Management Report and Accounts 2020

Galp Gás Natural Distribuição, S.A.

Índice

Message from the Board of Directors and Executive Committee

2020, a year very different from the previous ones.

In 2020, we lived completely different days than we had ever experienced and we managed, with the effort and conscious performance of each one, to successfully accomplish many of the goals we intended to achieve.

The pandemic situation inevitably led to an important reduction in the volume of gas circulating in the GGND networks and consequently also a reduction in the income received. In order to face this situation, which was already anticipated at the beginning of the 2nd quarter of 2020, risk scenarios were evaluated and with a focus on compliance with the financial ratios, contingency measures were implemented that translated into the review in reduction of expense, investment and dividend distribution plans to shareholders, thus demonstrating the total commitment to a prudent financial management policy.

In this context, GGND ended 2020 with results globally aligned with the contingency measures implemented, highlighting the results related to the number of connected customers, the fulfillment of the revised investment plan, the continuity of initiatives to improve the Customer experience and the efficiency of our operations, the development of actions to improve the safety of our activities, including specific measures related to individual protection arising from the pandemic and also the results achieved in the development of strategic projects related to the decarbonization of gas and gas networks. the injection of renewable gases.

The first GGND hydrogen injection project - Green Pipeline Project - is in an advanced stage of preparation and after some adjustments in its formulation, resulting from the interaction with national authorities, it was publicly disclosed in several technical sessions, also deserving the coverage of media.

The decarbonization of gas infrastructures is a strategic objective for GGND and also for the entire national energy sector, because it represents, precisely, an enormous contribution for the Portuguese economy to achieve the emission reduction goals established in the National Energy Plan and Climate 2030 in a sustainable way. Sustainable, first of all, in the environmental dimension, but also because it allows to significantly reduce the cost of the entire decarbonization process by efficiently taking advantage of assets that are recent, modern and in excellent conditions to incorporate the challenges associated with the injection of renewable gases, contributing strongly to the ambition of the PNEC 2030 and the national hydrogen strategy. The incorporation of gases of renewable origin in the public gas network will ensure the continuity of gas supply and the progressive decarbonization of the sector, at a lower cost, and making the distribution assets profitable. In this sense, the Government has already promoted the alteration of the legislative framework, with the publication of Decree-Law no. 62/2020, of 28 August, which establishes the organization and functioning of the National Gas System and the respective legal regime.

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, namely 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.

GGND, through its controlled companies, operates natural gas distribution infrastructures in Portugal, which consists of the management of the medium and low pressure natural gas distribution network, exercised under the public service regime, under the terms defined by the Energy Services Regulatory Authority (ERSE) the Portuguese regulator for the energy sector.

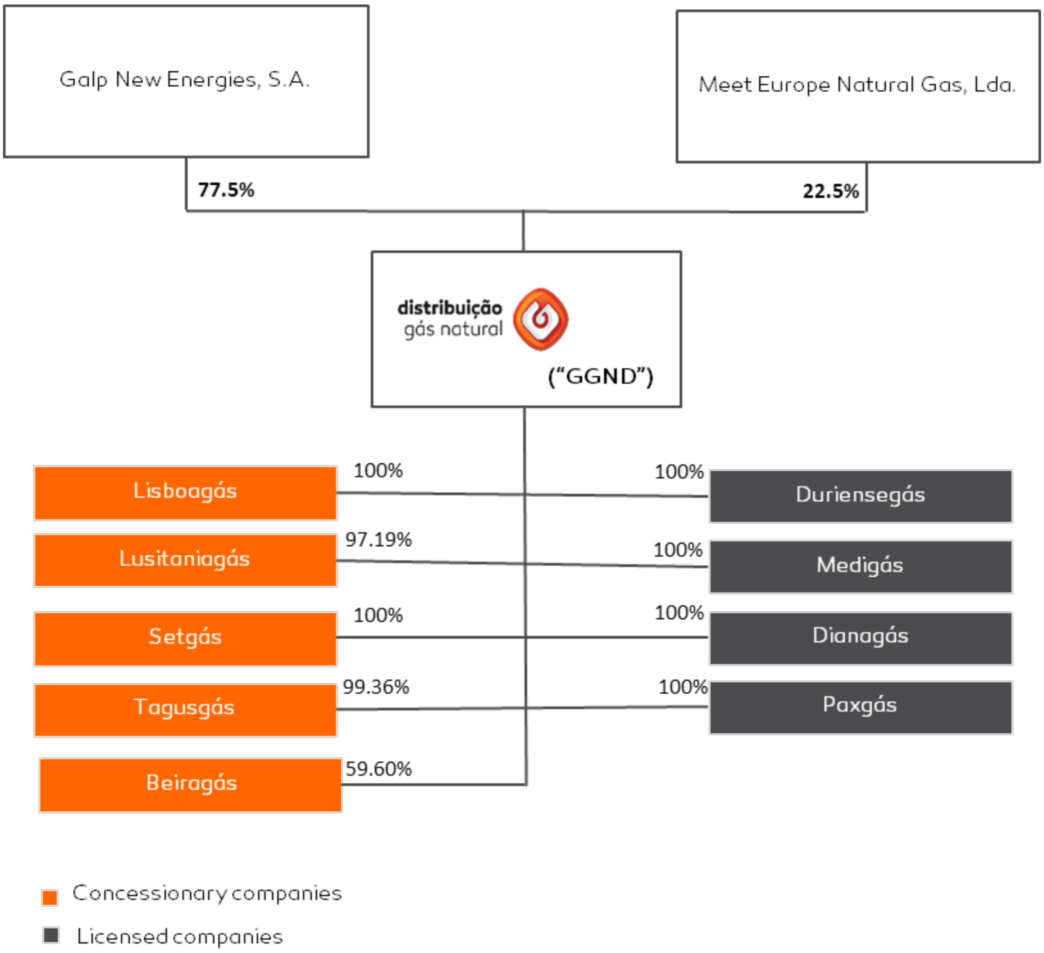
The recent Gas sector legislation, Decree-Law no. 62/2020, of August 28, stands out, which governs the organization of the gas sector and defines the bases for its operation, consolidating and revising Decree-Law 30/2006, of 15 February, and Decree-Law no. 140/2006, of 26 July.

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, also 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 the companies in which it has a direct stake, identified in point 2.

2. Ownership structure



In October 2020 Galp New Energies, S.A. (formerly called Galp Gás & Power, SGPS, S.A.) has reached an agreement with Allianz Capital Partners, acting on behalf of Allianz insurance companies and Allianz European Infrastructure Fund, to sell 75.01% of the share capital of GGND. As of December 31, 2020, Galp New Energies, S.A.'s stake in GGND was 77.5%.

The transaction is expected to be formally completed in the first quarter of 2021, after which Galp, through its subsidiary Galp New Energies, S.A., will maintain a 2.49% stake in GGND.

As of 31 December 2020, the key operational indicators of a GGND Group are as follows:

■ Lusitaniagás

Total network extension (km) :	3 539
Connection points	235 548
Gas distributed (GWh):	8 383

■ Lisboagás

Total network extension (km) :	4 671
Connection points	536 418
Gas distributed (GWh):	4 447

■ Setgás

Total network extension (km) :	2 253
Connection points	174 915
Gas distributed (GWh):	1 887

■ Dianagás

Total network extension (km) :	197
Connection points	10 403
Gas distributed (GWh):	89

■ Duriensegás

Total network extension (km) :	493
Connection points	31 636
Gas distributed (GWh):	230

■ Beiragás

Total network extension (km) :	851
Connection points	56 828
Gas distributed (GWh):	924

■ Tagusgás

Total network extension (km) :	964
Connection points	40 574
Gas distributed (GWh):	1 263

■ Paxgás

Total network extension (km) :	66
Connection points	6 163
Gas distributed (GWh):	19

■ Medigás

Total network extension (km) :	289
Connection points	24 637
Gas distributed (GWh):	101

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*
José Manuel Rodrigues Vieira, *Member*
Ana Isabel Simões Dias dos Santos Severino, *Member*
Maria Marta de Figueiredo Geraldes Bastos, *Member*
Yoichi Noborisaka, *Member*

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

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

Statutory Auditor
PricewaterhouseCoopers & Associados – SROC, Lda. represented by:
Ana Maria Ávila de Oliveira Lopes Bertão, ROC n.º 902, *Permanent*
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

4. Relevarent facts occured in 2020

4.1 Regulatory framework

In 2020, it was highlighted that Decree-Law no. 62/2020on 28 August, which establishes the organization and functioning of the National Gas System (SNG) and the respective legal regime, as well as Ordinance no. 83/2020 on April 1, which extends the deadlines for the extinction of the transitional tariffs applicable to supplies of natural gas to end customers with annual consumption greater than 10,000 m³, for 2022, and to final customers with annual consumption lower or equal 10,000 m³, for 2025.

Also noteworthy is the approval of the first amendment to the Tariff Regulation for the natural gas sector (according to Regulation no. 455/2020, published in the Diário da República, 2nd series - no. 90/2020, of May 8), the approval of a revision of the Commercial Relations Regulation of the Electric and Gas Sectors (according to Regulation No. 1129/2020, published in the Diário da República, 2nd series - No. 252/2020, of December 30th) and approval of Tariffs and Prices for natural gas for gas year 2020-21, according to Directive No. 11/2020, published in the Diário da República, 2nd series - No. 122/2020, of 25 June.

The amount of allowed revenue for the natural gas distribution activity results from the sum of: (i) the cost of capital, defined as the product of the regulated asset base ("RAB") at the rate of return on regulated assets indexed to Portuguese 10-year Treasury Bonds (OTs) ("RoR") published by ERSE, plus the amortization and depreciation of those assets; (ii) the recovery of allowed net operating costs (OPEX) indexed to efficiency factors (inflation, consumption locations and volume of gas distributed), with review of the applicable regulatory parameters [1]; and (iii) adjustments, namely related to the tariff deviation.

With regard to the natural gas commercialization activity, the value of the allowed revenue results from the sum: (i) the recovery of the allowed net operating costs (OPEX) indexed to efficiency factors (inflation and customers); (ii) the additional profit established in the marketing license; (iii) the difference between average payment and receipt terms; and (iv) adjustments, namely related to the tariff deviation.

The tariff adjustment / deviation corresponds to the difference between the income actually billed by the companies controlled by GGND and the allowed revenue estimated by ERSE.

The allowed revenue is calculated according to the regulation parameters published by ERSE, at the beginning of each regulatory period. The year under review corresponds to the first year of the 5th regulatory period for the gas sector and the first year with the full application of the parameters of the said regulatory period, which runs from 1 January 2020 to 31 December 2023.

In 2020, the prices and tariffs in force in the gas year 2019-20 (period from January 1 to September 30) and gas year 2020-21 (period from October 1 to December 31) were applied.

The rate of return on regulated assets (RoR) is associated with a fixed amount and a variable part associated with the daily evolution of the 10-year Treasury Bonds (OT) price issued by the Portuguese State, framed by a maximum value and a value minimum, constant for the regulatory period. The average value of OT is obtained by the average daily quotation, deducted from 1/12 of the highest quotations and 1/12 of the lowest quotations, verified in a calendar year (January to December).

[1] Document published by ERSE "Tariffs and Prices for Natural Gas for the 2019-2020 gas year and Parameters for the 2020-2023 Regulation Period"

The RoR for the distribution activity published by ERSE in the document "Allowed Income and Adjustments of regulated companies in the Gas Sector" are as follows:

Gas Year 2019-2020

RoR 2017	RoR 2018	Estimated RoR 2019	Forecasted RoR 2020
6,32%	5,82%	5,70%	5,20%

Gas Year 2020-2021

RoR 2018	RoR 2019	Estimated RoR 2020
5,82%	5,70%	4,73%

4.2 PDIRD 2020

The ORDs of GGND group, in accordance with the legislation in force, presented their respective PDIRD (Distribution Network Development and Investment Plan) for approval by the Grantor of the investment plan for the five-year period 2021-2025. The plans will be submitted by the Regulator for public consultation during the year 2021.

4.3 Tagusgás sells 100% of Tagusgás Propano's share capital

In March 2020, Tagusgás sold Tagusgás Propano, S.A., resulting in a capital gain of € 0.07 m.

4.4 Financial rating

In May 2020, in the context of the COVID-19 pandemic, S&P Global Ratings reaffirmed GGND's long-term rating at "BBB-" ("investment grade"), with a stable outlook, considering the expectation of its limited impact on performance GGND and the continuous support of the stable regulatory environment, with flexible dividend and investment policy.
In November 2020, after its usual annual review, S&P Global Ratings reaffirmed GGND's long-term rating at "BBB-" ("investment grade"), with a stable outlook.

4.5 GGND becomes a single shareholder of Setgás

In October 2020, GGND acquired 1,200 shares that the Municipality of Setúbal held in the share capital of Setgás, after which it became the only shareholder.

4.6 COVID-19 impacts

In the context of the COVID-19 pandemic, a series of extraordinary measures were approved that aimed at adapting the activity of the natural gas sector to the situation experienced, establishing, in particular, measures to protect consumer interests, procedural and continuity of activity.

On March 18 and on April 8, 2020, ERSE published Regulation No. 255-A / 2020[2], with the approval of its Regulation nº 356-A / 2020[3].

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

The exceptional measures implemented by ERSE had no impact on GGND's activity, nor on the level of its financial obligations.

The pandemic situation affected the consumption of natural gas, which is equal to the volumes conveyed in the distribution network, resulting in a reduction of 6.1% YoY, to 17,343 GWh.

Indeed, general containment measures to contain the outbreak of the pandemic have not only changed most of society's social standards, but have also caused a significant slowdown in economic activity. During the first quarter of 2020, the invoiced volume remained stable and in line with historical figures. In the second quarter of 2020, consumption fell significantly, but its recovery began to register in the third quarter of 2020, ending up with a more favorable last quarter of 2020 than any of the projections initially forecast in the scenarios projected for assess the COVID-19 impact.

The invoiced volume decreased by c. 1,079 GWh, corresponding to -5.9% YoY. The commercial (-7.5%) and industrial (-6.3%) segments being the most affected, with an impact on the reduction in clients receipts.

4.7 Financial performance in 2020

In comparative terms, the financial statements for the year 2019 reflect the consolidation, by the full method, of the six-month results of Tagusgás and 100% of its subsidiary Tagusgás Propano.

In 2020 the **allowed revenue** recorded by the GGND Group Companies amounted to **€ 138.5 m**, a decrease of 5.8% YoY, mainly impacted by the reduction in RoR. The allowed revenue was recorded according to the real value, verified on December 31, 2020, of the variables that contribute to its calculation, according to methodology published by ERSE for the current regulatory period.

The RoR applied by the Group Companies in calculating the cost of capital in 2020 was 4.76% (due to the update of quotations in December, according to the methodology referred to in point 4.1), compared with 5.70% in 2019.

Tariff deviation receivable at the end of 2020 reached **€ 29.1 m**, registering a reduction of € 2.6 m YoY.

EBITDA was **€ 94.2 m**, minus € 9.2 m YoY, essentially reflecting the decrease in allowed revenue, including adjustments c. € 14.2 m, mainly due to the reduction in RoR, not offset by the contribution of Tagusgás' 12-month consolidation (+ € 4.0 m) and reduction in OPEX (€ 1.5 m).

Net result reached **€ 13.9 m**, a decrease of € 16.6 m, minus 54.4% YoY, mainly due to the reduction in EBITDA (-€ 13.3 m, excluding Tagusgás) and the revaluation of participation of Tagusgás held by GGND of c. € 9.9 m, recorded in 2019. The main positive effects were the reduction in income tax of € 4.4 m, financial costs by € 1.8 m and the favorable impact of Tagusgás by € 0.8 m.

[2] https://dre.pt/application/conteudo/130399848

[3] https://dre.pt/application/conteudo/131292972

Cash flow from operating activities (CFFO) stood at € 73.3m, keeping in line with the same period last year.

Free Cash Flow (FCF) was € 49.8 m, an increase of € 29.2 m, 142,3% YoY, explained in part by the acquisition of Tagusgás in 2019.

Total investment was € 25.8 m, minus 13.3% YoY, in line with the contingency scenarios for the year. In 2020, 13,852 new connection points were connected and 129 km of network were built.

At the end of 2020, the natural gas distribution system totaled 13,323 km of distribution network and registered a total of 1,117,122 connection points with active contract.

Volumes of natural gas distributed decreased 6.1% YoY, to 17,343 GWh, mainly impacted by the slowdown in industrial activity, associated with the pandemic context.

At the end of the year, net debt stood at € 598.5 m, a decrease of € 38.7 m YoY.

The net debt to EBITDA ratio stood at 6.4x and the debt service coverage ratio stood at 5.2x, allows compliance with the financial ratios defined in the EMTN Program.

4.8 Main initiatives

In the context of the challenges associated with the energy transition, GGND continues to develop a set of initiatives with a view to accelerating the injection of renewable gases into the gas distribution networks and consolidating the entire process that will allow it to achieve, in the networks in which it operates, the goals of renewable gas injection defined in PNEC 2030.

The first hydrogen injection project in the gas distribution network, presented in Portugal, was designated as - Green Pipeline Project - and is in an advanced stage of preparation, after some adjustments in its formulation, resulting from the interaction with the national authorities.

The year 2020 continued to be a year of investment in the development and adaptation of Information Systems, in order to enable the implementation of new features to adapt to regulatory requirements and robustness in the operation of the application.

GGND guaranteed the conditions for maintaining the certification of the Environment, Quality and Safety management system implemented in all the Group's Companies, continuing to demonstrate knowledge and understanding of the requirements applicable to its products and services, including the regulations, of the interested parties and its own and its customers' legal requirements.

