Management Report and Accounts 2019

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. Introduction

The corporate objective of Galp Gás Natural Distribuição, S.A., hereinafter referred to as GGND, is the undertaking of business activities in the energy sector, in particular in natural gas distribution, including the provision of services supporting business management, in the areas of management, administration and logistics, purchases and procurement, and information systems.

GGND has stakes in nine natural gas distributors in Portugal, five of which operate under concession contracts lasting 40 years, while the rest operate under licenses with an operating period of 20 years.

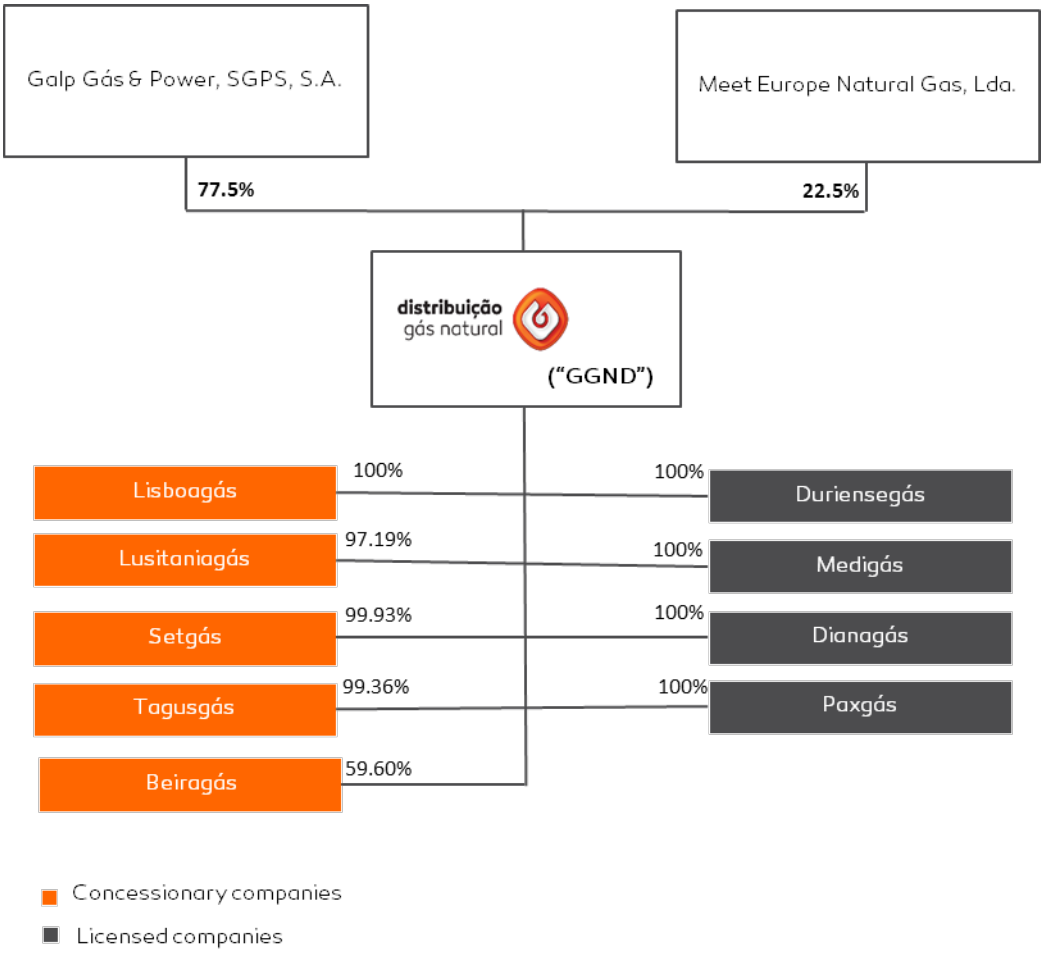
In terms of legislation in the natural gas sector, Decree-Law no. 30/2006, of 15 February and Decree-Law no. 140/2006, of 26 July and the respective Regulations stand out. It should be noted that the Group Companies, Lisboagás, Lusitaniagás and Setgás, operate in the sector as operators of the distribution network (ORD), while the remaining Group Companies, for supplying gas to less than 100,000 customers, still develop the commercialization activity of natural gas, exercised in its area of last resort supplier (CURRs).

The Company as an ORD is remunerated by the tariffs to be charged to customers that include the Global System Use tariff (UGS), the Transmission Network Use tariff (URT), the Distribution Network Use tariff (URD), and, tariff Operator Change Logistic Operation (OLMC). CURR is remunerated by the energy tariff and the commercialization tariff.

GGND provides its services to companies in which it has a direct stake, identified in the table below. It should be noted that on July 15, 2019, GGND increased its stake by 58.03% in Tagusgás, S.A. which natural gas distribution in Santarém and Portalegre.

GGND, through its subsidiaries, operates natural gas distribution in Portugal, with the Energy Services Regulatory Authority (ERSE) , which is the Portuguese regulator for the energy sector

2. Ownership structure



As at 31 December 2019, the key operational indicators of a GGND Group are as follows:

Lusitaniagás

Total network extension (km)	3,507
Connection points	232,037
Gas distributed (GWh):	8,825

Lisboagás

Total network extension (km)	4,637
Connection points	536,517
Gas distributed (GWh):	4,771

Setgás

Total network extension (km)	2,231
Connection points	173,027
Gas distributed (GWh):	1,922

Dianagás

Total network extension (km)	194
Connection points	10,322
Gas distributed (GWh):	86

Duriensegás

Total network extension (km)	488
Connection points	31,103
Gas distributed (GWh):	252

Beiragás

Total network extension (km)	842
Connection points	56,163
Gas distributed (GWh):	1,084

Tagusgás

Total network extension (km)	947
Connection points	39,989
Gas distributed (GWh):	1,402

Paxgás

Total network extension (km)	66
Connection points	6,140
Gas distributed (GWh):	19

Medigás

Total network extension (km)	285
Connection points	24,192
Gas distributed (GWh):	113

3. Company bodies

At the present date, the composition of the company bodies of GGND, for the current term of office of 2019-2021, 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* [1]
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* [1]
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. represented by;
Rita da Silva Gonçalves dos Santos, ROC n.º 1681, effective
José Manuel Henriques Bernardo, ROC n.º 903, alternate

Representative for Relations with the Capital Market and Securities Market Commission

Gabriel Nuno Charrua de Sousa

[1] Unanimous social resolution of the shareholders of July 31, 2019, replacing Naohiro Hayakawa

4. Relevant facts occurred in 2019

4.1 Regulatory framework

In April 2019, ERSE approved the revision of the Tariff Regulation (RT) for the natural gas sector[2], with a change in the definition of "Gas Year", due to the implementation of Regulation (EU) 2017/460 of the European Commission , of March 16, which harmonized the period of validity of all regulated tariffs with the applicable terms for the tariffs for the use of the transport network. Accordingly, the period of Gas Year changed from between 1 July and 30 June, into between 1 October and 30 September

Due to this change, in the period between July 1, 2019 and September 30, 2019, the tariffs of the Gas Year 2018-2019 were applied by term extension in order to guarantee the transition.

On the other hand, the definition of the regulatory period, which is necessary for calculating the Allowed Revenue, was extended to 4 years, instead of the previous 3 years. Thus, the 5th regulatory period will run from January 1, 2020 to December 31, 2023. Similarly to Gas Year, the 2nd half of 2019 was defined as a transition period and the 4th regulatory period, though which is from July 1, 2016 to June 30, 2019, was applied for the transition period.

As a result, the applied tariff during Gas Year 2019-2020 resulted in the average of the 4th regulatory period (first quarter) and the 5th regulatory period (2^{nd}, 3^{rd}, 4^{th} quarter).

The natural gas distribution is supported by the Allowed Revenue based on regulated tariffs approved by ERSE.

Regarding the Allowed Revenue, ERSE maintained the methodology, which results from the function of: (i) cost of capital, multiplication of the Regulated Asset Base ("RAB") by the Rate of Return , which is indexed to average yield of 10-year Portuguese government bonds, ("RoR") published by ERSE, plus amortization and depreciation of RAB; (ii) the recovery of OPEX (Allowed OPEX) indexed to efficiency factors (inflation, connection points and volume of gas distributed), with review of the applicable regulatory parameters [3]; and, (iii) adjustments, namely related to the tariff deviation.

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

The calculation of RoR is based on an average yield of 10-year Portuguese government bonds.

The RoR approved by ERSE for the Gas Year 2018-2019 was 5.82% in relation to natural gas distribution, which was 6.65% in the previous Gas Year. For the Gas Year 2019-2020, it was 5.33%, which compares with 5.82%.

Similarly to the decrease seen in the comparison between Gas Year, there was a decrease in the average RoR of regulated assets applied in calendar years, calculated by the average of the two semesters of each Gas Year. The average rate for the calendar year 2018 was 6.24%, while the RoR for the calendar year 2019 was 5.70%.

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[2] https://www.erse.pt/atividade/regulamentos-gas-natural/tarifario/

[3] Regulation no. 361/2019, published in the Diário da República, 2nd series - no. 79/2019, of 23 April; approval of Tariffs and Prices for natural gas for the 2019-2020 gas year and Parameters for the 2020-2023 regulation period, according to Directive no. 12/2019, published in the Diário da República, 2nd series - no. 123/2019, of July 1.

4.2 Publication of PNEC 2030

In December 2019, the National Energy and Climate Plan for 2021-2030 (PNEC 2030) was published.

This document presents a vision for the transition of the energy sector, where the current infrastructures for receiving, storing, transporting and distributing natural gas will play an important role in enabling the introduction, distribution and consumption of renewable gases, in particular biomethane and hydrogen. , in the various sectors of the economy, allowing to reach higher levels of incorporation of renewable energy sources in the final consumption of energy.

This context has justified the development of a set of actions in GGND in order to prepare the organization and processes for the challenges and opportunities that the energy transition presents, namely, by defining a strategy for the decarbonization of gas infrastructure natural.

4.3 Company bodies for 2019-2021 term

On May 15, GGND General Shareholders' Meeting approved the governing bodies for the 2019-2021 term of office, which included a new Chairman of the Board of Directors, Carlos Manuel Costa Pina.

4.4 Acquisition of Tagusgás - Vale do Tejo Gas Company, S.A. ("Tagusgás")

On July 15, GGND completed the acquisition of 58.03% of Tagusgás' share capital, for an amount of approximately € 31.8 million . This acquisition was an important milestone in the consolidated GGND's position as the main natural gas distributor in Portugal, through the control of nine within eleven natural gas distribution companies in Portugal.

GGND entered into a five-year financing contract with Mizuho Bank Europe N.V., in the amount of € 70 million, to finance the acquisition of Tagusgás and its refinancing.

4.5 Financial rating

On December 19, following its usual annual review, S&P Global Ratings reaffirmed GGND's long-term corporate credit rating "BBB-" ("investment grade"), keeping its outlook stable.

4.6 Financial performance in 2019

In July 2019, GGND acquired 58.03% of Tagusgás' share capital and 100% of its subsidiary Tagusgás Propano. As a consequence, the financial statements for the year 2019 reflect the consolidation, by the full method, of its six-month results.

The activity of the GGND Group, on a consolidated basis, generated a net profit of € 30.5 million in 2019, registering an increase of € 1 million compared to the same period last year. This increase was mainly due to the registration of the revaluation of Tagusgás' stake already held by GGND by the equivalent to the fair value on the acquisition date.

EBITDA amounted to € 103.5 million, minus € 1.7 million compared to the previous year, essentially reflecting the decrease registered in the RoR approved by ERSE, not offset by the contribution of + € 4.3 million in EBITDA from Tagusgás.

GGND recorded in the Fiscal Year 2019, taking into account the Allowed Revenue and tariffs approved by ERSE, the amount of € 146.7 million referring to: (i) sum of the cost of capital; (ii) OPEX; (iii) adjustments (difference between the Allowed Revenue recovered in year s-2 and the actual revenue for the same period). This figure results from € 70.2 million in the first half of 2019 (approved in the Gas Year 2018-2019) and € 76.5 million in the second half of 2019 (approved in the Gas Year 2019-2020).

In 2019, there was an increase in the consolidated balance of the tariff deviation from the natural gas distribution activity, corresponding to the difference between the income actually billed by the companies controlled by GGND and the Allowed Revenue estimated by ERSE.

In effect, at the end of 2019, the balance of the tariff deviation receivable was around € 24.6 million, € 8.4 million more than at the end of 2018.

OPEX was € 65.0 million, 3.9% lower than in the same period last year, allowing the costs associated with Tagusgás to be accommodated, which was € 3.0 million.

Free cash flow (FCF) was € 15.7 million, a reduction of 79% YoY, partly due to the aforementioned acquisition of Tagusgás for around € 31.8 million, as well as by the reduction in cash flow from operating activities in € 26.4 million YoY. This decrease was mainly due to the average reduction of 4% in the volumes of natural gas carried in the domestic segment, as well as by the average reduction of 8% in the Tariff for Use of the Distribution Network (URD).

Net debt was € 637.2 million in December 2019, which represents an increase of € 67.7 million compared to the previous year. This increase reflects the acquisition of a stake in Tagusgás and early repayment of its Project Finance, through the issuance of bonds in the amount of € 70 million.

Net Debt to EBITDA ratio was 6.2x and the Debt Service Coverage Ratio was 4.2x, both of them have sufficient margin to meet the financial ratios defined in the Eurobond agreement.

CAPEX was € 29.8 million in 2019, which represents an increase of 14% vs. 2018 (Tagusgás' contribution amounted to € 1.3 million).

The Business Development projects absorbed 71% of CAPEX, which included the expansion of the distribution network by 162 km, the construction of 5,975 branches and the connection of 17,945 new connection points, of which 13,375 refer to facilities that were subject to adaptation for natural gas.

The effort is in line with the strategic guidelines that have steered the company's investment efficiency policy, reflected in the Natural Gas Distribution Network Development and Investment Plan (PDIRD-GN) submitted to the Directorate General for Energy and Geology (DGEG). Here, the objective is to assure compliance with the concession and regulatory obligations, and contribute to the consolidation of the Natural Gas distribution project in the concession areas at levels ensuring the sustainability of the pricing of the National Natural Gas System (SNGN).

GGND has maintained a strict monitoring of the indicator "Investment in connecting new consumers" at economically efficient levels, having reduced € 134.3 compared to the previous year.

At the end of 2019, the natural gas distribution system of companies controlled by GGND totaled 13,198 km of distribution network and recorded a total of 1,109,490 connection points with an active contract, with a volume of natural gas of 18,474 GWh being distributed in 2019.

Improving the reliability and safety of the gas distribution system is also a priority for GGND having renovated 8.3 km and built a 12.1 km reinforcement network to the existing network.

4.7 Main initiatives

Taking into account the challenges associated with the energy transition, GGND consolidated its active participation in several international and national organizations, namely, Gas Distributors for Sustainability (GD4S), Marcogaz, International Gas Union (IGU) and Associação Portuguesa das Natural Gas Companies (AGN). During 2019, GGND also started participating in Eurogas.

Also in this context, GGND has developed a set of initiatives with a view to making the injection of renewable gases in the natural gas distribution networks possible in the short term.

The study on the role of natural gas infrastructures in Portugal in decarbonisation should be highlighted.

In order to materialize the constitution of a more efficient, flexible and thus promoting the provision of a quality service to SNGN customers, the organization of the company was adjusted in order to allow an integrated and transversal management of the entire connection process new customers. This ongoing process incorporates challenging dynamics of training people, optimizing processes and adapting systems.

Consumer Centrality continues to be a strategic investment of GGND, which in 2019 reinforced it with some measures aimed at consolidating the quality of the service provided and boosting the transformations necessary to enhance the expectations that the Consumer has in the service provided by GGND.

In this context, in 2019 a service rendering was contracted specialized in the quality control of the different operations that operate in the first line, in a direct relationship with the Client.

GGND ensured the conditions for maintaining the certification of the Environment, Quality and Safety management system implemented in all Group companies, continuing to demonstrate knowledge and understanding of the requirements applicable to its products and services, including regulations, of the parties relevant stakeholders and legal requirements of themselves and their customers

The organization demonstrated to know and understand the requirements applicable to the SIAQS and its products and services, including the normative, legal and relevant stakeholders. The organization has demonstrated its ability to consistently provide products and services that meet all of the requirements mentioned above.

Continuing the work of previous years, 2019 was a year of continuity in the commitment to the development and adaptation of Information Systems, to enable the implementation of new features developed in the OpenSGC commercial management system. These functionalities were mainly based on the adaptation to regulatory requirements and the robustness of the application's operation.

GGND completed the installation of mobility features in the “Asset Management System” (SGA), allowing its teams on the ground to act more immediately and with improvements in the speed and quality of the information provided.

GGND has developed a Digital Transformation Project that allows the dematerialization of network design processes and the production of records, allowing all users to share a single database of structured geographical information from the register, in real time.

In terms of strengthening the capacities of employees and in order to better adapt their performance, 8,530.35 hours of training were given at GGND.

5. Key indicators

Operacional indicators	Unit	2019 [1]	2018	Variation	Δ %
Connection points	#	1,109,490	1,058,779	50,711	4.8%
Gas volume distributed	GWh	18,474	16,897	1,576	9.3%
Total network extension	km	13,198	12,099	1,099	9.1%
20bar network	km	789	648	141	21.7%
4bar network	km	12,409	11,451	958	8.4%
Service line	#	349,813	325,915	23,898	7.3%
N.º of employees	#	394	357	37	10.4%

[1] First year of inclusion of Tagusgás' operational indicators

Financial indicators (thousands of euros)	2019	2018	Variation	Δ %
EBITDA	103,438	105,090	(1,653)	(1.6%)
EBIT	55,951	62,240	(6,289)	(10.1%)
Financial results	(12,031)	(9,358)	(2,674)	28.6%
Consolidated net income	30,537	29,491	1,046	3.5%
Free cash flow [1]	15,688	75,409	(59,721)	(79.2%)
Net debt [2]	637,188	569,512	67,676	11.9%
Net fixed assets [3]	1,176,350	1,077,842	98,508	9.1%
CAPEX [4]	29,809	26,205	3,604	13.8%

[1] Cash flows from operating activities - Cash flows from investing activities

[2] Bank loans + Bonds - Cash and equivalents

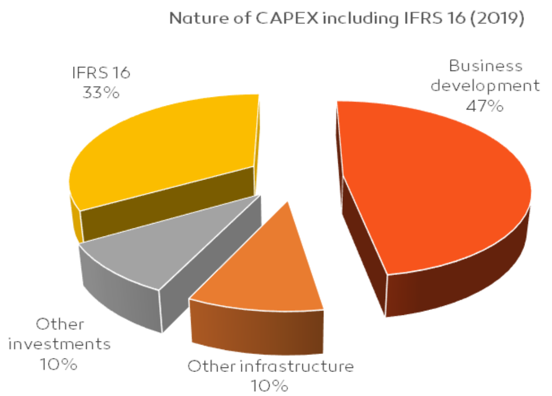
[3] Tangible assets + Intangible assets

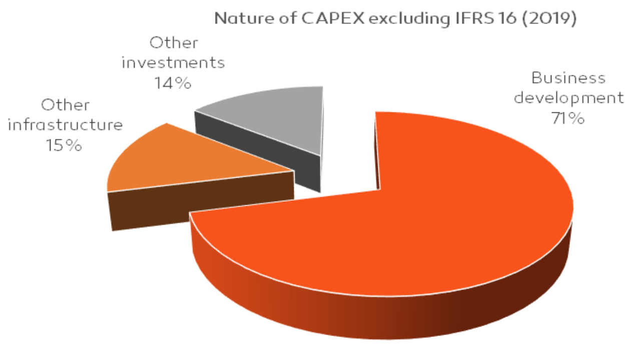
[4] Capital expenditure considers the additions of tangible and intangible fixed assets for the year

6. Operational activity

6.1 CAPEX

(thousands of euros)	2019	2018	Variation	Δ %
Business development	21,183	19,151	2,032	10.6%
Other infrastructure	4,367	4,009	358	8.9%
Other investments	4,259	3,045	1,214	39.9%
CAPEX	29,809	26,205	3,604	13.8%
IFRS 16	14,914	0	14,914	na
CAPEX + IFRS 16	44,723	26,205	18,518	70.7%





In 2019, CAPEX reached € 29.8 million, increase of 13.8% (+ € 3.6 million YoY), including the CAPEX realized by Tagusgás in the last six months of € 1.3 million.

Business development was approximately 71% of the CAPEX for the year, with approximately € 21.2 million invested in the expansion of the natural gas distribution network (+ 162km of secondary network and +5,975 branches), for new connection points (+17,945).

In CAPEX in other infrastructures, which amounted to € 4.4 million, the 8.3 km network renewal stands out, as well as 12.1 km of reinforcements to the existing network.

This level of investment reflects GGND's continuous effort and contribution to the development of the natural gas sector, allowing a significant part of the population and economic activities to have access to a safe and competitive natural gas.

It should be noted that GGND applied, on January 1, 2019, IFRS 16 - "Leases", now being recognized for all lease contracts for an asset related to the respective "right of use" of € 14.9 million, being a liability corresponding to future lease payments is recorded.

6.2 Operation

Throughout 2019, efforts were made to optimize the support processes for distribution activities to ensure their efficiency, allow the desired service quality levels and contribute to the satisfaction of customers supplied by GGND infrastructures.

Activity carried out in 2019 by GGND in order to ensure :

- Adequate management and maintenance of the infrastructures of the natural gas distribution system, ensuring the operation of the network and the continuous supply of gas to consumers in the best conditions of safety and reliability;
- The quick and effective response to emergencies, both in the distribution system and in the installations of natural gas users, in order to maximize the safety of gas users and the community in general.

The number of connection points where field service activity is concentrated increased by 50,711 (of which 39,989 belong to Tagusgás), totaling 1,109,490 connectin points with an asset contract at the end of 2019.

The volume of natural gas distributed in the distribution network amounted to 18,474 GWh, with the following evolution compared to the previous year:

Volume of natural gas (GWh)	2019	2018	Variation	Δ %
<10.000 m3/year	2,969	2,985	(16)	(0.5%)
>10.000 m3/year < 100.000 m3/year	738	644	94	14.5%
>100.000 m3/year	14,767	13,268	1,499	11.3%
Total	18,474	16,897	1,576	9.3%

The contribution of customers from the non-domestic market is noteworthy, not only to compensate for the loss that occurred in the domestic segment, particularly as a result of the higher average temperatures that occurred, but also leveraged a 9% global growth in the energy delivered.

At the end of 2019, 22 suppliers operated in the GGND's concession area, with 4 new suppliers having started their activity during the year.

Throughout 2019, more than 18 thousand customers connected for the first time to GGND's distribution networks. These new connections resulted from commercial action, both in geographical areas where there was an expansion of the distribution network, as well as in the saturation of existing networks.

Considering the relevance of the good relationship with the Municipal Councils for the Natural Gas Distribution activity, the proximity of the relationship with the Municipalities was also highlighted, promoting better coordination and collaboration, as well as clarifying relevant aspects for the activity of the natural gas distribution.

In the scope of its activities, Environment, Quality and Safety (AQS) aims to promote the efficiency of processes in order to protect people, the environment and assets in a value creation perspective for all stakeholders.

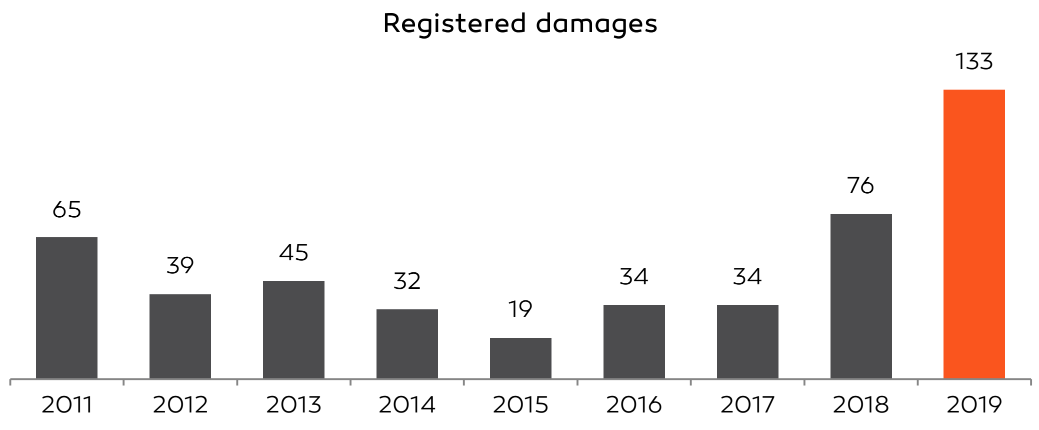
In 2019, GGND maintained its objectives:

- Reach the goal of zero personal, material and environmental accidents with a significant impact;
- Reduce the frequency of accidents with casualties and fatalities.

The results show significant improvements, as a result of the actions taken, as can be confirmed in the table below:

Claims	2019	2018
No. of Personal Accident, Materials and Environmental	4	9
Frequency Index of Accidents with casualties and fatalities	3.1	5.6

Accidents with damage caused to the natural gas distribution infrastructure have been the subject of a careful analysis, and several measures have been taken that we consider relevant together with the responsible entities.

