



# Galp Gás Natural Distribuição, S.A.

## **Management Report and Accounts First Half 2017**

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

Share Capital: 89,529,141.00 EUR

MCRC/NIPC: 509148247

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## 1. Executive Summary

### Main Highlights during the first half of 2017

Consolidated EBITDA of Galp Gás Natural Distribuição, S.A. (“GGND”) was €51.5 million, down by €14.4 million which corresponds to a 22% decrease year-on-year (“YoY”) mainly due to the lower remuneration rate (“RoR”) established by the Portuguese regulator ERSE.

Net Income reached €9.7 million, a decrease of 31% or €4.4 million YoY which followed the decrease in allowed revenues from the revision of the RoR despite of the €9.5 m interest costs reduction during the period mainly due to the debt restructuring by means of bond issuance in the 3Q16.

Financial position of GGND in the first half of 2017 is in line with the ending balance of 31 December 2016.

The Cash Flow from Operating Activities was €37.0 million, 35% decrease YoY, which was negatively impacted by RoR reduction.

### Regulatory Framework

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

The recovery of the capital is calculated by multiplying the regulated asset base by the RoR published by the ERSE, plus the recovery of depreciation of the assets.

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

The RoR is calculated every Gas Year according to the average yield of 10-year treasury bonds issued by the Portuguese State.

The RoR established by the ERSE for the Gas Year 2016-2017 was 6.20% in the Natural Gas Distribution business, compared to 7.94% in the previous Gas Year. For the Gas Year 2017-2018, the RoR was set at 6.65%

### Risk Management

As a holding company of the regulated group companies which operate in the natural gas distribution sector, the existence of a robust internal regulatory system and the disciplined approach to the risks are important aspects of GGND. GGND's operations are of a long term nature, which implies that many of the risks to which it is exposed are permanent. However, the internal framework assures that the activities are conducted in accordance with strategic objectives, and the risks are properly managed in a way that created long-term value for the shareholders.

The major risks of GGND identified are i) Regulatory and Compliance Risks, ii) Information System Risks, iii) Project Implementation Risks, iv) Financial Risks.

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

## 2. Key Indicators

Operational Indicators	FIRST HALF				
	UNIT	2016	2017	Variation	% Var.
Connection Points	#	1,026,416	1,039,304	<b>12,888</b>	<b>1.26%</b>
Gas Volume Distributed	kcm	8,310,781	8,341,663	<b>30,882</b>	<b>0.4%</b>
Total Network Extension	km	11,752	11,911	<b>160</b>	<b>1.4%</b>
20bar network	km	648	648	<b>0</b>	<b>0.0%</b>
4bar network	km	11,103	11,263	<b>160</b>	<b>1.4%</b>
CAPEX	€ K	8,421	11,277	<b>2,856</b>	<b>33.9%</b>

Financial Indicators	FIRST HALF				
	(thousand euros)	2016	2017	Variation	% Var.
Income from Sales and Services Rendered		108,683	94,821	(13,862)	(13%)
EBITDA <sup>1</sup>		65,894	51,490	(14,404)	(22%)
EBIT		45,224	30,560	(14,664)	(32%)
Financial Results		(14,066)	(4,550)	9,516	68%
Net Income		14,152	9,724	(4,428)	(31%)
Cash Flow from Operating Activities		57,064	36,955	(20,109)	(35%)
Cash Flow from Investing Activities		(10,943)	(3,967)	6,976	64%
Financial Debt <sup>2</sup>		638,253	630,743	(7,510)	(1%)
Net Fixed Assets <sup>3</sup>		1,113,987	1,104,259	(9,728)	(1%)

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

<sup>2</sup> Bank loans (non-current) + Bonds + Shareholder loan + Bank loan and overdrafts

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

### 3. Economic and Financial Review

#### 3.1 ANALYSIS OF RESULTS

Income Statement (thousand euros)	FIRST HALF		
	2016	2017	Variation
Income from Sales and Services Rendered	108,683	94,821	(13,862)
Cost of Sales	(2,281)	(1,457)	824
Net Operating Cost	(40,508)	(41,874)	(1,366)
<i>External Supplies and Services</i>	<i>(36,740)</i>	<i>(35,748)</i>	<i>992</i>
<i>Employee Costs</i>	<i>(9,183)</i>	<i>(10,811)</i>	<i>(1,628)</i>
<i>Other Operating Income / (Cost)</i>	<i>4,870</i>	<i>4,742</i>	<i>(128)</i>
<i>Provision and Impairment Loss on Receivables</i>	<i>545</i>	<i>(57)</i>	<i>(602)</i>
<b>EBITDA</b>	<b>65,894</b>	<b>51,490</b>	<b>(14,404)</b>
Amortisation, Depreciation and Impairment Loss	(20,670)	(20,930)	(260)
<b>EBIT</b>	<b>45,224</b>	<b>30,560</b>	<b>(14,664)</b>
Financial Results	(14,066)	(4,550)	9,516
<b>Profit before Tax</b>	<b>31,158</b>	<b>26,010</b>	<b>(5,148)</b>
Taxes	(7,668)	(6,728)	940
Energy Sector Extraordinary Contribution	(9,338)	(9,558)	(220)
<b>Consolidated Net Income</b>	<b>14,152</b>	<b>9,724</b>	<b>(4,428)</b>

#### INCOME FROM SALES AND SERVICES RENDERED

Income from Sales and Services rendered reached €94.8 million in first half of 2017, showing 13% decrease or €13.9 million YoY. This variation was due to the decrease in allowed revenues, essentially because of the lower RoR published by ERSE.

#### NET OPERATING COSTS

Net Operating Costs was €41.9 million, corresponding to a 3% increase. This result was primarily due to the increased employee costs.

#### EBITDA

GGND recorded EBITDA of €51.5 million which is 22% lower YoY, mainly due to the decrease of RoR and increase in the Net Operating Costs.

## **AMORTISATION AND DEPRECIATION**

Amortisation and Depreciation reached €20.9 million which is in line with the first half of 2016.

## **FINANCIAL RESULTS**

The Financial Results was -€4.6 million which shows an improvement of €9.5 million. The reduction of the financing costs is achieved by the bond issuance as a result of the lower interest margin.

## **NET INCOME**

Net Income of the period was €9.7 million which is 31% lower YoY mainly due to the decrease of RoR which was partially offset by the reduction of the financing costs.

## 3.2 REVIEW OF THE FINANCIAL SITUATION

Financial Position			
(thousand euros)	31 December, 2016	30 June, 2017	Variation
Fixed Assets	1,113,987	1,104,259	(9,728)
Investments in Associates and Jointly Controlled Entities	15,059	11,141	(3,918)
Goodwill and Other Investments	2,278	2,278	0
Other Receivables and Deferred Tax Asset	48,912	40,796	(8,116)
<b>Non-current Assets</b>	<b>1,180,236</b>	<b>1,158,474</b>	<b>(21,762)</b>
Inventories, Trade and Other Receivables	88,047	88,405	358
Cash and Cash Equivalents	43,064	10,114	(32,950)
<b>Total Assets</b>	<b>1,311,347</b>	<b>1,256,993</b>	<b>(54,354)</b>
<b>Equity</b>	<b>265,143</b>	<b>212,724</b>	<b>(52,419)</b>
Long Term Debt	624,952	619,415	(5,537)
Other Non-Current Liabilities	325,078	331,852	6,774
Deferred Tax Liability	9,410	7,422	(1,988)
<b>Non-Current Liabilities</b>	<b>959,440</b>	<b>958,689</b>	<b>(751)</b>
Bank Loans and Overdrafts	13,301	11,328	(1,973)
Trade, Other and Current Income Tax Payables	73,463	74,252	789
<b>Current Liabilities</b>	<b>86,764</b>	<b>85,580</b>	<b>(1,184)</b>
<b>Total Liabilities and Equity</b>	<b>1,311,347</b>	<b>1,256,993</b>	<b>(54,354)</b>
Net Debt <sup>1</sup>	595,189	620,629	25,440
Capital Employed <sup>2</sup>	860,332	833,353	(26,979)

<sup>1</sup> Bank Loans (Non-Current) + Bonds + Shareholder Loan + Bank loan and Overdrafts - Cash and Cash Equivalents

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

In the first half of 2017, Non-Current Assets decreased by €21.8 million due to depreciation of the Fixed Assets. Also, upon the redemption of the shareholder loan by and dividend received from Tagusgás – Empresa de Gás do Vale do Tejo, S.A., the Other Receivables decreased by €5.4 million and Investments in associates and jointly controlled entities decreased by €3.7million respectively.

The decrease of the Total Assets is due to the lower balance of Cash and Cash Equivalents after GGND made dividend payment of €57.8 million in May 2017.

Total Equity of GGND decreased to € 212.7 million mainly due to the dividend distribution and lower net income during the period. The Non-Current and Current Liability were maintained at the same level of 31 December 2016.

Financial Ratios	FIRST HALF
	<b>2017</b>
Net Debt <sup>1</sup> / EBITDA	6.1x
Debt Service Coverage Ratio	3.6x

<sup>1</sup> Net Debt is calculated according to the Euro Medium Term Note Programme (EMTN) which includes the aggregate amount of all obligations in respect of indebtedness

In 19 September 2016, GGND has issued notes amounting €600 million under the Euro Medium Term Note Programme ("Bond"). Under the programme, a set of Financial Ratios were defined. As of 30 June 2017, the financial ratios are in compliance.

### 3.3 REVIEW OF THE CASH FLOW STATEMENT

Cash Flow Statement	FIRST HALF		
(thousand euros)	2016	2017	Variation
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>26,176</b>	<b>43,030</b>	<b>16,854</b>
Received from Customers	193,831	147,967	(45,864)
Paid to Suppliers	(50,357)	(51,768)	(1,411)
Staff Related Costs	(6,112)	(6,231)	(119)
Other Operating Payments and Receipt	(42,568)	(37,756)	4,812
Income Tax	(37,730)	(15,257)	22,473
<b>Cash Flow from Operating Activities</b>	<b>57,064</b>	<b>36,955</b>	<b>(20,109)</b>
Cash Flow from Capital Expenditure	(11,096)	(13,250)	(2,154)
Dividends from Associated Companies, Financial Investments	153	9,283	9,130
Net New Loans	(28,049)	(7,654)	20,395
Net Financial Expenses	(426)	(519)	(93)
Dividends Paid	(9,580)	(57,765)	(48,185)
<b>Cash and Equivalents at the End of the Period</b>	<b>34,242</b>	<b>10,080</b>	<b>(24,162)</b>

During the first half of 2017, Cash Flow from Operating Activities decreased by €20.1 million YoY mainly impacted by the decrease of RoR. After the payment of dividends of €57.8 million, the Cash and equivalents at the end of the period stands at €10.1 million.