5. Key indicators

	Unit	2020	2019	Var. YoY	%Var. YoY
Connection points	#	1 117 122	1 109 490	7 632	0.7%
Gas volume distributed	GWh	17 343	18 474	(1 130)	(6.1%)
Total network extension	km	13 323	13 194	129	1.0%
20bar network	km	790	789	0	0.0%
4bar network	km	12 533	12 404	129	1.0%
Service lines	#	352 146	349 813	2 333	0.7%
Employees	#	382	394	(12)	(3.0%)

thousands of €

	2020	2019 *	Var. YoY	%Var. YoY
EBITDA	94 227	103 438	(9 211)	(8.9%)
EBIT	44 464	55 951	(11 487)	(20.5%)
Net income	13 913	30 537	(16 624)	(54.4%)
Free cash flow [1]	50 212	15 688	34 524	220.1%
Net debt [2]	598 527	637 188	(38 661)	(6.1%)
Net fixed assets [3]	1 151 169	1 176 350	(25 181)	(2.1%)
CAPEX [4]	25 837	29 809	(3 972)	(13.3%)

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

[2] Bank debt + Bond loans - Cash and equivalents

[3] Tangible assets + Intangible assets (excluding Goodwill)

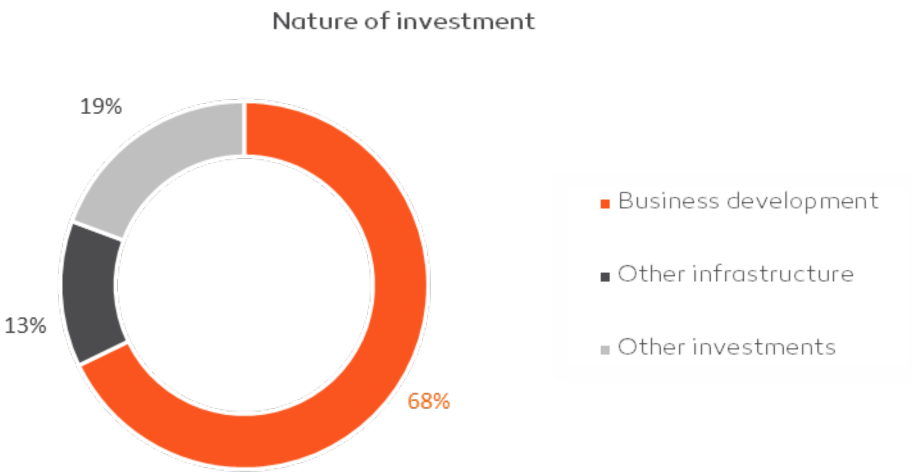
*2019 only includes the consolidation of Tagusgás as of the second semester

6. Operational activity

6.1 CAPEX

thousands of €

	2020	2019	Var. YoY	%Var. YoY
Business development	17 523	21 183	(3 660)	(17.3%)
Other infrastructure	3 317	4 367	(1 050)	(24.0%)
Other investments	4 997	4 259	737	17.3%
CAPEX	25 837	29 809	(3 973)	(13.3%)
IFRS 16	211	14 914	(14 703)	(98.6%)
CAPEX+IFRS16	26 048	44 723	(18 676)	(41.8%)



In 2020, total investment amount is € 25.8 m, a decrease of 13.3% (- € 4.0 m) YoY, demonstrating the execution plan's capacity for flexibility due to the effects of the COVID-19 pandemic that led to the postponement of some projects, but following the revised investment plan.

The development of the business represented 68% of the investment for the year, with c. € 17.5m invested in the expansion of the natural gas distribution network (+ 129 km of secondary network and +2,333 services lines) and the capture of new connnection points (+ 13,852) that connected for the first time to the distribution networks of GGND. 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.

In investment in other infrastructures, which amounted to € 3.3 m, the renovation of c. 6 km network, as well as reinforcements to the existing network.

This level of investment reflects the continued effort and contribution of GGND in the development of the sector, allowing a significant part of the population and economic activities to have access to a form of energy that is safe, competitive and able to operate in an increasingly decarbonized way, through injection of renewable gases.

6.2 Operation

Throughout 2020, GGND's operation was impacted by the effects of the pandemic, especially at the level of confinement, however the contingency measures implemented allowed to guarantee the continuity of security and supply, as well as the connection and access of users to the necessary infrastructure.

The effort to optimize the support processes for distribution activities was maintained to ensure their efficiency, allow the desired service quality levels and contribute to the satisfaction of customers supplied by GGND infrastructures.

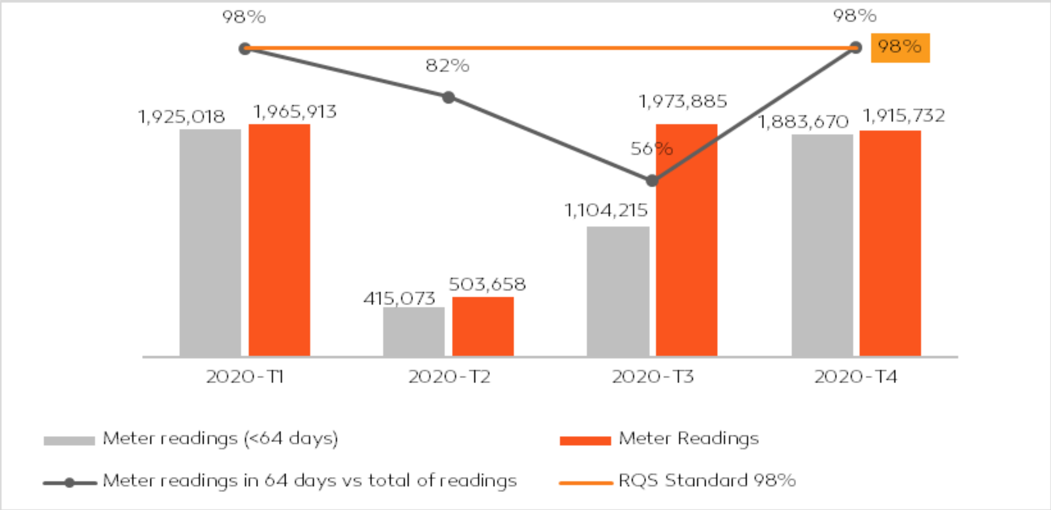
The number of connection points increased in net terms by 7,632 YoY, totaling 1,117,122 connectin points with an active contract at the end of 2020.

As previously mentioned, the volume of natural gas distributed in the distribution network amounted to 17,343 GWh, registering 6.1% YoY reduction, explained by the significant slowdown in economic activity caused by the effects of the pandemic.

	Unid.	2020	2019	Var. YoY	%Var. YoY
<10.000 m3/year	GWh	2 895	2 969	(74)	(2.5%)
>10.000 m3/year < 100.000 m3/year	GWh	570	738	(168)	(22.8%)
>100.000 m3/year	GWh	13 879	14 767	(889)	(6.0%)
Total		17 343	18 474	(1 130)	(6.1%)

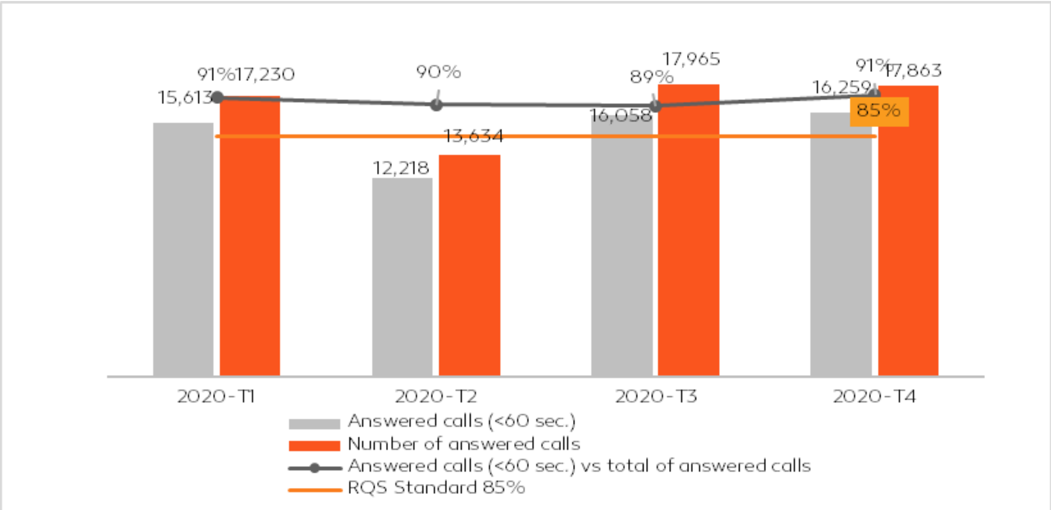
With the focus on Quality of Service to final customer, the companies controlled by GGND obtained the following individual indicators of Quality of Service for 2020, in view of the standards established by ERSE:

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



- ✓ The non-compliance with this indicator in the 2nd and 3rd quarters, resulted from the declaration of the state of national emergency in March 2020 and the application of the regulation of exceptional measures published by ERSE that were in force until June 30, 2020.
- ✓ Due to the nature of the indicator itself and the calculation method, this effect extended for a period longer than that in which the exceptional measures were in force.

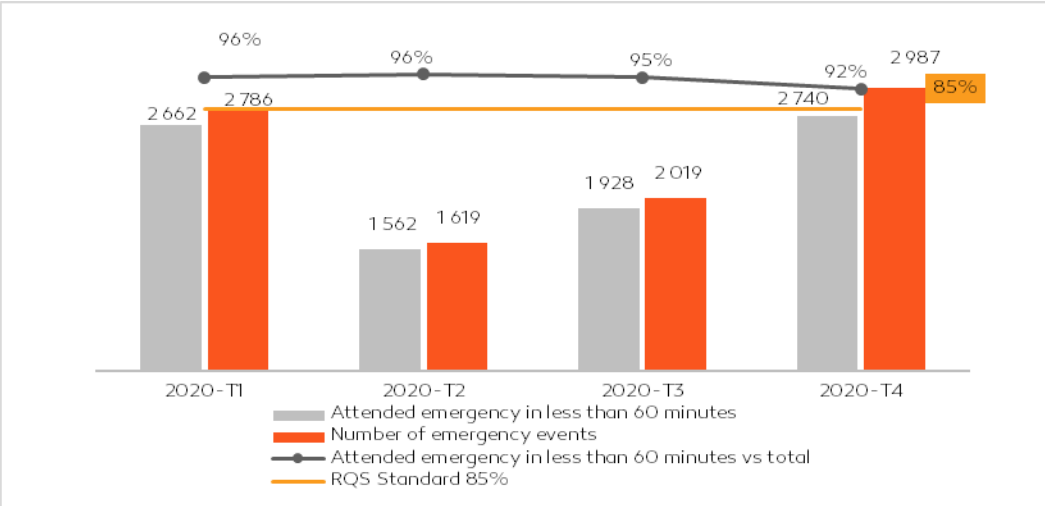
- Number of telephone calls attended in relation to emergencies and breakdowns with waiting time of 60 seconds or less



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

✓ The constant and consistent overcoming of this indicator reflects the criticality and relevance that GGND attributes to this service provided to consumers of natural gas

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

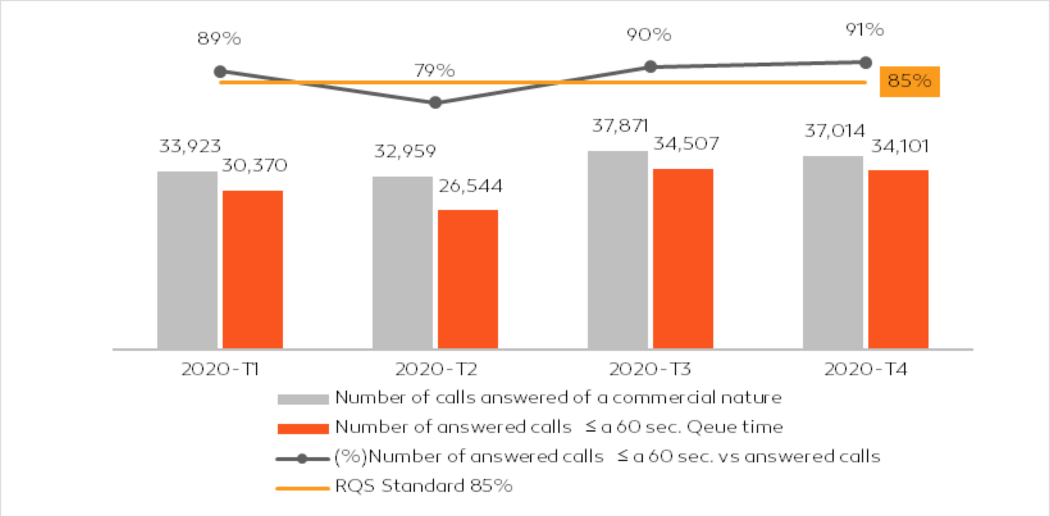


✓ Full compliance with the indicator, consistently and exceeding the minimum required by ERSE.
✓ Continuous reduction of emergency situations comparing homological quarters. There is an average reduction of approximately 16%, compared to the situations verified in 2019.

- 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 constant and consistent overcoming of this indicator reflects the criticality and relevance that GGND attributes to this service provided to consumers of natural gas.

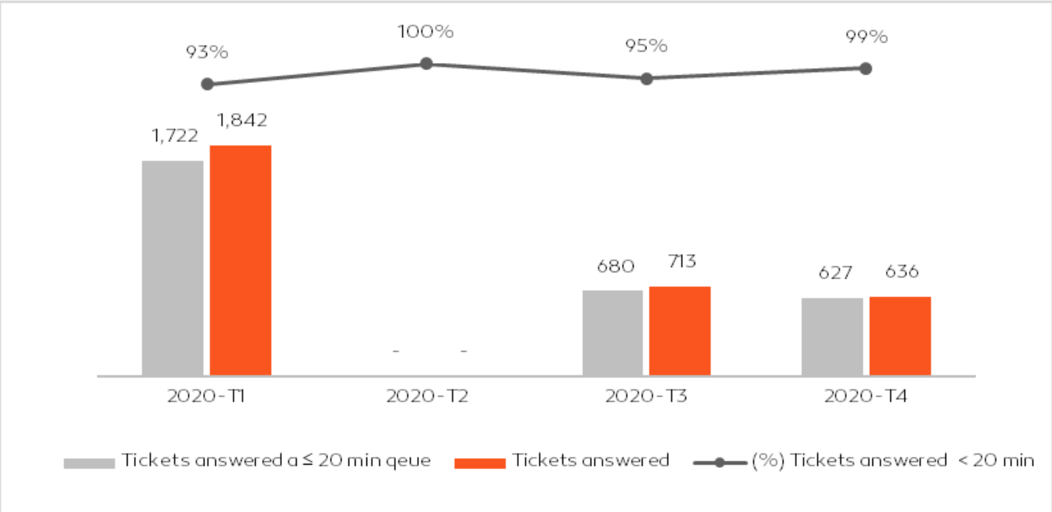
- Number of telephone calls concerning commercial issues with waiting time of 60 seconds or less



✓ Integral Compliance with the indicator and which consistently exceeds the minimum required by ERSE, except in the 2nd quarter.

✓ The performance in the 2nd quarter was strongly affected by the state of emergency of the Government in March 2020, leading to a decrease in the efficiency of the service due to teleworking regimes and a significant increase in communication of readings, exceeding the initial dimensioning of the teams.

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



✓ Non-standard indicator set by the Regulator.

✓ In general, compliance with the maximum deadlines established for waiting time for face-to-face assistance are observed.

- ✓ In addition, refer to the forced closure of the Call Centers during the 2nd quarter due to the confinement measures enacted by the Government for reasons of COVID-19 which also partially affected the 3rd quarter.

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

- ✓ Non-standard indicator set by the Regulator.
- ✓ In general, compliance with the maximum deadlines established for the time taken to respond to complaints is observed, with a slight increase in the number of complaints (about 3%) compared to 2019. However, the evolution points to a decrease taking into account the 4th quarter where, due to a change in typification, there was a decrease of about 6% compared to the 8% increase seen in the remaining 3 quarters.

7. Financial performance

7.1 Consolidated income

thousands of €

	2020	2019*	Var. YoY	%Var. YoY
Turnover	155 749	168 442	(12 693)	(7.5%)
Net operating costs	(61 522)	(65 004)	3 482	(5.4%)
Cost of sales	(2 632)	(3 090)	458	(14.8%)
External supplies and services	(46 305)	(47 856)	1 551	(3.2%)
Employee costs	(21 929)	(22 371)	442	(2.0%)
Other operating income (costs)	9 410	8 399	1 011	12.0%
Impairment loss on receivables	(66)	(86)	20	(23.2%)
EBITDA	**94 227**	**103 438**	**(9 211)**	**(8.9%)**
Amortisation, depreciation and imparment [1]	(49 600)	(46 849)	(2 751)	5.9%
Provisions	(163)	(637)	474	(74.5%)
EBIT	**44 464**	**55 951**	**(11 487)**	**(20.5%)**
Share results of investments	70	10 224	(10 154)	(99.3%)
Financial results [1]	(10 199)	(12 031)	1 832	(15.2%)
Profit before tax	**34 335**	**54 144**	**(19 809)**	**(36.6%)**
Taxes	(8 507)	(12 412)	3 906	(31.5%)
Energy sector extrordinary contribution	(11 915)	(11 195)	(721)	6.4%
Consolidated net income	**13 913**	**30 537**	**(16 624)**	**(54.4%)**
Non-controling interests	(645)	(850)	205	(24.1%)
Net income to GGND	**13 267**	**29 687**	**(16 419)**	**(55.3%)**

[1] Includes IFRS 16

*2019 only includes the consolidation of Tagusgás as of the second semester

GGND's **EBITDA** was € 94.2 m, a decrease of 8.9% YoY. This deviation, excluding the effects of compensating pass-through activities, is explained as follows:

- € 4.0 m positive effect resulting from the consolidation of Tagusgás;
- € 11.2 m decrease in the allowed revenue, due to the reduction in network access tariffs, essentially due to the reduction in RoR applied in 2020 of 4.76%, compared to 5.70% in RoR in 2019;
- € 3.0 m negative s-2 adjustment;
- Reduction of OPEX in c. € 1.5 m.

EBIT decreased 20.5% YoY to € 44.5 m, following the above and the € 2.8 m increase in depreciation and amortization, mainly due to the consolidation of Tagusgás.

In terms of results related to financial holdings, the negative variation was due to the recognition of the revaluation of the initial holding held in Tagusgás share held by the Group (41.33%) in the amount of € 9.9 m in 2019.

