



distribuição gás natural

September 2016

Fixed Income Investors Presentation

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

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Fixed Income Investors Presentation

Agenda

- 1 Introduction
- 2 Key Credit Highlights
- 3 Portuguese Natural Gas Infrastructure Market & Regulatory Framework
- 4 GGND's Operational Overview
- 5 Historical Operating and Financial Performance
- 6 The Proposed Transaction

Appendix



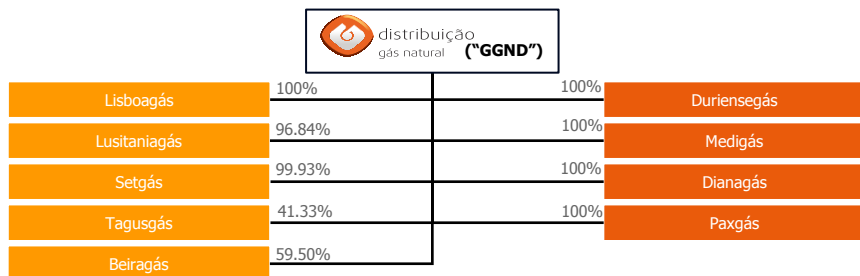
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Introduction

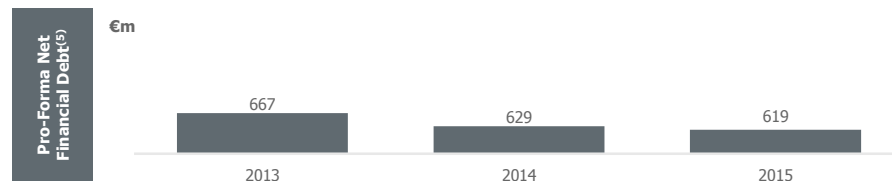
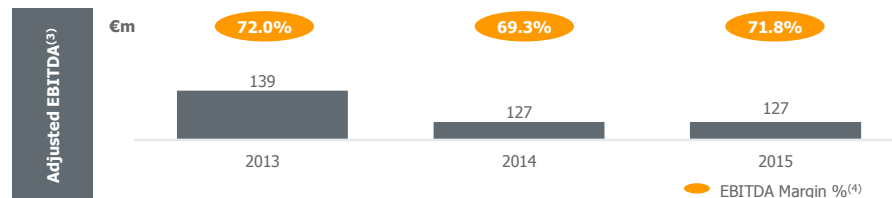
GGND Overview - Leading Natural Gas Infrastructure Player in Portugal

Overview

- GGND holds a stake in 9 of the 11 gas distribution companies in Portugal⁽¹⁾
 - With c.12,000 Km of networks, these nine companies distribute almost 1.4 bcm of gas each year to more than 1mn connection points (CPs) in Portugal
 - Consolidated RAB of €1.1bn⁽²⁾
- Operates in a fully regulated sector with a 3-year regulatory cycle
- Concession based business model with long term operating horizon
 - LDCs operate under 40-year concession contracts signed in 2008
 - AGDUs operate under 20-yr contracts signed between Dec. '07 and Aug. '09
- Operationally independent from Galp as per Portuguese law requirement of unbundling of distribution activities, in line with EU legislation



Selected Historical Financials



Source: Galp.

(1) 5 are Local distribution concessions and 4 are Autonomous gas distribution units, supplied by tank trucks from the LNG terminal and have regional distribution networks to supply customers.

(2) Excludes Tagusgás. As of 31 December 2014

(3) EBITDA excluding RNF impact.

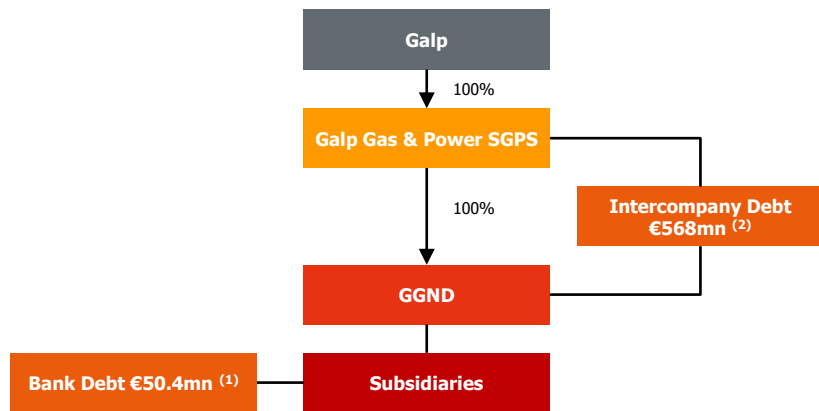
(4) Based on the distribution revenues, calculated as allowed revenues + others.

(5) Net Financial Debt calculated as: long-term debt, incl. SHL from Galp Gas & Power to GGND (€588m in 2015) and other long-term payables + long-term debt, EIB loans (€58m in 2015) + pension obligations and other liabilities + other financial instruments + LT provisions + ST debt - cash and cash equivalents - LT investment subsidies - LT anticipated costs - LT optical fiber.

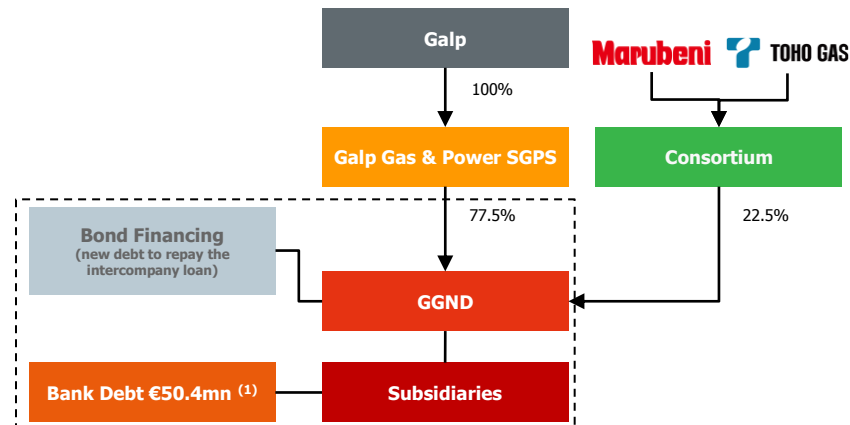
Minority Stake Disposal & Refinancing

- On 28 July 2016, Galp Energia, SGPS, S.A. ("Galp") announced that it had reached an agreement to sell a 22.5% stake in GGND to a consortium led by Marubeni Corporation, also comprising Toho Gas
- The transaction is subject to regulatory approval and completion is expected to take place in the fourth quarter of 2016
- Strong corporate governance with independent director
- Shareholder financing to be replaced by external debt
- Following completion GGND will be deconsolidated
- An "Excellent Business Profile" allows GGND to achieve a BBB- stable outlook from S&P

Current Capital Structure



Expected Capital Structure



(1) Figure as of June 2016. Tagusgás debt not consolidated.