### 4. Relevant Events Occurred after the Closing of the Accounts

No materially relevant events occurred after the closing of the financial period which should be mentioned.



Lisbon, 04 September 2017

The Board of Directors

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Pedro Carmona de Oliveira Ricardo  
Chairman

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

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Gabriel Nuno Charrua de Sousa  
Member

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Naohiro Hayakawa  
Member

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José Manuel Rodrigues Vieira  
Member

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Ana Isabel Simões Dias dos Santos Severino  
Member

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Maria Marta Geraldès  
Member

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Yoichi Noborisaka  
Member

## Annex

### I - Governing Bodies

Composition of the governing bodies of GGND as of 30 June 2016 is as follows:

#### Board of Directors

José Manuel Rodrigues Vieira (COO)

#### Chairman:

Pedro Carmona de Oliveira Ricardo

#### Vice-Chairman

Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco

#### Members:

Gabriel Nuno Charrua de Sousa

Naohiro Hayakawa

José Manuel Rodrigues Vieira

Ana Isabel Simões Dias dos Santos Severino

Maria Marta de Figueiredo Geraldes Bastos

Yoichi Noborisaka

#### Executive Committee

#### Chairman:

Gabriel Nuno Charrua de Sousa (CEO)

#### Members:

Naohiro Hayakawa (CFO)

#### Supervisory Board

#### Chairman:

Daniel Bessa Fernandes Coelho

#### Members:

Pedro Antunes de Almeida

Armindo José Faustino dos Santos Marcelino

#### Suplente:

Amável Alberto Freixo Calhau

#### Statutory Auditors

#### Standing:

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., inscrita na OROC com o nº 183 e inscrita na CMVM com o nº 20161485, representada pelo Dr. António Joaquim Brochado Correia, ROC n.º 1076, ou pela Dra. Ana Maria Ávila de Oliveira Lopes Bertão, ROC n.º 902.

#### Alternate:

Dr. José Manuel Henriques Bernardo, ROC nº 903.

## General Shareholders Meeting Board

### Chairman:

Rui de Oliveira Neves

### Secretary:

Maria Helena Goldschmidt

## Company Secretary

### Standing:

Rita Picão Fernandes

### Alternate:

Inês Figueira

## II - Notice and Statement

### 1. Shareholders with qualifying holdings on 30 June 2017

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

### 2. Share ownership on 30 June 2016 by current members of the Board of Directors and the supervisory bodies

As of 30 June 2017, none of the members of the administration and supervisory board held shares or bonds issued by GGND.

### 3. Main Transactions between related parties during the first half of 2017

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

During the first half of 2017 there were no relevant transactions between GGND related parties that had a significant effect on its financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2016, which were susceptible to have a significant effect on its financial position or on its respective performance over the first six months of the financial year 2017.

## 4. Statement of compliance of information presented

### Statement of compliance of the Board of Directors

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

To the best of their knowledge, (i) the information presented in the financial statements concerning the first half of the financial year 2017 was produced in conformity with the applicable accounting requirements and gives a true and fair view of GGND's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and (ii) the report and accounts for the first half of 2017 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

**Lisbon, 04 September 2017**

#### The Board of Directors

##### Chairman:

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Pedro Carmona de Oliveira Ricardo

##### Vice-Chairman:

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Maria Leonor Galo Pedrosa dos Santos Machado de Baptista Branco

##### Members:

---

Gabriel Nuno Charrua de Sousa

---

Naohiro Hayakawa

---

José Manuel Rodrigues Vieira

---

Ana Isabel Simões Dias dos Santos Severino

---

Maria Marta Geraldes

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Yoichi Noborisaka

## Statement of compliance of the Supervisory Board

According to article 246, paragraph 1. c) of the CVM, each of the members of the Supervisory Board of GGND mentioned below declares that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2017 was produced in conformity with the applicable accounting requirements and gives a true and fair view of GGND's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and the report and accounts for the first half of 2017 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

**Lisbon, 07 September 2017**

### The Supervisory Board

#### Chairman:

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Daniel Bessa Fernandes Coelho

#### Members:

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Pedro Antunes de Almeida

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Armindo José Faustino dos Santos Marcelino

#### Alternate:

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Amável Alberto Freixo Calhau

**III - CONSOLIDATED FINANCIAL STATEMENTS**

distribuição  
gás natural



**GALP GÁS NATURAL DISTRIBUIÇÃO, S.A. AND SUBSIDIARIES**

**Financial Statements and Notes to the Consolidated Financial  
Statements as of 30 June 2017**



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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

#### Consolidated statement of financial position as of 30 June 2017 and 31 December 2016

(Amounts stated in thousand Euros - €K)

ASSETS	Notes	June 2017	December 2016
<b>Non-current assets:</b>			
Tangible assets	12	534	543
Goodwill	11	2.275	2.275
Intangible assets	12	1.103.725	1.113.444
Investments in associates and joint ventures	4	11.141	15.059
Financial assets held for sale	4	3	3
Other receivables	14	22.682	31.754
Deferred tax assets	9	18.114	17.158
<b>Total non-current assets:</b>		<b>1.158.474</b>	<b>1.180.236</b>
<b>Current assets:</b>			
Inventories	16	1.346	1.207
Trade receivables	15	12.391	10.094
Other receivables	14	74.668	76.746
Cash and cash equivalents	18	10.114	43.064
<b>Total current assets:</b>		<b>98.519</b>	<b>131.111</b>
<b>Total assets:</b>		<b>1.256.993</b>	<b>1.311.347</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital	19	89.529	89.529
Reserves	20	6.278	3.166
Retained earnings		88.355	127.757
Consolidated net results for the period	10	9.385	25.044
<b>Total equity attributable to shareholders:</b>		<b>193.547</b>	<b>245.496</b>
Non-controlling interests	21	19.177	19.647
<b>Total equity:</b>		<b>212.724</b>	<b>265.143</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	23.793	29.462
Shareholder loans	22	595.622	595.490
Other payables	24	231.641	232.870
Post-employment and other employee benefits liabilities	23	58.476	60.122
Deferred tax liabilities	9	7.422	9.410
Provisions	25	41.735	32.086
<b>Total non-current liabilities:</b>		<b>958.689</b>	<b>959.440</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	11.328	13.301
Trade payables	26	14.116	14.196
Other payables	24	50.363	44.107
Current payable income tax	9	9.773	15.160
<b>Total current liabilities:</b>		<b>85.580</b>	<b>86.764</b>
<b>Total liabilities:</b>		<b>1.044.269</b>	<b>1.046.204</b>
<b>Total equity and liabilities:</b>		<b>1.256.993</b>	<b>1.311.347</b>

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 June 2017.

## CONSOLIDATED INCOME STATEMENT

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

Consolidated income statement for the six month period ended 30 June 2017 and 2016

(Amounts stated in thousand Euros - €)

	Notes	June 2017	June 2016
<b>Operating income:</b>			
Sales	5	2.302	4.257
Services rendered	5	92.519	104.426
Other operating income	5	16.397	13.640
<b>Total operating income:</b>		<b>111.218</b>	<b>122.323</b>
<b>Operating costs:</b>			
Cost of sales	6	1.457	2.281
External supplies and services	6	35.748	36.740
Employee costs	6	10.811	9.183
Amortisation, depreciation and impairment loss on fixed assets	6	20.930	20.670
Provisions and impairment losses on receivables	6	57	(545)
Other operating costs	6	11.655	8.770
<b>Total operating costs:</b>		<b>80.658</b>	<b>77.099</b>
<b>Operating result:</b>			
Financial income	8	91	243
Financial costs	8	(4.858)	(14.953)
Results from financial investments and impairment losses on goodwill	4 and 11	217	644
<b>Result before taxes:</b>		<b>26.010</b>	<b>31.158</b>
Income tax	9	(6.728)	(7.668)
Energy sector extraordinary contribution	9	(9.558)	(9.338)
<b>Consolidated net result for the period</b>		<b>9.724</b>	<b>14.152</b>
<b>Result attributable to:</b>			
<b>Non-controlling interests</b>	<b>21</b>	<b>339</b>	<b>1.002</b>
<b>Galp Gás Natural Distribuição, S.A. shareholders</b>	<b>10</b>	<b>9.385</b>	<b>13.150</b>
<b>Consolidated net result for the period</b>		<b>9.724</b>	<b>14.152</b>
<b>Earnings per share (in Euros)</b>	<b>10</b>	<b>0,10</b>	<b>0,15</b>

The accompanying notes form an integral part of the consolidated income statement for the six month period ended 30 June 2017.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Galp Gás Natural Distribuição, S.A. and subsidiaries Consolidated Statement of Comprehensive Income for the six month period ended 30 June 2017 and 30 June 2016 and for the year ended 31 December 2016

(Amounts stated in thousand Euros - €K)

	Notes	June 2017		June 2016		December 2016	
		Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)
<b>Consolidated net income for the period</b>	10	<b>9.385</b>	<b>339</b>	<b>13.150</b>	<b>1.002</b>	<b>25.044</b>	<b>1.508</b>
<i>Other comprehensive income for the period which will not be recycled in the future through net income of the period:</i>							
<b>Actuarial Gains and losses - pension fund:</b>							
Actuarial Gains and losses - pension fund	23	979	-	(4.575)	-	(10.786)	(2)
Tax related to actuarial gains and losses - pension fund	9	(208)	-	619	-	2.404	-
		<b>771</b>	<b>-</b>	<b>(3.956)</b>	<b>-</b>	<b>(8.382)</b>	<b>(2)</b>
<i>Other comprehensive income for the period which will be recycled in the future through net income of the period:</i>							
<b>Hedging reserves:</b>							
Increases / (decreases) in hedging reserves (Associates/joint ventures)	20	(198)	-	31	-	(22)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20	49	-	-	-	65	-
		<b>(149)</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>43</b>	<b>-</b>
<i>Other increases/decreases</i>							
<b>Changes on the financial interests held in the share capital of subsidiaries (Note 3 and 21):</b>							
Increase in the financial interests held in the share capital of subsidiaries	21	-	-	-	-	-	(24)
		-	-	-	-	-	(24)
<b>Other Comprehensive income for the period net of taxes</b>		<b>622</b>	<b>-</b>	<b>(3.925)</b>	<b>-</b>	<b>(8.339)</b>	<b>(26)</b>
<b>Comprehensive income for the period attributable to shareholders</b>		<b>10.007</b>		<b>9.225</b>		<b>16.705</b>	
<b>Comprehensive income for the period attributable to non-controlling interests</b>	21		<b>339</b>		<b>1.002</b>		<b>1.482</b>
<b>Total Comprehensive income for the period</b>		<b>10.007</b>	<b>339</b>	<b>9.225</b>	<b>1.002</b>	<b>16.705</b>	<b>1.482</b>

The accompanying notes form an integral part of the consolidated statement of comprehensive Income for the six month period ended 30 June 2017.