Financial results were negative by € 10.2 m, -15.3% YoY, reflecting the better conditions with the establishment of a new mandatory loan of € 70 million in 2019, which reduced the average cost of debt by 1.49% to 1.44%.

Net Income attributable to GGND shareholders reached € 13.3 m, minus 55.3% YoY.

The extraordinary contribution to the energy sector (CESE) in Portugal negatively impacted the results by € 11.9 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 in violation of the law, and the amounts are not required.

7.2 Cash Flow

thousands of €

	2020	2019*	Var. YoY	%Var. YoY
Cash and equivalents at the beginnig of the period	**42 705**	**48 105**	**(5 400)**	**(11.2%)**
Clients receipts	212 831	239 648	(26 817)	(11.2%)
Payments to suppliers	(69 366)	(78 302)	8 936	(11.4%)
Payments related to employees [1]	(24 439)	(25 174)	735	(2.9%)
(Payment)/Receipt of Income Tax	(4 052)	(13 059)	9 007	(69.0%)
Payment of value-added tax (VAT)	(24 492)	(30 204)	5 712	(18.9%)
Payment of underground taxes (TOS)	(15 700)	(18 662)	2 961	(15.9%)
Other operating (payments)/receipts	(1 500)	(1 364)	(136)	10.0%
Cash flows from operating activities	**73 282**	**72 883**	**400**	**0.5%**
Cash flow from capital expediture	(25 875)	(25 190)	(685)	2.7%
Changes in the consolidation perimeter	(446)	4 847	(5 293)	(109.2%)
Financial investments	2 805	(32 007)	34 812	(108.8%)
Interest and similar income	0	2	(2)	(99.9%)
Cash flows from investing activities	**(23 516)**	**(52 348)**	**28 832**	**(55.1%)**
Payment of loans	(5 270)	23 353	(28 623)	(122.6%)
Net financial expenses [2]	(10 322)	(12 390)	2 068	(16.7%)
Payment of dividends	0	(36 898)	36 898	(100.0%)
Cash flows from financing activities	**(15 592)**	**(25 935)**	**10 343**	**(39.9%)**
Net cash flow	**34 174**	**(5 400)**	**39 574**	**732.8%**
Cash and equivalents at the end of the period	**76 879**	**42 705**	**34 174**	**80.0%**

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

[2] Includes lease payments and lease interest (IFRS 16)

*2019 only includes the consolidation of Tagusgás as of the second semester

Total CFFO is €73,3 m, in line with YoY.

The € 26.8 m YoY reduction in client receipt was due to the 5.9% YoY reduction in volumes invoiced in all domestic segments -2.6%; tertiary -7.5% and industrial -6.3%, as well as the average tariff reduction of -4.0%; -18.9% and -21.3%, respectively.

The payment of income tax decreased by € 9 m YoY due to a lower current tax of 2019, which resulted, taking into account the payments on account made in that year, the determination of a balance receivable that carried over to 2020, taking to a reduction in payments in 2020.

Cash flows from investing activities reflects the receipt of the sale of Tagusgás Propano for the amount of € 2.1 m and reimbursement of shareholder loans in the amount of € 0.7 m. The variation in the level of investment activities is explained by the payment for the acquisition of Tagusgás in the amount of € 31.8 m in 2019.

Net cash flow was positive by € 34.2 m due to the non-distribution of dividends to shareholders in 2020, demonstrating the total commitment to a prudent financial management policy.

7.3 Financial position

thousands of €

	2020	2019	Var. YoY
Net fixed assets	1 151 169	1 176 350	(25 181)
Active use rights (IFRS 16)	12 309	13 915	(1 606)
Working capital [1]	26 331	18 316	8 015
Subsidies to investment	(214 527)	(223 476)	8 950
Other non-current assets (liabilities)	(128 050)	(106 310)	(21 740)
Capital employed	**847 232**	**878 795**	**(31 563)**
Short-term debt	1 098	5 268	(4 170)
Long-term debt	674 308	674 626	(318)
Total debt	**675 406**	**679 894**	(4 488)
Cash and equivalents	76 879	42 705	34 173
Net Debt	**598 527**	**637 188**	(38 661)
Leases (IFRS 16)	**12 702**	**14 129**	(1 427)
Equity	**236 002**	**227 477**	8 525
Equity, net debt and leases	**847 232**	**878 795**	(31 563)
Net Debt to equity	2.5x	2.8x	-

[1] Working capital = Current Assets - Current Liabilities (excluding Cash and equivalents, Short-term debt, Short-term leases and Short-term subsidies)

As of December 31, 2020, GGND's net fixed assets were € 1,151.2 m, a decrease of € 25 m YoY, because the level of CAPEX did not offset the depreciation and amortization for the year.

The working capital increased by € 8.0 m YoY, impacted by the increase in the short-term tariff deviation and recognition of the expected billing in c. € 20.0 m, deducted by the variation in income tax (- € 6.5m) and reduction in the balance of TOS to be recovered in the period of one year (- € 4.9m).

Other non-current assets / liabilities increased by € 21.7 m YoY to negative € 128.1 m, due to an increase in provisions related to CESE (€ 11.9 m) and the increase in c. € 6 m of liability for post-employment benefits due to changes in assumptions, namely reduction of the discount rate to 1.5%.

The capital employed by GGND decreased by € 31.6m YoY to € 847.2m, essentially reflecting the negative evolution of the net fixed assets mentioned above.

As of 31 December 2020, net debt stood at € 598.5 m, a decrease of € 38.7 m YoY, supported by cash generation during the period.

Liabilities related to operating leases stood at € 12.7 m.

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":

			Lock-up	Default
	2020	2019	Limits	
Net Debt[1] / EBITDA [2]	6.4x	6.2x	> 6,5x	> 7,0x
Debt Service Coverage Ratio [3]	5.2x	4.2x	< 2,0x	< 1,5x

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

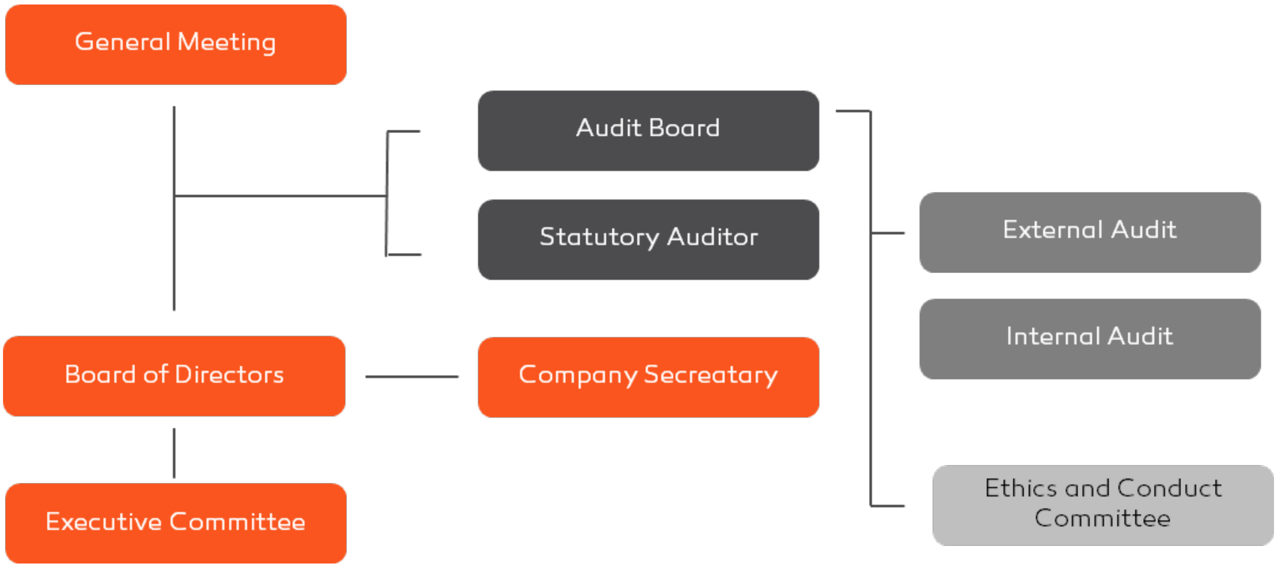
[2] EBITDA + Provisions

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

As of December 31, 2020, both ratios are within the established limits.

8. Corporate governance

8.1 Governance model



GGND adopts the classic monist corporate governance model composed of:

- General Meeting, which brings together the company's shareholders;
- Management, corresponding to a Board of Directors and an Executive Committee with delegated powers;
- Supervision, which comprises a Audit Board and a Statutory Auditor; and
- Company Secretary, in charge of specialized support for corporate bodies.

The company also has an Ethics and Conduct Committee composed of 3 members.

8.2 Qualifying interests in the company's share capital as at December 31, 2020

(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	No. of Shares	Nominal Value	%
Galp New Energies, S.A.	69 385 084	1,00 EUR	77.5%
MEET Europe Natural Gas, Lda.	20 144 057	1,00 EUR	22.5%
Total	89 529 141	1,00 EUR	100%

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 Internal control and risk management system

8.7.1 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, it is expected to carry out operational, compliance and financial audits, as well as reviews of information systems, in order to test the effectiveness of the existing internal control mechanisms, ensuring the appropriate conditions for maintaining a process of continuous improvement.

8.7.2 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 Audit Board, which approve them before they are disclosed.

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

8.7.3 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 Audit 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.

GGND is intensifying its risk analysis and management procedures, as well as internal control, considering its specific area of operation (Distribution and Commercialization of Gas), as well as the legislative and regulatory framework in which it operates.

In this context, there is a compliance program, a code of ethics and conduct and the respective procedure for the communication of irregularities throught the ethics line opentalk@ggnd.pt, as well as policies, namely anti-corruption and anti-money laundering policies that list the bligations and expected conduct, also terms of the management and minimizing the risks to which GGND and its subsidiaries are subject.

8.7.4 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 level of the counterpart, project and geography, according to the case.

Response strategies to specific situations are defined in order to ensure that risks are within the general guidelines acceptable to GGND and its subsidiaries.

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

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

9. Relevant events occurred after the closing of the year

In view of the current situation resulting from the COVID 19 outbreak, GGND management is monitoring the evolution of the situation through a monitoring group constituted specifically for this purpose and ensuring the implementation of the measures contained in its Contingency Plan, with adjustments necessary in view of the developments taking place at every moment. Measures have been taken to protect people and prevent the risk of contagion, considering Employees, Customers, Suppliers and other Stakeholders. They also aim at controlling operational risk, maintaining their activities and mitigating materially relevant financial impacts on GGND Group companies.

Regarding the process of changing the GGND shareholder structure, it is expected to happen in the first quarter of 2021.

10. Future outlook

The year 2021 still presents several uncertainties and fears regarding the evolution of the pandemic, which justify the maintenance of all care and respect for the COVID safety rules, but with hope in the developments of the vaccination process and, of improving safety for all.

It will also be a year of consolidation of the processes that allow us to successfully achieve the strategic guidelines of our operations:

- Develop our operations and services safely, efficiently and reliably.
- Ensuring the best levels of excellence in the customer experience, while developing the market connected to our networks, in line with the objectives of PDIRD (Development and Investment Plan for the Distribution Network) and maintaining the principles of support to the choice of investment in a logic of economic rationality, efficiency of investments that contribute favorably to the tariff level and to the sustainability of the SNG and allowing to make access to an increasingly decarbonized infrastructure available to the largest number of consumers and economic agents, fulfilling its Public Service mission.
- Promote the decarbonisation of our infrastructures and the energy transition, guaranteeing the sustainability and the relevant role of the gas networks, thus ensuring the profitability of this asset that will be prepared for an operation with renewable gases in the next years, in a phased replacement of the use of gas Natural.
- Act with full compliance with the legislation and regulations applicable to our activities, also promoting a positive social and environmental impact, in the areas and communities where we operate.
- Maintain a prudent financial policy with resilient profitability..

That is how we can fulfill our purpose of creating value for Customers, Employees, Shareholders, Investors and society in general, operating in the energy market with ambition, innovation and security, strongly based on the principles of an ethical and sustainable performance.

Let us be aware that the transformations that lie ahead are:

- inevitable, because the climate and energy transition policies promoted at European and national level are very clear and because this is also a purpose for the organization;
- and positive, because they represent a wide range of opportunities, provided that we demonstrate the ability to make the best use of the leadership position that we have in the gas distribution market in Portugal and provided that we demonstrate the ambition and ingenuity to be the driving force behind the transformation and change.

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 Audit Board and the Statutory Auditor for the effort and dedication with which they performed their duties.

Finally, and because they are the first, to our customers, for the trust they have placed in the GGND Group Companies, the GGND Board of Directors would like to express its recognition and ensure that everything will be done to improve the quality of service that is given provided.

12. Proposal of allocation of results

GGND closed the 2020 financial year with a positive net income of €20,699,521.12 (twenty milion, six hundred and ninety-nine thousand, five hundred and twenty-one euros and twelve 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 2020 should be appropriated as follows:

- Endowment to the legal reserve in the amount € 1,034,976.06
- Transfer to retained earnings in the amount of € 19,664,545.06

It is further proposed that a maximum amount of €1,952,599.92 be distributed to GGND Group's employees 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 2020 having been calculated already considering that amount.

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, 2021

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 2020.
As at 31 December 2020, GGND did not hold any of its own shares.

13.1.2 Shareholder position of the members of the administration and supervisory bodies as of December 31, 2020

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

As at 31 December 2020, 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, audit board and board of general meeting of the Company in 2020

(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 2020 by the members of the Company's Board of Directors, Audit Board and Board of the General Meeting of the Company currently in office, is presented in the table below.

Directors

Unit. EUR

Name	Position	Fixed Remuneration [1]	Other Remunerations [2]	Variable Remuneration	Total
Maria Leonor Machado	Non-executive vice-chairman	28 000			28 000
Gabriel Sousa	Executive director (CEO)	126 000	2 517	25 000	153 517
Yoichi Onishi	Executive director (CFO)	108 000	65 613	19 000	192 613
José Vieira	Executive director (COO)	99 808	2 342	19 000	121 150
	Total	**361 808**	**70 472**	**63 000**	**495 280**

(1) Includes amounts related to Salary, Holiday Allowance and Christmas Allowance

(2) Includes amounts related to Food Allowance and amounts associated with impatriation

Audit Board

Unit. EUR

Name	Position	Fixed Remuneration
Daniel Bessa	Presidente	42 000
Armindo Marcelino	Vogal	18 000
	Total	**60 000**

Board of General Meeting

Unit. EUR

Name	Position	Attendance fees
Ana Perestrelo	Presidente	1 500
Rafael Lucas Pires	Secretário	500
	Total	**2 000**

Statutory Auditor/External Auditor

The value of audit services in 2020 amounted to €96.800 and the value of services other than auditing to €20.800.

In 2020, 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 companies for regulatory purposes.

In 2020, distinct auditing services accounted for 20.3% of the average value paid to the External Auditor in 2017, 2018 and 2019 for financial audit services provid to GGND and entities under GGND control in the same period (below the limit of 70% established in Article 4 (2) of EU Regulation No. 537/2014).

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 2020 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, 2021

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 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 2020 Management Report, which includes the report on corporate governance, the non-financial information, 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 regard to the year ended December 31, 2020.

During 2020, we have met with the Statutory Auditor/External Auditor of the Company, monitoring the performance of their supervising role.

We have monitored the process of preparation and disclosure of financial statements, as well as the legal certification of the individual and consolidated annual accounts.

We have verified and supervised the independence of the Statutory Auditor / External Auditor, in compliance with the applicable law, in particular, verifying and approving the provision of non-audit services.

We have reviewed the Statutory Audit Report and Auditors' Report on the individual and consolidated financial statements for the financial year 2020, with which we agree.

Pursuant to article 245, paragraph 1, item c), of the Portuguese Securities Code and article 420, paragraph 6, of the Commercial Companies Code, each of the below indicated members of the Audit Board declares that, to the extent of his knowledge, the management report, the annual financial statements, the statutory audit report and auditors' report and any further accounting documents regarding the year of 2020 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 2020 Management Report on corporate governance includes the elements referred to in article 245-A, paragraph 6 of the Portuguese 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 of the departments of the Company, 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 2020 Management Report, the Individual and Consolidated Financial Statements and the proposal of allocation of the individual net income for the financial year 2020, so we are of the opinion that it should be approved at the General Shareholders' 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, 2021

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 2020

In accordance with the of paragraph 1 item g) of article 420 of the Portuguese Commercial Companies Code (CSC) and of paragraph 1 item g) of article 6 of the regulations of the Audit Board of Galp Gás Natural Distribuição, S.A. (GGND), the Audit Board hereby presents its report on the supervisory activity performed during the financial year of 2020.

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, item a) and 413, paragraph 1, item 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 current Audit Board in office was elected at the General Shareholders' Meeting held on May 15, 2019, for the 2019-2021 term of office, being composed by three members, all independent, in accordance with the criteria set out in paragraph 5 of article 414 of the CSC.

All members of the Audit Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the CSC.

II. Activity performed by the Audit Board in relation to the financial year 2020

In 2020, the Audit Board held 9 meetings and participated in 4 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 Management of GGND, with the person responsible for the internal audit function of the Group (Chief Audit Executive), with the Ethics and Conduct Committee (CEC), 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, the risk management system of the GGND Group, the main litigation processes with possible impact on the financial statements of the Group, the internal audit activities of the GGND Group, through the Chief Audit Executive (CAE), and the application of the Code of Ethics and

Conduct, through the CEC.

During the year 2020, the Audit also monitored the functioning of the corporate governance system adopted by GGND and the 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., which is responsible for preparing the financial information, without any constraints have arisen in the performance of their duties.

The Audit Board carried out the verification of the accuracy of the financial statements and the reliability of the financial information and the monitoring of compliance with accounting policies, criteria and practices through the analysis of the reports prepared by the Statutory Auditor/External Auditor.

During 2020, the Audit Board carried out several activities of monitoring, supervision and evaluation of the operation and adequacy of internal control systems, risk management and internal audit of GGND, and also monitored the implementation by the Company of measures aimed at improving internal control in response to recommendations from the Chief Audit Executive and the External Auditor.