(2) Figure as of June 2016.

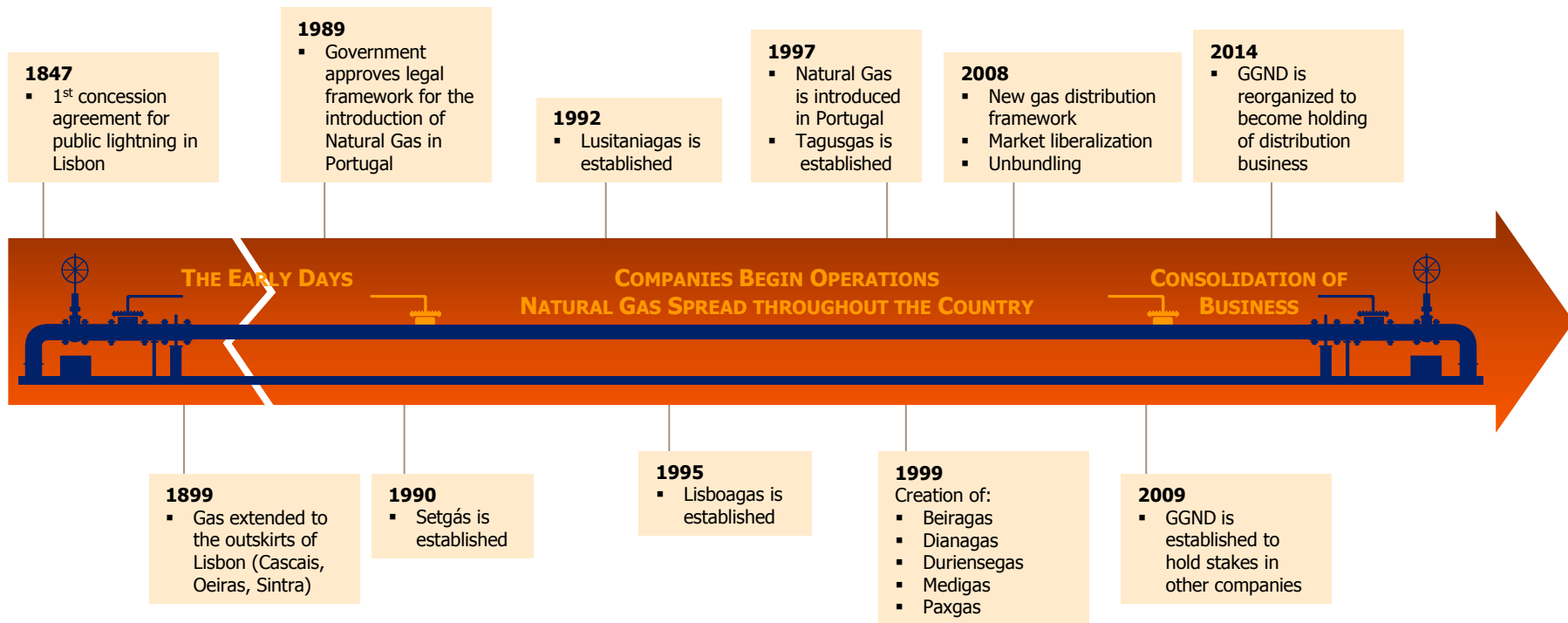


2

Key Credit Highlights

Key Credit Highlights

Main Milestones of GGND's History



Key Credit Highlights

Overview

A LARGEST GAS INFRASTRUCTURE PLAYER IN PORTUGAL

B TRANSPARENT AND STABLE REGULATORY FRAMEWORK

C MODERN INFRASTRUCTURE WITH LOW MAINTENANCE REQUIRED

D FOCUSED ON OPERATIONAL EXCELLENCE

E RESILIENT PROFITABILITY AND PRUDENT FINANCIAL POLICY

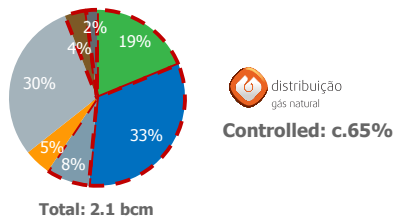
F EXPERIENCED MANAGEMENT TEAM WITH STRONG TRACK RECORD

Key Credit Highlights

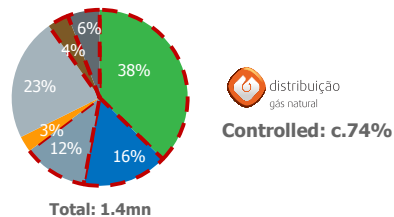
A Largest Gas Infrastructure Player in Portugal

- GGND holds a leading position in the Portuguese gas infrastructure market
- Concession-based business with long term agreements
 - Low risk and fully regulated business

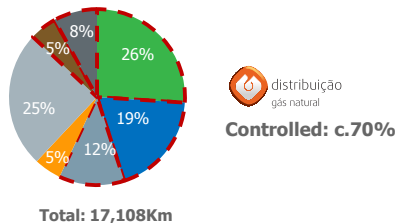
Distributed Volume (2015)⁽¹⁾



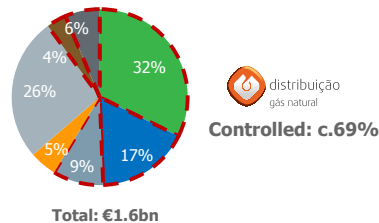
Connection Points (2015)⁽¹⁾



Network Length (2015)⁽¹⁾



RAB (2014)