Financial Statements and Notes to the Consolidated Financial Statements as of 30 June 2017

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Galp Gás Natural Distribuição, S.A. and subsidiaries**  
**Consolidated Statement of changes in equity for the six month period ended 30 June 2017 and 30 June 2016 and for the year ended 31 December 2016**  
(Amounts stated in thousand Euros - €K)

Changes in the period	Notes	Share Capital	Legal Reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net income for the period	Sub-Total	Non-controlling interests (Note 21)	Total
<b>Balance as of 1 January 2016</b>		<b>89,529</b>	<b>2,986</b>	<b>(79)</b>	<b>(237)</b>	<b>(16,198)</b>	<b>131,687</b>	<b>29,620</b>	<b>237,308</b>	<b>19,245</b>	<b>256,553</b>
Consolidated net income for the period	10	-	-	-	-	-	-	13,150	13,150	1,002	14,152
Other gains and losses recognised in Equity		-	-	-	31	(3,956)	-	-	(3,925)	-	(3,925)
Comprehensive income for the period		-	-	-	31	(3,956)	-	13,150	9,225	1,002	10,227
Dividends distributed / Interim dividends		-	-	-	-	-	(8,970)	-	(8,970)	(1,068)	(10,038)
Increase of reserves by appropriation of profit		-	448	-	-	-	29,620	(29,620)	448	-	448
<b>Balance as of 30 June 2016</b>		<b>89,529</b>	<b>3,434</b>	<b>(79)</b>	<b>(206)</b>	<b>(20,154)</b>	<b>152,337</b>	<b>13,150</b>	<b>238,011</b>	<b>19,179</b>	<b>257,190</b>
<b>Balance as of 1 January 2016</b>		<b>89,529</b>	<b>2,986</b>	<b>(79)</b>	<b>(237)</b>	<b>(16,198)</b>	<b>131,687</b>	<b>29,620</b>	<b>237,308</b>	<b>19,245</b>	<b>256,553</b>
Consolidated net income for the period	10	-	-	-	-	-	-	25,044	25,044	1,508	26,552
Other gains and losses recognised in Equity		-	-	-	43	(8,382)	-	-	(8,339)	(26)	(8,365)
Comprehensive income for the period		-	-	-	43	(8,382)	-	25,044	16,705	1,482	18,187
Dividends distributed / Interim dividends		-	-	-	-	-	(8,522)	-	(8,522)	(1,068)	(9,590)
Increase in share capital of subsidiaries		-	-	5	-	-	-	-	5	(12)	(7)
<b>Balance as of 31 December 2016</b>		<b>89,529</b>	<b>3,434</b>	<b>(74)</b>	<b>(194)</b>	<b>(24,580)</b>	<b>152,337</b>	<b>25,044</b>	<b>245,496</b>	<b>19,647</b>	<b>265,143</b>
<b>Balance as of 1 January 2017</b>		<b>89,529</b>	<b>3,434</b>	<b>(74)</b>	<b>(194)</b>	<b>(24,580)</b>	<b>152,337</b>	<b>25,044</b>	<b>245,496</b>	<b>19,647</b>	<b>265,143</b>
Consolidated net income for the period	10	-	-	-	-	-	-	9,385	9,385	339	9,724
Other gains and losses recognised in Equity		-	-	-	(149)	771	-	-	622	-	622
Comprehensive income for the period		-	-	-	(149)	771	-	9,385	10,007	339	10,346
Dividends distributed / Interim dividends	30	-	-	-	-	-	(61,956)	-	(61,956)	(809)	(62,765)
Increase of reserves by appropriation of profit		-	3,261	-	-	-	21,783	(25,044)	-	-	-
<b>Balance as of 30 June 2017</b>		<b>89,529</b>	<b>6,695</b>	<b>(74)</b>	<b>(343)</b>	<b>(23,809)</b>	<b>112,164</b>	<b>9,385</b>	<b>193,547</b>	<b>19,177</b>	<b>212,724</b>

The accompanying notes form an integral part of the consolidated statement of changes in equity for the six month period ended 30 June 2017.

## CONSOLIDATED STATEMENT OF CASH FLOW

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

#### Consolidated Statement of Cash Flow for the six month period ended 30 June 2017, 30 June 2016 and for the year ended 31 December 2016

(Amounts stated in thousand Euros - €K)

	Notes	June 2017	June 2016	December 2016
<b>Operating activities:</b>				
Cash received from customers		147.967	193.831	319.942
Cash (payments) to suppliers		(51.768)	(50.357)	(103.758) a)
Payments relating to employees		(5.083)	(4.968)	(8.306) a)
(Payments) relating to Tax on oil products ("ISP")		(210)	(250)	(377)
(Payments)/receipts of income taxes		(15.257)	(37.730)	(42.486)
Contributions to the pension fund		(126)	(54)	(310)
Payments to early retirements and pre-retirements		(994)	(1.048)	(2.199)
Payments of insurance expenses with retirements		(28)	(42)	(933)
Other receipts/(payments) relating to the operational activity		(37.546)	(42.318)	(82.294) a)
<b>Cash flows from operating activities (1)</b>		<b>36.955</b>	<b>57.064</b>	<b>79.279</b>
<b>Investing activities:</b>				
Receipts from:				
Investment grants		-	-	(18)
Interests and similar income		58	8	16
Dividends	4	3.850	-	-
Loans obtained		5.375	145	145
		<b>9.283</b>	<b>153</b>	<b>143</b>
Payments relating:				
Financial investments		-	-	(31)
Tangible assets		(176)	-	(239)
Intangible assets		(13.074)	(11.096)	(21.837)
		<b>(13.250)</b>	<b>(11.096)</b>	<b>(22.107)</b>
<b>Cash flows from investing activities (2)</b>		<b>(3.967)</b>	<b>(10.943)</b>	<b>(21.964)</b>
<b>Financing activities:</b>				
Loans obtained				
		-	-	600.000
		-	-	<b>600.000</b>
Payments relating:				
Loans obtained		(7.654)	(28.049)	(603.433)
Interests from loans obtained		(25)	(45)	(22.094)
Interests and similar expenses		(494)	(381)	(5.354)
Dividends distributed / Interim dividends	30	(57.765)	(9.580)	(9.580)
		<b>(65.938)</b>	<b>(38.055)</b>	<b>(640.461)</b>
<b>Cash flows from financing activities (3)</b>		<b>(65.938)</b>	<b>(38.055)</b>	<b>(40.461)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(32.950)	8.066	16.854
Cash and cash equivalents at the beginning of the period		43.030	26.176	26.176
Cash and cash equivalents at the end of the period	18	10.080	34.242	43.030

(a) Amounts restated in accordance with the accounting policies referred in Note 2.1.

The accompanying notes form an integral part of the consolidated statement of cash flow for the six month period ended 30 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2017

### 1. INTRODUCTION

#### a) Parent Company:

Galp Gás Natural Distribuição, S.A. (hereinafter referred to as GGND or Company) has its Head Office in Rua Tomás da Fonseca in Lisbon, Portugal and its corporate business is the exercise of activities in the energy sector, in particular in the distribution of natural gas, including the service delivery of support to corporate business, in the areas of management, administration and logistics, purchase and supply and information systems.

The Company shareholder structure as of 30 June 2017 is stated in Note 19.

#### b) The Group:

As of 30 June 2017 the GGND Group ("Group") consists of Galp Gás Natural Distribuição and its subsidiaries which integrates in the natural gas distribution area.

The natural gas business segment encompasses the natural gas distribution, exercised under public interest regime, and natural gas commercialisation as last resort, according to the applicable regulation.

In October 2016, Galp Gás & Power S.G.P.S., S.A. sold 22.5% of Group Galp Gás Natural Distribuição, S.A. to the entity Meet Europe Natural Gas, Ltd.. Such sale resulted from the agreement signed at 28 July 2016 between Galp Energia S.G.P.S., S.A., through its subsidiary Galp Gás & Power, S.A., and Marubeni Corporation and Toho Gas Co., Ltd.. The remaining 77.5% of the share capital of GGND is still held by Galp through its subsidiary Galp Gás & Power, S.A..

Resulting from the agreement, Group GGND is now jointly controlled by Galp Gás & Power, S.G.P.S., S.A. and Meet Europe Natural Gas, Ltd..

## 2. SIGNIFICANT ACCOUNTING POLICIES

GGND consolidated financial statements were prepared on a going concern basis, at historical cost, except for derivatives financial instruments which are booked at fair value, on the accounting records of the companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic year beginning in 1 January 2017. 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 Board of Directors considers that these consolidated financial statements and the accompanying notes provide a fair presentation of the consolidated interim financial information prepared in accordance with “IAS 34 – Interim Financial Reporting”. In preparing the consolidated financial statements estimates were used that affect the reported amounts of assets and liabilities, as well as the amounts of income and costs of the reporting period. The estimates and assumptions used by the Board of Directors were based on the best information available of the events and transactions in process, at the time of approval of the consolidated financial statements.

As of 30 June 2017 were disclosed only material changes required by IFRS 7 – Financial Instruments: Disclosures. For all other disclosures under this standard refer to the Company’s consolidated financial statements as of 31 December 2016.

For a detailed description of the accounting policies adopted by Galp Gás Natural Distribuição refer to the consolidated financial statements of the Company as of 31 December 2016.



## 2.1. Changes in accounting policies

In the period ended 30 June 2017, the Group reclassified payments related to personnel which were registered under payments to suppliers and other (payments)/receipts related to operational activities.