The Audit Board considers that the Company has made a continuous effort to improve the risk management systems, namely through the monitoring of the GGND Risk Matrix, internal control and internal audit, supporting the execution of the respective annual audit plan. This year, the uncertainties generated by the pandemic caused by SARS-CoV-2 required the Company to undertake additional work on the impacts, risks and mitigation measures associated with the new coronavirus (Covid-19).

In 2020, 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 it 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 a prior opinion of this Body is necessary, having confirmed that the independence of the External Auditor was ensured. These services represented 18.0% compared to the audit services provided in 2020, 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 2020 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 issued and competence of the development of the procedures performed.

Lisbon, March 24th, 2021

Chairman
Daniel Bessa

Member
Armindo Marcelino

Member
Pedro Antunes de Almeida

13.4 Consolidated Financial Statements

13.4.1 Consolidated financial statements and notes to the consolidated financial statements as at December 31, 2020

Galp Gás Natural Distribuição, S.A.

Consolidated Financial Statements as at 31 December 2020

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Consolidated Statement of Financial Position

Galp Gás Natural Distribuição, S.A.

Consolidated statement of financial position as at 31 December 2020 and 31 December 2019

(Amounts stated in thousand Euros - € k)

Assets	Notes	2020	2019
Non-current assets:			
Tangible assets	5	469	917
Goodwill	9	2,275	2,275
Intangible assets	6	1,150,700	1,175,433
Right-of-use of assets	7	12,309	13,915
Deferred tax assets	17	17,788	15,582
Other receivables	12	25,831	28,265
Other financial assets	13	7	6
Total non-current assets:		**1,209,378**	**1,236,393**
Current assets:			
Inventories	11	2,097	1,995
Trade receivables	12	10,626	11,334
Other receivables	12	59,141	42,714
Current income tax receivable	17	-	2,594
Cash and cash equivalents	14	76,879	42,705
Total current assets:		**148,743**	**101,342**
Total assets:		**1,358,121**	**1,337,735**

Equity and Liabilities	Notes	2020	2019
Equity:			
Share capital	23	89,529	89,529
Reserves	23	11,045	9,454
Retained earnings		115,476	108,905
Total equity attributable to shareholders:		**216,050**	**207,888**
Non-controlling interests	24	19,952	19,590
Total equity:		**236,002**	**227,477**
Liabilities:			
Non-current liabilities:			
Financial debt	15	674,308	674,626
Lease liabilities	7	11,635	13,014
Other payables	16	215,830	220,718
Post-employment and other employee benefit liabilities	18	66,253	60,295
Deferred tax liabilities	17	19,471	20,496
Provisions	19	77,713	65,190
Total non-current liabilities:		**1,065,210**	**1,054,340**
Current liabilities:			
Financial debt	15	1,098	5,268
Lease liabilities	7	1,068	1,115
Trade payables	16	9,216	9,596
Other payables	16	41,638	39,940
Current income tax payable	17	3,889	-
Total current liabilities:		**56,909**	**55,918**
Total liabilities:		**1,122,119**	**1,110,258**
Total equity and liabilities:		**1,358,121**	**1,337,735**

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

Consolidated Statement of Income and Comprehensive Income

Galp Gás Natural Distribuição, S.A.
Consolidated statement of Income and comprehensive income for the years ended 31 December 2020 and 31 December 2019
(Amounts stated in thousand Euros - € k)

	Notes	2020	2019
Sales	25	4,628	6,235
Services rendered	25	151,120	162,207
Other operating income	25	35,009	39,290
Financial income	28	159	203
Earnings from associates	10	70	10,224
Total revenues and income:		**190,986**	**218,159**
Cost of sales	26	(2,632)	(3,090)
Supplies and external services	26	(46,305)	(47,856)
Staff costs	27	(21,929)	(22,371)
Amortisation, depreciation and impairment losses on fixed and right-of-use assets	26	(49,600)	(46,849)
Provisions and impairment losses on accounts receivables	26	(229)	(723)
Other operating costs	26	(25,598)	(30,891)
Financial expenses	28	(10,358)	(12,234)
Total costs and expenses:		**(156,651)**	**(164,015)**
Profit before taxes and other contributions:		**34,335**	**54,144**
Income Tax	17	(8,507)	(12,412)
Energy sector extraordinary contribution	19	(11,915)	(11,195)
Consolidated net income for the year		**13,913**	**30,537**
Income attributable to:			
Galp Gás Natural Distribuição, S.A. Shareholders		13,267	29,687
Non-controlling interests	24	645	850
Basic and Diluted Earnings per share (in Euros)		0.15	0.33

	Notes	2020	2019
Consolidated net income for the year		**13,913**	**30,537**
Items which will not be recycled in the future through net income:			
Remeasurements - pension fund	18	(6,278)	(4,305)
Income taxes related to remeasurements	17 & 18	1,173	722
Other changes		-	25
Items which may be recycled in the future through net income:			
Hedging reserves		-	292
Income taxes related to the items above		-	(73)
Total Comprehensive income for the year, attributable to:		**8,808**	**27,198**
Galp Gás Natural Distribuição, S.A. Shareholders		8,163	26,325
Non-controlling interests		645	873

The accompanying notes form an integral part of the consolidated statement of income and 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 2020 and 31 December 2019
(Amounts stated in thousand Euros - € k)

	Notes	Share capital	Reserves		Retained earnings	Sub-total	Non- controlling interests (Note 24)	Total
			Hedging reserves	Other reserves				
As at 1 January 2019		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
As at 31 December 2019		89,529	-	9,454	108,905	207,888	19,590	227,477
Consolidated net income for the year		-	-	-	13,267	13,267	645	13,913
Other gains and losses recognised in equity	18	-	-	-	(5,105)	(5,105)	-	(5,105)
Comprehensive income for the year		-	-		8,163	8,163	645	8,808
Dividends distributed		-	-	-	-	-	-	-
Increase/decrease in capital reserves	23	-	-	1,592	(1,592)	-	(283)	(283)
Balance as at 31 December 2020		89,529	-	11,045	115,477	216,051	19,952	236,002

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 2020 and 31 December 2019

(Amounts stated in thousand Euros - € k)

	Notes	2020	2019
Operating activities:			
Cash received from customers		212,831	239,648
(Payments) to suppliers		(69,366)	(78,302)
(Payments) relating to tax on oil products ("ISP")		(602)	(398)
(Payments) relating to VAT		(24,492)	(30,204)
(Payments) relating to staff		(24,439)	(25,174)
(Payments) of income taxes	17	(4,052)	(13,059)
Other receipts relating to the operational activity		(16,598)	(19,628)
Cash flow from operating activities (1)		**73,282**	**72,883**
Investing activities:			
Cash received from disposals of tangible and intangible assets		23	37
(Payments) for the acquisition of tangible and intangible assets		(25,898)	(25,227)
Cash changes due to changes in the consolidation perimeter		(446)	4,847
Cash received relating to financial investments		2,835	-
(Payments) relating to financial investments		(30)	(32,007)
Cash received from interests and similar income		-	2
Cash flow used in investing activities (2)		**(23,516)**	**(52,348)**
Financing activities:			
Cash received from loans obtained		-	70,000
(Payments) related to loans obtained	15	(5,270)	(46,647)
(Payments) from interests and similar costs		(9,110)	(11,170)
Payments related to leases	7	(767)	(787)
Payments related to interests - leases	7	(384)	(433)
Dividends paid		-	(36,898)
Other financing operations		(61)	-
Cash flow used in financing activities (3)		**(15,592)**	**(25,935)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		34,174	(5,400)
Cash and cash equivalents at the beginning of the year	14	42,705	48,105
Cash and cash equivalents at the end of the year	**14**	**76,879**	**42,705**

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

Notes to the consolidated financial statements as at 31 December 2020

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. (nowadays Galp New Energies, 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 28 July 2016 between Galp Energia SGPS, S.A., through its subsidiary Galp New Energies, S.A. and Marubeni Corporation and Toho Gas Co. Ltd..

In October 2020, Galp New Energies, S.A. agreed with Allianz Capital Partners, on behalf of the insurance companies of Allianz and the Allianz European Infrastructure Fund, to sell 75.01% of its stake in GGND, with the remaining 2.49% of GGND's share capital to be held by Galp through its subsidiary Galp New Energies, S.A.. On the present date and in accordance with the information available to the Company, this transaction has not yet been formally completed and, as such, the shareholder structure as of 31 December 2020 remains unchanged.

Gas Activity

The business segment of 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, five of them which operates through a concession contract for 40 year starting from 2008 (until 2047), and the remaining through 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 $2Mm^3$/year, if they chose to maintain in the regulated tariff regime, for 20 year, starting from 1st January 2008 to 2027.

Of note from the gas sector legislation applicable are Decree-Law No. 62/2020, of 28 August, which governs the organisation of the sector and defines the bases for its operation, consolidating and revising Decree-Law No. 30/2006, of 15 February, and Decree-Law No. 140/2006, of 26 July, as well as Ordinance No. 83/2020, of 1 April, which extends the periods for the extinction of the transitory tariffs applicable to natural gas supplies in end clients with annual consumptions in excess of 10 000 m3, to 2022 and to end clients with annual consumptions under or equal to 10 000 m3, to 2025.

Also noteworthy is the approval of the first amendment to the Tariff Regulation for the natural gas sector (according to Regulation no. 455/2020, published in the Diário da República, 2nd series - no. 90/2020, of 8 May), the approval of a revision of the Regulation of Commercial Relations of the Electric and Gas Sectors (according to Regulation No. 1129/2020, published in the Diário da República, 2nd series - No. 252/2020, of 30 December) and the approval of natural gas' Tariffs and Prices for gas-year 2020-21, according to Directive No. 11/2020, published in the Diário da República, 2nd series - No. 122/2020, of 25 June.

Within the scope of the referred legislation, the Group develops the Gas Distribution Activity ("ADG") and the Network Access Activity ("AAR") in the scope of its Distribution Network Operator ("ORD") activity, and the Gas Commercialisation Activity, in the scope of its Last Resort Commercialisation Retailer ("CURR"), which includes the following functions: (i) Purchase and Sale of gas ("FCVG"); (ii) Purchase and Sale of Network Access ("FCVAR"); (iii) and Commercialisation of gas ("FCG").

The activities of the Group's companies are supported through the application of regulated tariffs approved annually by ERSE, based on the regulated revenue. While ORD are remunerated by tariffs to be billed to their customers, which include the Global System Use tariff ("UGS"), the Transport Network Use tariff ("URT"), the Distribution Network Use tariff ("URD"), and the tariff for the Logistics Operation for the Change of Merchant ("OLMC"), and, while CURR, are also remunerated by the Energy tariff and the Commercialization 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 2020. 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.

Judgments and estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates 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 expenses recognised each year. The actual results could be different depending on the estimates currently 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 a high susceptibility of these situations to changes; 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 the financial statements are: (i) impairment of goodwill, tangible and intangible assets and right-of-use assets (Notes 5, 6, 7 and 9); (ii) provisions for contingencies (Note 19); (iii) demographic and financial assumptions used to calculate liabilities for retirement benefits (Note 18); (iv) impairment of accounts receivable (Note 12); (v) useful lives and residual values of intangible assets (Notes 5 and 6) and (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 Statement of Income in the same captions where the revenue and expenses associated with these transactions are reflected.

Basic and diluted earnings per share

The basic earnings per share are calculated based on the division of profits or losses attributable to holders of the Company's common equity by the weighted average number of outstanding common shares during the period. For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to holders of the Company's common equity, as well as the weighted average number of outstanding shares, for the purposes of all potential diluting common shares. In the period covered by these financial statements, there were no dilutive effects with an impact on net earnings per share, so this is equal to the basic earnings per share.

3. Impact of the application of new or amended International Financial Reporting Standards

3.1. ADOPTION OF NEW IFRS IN 2020

Adoption of the amendment to IFRS 16 – Covid-19-related rent concessions

On 28 May 2020, the International Accounting Standards Board issued the Covid-19-related rent concessions amendment to IFRS 16 Leases.

The amendment allows lessees, as a practical expedient, not to assess whether a rent concession made by the lessor related to Covid-19 is a modification of the lease agreement and to account for rent concessions as if they were not a modification of the lease.

The practical expedient is applicable to rent concessions directly related to the Covid-19 pandemic, and only when all the conditions below are met:

- the change in the lease payments results in a revised lease rent that is substantially equal to or less than the rent prior to the change;
- any reduction in the lease payments affects only payments due on or before 30 June 2021; and
- there are no substantive changes in the other lease terms and conditions.

The Group decided to use the practical expedient and accounts for any change in lease payments resulting from the granting of Covid-19-related rent concessions in the same way that it would respond to a change under IFRS 16 if such change were not a modification of the lease. Rent concessions are recognised in other operating income. At the year ended 31 December 2020, no Covid-19-related rent concessions were recognized.

The amendment applies to accounting periods beginning on or after 1 June 2020. As the earlier application is permitted, the Company applied the amendment to the accounting period ended on 31 December 2020.

3.2 New standards and interpretations endorsed and published by the European Union

The IFRSs endorsed and published in the Official Journal of the European Union ("OJEU") during the year 2020 and enforceable for accounting purposes in subsequent years are presented in the table below:

IAS	Publication date in OJEU	Accounting application date	Enforce-ment year	Observations
Amendment to IFRS 4 Insurance contracts – temporary exemption from the application of IFRS 9	16/12/2020	01/01/2021	2021	Not applicable.

The IFRSs endorsed and published in the OJEU applicable in the year 2020 are presented in the table below:

IAS	Publication date in OJEU	Accounting application date	Enforce-ment year	Observations
Amendment to IFRS 16 Covid-19-related rent concessions	12/10/2020	01/06/2020	2020	Applicable, but without relevant accounting impacts.
Amendment to IFRS 3 Definition of a business	22/04/2020	01/01/2020	2020	Without relevant accounting impacts.
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform	16/01/2020	01/01/2020	2020	Without relevant accounting impacts.
Amendments to IAS 1 and IAS 8: Definition of material	10/12/2019	01/01/2020	2020	Applicable, but without relevant accounting impacts.
Amendments to IFRSs arising from the publication of the Conceptual Framework	10/12/2019	01/01/2020	2020	Applicable, but without relevant accounting impacts.

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 2020, is comprised by Galp Gás Natural Distribuição, S.A. 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 (Note 25 for further details on the Gas activity).

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 2020 and 2019, is presented as follows:

Unit: € k

	Consolidated		Gas		Others		Consolidation adjustments	
	2020	2019	2020	2019	2020	2019	2020	2019
Sales and services rendered	155,748	168,442	155,084	167,908	13,671	12,636	(13,006)	(12,103)
Cost of sales	(2,632)	(3,090)	(2,632)	(3,090)	-	-	-	-
Other Revenue and expenses	(58,890)	(61,914)	(59,447)	(62,578)	(12,513)	(11,530)	13,070	12,194
EBITDA	94,227	103,438	93,005	102,241	1,158	1,106	64	91
Amortisation, depreciation and impairment losses	(49,600)	(46,849)	(48,595)	(46,068)	(1,005)	(781)	-	-
Provisions (net)	(163)	(637)	(163)	(637)	-	-	-	-
EBIT	44,464	55,951	44,246	55,535	154	325	64	91
Earnings from associated companies	70	10,224	-	-	-	-	-	-
Other financial results	(10 199)	(12,031)	-	-	-	-	-	-
Income taxes	(8,507)	(12,412)	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(11,915)	(11,195)	-	-	-	-	-	-
Consolidated net income, of which:	13,913	30,537	-	-	-	-	-	-
Attributable to non-controlling interests	(645)	(850)	-	-	-	-	-	-
Attributable to shareholders of Galp Gas Natural Distribuição S.A.	13,267	29,687	-	-	-	-	-	-
OTHER INFORMATION								
Segment Assets [(1)]								
Investments in associated companies [(2)]	2,278	2,278	3	3	2,275	2,275	-	-
Other assets	1,355,843	1,335,457	1,308,042	1,310,722	201,689	525,384	(155,050)	(500,649)
Segment Assets	1,358,121	1,337,735	1,308,042	1,310,725	203,964	527,659	(155,050)	(500,649)
of which Rights of use of assets	12,309	13,915	6,978	7,786	5,331	6,129	-	-

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, considering 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 Statement of income for 2020 and 2019 is as follows:

Unit: € k

Segment Information			Statement of income		
	2020	2019		2020	2019
Sales and services rendered	155,749	168,442	Sales	4,628	6,235
			Services rendered	151,120	162,207
Cost of sales	(2,632)	(3,090)	Cost of sales	(2,632)	(3,090)
Other income and expenses	(58,890)	(61,914)	Other operational Income	35,009	39,290
			External supplies and services	(46,305)	(47,856)
			Employee costs	(21,929)	(22,371)
			Impairment losses on receivables	(66)	(86)
			Other operational costs	(25,598)	(30,891)
EBITDA	94,227	103,438	Operating Income before Amortisations and provisions	94,227	103,438
Amortisation, depreciation and impairment losses on fixed assets	(49,600)	(46,849)	Amortisation, depreciation and impairment losses on fixed assets	(49,600)	(46,849)
(Net) Provisions	(163)	(637)	(Net) Provisions	(163)	(637)
EBIT	44,464	55,951	Operational Income	44,464	55,951
Earnings from associates	70	10,224	Earnings from associates	70	10,224
Other financial results	(10,199)	(12,031)	Financial results	(10,199)	(12,031)
Income taxes	(8,507)	(12,412)	Income Taxes	(8,507)	(12,412)
Energy Sector Extraordinary Contribution	(11,915)	(11,195)	Energy Sector Extraordinary Contribution	(11,915)	(11,195)
Net Income	13,913	30,537	Net Income	13,913	30,537

5. Tangible assets

Accounting policies

Recognition

Tangible assets acquired up to 1 January 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 1 January 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, considering, where applicable, the concession period.

The average effective annual depreciation rate used for Buildings and other constructions is 2% for 2020 and 2019.