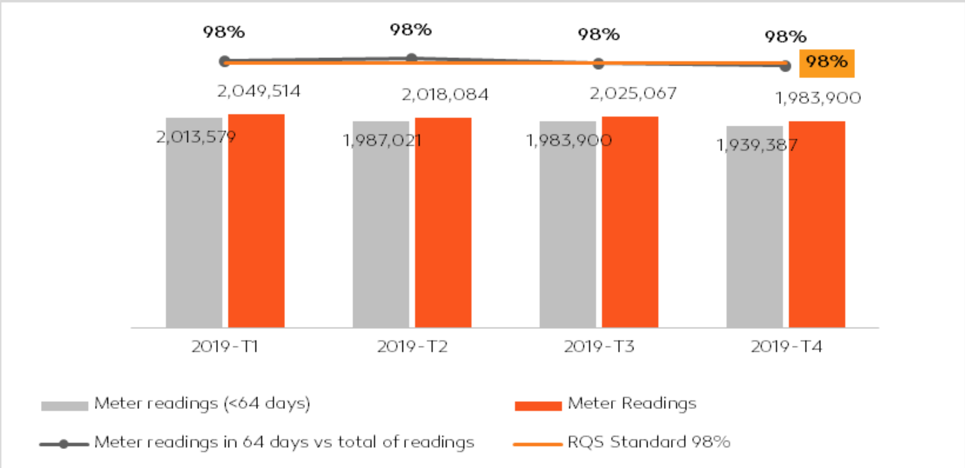


There was an increase in the number of damages by third parties in the GGND Group Companies, which is mainly due to the increase in works carried out by the City Councils

Analyzing the trend of increasing the number of occurrences, in mid-2019, a working group was appointed to implement, together with other Entities, minimization measures.

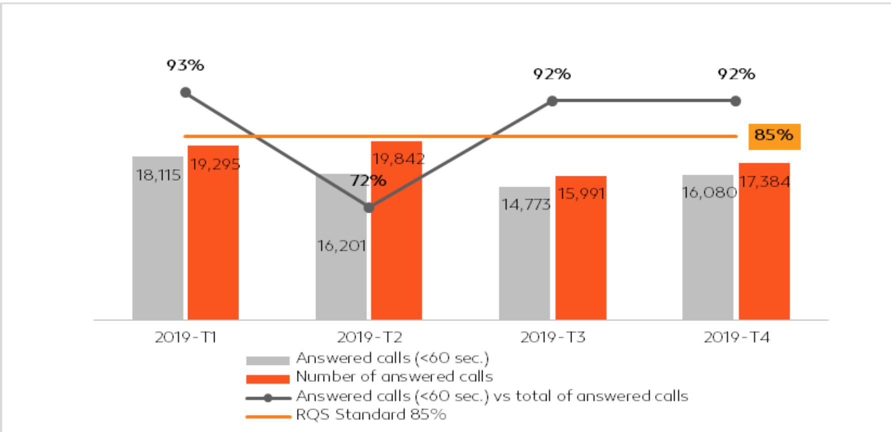
With the focus on Quality of Service to the natural gas consumer, as a facilitating and promoting mechanism for the use of natural gas as an energy source and maintaining alignment with the standards established by ERSE, the companies controlled by GGND obtained the following individual Quality indicators 2019 Service:

- **Number of readings with interval, compared to the previous reading, of 64 days or less**



✓ Full compliance with the indicator, consistently and exceeding the minimum required by ERSE.

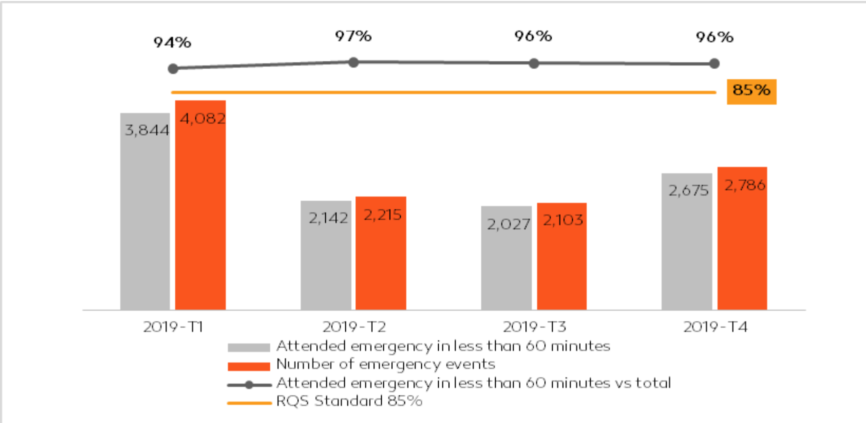
- **Number of telephone calls attended in relation to emergencies and breakdowns with waiting time of 60 seconds or less**



✓ Full compliance with the indicator, consistently and exceeding the minimum required by ERSE , except for the result obtained in 2Q.

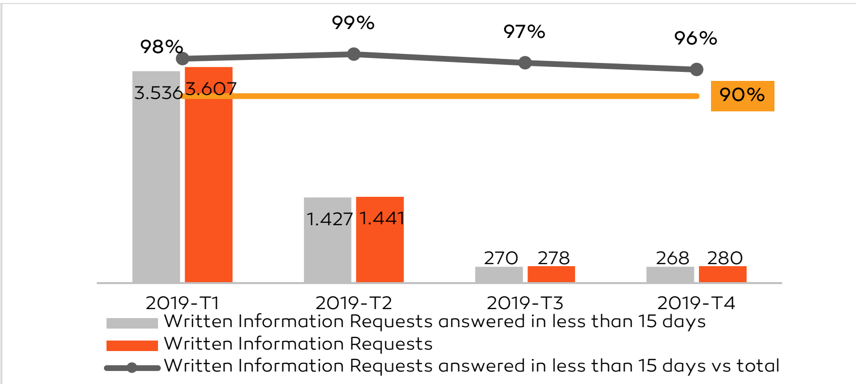
- ✓ The non-compliance recorded in 2Q 2019 was linked to an extraordinary event that took place between 23 and 25 April 2019 in an ORD, managed by GGND. If we excluded the effect of those days, the indicator would also have been met in 2Q 2019.

- Number of emergency situations with time of arrival at the site of 60 minutes or less



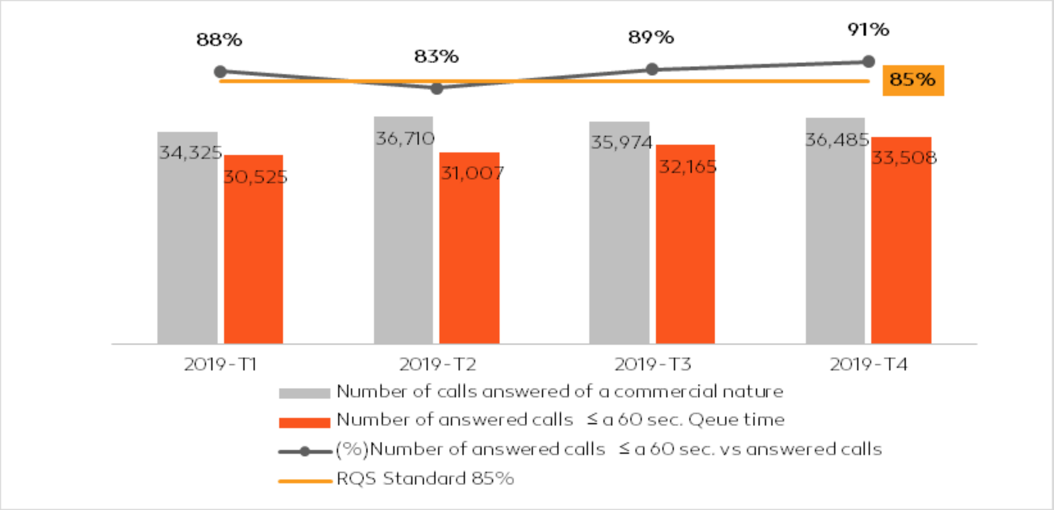
- ✓ Full compliance with the indicator, consistently and exceeding the minimum required by ERSE.

- Number of written requests for information received in the quarter that were answered in a period of 15 business days or less



- ✓ Full compliance with the indicator, consistently and exceeding the minimum required by ERSE;
- ✓ The reduction in reported written information requests is due to the fact that in 2019, the GGND Group Companies have identified that the report of this indicator should consider only the written contacts that effectively configure a request for information / clarification. Until then, GGND reported, in this indicator, all written contacts received, regardless of whether it requires a response with clarifications.

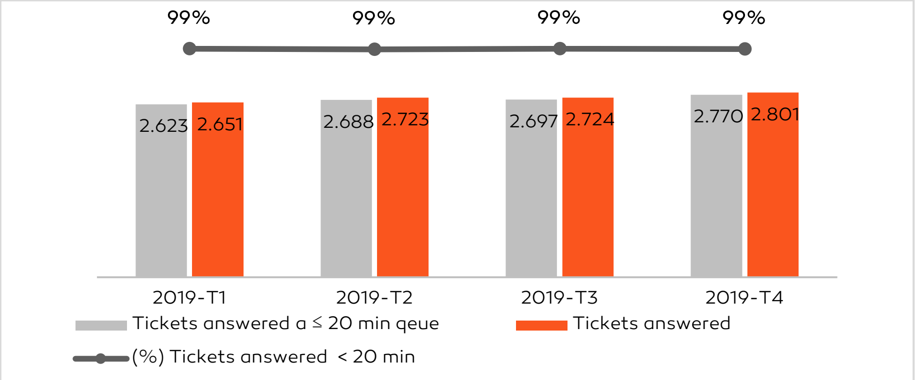
- Number of telephone calls concerning sales issues with waiting time of 60 seconds or less



✓ Full compliance with the established indicator, with non-compliance with the standard recorded in 2Q 2019, with a value of 83%;

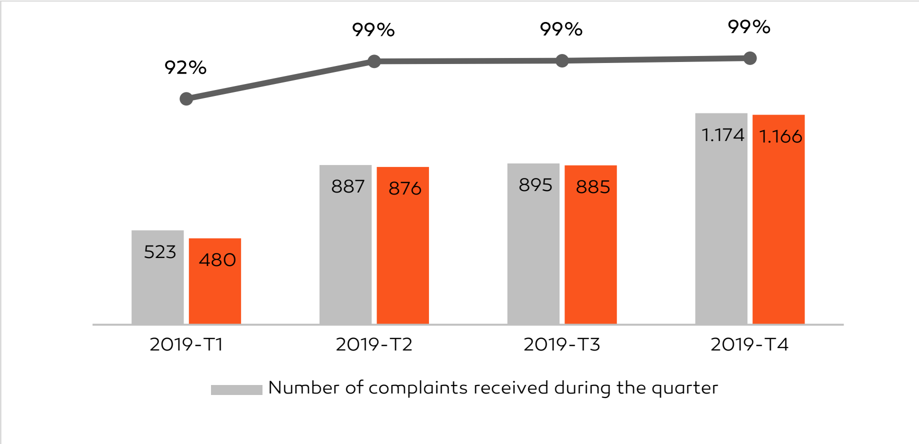
✓ The non-compliance recorded in 2Q 2019 was linked to an extraordinary event that took place between 23 and 25 April 2019 in an ORD, managed by GGND. If we excluded the effect of those days, the indicator would also have been met in 2Q 2019.

- Number of attendance in person with waiting time ≤ 20 minutes accomplished by the entity



✓ Non-standard indicator set by the Regulator.

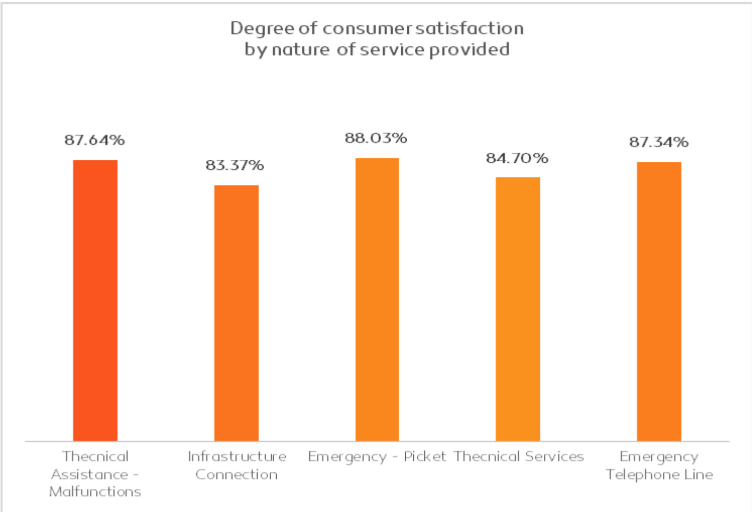
- Number of complaints received in the quarter, which were answered within the regulatory periods



✓ Globally, compliance with the maximum deadlines established (15 working days) for responding to complaints is verified. There is an increase in complaints reported in 2019 when compared to those reported in 2018, which results from the implementation of some processes that are in the adjustment phase.

In 2019, new methodologies for quality control of the service provided to consumers of natural gas were implemented, and satisfaction surveys on the technical services provided by the company were continued.

The graph below shows the degree of consumer satisfaction, by the nature of the service provided.



7. Economic and financial review

7.1 Consolidated income

Consolidated income (thousands of euros)	2019	2018	Variation	Δ %
Sales and services rendered	168,442	172,716	(4,274)	(2.5%)
OPEX	(65,004)	(67,626)	2,621	(3.9%)
Cost of sales	(3,090)	(2,524)	(566)	22.4%
External supplies and services	(47,856)	(53,511)	5,654	(10.6%)
Employee costs	(22,371)	(20,744)	(1,627)	7.8%
Other income (costs)	8,399	9,233	(834)	(9.0%)
Impairment loss on receivables	(86)	(80)	(7)	8.7%
EBITDA	103,438	105,090	(1,653)	(1.6%)
Amortization, depreciation and impairment	(46,849)	(42,660)	(4,189)	9.8%
Provision	(637)	(190)	(447)	235.3%
EBIT	55,951	62,240	(6,289)	(10.1%)
Share results of investments	10,224	717	9,507	1,326.6%
Financial results	(12,031)	(9,358)	(2,674)	28.6%
Profit before tax	54,144	53,599	545	1.0%
Taxes	(12,412)	(13,623)	1,211	(8.9%)
Energy sector extraordinary contribution	(11,195)	(10,485)	(710)	6.8%
Consolidated net income	30,537	29,491	1,046	3.5%
Profit attributable to non-controling interests	(850)	(1,074)	224	(20.9%)
Net income to GGND	29,687	28,417	1,270	4.5%

In 2019, GGND's **EBITDA** was € 103.4 million, minus € 1.7 million compared to the previous year (-1.6% YoY).

This deviation, excluding the effects of the activity of access to the network (pass-through of UGS and URT tariffs), is essentially explained by the following:

1) Sales increase of € 0.9 million related to Tagusgás' last resort supply activity (CURR);
2) Decrease of € 5.1 million in the Allowed Revenue from the distribution activity, due to the reduction in network access fees, essentially due to the reduction in the average rate of return on regulated assets (average RoR 19 = 5.70% compared to Average RoR 18 = 6.24%), but offset by the increase in Tagusgás' allowed income of + € 5.6 million;
3) Increase of net operating costs in the amount of € 2.6 million, of which € 2.3 million related to the effect of Tagusgás consolidation; € 0.9 million related to the recognition of the donation to cover part of the construction of a pedestrian bridge in Lisbon, following the protocol signed with the Municipality of Lisbon; and € 0.2 million cost savings.

EBIT decreased to € 56.0 million in 2019 (-10.1% YoY), mainly as a result of the € 4.2 million increase in depreciation and amortization, justified by the increase in CAPEX realized in the year (+ € 3.6 million); application of IFRS 16 as at 2019 and tagusgás' mutinizations (+ € 2.2 million).

In share **results of investments**, the effect of the acquisition of Tagusgás, which comes from the revaluation of the initial stake held by the Group (41.33%), generated a positive fair value of € 9.9 million.

Financial results of - € 12.0 million were impacted by the early repayment of Tagusgás' Project Finance, whose interest and commissions amounted to € 2.3 million.

It is worth mentioning the establishment of a new bond loan in the amount of € 70 million, with better financial conditions, which will reduce the average cost of the debt, from 1.53% to 1.49%.

The **net income** attributable to GGND's shareholders reached € 29.7 million in 2019 (+ 4.5% YoY).

The extraordinary contribution to the energy sector (CESE) in Portugal had negative impact on the results by € 11.2 million. Accounting in relation to CESE results from the strict application of accounting standards, with GGND understanding, based on the opinion of the most renowned national jurisconsults, that the legislative provisions regarding these contributions are violation of the law, and the amounts are not required.

7.2 Cash Flow

Cash flow - direct method (thousands of euros)	2019	2018	Variation	Δ %
Cash and equivalents at the beginning of the period	**48,105**	**16,672**	**31,433**	**188.5%**
Clients receipts	239,648	263,234	(23,587)	(9.0%)
Payments to suppliers	(78,302)	(75,511)	(2,791)	3.7%
Payments to personnel	(25,174)	(23,720)	(1,454)	6.1%
Payment of income tax	(13,059)	(12,328)	(731)	5.9%
Payment of value-added tax (VAT)	(30,204)	(35,159)	4,955	(14.1%)
Payment of underground taxes (TOS)	(18,662)	(16,621)	(2,041)	12.3%
Other operating (payments)/receipts	(1,364)	(583)	(780)	133.7%
Cash flows from operating activities	**72,883**	**99,312**	**(26,429)**	**(26.6%)**
Tangible and Intangible Assets	(25,190)	(23,903)	(1,286)	5.4%
Financial Investments	(32,007)	(3)	(32,004)	1,132,379.2%
Interest and similar income	2	3	(1)	(39.7%)
Cash flows from investing activities	**(57,195)**	**(23,903)**	**(33,292)**	**139.3%**
Loans obtained	23,353	(9,498)	32,851	(345.9%)
Net Financial Cost [1]	(12,390)	(8,852)	(3,538)	40.0%
Dividends/ results payout	(36,898)	(25,626)	(11,272)	44.0%
Cash flows from financing activities	**(25,935)**	**(43,976)**	**18,041**	**(41.0%)**
Net change in cash and cash equivalents	**(10,246)**	**31,433**	**(41,680)**	**(132.6%)**
Change in Scope	4,847	0	4,847	na
Cash and equivalents at the end of the period	**42,705**	**48,105**	**(5,400)**	**(11.2%)**

[1] Includes amortization and interest on leasing contracts (IFRS 16)

Cash flow from operating activities was € 72.9 million, registering a decrease of € 26.4 million compared to the same period in 2018, mainly due to the 9% decrease in customer receipt. Of this decrease, € 20.1 million can be explained mainly by the 4% reduction in the volumes of natural gas carried in the domestic segment, as well as by the average reduction of 8% in the Tariff for the Use of the Distribution Network (URD), not offset by the positive contribution from receiving Tagusgás customers, which amounted to € 6.0 million. On the other hand, there was a decrease of € 9.0 million in receipts resulting from the compensation mechanism defined by ERSE.

The cash flow from investment activities, reflected in the financial investments item, the payment for the acquisition of Tagusgás in the amount of € 31.8 million. On the other hand, the cash flow from financing activities includes not only € 70 million financing, through the issuance of bonds in the acquisition of Tagusgás, but also the early repayment of the Project Finance loan contracted by Tagusgás, worth € 38.3 million.

The net cash was negative by € 10.2 million, after the payment of € 36.9 million in dividends to shareholders, but taking into account that cash at the beginning of the period amounted to € 48.1 million, GGND presented cash and cash equivalents at the end of the period of € 42.7 million.

7.3 Financial position

Consolidated financial position (thousands of Euros)	2019	2018	Variation	Δ %
Net Fixed Assets [1]	1.190.265	1.077.842	112.423	10,4%
Working Capital	7.986	16.454	(8.468)	(51,5%)
Subsidios ao Investimentos	(223.476)	(218.729)	(4.748)	2,2%
Other non-current assets (liabilities)	(110.109)	(69.215)	(40.894)	59,1%
Capital employed	**864.666**	**806.352**	**58.313**	**7,2%**
Short-term debt	5.268	8.349	(3.081)	(36,9%)
Long-term debt	674.626	609.270	65.356	10,7%
Total debt	**679.894**	**617.619**	**62.275**	**10,1%**
Cash and cash equivalents	42.705	48.107	(5.401)	(11,2%)
Net Debt	**637.188**	**569.512**	**67.676**	**11,9%**
Capital próprio	227.477	236.840	(9.363)	(4,0%)
Total equity and net debt	**864.666**	**806.352**	**58.313**	**7,2%**
Net Debt to equity	**2,8x**	2,4x	0,4x	-

[1] Includes rights of use (IFRS 16)

As at 31 December 2019, GGND's net fixed assets were € 1,190.3 million, an increase of € 112.4 million compared to the end of the previous year, which was due to Tagusgás' contribution of € 113.9 million . On the other hand, as at January 1, 2019, IFRS 16 - Leases was applied, whose amount was € 13.9 million, the amount of which is offset in liabilities.

The capital employed by GGND increased, compared to the previous year, to € 864.7 million (+ 7.2% YoY), reflecting the positive evolution of the fixed assets mentioned above, as well as:

- The € 13.2 million increase in deferred tax liabilities, mainly due to the full consolidation of Tagusgás in the GGND Group, that is, recognition of the fair value of tangible and intagible assets;
- Derecognition of the increase in equity in the financial stake of GGND in Tagusgás in the amount of € 12.5 million, for the same reason mentioned above;
- € 8.4 million from the increase in net average tariff deviation to € 24.6 million;
- € 7.0 million from the increase of income tax and other taxes receivable;
- € 11.8 million from the increase in provisions, mainly due to the CESE effect

7.4 Financial ratios

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

Financial ratios	31.12.2019
Net debt [1]/ EBITDA [2]	6.2x
Debt Service Coverage Ratio [3]	4.2x

[1] Bank loans + Bonds + Accrued interest - Cash and equivalents
[2] EBITDA + Provisions
[3] (Cash flow from operational activity - CAPEX)/Interest service

As at December 31, 2019, both ratios were affected by the acquisition of Tagusgás, but continue to be within the established limits.

8. Corporate governance

8.1 Qualifying interests in the company's share capital as at December 31, 2019

(Articles 448, number 4 of the Commercial Companies Code and Article 245-A, number 1, c) of the Securities Market Code, applicable by force of number 4 of the same article)

Shareholders	Nr. of shares	Nominal Value	%
Galp Gas & Power, SGPS, S.A.	69,385,084	1.00EUR	77.5%
MEET Europe Natural Gas, Lda.	20,144,057	1.00EUR	22.5%
Total	89,529,141	1.00EUR	100%

8.2 Shareholders with special right

(Article 245-A, number 1, subparagraph d) of the Securities Market Code, applicable by force of number 4 of the same article)

There are no shareholders with special rights.

8.3 Restrictions on voting rights

(Article 245-A, number 1, subparagraph f) of the Securities Market Code, applicable by force of number 4 of the same article)

There are no restrictions on voting rights.

8.4 Rules applicable to the appointment and replacement of members of the Board of Directors and amendment of the By-laws of the company

(Article 245-A, number 1, subparagraph h) of the Securities Market Code, applicable by force of number 4 of the same article)

The shareholders of GGND attending the General Meeting are responsible for electing and replacing the members of the Board of Directors, including the respective chairman and vice-chairman.

The election of the members of the Board of Directors is carried out by lists, with the nomination of the proposing shareholders, with a vote on the entire list and not on each of its members, in accordance with the law.

In case of absence or impediment of the Chairman of the Board of Directors, he is replaced by the Vice-Chairman. In the event of the definitive absence or impediment of any of the members of the Board of Directors, this body shall be responsible for their replacement through co-optation, which should be submitted for ratification to the following General Meeting.

The GGND By-laws establish that the members of the Board of Directors are appointed for three-year terms, with their reelection being permitted one or more times.

For the purposes of the arrangement concerning replacement of directors due to definitive absence, established in number 1 of article 393 of the Commercial Companies Code, the Company's By-law consider that a director is definitively absent when, without justification accepted by the Board of Directors, the director fails to attend three consecutive meetings or five interpolated meetings.

Under the applicable legal terms, if the appointed directors have an employment contract in force with the Company for which they have been appointed or with a company in a controlling or group relationship with it, this contract shall be terminated if it has been concluded less than a year ago, or shall be suspended if it has lasted for more than one year.

Pursuant to article 10, number 3 of the GGND By laws, any decision of the General Meeting involving amendment of the By law must necessarily be approved by shareholders holding at least 90% of the share capital, except for amendments derived from capital increase and reductions required for compliance with legal or regulatory obligations or compliance with the Company's policy on distribution of dividends.

8.5 Powers of the board of directors, namely with respect to deliberations to increase share capital

(Article 245-A, number 1, subparagraph i) of the Securities Market Code, by application of number 4 of the same article)

The Board of Directors of GGND is vested with the Company's administration powers typically established in the legislation for the respective corporate governance model. The By law of GGND does not foresee any special powers for this body, namely the possibility of the Board of Directors deliberating on an increase of the Company's share capital.

8.6 Internal control and risk management system

8.6.1 Internal control system

The internal control system, whose structure is under review, intends to be based on a set of policies and procedures, in order to ensure the fulfillment of the GGND's objectives in terms of:

- Conduct of activities in an orderly and efficient manner;
- Prevention and detection of fraud and errors;

- Compliance with laws and regulations; and,
- Financial and non-financial reporting.