■ Lisboaagás ■ Lusitaniagás ■ Setgás ■ Tagusgás ■ Portgás ■ Beiragás ■ Other⁽²⁾ ■ GGND Controlled



Duriensegás

CPs: 29,134
Network: 469Km

Lusitaniagás

CPs: 215,736
Network: 3,335Km

Medigás

CPs: 20,727
Network: 262Km

Setgás

CPs: 162,945
Network: 2,102Km

Dianagás

CPs: 9,378
Network: 184Km

Tagusgás

CPs: 34,716
Network: 844Km

Paxgás

CPs: 6,038
Network: 65Km

Beiragás

CPs: 51,590
Network: 799Km

Lisboagás

CPs: 525,894
Network: 4,473Km

(1) Source: ERSE. Reports: "Parametros de Regulacao Para o Periodo dos Anos Gas de 2013 - 2014 a 2015 - 2016", "Proveitos Permitidos e Ajustamentos Para o Ano Gas 2015-2016 das Empresas Reguladas do Setor do Gas Natural", DBCs' Statutory accounts. Portgás and Sonorgás data are as of 31 December 2014.

(2) Except for Sonorgás, which Galp does not control.

Key Credit Highlights

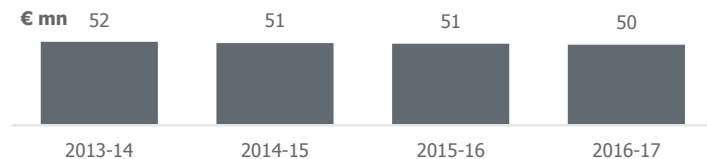
B Transparent and Stable Regulatory Framework

Regulatory Framework Overview

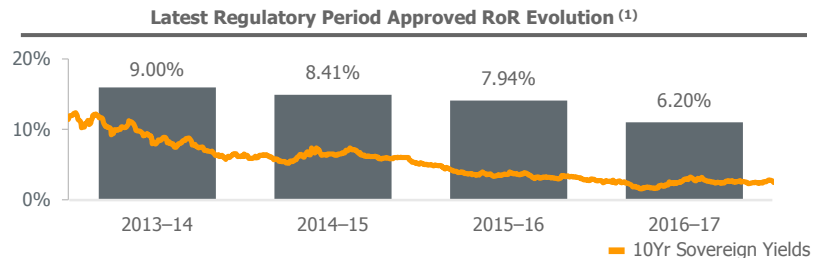
- GGND operates under a RAB based regulatory model with three-year regulatory periods
- The allowed remuneration is set by ERSE, according to a RAB-based linear regression formula, based on the CAPM method and linked to the evolution of sovereign yields, with a cap and a floor
- The Return on RAB ("RoR") is published ahead of each three-year regulatory period based on CAPM formula and, subsequently, RoR is updated in the course of the regulatory periods according to Portuguese government bonds yield (Approved RoR)
 - In June 2016, ERSE set the RoR for the 2016-2017 period at 6.2%. Floor set at 5.7% and Cap set at 9.3%
 - Next RoR update expected on June 2017
- Stability of remuneration framework supported by current zero deficit status of the Portuguese gas system
- ERSE is the independent body responsible for the regulation of the natural gas and electricity sectors

Allowed Opex⁽¹⁾

- Operators are allowed to recover opex linked to the number of delivery points and gas volume distributed
- The allowed opex are established by ERSE, depending on an efficiency factor set for regulatory period



Portuguese RoR Evolution



Source: ERSE and Factset.

(1) Source: (a) Provedos Permitidos e Ajustamentos para o Ano Gás 2013-2014 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2013), (b) Provedos Permitidos e Ajustamentos para o Ano Gás 2014-2015 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2014), and (c) Provedos Permitidos e Ajustamentos para o Ano Gás 2015-2016 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2015).

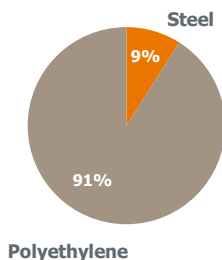
Key Credit Highlights

Modern Infrastructure with Low Maintenance Opex

Modern Network

- **Modern network, with an overall average age of 9 years**
 - **Over 90%** of the network is **low pressure** (0.5 – 4 bars)
 - **Network made up of medium and low pressure pipes** (pressure from 0.05 to 16 bar)
- **Limited investment requirements** for maintenance going forward (c.2% of RAB)
- **Capacity to deliver sustainable dividends**

Network by Material (Km)

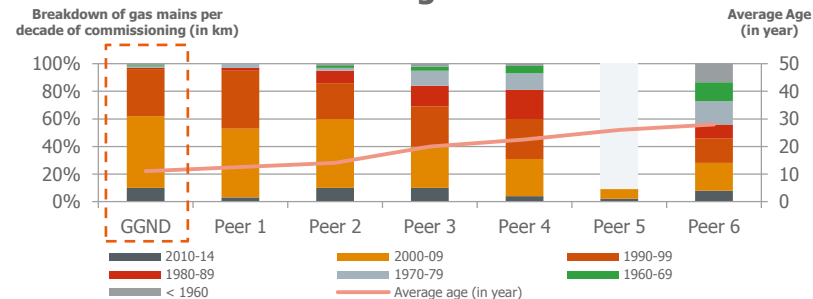


Source: Galp.