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 statement of income 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 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 statement of income under the item of depreciation, depreciation, impairment losses of assets and right-of-use 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 2020				
Acquisition cost	938	-	-	938
Accumulated depreciation	(469)	-	-	(469)
Net Value	**469**	**-**	**-**	**469**
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**

Unit: € k

	Land, natural resources and buildings	Basic equipment	Assets under construction	Total
Balance as at 1 January 2020	**488**	**426**	**3**	**917**
Additions	-	-	-	-
Depreciation and impairment	(19)	(29)	-	(48)
Other adjustments (perimeter variations)	-	(397)	(3)	(400)
Balance as at 31 December 2020	**469**	**-**	**-**	**469**
Balance as at 1 January 2019	**507**	**-**	**-**	**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**

The other adjustments in the amount of € 400 k in the caption Basic equipment and Assets under construction are essentially due to the change in perimeter due to the of Tagusgás Propano to Petrogal S.A. (Note 32).

6. Intangible assets

Accounting policies

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 gas, namely gas distribution networks, are being amortized over the period of 45 years.

The Group capitalizes the expenses related to the conversion of consumption to 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 under construction	Concession Agreement: Other concession agreements	Concession Agreement: Total concession agreement	Other intangible assets	Total
As at 31 December 2020									
Acquisition cost	12,673	12,222	1,340,811	619,518	1,424	25,643	2,012,290	2,105	2,014,395
Accumulated amortisation	(4,576)	(7,212)	(559,644)	(267,244)	-	(23,756)	(862,432)	(1,263)	(863,695)
Net Value	**8,097**	**5,010**	**781,167**	**352,274**	**1,424**	**1,886**	**1,149,858**	**842**	**1,150,700**
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**

Unit: € k

	Lands	Buildings	Basic Equipment	NG Consumption reconversion	Assets under construction	Concession Agreement: Other concession agreements	Concession Agreement: Total Concession Agreement	Other Intangible assets	Total
Balance as at 1 January 2020	**8,364**	**5,321**	**791,704**	**364,604**	**2,696**	**2,059**	**1,174,750**	**684**	**1,175,433**
Additions	-	-	1,545	250	22,875	241	24,911	925	25,837
Amortisation and impairment	(267)	(369)	(30,799)	(15,822)	-	(749)	(48,007)	(614)	(48,621)
Write-offs	-	-	(1,438)	(349)	-	(10)	(1,796)	-	(1,796)
Other adjustments (Transfers)	-	58	20,155	3 591	(24,148)	345	-	(153)	(153)
Balance as at 31 December 2020	**8,097**	**5,010**	**781,167**	**352,274**	**1,424**	**1,886**	**1,149,858**	**842**	**1,150,700**
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**	**1,175,433**

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. Lease payments included in the measurement of the lease liability includes the following:

- 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.

Amortization

The right-of-use asset is subsequently amortization 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 2020			
Acquisition cost	13,508	648	14,156
Accumulated amortisation	(1,504)	(343)	(1,847)
Net Value	**12,004**	**306**	**12,309**
As at 31 December 2019			
Acquisition cost	14,383	532	14,914
Accumulated amortisation	(777)	(222)	(999)
Net Value	**13,606**	**309**	**13,915**

The movements occurred during the period are as follows:

Unit: € k

	Buildings	Other rights of use	Total
Balance as at 1 January 2019	**15,415**	**465**	**15,880**
Additions	-	94	94
Amortisations	(777)	(222)	(999)
Other adjustments	(1,032)	(28)	(1,061)
Balance as at 31 December 2019	**13,606**	**309**	**13,915**
Balance as at 1 January 2020	**13,606**	**309**	**13,915**
Additions	-	211	211
Amortisations	(731)	(200)	(931)
Other adjustments	(871)	(15)	(886)
Balance as at 31 December 2020	**12,004**	**305**	**12,309**

Lease liabilities are as follows:

Unit: € k

	2020	2019
Maturity analysis – contractual undiscounted cash flow	**17,005**	**18,060**
Less than one year	1,083	1,130
One to five years	3,854	4,096
More than five years	12,069	12,833
Lease liabilities included in the consolidated statement of financial position	**12,702**	**14,129**
Current	1,068	1,115
Non-current	11,635	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 statement of income for the year present the following detail:

Unit: € k

	Note	2020	2019
		982	801
Leases interests	28	383	429
Expenses related to short term, low value and variable payments of operating leases [1]		599	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

	2020	2019
Financing activities	1,151	1,220
Payments relating to leases	767	787
Payments relating to leasing interests	384	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 Consolidated statement of income 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	2020	2019
Programmes		427,671	427,671
Energy Program (“Programa Energia”)		103,689	103,689
Protede		19,708	19,708
Operational Economy Program (“Programa Operacional Economia“)		303,393	303,393
Proalgarve-FEDER		882	882
Accumulated amount recognised as income		(213,144)	(204,195)
Amount to be recognised	16	214,527	223,476

During the years ended 31 December 2020 and 2019, the amounts of € 8,950 k and € 8,784k, respectively, were recognized in the consolidated statement of income (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 statement of income.

The difference between the payment amount of the participation in the Group companies and the fair value of their equity was, in 31 December 2020 and 2019 as follows:

Unit: € k

	2020	2019
	2,275	2,275
Duriensegás - Soc Distrib. de Gás Natural do Douro, S.A.	1,640	1,640
Lusitaniagás - Companhia Gás do Centro, S.A.	585	585
Beiragás - Companhia Gás das Beiras, S.A.	50	50

Goodwill impairment analysis

In the Goodwill impairment analysis, the carrying value of Goodwill is allocated to the respective cash generating unit (CGU). The recoverable amount of Goodwill is estimated based on the value in use, which is determined by updating the estimated future cash flows of the cash generating unit. The recoverable amount is estimated for the cash generating unit to which it may belong, according to the discounted cash flow method. The discount rate used to update discounted cash flows reflects the Group's Weighted Average Cost of Capital (WACC) for the business segment to which the cash generating unit belongs to.

Cash generating unit	Valuation Model	Cash flows	Discount rates	
			2020	2019
Financial Investments (included in the concession period)	DCF (Discounted Cash Flow) or RAB	In accordance with the budget for 2021 and the four-year strategic plan	5.6%	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

During the first half of the year GGND sold Tagusgás Propano, S.A. to Petrogal, S.A., resulting in a gain of € 70 k (Note 25). Along with the calculation of the gain, a reversal of deferred tax liabilities was generated in the amount of € 443 k, resulting from the initial determination of fair value from the purchase of Tagusgás Propano in 2019. This positive tax reversal was recognized in the income tax caption in the statement of income. Thus, the aggregate impact of this sales operation in the statement of income at 31 December 2020 amounted to € 513 k.

11. Inventories

Accounting policies

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

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 2020 and 31 December 2019:

Unit: € k

	2020	2019
	2,097	1,995
Raw, subsidiary and consumable materials	2,174	2,047
Goods	8	57
Decrease in inventories	(84)	(109)

As at 31 December 2020, raw, subsidiary and consumables materials, in the amount of € 2,174 k, essentially corresponds to materials to be used in the construction of the Group's infrastructure.

Goods, in the amount of € 8 k, corresponds essentially to natural gas held in the regasification units ("UAG").

The change in Decrease in inventories in the amount of € 25 k was recognized in operating costs in the statement of income (Note 26).

12. Trade and Other receivables

Accounting policies

Accounts receivable are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised in Provision and impairment losses of 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 Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses the lifetime expected losses for all accounts receivable. Accounts receivable were grouped by business segment (common credit risk characteristics) for the purpose of assessing the expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the clients' credit risk profiles. The credit risk analysis is based on the annual probability of default and considers the clients' credit risk profiles. The probability of default represents an annual probability of default, reflecting the current and projected information and considering macroeconomic facts.

Accounts receivable are adjusted for Management's estimate of the credit risks as at the statement of financial position date.

Credit risk

For credit risk purposes, if trade and other receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit risk assessment considers the credit quality of the client, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings, in accordance with limits set by Management. Clients' compliance with credit limits is regularly monitored by Management.

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

Trade receivables

The caption Trade receivables, on 31 December 2020 and 2019, presented the following detail:

Unit: € k

		2020	2019
		10,626	11,334
Trade receivables		11,377	12,394
Allowance for doubtful accounts		(751)	(1,060)
Ageing of trade receivables	Exposure to risk	10,626	11,334
Not yet due	Low	6,202	10,573
Overdue up to 180 days	Medium	3,433	694
Overdue between 181 days and 365 days	High	389	21
Overdue over 365 days	Very High	602	46

Movements in allowance for doubtful accounts	Notes		
Allowance at the beginning of the year		1,060	423
Increase	26	114	111
Decrease	26	(62)	(25)
Utilisation		(225)	-
Other adjustments		(136)	550
Allowance at the end of the year		751	1,060

The other adjustments in allowance for doubtful accounts in the amount of € 136 k are due to the change in the perimeter resulting from sell of Tagusgás Propano, S.A..

Other receivables

The caption Other receivables, on 31 December 2020 and 2019, presented the following detail:

Unit: € k

		2020		2019	
	Note	Current	Non-current	Current	Non-current
		59,141	25,831	42,714	28,265
Other debtors		**17,238**	**4,506**	**21,806**	**3,320**
Subsoil occupation levies	29	15,317	4,506	20,213	3,320
Other receivables/other debtors		1,921	-	1,593	-
Contract assets		**41,376**	**21,299**	**20,170**	**24,928**
Sales and services rendered but not yet invoiced		15,660	-	769	-
Tariff deviation - pass through		12,022	-	10,733	-
Tariff deviation - core		13,255	21,299	8,493	24,928
Other accrued income		439	-	175	-
Deferred charges		**562**	**26**	**759**	**18**
Other deferred charges		562	26	759	18
Impairment of other receivables		**(36)**	**-**	**(21)**	**-**

The increase in the caption Sales and services rendered not yet invoiced is due to the fact that, in the year ended 31 December 2019, this movement was considered in the caption Tariff deviation originating to the adjustments to "Core" activities and functions.

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 Statement of income for these functions is nil.

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

Unit: k€

	2019	Change	2020
"ORD" – Gas Distribution Activity (ADG)			
2018	3,238	709	3,948
Increases	3,175	-	3,175
Adjustment	-	(3,551)	(3,551)
Reversal	64	4,260	4,324
2019	24,032	2,394	26,426
Increases	24,032	-	24,032
Adjustment	-	(331)	(331)
Reversal	-	2,726	2,726
2020	-	(8,145)	(8,145)
Increases	-	(8,145)	(8,145)
Tariff Deviation – "ADG"	27,270		22,229
Contract assets	33,257		34,498
Accrued costs	(5,988)		(12,269)

Unit: k€

	2019	Change	2020
"CURR" - Gas Commercialisation Activity (FCG)			
2018	(925)	56	(869)
Increases	(920)	-	(920)
Reversal	(5)	56	51
2019	(1,343)	25	(1,318)
Increases	(1,343)	-	(1,343)
Reversal	-	25	25
2020	-	(137)	(137)
Increases	-	(137)	(137)
Tariff Deviation – "FCG"	(2,269)		(2,324)
Contract assets	53		56
Accrued costs	(2,287)		(2,380)

The accrued costs are included in the caption Other payables (Note 16).

13. Other financial assets

Unit: € k

	2020		2019	
	Current	Non-current	Current	Non-current
	-	7	-	6
Financial assets at fair value through other comprehensive income	-	3	-	3
Other Financial assets	-	4	-	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 treasury applications with maturities of less than three months, and which can be immediately mobilised with an insignificant risk of change in value.

For the purposes of the Consolidated Statement of Cash Flow, Cash and cash equivalents also include bank overdrafts recorded in the caption Financial debt in the statement of financial position.

As at 31 December 2020 and 2019, Cash and cash equivalents' details are as follows:

Unit: € k

	Note	2020	2019
		76,879	42,705
Cash and cash equivalents		76,879	42,705
Bank overdrafts	15	-	(1)

15. 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 consolidated statement of income on an accruals basis in accordance with each loan agreement.

Financial charges include interest on financing and, eventually, commission expenses on the structuring of loans.

Financial Debt as of 31 December 2020 and 31 December 2019 were as follows:

Unit: € k

		2020		2019	
	Note	Current	Non-current	Current	Non-current
		1,098	674,308	5,268	674,626
Bank loans		1,098	6,249	5,268	7,274
Origination fees		-	(1)	(2)	(17)
Loans and commercial paper		1,098	6,250	5,270	7,292
Bank overdrafts	14	-	-	1	-
Bonds and notes		-	668,059	-	667,352
Origination fees		-	(1,941)	-	(2,648)
Bonds and Notes		-	670,000	-	670,000

The average interest rate on loans, including bank overdraft costs, supported by the Group in 2020 and 2019, amount to 1.44% and 1.49%, respectively.

Current and non-current loans, excluding origination fees and bank overdrafts, have the following repayment plan as at 31 December 2020:

Unit: € k

Maturity	Loans		
	Total	Current	Non-current
	677,349	1,098	676,251
2021	1,098	1,098	-
2022	1,042	-	1,042
2023	601,042	-	601,042
2024 and thereafter	74,167	-	74,167

Changes in the financial debt during the period ended 31 December 2020 were as follow:

Unit: € k

	Opening balance	Captation	Repayment of the principal	Bank overdraft changes	Other	Closing balance
	679,894	56	(5,270)	(1)	726	675,406
Bank loans	12,542	56	(5,270)	(1)	19	7,347
Origination fees	(20)	-	-	-	19	(1)
Bank loans and commercial paper	12,561	-	(5,270)	-	-	7,292
Bank overdrafts	1	56	-	(1)	-	56
Bonds and Notes	667,352	-	-	-	707	668,059
Origination fees	(2,648)	-	-	-	707	(1,941)
Bonds and Notes	670,000	-	-	-	-	670,000

For comparative information, please refer to the financial statements for the year ended 31 December 2019.

Description of main loans

Bank loans - European Investment Bank ("EIB")

The Group had contracted loans with the European Investment Bank which due in 2020. These loans were remunerated at variable taxes indicated by EIB and they were totally granted by a Bank.

The Bank loans at EIB had 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 GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.

Lusitaniagás - Companhia de Gás do Centro, S.A. and Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. made the last reimbursement in 2020, in the total amount of € 4,228 k.

Bank loans - Other

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 €27,000 k (Instalment A) which could be use until December 2008 and an operating credit line until the maximum amount of € 4,000 k (Instalment B) which could be reimbursed until December 2012, being this term extent until 31 December 2013.

In 2017, an amendment to the previously mentioned contract was signed, and the following was amended: i) Agent Bank; ii) reimbursement plan of Instalment A (repaid in 36 consecutive half-yearly instalments, from 15 June 2010 until 15 December 2027); and iii) the margin.

The outstanding amount of the loan bears interest at Euribor 6M plus a margin, which varies over the repayment period.

As at 31 December 2020, the outstanding amount of the investment credit line was € 7,292 k, comprised of € 6,250 k classified as non-current and € 1,042 k classified as current.

Revolving Credit Facility

As at 31 December 2020, the Company has contracted a Revolving Credit Facility, with an underwriting commitment in the total amount of € 50,000 k and with a maturity of more than 1 year. This amount was fully available as of 31 December 2020.

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 - Galp Gás Natural Distribuição, S.A.

Galp Gás Natural Distribuição, S.A. 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. As at 31 December 2020 the ratios are as follows:

Financial ratios	2020
Net Debt [1]/Ebitda [2]	6.4x
Debt Service coverage ratio [3]	5.2x

[1] Bank Debt + Bond loan + Accrued interests - Cash and equivalents
[2] EBITDA + Provisions
[3] Operating Activities Cash Flow – CAPEX payments/Interest payments

It is important to highlight that these ratios, as of 31 December 2020 and 2019, were within the established limits.

16. Trade and Other payables

Accounting policies

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 31 December 2020 and 31 December 2019, Trade and Other payables non-current and current is presented as follows:

Unit: € k

		2020		2019	
	Notes	Current	Non-current	Current	Non-current
Trade payables		9,216	-	9,596	-
Other payables		41,638	215,830	39,940	220,718
State and other public entities		5,033	-	5,111	-
Payable VAT		4,073	-	4,194	-
"ISP" - Tax on oil products		107	-	69	-
Other taxes		854	-	848	-
Other creditors		7,290	-	7,167	-
Tangible and intangible assets suppliers		7,267	-	7,130	-
Other Creditors		23	-	37	-
Related parties		130	-	130	-
Other accounts payables		2,328	-	1,939	-
Accrued costs		17,134	10,513	15,851	6,457
External supplies and services		2,251	-	1,951	-
Payable remuneration		4,778	-	4,718	-
Tariff deviation - core	12	4,136	10,513	2,379	6,457
Tariff deviation - pass through		2,850	-	3,641	-
Other accrued costs		3,119	-	3,161	-
Other deferred income		9,722	205,316	9,742	214,261
Government grants	8	9,210	205,316	9,215	214,261
Other deferred income		512	-	526	-

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 statement of income 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 2020, it was registered an income tax of € 8,507 k.

During 2020, it was paid an amount of € 4,052 k.

Unit: € k

	2020			2019		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income Tax	**10,565**	**(2,059)**	**8,507**	**5,967**	**6,446**	**12,412**
Income tax for the period	10,565	(2,059)	8,507	5,967	6,446	12,412

As at 31 December 2020 and 2019, the income tax payable/receivable is as follows:

Unit: € k

	Assets		Liabilities	
	2020	2019	2020	2019
	-	**2,594**	**(3,889)**	**-**
Galp Energia, SGPS, S.A.	-	2,594	(3,501)	-
State and other public Entities	-	-	(388)	-

The effective income tax rate as at 31 December 2020 and 2019, is as follows:

Unit: € k

	2020	2019
Effective income tax rate	**24.78%**	**22.92%**
Group Galp Gás Natural Distribuição SGPS, S.A.' average income tax rate	25.00%	25.00%
Equity Method application	-	4.72%
Other additions and deductions	-0.21%	-6.80%

As at 31 December 2020 and 31 December 2019, the deferred tax assets and liabilities balances was as follows:

Unit: € k

	1 January 2020	Impact on the statement of income	Impact on equity	Other changes	31 December 2020
Deferred Taxes – Assets	**15,582**	**1,033**	**1,173**	**-**	**17,788**
Adjustments to tangible and intangible assets	5	(1)	-	-	4
Retirement benefits and other benefits	11,413	753	1,173	-	13,339
Tariff deviation	2,126	1,117	-	-	3,243
Non-deductible provisions	2,037	(837)	-	-	1,201
Deferred Taxes – Liabilities	**(20,496)**	**1,026**	**-**	**(1)**	**(19,471)**
Adjustments to tangible and intangible assets fair value	(11,082)	830	-	(1)	(10,253)
Tariff Deviation	(8,444)	152	-	-	(8,292)
Others	(970)	44	-	-	(926)

For comparative information, refer to the financial statements for the year ended December 31, 2019.