The control environment consists of the set of standards, processes and structures available to the GGND, which forms the basis of its internal control system. It influences how the Company's strategy and objectives are defined, how operational activities are structured and how the risk culture is assumed.

The control environment is influenced by internal and external factors, such as GGND values and the market in which it is integrated, reflecting the position of the management bodies in relation to the internal control system and guiding all employees in the decision making process with emphasis on its control.

The control environment is supported by organizational culture as it establishes expectations of behavior that reflect a commitment to ethical values, responsibilities, policies, norms and procedures. Top management establishes and communicates the importance of internal control and expected standards of conduct and ensures the scrutiny of different management acts, in line with best practices and in compliance with legal and regulatory requirements.

It should be noted that the strictly regulated framework in which GGND Group companies operate has led to the establishment of a Compliance Program. In accordance with the applicable regulations, an independent entity was appointed to ensure the activity of Compliance Officer in the three Distributors with more than 100 thousand customers. This entity monitors the proper application of the principles set forth in the program and the compliance of the companies with the established obligations.

The definition or revision of the GGND objectives is the triggering factor for the risk assessment process. A timely identification of the objectives and consequent identification and analysis of the risks associated to the fulfillment of the main objectives allows GGND to identify the potential events that can affect the pursuit of the same.

To ensure an effective internal control system, GGND promotes the exchange of relevant information, maintaining a permanent communication with the various stakeholders, both internal and external.

Finally, operational, compliance and financial audits, as well as reviews of information systems, are aimed at testing the effectiveness of existing internal control mechanisms, ensuring adequate conditions for maintaining a continuous improvement process.

8.6.2 Report on financial information

The process of disclosure of mandatory financial information is monitored by the administrative and supervisory bodies. In particular, in relation to the annual and semi-annual accounts, the documents are sent to the Board of Directors and Supervisory Board, which approve them before they are disclosed.

Within the scope of its functions, the ROC assesses the internal control mechanisms of the main functional cycles of GGND and subsidiaries with effects on financial reporting.

8.6.3 Risk management model

As a holding company of a set of regulated companies operating geographically dispersed in the Natural Gas Distribution and Commercialization sector in Portugal, the existence of a robust internal regulatory framework and a disciplined approach to risk are important elements in GGND. This regulatory framework ensures that the activity is carried out in accordance with strategic objectives, the risks accepted are duly mitigated and that long-term value is created for the shareholders.

The Company's day-to-day management is exercised by the Executive Committee in accordance with the delegation of powers conferred by the Board of Directors, which supervises and monitors the management through its non-executive and independent members.

The Supervisory Board has the role of monitoring the effectiveness of risk management, internal control and internal audit systems, as well as annually assessing their operation and internal procedures.

The Board of Directors is responsible for defining the strategy and supervision of risk management that GGND is willing to accept and for ensuring the alignment of the strategy with this level of risk, monitoring and controlling the performance of the delegated functions in the Executive Committee.

The Executive Committee is responsible for monitoring risk management with a focus on the main risks that GGND exposes, including strategic, operational, financial and regulatory risks.

As part of the reorganization of GGND in 2016, GGND is densifying its risk analysis and management procedures, as well as internal control, taking into account its specific area of activity (Natural Gas Distribution and Commercialization), as well as the framework legislative and regulatory framework.

In this framework, a Compliance Program, a Code of Ethics and Conduct and anticorruption and anti-money laundering policies were approved, which list the obligations and behaviors expected, also in terms of management and minimization of the risks to which GGND and its Group companies are subject.

8.6.4 Main risks

GGND identified the following risks as being of priority:

- Regulatory and compliance uncertainties;
- Failures of information systems and cybersecurity;
- Execution of projects, particularly in technical, safety and environmental aspects.

The main risks and uncertainties of GGND are managed, monitored and communicated at the counterparty, project and geography level, as appropriate.

The strategies for responding to specific situations are defined to ensure that the risks are within the general guidelines acceptable to GGND and its Group companies.

GGND and its Group companies guarantee through the subscription of the Insurance Policies deemed necessary to cover the risks identified, with a view to transferring the risk and minimizing potential reputational, operational and financial damages.

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

9. Relevant events occurred after the closing of the year

Due to the current situation resulting from the Covid 19 outbreak, GGND management is monitoring the evolution through a specific group and assuring implementation of measures defined in Contingency Plan, with the adequate adjustments considering development at each moment. Measures have been applied with focus on safety of people and avoidance of virus expansion, considering Personnel, Clients, Suppliers and remaining Stakeholders. Looking also to control operational risk, maintenance of activities and mitigation of material financial impacts on GGND Group companies.

10. Future outlook

In line with the objectives of the PDIRD-GN 2019-2023 (Development and Investment Plan for the Natural Gas Distribution Network), the GGND Group will maintain its rigorous principles of support for investment choice in a logic of economic rationality and investment efficiency which contribute favorably to the tariff level and the sustainability of the SNGN.

The GGND Group shall continue investing and concentrating its efforts in developing natural gas infrastructures and increasing connection points, aimed to make this economically advantageous and environmentally "cleaner" energy available to the largest number of consumers and economic agents and achieving efficiency levels that are appropriate to the investments made without, however, failing to fulfill its Public Service mission.

In 2020, GGND will continue to invest in the continuous and sustained improvement of processes and in the improvement of practices and adaptation of the means of support to the activity, without neglecting the reinforcement of the employees' competence at its service.

The best practices for the promotion of awareness-raising actions on service quality will be maintained among the employees and suppliers, with safety continuing to remain as the principal guideline in business management, contributing to the desired sustainability of the GGND Group.

11. Final remarks

The Board of Directors of GGND is grateful for the cooperation provided by all who, individually or collectively, contributed to the accomplished results. We acknowledge, with great appreciation:

- All the dedicated collaboration of the shareholders;
- The work carried out and commitment shown by the employees of the GGND Group, especially the teamwork;
- The financial institutions that continue supporting the Projects of the GGND Group;
- Our contractors and service providers, as important business partners;
- Municipal Councils of the Municipalities of the concession and license areas of our companies;
- The Supervisory Board, the Statutory Auditor and the External Auditor for the effort and dedication with which they performed their duties.

And lastly, and because they are the first, to our clients, for their trust given to the companies of the GGND Group, the Board of Directors of GGND would like to express its recognition and assure them that it shall do everything within its reach to improve the service quality provided to the final users.

12. Proposal of allocation of net income

GGND closed the 2019 financial year with a positive net income of € 31,833,155.48 (thirty-one million, eight hundred and thirty-three thousand, one hundred and fifty-five euros and forty-eight cents), calculated on a individual basis, in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under legal terms, that the net income for 2019 should be appropriated as follows:

- Endowment to the legal reserve in the amount of € 1,591,657.77;
- Transfer to retained earnings in the amount of € 30,241,497.71.

It is also proposed that a maximum amount of € 2,001,725.94 be distributed to the employees of the GGND Group and executive directors of GGND, as a profit sharing, an amount already recognized and expressed in the consolidated financial statements of GGND and in the individual of each of its subsidiaries, with the respective net incomes for 2019 having been calculated already considering that amount. Of this amount, € 154,434.05 was paid in 2019 as an advance on 2019 profit sharing.

The breakdown of this amount among the companies of the GGND Group for distribution to the respective employees will be determined by the Executive Committee of GGND, in accordance with the applicable internal rules, and among the executive directors of GGND will be determined by the General Meeting, under the applicable legal terms.

Lisbon, March 24, 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 de Figueiredo Geraldes Bastos
Member

Yoichi Noborisaka
Member

13. Appendices

13.1 Mandatory mentions

13.1.1 Own shares

(Articles 66, subparagraph d) and 325-A, number 1 of the Commercial Companies Code)

GGND did not acquire or divest any of its own shares during 2019.
As at 31 December 2019, GGND did not hold any of its own shares.

13.1.2 Shareholder position of the members of the administration and supervisory bodies as at December 31, 2019

(Article 447, number 5 of the Commercial Companies Code)

As at 31 December 2019, none of the members of the administration and supervisory board held shares or bonds issued by GGND.

13.1.3 Annual value of the remuneration earned, in aggregated and individual form, by the members of the company's administration and supervisory body in 2019

(Article 3 of Law 28/2009 of 19 June, applicable by force of article 3 of the Legal Framework for Audit Supervision approved by Law 148/2015 of 9 September)

The gross annual amount of remuneration received in aggregate and individually during 2019 by the members of the Company's Board of Directors, Board of the General Meeting and Supervisory Body currently in office, is presented in the table below.

Directors

Name	Position	Fixed Remuneration [1]	Other Remunerations [2]	Variable Remuneration	Total	Comments
Maria Leonor Machado	Non-Executive Vice-Chairman	28,000			28,000	
Gabriel Sousa	Executive Director (CEO)	126,000	2,485	36,000	164,485	
Naohiro Hayakawa	Executive Director (CFO)	66,750	60,567	27,000	154,317	from 01-01-2019 to 31-07-2019
Yoichi Onishi	Executive Director (CFO)	45,341	36,357	0	81,698	from 01-08-2019 to 31-12-2019
José Vieira	Executive Director (COO)	99,556	2,389	27,000	128,945	
Total		**365,647**	**101,798**	**90,000**	**557,445**	

(1) Includes amounts related to Salary, Fair Allowance and Christmas Allowance
(2) Includes amounts related to Food Allowance and amounts associated with impatriation and compensation arrangements arising from the departure of Naohiro Hayakawa

Audit Board

Name	Position	Fixed Remuneration [1]	Comments
Daniel Bessa	Chairman	26,419	from 15-05-2019 to 31-12-2019
Armindo Marceilno	Member	18,000	
	Total	44,419	

Board of the General Meeting

Name	Position	Attendance fees
Ana Perestrelo	Chairman	1,500
Rafael Lucas Pires	Secretary	500
	Total	2,000

Statutory Auditor / External Auditor

The value of audit services in 2019 amounted to € 81,500 and the value of services other than auditing to € 16,000.

In 2019, the following services other than audit services were provided by the Statutory Auditor / External Auditor and by entities belonging to its network to the Company and to companies in a domain relationship:

- GGND Limited Review
- Verification of physical quantities, underground occupation taxes and regulated accounts of the Group's natural gas companies for regulatory purposes;

Services other than audit services accounted for 18.2% compared to the average value of audit services provided in 2017 and 2018, well below the limit of 70% established in Article 4 (2) of EU Regulation No. 537 / 2014 (European Audit Supervision).

13.1.4 Provision of services to group companies and creditor positions over participated companies

(Article 5, number 4 of Decree-Law 495/88 of 30 December, as amended by Decree-Law 318/94 of 24 December)

See note 28 to the notes to the individual financial statements and note 30 to the notes to the consolidated financial statements.

13.2 Statement of compliance by the members of the Board of Directors

Under the terms and for the purposes of Article 245, first paragraph, item c) of the Portuguese Securities Code, each of the below-mentioned members of the Board of Directors declares that, to the fullest extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and any further accounting documents for the year 2019 were prepared in compliance with the applicable accounting rules, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of GGND and the companies included in the consolidation, and the management report provides a fair view of the development of the business, and of the performance and position of GGND and the companies included in the consolidation, and provides a description of the main risks and uncertainties faced by GGND and the companies included in the consolidation in the course of their operations.

Lisbon, March 24, 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 de Figueiredo Geraldes Bastos
Member

Yoichi Noborisaka
Member

13.3 Consolidated Financial Statements

13.3.1 Consolidated financial statements and notes to the consolidated financial statements as at December 31, 2019

Consolidated Financial Statements as at 31 December 2019

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Consolidated Statement of Financial Position

Galp Gás Natural Distribuição, S.A.

Consolidated Statement of Financial Position as at 31 December 2019 and 31 December 2018

(Amounts stated in thousand Euros - € k)

Assets	Notes	2019	2018
Non-current assets:			
Tangible assets	5	917	507
Goodwill	9	2,275	2,275
Intangible assets	6	1,175,433	1,077,335
Right-of-use of assets	7	13,915	-
Investments in associates	10	-	12,506
Deferred tax assets	17	15,582	16,015
Other receivables	12	28,265	15,047
Other financial assets	13	6	3
Total non-current assets:		1,236,393	1,123,688
Current assets:			
Inventories	11	1,995	1,695
Trade receivables	12	11,334	12,093
Other receivables	12	42,714	51,946
Current Income tax receivable	17	2,594	-
Cash and cash equivalents	14	42,705	48,107
Total current assets:		101,342	113,841
Total assets:		1,337,735	1,237,529

Equity and Liabilities	Notes	2019	2018
Equity:			
Share capital	23	89,529	89,529
Reserves		9,454	7,468
Retained earnings		108,905	120,324
Total equity attributable to shareholders:		207,888	217,321
Non-controlling interests	24	19,590	19,519
Total equity:		227,477	236,840
Liabilities:			
Non-current liabilities:			
Financial debt	15	674,626	609,270
Lease liabilities	7	13,014	-
Other payables	16	220,718	217,400
Post-employment and other employee benefit liabilities	18	60,295	55,802
Deferred tax liabilities	17	20,496	7,272
Provisions	19	65,190	53,316
Total non-current liabilities:		1,054,340	943,060
Current liabilities:			
Financial debt	15	5,268	8,349
Lease liabilities	7	1,115	-
Trade payables	16	9,596	11,111
Other payables	16	39,940	33,770
Current income tax payable	17	-	4,399
Total current liabilities:		55,918	57,629
Total liabilities:		1,110,258	1,000,689
Total equity and liabilities:		1,337,735	1,237,529

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

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Galp Gás Natural Distribuição, S.A.
Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the years ended 31 December 2019 and 31 December 2018
(Amounts stated in thousand Euros - € k)

	Notes	2019	2018
Sales	25	6,235	5,214
Services rendered	25	162,207	167,502
Other operating income	25	39,290	35,934
Financial income	28	203	291
Earnings from associates	10	10,224	717
Total revenues and income:		**218,159**	**209,658**
Cost of sales	26	(3,090)	(2,524)
Supplies and external services	26	(47,856)	(53,511)
Employee costs	27	(22,371)	(20,744)
Amortisation, depreciation and impairment losses on fixed assets	26	(46,849)	(42,660)
Provisions and impairment losses on other receivables	26	(723)	(270)
Other operating costs	26	(30,891)	(26,701)
Financial expenses	28	(12,234)	(9,649)
Total costs and expenses:		**(164,015)**	**(156,059)**
Profit before taxes and other contributions:		**54,144**	**53,599**
Income Tax	17	(12,412)	(13,623)
Energy sector extraordinary contribution	19	(11,195)	(10,485)
Consolidated net income for the year		**30,537**	**29,491**
Income attributable to:			
Galp Gás Natural Distribuição, S.A. Shareholders		29,687	28,417
Non-controlling interests	24	850	1,074
Basic and Diluted Earnings per share (in Euros)		0.33	0.32

	Notes	2019	2018
Consolidated net income for the year		**30,537**	**29,491**
Items which will not be recycled in the future through net income:			
Remeasurements	18	(4,305)	208
Income taxes related to remeasurements	17,18	722	(255)
Other changes		25	-
Items which may be recycled in the future through net income:			
Hedging reserves	20	292	307
Income taxes related to the items above	17	(73)	(77)
Total Comprehensive income for the year, attributable to:		**27,198**	**29,674**
Galp Gás Natural Distribuição, S.A. Shareholders		26,325	28,585
Non-controlling interests		875	1,089

The accompanying notes form an integral part of the consolidated income statement and consolidated statement of comprehensive income.

Consolidated Statement of Changes in Equity

Galp Gás Natural Distribuição, S.A

Consolidated Statement of changes in equity for the years ended 31 December 2019 and 31 December 2018
(Amounts stated in thousand Euros - € k)

		Reserves					
	Share Capital	Hedging Reserves	Other Reserves	Retained earnings	Sub-Total	Non-controlling interests	Total
As at 1 January 2018	**89,529**	**(449)**	**6,413**	**117,413**	**212,906**	**19,893**	**232,799**
Consolidated net income for the year	-	-	-	28,417	28,417	1,074	29,491
Other gains and losses recognised in equity	-	230	-	(62)	168	15	183
Comprehensive income for the year	**-**	**230**	**-**	**28,355**	**28,585**	**1,089**	**29,674**
Dividends distributed				(24,170)	(24,170)	(1,463)	(25,633)
Increase/decrease in capital reserves	-	-	1,274	(1,274)	-	-	-
As at 31 December 2018	**89,529**	**(219)**	**7,687**	**120,324**	**217,321**	**19,519**	**236,840**
Consolidated net income for the year	-	-	-	29,687	29,687	850	(30,537)
Other gains and losses recognised in equity	-	219	(5)	(3,576)	(3,362)	23	(3,339)
Comprehensive income for the year	**-**	**219**	**(5)**	**26,111**	**26,325**	**873**	**27,198**
Dividends distributed	-	-	-	(35,655)	(35,655)	(1,250)	(36,905)
Increase/decrease in capital reserves	-	-	1,772	(1,876)	(104)	447	343
Balance as at 31 December 2019	**89,529**	**-**	**9,454**	108,905	**207,888**	**19,590**	**227,477**

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 years ended 31 December 2019 and 31 December 2018

(Amounts stated in thousand Euros - € k)

	Notes	2019	2018
Operating activities:			
Cash received from customers		239,648	263,234
(Payments) to suppliers		(78,302)	(75,511)
(Payments) relating to tax on oil products ("ISP")		(398)	(317)
(Payments) relating to VAT		(30,204)	(35,159)
(Payments) relating to levies and other taxes		-	2
(Payments) relating to payroll		(25,174)	(23,720)
(Payments) of income taxes	17	(13,059)	(12,328)
Other receipts relating to the operational activity		(19,628)	(16,889)
Cash flow from operating activities (1)		**72,883**	**99,312**
Investing activities:			
Cash received from disposals of tangible and intangible assets		37	-
(Payments) for the acquisition of tangible and intangible assets		(25,227)	(23,903)
(Payments) relating to financial investments	10	(32,007)	(3)
Cash received from interests and similar income		2	3
Cash flow used in investing activities (2)		**(57,195)**	**(23,903)**
Financing activities:			
Cash received from loans obtained	15	70,000	-
(Payments) related to loans obtained	15	(46,647)	(9,498)
(Payments) from interests and similar costs		(11,170)	(8,852)
Payments relating to leases	7	(787)	-
Payments relating to leasing interests	7	(433)	-
Dividends paid	23	(36,898)	(25,626)
Cash flow used in financing activities (3)		**(25,935)**	**(43,976)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(10,247)	31,433
Cash changes due to changes in the consolidation perimeter		4,847	-
Cash and cash equivalents at the beginning of the year	14	48,105	16,672
Cash and cash equivalents at the end of the year	**14**	**42,705**	**48,105**

The accompanying notes form an integral part of the consolidated statement of Cash flow.

Notes to the consolidated financial statements as at 31 December 2019

1. Introductory note

Parent-Company

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

The Group

On December 31, 2019, the GGND Group ("Group") is composed by Galp Gás Natural Distribuição and subsidiaries that develop their activities in the distribution and last resort commercialisation of natural gas.

In October 2016, Galp Gás & Power, SGPS, S.A. sold 22.5% of the Group Gás Natural Distribuição, S.A. to Meet Europe Natural Gas Lda. This sale resulted in an agreement concluded in July 28, 2016 between Galp Energia SGPS, S.A, through its subsidiary Galp Gás & Power, SGPS, S.A. and Marubeni Corporation and Toho Gas Co. Ltd.. The remaining 77.5% of GGND share capital, continues to be held by Galp through its subsidiary Galp Gás & Power, SGPS, S.A..

As a result of this agreement, the GGND Group is now controlled by Galp Gás & Power, SGPS, S.A. and Meet Europe Natural Gas Lda..

Natural Gas Activity

The business segment of natural gas covers the natural gas distribution, exercised under a public service regime, and the natural gas commercialisation as a retail last resort, according to the applicable regulation.

This public service was conceded by the Portuguese Government to the GGND Group through a concession contract for 40 year starting from 2008 (until 2047), or giving them local distribution licenses and, because they supply gas to less than 100,000 clients, they were also given a last resort wholesalers license to sale natural gas, in the concession area, to clients that consume less than 2Mm3/year, if they chose to maintain in the regulated tariff regime, for 20 year, starting from 1st January 2008 to 2027.

It is highlighted from the sectorial legislation applicable, Decree-Law 30/2006, from 15 February and Decree-Law 140/2006, from 26 July, which govern the organization of the sector and define the bases for its operation. During 2019, the revision of the Tariff Regulations for the natural gas sector was approved, pursuant to Regulation No. 361/2019, published on 23 April. It is also worth highlighting the approval of the Tariffs and Prices of natural gas for the 2019-2020 gas year and Parameters for the 2020-2023 regulatory period, according to Directive no. 12/2019, published on 1 July.

Under the current Regulation, the Group develops its Natural Gas Distribution Activity ("ADGN") and the Network Access Activity ("AAR") as a Distribution Network Operator ("ORD"), and the Natural Gas Commercialisation Activity, as a Last Resort Retailer ("CURR"), establishing the following functions: (i) Purchase and Sale of natural gas ("FCVGN"); (ii) Purchase and Sale of network access ("FCVAR"), and natural gas commercialisation ("FCGN"). As an ORD the tariffs to be charged to customers include the Transport Network Use Tariff *("URT")*, the Global System Use Tariff *("UGS")*, the Distribution Network Use Tariff *("URD")* and since July 1, 2018 the tariff for Logistics Operation for the Change of Retailer *("OLMC")*, and as a CURR, is remunerated by the energy tariff and commercialisation tariff.

2. Significant accounting policies, judgments and estimates

Basis of presentation

Financial Statements are presented in thousands of Euros (units: € k), rounded to the nearest thousand, unless otherwise stated. Therefore, the subtotals and totals of the tables presented in these consolidated financial statements and explanatory notes may not be equal to the sum of the amounts presented, due to rounding.

Company's consolidated financial statements were prepared on a going concern basis, at historical cost, except for financial derivative instruments which are stated at fair value on the accounting records of companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2019. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

The accounting policies adopted are, according to their content, included in the respective note in the notes to the financial statements. Common or generic accounting policies for several notes are found in this note.

Estimates and judgment

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognized each year. The actual results could be different depending on the current estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: i) impairment of goodwill, tangible and intangible assets and rights of use (Notes 5,6, 7 and 9); (ii) provisions for contingencies (Note 19); (iii) pensions and other post-employment benefits (Note 18); (iv) impairment for accounts receivable (Note 12); (v) useful lives and residual values of tangible and intangible assets (Note 5 and 6); (vi) deferred tax assets and uncertain tax position estimates (Note 17).

Accounting policies

Translation of foreign currencies

Transactions are recorded in the separate financial statements of the subsidiaries in its functional currency, at the exchange rates in force on the dates of the transactions.

The monetary assets and liabilities expressed in foreign currency in the separate financial statements of the are translated into the functional currency of each subsidiary, using the exchange rate prevalent at the date of the end of the reporting period.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement in the same captions where the revenue and expenses associated with these transactions are reflected.

3. Impact of new international financial reporting standards

3.1 Adoption of new standards or Changes of IFRS standards in 2019

IFRS 16- LEASES

IFRS 16 determines how contract leases maintained by an Entity should be recognised, measured, presented and disclosed. IFRS 16 - 'Leases' provides a single lessee accounting model under which all leases with a term of more than 12 months, unless the underlying asset is of low value, are accounted for through the statement of financial position recognition of a right-of-use asset and a lease liability.

A right of use asset is depreciated across its economic useful life, and the related financial liability, recognised at its present value discounted at the legal entity's incremental borrowing rate or the lease agreement's effective interest rate, bears interest which is then charged through profit and loss in the consolidated financial statements. For each lease, the subsequent amortisation of the right-of-use assets and the interest expenses related to the lease liability are recognised in profit or loss in the consolidated financial statements over the lease term. IFRS 16 replaces IAS 17 - 'Leases', IFRIC 4 - 'Determining Whether an Arrangement Contains a Lease', SIC 15 - 'Operating Leases – Incentives' and SIC 27 - 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and is effective for annual periods beginning on or after 1 January 2019.

The Group adopted IFRS 16 using a modified version of the retrospective approach, as permitted by the standard. Upon initial recognition, the company will recognize right-of-use assets at amounts equal to the lease liabilities, with no restatement of prior-period financial information.

As permitted by the standard, the Group decided as a practical expedient to "grandfather" the previous assessment made under IAS 17. This practical expedient enabled existing agreements outside of the scope of IAS 17 to be excluded from the initial adoption of IFRS 16.

In the consolidated statement of cash flow, operating lease payments were presented within cash flow from operating activities. Under IFRS 16, lease payments will be presented within cash flow from financing activities, representing repayments of financial liabilities and the interest due thereon. Lease payments related to assets of low value, lease agreements with terms under 12 months and variable lease payments that are not linked to an index, are not included in financial lease liabilities, and will continue to be presented as cash flow from operating activities.

The discount rate used for lease agreements represents the incremental borrowing rates appropriate to each lease agreement based on factors such as the lessee's legal entity, leased assets, lease terms and currencies.

Currently, the rate applicable to the Group's leases varies between 0.97% and 8.61%.

The Accounting policy is detailed in Note 7.