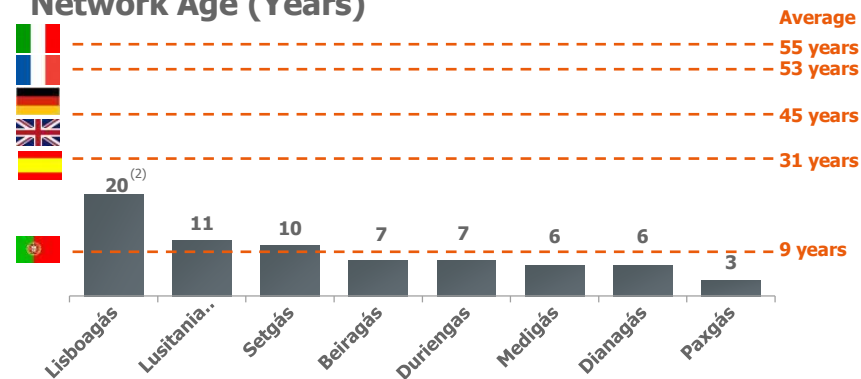
(1) Based on distribution revenues (calculated as allowed revenues + others)

(2) The newer Lisbon network piping.

Benchmark of Network Age



Network Age (Years)

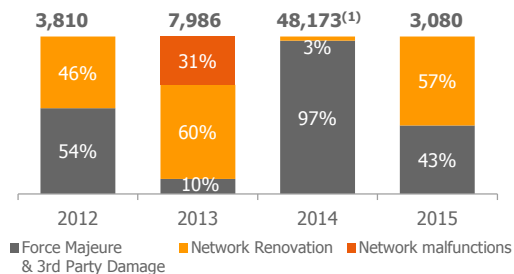


Key Credit Highlights

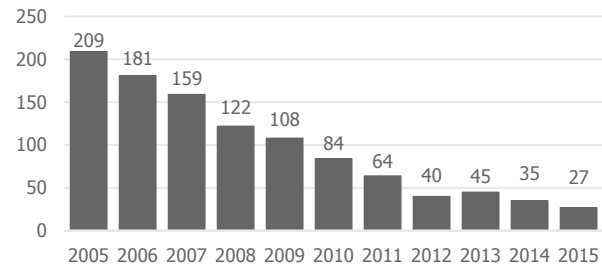
D Commitment to Operational Excellence and Efficiency, Delivering High Standard Service Levels

- Strong focus on safety and interruptions minimization
- Major reasons for interruptions are related with third party damages and renovations
- Network surveillance at core of operations
- Number of leaks at all-time low
- Effective maintenance and replacement programs in Lisbon have led to historically low number of leaks

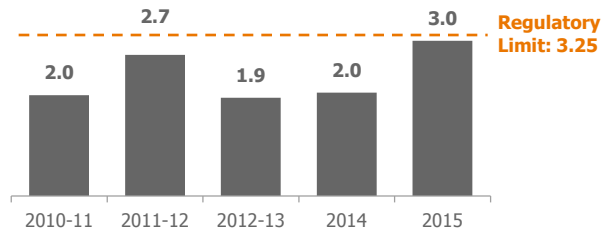
of Interruption and Causes (%)



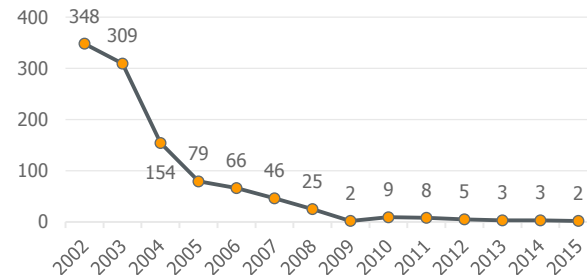
of Third Party Damages



Avg. Number of Interruptions per 1,000 Clients - Lisboaágás



of Annual Leaks in Lisbon

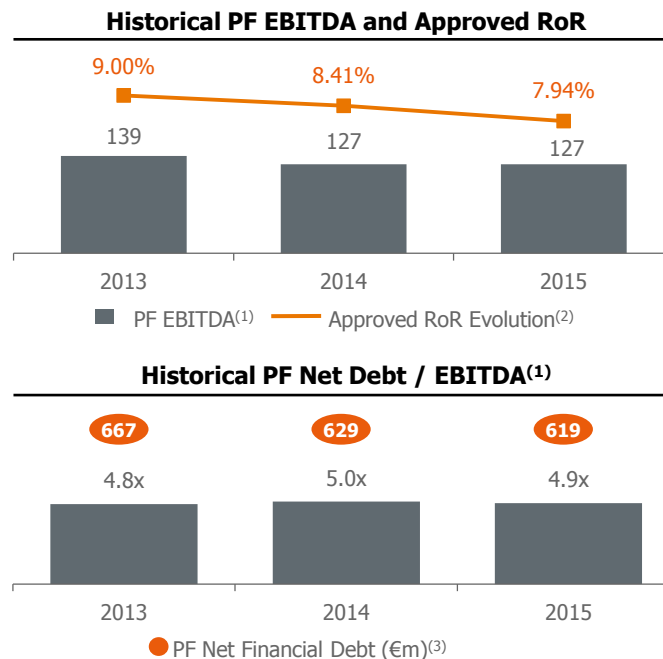


(1) In 2014, of the total 48,173 interruptions, 44,985 were due to flooding in Lisbon. Without this one-off event, interruptions would have been 3,188.

Key Credit Highlights

E Resilient Profitability and Prudent Financial Policy

- Excellent business risk profile supported by strong operating track record and a fully regulated framework
- Young asset profile, with an average age of 9 years
- Stable cash flow with efficient capital expenditure
- Financial prudence entrenched in the concession agreements covenants
- Commitment to maintain investment grade capital structure



Source: Galp, ERSE.

(1) Refers to Pro Forma Adjusted EBITDA, excluding RNF impact.