The financial statements were restated as of 31 December 2016, being the impacts in the financial statement of cash flow described in the table below:

(€ k)				
Captions	Notes	December 2016	reclassifications	December 2016
<b>Operating activities:</b>				
Cash received from customers		319.942	-	319.942
Cash (payments) to suppliers		(104.691)	933	(103.758)
Payments relating to employees		(12.165)	3.859	(8.306)
(Payments) relating to Tax on oil products ("ISP")		(377)	-	(377)
(Payments)/receipts of income taxes		(42.486)	-	(42.486)
Contributions to the pension fund		(310)	-	(310)
Payments to early retirements and pre-retirements		(2.199)	-	(2.199)
Payments of insurance expenses with retirements		(933)	-	(933)
Other receipts/(payments) relating to the operational activity		(77.502)	(4.792)	(82.294)
<b>Cash flows from operating activities (1)</b>		<b>79.279</b>	<b>-</b>	<b>79.279</b>
<b>Investing activities:</b>				
Receipts from:				
Investment grants		(18)	-	(18)
Interests and similar income		16	-	16
Dividends	4	-	-	-
Loans obtained		145	-	145
		<b>143</b>	<b>-</b>	<b>143</b>
Payments relating:				
Financial investments		(31)	-	(31)
Tangible assets		(239)	-	(239)
Intangible assets		(21.837)	-	(21.837)
		<b>(22.107)</b>	<b>-</b>	<b>(22.107)</b>
<b>Cash flows from investing activities (2)</b>		<b>(21.964)</b>	<b>-</b>	<b>(21.964)</b>
<b>Financing activities:</b>				
Receipts from:				
Loans obtained		600.000	-	600.000
		<b>600.000</b>	<b>-</b>	<b>600.000</b>
Payments relating:				
Loans obtained		(603.433)	-	(603.433)
Interests from loans obtained		(22.094)	-	(22.094)
Interests and similar expenses		(5.354)	-	(5.354)
Dividends distributed / Interim dividends	30	(9.580)	-	(9.580)
		<b>(640.461)</b>	<b>-</b>	<b>(640.461)</b>
<b>Cash flows from financing activities (3)</b>		<b>(40.461)</b>	<b>-</b>	<b>(40.461)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		16.854	-	16.854
Cash and cash equivalents at the beginning of the period		26.176	-	26.176
Cash and cash equivalents at the end of the period	18	43.030	-	43.030

For a detailed description of the accounting policies adopted by Galp Gás Natural Distribuição refer to the consolidated financial statements of the Company as of 31 December 2016.

### 3. CONSOLIDATED COMPANIES

#### 3.1. Consolidation perimeter

The companies included in the consolidation, their head offices, percentage of interest held and their main activities are as follows:

Companies	Head Office		Percentage of interest held		Main activity
	City	Country	2017	2016	
<b>Group Companies</b>					
<b>Holding</b>					
Galp Gás Natural Distribuição, S.A.	Lisboa	Portugal	-	-	Pursue of activities in the energy sector, particularly of natural gas distribution including service rendering to support corporate management, administration and logistics, purchases and supply and IT.
<b>Subsidiaries:</b>					
Beiragás - Companhia de Gás das Beiras, S.A.	Viseu	Portugal	59.59%	59.59%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject.
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	Lisboa	Portugal	100.00%	100.00%	Natural gas distribution, exercised in the public interest regime, under the rules applicable in the geographical area of the exploration license of autonomous local distribution networks and their supply and equipments for other compatible infrastructures, as well as the pursue of directly and indirectly related activities.
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	Vila Real	Portugal	100.00%	100.00%	Natural gas distribution, exercised in the public interest regime, under the rules applicable in the geographical area of the exploration license of autonomous local distribution networks and their supply and equipments for other compatible infrastructures, as well as the pursue of directly and indirectly related activities.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Lisboa	Portugal	100.00%	100.00%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacity of telecommunications network installed.
Lusitaniagás - Companhia de Gás do Centro, S.A.	Aveiro	Portugal	96.84%	96.84%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacity of telecommunications network installed.
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	Lisboa	Portugal	100.00%	100.00%	Natural gas distribution, exercised in the public interest regime, under the rules applicable in the geographical area of the exploration license of autonomous local distribution networks and their supply and equipments for other compatible infrastructures, as well as the pursue of directly and indirectly related activities.
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	Lisboa	Portugal	100.00%	100.00%	Natural gas distribution, exercised in the public interest regime, under the rules applicable in the geographical area of the exploration license of autonomous local distribution networks and their supply and equipments for other compatible infrastructures, as well as the pursue of directly and indirectly related activities.
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Setúbal	Portugal	99.93%	99,93%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacity of telecommunications network installed.

The place of activity (e.g. country) of subsidiaries with non-controlling interests is the same as shown in the table above.

## 4. FINANCIAL INVESTMENTS

### 4.1. Investments in associates

Investments in associates, their head offices and the percentage or interest held as of 30 June 2017 and 31 December 2016 are as follows:

Company	Head Office		Percentage of interest held		Book Value		Main activity	
	City	Country	2017	2016	2017	2016		
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	a)	Santarém	Portugal	41.33%	41.33%	11,141	15,059	Natural gas production and distribution and other pipelined fuelled gases.
<b>Value of financial investments in associates</b>					<b>11,141</b>	<b>15,059</b>		

Changes in "Financial investments in associates" for the period ended 30 June 2017 by equity equivalence method was as follows:

Financial investments	Initial balance	Gains / Losses (Note 4.3)	Adjustments to hedging reserves	Actuarial gains and losses	Dividends (Note 4.4)	Final Balance
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	15,059	217	(149)	(136)	(3,850)	11,141

### 4.2. Financial assets held for sale

The financial investments in associated companies, presented in the consolidated statement of financial position as "Financial assets held for sale", the head offices and the percentage or interest held as of 30 June 2017 and 31 December 2016 are as follows:

Company	Head Office		Percentage of interest held		Book Value	
	City	Country	2017	2016	2017	2016
AGENEAL Agência Municipal Energia de Almada	Almada	Portugal	0.04%	0.04%	3	3
					<u>3</u>	<u>3</u>

The financial assets held for sale were reflected for accounting purposes at the acquisition cost as described in Note 2.2 paragraph b) (see consolidated financial statements as of 31 December 2016). The net book value of these investments amounts to €3 k as of 30 June 2017.

### 4.3. Results from financial investments

The caption “Results from financial investments” presented in the consolidated income statement for the period ended 30 June 2017 and 2016 are comprised as follows:

	(€ k)	
	<u>June 2017</u>	<u>June 2016</u>
<b>Effect of applying the equity method:</b>		
Associated companies (Note 4.1)	217	644
	<u><b>217</b></u>	<u><b>644</b></u>

### 4.4. Dividends from financial investments

The caption “Investments in associates” (Note 4.1) includes the amount of €3,850 k related to dividends corresponding to amounts approved in the General meetings of the respective companies. The amount was entirely received as of 30 June 2017.

## 5. OPERATING INCOME

The Group's operating income for the periods ended 30 June 2017 and 2016 is as follows:

<b>Captions</b>	<b>(€ k)</b>	
	<b>2017</b>	<b>2016</b>
Sales:		
Goods	2,302	4,257
	<b>2,302</b>	<b>4,257</b>
Services Rendered	92,519	104,426
	<b>92,519</b>	<b>104,426</b>
Other operating income:		
Supplementary income	587	579
Revenues arising from the construction of assets under IFRIC12	11,262	8,504
Investment government grants (Note 13)	4,402	4,424
Others	146	133
	<b>16,397</b>	<b>13,640</b>
	<b>111,218</b>	<b>122,323</b>

Regarding the construction contracts under IFRIC12, the construction of the concession assets is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are immaterial when compared to total revenues and operating costs and can be detailed as follows:

<b>Captions</b>	<b>(€ k)</b>	
	<b>2017</b>	<b>2016</b>
Costs arising from the Construction of Assets under IFRIC12	(11,262)	(8,504)
Revenues arising from the Construction of Assets under IFRIC12	11,262	8,504
<b>Margin</b>	<b>-</b>	<b>-</b>

## 6. OPERATING COSTS

The results for the periods ended 30 June 2017 and 2016 were affected by the following items of operating costs:

	(€ k)	
CAPTIONS	2017	2016
<b>Cost of Sales:</b>		
Raw and subsidiary materials	-	31
Goods	1,443	2,250
Impairment in inventories (Note 16)	14	-
	<b>1,457</b>	<b>2,281</b>
<b>External supplies and services:</b>		
Subcontracts - Third party access to network	20,630	22,803
Rental costs	626	682
Maintenance and repairs	1,021	971
Insurance	600	625
IT services	3,637	3,268
Electricity, water, vapour and communications	262	264
Readings, billing and collection	630	691
Technical Assistance Maintenance and inspection	1,430	1,450
Other specialised services	5,865	5,265
Other external supplies and services	708	554
Other costs	339	167
	<b>35,748</b>	<b>36,740</b>
<b>Personnel costs:</b>		
Statutory board salaries (Note 29)	227	(37)
Employee salaries	8,666	7,612
Social charges	1,918	1,753
Retirement benefits - pensions and insurance (Note 23)	1,629	1,416
Other insurance	647	637
Other costs	(2,276)	(2,198)
	<b>10,811</b>	<b>9,183</b>
<b>Amortisation, depreciation and impairment on fixed assets</b>		
Amortisation and impairment of tangible assets (Note 12)	9	9
Amortisation and impairment of concession agreements (Note 12)	20,921	20,661
	<b>20,930</b>	<b>20,670</b>
<b>Provision and impairment losses on receivables</b>		
Provisions and reversals (Note 25)	91	(611)
Impairment losses on trade receivables (Note 15)	(34)	66
	<b>57</b>	<b>(545)</b>
<b>Other operating costs</b>		
Other taxes	32	115
Costs arising from the construction of Assets under IFRIC12	11,262	8,504
Losses on fixed assets	98	7
Donations	135	-
Other operating costs	128	144
	<b>11,655</b>	<b>8,770</b>
<b>Total of operating costs</b>	<b>80,658</b>	<b>77,099</b>

The caption "Subcontracts – network use" refers to charges for the use of:

- i) Transportation network use (URT);
- ii) Global system use (UGS).

## 7. SEGMENT REPORTING

### Business segments

As of 30 June 2017 the GGND Group is constituted by Galp Gás Natural Distribuição and its subsidiaries that develop activities of natural gas distribution and commercialisation.

The Natural Gas business segment reaches Natural Gas Distribution and Last Resort Commercialisation.

In "Others", the Group considered the holding Galp Gás Natural Distribuição, S.A..