3.2 New Standards approved by the European Union and adopted or to be adopted

The IFRS standards endorsed and published on the Official Journal of the European Union (OJEU) during the year 2019 and enforceable for accounting purposes in subsequent years are presented in the table below:

IFRS/IFRIC Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 1 and IAS 8: Definition of Material	29/11/2019	01/01/2020	2020	Applicable but without significant impact
Amendments to References to the Conceptual Framework in the IFRS Standards	29/11/2019	01/01/2020	2020	No predictable impact

The IFRS standards endorsed and published in the OJEU applicable to the year 2019 are presented in the table below:

IFRS/IFRIC Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 9: Prepayment Features with Negative Compensation	26/03/2018	01/01/2019	2019	Without relevant accounting impacts
IFRIC 23 Uncertainty over Income Tax Treatment	23/10/2018	01/01/2019	2019	Without relevant accounting impacts
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	08/02/2019	01/01/2019	2019	Not applicable
Amendments to IAS 19: Plan Amendments, Curtailment or Settlement	13/03/2019	01/01/2019	2019	Without relevant accounting impacts
Annual Improvements to IFRS Standards 2015-2017 Cycle: (i) IAS 23: Borrowing costs; (ii) IAS 12: Income tax; and (iii) IFRS 3: Business combinations and IFRS 11: Joint Arrangements	14/03/2019	01/01/2019	2019	Without relevant accounting impacts
IFRS 16 Leases	31/10/2017	01/01/2019	2019	With a significant accounting impact (Note 7).

4. Segment information

Accounting Policies

Operational Segment is a component of an entity:

a) that develops business activities that can obtain revenue and incur in costs (including revenue and costs related with transactions with other components of the same entity);

b) whose operating results are regularly reviewed by the entity's chief operating decision maker for the purpose of making decisions about allocating resources to the segment and assessing its performance, and;

c) for which distinct financial information is available.

All the accounting policies in the segment reporting are coherently used within the Group. All the inter-segmental revenues are at market prices and are eliminated in the consolidation.

Operating segments

The Group, as of 31 December 2019, is comprised by Galp Gás Natural Distribuição and its subsidiaries that develop their activities in the distribution and commercialisation 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.

In respect of the segment “Others”, the Group considered the holding Galp Gás Natural Distribuição, S.A..

The financial information of the segments identified above, as at 31 December 2019 and 2018, is presented as follows:

Unit: € k

	Consolidated		Natural Gas		Others		Consolidation adjustments	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales and services rendered	168,442	172,716	167,908	172,410	12,636	12,487	(12,103)	(12,180)
Cost of sales	(3,090)	(2,524)	(3,090)	(2,524)	-	-	(0)	-
	-							
Other revenue and expenses	(61,914)	(65,102)	(62,578)	(65,155)	(11,530)	(11,922)	12,194	11,976
								-
EBITDA	103,438	105,090	102,241	104,731	1,106	564	91	(205)
Amortisation, depreciation and impairment losses on fixed assets	(46,849)	(42,660)	(46,068)	(42,660)	(781)	(205)	-	205
Provisions (net)	(637)	(190)	(637)	(190)	-	-	-	-
EBIT	55,951	62,240	55,535	61,880	325	360	91	-
Earnings from associates	10,224	717	-	-	-	-	-	-
Other Financial results	(12,031)	(9,358)	-	-	-	-	-	-
Income Taxes	(12,412)	(13,623)	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(11,195)	(10,485)	-	-	-	-	-	-
Consolidated net income, of which:	30,537	29,491	-	-	-	-	-	-
Attributable to non-controlling interests	(850)	(1,074)	-	-	-	-	-	-
Attributable to shareholders of Galp Gas Natural Distribuição SA	29,687	28,417	-	-	-	-	-	-
OTHER INFORMATION								
Segment Assets (1)								
Investments in associates (2)	2,278	14,785	3	3	2,275	14,782	-	-
Other assets	1,335,457	1,222,744	1,310,722	1,195,455	525,384	520,813	(500,649)	(493,524)
Segment Assets	1,337,735	1,237,529	1,310,725	1,195,458	527,659	535,595	(500,649)	(493,524)
of which Rights of use of assets	13,915	-	7,786	-	6,129	-	-	-
Investments in Tangible and Intangible Assets								

1) Net amount

2) Accounted for at the equity method (including Goodwill and other financial assets)

The main inter-segmental services rendered transactions refer to back-office and management services.

In a context of related parties, similar to what happens between independent companies that carry out transactions with each other, the conditions on which their commercial and financial relations are based are governed by market mechanisms.

The assumptions underlying the determination of prices in transactions between the Group's Companies are based on the consideration of the economic realities and characteristics of the situations under consideration, that is, on the comparison of the characteristics of the operations or of the companies likely to have an impact on the conditions inherent to commercial transactions under analysis. In this context, the goods and services traded, the functions exercised by the parties (including the assets used and the risks assumed), the contractual clauses, the economic situation of the parties as well as the respective business strategies are analysed, among others.

The remuneration, in a context of related parties, thus corresponds to that which is, as a rule, adequate to the functions exercised by each intervening company, taking into account the assets used and the risks assumed. Thus, and in order to determine this remuneration, the activities carried out and the risks assumed by the companies within the value chain of the goods / services they transact are identified, according to their functional profile, namely with regard to the functions they carry out - distribution and marketing.

In short, market prices are determined not only by analysing the functions that are performed, the assets used and the risks incurred by an entity, but also bearing in mind the contribution of these elements to the company's profitability. This analysis involves verifying whether the profitability indicators of the companies involved fall within the ranges calculated based on the assessment of a panel of functionally comparable, but independent companies, thus allowing prices to be fixed with a view to respecting the principle of fair competition.

The reconciliation between segment information and Income statement for 2019 and 2018 is as follows:

Unit: € k

Segment Information			Income statement		
	2019	2018		2019	2018
Sales and Services rendered	168,442	172,716	Sales	6,235	5,214
			Services rendered	162,207	167,502
Cost of Sales	(3,090)	(2,524)	Cost of Sales	(3,090)	(2,524)
Other income and expenses	(61,914)	(65,102)	Other operational Income	39,290	35,934
			External Supplies and services	(47,856)	(53,511)
			Employee costs	(22,371)	(20,744)
			Impairment losses on receivables	(86)	(80)
			Other Operational Costs	(30,891)	(26,701)
EBITDA	103,438	105,090	Operating Income before Amortisations and provisions	103,438	105,090
Amortisation, depreciation and impairment losses on fixed assets	(46,849)	(42,660)	Amortisation, depreciation and impairment losses on fixed assets	(46,849)	(42,660)
(Net) Provisions	(637)	(190)	(Net) Provisions	(637)	(190)
EBIT	55,951	62,240	Operational Income	55,951	62,240
Earnings from associates	10,224	717	Earnings from associates	10,224	717
Other Financial results	(12,031)	(9,358)	Financial results	(12,031)	(9,358)
Income Taxes	(12,412)	(13,623)	Income Taxes	(12,412)	(13,623)
Energy Sector Extraordinary Contribution	(11,195)	(10,485)	Energy Sector Extraordinary Contribution	(11,195)	(10,485)
Net Income	30,537	29,491	Net Income	30,537	29,491

5. Tangible assets

Accounting policies

Recognition

Tangible assets acquired up to January 1, 2010 (date of transition to IFRS) are recorded under the option provided for in IFRS 1 at their deemed cost, which corresponds to the acquisition cost, revalued, when applicable, in accordance with the legal provisions on January 1, 2004, date of the 1st adoption of IFRS in the financial statements of the parent entity Galp Energia SGPS, SA, less accumulated depreciation and impairment losses.

Tangible assets acquired after that date are stated at cost, less accumulated depreciation and impairment losses. The acquisition cost includes the purchase amount, plus transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress reflect assets that are still under construction, and are recorded at acquisition cost less any impairment losses, depreciated from the moment the investment projects are substantially completed or ready for use.

Depreciation is calculated on the deemed cost (for acquisitions until January 1, 2010) or on the acquisition cost, using the straight-line method, applied from the date on which the assets are available to be used as intended by management. It is used among the most appropriate economic rates, those that allow the reinstatement of the property, during its estimated useful life, taking into account, where applicable, the concession period.

The average effective annual depreciation rate used for Buildings and other constructions is 2% for 2018 and 2019 and 15% for Basic equipment.

The capital gains or losses resulting from the sale or write-off of tangible assets are determined by the difference between the sale price and the net book value on the date of sale / write-off. The net book value includes accumulated impairment losses. The recorded capital gains and losses are recorded in the consolidated income statement under other operating income or other operating costs, respectively.

Costs for repairs and maintenance of a current nature are recorded as expenses for the year in which they are incurred. Major repairs related to the replacement of parts of equipment or other tangible assets are recorded as tangible assets, if the replaced component is identified and written off, and depreciated at rates corresponding to the residual useful life of the respective main fixed assets.

Impairment

Impairment tests are carried out on the date of the financial statements and whenever a devaluation of the asset in question is identified. In cases where the amount at which the asset is recorded is greater than its recoverable amount, an impairment loss is recognized, which is recorded in the consolidated income statement under the item of depreciation, depreciation and impairment losses of assets.

The recoverable amount is the higher of the net selling price and the value in use. The net selling price is the amount that would be obtained from the sale of the asset, in a transaction between independent and knowledgeable entities, less costs directly attributable to the sale. The value in use is determined by updating the estimated future cash flows of the asset over its estimated useful life. The recoverable amount is estimated for the asset or cash-generating unit to which it may belong. The discount rate used to update discounted cash flows reflects the GGND Group's Weighted Average Cost of Capital (WACC).

The projection period of the cash flows varies according to the average useful life of the cash generating unit

Unit: € k

	Land, natural resources and buildings	Basic equipment	Assets under construction	Total
As at 31 December 2019				
Acquisition cost	938	1,206	3	2,147
Accumulated depreciation	(450)	(780)	-	(1,231)
Net Value	**488**	**426**	**3**	**917**
As at 31 December 2018				
Acquisition cost	938	-	-	938
Accumulated depreciation	(432)	-	-	(432)
Net Value	**507**	**-**	**-**	**507**

Unit: € k

	Land, natural resources and buildings	Basic equipment	Assets under construction	Total
Balance as at 1 January 2019	507	0	-	507
Additions	-	-	38	38
Depreciation and impairment	(19)	(61)	-	(80)
Transfers	-	38	(38)	-
Other adjustments	-	449	2	451
Balance as at 31 December 2019	488	426	3	917
Balance as at 1 January 2018	525	-	-	525
Depreciation and impairment	(18)	-	-	(18)
Balance as at 31 December 2018	507	-	-	507

The other adjustments in the amount of € 449 k in the item Basic equipment are essentially due to the change in perimeter due to the acquisition of full control of the Tagusgás Group.

Additions of tangible assets, in the amount of € 38 k, relate essentially to investments made by the company Tagusgás Propano.

6. Intangible assets

Accounting policies

Recognition

Intangible assets are stated at acquisition cost, less accumulated amortization and impairment losses. Intangible assets are only recognized if they are identifiable, and if they are likely to result in future economic benefits for the Group and are controllable and measurable with reliability.

Development expenses are only recorded as intangible assets if the Group demonstrates technical and economic capacity, as well as a decision to complete that development and start its commercialization or own use, and also demonstrates the probability of the asset generating future economic benefits. If expenses do not meet these requirements, development expenses are recorded as a cost for the year in which they are incurred.

Research expenses are recognized as a cost for the year.

Intangible assets with finite useful lives are amortized using the straight-line method.

Amortization rates vary according to the terms of existing contracts or the expected use of the intangible asset.

With the application of IFRIC 12, GGND classifies the Natural Gas assets that are the subject to the concession and exploration license, and whose remuneration is controlled by ERSE, in accordance with the Intangible Asset Model. Thus, tangible assets of companies with regulated activity are classified as intangible assets, under the heading of Concession Services Agreements, being amortized over their economic useful lives using the straight-line method applicable as from the date of deployment using among the most appropriate economic rates, those that allow the asset to be reinstated, during the estimated useful life or according to the terms of existing contracts or the expected use.

Usage rights on infrastructures related to natural gas, namely gas distribution networks, are being amortized over the concession period (45 years) or the exploration license (20 years).

The Group capitalizes the expenses related to the conversion of consumption to natural gas that are reflected in the adaptation of facilities. The Group considers that it is able to control the future economic benefits of these reconversions through the continuous distribution / sale of gas provided for in Decree-Law 140/2006, of 26 July. These expenses are amortized by the straight line method until the end of the concession period attributed to the natural gas distribution companies.

According to the Concession Contracts signed with the Portuguese State, and currently in force, in case the concessions are extinguished, the transmission of the infrastructures and other means related to the concession to the State will take place, which will pay to the concessionaire, unless the law relieves it of this, an indemnity corresponding to the book value of the fixed assets net of depreciation and subsidies.

Impairment

See Note 5.

Unit: € k

	Lands	Buildings	Basic Equipment	NG Consumption reconversion	Assets in progress	Other concession agreements	Total Concession Agreement	Other Intangible assets	Total
As at 31 December 2019									
Acquisition cost	12,673	12,164	1,322,096	616,047	2,696	25,167	1,990,843	1,333	1,992,177
Accumulated amortisation	(4,309)	(6,842)	(530,392)	(251,442)	-	(23,108)	(816,094)	(650)	(816,743)
Net Value	**8,364**	**5,321**	**791,704**	**364,604**	**2,696**	**2,059**	**1,174,750**	**684**	**1,175,433**
As at 31 December 2018									
Acquisition cost	12,186	8,965	1,188,963	582,273	1,508	22,029	1,815,924	789	1,816,713
Accumulated amortisation	(4,031)	(6,080)	(477,830)	(230,836)	-	(20,345)	(739,122)	(256)	(739,378)
Net Value	**8,155**	**2,885**	**711,133**	**351,437**	**1,508**	**1,684**	**1,076,802**	**533**	**1,077,335**

Unit: € k

	Lands	Buildings	Basic Equipment	NG Consumption reconversion	Assets in progress	Other concession agreements	Total Concession Agreement	Other Intangible assets	Total
Balance as at 1 January 2019	**8,155**	**2,885**	**711,133**	**351,437**	**1,508**	**1,684**	**1,076,801**	**533**	**1,077,334**
Additions	-	-	1,048	373	27,894	65	29,380	391	29,771
Amortisation and impairment	(266)	(360)	(28,913)	(15,193)	-	(657)	(45,390)	(393)	(45,783)
Write-offs	-	-	(112)	-	-	(31)	(143)	-	(143)
Other adjustments	476	2,796	108,548	27,988	(26,706)	999	114,100	153	114,253
Balance as at 31 December 2019	**8,364**	**5,321**	**791,704**	**364,604**	**2,696**	**2,059**	**1,174,749**	**684**	**1,175,432**
Balance as at 1 January 2018	**8,404**	**3,207**	**718,684**	**360,678**	**681**	**1,597**	**1,093,251**	**627**	**1,093,878**
Additions	-	-	-	-	26,094	-	26,094	111	26,205
Amortisation and impairment	(265)	(328)	(27,396)	(14,120)	-	(328)	(42,437)	(205)	(42,642)
Write-offs	-	-	(104)	-	-	-	(104)	-	(104)
Other adjustments	16	6	19,949	4,879	(25,267)	415	(2)	-	(2)
Balance as at 31 December 2018	**8,155**	**2,885**	**711,133**	**351,437**	**1,508**	**1,684**	**1,076,802**	**533**	**1,077,335**

The other adjustments that amount to a net amount of € 114,253 k are due to the change in perimeter resulting from obtaining full control of the Tagusgás Group.

Additions in the year ended December 31, 2019, include capitalized interest in the amount of € 33 k (Note 28).

7. Leases

Accounting policies

Recognition

The Group recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or restore the site on which it is located (if applicable), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid up to the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The types of lease payments included in the measurement of the lease liability are as follow:

- Fixed payments, including in kind fixed payments;
- Variable lease payments that are pegged to an index or a rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to be able to exercise, and
- penalties for the early termination of a lease, unless the Company is reasonably certain not to terminate it early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of intangible assets and discount rates

The calculation of the assets' residual values, the estimation of the useful lives, and the discount rates used are based on the assumptions of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use Assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

The details of right-of-use assets are as follow:

Unit: € k

	Buildings	Other rights of use	Total
As at 31 December 2019			
Acquisition cost	14,383	532	14,914
Accumulated amortisation	(777)	(222)	(999)
Net Value	**13,606**	**309**	**13,915**
As at 1 January 2019	**15,415**	**309**	**15,880**
Additions	-	94	94
Amortisation	(77)	(222)	(999)
Other adjustments	(1,032)	(28)	(1,061)
Balance as at 31 December 2019	**13,606**	**309**	**13,915**

Of the total amount of depreciation of rights of use, € 13 k was capitalized as self-construction, referring to the vehicles of the personnel assigned to the projects.

Lease liabilities are as follows:

Unit: € k

	2019
Maturity analysis – contractual undiscounted cash flow	**18,060**
Less than one year	1,130
One to five years	4,096
More than five years	12,833
Lease liabilities included in the consolidated statement of financial position	**14,129**
Current	1,115
Non-current	13,014

In addition to the amortization of the rights of use for the year shown in the first table of this note, the amounts recognized in the consolidated income statement for the year present the following detail:

Unit: € k

	Notes	2019
		801
Leasing Interests	28	429
Expenses related to short term, low value and variable payments of operating leases [1]		372

[1] Includes variable payments and short-term leases recognised under the heading Transport of goods.

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

Unit: € k

	2019
Financing activities	1,220
Payments relating to leases	787
Payments relating to leasing interests	433

8. Government grants and other grants

Accounting policies

Government grants are recorded at fair value when there is certainty that they will be received and that the Group will comply with the conditions required for them to be granted. The investment grants for tangible and intangible assets are recorded in deferred income as a liability and recognized in the income statement as operating income, in proportion to the amortisation of the granted assets.

The amounts recognized in the financial statement related to grants are as follows:

Unit: k€

	Notes	2019	Changes in the consolidation perimeter	2018
Grants		427,671	**20,743**	406,929
Energy Program		103,689	-	103,689
Protede		19,708	-	19,708
Operational Economy Program		303,393	20,743	282,650
Proalgarve-FEDER		882	-	882
Accumulated amount recognized as income		(204,195)	**(7,448)**	(188,201)
Amount to be recognized	16	223,476	**13,295**	218,729

During the years ended December 31, 2019 and 2018, the amounts of € 8,783 k and € 8,744k, respectively, were recognized in the consolidated income statement (Note 25).

9. Goodwill

Recognition

The differences between the investee's acquisition cost and the fair value of the identifiable assets and liabilities of the acquired entities at the acquisition date, if positive, are recorded within goodwill. The negative differences are recognised immediately in the income statement.

The difference between the payment amount of the participation in the group companies and the fair value of their equity was, in 31 December 2019 as follows:

Unit: € k

	2019	2018
	2,275	**2,275**
Duriensegás- Soc. Distrib. Gás Natural do Douro, S.A.	1,640	1,640
Lusitaniagás- Companhia Gás Centro, S.A.	585	585
Beiragás- Companhia Gás das Beiras, S.A.	50	50

Goodwill impairment analysis

The carrying value of Goodwill is allocated to the respective cash general unit (CGU), and the recoverable amount of Goodwill is also estimated for the CGU, using the value in use methodology. The value in use represents the expected future cash flow from the CGU, discounted at an appropriate discount rate that reflects the WACC of the Group for the business segment that the cash generating unit belongs to.

Cash generating unit	Valuation Model	Cash flows	Discount rates	
			2019	2018
Financial Investments (included in the concession period)	DCF (Discounted Cash Flow) or RAB	In accordance with the budget for 2020 and the four-year strategic plan	G&P [5.6%]	G&P [5.6%]

The demand and consumption of natural gas has been steady through the years. There is no evidence of impairment.

The core business of the GGND Group is regulated and, as a result, the impairment analysis is based on Regulatory Asset Base (RAB).

10. Investments in associates

Accounting policies

Financial investments in associated companies and financial assets at fair value through comprehensive income

Financial interests in associated companies (companies where the Group has significant influence but does not have either control or joint control over them, usually when it holds between 20% and 50% of the capital of a company), are recorded using the equity method.

Financial assets at fair value through comprehensive income (companies over which the group has no significant influence or control, usually when it holds less than 20% of its share capital or voting rights), are recorded at fair value.

The excess of the acquisition cost over the fair value of the associate's identifiable assets and liabilities on the acquisition date is recognized as a consolidation difference (Goodwill) and maintained in the amount of the financial investment in associates. If the difference between the acquisition cost and the fair value of the net assets and liabilities acquired is negative, it is recognized as an income for the year under the caption "Income from financial investments in associated companies", after confirmation of the assigned fair value.

An evaluation of investments in associates is carried out when there are indications that the participation may be impaired, with impairment losses that are shown to exist being recorded as a cost. When impairment losses recognized in previous years cease to exist, they are reversed.

When the Group's proportion of the associate's accumulated losses exceeds the value for which the participation is recorded, the financial participation is reported as null, except when the Group has assumed commitments to the associate, in which case the Group records a loss for amount of joint and several liability assumed with the associate.

Unrealized gains and losses on transactions with associates are eliminated in proportion to the Group's interest in the associate, against the investment in that associate. Unrealized losses are similarly eliminated, but only to the extent that the loss does not show that the transferred asset is impaired.

The item of financial investments in associates is as follows:

Unid: € k

	2019	2018
	-	12.506
Financial investments in associates	-	12.506

During 2019, the GGND group acquired an additional financial interest of 58.03% in the Tagusgás Group for the amount of € 31,762 k, now holding 99.36% and fully consolidating that Group. The effect of the acquisition generated, by the revaluation of the initial interest held in the Group (41.33%), a positive fair value of € 9,857 k which was recognized in the Earnings from associates.

The movement in the caption of investments in associates in the year ended December 31, 2019, which are reflected by the equity method, was as follows:

Unit: € k

	As at 1 January 2019	Share capital increase/ decrease	Earnings from Equity Method	Foreign exchange rate differences	Dividends	Other Variations	As at 31 December 2019
Associates	12,506	-	484	-	-	(12,990)	-
Tagusgás -Empresa de Gás do Vale do Tejo, S.A.	12,506		484	-	-	(12,990)	-

The equity result reflected in the consolidated income statement includes a consolidation adjustment of € 117 k for the Tagusgás Group.

The other variations in the financial interest held in Tagusgás are due to the fact that the GGND Group now has full control of the Tagusgás Group resulting from the additional acquisition of 58.03% of the financial interest. Thus, the Tagusgás Group started to fully consolidate in the GGND Group.

11. Inventories

Accounting policies

Inventories are stated at the lower of the acquisition cost (in the case of goods and raw and subsidiary materials) or the production cost (in the case of finished and semi-finished products and work in progress) or the inventories net realizable value.

The cost of inventories used / sold is determined in accordance with the cost of acquisition, which includes the invoice price, transport expenses and insurance expenses, using the weighted average cost method.

The net realizable value corresponds to the normal selling price less costs to complete production and to sell. Whenever the cost exceeds the net realizable value, the difference is recorded in operating costs as part of the cost of sales.

Inventories are as follows at 31 December 2019 and 31 December 2018:

Unit: € k

	2019	2018
	1,995	**1,695**
Raw, subsidiary and consumable materials	2,047	1,728
Goods	57	76
Impairment on inventories	(109)	(109)

As at 31 December 2019, raw, subsidiary and consumables materials, in the amount of € 2,047 k, essentially corresponds to materials to be used in the construction of the Company's infrastructure.

Goods, in the amount of € 57 k, corresponds essentially to natural gas held in the autonomous gas units (“UAG”).

12. Trade and other receivables

Accounting policies

Accounts receivable are initially recorded at the transaction value and subsequently measured at amortized cost, less any impairment losses, recognised as impairment losses on accounts receivable. Usually, the amortized cost of these assets does not differ from their nominal value or their fair value.

Trade and other receivables are derecognised when the contractual rights to the cash flow expire (i.e. they are collected), when they are transferred (e.g. sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables were grouped by business segment for the purposes of the assessment of expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the client’s credit risk profile. The credit risk analysis is based on the annual default probability and considers the loss in the event of default. The default probability represents an annual probability of default, reflecting the current and projected information and considering macroeconomic factors, whereas the loss in the event of default represents the expected loss when a default occurs.

Accounts receivable are adjusted for management’s estimate of the collection risks as at the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit Risk

For Credit Risk purposes, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Risk assessment considers the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Customers' compliance with credit limits is regularly monitored by Management.

For further credit risk mitigation measures, guarantees and insurance policies for eventual credit defaults are a standard part of the Group's overall risk policy.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables

Trade receivables, on December 31, 2019 and 2018, presented the following detail:

Unit: € k

	Notes	2019	2018
		11,334	12,093
Trade receivables		12,394	12,516
Allowance for doubtful accounts		(1,060)	(423)

Ageing of trade receivables	Exposure to risk	11,334	12,093
Not yet due	Low	10,573	11,342
Overdue up to 180 days	Medium	694	736
Overdue between 181 days and 365 days	High	21	2
Overdue over 365 days	Very High	46	13

Movements in allowance for doubtful accounts			
Allowance at the beginning of the year		423	443
Increase	26	111	160
Decrease	26	(25)	(80)
Utilisation		-	(100)
Other adjustments		550	-
Allowance at the end of the year		1,060	423

The other adjustments in allowance for doubtful accounts in the amount of € 550 k are due to the change in the perimeter resulting from obtaining full control in the Tagusgás Group.