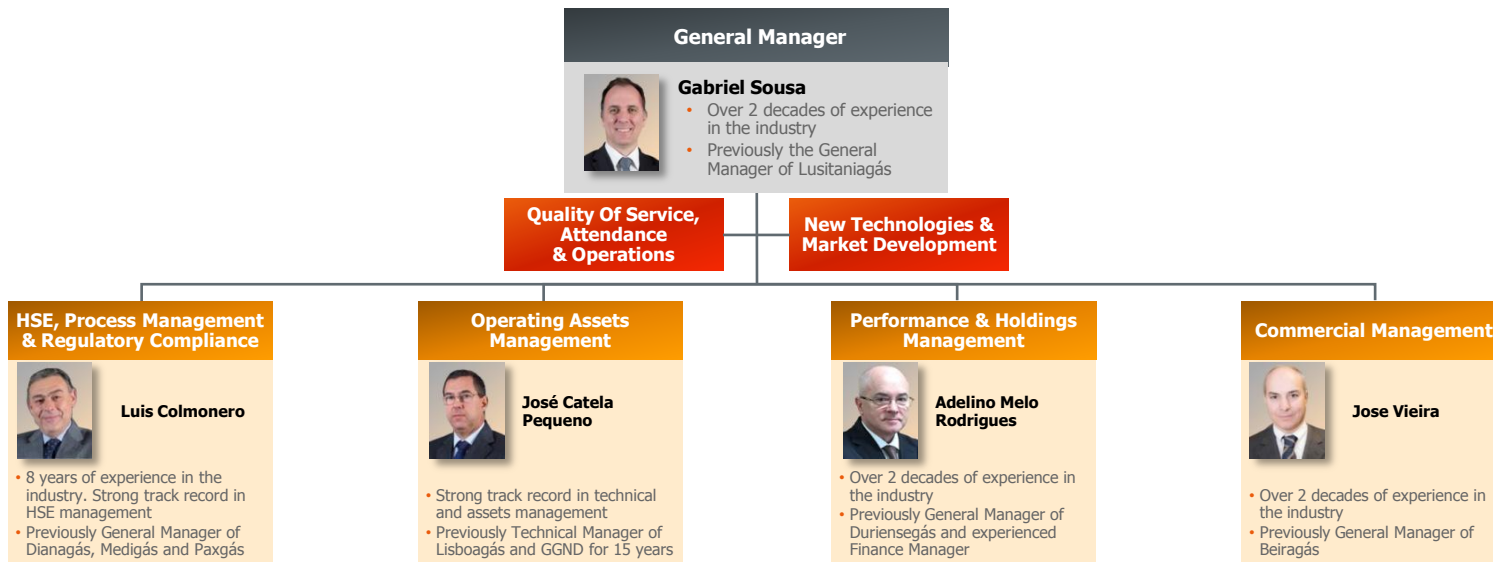
(2) Base RoR is published ahead of each regulatory period based on CAPM formula and, subsequently, RoR is updated in the course of the regulatory periods according to Portuguese government bonds yield (Approved RoR). Source: (a) Proveditos Permitidos e Ajustamentos para o Ano Gás 2013-2014 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2013), (b) Proveditos Permitidos e Ajustamentos para o Ano Gás 2014-2015 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2014), and (c) Proveditos Permitidos e Ajustamentos para o Ano Gás 2015-2016 das Empresas Reguladas do Sector do Gás Natural (ERSE, Junho 2015).

(3) Pro-Forma Net Financial Debt presented for illustrative purposes. Calculated based on pro-forma accounts as: long-term debt, incl. SHL from Galp Gas & Power to GGND (€588m in 2015) and other long-term payables + long-term debt, EIB loans (€58m in 2015) + pension obligations and other liabilities + other financial instruments + LT provisions + ST debt – cash and cash equivalents – LT investment subsidies – LT anticipated costs – LT optical fiber.

Key Credit Highlights

F Experienced Management Team and Efficient Organizational Structure

GGND Group Organizational Chart



Centralized Management Team Across Subsidiaries
















3

**Portuguese Natural Gas
Infrastructure Market &
Regulatory Framework**

Portuguese Natural Gas Infrastructure Market & Regulatory Framework

GGND within the Portuguese Natural Gas Sector

	Sourcing		Infrastructure				Supply
			Regasification	Storage	Transport	Distribution	
Gas Value Chain	<ul style="list-style-type: none"> By Geography <ul style="list-style-type: none"> 48.3%: Algeria 25.0%: Nigeria 19.4%: Spain Others: 7.3% By Transportation Mode <ul style="list-style-type: none"> 36% LNG 64% Pipeline 	<ul style="list-style-type: none"> Sines regasification plant 	<ul style="list-style-type: none"> 4 underground gas storage caverns and 1 surface station in operation in Carrigo 	<ul style="list-style-type: none"> High pressure pipeline (> 20 bar) and international gas connections 	<ul style="list-style-type: none"> 6 LDCs and 5 AGDUs Medium-low pressure pipelines (< 20 bar) 	<ul style="list-style-type: none"> Breakdown by End Customer⁽¹⁾ <ul style="list-style-type: none"> 83%: Industrial 10%: Commercial & Residential 7%: Electricity Generation 	
Key Statistics	4.7 bcm p.a.	8 bcm p.a. capacity	0.2 bcm p.a.	1,375 Km	17,108 Km 1.4 m Connection Points ("CPs") 2.1 bcm p.a.	4.7 bcm p.a.	
Key Players	 Others				  	     	
Market Type	Liberalised	Regulated				Liberalised	

Source: Direção Geral de Energia e Geologia, ERSE 2014, REN 2014, Galp Website, DBCs' statutory accounts, Eurogas Statistical report 2014.

(1) Market shares based on volume consumption (2013).