The financial statements of the previously identified segments as of 30 June 2017 and 2016 is presented as follows:

	(€ k)							
	Natural Gas		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Income</b>								
Sales and Services Rendered	94.681	108.543	5.734	4.122	(5.594)	(3.982)	94.821	108.683
Inter-segmental	-	-	5.594	3.982	(5.594)	(3.982)	-	-
External	94.681	108.543	140	140	-	-	94.821	108.683
Cost of Sales	-	-	-	-	-	-	(1.457)	(2.281)
Cost of goods sold and materials consumed	(1.457)	(2.281)	-	-	-	-	(1.457)	(2.281)
Variation in Production	-	-	-	-	-	-	-	-
<b>EBITDA (1)</b>	<b>49.298</b>	<b>63.868</b>	<b>2.249</b>	<b>1.481</b>	<b>-</b>	<b>-</b>	<b>51.547</b>	<b>65.349</b>
<b>Non payable expenses</b>								
Amortisation, depreciation and impairments	(20.930)	(20.670)	-	-	-	-	(20.930)	(20.670)
Depreciation and Amortisation	(20.930)	-	-	-	-	-	(20.930)	-
Impairments	-	-	-	-	-	-	-	-
Provisions (net)	(57)	545	-	-	-	-	(57)	545
Provisions	(91)	(90)	-	-	-	-	(91)	(90)
Impairments	(43)	(66)	-	-	-	-	(43)	(66)
Provisions - Reversals	-	-	-	-	-	-	-	-
Impairments - Reversals	77	701	-	-	-	-	77	701
<b>EBIT IAS/IFRS</b>	<b>28.311</b>	<b>43.743</b>	<b>2.249</b>	<b>1.481</b>	<b>-</b>	<b>-</b>	<b>30.560</b>	<b>45.224</b>
Results from financial investments	217	12.992	-	(12.348)	-	-	217	644
Other financial results	(13.318)	(14.255)	8.551	(455)	-	-	(4.767)	(14.710)
Interest expense	(4.211)	(14.681)	(4.125)	(14.538)	-	-	(8.336)	(29.219)
Interest income	47	243	13.122	14.094	-	-	13.169	14.337
O. Financial charges	(9.154)	183	(446)	(11)	-	-	(9.600)	171
Income tax	(4.417)	(7.617)	(2.311)	(51)	-	-	(6.728)	(7.668)
Energy sector extraordinary contribution	(9.558)	(9.338)	-	-	-	-	(9.558)	(9.338)
Non-controlling interests	(339)	(1.002)	-	-	-	-	(339)	(1.002)
<b>Consolidated net result for the period</b>	<b>896</b>	<b>24.523</b>	<b>8.489</b>	<b>(11.373)</b>	<b>-</b>	<b>-</b>	<b>9.385</b>	<b>13.150</b>
<b>As of 30 June 2017 and 30 June 2016</b>								
<b>OTHER INFORMATIONS</b>								
<b>Segment Assets (2)</b>								
Financial investments (3)	13.419	3	-	17.334	-	-	13.419	17.337
Other Assets	1.246.072	1.265.232	554.115	592.404	(556.613)	(563.626)	1.243.574	1.294.010
<b>Total Consolidated Assets</b>	<b>1.259.490</b>	<b>1.265.235</b>	<b>554.115</b>	<b>609.738</b>	<b>(556.613)</b>	<b>(563.626)</b>	<b>1.256.993</b>	<b>1.311.347</b>
<b>Total Consolidated Liabilities</b>	<b>981.424</b>	<b>994.649</b>	<b>619.457</b>	<b>615.181</b>	<b>(556.613)</b>	<b>(563.626)</b>	<b>1.044.269</b>	<b>1.046.204</b>
<b>Investment in Tangible and Intangible Assets</b>	<b>11.262</b>	<b>8.504</b>					<b>11.262</b>	<b>8.504</b>

(1) EBITDA = Segment Results/EBIT + Amortisations+Provisions

(2) Net Amount

(3) at the Equity Method

## Sales and Services Rendered Between Segments

	(€ k)		
Segments	Natural Gas	Others	TOTAL
Natural Gas	-	10,912	10,912
Others	290	-	290
	<b>290</b>	<b>10,912</b>	<b>11,202</b>

The core of between segments services rendered are:

- i) Others: back-office and management services

The reconciliation between Segment Reporting and Income Statement for the periods ended 30 June 2017 and 2016 is as follows:

		(€ K)			
Captions of Segment Reporting		Caption of Income Statement			
	2017	2016		2017	2016
<b>Income</b>					
Sales and Services Rendered	94.821	108.683	Sales Services Rendered	2.302	4.257
				92.519	104.426
Cost of Sales	(1.457)	(2.281)	Cost of Sales	(1.457)	(2.281)
			Other operating income	16.397	13.640
			External services and supplies	(35.748)	(36.740)
			Personnel costs	(10.811)	(9.183)
			Other operational costs	(11.655)	(8.770)
<b>EBITDA IAS/IFRS (1)</b>	<b>51.547</b>	<b>65.349</b>	<b>Operational result before amortisations and provisions</b>	<b>51.547</b>	<b>65.349</b>
<b>Non-disbursable Costs</b>					
Amortisations and Adjustments	(20.930)	(20.670)	Amortisations, depreciations and impairment losses on fixed assets	(20.930)	(20.670)
Provisions (net)	(57)	545	Provisions and impairment losses on receivables	(57)	545
<b>EBIT IAS/IFRS</b>	<b>30.560</b>	<b>45.224</b>	<b>Other operational costs</b>	<b>30.560</b>	<b>45.224</b>
Financial Investments Results	217	644	Results of financial investments and goodwill impairment losses	217	644
Other Financial Results	(4.767)	(14.710)	Financial income	91	243
			Financial costs	(4.858)	(14.953)
Income Tax	(6.728)	(7.668)	Income tax	(6.728)	(7.668)
Energy Sector Extraordinary Contribution	(9.558)	(9.338)	Energy Sector Extraordinary Contribution	(9.558)	(9.338)
Minoraty Interests	(339)	(1.002)	Non-controlling interests	(339)	(1.002)
<b>Net Result</b>	<b>9.385</b>	<b>13.150</b>	<b>Net Result</b>	<b>9.385</b>	<b>13.150</b>



## 8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the periods ended 30 June 2017 and 2016 are as follows:

	(€ k)	
Captions	2017	2016
<b>Financial income:</b>		
Interest of bank deposits	44	61
Interest and other income with related companies	47	182
	<b>91</b>	<b>243</b>
<b>Financial costs:</b>		
Interest of loans, bank overdrafts and others	(4,151)	(77)
Interest with related companies	-	(14,539)
Charges related to loans	(576)	(272)
Other financial costs	(131)	(65)
	<b>(4,858)</b>	<b>(14,953)</b>
	<b>(4,767)</b>	<b>(14,710)</b>

## 9. INCOME TAX

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, S.G.P.S., S.A.. The average tax rate applicable to companies with head offices in Portugal was 25%.

However, estimated income tax of the Company and its subsidiaries is accounted based on their tax results. In the period ended 30 June 2017, €9,773 k was recorded in the caption "Income tax".

	(€ k)	
Captions	2017	2016
Galp Energia, SGPS, S.A. (Note 28)	(9,467)	(15,397)
State and other public entities	(306)	237
	<b>(9,773)</b>	<b>(15,160)</b>

Income tax and Energy sector extraordinary contribution for the periods ended 30 June 2017 and 2016 are as follows:

(€ k)		
Captions	June 2017	June 2016
Current income tax	9,973	16,250
(Excess)/Insufficiency of income tax for the preceding years	(91)	(722)
Deferred tax	(3,154)	(7,860)
<b>Income tax</b>	<b>6,728</b>	<b>7,668</b>
<b>Energy sector extraordinary contribution</b>	<b>9,558</b>	<b>9,338</b>
	<b>16,286</b>	<b>17,006</b>

### Deferred taxes

The tax rates used by GGND Group take into account the risk of substantively enacted tax rates do not become effective, which essentially depends on the reliability associated with the legal certainty of the legislative production.

As for the rate changes observed in Portugal, the Company considered by as substantively enacted at 30 June 2017 and 31 December 2016. The average tax rate applicable to companies with head offices in Portugal was 25%.

As of 30 June 2017 and 31 December 2016, the balance of deferred tax assets and liabilities is as follows:

(€ k)					
Deferred Tax June 2017 - Assets					
Captions	Initial balance	Effect in results	Effect in equity	Other adjustments	Final balance
Adjustment to tangible and intangible assets	7	-	-	-	7
Retirement benefits and other benefits	12,620	(70)	(208)	(2)	12,340
Regulated revenue	2,015	1,328	-	-	3,343
Non-deductible provisions	1,779	(92)	-	-	1,687
Others	737	-	-	-	737
	<b>17,158</b>	<b>1,166</b>	<b>(208)</b>	<b>(2)</b>	<b>18,114</b>

(€ k)			
Deferred tax June 2017 - Liabilities			
Captions	Initial balance	Effect in results	Final balance
Adjustment to tangible and intangible assets – Fair Value	(3,434)	55	(3,379)
Regulated revenue	(4,822)	1,895	(2,927)
Accounting revaluations	(1,154)	38	(1,116)
	<b>(9,410)</b>	<b>1,988</b>	<b>(7,422)</b>

(€ k)

Captions	Deferred tax December 2016 - Assets			
	Initial balance	Effect in results	Effect in equity	Final balance
Adjustment to tangible and intangible assets	7	-	-	7
Retirement benefits and other benefits	11.285	(1.069)	2.404	12.620
Regulated revenue	2.176	(161)	-	2.015
Non-deductible provisions	1.121	658	-	1.779
Others	864	(127)	-	737
	<b>15.453</b>	<b>(699)</b>	<b>2.404</b>	<b>17.158</b>

(€ k)

Captions	Deferred tax December 2016 - Liabilities		
	Initial balance	Effect in results	Final balance
Adjustment to tangible and intangible assets	(4)	4	-
Adjustment to tangible and intangible assets – Fair Value	(3.544)	110	(3.434)
Regulated revenue	(11.031)	6.209	(4.822)
Accounting revaluations	(1.209)	55	(1.154)
	<b>(15.788)</b>	<b>6.378</b>	<b>(9.410)</b>

The changes in deferred taxes reflected in Equity correspond to actuarial gains and losses.

## 10. EARNINGS PER SHARE

Earnings per share for the periods ended 30 June 2017 and 2016 are as follows:

(€ k)

	June 2017	June 2016
<b>Results</b>		
Net result for purposes of calculating earnings per share (consolidated net result for the period)	9,385	13,150
<b>Number of shares</b>		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	89,529,141	89,529,141
<b>Basic and diluted earnings per share (value in Euros):</b>	<b>0.10</b>	<b>0.15</b>

As there are no situations that give rise to dilution, the diluted earnings per share are equal to basic earnings per share.

