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April 2018

FY 2017 Results Presentation

Galp Gás Natural Distribuição, S.A.

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2017 Overview

Operating Results

Financial Overview

2017 Overview

Relevant Facts Occurred in 2017

- Continued focus on operation excellency and prudent financial policy
- BBB- corporate credit rating of investment grade with stable outlook reaffirmed by S&P Global Ratings
- Investment is aligned with the strategic guidelines to ensure the sustainability and competitiveness of natural gas distribution system

2017 Overview

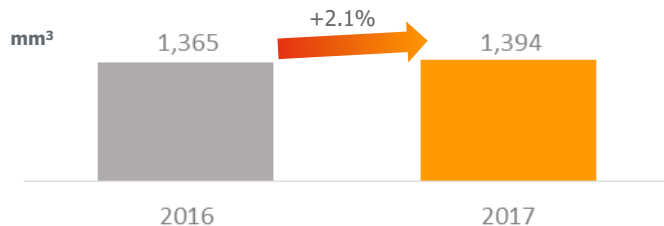
Operating Results

Financial Overview

Operating Results

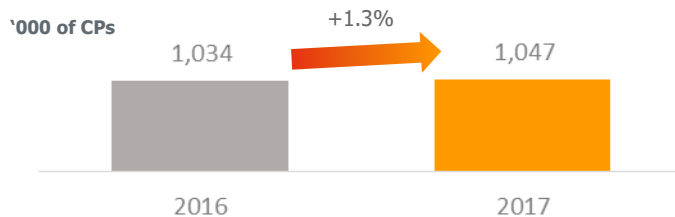
Stable Performance focused on Sustainability of the System

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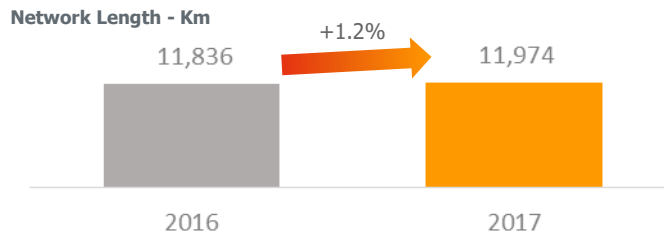


- Slightly increased due to the higher demand of the industrial customers

CONNECTION POINTS AND NETWORK LENGTH



- Connection points and network length increasing at a low, but steady pace, with a focus on ensuring the sustainability of the system



2017 Overview

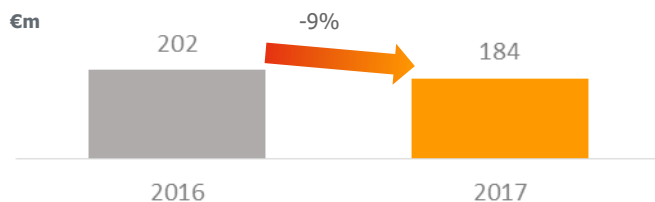
Operating Results

Financial Overview

Financial Overview

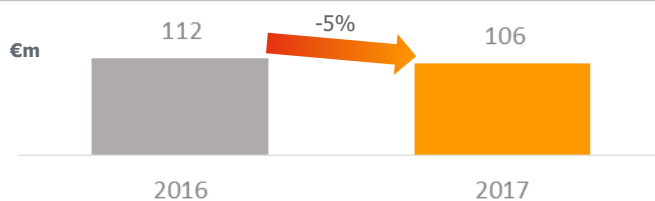
Net Income Improved Reflecting the Lower Cost of Finance

REVENUES



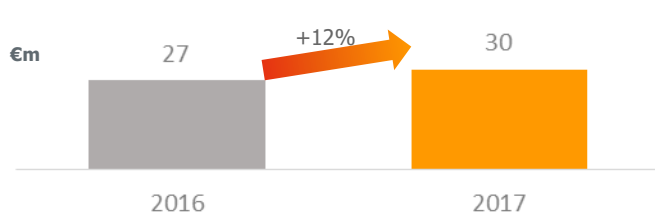
- Revenue decreased by €18m mainly due to:
 - Decrease of RoR (the average RoR in FY2017 was 6.42% while that in FY2016 was 7.02%)
 - Decrease of Transmission Tariff *
 - * Transmission Tariff decreased by €9m but does not affect EBITDA due to pass-through nature