18. Post-employment and other employee benefit liabilities

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 consolidated statement of income.

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

	2020	2019
Liabilities	(66,253)	(60,295)
Net liabilities	**(66,253)**	**(60,295)**
Liabilities	**(86,150)**	**(81,690)**
Past services covered by the pension fund	(29,173)	(28,720)
Liabilities related with other benefits	(56,977)	(52,970)
Assets	**19,898**	**21,395**

Post-employment obligations

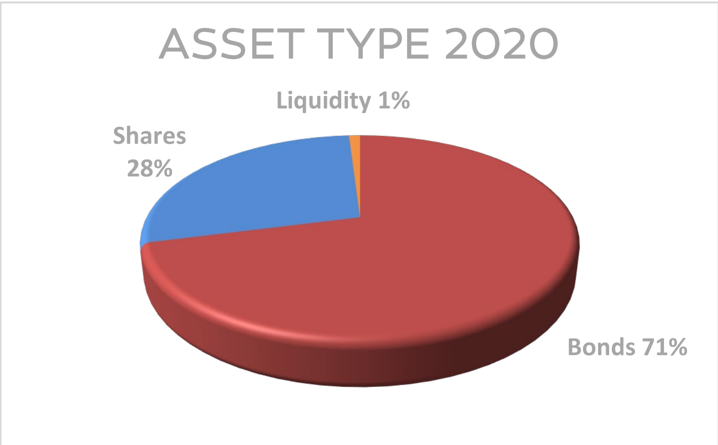
Unit: € k

	2020	2019
Past service liability at the end of the current year	86,150	81,690
Past service liability at the end of the previous year	81,690	76,425
Current service cost	1,551	1,659
Interest cost	1,242	1,661
Actuarial (gain)/loss	6,019	5,782
Benefit payments made by the fund	(1,604)	(1,143)
Benefit payments made by the Group	(3,460)	(3,623)
Curtailment – Pre-retirement	659	72
Curtailment – Early retirement	353	-
Curtailment - Migration to DC	(148)	136
Liquidation	(349)	-
Other changes	196	722

The average maturity of the liabilities under the defined benefit plans is 11.6 years (12 years in 2019).

Unit: € k

	2020	2019
Assets at the end of the current year	19,898	21,395
Assets at the end of the previous year	21,395	20,622
Net interest	362	449
Benefit payments	(1,604)	(1,143)
Financial gain/(loss)	(255)	1,467



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

	Note	2020	2019
Current service cost		1,551	1,659
Interest cost		881	1,211
Net cost for the year before special events		2,432	2,870
Curtailment impact – Pre-retirement		659	72
Curtailment impact – Early retirement		205	136
Other adjustments		(183)	711
Net cost for the year of defined-benefit plan expenses		3,112	3,790
Defined contribution		417	410
Net cost for the year of defined-contribution plan expenses		417	410
Total	27	3,529	4,200

Remeasurements

Unit: € k

	Note	2020	2019
		(5,105)	(3,583)
Gains recognised through comprehensive income		(6,278)	(4,305)
(Loss)/Gains from actuarial experience		(160)	(1,155)
(Loss)/Gains from changes in actuarial assumptions		(5,859)	(4,627)
Financial (loss)/gain		(255)	1,467
Other gains/losses		(4)	10
Income Tax related to actuarial gains and losses	17	1,173	722

Assumptions

	Retirement benefits		Other benefits	
	2020	2019	2020	2019
Rate of return on assets	1.50%	1.75%	-	-
Technical interest rate	1.50%	1.75%	1.50%	1.75%
Rate of increase of salaries/costs	1.00%	1.00%	[1.00% - 3.50%]	[1.00% - 3.50%]
Rate of increase of pensions	[0.00% - 2.00%]	[0.00% - 1.40%]	-	-
Mortality table for current staff and pre-retirees	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Mortality table for retired staff	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Disability table	50% EVK 80	50% EVK 80	50%EVK80	50%EVK80
Normal age for retirement	67 years, except for early retirement cases at 66 or 65 if at least with 43 or 46 years of discounts to S.S. at 65 years, respectively	66 years, or 65 years if at least with 43 years of discounts to S.S. at 65 years	67 years, except for early retirement cases at 66 or 65 if at least with 43 or 46 years of discounts to S.S. at 65 years, respectively	66 years, or 65 years if at least with 43 years of discounts to S.S. at 65 years
Method	Project credit unit	Project credit unit	Project credit unit	Project credit unit

Sensitivity Analysis

Sensitivity analysis of the discount rate

Unit: € k

Discount rate Taxa 1.50%		-0.25%
Total	86,150	2,473
Retirement benefits	60,734	1,512
Other benefits	25,416	961

Sensitivity analysis of the growth rate of health insurance costs

Unit: € k

Growth rate of 3.5%		-1.00%	1.00%
Past Services	23,956	(3,242)	3,981

19. Provisions

Accounting policies

Provisions are recorded when the Group has a present obligation (legal, contractual or constructive) resulting from a past event and it is probable that an outflow of resources entailing economic benefits will be required to settle that obligation, and a reliable estimate of the obligation amount can be made. Provisions are reviewed and adjusted on each consolidated 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 31 December 2020 and 2019, the Provision caption presented the following movements:

Unit: € k

	2020			2019
	"CESE"	Other Provisions	Total	
At the beginning of the year	61,906	3,284	65,190	53,316
Increases	11,915	188	12,103	11,832
Decreases	(5)	(25)	(30)	-
Utilization	-	-	-	-
Regularisation	-	450	450	42
At the end of the year	73,816	3,897	77,713	65,190

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2019.

The net increases in Decreases for the year ended 31 December 2020 have the following composition:

Unit: € k

	Operational costs (Note 26)	CESE	Other	Total
2020	163	11,915	(30)	12,073
CESE I	-	11,915	(5)	11,910
Other Provisions	163	-	-	163

For comparative information please refer to the consolidated financial statements for the year ended 31 December 2019.

CESE

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

As at 31 December 2020, the caption Provisions for “CESE” - Extraordinary Contribution on Energy Sector - which the Group is contesting, in the amount of € 73,816 k corresponds to the total responsibility as at that date. € 11,915 k have been recognized in the statement of income in 2020 and €11,195 k in 2019.

20. Derivate Financial Instruments

Not applicable.

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	2020	2019
Financial assets by category		152,067	100,711
Financial assets at fair value through comprehensive income	13	3	3
Financial assets at amortised cost	12	95,597	82,313
- less deferred costs, subsoil occupation levies and State and other public entities		(20,412)	(24,310)
Cash and cash equivalents	14	76,879	42,705

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

Unit: € k

	Notes	2020	2019
Financial liabilities by category		734,721	735,163
Financial liabilities not measured at fair value	7, 15 & 16	954,793	964,277
- less deferred income, guarantees and State and other public entities		(220,072)	(229,114)

Financial liabilities include debt, trade payables and other payables.

22. Financial risk management

Accounting policy

The Group is organized to identify, measure and control the different risks to which it is exposed to using various financial instruments to cover them, in accordance with the corporate guidelines across the Group. The contracting of these instruments is centralized.

GGND is essentially 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 bonds. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the consolidated statement of income. 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

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

Unit: € k

	2020		2019	
	Exposure risk	Impact on statement of income	Exposure risk	Impact on statement of income
Loans obtained	77,349	(386)	(82,561)	(413)

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 credit 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 2020 and 2019. GGND has readily available cash and cash equivalents that amount to €77 m as at 31 December 2020 and € 43 m on 31 December 2019. These figures combined amount to € 147 m as at 31 December 2020 and € 113 m on 31 December 2019.

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 risks of management senior management of the Companies (Directors & Officers);
- Social Insurances: cover work accidents, personal accidents, life and health;
- Financial Insurances: cover credit risks, deposit and robbery;
- Other 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 2020 amounting to € 236,002 k.

Regarding to the financing model, GGND established on 25 August 2016 a Euro Medium Term Note Program up to a maximum amount of € 1,000,000 k (Note 15). On 19 September 2016, GGND issued notes in the amount of € 600,000 k.

The GGND group's debt ratio is approximately 6.4x Net Deb /EBITDA lower than that stipulated in the contracts with banks, which allow a ratio up to 7x.

Shareholder structure and Dividends

Shareholder structure

In October 2020, Galp New Energies, S.A. agreed with Allianz Capital Partners, on behalf of the insurance companies of Allianz and the Allianz European Infrastructure Fund, to sell 75.01% of its stake in GGND, with the remaining 2.49% of GGND's share capital to be held by Galp through its subsidiary Galp New Energies, S.A.. On the present date and in accordance with the information available to the Company, this transaction has not yet been formally completed and, as such, the shareholder structure as of 31 December 2020 remains unchanged.

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 New Energies, SA	77.5	69,385,084
Meet Europe Natural Gas, Lda.	22.5	20,144,057

Reserves

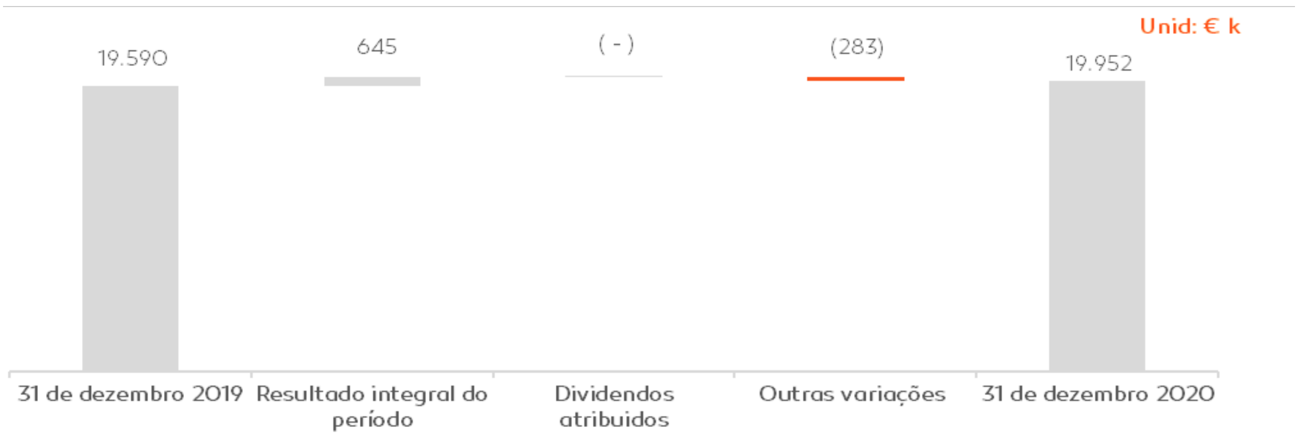
During the year ended 31 December 2020, by deliberation at the General Meeting of Shareholders, the Company reinforced the legal reserve in the amount of € 1,592 k.

Dividends

In accordance with a resolution of the General Shareholders' Meeting held on 15 April 2020, no dividends were paid to the shareholders.

24. Non-controlling interests

As of 31 December 2020, the changes in non-controlling interests during the year and included in equity are as follow:



The other variations refer essentially to the non-contribution (ie competition) of the non-controlling interests in the accessory payments made in Tagusgás, S.A. by GGND in 2019 in the amount of € 258 k, as well as by the variation of the remaining non-controlling interests 0.07% held in Setgás, S.A. with an impact of € 28 k (resulting from the purchase process) and other variations related to remeasurements with a pension fund (€ 3 k).

25. Revenue and Income

Accounting policies

Revenue from gas sales (under the last resort commercialisation regime) and the rendering of services for the use of the natural gas distribution network is recognised in the statement of income when the risks and rewards related to the possession of the goods are transferred to the buyer or the services are rendered, and the amount of the corresponding revenue can be reasonably estimated. Sales and services rendered are recognised net of taxes, discounts, and other costs inherent to their materialisation, by the fair value of the amount received or receivable.

The amount of the regulated revenue for the gas distribution activity results from the sum of: (i) the cost of capital, defined as the product of the regulated asset base ("RAB") multiplied by the rate of return ("ROR") on regulated assets indexed to 10-year Portuguese Treasury Bonds ("OTs"), published by ERSE, plus the amortization and depreciation of those assets; (ii) the recovery of regulated net operating expenses ("OPEX") indexed to efficiency factors (inflation, consumption locations and volume of gas distributed), with a review of the applicable regulatory parameters; and (iii) adjustments, namely related to the tariff deviation.

Regarding the gas commercialisation activity, the value of the regulated revenue results from the sum of: (i) the recovery of the regulated net operating expenses ("OPEX") indexed to efficiency factors (inflation, clients); (ii) the difference between average payment and receipt terms; (iii) adjustments, namely related to the tariff deviation; and (iv) the additional revenue established in the commercialisation license.

The regulated tariffs applied by the Company in billing the gas supplied in the National Gas System, as well as, the access to the gas distribution networks are defined by ERSE, so that they allow for the recovery of the estimated regulated revenue calculated at the beginning of each gas year for each regulated activity.

The adjustment/tariff deviation corresponds to the difference between the revenue billed by the Company and the regulated revenue estimated by ERSE.

The regulated revenue is calculated according to the regulation parameters published by ERSE, at the beginning of each regulatory period. The year under review corresponds to the first year of the 5th regulatory period for the gas sector and the first year with full application of the parameters of said regulatory period, which runs from 1 January 2020 to 31 December 2023.

In 2020, the prices and tariffs in force in gas year 2019-2020 (period from 1 January to 30 September) and gas year 2020-2021 (period from 1 October to 31 December) were applied.

The rate of return ("RoR") on regulated assets is associated with a fixed amount and a variable part associated with the daily evolution of the quotation of the 10-year Portuguese State OTs, framed by a maximum and a minimum value. The average OT value is obtained from the average daily quotation value, less 1/12th of the lowest and highest quotation value, verified in the calendar year (January to December).

The regulatory calculation mechanism for regulated revenue foresees the adjustment of the difference between the forecasted values published by ERSE, and the actual values, recalculated by that entity, based on the amounts effectively verified of asset remuneration and operational costs, considering, too, the amounts invoiced by the Company. The difference is incorporated in the calculation of the regulated revenue of the second gas year subsequent to the year they relate to.

In 2020, the Company opted to estimate and include in its accounts the difference between the published regulated revenue and the "adjusted" regulated revenue, that is, the value obtained considering the actual variables underlying its calculation. This amendment intends to recognise in the year the difference between the published regulated revenue and the adjusted regulated revenue, thus minimising the impact of this recognition in year n+2.

Following the aforementioned amendment, the difference between the published regulated revenue and the regulated revenue recalculated according to the actual variables, relating to 2019, which will be calculated and published by ERSE in gas year 2021-2022, was also included in the revenue.

Given that the gas regulation system is based on the principle of tariff uniformity (where the same tariff is applicable to all country regions), and considering the different levels of use of the networks and efficiency of the regulated companies, ERSE published a compensation mechanism between the ORDs and between the CURRs, applicable across the sector's companies, in order allow for an equilibrium between the revenue recovered by applying the regulated tariffs and the regulated revenue of those companies (Notes 12 and 16).

Transfers between the different regulated companies were also defined (transfers from CURRs to ORDs – Excess revenue), with the objective of minimising financial flows between companies, transfers between the Transportation System Operator ("ORT") and the ORDs, and, likewise, transfers to the Retailers, in order to operationalise the recovery of funds related to: (i) financing of the social tariff (ii) differential of the FCG revenue, defined for the economic-financial equilibrium of the CURR, related to the process of the extinction of transitional sale tariffs to Final Clients ("TVCF"); and, (iii) mechanism defined for market sustainability purposes, to be applied to the adjustments of the FCVG, of the CURRs.

Therefore, ERSE, in its document "Tariffs and prices of natural gas" for each gas year, indicates the amounts of compensation and transfers to be settled between companies of the National Natural Gas System, in the scope of their Gas Commercialisation and Distribution Activities.

The Group companies recognise in their financial statements, under "Accruals" and "Deferrals" (Notes 12 and 16), the difference between the estimated regulated revenue published for its regulated activity and the revenue generated by the actual billing issued.

Given the regulatory framework and legislation in place, tariff deviations calculated in each year meet several conditions (measurement reliability; financial asset remuneration; entitlement to their recovery and transmissibility of same, among other) that support their recognition as revenue, and as assets 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.

Additionally, and as has been the practice, all tariff deviations recognised by the Group were, according to the mechanisms foreseen, incorporated into the calculation of the respective tariffs.

Costs and revenue are recorded in the corresponding year, regardless of the date of payment or receipt. Costs and revenue which actual amounts are unknown, are estimated.

Under "Other receivables" and "Other payables" are recorded costs and revenue of the current year and which receipt and payment will only occur in future years, as well as receipts and payments that have already occurred, but which relate to future years and will be imputed, in the corresponding amounts, to each year's results.