## 11. GOODWILL

The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as of 30 June 2017 and 31 December 2016 was as follows:

Subsidiaries	Acquisition year	Acquisition cost	Proportion of equity own at acquisition date		Goodwill	
			%	Amount	December 2016	June 2017
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	2006	3,094	25.00%	1,454	1,640	1,640
Lusitaniagás - Companhia de Gás do Centro, S.A.	2002/3 e 2007/8/9	1,440	1.543%	856	584	584
Beiragás - Companhia de Gás das Beiras, S.A.	2003/6 e 2007	152	0.94%	107	51	51
					<b>2,275</b>	<b>2,275</b>

Goodwill corresponds to values that were accounted for in the financial statements of the holding Galp Gás & Power, S.G.P.S., S.A., concerning differences in acquisition of subsidiaries in years preceding the date of the share increase of Galp Gás Natural Distribuição, S.A..

## 12. TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are recorded in accordance with the accounting policy defined in Note 2.3 and 2.4. (see consolidated financial statements as of 31 December 2016). The depreciation / amortisation rates that are being applied are disclosed in the same notes.

### 12.1. Changes in tangible assets:

Movements in tangible assets as of 30 June 2017 and 31 December 2016:

	(€ k)	
	June 2017	December 2016
Tangible assets:	Land and natural resources	Land and natural resources
Acquisition cost:		
Balance as of 01 January	938	938
	<b>938</b>	<b>938</b>
Accumulated depreciations:		
Balance as of 01 January	(395)	(376)
Depreciations for the period	(9)	(19)
	<b>(404)</b>	<b>(395)</b>
Net Amount:	<b>534</b>	<b>543</b>

## 12.2. Changes in intangible assets:

Movements in intangible assets as of 30 June 2017 and 31 December 2016:

Intangible assets	( € k)													Total intangible assets
	Service Concession Arrangements - Land	Service Concession Arrangements - Buildings	Service Concession Arrangements - Basic Equipment	Service Concession Arrangements - Transport Equipment	Service Concession Arrangements - Tools	Service Concession Arrangements - Administrative Equipment	Service Concession Arrangements - Returnable containers	Service Concession Arrangements - Other equipment	Service Concession Arrangements - R&D expenses	Service Concession Arrangements - Industrial property	Service Concession Arrangements - Reconversion of consumption to natural gas	Service Concession Arrangements - Intangible assets in progress	Intangible assets in progress	
<b>2017</b>														
<b>Acquisition cost:</b>														
Balance at 1 January	12.170	8.852	1.154.433	160	3.789	7.303	4	5.950	3.712	829	572.842	1.211	261	1.771.516
Additions	-	-	-	-	-	-	-	-	-	-	-	11.262	39	11.301
Write-offs/Disposals	-	-	(579)	-	(13)	(42)	-	-	-	-	(30)	-	-	(664)
Transfers	-	9	7.554	-	67	15	-	-	-	-	2.109	(9.754)	-	-
<b>Gross acquisition cost at 30 June</b>	<b>12.170</b>	<b>8.861</b>	<b>1.161.408</b>	<b>160</b>	<b>3.843</b>	<b>7.276</b>	<b>4</b>	<b>5.950</b>	<b>3.712</b>	<b>829</b>	<b>574.921</b>	<b>2.719</b>	<b>300</b>	<b>1.782.153</b>
<b>Accumulated amortisations and impairment losses:</b>														
Balance at 1 January	(3.501)	(5.418)	(426.422)	(151)	(3.664)	(7.010)	(4)	(5.796)	(2.798)	(461)	(202.847)	-	-	(658.072)
Amortisation for the period	(133)	(166)	(13.460)	-	(33)	(64)	-	(35)	(32)	(81)	(6.917)	-	-	(20.921)
Write-offs/Disposals	-	-	488	-	13	42	-	-	-	-	22	-	-	565
<b>Accumulated balance at 30 June</b>	<b>(3.634)</b>	<b>(5.584)</b>	<b>(439.394)</b>	<b>(151)</b>	<b>(3.684)</b>	<b>(7.032)</b>	<b>(4)</b>	<b>(5.831)</b>	<b>(2.830)</b>	<b>(542)</b>	<b>(209.742)</b>	<b>-</b>	<b>-</b>	<b>(678.428)</b>
<b>Net amount:</b>														
as of 30 June	8.536	3.277	722.014	9	159	244	-	119	882	287	365.179	2.719	300	1.103.725

Intangible assets	( € k)													Total intangible assets
	Service Concession Arrangements - Land	Service Concession Arrangements - Buildings	Service Concession Arrangements - Basic Equipment	Service Concession Arrangements - Transport Equipment	Service Concession Arrangements - Tools	Service Concession Arrangements - Administrative Equipment	Service Concession Arrangements - Returnable containers	Service Concession Arrangements - Other equipment	Service Concession Arrangements - R&D expenses	Service Concession Arrangements - Industrial property	Service Concession Arrangements - Reconversion of consumption to natural gas	Service Concession Arrangements - Intangible assets in progress	Intangible assets in progress	
<b>2016</b>														
<b>Acquisition cost:</b>														
Balance at 1 January	11.791	9.064	1.137.937	152	4.439	7.294	4	5.950	3.712	702	567.774	1.701	-	1.750.520
Additions	355	-	-	-	-	-	-	-	-	-	-	22.836	261	23.452
Write-offs/Disposals	-	(231)	(2.197)	-	(8)	(20)	-	-	-	-	-	-	-	(2.456)
Transfers	24	19	18.693	8	(642)	29	-	-	-	127	5.068	(23.326)	-	-
<b>Gross acquisition cost at 31 December</b>	<b>12.170</b>	<b>8.852</b>	<b>1.154.433</b>	<b>160</b>	<b>3.789</b>	<b>7.303</b>	<b>4</b>	<b>5.950</b>	<b>3.712</b>	<b>829</b>	<b>572.842</b>	<b>1.211</b>	<b>261</b>	<b>1.771.516</b>
<b>Accumulated amortisations and impairment losses:</b>														
Balance at 1 January	(3.243)	(5.234)	(400.524)	(150)	(4.316)	(6.888)	(4)	(5.687)	(2.733)	(319)	(189.183)	-	-	(618.281)
Amortisation for the period	(258)	(332)	(26.679)	(1)	(54)	(141)	-	(109)	(65)	(142)	(13.664)	-	-	(41.445)
Write-offs/Disposals	-	148	1.479	-	8	19	-	-	-	-	-	-	-	1.654
Transfers	-	-	(698)	-	698	-	-	-	-	-	-	-	-	-
<b>Accumulated balance at 31 December</b>	<b>(3.501)</b>	<b>(5.418)</b>	<b>(426.422)</b>	<b>(151)</b>	<b>(3.664)</b>	<b>(7.010)</b>	<b>(4)</b>	<b>(5.796)</b>	<b>(2.798)</b>	<b>(461)</b>	<b>(202.847)</b>	<b>-</b>	<b>-</b>	<b>(658.072)</b>
<b>Net amount:</b>														
as of 30 June	8.669	3.434	728.011	9	125	293	-	154	914	368	369.995	1.211	261	1.113.444

**12.3. Main events occurring during the period ended 30 June 2017:**

Changes in the caption "Tangible and intangible assets" amounting € 11,301 k are mainly related to rights on regulated assets subject to natural gas distribution concession, namely to the natural gas infrastructures construction (networks, branches and other infrastructures) covered by IFRIC 12 (Note 5 and 6).

During the period ended 30 June 2017, intangible assets amounting to a net € 99 k were disposed.

**12.4. Amortisation, depreciation and impairment of the period**

Amortisation and depreciation for the periods ended 30 June 2017 and 2016 are as follows:

	(€ k)								
	June 2017			June 2016			December 2016		
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total
Depreciation of the year	9	-	9	9	-	9	19	-	19
Amortisation of the year – concession agreements	-	20,921	20,921	-	20,661	20,661	-	41,445	41,445
Amortisations, depreciations and impairments (Note 6)	9	20,921	20,930	9	20,661	20,670	19	41,445	41,464

**13. GOVERNMENT GRANTS**

As of 30 June 2017 and 31 December 2016 the amounts to be recognised as government grants in future years arise to €232,479 k and €236,247 k, respectively (Note 24).

During the periods ended 30 June 2017 and 30 June 2016, grants amounting €4,402 k and €4,424 k, respectively (Note 5) were recognised in the consolidated income statement according to the assets useful life.

## 14. OTHER RECEIVABLES

The non-current and current caption "Other receivables" as of 30 June 2017 and 31 December 2016 is detailed as follows:

(€ k)				
Caption	June 2017		December 2016	
	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Social Security	130	-	130	-
Subsoil occupation levies	24,318	18,848	26,954	18,848
Other receivables - associates, joint ventures and other related parties	158	-	1,600	-
Personnel	134	-	78	-
Paid guarantees	17	-	19	-
Advanced payments to suppliers	10	-	13	-
Other receivables	1,744	-	1,715	-
	<b>26,511</b>	<b>18,848</b>	<b>30,509</b>	<b>24,223</b>
Accrued income:				
Sales and services rendered not yet invoiced – natural gas	23,319	-	24,754	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	9,679	-	4,737	-
Adjustment to tariff deviation - regulated revenue - ERSE regulation	7,633	3,829	11,880	7,528
Tariff adjustment - ERSE regulation	5,028	-	3,601	-
Other accrued income	884	-	458	-
	<b>46,543</b>	<b>3,829</b>	<b>45,430</b>	<b>7,528</b>
Deferred charges:				
Prepaid insurance	512	-	59	-
Interest and other financial costs	45	-	55	-
Prepaid rentals	7	-	7	-
Other deferred costs	1,053	5	689	3
	<b>1,617</b>	<b>5</b>	<b>810</b>	<b>3</b>
	<b>74,671</b>	<b>22,682</b>	<b>76,749</b>	<b>31,754</b>
Impairment of other receivables	(3)	-	(3)	-
	<b>74,668</b>	<b>22,682</b>	<b>76,746</b>	<b>31,754</b>

"Impairment of other receivables" amounting € 3k noted no changes during the periods ended 30 June 2017 and 31 December 2016.

The caption "Subsoil occupation levies" amounting to €43,166 k refers to levies on subsoil occupation already paid to local municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and in accordance with the Resolution of the Council of Ministers No. 98/2008, dated 8 April, companies have the right to pass on the full amount of subsoil levies paid to the local authorities for the area under concession to marketing entities or to end customers.

The amount of €158 k recorded in the current and non-current caption "Other receivables – associates, joint ventures, affiliates and related entities" refers to receivable amounts from unconsolidated companies (Note 28).

The caption "Accrued income – sales and services rendered not yet invoiced", amounting to €23,319 k, is mainly related with the billing of natural gas consumption and electricity in June 2017, to be invoiced in the following months.