EBITDA



- EBITDA decreased by €6m due to :
 - Abovementioned decrease in revenue (excluding the effect of decrease of Transmission Tariff)

NET INCOME

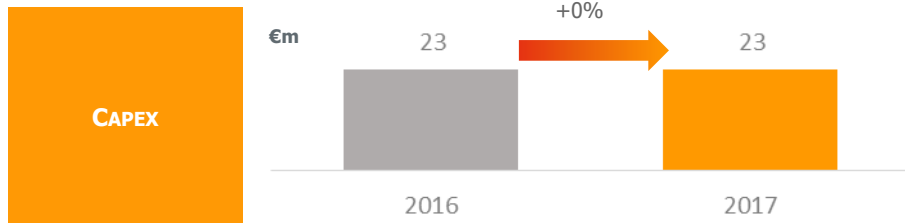


- Net Income improved by €3m due to:
 - Reduction of financial costs by €14.3m resulting from the issuance of the bond which offsets i) abovementioned decrease in EBITDA and ii) increase of income tax by €2m

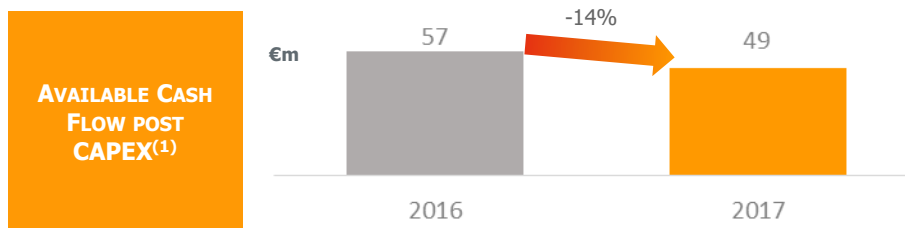
Note: GGND holds a stake below 50% of Tagusgás so, the participation taken into account only as financial income item.

Financial Overview (cont'd)

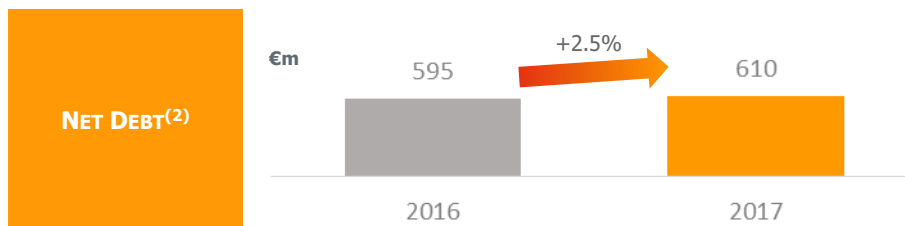
Cash Flow Decreased mainly due to Lower RoR



- CAPEX kept same €23m as FY2016 which ensure the sustainability and competitiveness of natural gas distribution system



- Available Cash Flow post CAPEX decreased by €8m in 2017 mainly due to the lower amount of client receipt affected by the RoR decrease



- Net Debt increased by €15m mainly due to the abovementioned reason

(1) Available Cash Flow post CAPEX: Cash flows from operating activities – CAPEX

(2) Net Debt: Bank loans + Bond + Shareholder Loan + overdrafts – Cash and cash equivalents.

<NOTE> In Net Debt calculation, issuance fee of the Bond is netted from the gross amount of €600m. For Financial Ratio calculation, Net Debt is measured based on the gross amount of the bond.

Financial Overview (cont'd)

Prudent Financial Policy focused on Maintaining Investment Grade Rating

TOTAL DEBT

€ m	
Bond	600.0
EIB Loan	20.0
Commercial Bank loan	10.4
Total	630.4

- EIB Loan and Commercial Bank Loan, both at subsidiaries, amortizing until 2020 and 2027 respectively

LIQUIDITY

€ m	
Cash	16.7
Revolving Credit Facility	50.0
Short Term Credit Line	20.0

- Revolving Credit Facility in the amount of €50m and also Short Term Credit Line of €20m are maintained

FINANCIAL COVENANTS (BOND)

Net Debt / EBITDA	5.8x
Debt Service Coverage Ratio	5.9x

- Prudent financial policy with healthy headroom under the financial covenants



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