Other receivables

The caption Other receivables, on December 31, 2019 and 2018, presented the following detail:

Unit: € k

		2019		2018	
	Notes	Current	Non-current	Current	Non-current
		42,714	**28,265**	**51,946**	**15,047**
Other debtors		**21,806**	**3,320**	**22,327**	**5,755**
Subsoil occupation levies		20,213	3,320	20,448	5,755
Other receivables/other debtors		1,593	-	1,879	-
Related Parties	30	**-**	**-**	**306**	**-**
Contract Assets		**20,170**	**24,928**	**28,357**	**9,280**
Sales and services rendered but not yet invoiced		769	-	14,428	-
Tariff deviation - "pass through"		10,733	-	10,857	-
Tariff deviation - core		8,493	24,928	2,871	9,280
Other accrued income		175	-	201	-
Deferred charges		**759**	**18**	**958**	**12**
Other deferred charges		759	18	958	12
Impairment of other receivables		**(21)**	**-**	**(3)**	**-**

The pass through tariff deviations refer to the remuneration of the network access charges related to the use of the system ("UGS") and use of the transport networks ("URT"), paid to third parties, corresponding to the difference between the amount paid by the Group and the amount billed to customers, duly accrued so that the impact on the Income Statement for these functions is nil.

The reduction in the item Sale and services rendered and not invoiced, compared to December 31, 2018, is due to the fact that, in the period under analysis, this movement was considered in the item tariff deviation originating from adjustments to the "Core" Activity.

The variation in Impairments that occurred in other accounts receivable in 2019 is due exclusively to the change in the perimeter resulting from the incorporation of the Tagusgás Group via the full consolidation of its financial statements.

The breakdown of the tariff deviation – core activities (Natural gas distribution activities and natural gas trading activities) is detailed below:

Unit: € k

	2018	Variation	2019
"ORD" – Natural Gas Distribution Activity			
2016	1,188	(1,188)	
Increases	2,377	-	2,377
Adjustment	380	380	760
Reversal	(1,568)	(1,568)	(3,137)
2017	(822)	822	
Increases	(822)	-	(822)
Adjustment	-	(1,259)	(1,259)
Reversal	-	2,080	2,080
2018	3,725	-	3,725
Increases	3,725	-	3,725
2019	-	23,842	23,842
Increases	-	23,842	23,842
Tariff Deviation – "ADGN"	4,092		27,567
Contract assets	12,097		33,067
Accruals	(8,005)		(5,500)

Unit: k€

	2018	Variance	2019
"CURR"- Natural Gas Commercialisation Activity			
2016	(367)	367	-
Increases	(735)	-	(735)
Reversal	367	367	735
2017	(1,058)	1,058	-
Increases	(1,058)	-	(1,058)
Reversal	-	1,058	1,058
2018	(917)	-	(917)
Increases	(917)	-	(917)
2019	-	(1,317)	(1,317)
Increases	-	(1,317)	(1,317)
Tariff Deviation – "FCGN"	(2,343)		(2,234)
Contract assets	54		53
Accruals	(2,397)		(2,287)

To the Assets resulting from contracts referring to "ORD" and "CURR", is accrued € 301 k from the Tagusgás Group due to the variation in perimeter that occurred during the year of 2019. The same situation occurs with respect to the Accrued Costs recognized in the Liabilities to which € 1,049 k is added due to the variation in the perimeter of the Tagusgás Group.

13. Other financial assets

Accounting policies.

Unit: € k

	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
		-	6	-	3
Financial Assets at fair value through comprehensive income		-	3	-	3
Other financial assets		-	3	-	-

14. Cash and cash equivalents

Accounting policies

The amounts included in cash and cash equivalents correspond to cash values, bank deposits, time deposits and other cash investments with maturities less than three months, and which can be immediately mobilised with a risk of insignificant changes in value.

For the purposes of the statement of cash flow, cash and cash equivalents also include bank overdrafts recorded as loans and overdrafts in the statement of financial position.

For the periods ending 31 December 2019 and 31 December 2018, the details of cash and cash equivalents were as follow:

Unit: € k

	Notes	2019	2018
		42,705	48,105
Cash in banks		42,705	48,107
Bank overdrafts	15	(1)	(2)

15. Debt

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortised cost.

Financial charges are calculated at the effective interest rate and recorded in the income statement on an accruals basis in accordance with each loan agreement.

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

Unit: € k

	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
		5,268	674,626	8,349	609,270
Bank loans		5,268	7,274	8,349	12,561
Origination fees		(2)	(17)	-	-
Loans and commercial paper		5,270	7,292	8,347	12,561
Bank overdrafts	14	1	-	2	-
Bonds and notes		-	667,352	-	596,709
Origination fees		-	(2,648)	-	(3,291)
Bonds and Notes		-	670,000	-	600,000

The average cost of financial debt for the period under review, including charges for credit lines and overdrafts, amounted to 1.49% (1.53% in 2018).

Current and non-current loans and bonds, excluding origination fees and bank overdrafts, have the following repayment plan as at 31 December 2019:

Unit: €k

Maturity	Loans		
	Total	Current	Non-current
	682,561	5,270	677,292
2020	5,270	5,270	-
2021	1,042	-	1,042
2022	1,042	-	1,042
2023 onward	675,208	-	675,208

Changes in debt during the period from 31 December 2018 to 31 December 2019 were as follow:

Unit: € k

	Initial balance	Loans obtained	Principal Repay-ment	Changes in Over-drafts	Others	Ending balance
	617,618	70,000	(8,347)	(1)	623	
Bank Loans:	20,909	-	(8,347)	(1)	(20)	679,894
Origination fees	-	-	-	-	(20)	12,542
Loans and commercial paper	20,908	-	8,347	-	-	(20)
Bank overdrafts	2	-	-	(1)	-	12,561
Bond and Notes:	596,709	70,000	-	-	643	667,352
Origination fees	(3,291)	-	-	-	643	(2,648)
Bonds and Notes	600,000	70,000	-	-	-	670,000

For comparative information please refer to the financial statements as of December 31, 2018

Description of bank loans

Bank Loans- European Investment Bank
The Group has a loan with the European Investment Bank in the amount of €4,228k, that will be totally due in a short-term. These loans are remunerated at variable taxes indicated by EIB and they are totally granted by a financial institution.

The Bank loans at EIB have the following debt execution ratios:

"Financial resources/net fixed assets" as presented in the statement of financial position is not, at 31 December of each year, lower than 25%.

"Financial Debt/Equity" at the end of each year, cannot exceed "1.5" in the subsidiaries Lusitaniagás-Companhia de Gás do Centro, S.A. and Lisboagás- Sociedade Distribuidora de Gás Natural de Lisboa, S.A.

As of 31 December 2019, these financial covenants are met.

Bank Loans- Others
In December 2005 it was celebrated, by Beiragás - Companhia de Gás das Beiras, S.A, a financial contract under a Project Finance regime that includes a credit line for investment until the maximum amount of €27,000k (Instalment A) which could be use until December 2008 and an operating credit line until the maximum amount of € 4,000k (Instalment B) which could be reimbursed until December 2012, being this term extent until 31 December 2013.

In 2018, it was signed an amendment to the contract above mentioned, in which they altered the following items: i) The Agent Bank; ii) The reimbursement plan of Instalment A (reimbursement plan in 36 supplementary succeeding payments, from 15 July 2010 to 15 December 2027); iii) Margin.

The outstanding amount bear interest at the EURIBOR 6 months rate plus a margin that varied over the reimbursement period.

The outstanding amount in 31 December 2019, relating to the credit line utilisation for investment was €8,333k, from which €1,042k end up in the short-term and €7,292 in the medium long-term.

Revolving Credit Facility
In 2019, the Company contracted a Revolving Credit Facility, with a underwriting commitment in the total amount of € 50,000 k and with a maturity of more than 2 years. This amount was fully available as of December 31, 2019.

Bond Loan
As of 1 August 2019, the Company issued bonds to the amount of € 70,000 k with an interest rate of 0.6%+Euribor 6M. This bond loan will be totally reimbursed on 1 August 2024.

Notes Issuance
The Company established on 25 August 2016, an EMTN Program ("EUR 1,000,000,000 Euro Medium Term Note Programme").

Under the EMTN program, on 19 September 2016, the Company issued notes in the amount of €600,000 k, ending in 19 September 2023 and with a coupon of 1.375%, to be traded in the London Stock Exchange regulated market. JP Morgan, BofA Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners.

Under this program (EMTN), a set of financial ratios ("Financial Covenants") have been set and they represent an increased level of protection for GGND Group creditors. These ratios, called Net Debt / EBITDA (ND / E) and Debt Service Coverage Ratio (DSCR) have two limits - one in the form of a lock-up event and the other in the form of an event of default:

Financial Ratios	2019
Net Debt [1]/Ebitda [2]	6.2x
Debt Service coverage ratio [3]	4.2x

[1] Bank Debt + Bank Loan + loan interest- Cash and equivalents
[2] EBITDA + Provisions
[3] Operating Activities Cash Flow - Payment CAPEX/Interest Services

It is important to highlight that these ratios, as of December 31, 2019, were within the established limits.

16. Trade payables and other liabilities

Accounting policy

Trade payables and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Usually the amortised cost does not differ from the nominal value.

On December 31, 2019 and December 31, 2018, the item trade and other payables (non-current and current) is presented as follows:

Unit: € m

	2019		2018	
	Current	Non-current	Current	Non-current
Suppliers	9,596	-	11,111	-
Other creditors	39,940	220,718	33,770	217,400
State and other public entities	5,111	-	6,067	-
Payable VAT	4,194	-	5,206	-
"ISP" - Tax on oil products	69	-	49	-
Other taxes	848	-	813	-
Other payables	7,167	-	4,209	-
Tangible and intangible assets suppliers	7,130	-	3,915	-
Other Creditors	37	-	294	-
Related parties	130	-	123	-
Other accounts payables	1,939	-	772	-
Accrued costs	15,851	6,457	13,496	7,412
External supplies and services	1,951	-	1,543	-
Payable remuneration	4,718	-	4,305	-
Tariff deviation - core	2,379	6,457	2,990	7,412
Other accrued costs	6,803	-	4,658	-
Other deferred income	9,742	214,261	9,103	209,987
Government grants	9,215	214,261	8,741	209,987
Other deferred income	526	-	362	-

With the change in the perimeter of the GGND Group due to the full consolidation of the Tagusgás Group, the most relevant impacts on the items payable at 31 December 2019 relate to: current tariff deviation € 1,049 k; subsidies for current investment € 474 k and non-current € 12,821k and other deferred income € 357 k.

17. Income Taxes

Accounting policies

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in each geographical area in which the GGND Group operates.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of enough future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each statement of financial position date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

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 average tax rate applied to companies based in Portugal was 25%.

Nevertheless, the income tax estimated of the Group and its subsidiaries is registered based on their tax results. In the year ending at 31 December 2019, it was registered an income tax of €12,412k.

During 2019, it was paid an amount of €13,059k.

Income taxes for the year ended 31 December 2019 and 2018 were as follows:

Unit: k€

			2019			2018
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income Tax	**5,967**	**6,446**	**12,412**	**13,084**	**539**	**13,623**
Income tax for the period	5,967	6,446	12,412	13,084	539	13,623

The income tax payable/receivable is as follows:

Unit: k€

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
	2,594	-	-	(4,399)
Galp Energia SGPS, S.A.	2,594	-	-	(3,914)
State and other public Entities	-	-	-	(485)

	2019	**2018**
Effective **income** tax **rate**	22.92%	25.42%
Income tax of Galp Gás Natural Distribuição, SGPS	25.00%	25.00%
Equity Method	4.72%	0.33%
Other Increases and deductions	(6.80)%	0.09%

During the year ended as at 31 December 2019, the movements in deferred tax assets and liabilities were as follow:

Unit: € k

	As at 1 January 2019	Changes in the consoli-dation perime-ter	Impact on the income state-ment	Impact on eq-uity	Other Varia-tions	As at 31 Decem-ber 2019
Deferred Taxes – Assets	16,015	140	(1,278)	649	56	15,582
Adjustments to tangible and intangible assets	6	-	(1)	-	-	5
Retirement benefits and other benefits	11,391	-	(700)	722	-	11,413
Tariff deviation	2,512	135	(521)	-	-	2,126
Non-deductible provisions	1,369	5	663	-	-	2,037
Others	737	-	(720)	(73)	56	()
Deferred Taxes – Liabilities	(7,272)	(8,056)	(5,168)	-	-	(20,496)
Adjustments to tangible and intangible assets fair value	(3,212)	(7,981)	111	-	-	(11,082)
Tariff Deviation	(3,024)	(75)	(5,345)	-	-	(8,444)
Others	(1,035)	-	66	-	-	(970)

For comparative information, refer to the financial statements for the year ended 31 December 2018

The variation in perimeter is due to the full consolidation of the Tagusgás Group (Note 10).

18.Retirement benefit obligations

Accounting policies

Defined-contribution plans

The Group has a defined-contribution plan funded by a pension fund which is managed by independent entities. The Group contributions to the defined-contribution plan are charged to the statement of income in the relevant year.

Defined-benefit plans

The Group has a defined-benefit plan that provides the following benefits: pension supplements for retirement, disability and surviving orphans; pre-retirement; early retirement; retirement bonuses; and voluntary social insurance.

The payment of pension supplements for old age and disability, as well as survivors' pensions, is funded by a pension fund managed by independent entities.

Recognition of defined benefit plans

The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees as at the valuation dates, and is based on actuarial assumptions, primarily regarding the discount rates used to determine the present value of benefits and the projected rates of remuneration growth. The discount rates are based on the market yields of high-rated corporate bonds in the respective country. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income during the period in which they arise. Past service costs are recognised immediately in the income statement.

Where a plan is unfunded, a liability for the retirement benefit obligation is recognised in the statement of financial position. Costs recognised for retirement benefits are included in employee costs. The net obligation recognised in the statement of financial position is reported within non-current liabilities.

Other retirement benefits

Along with the plans, the g provides additional benefits related to healthcare, life insurance and a minimum defined-benefit plan (for disability and survival).

Accounting estimates and judgments

Demographic and financial assumptions used to calculate the retirement benefit liabilities

Accounting for pensions and other post-retirement benefits requires estimates to be made when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made regarding uncertain events, including discount rates, inflation and life expectancy.

Post-employment benefits

Unit: € k

	2019	2018
Liabilities	(60,295)	(55,802)
Net Liabilities	(60,295)	(55,802)
Responsibilities	(81,690)	(76,425)
Past Services covered by the pension fund	(28,720)	(26,098)
Liabilities related with other benefits	(52,970)	(50,326)
Assets	21,395	20,622

Post-employment obligations

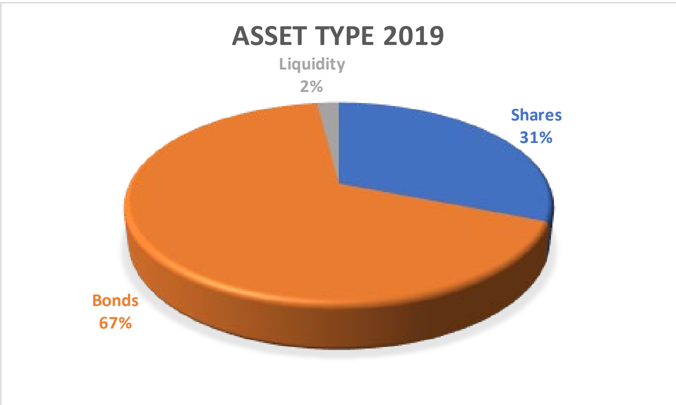
Unit: € k

	2019	2018
Past service liability at the end of the current year	81,690	76,425
Past service liability at the end of the previous year	76,425	79,843
Current service cost	1,659	1,733
Interest cost	1,661	1,728
Actuarial (gain)/loss	5,782	(1,581)
Benefit payments made by the fund	(1,143)	(1,254)
Benefit payments made by the company	(3,623)	(3,932)
Cut back - Pre-retirement	72	-
Cut back - Migration to DC	136	226
Other changes	722	(338)

The average maturity of the liabilities under the defined benefit plans is 12 years (in 2018: 9.4 years).

Unit: € k

	Notes	2019	2018
Assets at the end of the current year		21,395	20,622
Assets at the end of the previous year		20,622	22,753
Net interest		449	497
Benefit payments		(1,143)	(1,254)
Financial gain/(loss)		1,467	(1,374)



The fair value hierarchy of assets is mostly Level 1 for shares and alternative investments and a uniform combination of Level 1 and 2 for bonds and real estate. Level 1 includes financial instruments valued on the basis of net market prices, e.g. from Bloomberg. Level 2 includes financial instruments valued at prices observable in current liquid markets for the same financial instrument provided by external counterparties, available through Bloomberg

Post-employment benefit expenses

Unit: € k

	Notes	2019	2018
Current service cost		1,659	1,733
Interest cost		1,211	1,231
Net cost for the year before special events		2,870	2,964
Cut back impact - early retirement		72	-
Cut back impact - pre-retirement		136	226
Other adjustments		711	(331)
Net cost for the year of defined-benefit plan expenses		3,790	2,860
Defined contribution		410	402
Net cost for the year of defined-contribution plan expenses		410	402
Total	**27**	**4,200**	**3,262**

Remeasurements

Unit: € k

	Notes	2019	2018
		(3,583)	(47)
Gains recognised through comprehensive income		(4,305)	208
(Loss)/Gains from actuarial experience		(1,155)	1,581
(Loss)/Gains from changes in actuarial assumptions		(4,627)	-
Financial (loss)/gain		1,467	(1,374)
Other gains/losses		10	-
Income Tax related to actuarial gains and losses	17	722	(255)

Assumptions

	Retirement benefits		Other benefits	
	2019	2018	2019	2018
Rate of return on assets	1.75%	2.25%	-	-
Technical interest rate	1.75%	2.25%	1.75%	2.25%
Rate of increase in salaries/costs	1.00%	1.00%	[1,00% - 3,50%]	[1,00% - 3,50%]
Rate of increase in pension costs	[0,00% - 1,40%]	[0,00% - 2%]	-	-
Current personnel and pre-retiree mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Disability table	50% EVK 80	50% EVK 80	50%EVK80	50% EVK 80
Common age for retirement	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65	66 years, or 65 years if with at least 43 years of discounting to SS at 65
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit

Sensitivity Analysis

Sensitivity analysis of the discount rate

Unit: € k

Discount rate 1.75%		-0.25%
Total	81,690	2,411
Retirement benefits	55,870	1,430
Other benefits	25,820	981

Sensitivity analysis of the growth rate of health insurance costs

Unit: € k

Growth rate of 3.5%		-1.00%	1.00%
Past Service	24,100	(3,291)	4,057

19. Provisions

Accounting policies

Provisions are recorded when, and only when: 1) the Group has a present obligation resulting from a past event; 2) it is probable that an outflow of resources entailing economic benefits will be required to settle the obligation; and 3) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted on each statement of financial position date to reflect the best estimate at that date.

GGND measures uncertain tax positions, namely tax provisions by the most likely outcome and not by probabilities.

During the years ended December 31, 2019 and 2018, the provision item presented the following movements:

Unit: €k

	2019			December 2018
	"CESE I"	Other provi-sions	Total	Total
At the beginning of the year	50,219	3,097	53,316	42,646
Increases	11,195	637	11,832	10,675
Decreases	-	-	-	-
Utilization	-	-	-	(5)
Regularisation	493	(450)	42	-
At the end of the year	61,906	3,284	65,190	53,316

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2018

The regularization of € 493 k regarding “CESE I” is due to the change in the GGND Group's perimeter resulting from the full consolidation of the Tagusgás Group.

The net increases in decreases for the year ended December 31, 2019 is as follows:

Unit: € m

	Operational Costs **(Note 26)**	"CESE I"	Other	Total
2019	637	11,195	-	11,832
CESE I	-	11,195	-	11,195
Other provisions	637	-	-	637

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2018

CESE

In the year ended 31 December 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution CESE I), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that energy companies that carry net assets in certain activities, from 1 January 2014, are subject to a tax calculated on the balance of the eligible net assets as at that date. In the year ended 31 December 2019 and 2018, the Group recognized, in its income statement the amount of €11,195 k and €10,485k, respectively.

Other Provisions

The increase in the amount of €637 k in other provisions is detailed as follows:

- €187 k regarding debits related to the year 2019 executed by Lisbon Port Administration, for the occupation of the Cabo Ruivo land claimed by the Group; and

- 450 k referring to the additional costs incurred with the construction a pedestrian bridge. In 2013, a protocol was signed between the Municipality of Lisbon and the Group to build a pedestrian and cycling bridge over the "2ª circular". In this protocol, it was foreseen that the value of the construction of the referred bridge would be, in part, paid by the Group in the amount of 900k, and recognized by it as a donation. The final value of the construction of the work was exceeded by approximately 450k, due to the performance of essential works for its completion. Despite the Group's understanding that these costs must be borne by the Municipality, and the ongoing recovery process, the Group decided to set up a provision for the same amount.

20. Derivate Financial Instruments

As a result of the acquisition of the Tagusgás Group (note 10), which held financial derivatives (interest rate swaps) designated as cash flow hedging, there is a Mark-to-Market movement in hedge reserves in the amount of € 219 k. As of December 31, 2019, there are no open positions of financial derivatives in the Tagusgás Group.

21. Financial assets and liabilities

Accounting policies

The Group classifies financial assets and liabilities into the following categories:

a) Financial assets at fair value through other comprehensive income;

b) Financial assets and liabilities carried at amortised cost;

c) Financial assets and liabilities at fair value through profit or loss (derivatives).

Management determines the classification of its financial assets on initial recognition and re-evaluates it at the end of each reporting period if and only if there is a change in the business model. For financial liabilities such changes in classification are not allowed.

Recognition and measurement

Purchases and sales of financial assets are recognized on the date of the transaction. Financial assets are initially recognized at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently restated at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Derecognition

Financial Assets are derecognised from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are mainly comprised of equity investments. When these types of financial assets are recognized, the gain or loss will be maintained in equity. Dividends received are recognized in the income for the year.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are non-derivative financial assets/liabilities which are held solely for payments of principal and interests (“*SPPI*”). If collection/payment is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets/liabilities. If not, they are presented as non-current assets/liabilities.

Trade receivables and other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost using the effective interest method, less impairment.

Fair value hierarchy

In accordance with the accounting rules, an entity must classify the fair value measurement based on a fair value hierarchy that reflects the meaning of the inputs used for measurement.

The fair value hierarchy has the following levels:

- Level 1 - the fair value of the assets or liabilities is based on active liquid market quotation as at the date of the statement of financial position;

- Level 2 - the fair value of the assets or liabilities is determined through valuation models based on observable market inputs; and

- Level 3 - the fair value of the assets or liabilities is determined through valuation models; whose main inputs are not observable in the market.

Unit: € k

	Notes	2019	2018
Financial assets by category		100,711	100,030
Financial assets at fair value through comprehensive income	13	3	3
Financial assets measured at fair value through profit or loss – Derivatives		-	-
Financial assets at amortised cost	12	82,313	79,086
- less deferred costs, subsoil occupation levies and State and Other P. Entities		(24,310)	(27,166)
Cash and cash equivalents	13	42,705	48,107

Financial assets at amortised cost comprises trade receivables and other receivables net of impairments.

Unit: k€

	Notes	2019	2018
Financial liabilities by category		735,163	654,744

Financial Liabilities measured at fair value through profit or loss – Derivatives		-	0
Financial liabilities not measured at fair value	15/16	964,277	879,900
- less deferred income, guarantees and state and other public entities		(229,114)	(225,156)

Financial liabilities include debt, trade payables and other payables.

22. Financial risk management

Accounting policy

The Group has systems to identify, measure and control the different risks to which it is exposed to and uses various financial instruments to hedge, in accordance with the corporate guidelines across the Group. The Group verifies hedge effectiveness periodically. The hedge relationship is highly correlated between the hedged item and hedging instrument.

The GGND Group is specially expose to the interest rate risk.

Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans and interest-bearing bonds. The purpose of managing interest-rate risk is to reduce the volatility of financial costs in the income statement. The policy for interest-rate risk management aims to reduce the exposure to variable rates by fixing the interest rate risk on loans, using a mix of variable and fixed-rate instruments.

Interest rate sensitivity analysis

An analysis of interest rate risk includes variable interest rate loans. A 0.5% increase in the interest rate would impact GGND'S financial income as outlined in the table below:

Unit: € k

	2019		2018	
	Exposure risk	Impact on Income Statement	Exposure risk	Impact on Income Statement
Loans obtained	(82,561)	(413)	(20,908)	(101)
Marketable securities	-	-	1,400	28

Note: Cash and Equivalents in the Statement of Financial Position comprise Marketable Securities

Liquidity risk

Liquidity risk is defined as the impact on the profit and/or cash flow of the business of the Group's ability to obtain the financial resources necessary to meet its operating and investment commitments. GGND finances itself through the cash flow generated by its operations and maintains a diversified portfolio of loans and bonds. The Group has access to credit lines that are not fully used but that are at its disposal. These lines would cover all loans that are repayable within 12 months. The available short-term credit lines that are not being used amount to € 70 m as at 31 December 2019 and 2018. GGND has readily available cash equivalents that amount to €43m as at 31 December 2019 and € 48 on 31 December 2018. These figures combined amount to € 113m as at 31 December 2019 and € 118m on 31 December 2018.