Accounting estimates and judgments

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

Within the scope of the Gas Distribution and Commercialisation 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 gas distribution and commercialisation services provided by the entity, being subsequently billed to customers and recognized as operating income, given that 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 2020 and 2019 is as follows:

Unit: € k

	Notes	2020	2019
		190,986	218,159
Sales		**4,628**	**6,235**
Services rendered		**151,120**	**162,207**
"URD" tariff		*137,616*	*145,958*
"URT" tariff		*12,041*	*16,246*
"UGS" tariff		*528*	*(2,233)*
"OLMC" tariff		*420*	*343*
"ORT" transfer to Company – Social tariff		*(385)*	*1,017*
ORT and ORD Transfer		*4,568*	*4,920*
MP Discount		*(4,839)*	*(5,085)*
"Sobreproveito" Transfer		*485*	*552*
Connections/Reconnections		*537*	*868*
Other		*150*	*(380)*
Other income		**35,009**	**39,290**
Revenue arising from the construction of assets under IFRIC 12	26	24,911	29,380
Investment subsidies	8	8,950	8,783
Other		1,148	1,128
Earnings from associated companies	10	**70**	**10,224**
Financial income	28	**159**	**203**

Regarding the concession contracts that fall under IFRIC 12, the construction of the concessioned assets is subcontracted 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 2020 and 2019 were as follow:

Unit: € k

	Notes	2020	2019
Total costs and expenditure:		**156,644**	**164,015**
Cost of sales		**2,632**	**3,090**
Raw and subsidiary materials		2	10
Goods		2,655	3,079
Inventories reduction	11	(25)	-
External supplies and services		**46,305**	**47,856**
Subcontracts - network use		14,212	17,397
IT Services		7,924	7,464
Specialised works		6,055	5,540
Maintenance and repairs		3,281	2,910
Technical assistance maintenance		3,065	3,147
Administrative and financial services		2,582	2,425
Readings		1,333	1,528
Insurance		1,291	1,264
General services		860	822
Meter/Infrastructure charges		798	777
Cleaning and security		739	316
Electricity, fuel, and water		677	805
Communications		674	475
Billing and collection		390	627
Travel and accommodation		237	457
Rental costs		226	-21
Personnel assigned from other companies		160	131
Billing and collection		17	12
Other		1,785	1,777
Staff costs	**27**	**21,929**	**22,371**
Amortisation, depreciation, and impairment losses of assets	**5, 6 & 7**	**49,600**	**46,849**
Provision	**19**	**163**	**637**
Impairment losses of accounts receivable	**12**	**66**	**86**
Other costs		**25,598**	**30,891**
Costs arising from the construction of assets under IFRIC 12	25	24,911	29,380
Donations		159	1,057
Other taxes		180	143
Other		348	311
Financial expenses	**28**	**10,358**	**12,234**

27. Staff costs

Accounting policies

Staff costs

Salaries, social security contributions, annual and sick leave, bonuses, and non-monetary benefits are recognised in the year in which the respective services are rendered by the Company'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.

Unit: € k

	Notes	2020	2019
Employee costs		21,929	22,371
Capitalization of personnel costs		(1,045)	(1,233)
Total costs for the year		22,974	23,604
Board of Directors Remuneration		630	649
Staff Remuneration		18,561	18,433
Social charges		3,911	3,839
Retirement benefits – pension and insurance	18	3,529	4,200
Other insurance		1,456	1,336
Other charges		(5,114)	(4,853)

Board of Directors Remuneration	630	649
Subsidiaries	630	649
Salaries and bonuses	630	649
Contributions to pension funds	-	-

Other charges 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 (Notes 5 and 6), until the commencement of its operations, with the remaining being recognized under financial expenses in the consolidated statement of income 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.

Financial charges included in fixed assets are depreciated over the useful life of the respective assets.

Unit: € k

	Notes	2020	2019
		(10,191)	(12,031)
Financial income		159	203
Interest on bank deposits		159	203
Financial expenses		(10,358)	(12,234)
Interest on bank loans, overdrafts and others		(8,759)	(8,646)
Interest capitalised in fixed assets		-	33
Interest on lease liabilities	7	(383)	(429)
Charges relating to loans		(999)	(3,024)
Other financial costs		(216)	(168)

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 € 816 k. 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 2020 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 2020, 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

	2020
Amount to be recovered - Subsoil occupation levies (Note 12)	**19,823**
Amount paid (includes additional costs)	190,588
Interest	5,264
Amount billed to clients	(176,029)

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 31 December 2020 and 2019, the liabilities for provided guarantees are as follows:

Unit: € k

	2020	2019
Provided guarantees	14,796	14,602
Portuguese State, for the duties and obligations arising from the Concession Agreement	8,812	8,648
Municipalities, relating to subsoil levies	1,849	1,838
Direção Geral de Energia e Geologia	3,054	3,054
IP-Infraestruturas de Portugal, S.A.	741	722
Others	341	340

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 31 December 2020, the Financial Autonomy ratio presented by the Companies that comprise the Group varies between 39.06 and 111.28%.

30. Related Parties

Accounting policies

A related party is a person or entity that is related to the entity preparing its financial statements, and meeting the following requisites:

(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

	2020		2019	
	Current	Non-current	Current	Non-current
Assets:	4,919	-	5,183	-
Galp Group (a)	4,919	-	5,183	-

(a) The caption “Galp Group” includes all the Companies that compose the Galp Energia Group

Unit: € k

	2020		2019	
	Current	Non-current	Current	Non-current
Liabilities:	(7,552)	-	(5,173)	-
Galp Group (a)	(7,552)	-	(5,173)	-

(a) The caption “Galp Group” includes all the Companies that compose the Galp Energia Group

Unit: € k

	2020			2019		
	Purchases	Operating cost/income	Financial costs/income	Purchases	Operating cost/income	Financial costs/income
Transactions:	-	48,114	-	-	53,706	-
Galp Group (a)	-	48,114	-	-	53,706	-

(a) The caption “Galp Group” includes all the Companies that compose the Galp Energia Group

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

31. Companies in the GGND Group

Group companies are considered to be all the financial investments in companies over which the Group has control, namely if it has cumulatively:

- 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 income corresponding to the participation of third parties in the subsidiaries companies is presented separately in the consolidated financial statement and in the consolidated statement of income, 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 statement of income.

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 statement of income 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 statement of incomes 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 2020
Parent company	
Galp Gás Natural Distribuição, S.A.	-
Subsidiaries	
Beiragás - Companhia de Gás das Beiras, S.A., Portugal	59.60%
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A., Portugal	100.00%
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A., Portugal	100,00%
Lisboagás - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Portugal	100,00%
Lusitaniagás - Companhia de Gás do Centro, S.A., Portugal	97.19%
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A., Portugal	100.00%
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A., Portugal	100.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A., Portugal	100,00%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A., Portugal	99.36%

During the first half of the year GGND sold Tagusgás Propano, S.A. to Petrogal, S.A., resulting in a gain of € 70 k. Along with the calculation of the gain, a reversal of deferred tax liabilities was generated in the amount of € 443 k (resulting from the initial determination of fair value from the purchase of Tagusgás Propano in 2019). This positive tax reversal was recognized in the income tax caption in the statement of income. Thus, the aggregate impact of this sales operation in the statement of income at 31 December 2020 amounted to € 513 k.

32. Subsequent events

No subjects to disclose.

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 24 March 2021. 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. Translation note

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 CERTIFIED ACCOUNTANT:

Paula de Freitas Gazul

13.5 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, 2020 (which shows total assets of Euros 1,358,121 thousand and total shareholders' equity of Euros 236,002 thousand including a net profit of Euros 13,913 thousand), the consolidated statement of income and 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, 2020, 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*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 and litigations in progress, including those related to the 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, 2020 the provisions recognized in the consolidated financial statements amounted to Euro 77,713 thousand (2019: Euro 65,190 thousand). The relevance of this matter in our audit is related with the complexity and level of judgment inherent to the 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; - 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 consolidated financial position, the consolidated financial performance and 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 and 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 consolidated 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 consolidated 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 relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' 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 1 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 24, 2021.

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, 2021

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

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

13.6 Individual Financial Statements

13.6.1 Individual financial statements and notes to the individual financial statements as at December 31, 2020

Galp Gás Natural Distribuição, S.A.
Separate Financial Statements as of 31 December 2020

INDEX

Statement of Financial Position

Galp Gás Natural Distribuição, S.A.

Statement of Financial Position as of 31 December 2020 and 31 December 2019

(Amounts stated in thousand Euro - € k)

Assets	Notes	2020	2019
Non-current assets:			
Intangible assets	5	842	531
Right-of-use of assets	6	5,331	6,129
Financial investments in subsidiaries, associates and joint ventures	9	640,420	298,234
Deferred tax assets	16	26	15
Other receivables	11	10	7
Other financial assets	12	127,246	469,402
Total non-current assets:		773,875	774,317
Current assets:			
Other financial assets	12	-	15,248
Trade receivables	11	15,942	2,177
Other receivables	11	585	1,479
Current income tax receivable	16	3,691	-
Cash and cash equivalents	13	52,734	30,396
Total current assets:		72,952	49,301
Total assets:		846,827	823,618

Equity and Liabilities	Notes	2020	2019
Equity:			
Share capital and share premium	22	89,529	89,529
Reserves	22	11,436	9,845
Retained earnings		50,916	31,836
Total Equity:		151,882	131,210
Liabilities:			
Non-current liabilities:			
Financial debt	14	668,059	667,352
Lease liabilities	6	5,012	5,721
Post-employment and other employee benefits liabilities	17	115	65
Total non-current liabilities:		673,186	673,138
Current liabilities:			
Lease liabilities	6	398	448
Trade payables	15	2,474	1,358
Other payables	15	18,887	16,305
Current income tax payable	16	-	1,159
Total current liabilities:		22,760	19,271
Total liabilities:		694,946	692,408
Total equity and liabilities:		846,827	823,618

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

Statement of Income and Comprehensive Income

Galp Gás Natural Distribuição, S.A.

Statement of Income and Comprehensive Income for the years ended 31 December 2020 and 31 December 2019

(Amounts stated in thousand Euros - € k)

	Notes	2020	2019
Services rendered	23	13,671	12,636
Other operating income	23	122	106
Financial income	23 and 26	10,349	22,873
Results related to financial investments in associates and joint ventures	9 and 23	20,226	21,759
Total revenues and income:		44,368	57,374
Supplies and external services	24	(4,144)	(3,272)
Staff costs	24 and 25	(8,519)	(8,339)
Amortisation, depreciation and impairment losses on fixed assets and rights of use	5, 6 and 24	(1,005)	(781)
Other operating costs	24	(3)	(25)
Financial expenses	24 and 26	(9,773)	(9,535)
Total costs and expenses:		(23,443)	(21,952)
Earnings before taxes and other contributions:		20,925	35,422
Income taxes	16	(225)	(3,589)
Net income for the year		20,700	31,833
Basic and Diluted Earnings per share (in Euros)		0.23	0.36

Net income for the year		20,700	31,833
Items which will not be recycled in the future through net income:			
Remeasurements – pensions fund	17	(35)	3
Income taxes related to remeasurements	16 and 17	8	(1)
Total Comprehensive income for the year		20,672	31,836

A The accompanying notes form an integral part of the statement of income and 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 2020 and 31 December 2019

(Amounts stated in thousand Euros - € k)

	Notes	Share Capital	Other Reserves	Retained Earnings - Remeasurements	Retained Earnings - Other	Net income of the year	Total
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	17	-	-	3	-	-	3
Comprehensive income for the year		-	-	3	-	31,833	31,836
Dividends distributed / Interim dividends		-	-	-	(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
Balance as of 1 January 2020		89,529	9,845	(15)	19	31,833	131,210
Net result for the year		-	-	-	-	20,700	20,700
Other Gains and Losses recognised in Equity	17	-	-	(27)	-	-	(27)
Comprehensive income for the year		-	-	(27)	-	20,700	20,672
Increase/decrease in capital reserves by profit appropriation	22	-	1,592	-	30,241	(31,833)	-
Balance as of 31 December 2020		89,529	11,436	(43)	30,260	20,700	151,882

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 2020 and 31 December 2019

(Amounts stated in thousand Euros - € k)

	Notes	2020	2019
Operating activities:			
Cash received from customers		3,323	15,443
Cash payments to suppliers		(4,272)	(4,554)
Payments relating to employees		(7,104)	(7,057)
Payments/receipts relating to income taxes		(5,064)	(4,074)
Other (payments)/receipts relating to the operational activity		(1,024)	(2,524)
Dividends receipts	9	20,226	21,759
Cash flows from operating activities (1)		6,085	18,992
Investing activities:			
Receipts from:			
Interest and similar income		10,873	22,712
Loans granted		342,156	3,234
Payments relating to:			
Financial Investments	9	(342,186)	(72,007)
Intangible assets		(1,016)	(508)
Loans granted		(2,869)	(11,240)
Cash flows from investing activities (2)		6,958	(57,809)
Financing activities:			
Receipts from:			
Loans obtained		18,601	75,577
Payments relating to:			
Interest from loans obtained		(8,677)	(8,250)
Interests and similar expenses		(191)	(389)
Leases	6	(351)	(348)
Interest from leases	6	(86)	(92)
Dividends distributed		-	(35,655)
Cash flows from financing activities (3)		9,295	30,844
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		22,338	(7,973)
Cash and cash equivalents at the beginning of the year	13	30,396	38,369
Cash and cash equivalents at the end of the year	13	52,734	30,396

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 2020

1. Corporate Information

Galp Gás Natural Distribuição, S.A., ("GGND or "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.

As at October 2016, Galp Gás & Power, SGPS, S.A. (nowadays Galp New Energies, S.A.) sold 22.5% of the Group Galp Gás Natural Distribuição, S.A. to Meet Europe Natural Gas Lda. This sale resulted in an agreement concluded in 28 July 2016 between Galp Energia SGPS, S.A., through its subsidiary Galp New Energies, S.A. and Marubeni Corporation and Toho Gas Co. Ltd..

As at October 2020, Galp New Energies, S.A. agreed with Allianz Capital Partners, on behalf of the insurance companies of Allianz and the Allianz European Infrastructure Fund, to sell 75.01% of its stake in GGND, with the remaining 2.49% of GGND's share capital to be held by Galp through its subsidiary Galp New Energies, S.A.. By the present date and in accordance with the information available to the Company, this transaction is not formally completed and, as such, the shareholder structure as of 31 December 2020 remains unchanged.

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 2020, 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 2020. 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".

Despite the crisis caused by the pandemic COVID-19 and the economic and social consequences it is causing in the world, the Company was not materially affected and the going concern assumption remains valid.

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).

General accounting policies

Balances and transactions stated in foreign currency

Transactions are recorded in the Company's financial statement in its functional currency (Euro), 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 statement of income 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.

Basic and diluted earnings per share

The basic earnings per share are calculated based on the division of profits or losses attributable to holders of the Company's common equity by the weighted average number of outstanding common shares during the period. For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to holders of the Company's common equity, as well as the weighted average number of outstanding shares, for the purposes of all potential diluting common shares. In the period covered by these financial statements, there were no dilutive effects with an impact on net earnings per share, so this is equal to the basic earnings per share.

3. Impact of new international financial reporting standards

3.1 Adoption of new IFRS in 2020

Adoption of the amendment to IFRS 16 – Covid-19-related rent concessions

On 28 May 2020, the International Accounting Standards Board issued the Covid-19-related rent concessions amendment to IFRS 16 Leases.

The amendment allows lessees, as a practical expedient, not to assess whether a rent concession made by the lessor related to Covid-19 is a modification of the lease agreement and to account for rent concessions as if they were not a modification of the lease.

The practical expedient is applicable to rent concessions directly related to the Covid-19 pandemic, and only when all the conditions below are met:

- the change in the lease payments results in a revised lease rent that is substantially equal to or less than the rent prior to the change;
- any reduction in the lease payments affects only payments due on or before 30 June 2021; and
- there are no substantive changes in the other lease terms and conditions.

The Company decided to use the practical expedient and accounts for any change in lease payments resulting from the granting of Covid-19-related rent concessions in the same way that it would respond to a change under IFRS 16 if such change were not a modification of the lease. Rent concessions are recognised in other operating income. For the year ended 31 December 2020, no Covid-19-related rent concessions were recognized.

The amendment applies to accounting periods beginning on or after 1 June 2020. As the earlier application is permitted, the Company applied the amendment to the accounting period ended on 31 December 2020.

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 2020 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
Amendment to IFRS 4 Insurance contracts – temporary exemption from the application of IFRS 9	16/12/2020	01/01/2021	2021	Not applicable.

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
Amendment to IFRS 16 Covid-19-related rent concessions	12/10/2020	01/06/2020	2020	Applicable, but without relevant accounting impacts.
Amendment to IFRS 3 Definition of a business	22/04/2020	01/01/2020	2020	Without relevant accounting impact.
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform	16/01/2020	01/01/2020	2020	Without foreseeable accounting impacts.
Amendments to IAS 1 and IAS 8: Definition of material	10/12/2019	01/01/2020	2020	Applicable, but without relevant accounting impacts.
Amendments to IFRSs arising from the publication of the Conceptual Framework	10/12/2019	01/01/2020	2020	Without foreseeable accounting impacts.

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 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 statement of income 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 €

	2020			2019
	Industrial Property and other rights	Intangible assets under construction	Total	Total
As at 31 December				
Acquisition Cost	1,996	110	2,105	1,180
Accumulated Amortisation	(1,263)	-	(1,263)	(649)
Net Value	**732**	**110**	**842**	**531**
Opening balance	**531**	**-**	**531**	**533**
Additions	-	925	925	426
Amortisations and impairments losses	(614)	-	(614)	(393)
Transfers	816	(816)	-	-
Other adjustments	-	-	-	(36)
Closing Balance	**732**	**110**	**842**	**531**

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 €

			2020	2019
	Buildings	Vehicles	Total	Total
As at 31 December				
Acquisition cost	5,909	190	6,099	6,517
Accumulated amortisation	(640)	(128)	(768)	(388)
Net Amount	5,269	62	5,331	6,129
Opening balance	6,000	130	6,129	5,865
Additions	-	2	2	-
Amortisation	(322)	(69)	(391)	(388)
Other adjustments	(410)	-	(410)	652
Closing balance	5,269	62	5,331	6,129

Lease liabilities are as follows:

Unit: k €

	December 2020	December 2019
Maturity analysis – contractual undiscounted cash flow	6,117	7,019
Less than one year	401	452
One to five years	1,443	1,594
More than five years	4,273	4,973

Lease liabilities in the statement of financial position	5,410	6,169
Current	398	448
Non-current	5,012	5,721

The amounts recognised in profit or loss are as follows:

Unit: k €

	Notes	December 2020	December 2019
		344	(156)
Interest on leases	26	86	92
Expenses related to short-term, low-value, and variable-payment operating leases	24	258	(247)

The amounts recognised in cash flow statement are as follows:

Unit: k €

	December 2020	December 2019
Financing activities	(438)	(440)
Payments relating to leases	(351)	(348)
Payments relating to lease interest	(86)	(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 statement of income, 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	
		2020	2019
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%	97.19%
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	100.00%	99.93%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	Portugal	99.36%	99.36%

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 - 2020			
	Total Assets	Total Liabilities	Equity	Net income
	1,271,580	579,473	692,106	16,132
Beiragás - Companhia de Gás das Beiras, S.A.	79,534	35,240	44,293	1,330
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	14,769	4,147	10,622	325
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	37,125	11,025	26,100	692
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	544,541	355,869	188,672	3,155
Lusitaniagás - Companhia de Gás do Centro, S.A.	300,087	91,674	208,414	2,992
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	20,752	5,673	15,079	695
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	6,533	1,223	5,310	154
Setgás-Sociedade de Distribuição de Gás Natural, S.A.	170,900	52,896	118,004	2,076
Tagusgás-Empresa de Gás do Vale do Tejo, S.A.	96,588	20,976	75,612	4,713

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	640,420	-	640,420	20,226	-	20,226
Subsidiaries						
Beiragás - Companhia de Gás das Beiras, S.A.	20,293	-	20,293	-	-	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	9,987	-	9,987	-	-	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	25,766	-	25,766	-	-	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	157,205	-	157,205	19,507	-	19,507
Lusitaniagás - Companhia de Gás do Centro, S.A.	175,258	-	175,258	-	-	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	14,073	-	14,073	-	-	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	4,995	-	4,995	-	-	-
Setgás-Sociedade de Distribuição de Gás Natural, S.A.	143,273	-	143,273	719	-	719
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 2019.