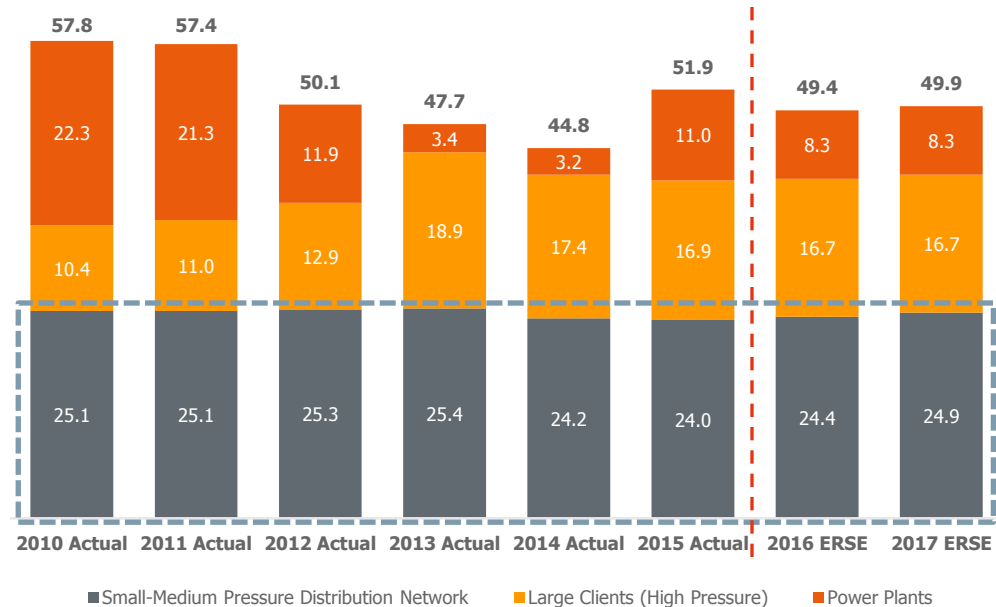
Portuguese Natural Gas Infrastructure Market & Regulatory Framework

Gas Demand Trends in Portugal

Highlights

- Currently natural gas accounts for around 17% of total primary energy consumption
- Historical gas demand has been driven both by gas-fired power generation and industrial demand as well as by an increase in new connection points for natural gas domestic use
- The demand from the industrial and residential sectors is expected to continue to follow a modest growth, mainly driven by:
 - Expansion of the gas distribution system
 - Fuel switching

Evolution of Natural Gas Consumption in Portugal (TWh)



Source: ERSE.

Portuguese Natural Gas Infrastructure Market & Regulatory Framework

19

Key Stakeholders



Entidade Reguladora dos Serviços Energéticos.

(Energy Services Regulatory Authority)

- Independent body responsible for the regulation of the natural gas and electricity sectors, executing its duties in observance of the main energy policy directives established by the Government
- ERSE is responsible for supervising the Public Electricity System's operations and the relationship between SEP (Public Electrical System Service) and SENV (Independent Electrical System) and regulating activities carried out within the SEP's framework, specifically establishing tariffs and prices for electricity and other services provided by REN and by the holders of binding distribution licences
- ERSE approves and supervises the application of the following regulations for both sectors:
 - Regulation on Tariffs
 - Regulation on Commercial Relations
 - Regulation on Access to Networks and Interconnections
 - Regulation of Quality of Service



Redes Energéticas Nacionais

- Listed Portuguese regulated energy sector company, which operates in 2 main business areas:
 - The transmission of very high voltage electricity and overall technical management of the National Electricity System
 - The transport of high-pressure natural gas and overall technical management of the National Natural Gas System

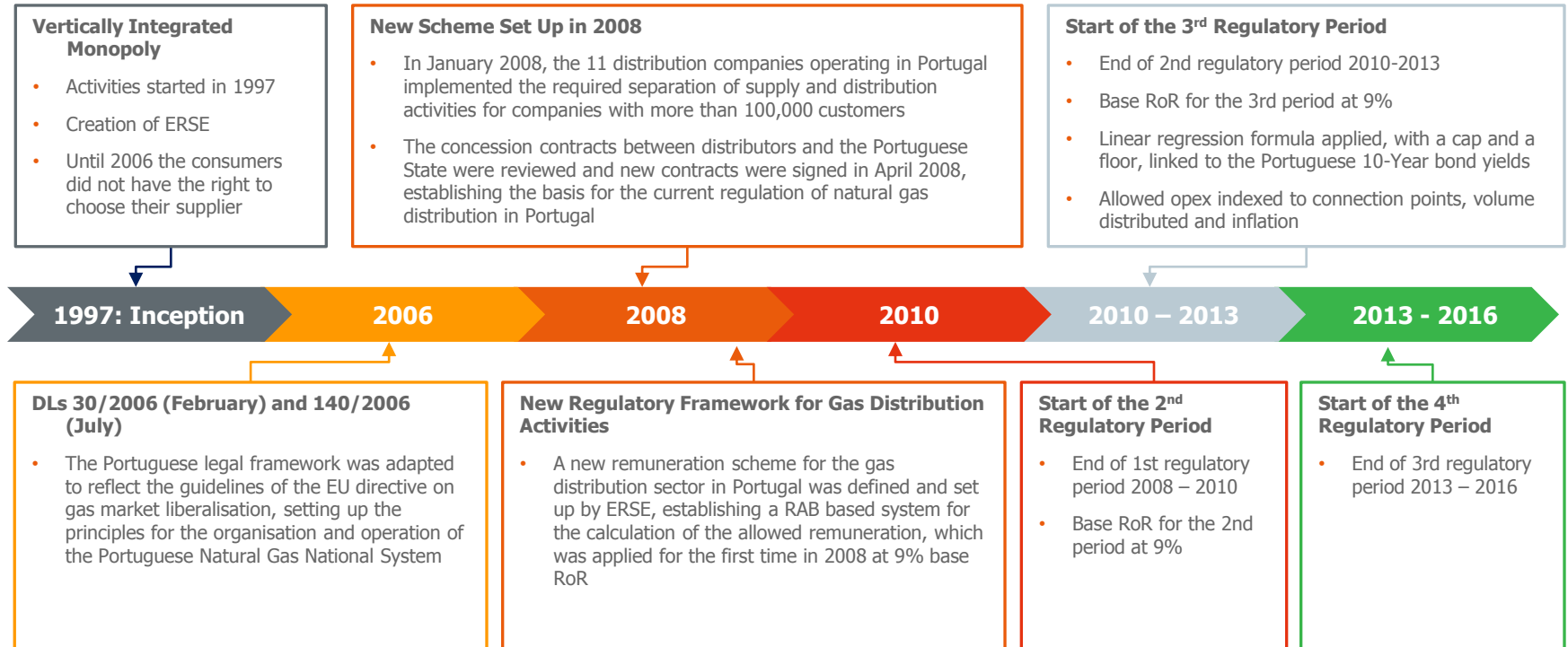


Ministry of Economy

- Under the new Government (26th November 2015) the Energy folder lies under the Ministry of Economy
- The Portuguese Ministry of Economy is directed by Minister Manuel Caldeira Cabral and has 3 Secretaries of State
 - The Secretary of State of Energy is Jorge Seguro Sanches
- The regulation is not set directly by the Ministry but by ERSE