Credit risk

Credit risk results from the potential non-payment by one of the parties of their contractual obligations, thus depending of the risk level of the counterparty. In addition, counterparty credit risk arises on monetary investments and hedging instruments. Credit risk limits are established by GGND and are implemented in the various business segments. The credit risk limits are defined and documented, and the credit limits for certain counterparties are based on their credit ratings, periods of exposure and the monetary amount of the exposure to credit risk.

See Note 12 for further risk assessments, specifically regarding Trade receivables and other receivables.

Claims risk

The GGND Group contracts insurance to reduce its exposure to various risks resulting from claims that may occur during the execution of its activity, as follow:

- Property Insurance: that cover Material Damages, Breakdown of Machinery, Operating and Construction Losses;
- Indemnity Insurance: covering general activity risks, risks related with the natural gas distribution activity; environmental risks and management risks and Companies' senior management (Directors & Officers);
- Social Insurances: cover Work Accidents, Personal Accidents and Life and Health.
- Financial Insurances: cover credit risks, deposit and robbery
- Various Insurances: covering vehicles risk, travels, etc...

23. Equity

Equity Management Policy

Galp Gás Natural Distribuição, S.A. (GGND) is the Group's holding company in the natural gas distribution business in Portugal, with the Group's consolidated equity as at 31 December 2019 amounting to € 227,477 k.

With regard to the financing model, the GGND Group has historically been financed through loans from the Galp Group's sub-holding for the Gas business. Following the long-term partnership established with Marubeni Corporation and Toho Gas Co. Ltd ., announced on July 29, 2016, which provided for the acquisition by Marubeni Meet Europe Natural Gas, Lda. of 22.5% of the GGND Group (formalized on October 27, 2016), GGND established on August 25 2016 a Euro Medium Term Note Program up to a maximum amount of € 1,000,000 k (Note 15). On September 19, 2016, GGND issued notes in the amount of € 600,000 k, allowing it to fully repay shareholder loans granted by Galp.

The GGND group's debt ratio is approximately 6.2x Net Debt / EBITDA lower than that stipulated in the contracts with banks, which allow a ratio up to 7x.

Shareholder structure and Dividends

Shareholder structure

During 2019, the share capital structure did not change. The share capital is entirely subscribed, and it is represented by 89,529,141 shares with a nominal value of € 1 each, being fully subscripted and paid by the following shareholders:

Companies	%	Nº of shares
	100	89,529,141
Galp Gás & Power, SGPS, S.A.	77.5	69,385,084
Meet Europe Natural Gas, Lda.	22.5	20,144,057

Dividends

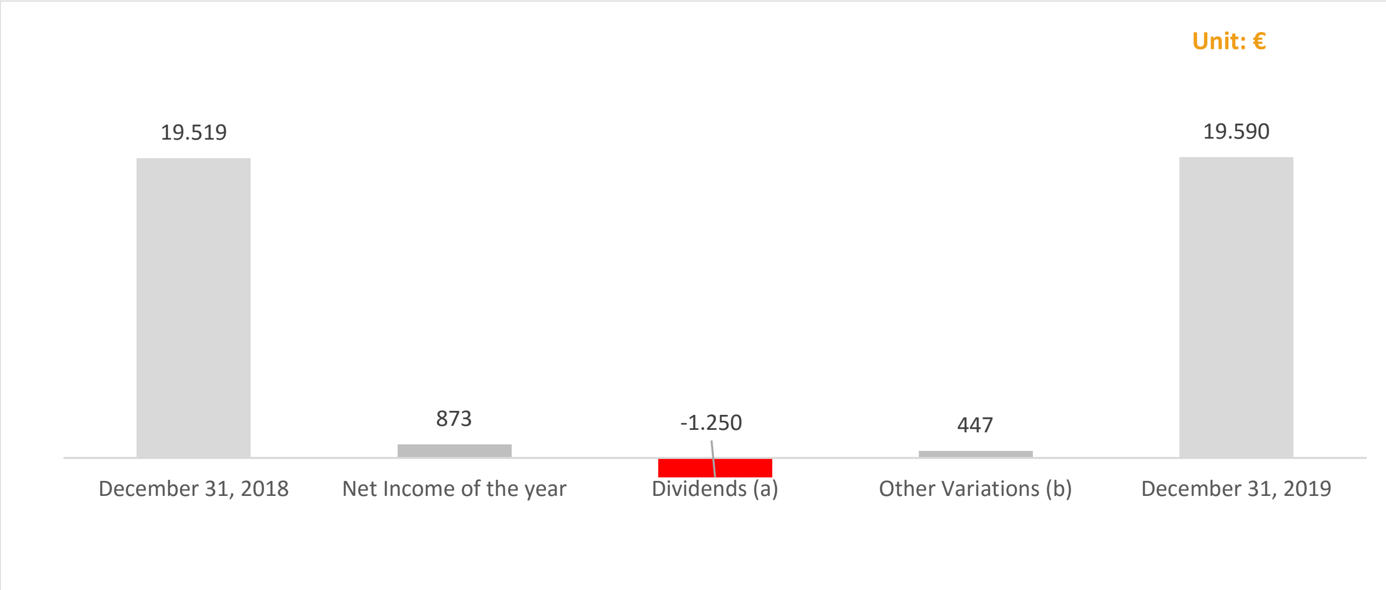
In accordance with a resolution of the General Shareholders' Meeting held on May 15, 2019, Galp Gás Natural Distribuição's shareholders were granted dividends in the amount of €35,655, which € 35,636k are related with the distribution of net income for the year 2018 and the remaining €19k related to retained earnings. The dividends were distributed on June 6, 2019.

During the year ended December 31, 2019, dividends in the amount of € 1,250 k were also attributed by GGND group subsidiaries to minority shareholders (Note 24), with € 1,243 k being settled.

s a consequence of the aforementioned, during the year ended on 31 December 2019, the Group attributed dividends in the amount of € 36,905 k and the amount of € 36,898 k was paid.

24. Non-controlling interests

As of 31 December 2019, the changes in non-controlling interests during the year and included in equity are as follow:



(a) During the year ending 31 December 2019, dividends amounting to €1,250k have been attributed, having been paid €1,243k..

(b) Other variations concern the remaining non-controlling interests (0.64%), in the amount of €447 k, in Tagusgás Group after full consolidation

25. Revenue and Income

Accounting policies

Income from sales of natural gas (as a last resort retailer) and rendering services (distribution of natural gas) is recognized in the income statement when the risks and benefits inherent in the ownership of the assets are transferred to the buyer or services provided and the amount of the corresponding income can be reasonably quantified. Sales and services rendered are recognized net of taxes, with the exception of tax on petroleum products, discounts and other costs inherent to their realization, at the fair value of the amount received or receivable.

Costs and income are recorded in the period to which they relate, regardless of the date of payment or receipt. Costs and income whose actual value is not known are estimated.

Under Other Receivables and Other Payables, costs and income are recorded that are attributable to the current period and whose expenses and revenues will only occur in future periods, as well as expenses and revenues that have already occurred, but which respect the future periods and which will be imputed to the results of each of these periods, at the corresponding amount.

Interest received is recognized on an accrual basis, taking into account the amount owed and the effective interest rate during the period to maturity.

Revenue from dividends is recognized when the company's right to recognize the respective amount is established.

Natural Gas Activity

The regulated tariffs applied to the billing of natural gas sold in the national natural gas system are approved by the Energy Services Regulatory Entity ("ERSE"), so that they allow the recovery of the regulated revenue calculated at the beginning of each year for each gas regulated activity.

The regulated revenue includes, in addition to the operating costs incurred for each activity, the following remuneration:

- in the last resort retail commercialisation activity, the remuneration for the purchase and sale of natural gas, which corresponds to the recovery of the effective cost of natural gas and the remuneration of the operating costs of commercialization plus a commercialization margin; and
- in the natural gas distribution activity, a remuneration on fixed assets net of depreciation and subsidies related to that activity plus the estimated operating costs for each activity. The regulated revenue for network access activities presupposes the recovery of costs incurred.

The regulatory mechanism for the calculation of regulated revenue provides for the adjustment of the difference between the estimated values published by ERSE, and the actual amounts recalculated based on the values actually verified for the remuneration of assets and operating costs, also considering the billing realized by the Group, being the difference incorporated in the calculation of regulated revenue for the second subsequent gas year to the calendar year to which they relate. Thus, the difference between the actual regulated revenue for 2019 and those estimated in the gas year 2019-2020 will be incorporated in the gas year 2021-2022.

Given that the natural gas regulation system seeks tariff uniformity in distribution (applicable to all regions of the country), and since there are different levels of use of distribution networks, ERSE published the compensation mechanism to be practiced between the companies in the sector, in order to allow the approximation of recovered income by applying the regulated tariffs to the regulated revenue of these companies.
In this way, ERSE in its documents "Tariffs and Prices of Natural Gas" for each gas year indicated the expected amounts of compensation to be settled between the companies of the National Natural Gas System, within the scope of their activities of marketing as a last resort and distribution of natural gas.

Tariff deviation

The Companies and the Group recognise in its financial statements, under the captions of “Accruals” and “Deferrals” the difference between the estimated regulated revenue published for the regulated activity and its actual revenue invoiced.

Given the regulatory framework and legislation in place, the differences between regulated revenues meet some conditions (measurement reliability; financial asset remuneration; entitlement to their recovery and transmissibility, among other) that support their recognition as income and asset in the year they are calculated, namely because they can be reliably measured and there is certainty that economic benefits will flow to the Group.

In 2019, there was a change in the definition of the so-called “gas year”, due to the implementation of Regulation (EU) 2017/460 of the European Commission, dated March 16, which harmonized the period of validity of all regulated tariffs with the applicable deadlines for the Use of the Transport Network tariff in the interconnections. Thus, the gas year went from the period between 1 July and 30 June, to the period between 1 October and 30 September.

Due to this change, in the period between July 1, 2019 and September 30, 2019, the tariffs in force in the 2018-2019 gas year were applied, by applying a term extension, to guarantee the transition between the two gas years.

On the other hand, regarding the definition of the regulatory period, understood as the period in which the parameters for calculating regulated revenue remain constant, it was extended to 4 years, instead of the previous 3 years, starting to coincide with civil year. Thus, the 5th regulatory period will run from January 1, 2020 to December 31, 2023. Like tariffs, a transition period was defined, in this case corresponding to the 2nd semester of 2019, in which the regulatory parameters applied were those applicable to the 4th regulatory period that ran from July 1, 2016 to June 30, 2019.

The previous resulted in the approval by ERSE of the tariffs applied during 2019, in which the parameters of the 4th regulatory period (first 3 quarters) and the 5th regulatory period (4th quarter) were considered in their definition.

Additionally, and as has been the practice, all tariff deviations recognized by the Company were, according to the mechanisms provided for, incorporated into the calculation of the respective tariffs.

Accounting estimates and judgments

The Group analysed, under the accounting principles established in IFRS 15, the income framework recognized within the scope of the Natural Gas Distribution Activity, namely in what regards its performance as Principal vs. Agent.

Within the scope of the Natural Gas Distribution Activities, the transactions associated with the billed tariffs related to the Global Use of the System (“UGS”) and the Use of the Transportation Network (“URT”) tariffs were analysed, among others. These tariffs are initially recognized as expenses within the scope of natural gas distribution services provided

by the entity, being subsequently billed to customers and recognized as operating income, since the services provided or promised to their customers contain the cost of the tariffs included in the price.
Based on the analysis carried out, the Group concluded that each performance obligation defined contractually to provide the specified good or service is its responsibility, thus controlling the goods or services provided to the customer, in its entirety, acting as Principal and not as Agent.

The Company's operating income for the years ended 31 December 2019 and 2018 is as follows:

Unit: € k

	Notes	2019	2018
		218,159	209,658
Total sales		**6,235**	**5,214**
Goods		6,250	5,214
Products		(15)	-
Services rendered		162,207	167,502
Other operating income		**39,290**	**35,934**
Revenue under the IFRIC 12	26	29,380	26.094
Investment Grant	8	8,783	8,744
Others		1,128	1,096
Earnings from associates	10	10,224	717
Financial income	**28**	**203**	**291**

As said, the total amount to be recovered was released by ERSE in "regulated revenues".

With regard to the concession contracts that fall under IFRIC 12, the construction of the concessioned assets is sub-contracted to specialized entities, which assume the risk inherent in the construction activity, with income and costs associated with the construction of these assets being recognized. The income and costs associated with the construction of these assets are of equal amounts and are duly mentioned in the table above, as well as in the following note of operating costs.

26. Costs and Expenses

Costs and expenses for the years ended 31 December 2019 and 2018 were as follow:

Unit: € k

	Notes	2019	2018
Total costs and expenditure:		**164,015**	**156,058**
Cost of sales		**3,090**	**2,524**
Raw and subsidiary materials		10	-
Goods		3,079	2,583
Inventories reduction	11	-	(59)
External supplies and services		**47,856**	**53,511**
Subcontracts - network use		17,408	22,504
IT Services		7,443	7,207
Maintenance and repairs		2,777	2,888
Technical assistance and inspection services		3,295	2,863
Billing and collection reading services		1,509	1,430
Other costs		15,424	16,618
Employee costs	**27**	**22,371**	**20,744**
Amortisation, depreciation and impairment losses on fixed assets	**5/6/7**	**46,849**	**42,660**
Provision	**19**	**637**	**190**
Impairment losses on trade receivables	**12**	**86**	**80**
Other costs		**30,891**	**26,701**
Costs arising from the construction of Assets under IFRIC 12	25	29,380	26,094
Donations		1,057	154
Other taxes		143	152
Other operating costs		311	301
Financial expenses	**28**	**12,234**	**9,649**

27. Employee costs

Accounting policies

Employee costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the respective services are rendered by Group's employees.

Remuneration of the Board of Directors

Under the policy currently adopted, the remuneration of GGND's governing bodies includes all remuneration due for the exercise of positions in Group companies and the accrual of costs related to amounts to be allocated to this period.

According to IAS 24, key personnel correspond to the group of all persons with authority and responsibility to plan, direct and control the company's activities, directly or indirectly, including any director, whether executive or non-executive. According to the interpretation of this standard by GGND, the only people who meet all these characteristics are the members of the Board of Directors.

Unid: € k

	Notes	2019	2018
Employee costs		**22,371**	**20,744**
Capitalization of personnel costs		(1,233)	(1,326)
Total costs for the year		**23,604**	**22,069**
Board Remuneration		649	647
Staff Remuneration		18,433	17,465
Social charges		3,839	3,652
Retirement benefits – pension and insurance	18	4,200	3,262
Other insurance		1,336	873
Other charges		(4,853)	(3,830)

Other personnel expenses refer essentially to personnel assigned to other companies of the Galp Group.

28. Financial income and expenses

Accounting policies

The financial charges on loans obtained are recorded as financial expenses on an accrual basis.

Financial charges arising from general and specific loans obtained to finance investments in fixed assets are assigned to tangible and intangible assets in progress, in proportion to the total expenses incurred on those investments net of investment government grants (Note 5 and 6), until the commencement of its operations. The remainder is recognised under the heading of financial expenses in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalised.

Those financial charges included within fixed assets are depreciated over the useful lives of the respective assets.

Unit: € k

	Notes	2019	2018
		(12,031)	(9,358)
Financial income		**203**	**291**
Interest on bank deposits		203	291
Financial expenses		(12,234)	**(9,649)**
Interest on bank loans, bonds, overdrafts and others		(8,646)	(8,351)
Interest capitalised in fixed assets	6	33	-
Interest on lease liabilities	7	(429)	-
Charges relating to loans and bonds		(3,024)	(1,137)
Other financial costs		(168)	(161)

29. Contingent assets and liabilities and guarantee provided

Accounting policies

Contingent assets and liabilities arise from past events that need confirmation as to their future occurrence and which may cause economic inflows or outflows from the Group. The Group does not reflect this type of assets and liabilities in its accounts, as they may not be effective. Contingent assets and liabilities are disclosed in the notes to the accounts.

Contingent Liabilities

Many municipalities demand payments (liquidations and executions) concerning subsoil license with existing gas pipelines, from the concessionaire companies of the distribution and commercialisation of natural gas, in the amount of €632k. The Group does not agree with the municipalities and refuses to pay what they demand. Because of that they have actions in the Tax Administrative Court, having the suspension of execution request deferred, and the and the execution is suspended until the final decision is handed down. For that reason, guarantees were established.

In the course of negotiating the Concession Contract between the Portuguese State and the Company, it was agreed, among other matters, that the Concessionaire has the right to charge, to the entities selling natural gas and to the final costumers, the full amount of the subsoil occupation levies assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil occupation levies paid each year will be reflected on the entities supplying gas that use the infrastructures or on the final costumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation levies will be assessed for each municipality, based on the amount charged by it.

Given the fact that eventual levies to be paid until 31 de December 2019 and interest to be paid will be passed through to customers, the Group has decided not to recognise any liabilities concerning this issue.

As of 31 December 2019, the amounts paid to City Councils and charged to customers related to subsoil usage levies are as follows (the transfer conditions, including the amount to be recovered each year, the number of years of transfer and unit values for customers are governed by ERSE):

Unit: € k

	2019
Amount to be recovered - Subsoil occupation levies	23,331
Amount paid (includes additional costs)	174,877
Interest	5,134
Amount billed to clients	(156,681)

The amount to be recovered is remunerated based on the twelve-month Euribor rate added by the spread stipulated by ERSE.

Provided Guarantees

In the course of its commercial operations, the Company entered into contracts, under which it assumed commitments for commercial, regulatory or other commercial purposes. As of December 31, 2019, and 2018, the liabilities for guarantees granted are as follows:

Unit: € k

	2019	2018
	13,291	13,216
Portuguese State, for the duties and obligations arising from the Concession Agreement	7,648	7,648
Municipalities, relating to subsoil levies	1,827	1,826
Direção Geral de Energia e Geologia	3,054	3,054
IP-Infraestruturas de Portugal, S.A.	722	647
Others	40	41

In accordance with the Concession Contracts established with the Group Companies, the entities, as Concessionaires, must promote adequate financing for the development of the object of the concession, in order to fully and timely fulfil all the obligations they assume in the present contract.

Thus, Concessionaires must maintain at the end of each year a Financial Autonomy ratio greater than 20%. As of December 31, 2019, the Financial Autonomy ratio presented by the Companies that comprise the Group varies between 20.42 and 102.28%.

30. Related parties

Accounting policies

A related party is a person or entity that is related to the entity preparing its financial statements, as follows:

(a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity; (v) The entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group has had the following material balances and transactions with related parties:

Unit: € k

		2019		2018	
	Notes	Current	Non-current	Current	Non-current
Assets:		5,183	-	11,622	-
Galp Group (a)		5,183	-	11,622	-
Other related entities		-	-	-	-

(a) The caption "Galp Group" includes all the Companies that compose the Grupo Galp Energia

Unit: € k

	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Liabilities:		(5,303)	-	(4,836)	-
Galp Group (a)		(5,173)	-	(4,713)	-
Other related entities		(130)	-	(123)	-

(a) The caption "Galp Group" includes all the Companies that compose the Grupo Galp Energia

Unit: € k

	2019 Purchases	2019 Operating cost/income	2019 Financial costs/income	2018 Purchases	2018 Operating cost/income	2018 Financial costs/income
Transactions:	-	53,706	-	-	59,156	-
Galp Group (a)	-	53,706	-	-	59,155	-
Other related entities	-	-	-	-		-

(a) The caption "Galp Group" includes all the Companies that compose the Grupo Galp Energia

Transactions with Galp Group companies are mainly due to corporate services and IT services costs.

31. Companies in the GGND Group

Judgment is required whenever an entity is acquired or modified in order to give a proper and clear image of the consolidated financial statements. In order to do this, several items are analysed to support the accounting decisions, namely:

- Power over the investee;
- Exposure or rights in relation to the variable results arising through its relationship with the investee; and
- Ability to use its power over the investee to impact the amounts of the results to the investors.

The equity and the net result corresponding to the participation of third parties in the subsidiaries companies is presented separately in the consolidated financial statement and in the consolidated income statement, respectively, in "non-controlling interests". The losses and gains that result from the non-controlling interests, are imputed to them, even if it exceeds, in the case of losses, the amount invested by the interests that they do not control.

Regarding the control acquisition date, the Group already has an acquired interest, the fair value of that interest contributes to the determination of Goodwill or negative Goodwill.

Transaction costs that are directly assignable to the business combinations are recognized immediately in the income statement.

Non-controlling interests include the proportion of the third parties' the fair value of identifiable assets and liabilities at the date of acquisition of the subsidiaries.

When control is acquired in a percentage lower than 100%, by applying the purchase method, the interests that they do not control can be measured at fair value or in proportion to the fair value of the assets and liabilities acquired. Each option is defined in each transaction.

The results of the subsidiaries acquired or sold during the year are included in the consolidated income statements from the date of their acquisition or the control exercise date until their sale.

Subsequent transactions for the sale or acquisition of financial investments of non-controlling interests, which do not imply control change, nor result in the recognition of gains/losses or Goodwill, being any difference determined between the transaction value and the book value of the transaction recognised in equity.

When required, there are adjustments made in the subsidiary's income statements in order to adapt its accounting policies to the one's used by the Group. Transactions (including gains and losses that may exist due to the disposals between Group companies), the balances and the dividends that are distributed between companies' Group are excluded of the consolidation process, unless the losses that proof there were impairment losses in the transferred assets.

Situations where the Group has, in substance, the control of other structured entities, even if it does not have equity interests directly in these entities, they are consolidated using the full consolidation method. The entities in these situations, when existing, they are included in this Note.

Consolidation perimeter

The Companies consolidated in accordance with the full consolidation method are disclosed below:

Company and country	Percentage of shares owned
Parent company	
Galp Gás Natural Distribuição, S.A.	-
Subsidiaries	
Beiragás- Comapnhia de Gás das Beiras, S.A., Portugal	59.60 %
Dianagás- Soc. Distrib. de Gás Natural de Evorá S.A.,Portugal	100.00%
Duriensegás-Soc. Distrib. de Gás Natural de Douro S.A.,Portuga	100.00%
Lisboagás-Soc. Distrib. de Gás Natural de Lisboa S.A.,Portuga	100.00%
Lusitaniagás- Comapnhia de Gás de Centro, S.A., Portugal	97.19%
Medigás-Soc. Distrib. de Gás Natural de Algarve S.A.,Portuga	100.00%
Paxgás-Soc. Distrib. de Gás Natural de Beja S.A.,Portuga	100.00%
Setgás-Sociedade de Produção e Distribuição de Gás, S.A., Portugal	99.93%
Tagusgás-Empresa de Gás do Vale do Tejo, S.A., Portugal	99.36%
Tagusgás Propano,S.A., Portugal	99.36%

During 2019, the GGND Group acquired an additional financial interest of 58.03% in the Tagusgás Group and now holds 99.36%.

In addition to this acquisition, the GGND Group acquired an additional 0.249% financial interest in Lusitaniagás for € 244 k and now holds 97.19%. As a result of this acquisition in Lusitaniagás, a difference between the amount paid and the difference of non-controlling interests of € 104 k was generated, having been recognized directly in Other reserves in Equity, due to the fact that the GGND Group already has control prior to this acquisition (IFRS 10).

32. Subsequent events

Due to the current situation resulting from the Covid 19 outbreak, GGND management is monitoring the evolution through a specific group and assuring implementation of measures defined in Contingency Plan, with the adequate adjustments considering development at each moment.

Measures have been applied with focus on safety of people and avoidance of virus expansion, considering Personnel, Clients, Suppliers and remaining Stakeholders.

Looking also to control operational risk, maintenance of activities and mitigation of material financial impacts on GGND Group companies.

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on March 24, 2020. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

The Board of Directors believes that these financial statements truly and appropriately reflect the Group's operations, its financial performance and cash flows.

34. 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 Geraldes Bastos

Yoichi Noborisaka

THE ACCOUNTANT:

Paula de Freitas Gazul

13.3.2 Statutory Audit Report and Auditors' Report

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Galp Gás Natural Distribuição, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 (which shows total assets of Euro 1,337,735 thousand and total shareholders' equity of Euro 227,477 thousand including a net profit of Euro 30,537 thousand), the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Galp Gás Natural Distribuição, S.A.as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Key Audit Matters	*Summary of the Audit Approach*
Litigation and tax contingencies *Disclosures related to litigation and tax contingencies are presented in notes 17, 19 and 29 of the Consolidated financial statements.* The dimension and structure of the Group originates an increase in the complexity of the tax recognition in the financial statement of the Group. As a consequence, the Group has several pending tax matters, namely those resulting from tax inspections and litigation in progress, including those related to Energy Sector Extraordinary Contribution - "CESE", recognizing provisions whenever the Group considers that a negative outcome is probable, in accordance with IAS 37. The assessment of the outcome probability is supported by the legal consultants and tax advisors of the Group, as well as by the management judgment in relation to these matters. As at December 31, 2019 the provisions recognized in the consolidated financial statements amounted to Euro 65,190 thousand (2018: Euro 53,316 thousand). The relevance of this matter in our audit is related with the complexity and high level of judgment over the corresponding tax matters, as well as the unpredictability associated with the respective outcome.	The audit procedures performed included: - obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by outcome probability; - understanding tax and legal contingency processes; - obtaining and analyzing the replies to the confirmation letters sent to external lawyers; - inquiry of the Management and of the tax and legal Directors of the Group over the estimates and judgments considered. We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group’s financial information.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report, has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Galp Gás Natural Distribuição, S.A. in the Shareholders' General Meeting of July 7, 2011, for the period from 2011 to 2013, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of May 15, 2019 for the period from 2019 to 2021.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 20, 2020.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

March 24, 2020

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

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

13.4 Individual Financial Statements

13.4.1 Individual financial statements and notes to the individual financial statements as at December 31, 2019

Galp Gás Natural Distribuição, S.A.
Separate Financial Statements as of 31 December 2019

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Statement of Financial Position

Galp Gás Natural Distribuição, S.A.