During the year ended 31 December 2020, the Company acquired 1,200 shares held by the Setúbal City Council in the amount of €30 k, regarding its subsidiary Setgás - Sociedade de Distribuição de Gás Natural, S.A..

The Company carried out on its subsidiaries Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Lusitaniagás - Companhia de Gás do Centro, S.A. and Setgás - Sociedade de Distribuição de Gás Natural, S.A. ancillary contributions in the total amount of € 342,156 k .

From the analysis carried out by Management on the risk of impairment, it was considered that there are no relevant impairment indicators as of 31 December 2020.

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, considering 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 2020 and 2019 is detailed as follows:

Unit: k €

	2020	2019
	Current	Current
	15,942	2,177
Trade Receivable	15,942	2,177
Ageing schedule of trade receivables	15,942	2,177
Not yet due	15,596	2,177
Overdue up to 180 days	204	-
Overdue between 181 days and 365 days	142	-
Overdue over 365 days	-	-

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 2020, and 2019 Other receivables are detailed as follows:

Unit: k €

	2020		2019	
	Current	Non-current	Current	Non-current
	585	10	1,479	7
Other receivables/other debtors	**68**	**-**	**134**	**-**
Receivables from suppliers	29	-	111	-
Supplier payments in advance	16	-	16	-
Personnel	1	-	1	-
Other	22	-	6	-
Related Parties	**-**	**-**	**2**	**-**
Contract Assets	**253**	**-**	**975**	**-**
Interests to be received	253	-	975	-
Deferred charges:	**264**	**10**	**368**	**7**
Other deferred charges	264	10	368	7

12. Other Financial Investments

Other Financial Investments as of 31 December 2020 and 2019 is detailed as follows:

Unit: k €

	Note	2020		2019	
		Current	Non-current	Current	Non-current
		-	127,246	15,248	469,402
Financial Assets not measured at fair value-Loan	28	-	127,246	15,248	469,402

Loans recognized as non-current, in the amount of €127,246 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 during the next year, which is why they are classified as non-current.

The variation in the value of loans granted between 2019 and 2020 was caused by the repayment of part of the loans and their replacement by ancillary contributions (Note 9).

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 financial debt in the statement of financial position.

For the years ended 31 December 2020 and 2019 the caption Cash and cash equivalents is detailed as follows:

Unit: k €

	2020	2019

	52,734	30,396
Cash and cash equivalents	52,734	30,396

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 statement of income on an accruals basis in accordance with each loan agreement.

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

Financial debt as of 31 December 2020 and 31 December 2019 were as follows:

Unit: k €

	2020	2019
	Non-current	Non-current
	668,059	667,352
Bonds and notes	668,059	667,352
Origination Fees	(1,941)	(2,648)
Bonds	70,000	70,000
Notes	600,000	600,000

Description of bank loans

<u>Revolving Credit Facility</u>

As of 31 December 2020, the Company has in place a Revolving Credit Facility, with an underwriting commitment in the total amount of € 50,000 k and with a maturity of more than 1 year. This amount was fully available as of 31 December 2020.

<u>Bond Loan</u>

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.

<u>Notes Issuance</u>

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 GGND consolidated financial statements. As at 31 December 2020 the ratios are as follows:

Financial Ratios	2020
Net Debt [1]/Ebitda [2]	6.4x
Debt Service coverage ratio [3]	5.2x

[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 31 December 2020, 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 2020, and 2019, Trade payables and Other payables, current and non-current, are detailed as follows:

Unit: k €

	Notes	2020 Current	2019 Current
Trade Payables		**2,474**	**1,358**
Trade payables - current accounts		82	139
Trade payables - pending invoices		893	191
Trade payables – related companies	28	1,499	1,028
Other payables		**18,887**	**16,305**
State and other public entities		**2,377**	**405**
VAT payables		2,333	365
Other taxes		44	41
Other payables/ Other creditors			**3**
Personnel			3
Related parties		**11,237**	**10,951**
Loans	28	11,237	10,951
Accrued costs		**4,541**	**4,364**
External supplies and services		699	821
Payable remuneration		1,339	1,034
Accrued interest		2,492	2,492
Other accrued costs		11	18
Deferred income:		**732**	**582**
Other		732	582

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 statement of income 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 2020, under the Special Regime of Group Taxation ("RETGS – *Regime Especial de Tributação dos Grupos de Sociedades*"), the Company presents an income tax receivable of € 3,691 k to Galp Energia SGPS, S.A. (Note 28), which corresponds to the net balance resulting from the estimate of income tax for the period less withholding tax and payments on account ("PC – *Pagamento por Conta*").

Income taxes for the year ended 31 December 2020 and 2019 were as follows:

Unit: k €

	2020			2019		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income Tax for the period	228	(3)	225	3,591	(2)	3,589
Current income tax	291	(3)	288	3,673	(2)	3,671
(Excess)/Insufficiency of income tax estimated	(63)	-	(63)	(82)	-	(82)

The effective income tax rate reconciliation as of 31 December 2020 and 2019 is as follows:

Unit: k €

	2020	Rate	Income Tax	2019	Rate	Income Tax
Result before taxes:	20,925	21.00%	4,394	35,422	21.00%	7,439
Income Tax Adjustments:						
Deferred tax and insufficiency/excess of income tax estimate for the year		(0.31%)	(66)		(0.24%)	(85)
Autonomous taxation		0.58%	120		0.31%	108
Surcharge – Regional and state		0.05%	11		1.96%	694
Received Dividends		(20.30%)	(4,247)		(12.90%)	(4,569)
Other increases and deductions		0.06%	12		0.01%	3,047
Income tax and effective income tax rate		1.08%	225		10.13%	3,589

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 2019	Impact on the statement of income	Impact on Equity	As at 31 December 2020
Deferred Taxes – Assets	15	3	8	26
Retirement benefits and other benefits	15	3	8	26

17. Retirement benefit obligations

Accounting Policies

Defined-Contribution Plan

The Company has a defined-contribution plan financed by a pension fund managed by an independent entity. The Company's contributions to the defined-contribution plan are recorded in the statement of income in the period in which they occur.

Other retirement benefits

Associated with the defined-contribution plan, the Company grants a minimum benefit for situations of disability and survival.

Recognition of defined benefit plans

The period costs for post-employment benefit plans are determined based on the Projected Unit Credit method. This method reflects the services provided by employees at the valuation date, based on actuarial assumptions, as well as considering a discount rate to determine the present value of benefits and the remuneration projected rates of growth. The discount rate is based on the yield on high-quality bonds denominated in Euros.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recorded in equity in the period in which they occur. Past Services Liabilities are recognized immediately in the statement of income.

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 €

	2020	2019
Liabilities	(115)	(65)
Other benefits	(115)	(65)
Minimum benefit defined contribution plan	(115)	(65)

Post-employment liabilities

Unit: k €

	2020	2019
Past service liability at the end of the current year	115	65
Past service liability at the end of the previous year	65	58
Current service cost	14	10
Interest cost	1	1
Actuarial (gain)/loss	35	(3)

Post-employment benefit expenses

Unit: k €

	Notes	2020	2019
Current service cost	25	14	10
Interest cost	26	1	1
Net cost for the year of defined-benefit plan expenses		15	11
Defined contribution	25	27	20
Net cost for the year of defined-contribution plan expenses		27	20
Total		41	31

Remeasurements

Unit: k €

	Notes	2020	2019
		(27)	3
Gains and losses recognised through comprehensive income		(35)	3
(Loss)/Gains from actuarial experience		(33)	14
(Loss)/Gains from changes in actuarial assumptions		(2)	(11)
Taxes related to actuarial gains and losses	16	8	(1)

Assumptions

	Other benefits	
	2020	2019
Technical interest rate	1.50%	1.75%
Rate of increase of salaries/costs	1.00%	1.00%
Rate of increase of pensions	0.00%	0.00%
Mortality table for current staff and pre-retirees	INE 2009-2011	INE 2009-2011
Mortality table for retired staff	INE 2009-2011 | GKF95	INE 2009-2011 | GKF95
Disability table	EVK 80 - 50%	EVK 80 - 50%
Normal age for retirement	67 years, except for early retirement cases at 66 or 65 if at least with 43 or 46 years of discounts to S.S. at 65 years, respectively	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	
	1.50%	∆-0.25%
	115	2
Other benefits:	115	2

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 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 statement of income. 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	2020	2019
Financial assets by category		196,227	518,318
Financial assets not measured at fair value	11 and 12	143,783	488,313
- less advances to suppliers, deferred costs and state and income tax receivable	11	(290)	(391)
Cash and cash equivalents	13	52,734	30,396

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

Unit: k €

	Notes	2020	2019
Financial liabilities by category		691,721	690,197
Financial liabilities not measured at fair value	6, 14 and 15	694,830	691,184

- less deferred income, guarantees and state and income tax payable	15	(3,110)	(987)

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

Share Capital

As at October 2020, Galp New Energies, S.A. agreed with Allianz Capital Partners, on behalf of the insurance companies of Allianz and the Allianz European Infrastructure Fund, to sell 75.01% of its stake in GGND, with the remaining 2.49% of GGND's share capital to be held by Galp through its subsidiary Galp New Energies, S.A.. By the present date and in accordance with the information available to the Company, this transaction is not formally completed and, as such, the shareholder structure as of 31 December 2020 remains unchanged.

The share capital remains at € 89,529,141 divided into 89,529,141 shares, with a nominal value of one Euro each, being fully subscribed and paid up by the following shareholders:

Shareholders	%	No. of shares
	100	89,529,141
Galp New Energies, 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 2020 and 2019 the caption is detailed as follows:

Unit: k €

	2020	2019
	11,436	9,845
Legal Reserves	11,436	9,845

During the year ended 31 December 2020, the Company reinforced the legal reserve in the amount of € 1,592 k.

23. Revenue and Income

Accounting Policies

Sales revenue are recognised in the statement of income 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 receivables and Other payables 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 2020 and 2019 the revenue and Income are detailed as follows:

Unit: k €

	Notes	2020	2019
		44,368	57,374
Services rendered		13,671	12,636
Other operating income		122	106
Supplementary gains		118	106
Other		4	-
Earnings from associates, subsidiaries and joint ventures	9	20,226	21,759
Financial Income	26	10,349	22,873

Services rendered in 2020 and 2019 include, among others, the amount of €13 671 k and €12 636 k related, mainly, to management services provided to other group companies (Note 28).

24. Costs and Expenses

Costs and expenses for the years ended 31 December 2020 and 2019 were as follow:

Unit: k €

	Notes	2020	2019
Total costs:		23,443	21,952
External supplies and services		4,144	3,272
Other Specialised Services		1,982	2,219
Travel and accommodation		118	259
Rental costs	6	258	(247)
Fuel		99	114
Insurance		36	39
IT Services		551	386
Electricity, water, fuel and communications		301	273
Legal Services		32	25
Other Costs		766	205
Staff costs	25	8,519	8,339
Amortisation, depreciation and impairment on fixed assets	5 and 6	1,005	781
Other operational Costs:		3	25
Other taxes		1	25
Other costs		2	-
Financial Expenses	26	9,773	9,535

25. Staff Costs

Accounting policies

Staff 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 employees of Galp Gás Natural Distribuição, S.A..

Employee costs for the years ended 31 December 2020 and 2019 were as follow:

Unit: k €

	Notes	2020	2019
Staff Costs	24	8,519	8,339
Board of Directors Remuneration		594	616
Staff Remuneration		787	524
Social charges		222	199
Assigned staff		6,745	6,824
Retirement benefits - pensions and insurance	17	40	29
Other insurance		46	72
Other costs		84	73
Board of Directors Remuneration		594	616
Salaries		487	509
Bonuses		100	100
Allowances		7	7

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 under construction, 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 statement of income 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	2020	2019
		576	13,338
Financial incomes:		10,349	22,873
Interest and other income with related companies	28	10,349	22,873
Financial expenses:		(9,773)	(9,535)
Interest on bank loans, bonds, overdrafts and others		(8,678)	(8,427)
Net interest on retirement and other benefits	17	(1)	(1)
Interest on financial lease liabilities	6	(2)	(3)
Interest on financial lease liabilities- Related parties	6 and 28	(85)	(89)
Other financial costs		(1,008)	(1,015)

27. Contingent assets and liabilities

Not applicable.

28. 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).

As at 31 December 2020 the Company presents the following balances and transactions with related parties:

Assets

Unit: k €

		Current			Non-Current
	Total	Trade Receivable	Current Tax (Note 16)	Accruals and Deferrals	Loans Granted (Note 12)
Assets:	147,114	15,924	3,691	253	127,246
Galp Energia, SGPS, S.A.	3,691	-	3,691	-	-
Entities from GGND Group	143,423	15,924	-	253	127,246

For comparative information, refer to the financial statements for the year ended 31 December 2019.

Liabilities

Unit: k €

		Current		
	Total	Trade Payables (Note 15)	Loans Obtained (Note 15)	Accruals and Deferrals
Liabilities:	13,039	1,499	11,237	303
Entities from GGND Group	12,519	1,033	11,237	249
Entities from Galp Group	520	466	-	54

For comparative information, refer to the financial statements for the year ended 31 December 2019.

Transactions

Unit: k €

	Operating Costs	Operating Income	Financial Costs (Note 26)	Financial Income (Note 26)
Transactions:	(8,433)	13,107	(85)	10,349
Entities from GGND Group	(6,003)	13,107	-	10,349
Entities from Galp Group	(2,430)	-	(85)	-

For comparative information, refer to the financial statements for the year ended 31 December 2019.

29. Information on Environmental Matters

Not applicable.

30. Subsequent Events

There were no subsequent events after 31 December 2020 with a material impact on the financial statements.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on 24 March 2021. However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law applicable in Portugal.

32. Translation note

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 CERTIFIED ACCOUNTANT:

Paula de Freitas Gazul

13.7 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, 2020 (which shows total assets of Euros 846,827 thousand and total shareholders' equity of Euros 151,882 thousand including a net profit of Euros 20,700 thousand), the statement of income and 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, 2020, 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

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, 2020, Galp Gás Natural Distribuição, SA holds financial investments in subsidiaries and associates in the amount of Euro 640,420 thousand, which are valued at acquisition cost, deducted of impairment losses. 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 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 at December 31, 2020, no impairment losses were identified on the financial investments held by Galp Gás Natural Distribuição, S.A. The relevance of this matter in our audit is related to the significance of the amounts involved and level of complexity and judgement associated to the impairment models.	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: - 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 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 and 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 relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' 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 1 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 24, 2021.

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, 2021

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

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

14. Abreviations

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

Cautionary Statement

This report serves as the Annual Management Report and Accounts in accordance with Portuguese and European legislation, submitted to the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2020, for Galp Gás Natural Distribuição, S.A. (the “Company”) and its subsidiaries (collectively referred as “GGND”). This report may include forward-looking statements, including, without limitation, regarding future results, namely cash flows, dividends and shareholder returns; liquidity; capital and operating expenditures; performance levels, objectives, goals or operational or environmental commitments, and project planning, timing, and outcomes; execution levels; market developments in which GGND operates; and impacts of the COVID-19 pandemic on GGND's business and results, which may significantly differ depending on a number of factors, including energy supply and demand, namely natural gas and other market factors affecting them; the effects of government policies and actions, including actions taken to address COVID-19 and to maintain the functioning of national and international economies and markets; the impacts of the COVID-19 pandemic on people and economies; the impact of GGND’s actions to protect the health and safety of its employees, customers, suppliers and communities; actions of GGND’s competitors and commercial counterparties; the ability to access short and long-term debt markets in a timely and under favorable economic conditions; the actions of consumers; other legal and political factors, including changing applicable legislation and regulation and obtaining necessary administrative authorizations; unexpected operational events or technical difficulties; the outcome of commercial negotiations, including negotiations with governments and private entities; and other factors presented in GGND’s Management Report and Accounts filed with the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2019 and available on the GGND website (https://galpgasnaturaldistribuicao.pt/Investors/English-Version/Reports-and-Accounts). All statements, except statements referring to historical facts, are or may be considered forward-looking statements. Forward-looking statements express future based on expectations and assumptions used by management on the date they are disclosed and involve known and unknown risks and uncertainties that could cause results, performance or events to differ materially from those expressed or implied in such statements. GGND and its representatives, agents, employees, or advisers do not intend to, and expressly reject any duty, commitment or obligation to elaborate, disclose, any complement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report in any way to reflect any change in events, conditions or circumstances. This document does not constitute investment advice and does not constitute nor should it be interpreted as an offer for sale or issue, or as a request for an offer to buy or otherwise acquire securities of GGND or any of its subsidiaries or affiliates in any jurisdiction. or as an incentive to undertake any investment activity in any jurisdiction.