**15. TRADE RECEIVABLES**

The caption "Trade receivables" as of 30 June 2017 and 31 December 2016 includes the following detail:

(€ k)		
Captions	June 2017 Current	December 2016 Current
Trade receivables - current accounts	12,360	10,057
Trade receivables - doubtful accounts	547	587
	<b>12,907</b>	<b>10,644</b>
Impairment on trade receivables	(516)	(550)
	<b>12,391</b>	<b>10,094</b>

The movements in the caption "Impairment of trade receivables" for the period ended 30 June 2017 and year ended 31 December 2016 were as follows:

(€ K)					
Impairment on trade receivables	Initial Balance	Increases	Decreases	Utilisation	Final Balance
<b>2017</b>	550	43	(77)	-	516
<b>2016</b>	1,059	169	(5)	(673)	550

The increase and decrease in the caption "Impairment of trade receivables" amounting to € (34) k net was recorded in the caption "Provision and impairment losses on receivables" (Note 6).



## 16. INVENTORIES

Inventories as of 30 June 2017 and 31 December 2016 are detailed as follows:

CAPTIONS	(€ k)	
	June 2017	December 2016
Raw, subsidiary and consumption materials:		
Other raw and various materials	1,435	1,269
	<b>1,435</b>	<b>1,269</b>
Impairment to raw, subsidiary and consumable materials	(169)	(155)
	<b>1,266</b>	<b>1,114</b>
Goods	80	93
	<b>80</b>	<b>93</b>
	<b>1,346</b>	<b>1,207</b>

As of 30 June 2017, the caption "Other raw and various materials" amounting € 1.435 k, mainly relates to materials to be applied on the construction and maintenance of Groups' infrastructures and counter meters.

The movement in "Inventories impairment" for the period ended 30 June 2017 and year ended 31 December 2016 are as follows:

Captions	(€ K)		
	Initial balance	Utilisations	Final balance
<b>2017</b>			
Impairment to raw, subsidiary and consumable materials	155	14	169
	<b>155</b>	<b>14</b>	<b>169</b>
<b>2016</b>			
Impairment to raw, subsidiary and consumable materials	155	-	155
	<b>155</b>	<b>-</b>	<b>155</b>

The increase of €14 k was recorded against the caption "Cost of sales" (Note 6).

## 17. OTHER FINANCIAL INVESTMENTS

Not applicable.

## 18. CASH AND CASH EQUIVALENTS

For the periods ended 30 June 2017, 31 December 2016 and 30 June 2016 the caption “Cash and cash equivalents” is detailed as follows:

	(€ k)		
Captions	June 2017	December 2016	June 2016
Cash	60	34	37
Cash deposits	7,354	39,530	29,271
Other treasury applications	2,700	3,500	5,013
<b>Cash and cash equivalents in the consolidated statement of financial position</b>	<b>10,114</b>	<b>43,064</b>	<b>34,321</b>
Bank overdrafts (Note 22)	(34)	(34)	(79)
<b>Cash and cash equivalents in the consolidated statement of cash flow</b>	<b>10,080</b>	<b>43,030</b>	<b>34,242</b>

The caption “Other treasury applications” includes applications of treasury surplus, with maturities up to three months, in respect to the following Group companies:

	(€ k)	
Companies	June 2017	December 2016
Beiragás - Companhia de Gás das Beiras, S.A.	2,700	3,500
	<b>2,700</b>	<b>3,500</b>

The funds that the Group has classified as “Cash and Cash equivalents” have no restrictions or relevant legal conditions in order to be used or distributed as dividends to their shareholders.

## 19. SHARE CAPITAL

### Capital Structure

As of 30 June 2017 share capital amounting € 89,529,141.00 compounded by 89,529,141 shares with nominal value amounting one euro each, entirely subscribed and realised by the following shareholders:

#### 2017:

	No. of Shares	Participation (%)	Imputable participation (%)
Galp Gas & Power, SGPS, SA	69,385,084	77.50%	77.50%
Meet Europe Natural Gas, Lda	20,144,057	22.50%	22.50%
<b>Total</b>	<b>89,529,141</b>	<b>100.00%</b>	<b>100.00%</b>

#### 2016:

	No. of Shares	Participation (%)	Imputable participation (%)
Galp Gas & Power, SGPS, SA	69,385,084	77.50%	77.50%
Meet Europe Natural Gas, Lda	20,144,057	22.50%	22.50%
<b>Total</b>	<b>89,529,141</b>	<b>100.00%</b>	<b>100.00%</b>

## 20. RESERVES

As of 30 June 2017 and 31 December 2016 "Translation reserves" and "Other reserves" are detailed as follows:

Captions	(€ k)	
	June 2017	December 2016
<b>Reserves</b>		
Legal Reserves	6,695	3,434
	<u>6,695</u>	<u>3,434</u>
<b>Hedging reserves:</b>		
Reserves - financial derivatives	(457)	(259)
Reserves - Deferred tax on financial derivatives	114	65
	<u>(343)</u>	<u>(194)</u>
<b>Other reserves:</b>		
Reserves - Increase of 10.7532% in 2012 and 0.3438% in 2013 in the participation in the share capital of the subsidiary Lusitanagás - Companhia de Gas do Centro, S.A.	413	413
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(492)	(492)
Reserves - Increase of 0.08842% in 2016 in the participation in the share capital of the subsidiary Beiragás - Companhia de Gás das Beiras S.A.	5	5
	<u>(74)</u>	<u>(74)</u>
	<u><b>6,278</b></u>	<u><b>3,166</b></u>

**Legal reserves:**

According to the company's statute and the Commercial Companies Code, the company has to transfer to the caption "Legal Reserves", included in other reserves, in share capital, a minimum of 5% of the net profit for each year up to a limit of 20% of the share capital. Legal reserves can't be distributed to shareholders, whichever, under certain circumstances, it may be used to increase share capital or absorb losses after all other reserves are exhausted. In 2017 the caption "Legal Reserves" fluctuated positively amounting €3.261 k.

**Hedging reserves:**

In the period ended 30 June 2017, the negative amount of € 457 k is related to the fair value of financial derivatives - cash flow hedges related to associated companies and € 114 k related to its fiscal effect.

**Other reserves:**

In the period ended 30 June 2017, the caption "Other reserves" noted no significant changes. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.



## 21. NON-CONTROLLING INTERESTS

As of 30 June 2017, the caption “Non-controlling interests” included in equity refers to the following subsidiaries:

**2017:** (€ k)

	% of non-controlling interests December 2016	December 2016	Assigned dividends (a)	Result for the year	June 2017	% of non-controlling interests June 2017
Beiragás - Companhia de Gás das Beiras, S.A.	40.41%	17,643	(808)	322	17,157	40.41%
Lusitaniagás - Companhia de Gás do Centro, S.A.	3.16%	1,974	-	17	1,991	3.16%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	0.07%	30	(1)	-	29	0.07%
		<b>19,647</b>	<b>(809)</b>	<b>339</b>	<b>19,177</b>	

(a) In the period ended 30 June 2017, dividends amounting €809 k were payed, attributed to Non-controlling interests (Note 30).

## 22. LOANS

### Detail of loans

Loans obtained as of 30 June 2017 and 31 December 2016 were as follows:

	(€ k)			
	<b>June 2017</b>		<b>December 2016</b>	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	11,294	23,861	13,267	29,542
Bank overdrafts (Note 18)	34	-	34	-
	<b>11,328</b>	<b>23,861</b>	<b>13,301</b>	<b>29,542</b>
<i>Origination Fees</i>	-	(68)	-	(80)
	<b>11,328</b>	<b>23,793</b>	<b>13,301</b>	<b>29,462</b>
Bonds and Notes:				
<i>Notes</i>	-	600,000	-	-
	-	<b>600,000</b>	-	<b>600,000</b>
<i>Origination Fees</i>	-	(4,378)	-	(4,510)
	-	<b>595,622</b>	-	<b>595,490</b>
	<b>11,328</b>	<b>619,415</b>	<b>13,301</b>	<b>624,952</b>

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following reimbursement plan as of 30 June 2017:

	(€ k)		
	<b>Loans</b>		
Maturity	Total	Current	Non-current
2017	5,613	5,613	-
2018	11,361	5,681	5,681
2019	10,491	-	10,491
2020	7,689	-	7,689
2023	600,000	-	600,000
	<b>635,155</b>	<b>11,294</b>	<b>623,861</b>

As of 30 June 2017 and 31 December 2016, loans obtained are expressed in the following currencies:

		(€k)			
		<b>June 2017</b>		<b>December 2016</b>	
Currency		Total initial amount	Due amount	Total initial amount	Due amount
Euros	EUR	736,928	635,155	759,374	642,809
			<b>635,155</b>		<b>642,809</b>

## **Description of main loans**

### Bank loans – European Investment Bank

The Group has a financing contract with the European Investment Bank amounting to €24,217 k, and split into €8,456 k short-term and €15,761 k medium and long-term. These instruments bear interest at a variable rate pointed by EIB, assured by a banking institution.

### Bank loans - Others

Additionally, the Group has recorded in loans an amount of €10,938 k, obtained by the company Beiragás – Companhia de Gás das Beiras, S.A., which split into €2,838 k short-term and €9,553 k medium and long-term.

### Notes Issuance – Galp Gás Natural Distribuição, S.A.

At August 25th 2016, Galp Gás Natural Distribuição, S.A. established an EMTN Programme (“EUR 1,000,000,000 Euro Medium Term Note Programme”).

Under the EMTN Programme, at September 19th 2016, Galp Gás Natural Distribuição, S.A., issued notes amounting €600,000 k, which overdue at September 19th 2023, with coupons of 1.375%, admitted to negotiation on the regulated market of London Stock Exchange.

JP Morgan, BofA Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners in this transaction.

### Revolving Credit Facility

As of 30 June 2017, the Group has contracted a Revolving Credit Facility, with the commitment of full reimbursement of €50,000 k and maturity higher than 4 years. Such amount was fully available as of 30 June 2017.

### 23. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

As of 30 June 2016 and 31 December 2016, the net assets of GGND Pension Fund, valued at fair value, were as follows according to the reports submitted by the respective fund management companies:

	(€ k)	
	<b>June 2017</b>	<b>December 2016</b>
Bonds	15,726	15,252
Shares	6,508	7,036
Real Estate	322	316
Liquidity	696	733
<b>Total</b>	<b>23,252</b>	<b>23,337</b>

During the period ended 30 June 2017, no endowment to the Fund were made.