Statement of Financial Position as of 31 December 2019 and 31 December 2018

(Amounts stated in thousand Euro - € k)

Assets	Notes	2019	2018
Non-current assets:			
Intangible assets	5	531	533
Right-of-use of assets	6	6,129	-
Financial investments in subsidiaries, associates and joint ventures	9	298,234	226,227
Deferred tax assets	16	15	13
Other receivables	11	7	4
Other financial assets	12	469,402	469,402
Total non-current assets:		774,317	696,179
Current assets:			
Other financial assets	12	15,248	7,082
Trade receivables	11	2,177	1,224
Other receivables	11	1,479	1,887
Cash and cash equivalents	13	30,396	38,369
Total current assets:		49,301	48,562
Total assets:		823,618	744,741

Equity and Liabilities	Notes	2019	2018
Equity:			
Share capital and share premium	22	89,529	89,529
Reserves	22	9,845	7,969
Retained earnings		31,836	37,531
Total Equity:		131,210	135,029
Liabilities:			
Non-current liabilities:			
Financial debt	14	667,352	596,709
Lease liabilities	6	5,721	-
Post-employment and other employee benefits liabilities	17	65	58
Total non-current liabilities:		673,138	596,767
Current liabilities:			
Lease liabilities	6	448	-
Trade payables	15	1,358	1,184
Other payables	15	16,305	10,107
Current income tax payable	16	1,159	1,654
Total current liabilities:		19,271	12,945
Total liabilities:		692,408	609,712
Total equity and liabilities:		823,618	744,741

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

Income Statement and Statement of Comprehensive Income

Galp Gás Natural Distribuição, S.A.
Income Statement and Statement of Comprehensive Income for the years ended 31 December 2019 and 31 December 2018
(Amounts stated in thousand Euros - € k)

	Notes	2019	2018
Services rendered	23	12,636	12,487
Other operating income	23	106	113
Financial income	26	22,873	25,138
Results related to financial investments in associates and joint ventures	9	21,759	25,603
Total revenues and income:		57,374	63,341
Supplies and external services	24	(3,272)	(4,404)
Employee costs	24 and 25	(8,339)	(7,630)
Amortisation, depreciation and impairment losses on fixed assets and rights of use	5, 6 and 24	(781)	(205)
Other operating costs	24	(25)	(2)
Financial expenses	26	(9,535)	(9,251)
Total costs and expenses:		(21,952)	(21,492)
Earnings before taxes and other contributions:		35,422	41,849
Income taxes	16	(3,589)	(4,338)
Net income for the year		31,833	37,511
Basic and Diluted Earnings per share (in Euros)		0.36	0.42

Net income for the year		31,833	37,511
Items which will not be recycled in the future through net income:			
Remeasurements	17	3	25
Income taxes related to remeasurements	16 and 17	(1)	(6)
Total Comprehensive income for the year		31,836	37,531

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

Statement of Changes in Equity

Galp Gás Natural Distribuição, S.A.

Statement of changes in equity for the years ended 31 December 2019 and 31 December 2018

(Amounts stated in thousand Euros - € k)

	Notes	Share Capital	Other Reserves	Actuarial Gains and Losses	Retained Earnings	Net result of the year	Total
Balance as of 1 January 2018		89,529	6,695	(37)	1	25,481	121,668
Net result for the year		-	-	-	-	37,511	37,511
Other Gains and Losses recognised in Equity		-	-	19	-	-	19
Comprehensive income for the year		-	-	19	-	37,511	37,531
Dividends distributed / Interim dividends		-	-	-	(24,170)		(24,170)
Increase/decrease in capital reserves by profit appropriation		-	1,274	-	24,207	(25,481)	-
Balance as of 31 December 2018		89,529	7,969	(18)	38	37,511	135,029
Balance as of 1 January 2019		89,529	7,969	(18)	38	37,511	135,029
Net result for the year		-	-	-	-	31,833	31,833
Other Gains and Losses recognised in Equity		-	-	3	-	-	3
Comprehensive income for the year		-	-	3	-	31,833	31,836
Dividends distributed / Interim dividends	22	-	-	-	(35,655)	-	(35,655)
Increase/decrease in capital reserves by profit appropriation		-	1,876	-	35,636	(37,511)	-
Balance as of 31 December 2019		89.529	9.845	(15)	19	31.833	131.210

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

Statement of Cash Flow

Galp Gás Natural Distribuição, S.A.

Statement of Cash Flow for the years ended 31 December 2019 and 31 December 2018

(Amounts stated in thousand Euros - € k)

	Notes	2019	2018
Operating activities:			
Cash received from customers		15,443	15,420
Cash payments to suppliers		(4,554)	(4,312)
Payments relating to employees		(7,057)	(6,990)
Payments/receipts relating to income taxes		(4,074)	(7,419)
Other (payments)/receipts relating to the operational activity		(2,524)	(2,551)
Dividends receipts	9	21,759	25,603
Cash flows from operating activities (1)		18,992	19,751
Investing activities:			
Receipts from:			
Interest and similar income		22,712	25,231
Loans granted		3,234	70,801
Payments relating to:			
Financial Investments	9	(72,007)	(45,003)
Tangible assets		(508)	(243)
Loans granted		(11,240)	(5,539)
Cash flows from investing activities (2)		(57,809)	45,247
Financing activities:			
Receipts from:			
Loans obtained		75,577	5,752
Payments relating to:			
Loans obtained		-	(3,307)
Interest from loans obtained		(8,250)	(8,468)
Interests and similar expenses		(389)	-
Leases	6	(348)	-
Interest from leases	6	(92)	-
Dividends distributed	22	(35,655)	(24,170)
Cash flows from financing activities (3)		30,844	(30,193)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(7.973)	34,805
Cash and cash equivalents at the beginning of the year	13	38,369	3,564
Cash and cash equivalents at the end of the year	13	30,396	38,369

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

Notes to the financial statements as at 31 December 2019

1. Corporate Information

Galp Gás Natural Distribuição, S.A., ("Company") with Head Office in Lisbon was established in 2 December 2009 under the company name Galp Gás Natural Distribuição, SGPS, S.A.. Its corporate business is the management of shareholdings in other societies. On 1 April 2015, by unanimous decision of the unique shareholder, GDP Gás de Portugal, SGPS, SA, the Company changed its corporate name to Galp Gás Natural Distribuição, SA, changing its corporate purpose to the distribution of natural gas, including supporting services in the areas of management, administrative and logistics, purchasing and supply and information systems.

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

2. Significant accounting policies, judgments and estimates

The accounting policies used by the Company to prepare the financial statements are explained below. During the year ended 31 December 2019, no material prior years errors were noted.

Basis of presentation

Company's financial statements were prepared on a going concern basis, at historical cost, except for financial derivative instruments which are stated at fair value on the accounting records of the Company maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2019. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

With regard to the Statement of cash flows, in 2019 there was a change in the presentation of cash flows associated with dividends received from the companies it participates, starting to classify them as cash flows from operating activities and not cash flows from investing activities, as was the case until 2018. Management considers that this presentation reflects more appropriately the character of the activities carried out by the Company, and as a result the amounts for 2018 were subject to restatement.

The Company's Board of Directors believes that the attached financial statements and the notes to the financial statements ensure an adequate presentation of the financial information.

Financial Statements are presented in thousands of Euros (units: € k), rounded to the nearest thousand, unless otherwise stated. Therefore, the subtotals and totals of the tables presented in these financial statements and explanatory notes may not be equal to the sum of the amounts presented, due to rounding.

The accounting policies adopted are, according to their content, included in the respective note in the notes to the financial statements. Common or generic accounting policies for several notes are disclosed in this note.

Estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the current estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: i) impairment of intangible assets, rights of use assets and financial investments (Notes 5, 6 and 9); (ii) pensions and other post-employment benefits demographic and financial assumptions (Note 17); (iii) impairment for accounts receivable (Note 11); (iv) useful lives and residual values of intangible assets (Note 5); (v) deferred tax assets and uncertain tax position estimates (Note 16) and (vi) revenue (Note 23).

Accounting policies

Translation of foreign currencies

Transactions are recorded in the Company's financial statement in its functional currency, at the exchange rates in force on the dates of the transactions.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the income statement in the same captions where the revenue and expenses associated with these transactions are reflected, except those related to non-monetary values whose change in fair value is recorded directly in equity.

3. Impact of new international financial reporting standards

3.1 Adoption of IFRS 16 – 'Leases'

IFRS 16 determines how contract leases maintained by an Entity should be recognised, measured, presented and disclosed.

IFRS 16 - 'Leases' provides a single lessee accounting model under which all leases with a term of more than 12 months, unless the underlying asset is of low value, are accounted for through the statement of financial position recognition of a right-of-use asset and a lease liability.

A right of use asset is amortised across its economic useful life, and the related financial liability, recognised at its present value discounted at the legal entity's incremental borrowing rate or the lease agreement's effective interest rate, bears interest which is then charged through profit and loss. For each lease, the subsequent amortisation of the right-of-use assets and the interest expenses related to the lease liability are recognised in profit or loss over the lease term. IFRS 16 replaces IAS 17 - 'Leases', IFRIC 4 - 'Determining Whether an Arrangement Contains a Lease', SIC 15 - 'Operating Leases – Incentives' and SIC 27 - 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease' and is effective for annual periods beginning on or after 1 January 2019.

The company adopted IFRS 16 as of 1 January 2019, using a modified version of the retrospective approach, as permitted by the standard. Upon initial recognition, the company will recognise right-of-use assets at amounts equal to the lease liabilities, with no restatement of prior-period financial information.

As permitted by the standard, the company decided as a practical expedient to "grandfather" the previous assessment made under IAS 17. This practical expedient enabled existing agreements outside of the scope of IAS 17 to be excluded from the initial adoption of IFRS 16.

In the statement of cash flow, operating lease payments were presented within cash flow from operating activities. Under IFRS 16, lease payments will be presented within cash flow from financing activities, representing repayments of financial liabilities and the interest due thereon. Lease payments related to assets of low value, lease agreements with terms under 12 months and variable lease payments that are not linked to an index, are not included in financial lease liabilities, and will continue to be presented as cash flow from operating activities.

The discount rate used for lease agreements represents the incremental borrowing rates appropriate to each lease agreement based on factors such as the lessee's legal entity, leased assets, lease terms and currencies.

Currently, the rate applicable to the Company's leases is 1.51%.

The accounting policy is described on Note 6.

3.2 New Standards approved by the European Union and adopted or to be adopted

The IFRS standards endorsed and published on the Official Journal of the European Union (OJEU) during the year 2019 and enforceable for accounting purposes in subsequent years are presented in the table below:

IAS	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 1 and IAS 8: Definition of Material	29/11/2019	01/01/2020	2020	Applicable but without significant impact
Amendments to References to the Conceptual Framework in the IFRS Standards	29/11/2019	01/01/2020	2020	No predictable impact

The IFRS standards endorsed and published in the OJEU applicable to the year 2019 are presented in the table below:

IAS	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 9: Prepayment Features with Negative Compensation	26/03/2018	01/01/2019	2019	Without relevant accounting impacts
IFRIC 23 Uncertainty over Income Tax Treatment	23/10/2018	01/01/2019	2019	Without relevant accounting impacts
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	08/02/2019	01/01/2019	2019	Not applicable
Amendments to IAS 19: Plan Amendments, Curtailment or Settlement	13/03/2019	01/01/2019	2019	Without relevant accounting impacts
Annual Improvements to IFRS Standards 2015-2017 Cycle: (i) IAS 23: Borrowing costs; (ii) IAS 12: Income tax; (iii) IFRS 3: Business combinations and IFRS 11: Joint Arrangements	14/03/2019	01/01/2019	2019	Without relevant accounting impacts
IFRS 16 Leases	31/10/2017	01/01/2019	2019	With accounting impact (Note 6).

4. Tangible assets

Not applicable.

5. Intangible assets

Accounting Policy

Recognition

Intangible assets are stated at acquisition cost, less accumulated amortization and impairment losses. Intangible assets are only recognized if they are identifiable, and if they are likely to result in future economic benefits for the Company and are controllable and measurable with reliability.

Development expenses are only recorded as intangible assets if the Company demonstrates technical and economic capacity, as well as a decision to complete that development and start its commercialization or own use, and also demonstrates the probability of the asset generating future economic benefits. If expenses do not meet these requirements, development expenses are recorded as a cost for the year in which they are incurred.

Amortisations

Intangible assets with finite useful life are amortised using straight-line method.

Amortisation rates vary according to the the terms of existing contracts or the expected use of the intangible asset.

Accounting estimates and judgments

Useful lives and residual values of intangible assets

The calculation of the assets' residual values and useful lives, as well as the amortisation method to be applied, are essential to determine the amortisation recognised in the income statement for each period. These parameters are set based on Management's judgment, as well as the practices adopted by peers in the industry. Changes in the economic life of the assets are recorded prospectively.

Intangible assets are as follow:

Unit: k€

	2019			2018
	Industrial Property and other rights	Intangible assets in progress	Total	Total
As at 31 December 2019				
Acquisition Cost	1,180	-	1,180	789
Accum. Amortisation	(649)	-	(649)	(256)
Net Value	531	-	531	533
Opening balance	358	175	533	627
Additions	566	(140)	426	111
Amortisations and impairments losses	(393)	-	(393)	(205)
Other adjustments	-	(36)	(36)	-
Ending Balance	531	-	531	533

6. Leases

Accounting policies

Recognition

The Company recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or restore the site on which it is located (if applicable), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid up to the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The types of lease payments included in the measurement of the lease liability are as follow:

- Fixed payments, including in kind fixed payments;
- Variable lease payments that are pegged to an index or a rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to be able to exercise, and
- penalties for the early termination of a lease, unless the Company is reasonably certain not to terminate it early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Company decided not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Company recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of intangible assets and discount rates

The calculation of the assets' residual values, the estimation of the useful lives, and the discount rates used are based on the assumptions of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use Assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

The details of right-of-use assets are as follows:

Unit: k€

	Buildings	Vehicles	Total
As at 31 December 2019			
Acquisition cost	6,318	199	6,517
Accumulated amortisation	(319)	(69)	(388)
Net Amount	6,000	130	6,129
Application of IFRS 16 at 1 January 2019	5,667	199	5,865
Amortisations	(319)	(69)	(388)
Other adjustments	652	-	652
Balance as at 31 December 2019	6,000	130	6,129

Lease liabilities are as follows:

Unit: k€

	2019
Maturity analysis – contractual undiscounted cash flow	7,019
Less than one year	452
One to five years	1,594
More than five years	4,973
Lease liabilities included in the statement of financial position	6,169
Current	448
Non-current	5,721

The amounts recognised in profit or loss are as follows:

Unit: k€

	2019
	(156)
Interest on lease liabilities	92
Expenses related to short term, low value and variable payments of operating leases	(247)

he amounts recognised in cash flow statement are as follows:

Unit: k€

	2019
Financing activities	(440)
Payments relating to leases	(348)
Payments relating to lease interests	(92)

7. Government grants and other grants

Not applicable.

8. Goodwill

Not applicable.

9. Financial investments in subsidiaries, associates and joint ventures

Accounting policies

Financial investments in subsidiaries and associates are accounted at acquisition cost, deducted of impairment losses, when applicable.

Dividends received from subsidiaries and associates are recognised in the income statement, when allocated. Whenever the recoverable amount determined is lower than the net book value of the financial participation, the Company records the respective impairment loss in the same caption.

Financial investments in subsidiaries, associates and joint ventures are as follow:

Company	Country	Percentage of capital held	
		2019	2018
Subsidiaries			
Beiragás - Companhia de Gás das Beiras, S.A.	Portugal	59.60%	59.60%
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	Portugal	100.00%	100.00%
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	Portugal	100.00%	100.00%
Lisboagás GDL - Soc. Distrib. de Gás Natural de Lisboa, S.A.	Portugal	100.00%	100.00%
Lusitanigás - Companhia de Gás do Centro, S.A.	Portugal	97.19%	96.94%
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	Portugal	100.00%	100.00%
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	Portugal	100.00%	100.00%
Setgás - Soc. Distrib. de Gás Natural , S.A.	Portugal	99.93%	99.93%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	Portugal	99.36%	41.33%

All financial holdings are related to the Company's main activity as well as the Group's Natural Gas distribution and commercialisation business.

Unit: k€

	Financial information for subsidiaries - 2019			
	Total Assets	Total Liabilities	Equity	Net income for the year
	1,269,372	910,255	359,119	11,004
Beiragás - Companhia de Gás das Beiras, S.A.	79,732	36,776	42,956	1,964
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	14,028	3,736	10,293	247
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	36,748	11,344	25,404	497
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	548,300	448,162	100,138	4,014
Lusitaniagás - Companhia de Gás do Centro, S.A.	304,645	247,845	56,800	2,257

Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	19,581	5,199	14,382	283
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	6,182	1,028	5,154	105
Setgás-Sociedade de Distribuição de Gás Natural, S.A.	169,270	136,177	33,093	1,831
Tagusgás-Empresa de Gás do Vale do Tejo, S.A.	90,886	19,988	70,899	(194)

Unit: k€

	Financial investment			Earnings related with financial participations		
	Acquisition Cost	Impairment	Net Value	Dividends	Other	Total
Financial investments in subsidiaries, associates and joint ventures	298,234	-	298,234	21,759	-	21,759
Subsidiaries						
Beiragás - Companhia de Gás das Beiras, S.A.	20,293	-	20,293	1,490	-	1,490
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	9,987	-	9,987	352	-	352
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	25,766	-	25,766	487	-	487
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	47,285	-	47,285	8,970	-	8,970
Lusitaniagás - Companhia de Gás do Centro, S.A.	26,631	-	26,631	7,668	-	7,668
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	14,073	-	14,073	203	-	203
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	4,995	-	4,995	38	-	38
Setgás-Sociedade de Distribuição de Gás Natural, S.A.	59,633	-	59,633	2,551	-	2,551
Tagusgás-Empresa de Gás do Vale do Tejo, S.A.	89,570	-	89,570	-	-	-

For comparative information, refer to the financial statements for the year ended 31 December 2018.

During the year ended 31 December 2019, the Company acquired 52,535 shares in the amount of €244 k, regarding its subsidiary Lusitanigás - Companhia de Gás do Centro, S.A ..

During the year ended 31 December 2019, the Company acquired 1,450,696 shares for €31,762 k, from Tagusgás – Empresa de Gás do Vale do Tejo, S.A. GGND is now holding 99.36% of its share capital, classifying this Company as a subsidiary. During the year ended 31 December 2019, the Company executed supplementary contributions in Tagusgás, in the amount of € 40,000 k.

From the analysis carried out by Management on the risk of impairment, it was considered that there is no relevant impairment indicators as of December 31, 2019

10. Inventories

Not Applicable

11. Trade and other receivables

Accounting Policies

Accounts receivable are initially recorded at the transaction value and subsequently measured at amortised cost, less any impairment losses, recognised as impairment losses on accounts receivable. Usually, the amortised cost of these assets does not differ from their nominal value or their fair value.

Trade and other receivables are derecognised when the contractual rights to the cash flow expire (i.e. they are collected), when they are transferred (e.g. sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables were grouped by business segment for the purposes of the assessment of expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the client's credit risk profile. The credit risk analysis is based on the annual default probability and considers the loss in the event of default. The default probability represents an annual probability of default, reflecting the current and projected information and considering macroeconomic factors, whereas the loss in the event of default represents the expected loss when a default occurs.

Accounts receivable are adjusted for management's estimate of the collection risks as at the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit Risk

For Credit Risk purposes, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Risk assessment considers the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Customers' compliance with credit limits is regularly monitored by Management.

For further credit risk mitigation measures, guarantees and insurance policies for eventual credit defaults are a standard part of Company overall risk policy.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables

Trade receivables as of 31 December 2019 and 2018 is detailed as follows:

Unit: k€

	2019	2018
	Current	Current
	2,177	1,224
Trade receivables	2,177	1,224
Allowance for doubtful accounts	-	-
Ageing schedule of trade receivables	2,177	1,224
Not yet due	2,177	1,222
Overdue up to 180 days	-	2

As mentioned in the policies above, accounts receivable from customers are grouped into shared credit risk characteristics and days past due. For the Company, the credit risk level of accounts receivable is as follows:

Type	Exposure to Risk
Not yet due	Low
Overdue up to 180 days	Medium
Overdue between 181 days and 365 days	High
Overdue over 365 days	Very high

Other Receivables

As of 31 December 2019 and 2018 Other receivables are detailed as follows:

Unit: k€

	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
		1,479	7	1,887	4
Other receivables/other debtors		134	-	11	-
Receivables from suppliers		111	-	-	-
Supplier payments in advance		16	-	10	-
Personnel		1	-	1	-
Other		6	-	-	-
Related Parties	28	2	-	10	-
Contract Assets		975	-	1,494	-
Interests to be received		975	-	998	-
Others		-	-	496	-
Deferred charges:		368	7	373	4
Other deferred charges		368	7	373	4
Other Receivables Impairment		-	-	-	-

12. Other Financial Investments

Other Financial Investments as of 31 December 2019 and 2018 is detailed as follows:

Unit: k€

	Note	2019 Current	2019 Non-current	2018 Current	2018 Non-current
		15,248	469,402	7,082	469,402
Financial Assets not measured at fair value-Loan	28	15,248	469,402	7,082	469,402

Loans recognized as current, in the amount of € 15,248k, respect cash-pooling loans and aim to manage the Company's and Group's treasury needs and bear interest at market rates.

Loans recognized as non-current, in the amount of € 469,402 k, refer to loans granted to subsidiary companies that bear interest at the market rate and have no defined repayment term. The Company's Management understands that the loans will not be repaid in the next year, which is why they are classified as non-current.

13. Cash and cash equivalents

Accounting policies

The amounts included in cash and cash equivalents correspond to cash values, bank deposits, time deposits and other cash investments with maturities less than three months, and which can be immediately mobilised with a risk of insignificant changes in value.

For the purposes of the statement of cash flow, cash and cash equivalents also include bank overdrafts recorded as loans and overdrafts in the statement of financial position.

For the years ended 31 December 2019 and 2018 the caption “Cash and cash equivalents” is detailed as follows:

Unit: k€

	2019	2018
	30,396	38,369

Cash and cash equivalents	30,396	38,369

14. Financial debt

Accounting policies

Loans are recorded as liabilities at the nominal value received, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortised cost.

Financial charges are calculated at the effective interest rate and recorded in the income statement on an accruals basis in accordance with each loan agreement.

Financial charges include interest and, eventually, commission expenses for structuring loans.

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

Unit: k€

	2019	2018
	Non-Current	Non-Current
	667,352	596,709
Bonds and notes	667,352	596,709
Origination Fees	(2,648)	(3,291)
Bonds	70,000	-
Notes	600,000	600,000

Description of bank loans

Revolving Credit Facility
As of 31 December 2019, the Company has in place a Revolving Credit Facility, with a underwriting commitment in the total amount of € 50,000 k and with a maturity of more than 2 years. This amount was fully available as of 31 December 2019.

Bond Loan
As of 1 August 2019, the Company issued bonds to the amount of € 70,000 k with an interest rate of 0.6%+Euribor 6M. This bond loan will be totally reimbursed on 1 August 2024.

Notes Issuance
The Company established on 25 August 2016, an EMTN Program ("EUR 1,000,000,000 Euro Medium Term Note Programme").

Under the EMTN program, on 19 September 2016, the Company issued notes in the amount of €600,000 k, maturing on 19 September 2023 and with a coupon of 1.375%, to be traded in the London Stock Exchange regulated market. JP Morgan, BofA Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners.

Under this program (EMTN), a set of financial ratios ("Financial Covenants") have been set and they represent an increased level of protection for GGND Group creditors. These ratios, called Net Debt / EBITDA (ND / E) and Debt Service Coverage Ratio (DSCR) have two limits - one in the form of a lock-up event and the other in the form of an event of default, calculated based on the consolidated financial statements:

Financial Ratios	2019
Net Debt [1]/Ebitda [2]	6.2x
Debt Service coverage ratio [3]	4.2x

[1] Bank Debt + Bank Loan + loan interest- Cash and equivalents
[2] EBITDA + Provisions
[3] Operating Activities Cash Flow - Payment CAPEX/Interest Services

It is important to highlight that these ratios, as of December 31, 2019, were within the established limits.

15. Trade payables and other payables

Accounting policy

Trade payables and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Usually the amortised cost does not differ from the nominal value.