Portuguese Natural Gas Infrastructure Market & Regulatory Framework

Regulatory History



Portuguese Natural Gas Infrastructure Market & Regulatory Framework

Legal Framework

A

Purpose of Distribution Activity

- Consists mainly of the delivery of gas from the high-pressure transport network to the final customer connection point, by which the distributor receives a regulated income
- This includes the delivery of natural gas through the low and medium pressure networks as well as the construction, maintenance and operation of the regulated infrastructures
- The distribution activity is conducted under a concession-based public service regime

B

Concession Agreements

- The current concession contracts between the Portuguese State and the local distribution concessions were signed in April 2008
- These contracts set out the rules applicable to the distribution of natural gas under a 40 year concession period (starting from 1 January 2008)
 - LDCs: Lisboagás, Lusitaniagás, Setgás, Tagusgás, Beiragás and Portgás
 - At contract expiry, if no extension of concession is granted, the owner of the concession will be compensated for the accounting value of the net assets under the concession
- Autonomous gas distribution unit companies operate under 20 year agreements (signed between 2007 and 2009)
 - AGDUs: Duriensegás, Medigás, Dianagás, Paxgás and Sonorgás
- Under these contracts, the Portuguese State guarantees that the concession holder can achieve a financially balanced remuneration of the activities covered by the concession

C

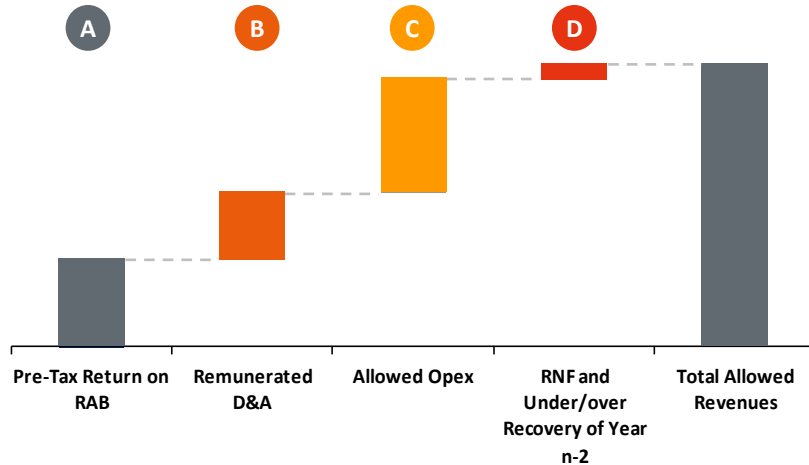
Role of the Distribution Operator

- Operates in coordination with market agents (gas transmission and supply companies, customers and system operator) and allows access to gas suppliers under objective, transparent and non-discriminatory mechanisms
- Responsible for the development and operation of the distribution network, taking into account the applicable legislation and regulatory framework
- All concession activities related to distribution should be exercised according to regular, continuous and efficient levels, adopting the best procedures, means and technologies used in the gas sector

Portuguese Natural Gas Infrastructure Market & Regulatory Framework

Remuneration Regime

Allowed Revenues⁽¹⁾ – Building Blocks



Allowed Revenues – Calculation Mechanics

- A Pretax Return on RAB**
- Return on RAB = RAB x rate of return (RoR)
 - RAB evolution is a function of capex invested and depreciation
 - Rate of Return updated yearly based on the evolution of sovereign bond yields
- B Remunerated D&A**
- Operators are allowed to recover the annual depreciation amount for fixed assets
 - Allowed annual depreciation based on annual tax depreciation
- C Allowed Opex**
- Operators are allowed to recover reasonable opex
 - In July 2010 the regulator included an efficiency factor ("X-factor") in the yearly updated formula for opex remuneration
 - $Opex_t = (Opex_{t-1}) \times (1 + GDP\ Deflator_{t-1} - X\text{-factor})$
 - The X-factor depends on the number of connection points and gas volume distributed
- D RNF⁽²⁾ and Under/over Recovery of Year n-2**
- RNF – "Reposição (gradual da) Neutralidade Financeira"
- Mechanism to recover the amounts due under the smoothening system to flatten tariffs established in the 1st regulatory period and eliminated in the 2nd regulatory period
- Under/over Recovery of Year n-2:
- Regulated gas distribution tariffs are determined each year based on the assumption of certain gas volumes distributed, which can lead to under / over recovery if actual volumes differ. Each year, allowed revenues are adjusted for the over/under recovery in revenues of year n-2

