177	487	

As of 30 June 2020 and 31 December 2019, the Group had recorded in liabilities the following amounts related to Post-employment and other employee benefits:

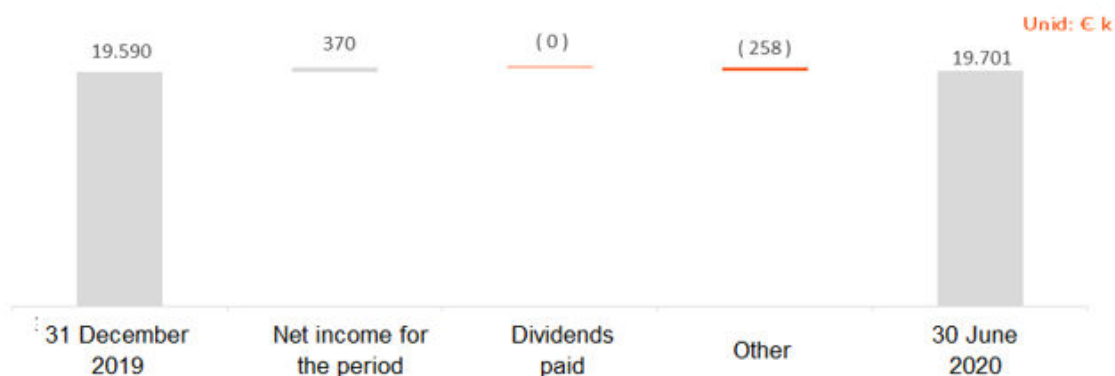
	Unit: € k	
	June 2020	December 2019
Assets	-	-
Liabilities	(60,772)	(60,295)
Net liabilities	(60,772)	(60,295)
Liabilities	(80,613)	(81,690)
Liability related to pension fund	(28,243)	(28,720)
Other employee benefits liabilities	(52,370)	(52,970)
Assets	19,841	21,395

The main assumptions considered in the calculation of post-employment liabilities, including discount rate and wage and pension growth rate, did not change in the six-month period ended 30 June 2020. For more details, please refer to the consolidated financial statements and notes attached with reference to December 31, 2019.

15. Provisions

During the six month period ended 30 June 2020, the provision items presented the following movements:

	Unit: € k				
				June 2020	December 2019
	Lawsuits	"CESE I"	Other risks and charges	Total	Total
At the beginning of the period	481	61,906	2,803	65,190	53,316
Increases	-	10,472	94	10,566	11,832
Decreases	(25)	-	-	(25)	-
Write-offs	-	-	-	-	-
Regularization	-	(5)	450	445	42
At the end of the period	456	72,373	3,347	76,176	65,190

16. Non-controlling interests**17. Revenues and income**

Revenues and income for the six month period ended 30 June 2020 and 30 June 2019 are detailed as follows:

	Notes	June 2020	June 2019
		99,655	99,258
Sales		2,986	2,985
Goods		2,986	2,985
Services rendered		80,762	79,230
Other operating income		15,813	16,666
Revenue under the IFRIC 12		10,788	11,862
Others		5,025	4,804
Results from associates and joint ventures	7	70	360
Financial income	19	24	17

18. Costs and Expenses

Costs and expenses for the six month period ended 30 June 2020 and 30 June 2019 are detailed as follow:

		Unit: € k	
	Notes	June 2020	June 2019
Total costs:		75,699	73,781
Cost of sales:		1,793	1,369
Goods		1,793	1,369
Inventories impairment	8	-	-
External suppliers and services:		22,705	23,362
Subcontracts		7,161	9,042
IT Services		3,874	3,698
Technical assistance and inspection services		1,422	1,527
Other specialised services		6,080	5,496
Other costs		4,167	3,599
Employee costs:		10,136	9,631
Amortisation, depreciation and impairment losses on fixed assets	4/ 5/ 6	24,634	22,054
Impairment losses on receivables	9.3	38	33
Provisions	15	69	93
Other operational costs:		11,117	12,228
Other taxes		31	16
Costs arising from the construction of assets under IFRIC 12		10,788	11,862
Other operating costs		298	350
Financial expenses	19	5,208	5,010

19. Financial income and expenses

The detail of the Financial income and expenses for the six month period ended 30 June 2020 and 2019 is as follow:

		Unit: € k	
	Notes	June 2020	June 2019
		(5,183)	(4,993)
Financial income:		24	17
Interest on bank deposits		24	17
Financial expenses:		(5,208)	(5,010)
Interest on bank loans, bonds, overdrafts and other		(4,375)	(4,167)
Interest on lease liabilities	6	(198)	(229)
Other financial costs		(635)	(614)

20. Subsequent events

Due to the current situation resulting from the Covid 19 outbreak, that is maintained at the present date and estimated to continue to result in constraints and adverse impacts for the coming months, the management of GGND will continue to monitor the evolution of the situation through a monitoring group constituted specifically for this purpose and to ensure the implementation of measures contained in its Contingency Plan, with the necessary adjustments in view of the developments verified at each moment. The measures have been taken to protect people and prevent the risk of contagion, considering Employees, Customers, Suppliers and other Stakeholders. They also aim to control operational risk, maintain the activities and mitigate materially relevant financial impacts on GGND Group companies.

21. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 28 July 2020.

22. Explanation regarding translation

These financial statements are a translation of the 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:

Carlos Manuel Costa Pina

Vice-President:

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

Maria Marta de Figueiredo Geraldês Bastos

Yoichi Noborisaka

THE ACCOUNTANT:

Paula de Freitas Gazul

5.5 Limited review report on consolidated financial statements





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, 2020 (which shows total assets of Euros 1,355,868 thousand and total shareholder's equity of Euros 234,318 thousand, including a net consolidated result of Euros 7,994 thousand), the consolidated statements of income and statement of comprehensive income, 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.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
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Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
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

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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, 2020 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.

July 31, 2020

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

Rita da Silva Gonçalves dos Santos, R.O.C.

(This is a translation, not to be signed)



6. Abbreviations

EIB:	European Investment Bank
CESE:	Energy sector extraordinary contribution
CFFO:	Cash flow generated by operating activities
CIT:	Corporate income tax
EBIT:	Earnings before interest and taxes; that is , operating result
BITDA:	Earnings before interest, taxes, depreciation, amortization and provisions; or is , EBIT more depreciations, amortization and provisions
EMTN:	Euro medium term note
EUR / €:	Euro
ERSE:	Regulatory body of potential energy services ethical
FCF:	Free Cash Flow
GGND:	Galp Gás Natural Distribuição, SA
GN:	Natural gas
GWh :	Gigawatt hour
m :	million
TOS:	Underground taxes
URD :	tariff for use of access to the distribution network
URT :	tariff for use of access to the transport network
UGS :	global system usage tariff
Unit :	unit
Var.:	variation
Vat:	value-added tax
YoY:	<i>year-on-year</i> (annual variation)



Cautionary Statement

This report serves as the Interim Management Report and Accounts in accordance with Portuguese and EU legislation requirements as filed with the Portuguese Securities Market Commission (CMVM) for the year ended June 30, 2020, for Galp Gás Natural Distribuição, S.A. (the “Company”) and its subsidiaries (collectively referred as “GGND”). This report may include forward-looking statements, including, without limitation, regarding future results, namely cash flows, dividends and shareholder returns; liquidity; capital and operating expenditures; performance levels and plans, timing, and outcomes of project execution; market developments in which GGND operates; and impacts of the COVID-19 pandemic on GGND's business and results, which may significantly differ depending on a number of factors, including energy supply and demand, namely natural gas and other market factors affecting them; the outcome of government policies and actions, including actions taken to address COVID-19 and to maintain the functioning of national and international economies and markets; the impacts of the COVID-19 pandemic on people and economies; the impact of GGND's actions to protect the health and safety of its employees, customers, suppliers and other stakeholders; actions of GGND's competitors and commercial counterparties; the ability to access short and long-term debt markets in a timely and affordable basis; the actions of consumers; other legal and political factors, including obtaining necessary administrative authorizations; unexpected operational events or technical difficulties; the outcome of commercial negotiations, including negotiations with governments and private entities; and other factors presented in GGND's Management Report and Accounts filed with the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2019 and available on the GGND website (<https://galpgasnaturaldistribuicao.pt/Investors-Investors/Portuguese-Version/Annual-Reports>). Forward-looking statements are statements other than in respect of historical facts and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied by such forward-looking statements. Important factors that may cause actual results to differ materially from forward-looking statements are referred in GGND's Management Report & Accounts for the year ended December 31, 2019. GGND and its representatives, agents, employees, or advisers do not intend to, and expressly disclaim any duty, commitment or obligation to elaborate, disclose, any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report to reflect any change in events, conditions or circumstances.