As of 31 December 2019 and 2018, trade payables and other payables, current and non-current, are detailed as follows:

Unit: k€

	Notes	2019	2018
		Current	Current
Trade Payables		**1,358**	**1,184**
Trade payables - current accounts		139	(37)
Trade payables - pending invoices		191	263
Trade payables – related companies	28	1,028	958
Other payables		**16,305**	**10,107**
State and other public entities		**405**	**280**
VAT payables		365	243
Other taxes		41	38
Other payables/ Other creditors		**3**	**2**
Personnel		3	2
Related parties		**10,951**	**5,391**
Loans	28	10,951	5,391
Accrued costs		**4,364**	**4,025**
External supplies and services		821	768
Payable remuneration		1,034	940
Accrued interest		2,492	2,315
Other accrued costs		18	2
Deferred income:		**582**	**409**
Other		582	409

16. Income Taxes

Accounting policies

Since 2000, the Company has been taxed in accordance with the special regime for the taxation of groups of companies (“RETGS”). The Company is subject to Income Tax (“IRC”). Income tax is calculated based on the taxable results of the Company in accordance with the applicable tax rules.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Accounting estimates and judgments

Deferred tax assets

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each statement of financial position date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

In the year ended 31 December 2019, the Company presents an income tax payable of € 1,159 k to Galp Energia SGPS, S.A.

Income taxes for the year ended 31 December 2019 and 2018 were as follows:

Unit: k€

	2019			2018		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income Tax for the period	3,591	(2)	3,589	4,345	(7)	4,338
Current income tax	3,673	(2)	3,671	4,405	(7)	4,398
(Excess)/Insufficiency of income tax estimated	(82)	-	(82)	(60)	-	(60)

The effective income tax rate reconciliation as of 31 December 2019 and 2018 is as follows:

Unit: k€

	2019	Rate	Income Tax	2018	Rate	Income Tax
Result before taxes:	35,422	21.00%	7,439	41,849	21.00%	8,788
Income Tax Adjustments:						
Deferred tax and insufficiency/excess of income tax estimate for the year		(0.24%)	(85)		(0.16%)	(67)
Autonomous taxation		0.31%	108		0.30%	124
Surcharge – Regional and state		1.96%	694		2.06%	863
Received Dividends		(12.90%)	(4,569)		(12.85%)	(5,377)
Other increases and deductions		0.01%	2		0.02%	8
Income tax and effective income tax rate		10.13%	3,589		10.37%	4,338

During the year ended as at 31 December 2019, the movements in deferred tax assets and liabilities were as follow:

Unit: k€

	As at 31 December 2018	Impact on the income statement	Impact on Equity	As at 31 December 2019
Deferred Taxes – Assets	13	2	(1)	15
Retirement benefits and other benefits	13	2	(1)	15

17. Retirement benefit obligations

Accounting Policies

The Company has assumed the commitment to pay their employees' pension supplements for retirement due to age, disability and pensions to survivors, in the exceeding part of social security contributions.

At the end of each reporting period, the company obtains actuarial valuations by a specialised entity in accordance with the Projected Unit Credit Method and compares the amount of its liabilities with past services with the balance of the liabilities recognised, in order to determine any additional liabilities that need to be recorded.

Actuarial gains and losses determined in each year and for each of the benefits granted, resulting from adjustments to the demographic assumptions, experience adjustments, are recorded in the statement of comprehensive income impacting the financial position under "Retained earnings – Actuarial gains and losses".

Defined contribution minimum benefit plan

The Company's costs with respect to defined contribution minimum benefit plan are recognised over the period the employees entitled to these benefits and are in service of the respective companies, being the liability reflected in the statement of financial position caption "Post-employment and other employee benefits liabilities". Payments to the beneficiaries are deducted from this caption.

Accounting estimates and judgments

Demographic and financial assumptions used to calculate the retirement benefit liabilities

Accounting for pensions and other post-retirement benefits requires estimates to be made when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made regarding uncertain events, including discount rates, inflation and life expectancy.

Post-employment benefits

Unit: k€

	2019	2018
Liabilities	(65)	(58)
Other benefits	(65)	(58)
Minimum benefit defined contribution plan	(65)	(58)

Post-employment liabilities

Unit: k€

	2019	2018
Past service liability at the end of the current year	65	58
Past service liability at the end of the previous year	58	54
Current service cost	10	28
Interest cost	1	1
Actuarial (gain)/loss	(3)	(25)

Post-employment benefit expenses

Unit: k€

	Notes	2019	2018
Current service cost	25	10	28
Interest cost	26	1	1
Net cost for the year of defined-benefit plan expenses		11	29
Defined contribution	25	20	17
Net cost for the year of defined-contribution plan expenses		20	17
Total		31	46

Remeasurements

Unit: k€

	Notes	2019	2018
		3	19
Gains and losses recognised through comprehensive income		3	25
(Loss)/Gains from actuarial experience		14	25
(Loss)/Gains from changes in actuarial assumptions		(11)	-
Taxes related to actuarial gains and losses	16	(1)	(6)

Assumptions

	Other benefits	
	2019	2018
Technical interest rate	1.75%	2.25%
Increase rate in salaries/costs	1.00%	1.00%
Increase rate in pensions	0.00%	0.00%
Current personnel and pre-retiree's mortality table	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	GKF95	GKF95
Disability table	EVK 80 - 50%	EVK 80 - 50%
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65
Method	Project credit unit	Project credit unit

Stress Analysis

Stress analysis of the discount rate

Unit: k€

	Discount Rate	
	1.75%	Δ-0.25%
	65	1
Minimum benefit defined contribution plan	65	1

18. Provisions

Not Applicable.

19. Derivative financial instruments

Not Applicable.

20. Financial assets and liabilities

Accounting policies

The company classifies financial assets and liabilities into the following categories:

a) Financial assets at fair value through other comprehensive income;

b) Financial assets and liabilities carried at amortised cost;

c) Financial assets and liabilities at fair value through profit or loss.

Management determines the classification of its financial assets on initial recognition, and re-evaluates it at the end of each reporting period if and only if there is a change in the business model. For financial liabilities such changes in classification are not allowed.

Recognition and measurement

Financial assets are recognised as at the trade date, that is the date in which the Entity has assumed the commitment to acquire that asset and are initially recognised at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Derecognition

Financial Assets are derecognised from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred, and company has transferred substantially all of the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if: (i) the objective inherent to the business model used is achieved, either to collect contractual cash flows or to sell financial assets, and (ii) the underlying contractual cash flows represent only principal and interest payments. Assets in this category are initially and subsequently measured at their fair value, with changes in their book value recorded against Other comprehensive income, except for the recognition of impairment losses, interest or exchange gains and losses, which are recognized in the income statement. When the asset is derecognised, the accumulated gain or loss in other comprehensive income is reclassified to profit or loss.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are non-derivative financial assets/liabilities which are held solely for payments of principal and interests ("*SPPI*"). If collection/payment is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets/liabilities. If not, they are presented as non-current assets/liabilities.

Trade receivables and other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost using the effective interest method, less impairment.

Fair value hierarchy

In accordance with the accounting rules, an entity must classify the fair value measurement based on a fair value hierarchy that reflects the meaning of the inputs used for measurement.

The fair value hierarchy has the following levels:

- Level 1 - the fair value of the assets or liabilities is based on active liquid market quotation as at the date of the statement of financial position;

- Level 2 - the fair value of the assets or liabilities is determined through valuation models based on observable market inputs; and

- Level 3 - the fair value of the assets or liabilities is determined through valuation models; whose main inputs are not observable in the market.

Unit: k€

	Notes	2019	2018
Financial assets by category		518,318	517,581
Financial assets not measured at fair value	11 and 12	488,313	479,599
- less advances to suppliers, deferred costs and state and other public entities	11	(391)	(387)
Cash and cash equivalents	13	30,396	38,369

Financial assets at amortised cost comprises other financial investments, trade receivables and other receivables net of impairments.

Unit: k€

	Notes	2019	2018
Financial liabilities by category		690,197	607,311
Financial liabilities not measured at fair value	6, 14 and 15	691,184	608,001
- less deferred income, guarantees and state and other public entities	15	(987)	(690)

Financial liabilities include financial debt (including lease liabilities), trade payables, other creditors and other payables to related companies.

21. Financial risk management

The Company is exposed to various types of market risks inherent in the activity it conducts. Detailed information on these risks and their impact on the GGND Group is reflected in note 22 of the notes to the Company's consolidated accounts.

22. Capital Structure

Capital Structure

The share capital structure did not change during the year ended December 31, 2019.

The share capital, fully subscribed and paid up, is represented by 89,529,141 shares with a nominal value of 1 Euro per share, being fully subscribed and paid up by the following shareholders:

Companies	%	Nº of shares
	100	89,529,141
Galp Gás & Power, SGPS, S.A.	77.5	69,385,084
Meet Europe Natural Gas, Lda.	22.5	20,144,057

Others Reserves

In accordance with the Company deeds and Commercial Law ("Código das Sociedades Comerciais - CSC"), the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may, in certain circumstances, be used to increase capital or to absorb losses after all the other reserves have been utilised.

For the years ended 31 December 2019 and 2018 the caption is detailed as follows:

Unit: k€

	2019	2018
	9,845	7,969
Legal Reserves	9,845	7,969

Dividends

In accordance with the deliberation of the General Meeting of Shareholders held on 15 May 2019, dividends amounting to €35,655 k were attributed to the shareholders of the Company, of which €35,636 k relate to the net income of the year ended 31 December 2018 and €19k relate to retained earnings. The dividends were paid by 6 June 2019.

23. Revenue and Income

Accounting Policies

Sales revenue are recognised in the income statement when all the risks and rewards related with the ownership of the assets are transferred to the buyer and the amount of the corresponding revenue can be reasonably estimated. Sales are recognised net of taxes, discounts and rebates by the fair value of the amount received or receivable. Costs and revenues are recorded in the corresponding year, independently of the date of payment or receipt. Costs and revenues for whose actual amount is unknown, are estimated.

Under the captions "Other current assets" and "Other current liabilities" are recorded costs and revenues of the current year and which receipt and payment will only occur in future periods, as well as receipts and payments already occurred but related to future years and that are assigned to each year's results.

Exchange differences arising from supplier and customer balances are recognised in operating results.

For the years ended 31 December 2019 and 2018 the revenue and Income are detailed as follows:

Unit: k€

	Notes	2019	2018
		57,374	63,341
Services rendered		12,636	12,487
Other operating income		106	113
Supplementary gains		106	113
Earnings from associates, subsidiaries and joint ventures	9	21,759	25,603
Financial Income	26	22,873	25,138

Services rendered in 2019 and 2018 include, among others, the amount of €12,636 k and €12,487 k related, mainly, to management services provided to other group companies (Note 28).

24. Costs and Expenses

The results for the years ended 31 December 2019 and 2018 were affected by the following items costs and expenses:

Unit: k€

	Notes	2019	2018
Total costs:		21,952	21,492
External supplies and services		3,272	4,404
Other Specialised Services		2,219	2,712
Travel and accommodation		259	268
Rental costs	6	(247)	248
Fuel		114	121
Insurance		39	35
IT Services		386	208
Communications		273	186
Legal Services		25	181
Other Costs		205	445
Personnel costs	25	8,339	7,630
Amortisation, depreciation and impairment on fixed assets	5 and 6	781	205
Other Costs:		25	2
Other taxes		25	1
Financial Expenses	26	9,535	9,251

25. Employee Costs

Accounting policies

Employee costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the respective services are rendered by company's employees of Galp Gás Natural Distribuição, S.A..

Employee costs for the years ended 31 December 2019 and 2018 were as follow:

Unit: k€

	Notes	2019	2018
Total employee costs	24	8,339	7,630
Statutory board salaries		616	617
Employee salaries		524	1,045
Social charges		199	170
Assigned staff		6,824	5,653
Retirement benefits - pensions and insurance	17	29	45
Other insurance		72	24
Other costs		73	74
Remuneration of the Board Members		616	617
Salaries		509	430
Bonuses		100	180
Allowances		7	8

26. Financial income and expenses

Accounting policies

Financial income and expenses include interest on external loans, related party loans, leasing and retirement and other benefit plans. Other financial income and expenses from other financial assets or liabilities are not included in this caption.

The financial charges on loans obtained are recorded as financial expenses on an accrual's basis.

Financial charges arising from general and specific loans obtained to finance investments in fixed assets are assigned to tangible and intangible assets in progress, in proportion to the total expenses incurred on those investments net of investment government grants, until the commencement of its operations. The remainder is recognised under the heading of financial expenses in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalised.

Those financial charges included within fixed assets are depreciated over the useful lives of the respective assets.

Unit: k€

	Notes	2019	2018
		13,338	15,887
Financial incomes:		22,873	25,138
Interest and other income with related companies	28	22,873	25,138
Financial expenses:		(9,535)	(9,251)
Interest on bank loans, bonds, overdrafts and others		(8,427)	(8,250)
Net interest on retirement and other benefits	17	(1)	(1)
Interest on financial lease liabilities	6	(3)	-
Interest on financial lease liabilities- Related parties	6 and 28	(89)	-
Other financial costs		(1,015)	(999)

27. Contingent assets and liabilities

Not applicable.

28. Related parties

A related party is a person or entity that is related to the entity preparing its financial statements, as follows:

(a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity; (v) The entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Company presents the following material balances and transactions with related parties:

Assets

Unit: k€

		Current				Non-current
	Total	Trade Receivable	Loans Granted (Note 12)	Other receivables (Note 11)	Accruals and Deferrals	Loans Granted (Note 12)
Assets:	487,804	2,177	15,248	2	975	469,402
Entities from GGND Group	487,804	2,177	15,248	2	975	469,402

For comparative information, refer to the financial statements for the year ended December 31, 2018.

Liabilities

Unit: k€

		Current			
	Total	Trade Payables (Note 15)	Loans Obtained (Note 15)	Current Tax (Note 16)	Accruals and Deferrals
Liabilities	13,686	1,028	10,951	1,159	548
Galp Energia, SGPS, S.A.	1,159	-	-	1,159	-
Entities from GGND Group	11,842	350	10,951	-	541
Entities from Galp Group	682	675	-	-	7
Other related entities	2	2	-	-	-

For comparative information, refer to the financial statements for the year ended December 31, 2018.

Transactions

Unit: k€

	Operating Costs	Operating Income	Financial Costs (Note 26)	Financial Income (Note 26)
Transactions	(8,989)	12,346	(89)	22,873
Entities from GGND Group	(6,154)	12,346	-	22,873
Entities from Galp Group	(2,835)	-	(89)	-

For comparative information, refer to the financial statements for the year ended December 31, 2018.

29. Information on Environmental Matters

Not Applicable.

30. Subsequent Events

Due to the current situation resulting from the Covid 19 outbreak, GGND management is monitoring the evolution through a specific group and assuring implementation of measures defined in Contingency Plan, with the adequate adjustments considering development at each moment.

Measures have been applied with focus on safety of people and avoidance of virus expansion, considering Personnel, Clients, Suppliers and remaining Stakeholders.

Looking also to control operational risk, maintenance of activities and mitigation of material financial impacts on GGND Group companies.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on March 24, 2020. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

32. 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 Geraldes Bastos

Yoichi Noborisaka

THE ACCOUNTANT:

Paula de Freitas Gazul

13.4.2 Statutory Audit Report and Auditors' Report

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Galp Gás Natural Distribuição, S.A. (the Entity), which comprise the statement of financial position as at December 31, 2019 (which shows total assets of Euro 823,618 thousand and total shareholders' equity of Euro 131,210 thousand including a net profit of Euro 31,833 thousand), the income statement and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Galp Gás Natural Distribuição, S.A. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

Key Audit Matter	*Summary of the Audit Approach*
Valuation of financial investments *Disclosures related to financial investments are presented in the notes 2 and 9 of the financial statements.* As at December 31, 2019, Galp Gás Natural Distribuição, SA holds financial investments in subsidiaries and associates in the amount of Euro 298,234 thousand, which are valued at acquisition cost, deducted of impairment losses, when applicable. These financial investments are subject to impairment testing whenever there are indicators or changes in the underlying circumstances which indicate that the carrying value may not be recoverable. For that purpose, the recoverable amount is determined by the value in use, in accordance with the discounted cash flows method. The relevance of this matter in our audit is related to the significance of the amount and level of judgement involved in the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely those related to future cash-flows, growth rates for the perpetuity and discount rates used. As a result of the impairment assessments performed by the management, no impairment triggers/losses were noted on the financial investments held by Galp Gás Natural Distribuição, S.A.	To assure the accurate valuation of the financial investments the following audit procedures were performed: - evaluation of impairment indicators in the financial investments; and - obtaining and analyzing the impairment testing on financial investments, when applicable. The analysis of the impairment testing, based on discounted cash flows models, considers the following procedures, when applicable: - verifying the mathematical accuracy of the model; - assessing the reasonableness of the future cash flows projections, from the comparison with historical performance; - evaluating the accuracy of the discount rate considered; and - evaluating the estimates and judgments assumed by the management, underlying the relevant assumptions supporting the model. Additionally, we have verified the accuracy of the disclosures presented in note 9 of the financial statements, considering the requirements of the applicable accounting standard.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Galp Gás Natural Distribuição, S.A. in the Shareholders' General Meeting of July 7, 2011, for the period from 2011 to 2013, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of May 15, 2019 for the period from 2019 to 2021.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of March 20, 2020.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

March 24, 2020

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

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

13.5 Report and opinion of the Audit Board

Report and Opinion of the Audit Board of Galp Gás Natural Distribuição, S.A.

Dear Shareholders,

According to the legislation in force and the Company's By-laws, and in accordance with our mandate, we hereby presented our opinion on the 2019 Management Report (which includes the report on corporate governance), the individual and consolidated financial statements and the proposal of allocation of net income presented by the Board of Directors of Galp Gás Natural Distribuição, S.A. (GGND), with regards to the year ended December 31, 2019.

During the year 2019, we met with the Statutory Auditor/External Auditor of the Company, monitoring the performance of their work.

We monitored the process of preparing and disclosure of financial statements, as well as the legal certification of the individual and consolidated annual accounts.

We verified and supervised the independence of the Statutory Auditor / External Auditor, under the legal terms.

We reviewed the Statutory Audit Report and Auditors' Report on the individual and consolidated financial statements for the financial year 2019, with which we agree.

Pursuant to article 245, paragraph 1, subparagraph c), of the Securities Code, each of the below indicated members of the Audit Board declares that, to the extent of his knowledge, the management report, the annual accounts, the statutory audit report and auditors' report and any further accounting documents for the year of 2019 were prepared in accordance with the applicable accounting standards, providing a true and fair image of the assets and liabilities, financial position and results of GGND and the companies included in the consolidation perimeter, and that the management report faithfully reflects the evolution of the business, performance and position of GGND and companies included in the consolidation perimeter, and includes a description of the main risks and uncertainties that these companies face in their activity.

The Audit Board further confirms that the chapter of the 2019 Management Report on corporate governance includes the elements referred to in article 245-A, paragraph 6 of the Securities Code applicable to companies whose securities are different from shares admitted to trading on a regulated market.

Accordingly, taking into consideration the information received from the Board of Directors and Company services, as well as the conclusions set out in the Statutory Audit Report and Auditors' Report on the financial statements, both individual and consolidated, we express our agreement with the 2019 Management Report, the Individual and Consolidated Financial Statements and the proposal of allocation of the individual net income for the financial year 2019, so we are of the opinion that it should be approved at the General Meeting.

Lastly, the Audit Board wishes to express its gratitude to both the Board of Directors and Executive Committee of GGND for their cooperation in the exercise of their duties.

Lisbon, March 24th, 2020

Chairman
Daniel Bessa

Member
Armindo Marcelino

Member
Pedro Antunes de Almeida

Annual Activity Report of the Audit Board of Galp Gás Natural Distribuição, S.A. for the financial year 2019

In accordance with the subparagraph g) of paragraph 1 of article 420 of the Commercial Companies Code ("CSC"), the Audit Board of Galp Gás Natural Distribuição, S.A. (GGND) hereby presents its report on the supervisory activity performed during the financial year of 2019.

I. Introduction

As a result of the Company's issuance of bonds admitted to trading on the London Stock Exchange, the Company became an entity of public interest, having thus changed its corporate governance model. This model, corresponding to the Latin model set out in the articles 278, paragraph 1, subparagraph a) and 413, paragraph 1, subparagraph b), both from the Commercial Company Code, includes a Board of Directors, responsible for the management of the Company, an Audit Board, responsible for monitoring the Company's activity, and an Statutory Auditor - independent of the Audit Board.

The Audit Board in office was elected at the general meeting held on May 15, 2019 for the 2019-2021 term and is composed of three members, all independent, in accordance with the criteria set out in Article 414, paragraph 5, of the "CSC".

All members of the Audit Board comply with the compatibility criteria for the exercise of the respective function, which are provided for in article 414-A, paragraph 1 of the "CSC".

II. Activity developed by the Audit Board concerning the financial year 2019

In the year 2019, the Audit Board has held 11 meetings and participated in 3 meetings of the Board of Directors.

The permanent monitoring of the Company during this period was conducted, namely, through meetings with the Chairman of the Executive Committee, with the Director responsible for the financial area, with the person in charge and employees of the Financial and Administrative Management of GGND, with the person responsible for the internal audit function of the Group (Chief Audit Executive) with the heads of Accounting and Taxation Department, Legal and Governance Department of Galp Energia, S.A. within the scope of a service agreement in force between this company and GGND and with the Statutory Auditor/External Auditor.

Through these meetings, the Audit Board monitored, in particular, the financial situation of the company and the risk management system of the GGND Group, the main litigation processes with possible impact on the financial statements of the Group and the internal audit activities of the GGND

Group, through the Chief Audit Executive (CAE), appointed by the Board of Directors of GGND on the recommendation of the Statutory Auditor supported by the Audit Board.

During the year 2019, the Audit monitored also the functioning of the corporate governance system adopted by GGND and of compliance with legal, regulatory and statutory rules, having provided relevant recommendations for improving the Company's governance.

The Audit Board's access to financial information was carried out regularly and properly, either through the Financial Management of GGND or through the Accounting Management of Galp Energia, S.A., responsible for preparing the financial information, without any constraints in the performance of their duties.

Verification of the accuracy of the documents of accountability and reliability of financial information and monitoring of compliance with the policies, criteria and accounting practices was carried out by the Audit Board through analysis of reports prepared by the Statutory Auditor/External Auditor.

The Audit Board held, during the year 2019, several activities of monitoring, supervision and evaluation of the operation and adequacy of internal control systems, risk management and internal audit of GGND and accompanied the implementation by the Company of measures aimed at improving internal control in response to recommendations from the External Auditor and of the Chief Audit Executive.

The Audit Board considers that the Company has assigned increasing and enhanced importance to development and improvement of the of risk management systems, namely through the monitoring of the GGND Risk Matrix, internal control and internal audit, supporting the CAE and the execution of the respective annual audit plan.

O Conselho Fiscal procedeu, no ano de 2019, à avaliação da atividade do Auditor Externo, fazendo o acompanhamento regular da sua atividade, nomeadamente, através da apreciação crítica dos relatórios e documentação por si produzidos no desempenho das suas funções.

In 2019, the Audit Board assessed the activity of the External Auditor, regularly monitoring its activity, namely through a critical appraisal of the reports and documentation produced by them in the performance of their duties.

In the context of verification of compliance with the rules on independence of the External Auditor, the Audit Board authorized the provision of services not related to audit services for which it is necessary to have prior ruling from this body, having confirmed that the independence of the External Auditor was ensured. These services accounted for 19.6% compared to the audit services provided in 2019, therefore lower than the limit of 70% established in article 4, paragraph 2, of the EU Regulation No. 537/2014 (European Audit Supervision).

Within the scope of its function of annual assessment of the activity of the External Auditor, the Audit Board considers that the External Auditor provided its services satisfactorily in accordance with the

Audit Plan to the GGND Group in 2019 submitted to the Audit Board, having complied with the applicable rules and regulations and revealed in its performance technical rigor, quality in the conclusions presented, namely in terms of the statutory audit, opportunity and efficiency in the recommendations presented and competence in the development of the procedures performed.

Lisbon, March 24th, 2020

Chairman
Daniel Bessa

Member
Armindo Marcelino

Member
Pedro Antunes de Almeida

Cautionary statement

This report serves as the Annual 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 December 31, 2019, for Galp Gás Natural Distribuição, S.A. (the "Company") and its subsidiaries (collectively referred as "GGND"). This report presents the Management Report, the Consolidated Financial Statements of GGND and the Individual Financial Statements of the Company. This report may contain certain forward-looking statements. 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 in these statements. The words "aim", "ambition", "anticipate", "believe", "continue", "could", "estimate", "expect", "goals", "intends", "may", "objectives", "outlook", "plan", "probably", "risks", "schedule", "seek", "should", "target", "will" and similar terms and expressions usually identify these forward-looking statements. Forward-looking statements may include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; energy demand and supply; developments of GGND's markets; the impact of regulatory initiatives; and the strength of GGND's competitors. The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although GGND believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors, which are difficult or impossible to predict and are beyond its control. Important factors that may lead to significant differences between the actual results and the statements of expectations about future events or results include, without limitation, the Company's business strategy; industry developments; price fluctuations in crude oil, natural gas and power; changes in demand for GGND's products and services; economic and financial market conditions; legislative, fiscal and regulatory developments, including regulatory measures addressing climate change; political risks; changes in trading conditions and uncertainty of the results of future projects and operations, plans, objectives, expectations and intentions, among others. Such risks, uncertainties, contingencies and other important factors could cause the actual results of GGND or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements. All forward-looking statements contained in this report are expressly qualified in their entirety by the cautionary statements contained or referred in this section. Readers should not place undue reliance on forward-looking statements. The information, opinions and forward-looking statements contained in this report speak only as at the date of this report, and are subject to change without notice. GGND and its respective representatives, agents, employees or consultants do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate 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.