As of 30 June 2017 and 31 December 2016 the Group had the following amounts related to liabilities for retirement benefits and other benefits:

	(€ k)			
	<b>June 2017</b>		<b>December 2016</b>	
<b>Captions</b>	<b>Liability</b>	<b>Equity</b>	<b>Liability</b>	<b>Equity</b>
Post-employment benefits:				
Relating to the Pension Fund	(2,769)	6,381	(2,826)	6,665
Retired Employees	(2,361)	1,837	(2,536)	1,837
Pre-retirement	(5,870)	1,114	(6,506)	1,114
Early retirement	(20,657)	7,122	(20,861)	7,122
Other benefits:				
Healthcare	(25,466)	13,083	(26,161)	13,914
Life insurance	(416)	15	(413)	16
Defined contribution plan minimum benefit	(937)	(107)	(819)	(110)
	<b>(58,476)</b>	<b>29,445</b>	<b>(60,122)</b>	<b>30,558</b>

For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.



## 24. OTHER PAYABLES

As of 30 June 2017 and 31 December 2016 the non-current and current captions "Other payables" were as follows:

(€ k)				
Captions	June 2017		December 2016	
	Current	Non-current	Current	Non-current
State and other public entities:				
Value Added Tax payables	4,678	-	4,593	-
Social Security contributions	772	-	474	-
Personnel and Corporate Income Tax Withheld	643	-	357	-
"ISP" - Tax on oil products	48	-	63	-
Other taxes	2	-	2	-
Payable dividends	5,000	-	-	-
Tangible and intangible assets suppliers	3,626	-	5,247	-
Guarantee deposits and guarantees received	430	-	240	-
Trade receivables credit balances	186	-	9	-
Personnel	157	-	71	-
Other payables - Other shareholders	116	-	116	-
Advances on sales	4	-	4	-
Other creditors	468	-	500	-
	<b>16,130</b>	<b>-</b>	<b>11,676</b>	<b>-</b>
Accrued costs:				
Accrued interest	6,468	-	2,317	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation (Note 14)	5,885	7,718	3,331	4,976
External supplies and services	3,793	-	4,064	-
Adjustment to tariff deviation - other activities - "ERSE" regulation	3,787	-	5,093	-
Holiday , holiday subsidy and corresponding contributions	1,902	-	2,486	-
Accrued insurance premiums	1,039	-	859	-
Productivity bonuses	974	-	2,351	-
Accrued personnel costs – other	250	-	125	-
Financial costs	16	-	-	-
Other accrued costs	598	-	2,278	-
	<b>24,712</b>	<b>7,718</b>	<b>22,904</b>	<b>4,976</b>
Deferred income:				
Investment government grants (Note 13)	8,942	223,537	8,942	227,305
Fibre optics	404	386	402	589
Others	175	-	183	-
	<b>9,521</b>	<b>223,923</b>	<b>9,527</b>	<b>227,894</b>
	<b>50,363</b>	<b>231,641</b>	<b>44,107</b>	<b>232,870</b>

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future period's amounts to €232,479 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is deferred in the caption "Deferred income – Fiber optics" and is recognised as income during the period of the contract. As of 30 June 2017 the balance of deferred income to be recognised in future periods amounts to €790k.

## 25. PROVISIONS

The changes in provisions in the period ended 30 June 2017 and year ended 31 December 2016 were as follows:

	(€ k)			
Captions	Initial balance	Increases	Decreases	Ending balance
<b>2017</b>				
Lawsuits	430	-	-	430
Energy sector extraordinary contribution	29,408	9,558	-	38,966
Other risks and charges	2,248	91	-	2,339
	<u>32,086</u>	<u>9,649</u>	<u>-</u>	<u>41,735</u>
<b>2016</b>				
Lawsuits	1,155	51	(776)	430
Energy sector extraordinary contribution	19,350	10,058	-	29,408
Other risks and charges	2,067	181	-	2,248
	<u>22,572</u>	<u>10,290</u>	<u>(776)</u>	<u>32,086</u>

The increases in provisions, net of decreases, in the period ended 30 June 2017 were as follows:

	(€ k)
Energy sector extraordinary contribution ("CESE I")	9,558
Provisions (Note 6)	91
	<u>9,649</u>

### Lawsuits

The provision for ongoing lawsuits amounts € 430 k and includes mainly ongoing lawsuits.

### Energy sector extraordinary contribution

- €38.966 k relating to the provision to cover the Energy sector extraordinary contribution "CESE I".

For the year ended 31 December 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE I"), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that the energy companies that detain net assets in certain activities as of 1 January 2014 are subject to a tax calculated on the amount of net assets at that date.

As it intends to challenge the Law, the GGND Group decided to record the total value of the liability amounting to €38,966 k under “Provisions” caption. The total value of the liability at 31 December 2016 amounted to €29,408 k. In the period ended 30 June 2017, in order to cover the full responsibility, the provision was reinforced by €9,558 k, and recognised in the income statement under the caption “Energy sector extraordinary contribution”.

#### Other risks and charges

- €2,339 k to cover charges received for the year 2012 made by the Lisbon Port Administration, for the use of the Cabo Ruivo land occupation as claimed by the Company. The increase of provisions by € 91 k concerns charges received during 2017.

### 26. TRADE PAYABLES

As of 30 June 2017 and 31 December 2016 the amounts recorded in the caption “Trade payables” were as follows:

	( € k )	
Captions	June 2017	December 2016
Trade payables - current accounts	9,844	9,816
Trade payables - pending invoices	4,272	4,380
	<b>14,116</b>	<b>14,196</b>

The balance of the caption “Trade payables – pending invoices” mainly corresponds to the purchase of natural gas at those dates.

### 27. OTHER FINANCIAL INSTRUMENTS – FINANCIAL DERIVATIVES

Not applicable.

### 28. RELATED PARTIES

During the period ended 30 June 2017, no significant changes were noted in Related Parties, when compared with the consolidated financial statements for the year ended 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

## 29. REMUNERATION OF THE BOARD

The remuneration of the board members of Galp Gás Natural Distribuição, S.A. for the periods ended 30 June 2017 and 2016 is detailed as follows:

	June 2017				June 2016		
	Salary	Allowances for rent, travel expenses and others	Other charges and adjustments	Total	Salary	Bonuses	Total
Executive management	145	4	39	188	-	(45)	(45)
Non-executive management	18	-	-	18	-	-	-
General Assembly	21	-	-	21	8	-	8
	<b>184</b>	<b>4</b>	<b>39</b>	<b>227</b>	<b>8</b>	<b>(45)</b>	<b>(37)</b>

Of the amounts of €21 k and €8 k, recorded in the periods ended 30 June 2017 and 2016 respectively, refers to presence tickets of the General Assembly.

In accordance with the current policy, remuneration of the GGND Corporate Board members includes all the remuneration due for the positions occupied in Group companies and all accrued amounts related to the current period.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or non-executive) of the entity. According to Galp Energia interpretation of this standard only the members of the Board of Directors meet these characteristics.

## 30. DIVIDENDS

In accordance with the deliberation of the General Meeting of Shareholders held on 26 May 2017, dividends amounting to € 61,956 k relating to the distribution of net result for the year 2016 were attributed to the shareholders of Galp Gás Natural Distribuição, S.A. and €56.956 k liquidated during the period ended 30 June 2017.

In the period ended 30 June 2017 dividends amounting to € 809 k were attributed to minority shareholders, by subsidiaries of the Galp Gás Natural Distribuição, S.A. Group (Note 21. a)).

As a consequence of the previously mentioned, during the period ended 30 June 2017, the Group paid dividends amounting €57,765 k.

### **31. OIL AND GAS RESERVES**

Not applicable.

### **32. FINANCIAL RISK MANAGEMENT**

During the period ended 30 June 2017, no significant changes were noted in Financial Risk Management, when compared with the consolidated financial statements for the year ended 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

### **33. CONTINGENT ASSETS AND LIABILITIES**

During the period ended 30 June 2017, no significant changes were noted in Contingent Assets and Liabilities, when compared with the consolidated financial statements for the year ended 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

### **34. FINANCIAL ASSETS AND LIABILITIES AT BOOK VALUE AND FAIR VALUE**

The financial assets and liabilities are recognised at book value and do not present significant differences when compared with its fair value.

Financial assets held for sale (comprising unlisted equity instruments), are recognised at acquisition cost.

For additional information refer to the notes to the consolidated financial statements as of 31 December 2016.

### **35. INFORMATION ON ENVIRONMENTAL MATTERS**

Not applicable.

### **36. SUBSEQUENT EVENTS**

There are no subsequent events for disclosure purposes.

### **37. APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Board of Directors on 4 September 2017.

## THE BOARD OF DIRECTORS:

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**Chairman:**

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Pedro Carmona de Oliveira Ricardo

**Vice-  
Chairman:**

---

Maria Leonor Galo Pedrosa dos Santos Machado  
de Baptista Branco

**Members:**

---

Gabriel Nuno Charrua de Sousa

---

Naohiro Hayakawa

---

José Manuel Rodrigues Vieira

---

Ana Isabel Simões Dias dos Santos Severino

---

Maria Marta de Figueiredo Geraldês Bastos

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Yoichi Noborisaka

## THE ACCOUNTANT:

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Carlos Alberto Nunes Barata



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

*(Free translation from the original in Portuguese)*

### ***Introduction***

We have reviewed the accompanying consolidated financial statements of Galp Gás Natural Distribuição, S.A. (the Company), which comprise the consolidated statement of financial position as at June 30, 2017 (which shows total assets of Euro 1,256,993 thousand and total shareholder's equity of Euro 212,724 thousand including a net profit attributable to the shareholders of 9,385 thousand), the consolidated statements of income by nature, comprehensive income, changes in equity and cash flows for the half year then ended, and the accompanying explanatory notes to these consolidated financial statements, which include a summary of the significant accounting policies.

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

It is the responsibility of the Management to prepare consolidated financial statements which present, true and fairly, the consolidated financial position, the consolidated financial performance and cash flows of the Entity, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with international standards on review of financial statements and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an opinion on these consolidated financial statements.

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*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.  
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal  
Tel +351 213 599 000, Fax +351 213 599 999, [www.pwc.pt](http://www.pwc.pt)  
Matriculada na CRC sob o NUPC 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*

## ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present, true and fairly, in all material respects, the consolidated financial position of Galp Gás Natural Distribuição, S.A. as at June 30, 2017, and its consolidated financial performance and cash flows for the half year then ended in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

September 5, 2017

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
Inscrita na Comissão de Valores Mobiliários sob o nº 20161485  
represented by:

António Joaquim Brochado Correia, R.O.C.

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