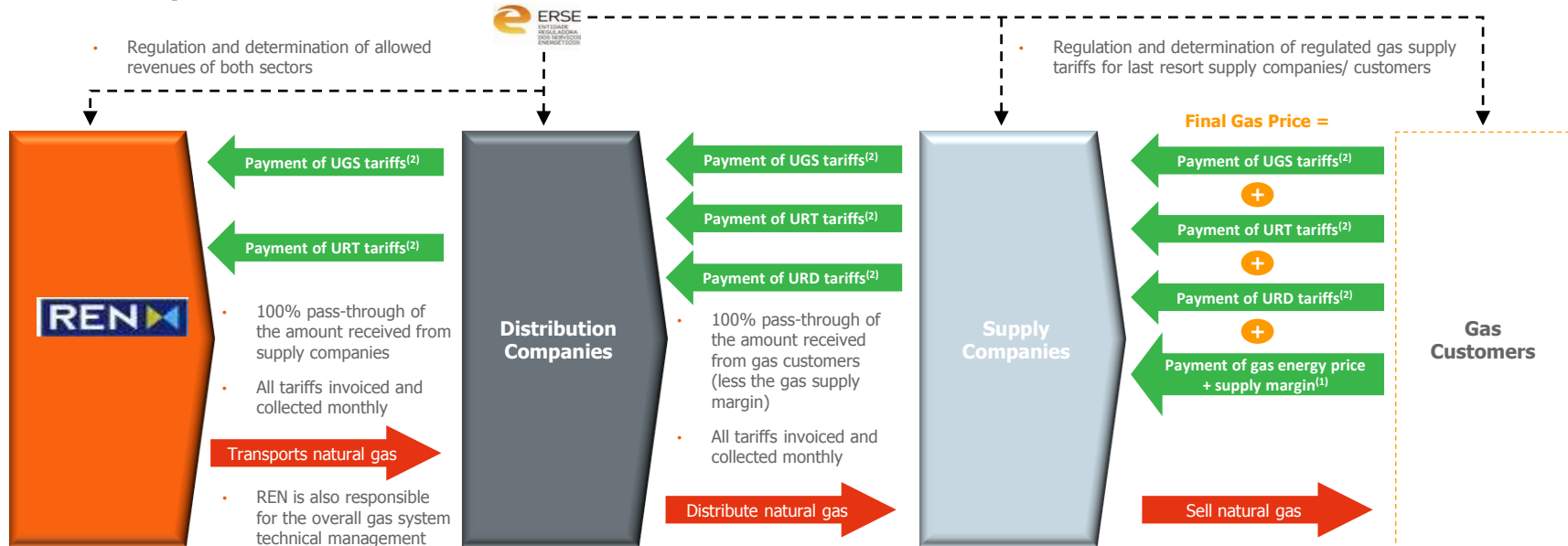
(1) Figures are only illustrative.

(2) RNF ("Reposição (gradual da) Neutralidade Financeira"): In the 1st regulatory period ('08-'10), ERSE established a "smoothening" mechanism for RAB remuneration to flatten tariffs and prevent excessively high tariffs during network build-up. This mechanism was eliminated in the 2nd regulatory period ('10-'13) and during 6 years (ending in gas year 2015-16), the distributor will recover the amounts (including interests capitalisation) due under the smoothening system.

Portuguese Natural Gas Infrastructure Market & Regulatory Framework

Regulatory Settlement System

Tariff Components



Gas distributors in Portugal bear no collection risk and no volume risk

(1) For gas customers supplied by last resort supply companies the gas energy price and the gas supply margin would be regulated, respectively through the energy tariff and the commercialisation tariff.

(2) UGS tariffs: Global system utilisation tariffs; URT tariffs: Transport network utilisation tariffs; URD tariffs: Distribution network utilisation tariffs.



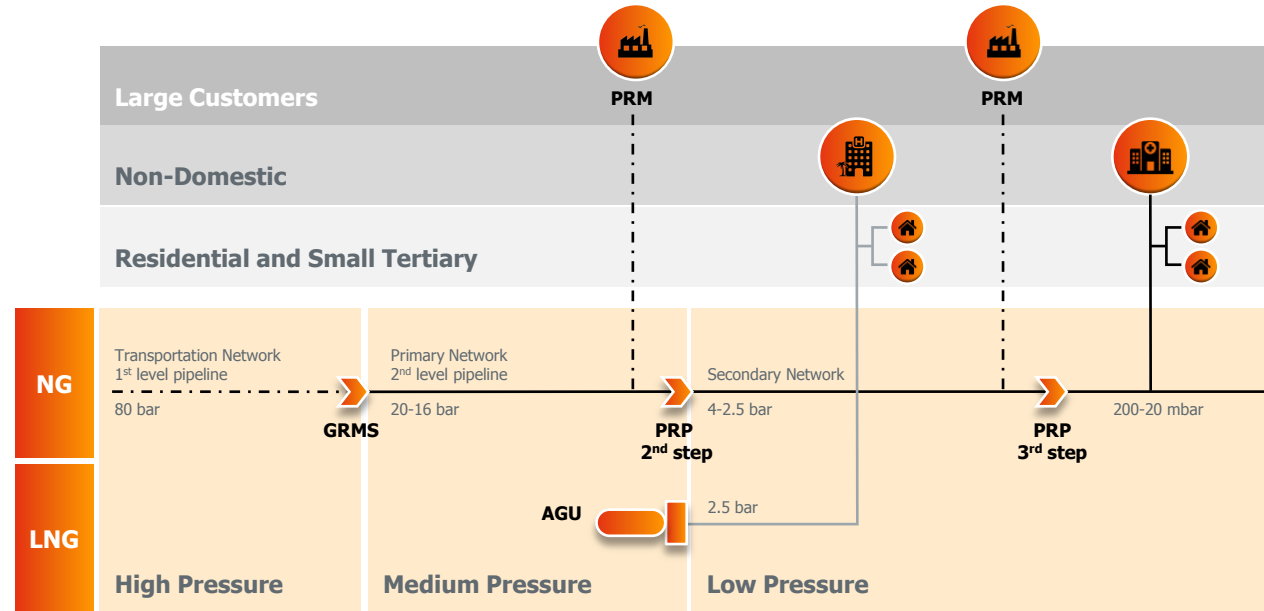
4

GGND's Operational Overview

GGND's Operational Overview

Gas Distribution Activity Illustrative Scheme

- **High pressure network** is managed by REN (the Transport Network Operator (TSO)) and consists of pipelines that carry gas throughout the country
- **Medium pressure network** is owned by Gas Distributions Companies and carry gas from high pressure network to cities, municipalities or industrial clients
- **Low pressure network** (secondary distribution network) is the final part of the infrastructure
 - Highly branched to allow supply to final customers
 - Owned by Distribution Companies



GGND's Operational Overview

GGND's Managed Infrastructure and Main Activities

GGND Constructs, Manages and Maintains the Following Infrastructures:



Primary System (Secondary Gas Pipeline)

Set of networks in steel, which ensure the gas transport from the main pipeline until the periphery of large cities and industrial areas. Occasionally, major clients are supplied directly. The maximum working pressure varies between 16 and 20 bar



LNG Satellite Stations

Are storage systems (deposits) that allow supply gas grids or main clients (dedicated). Are placed in areas of the Country where there is no natural gas grids. The LNG supply is made by road (tanker trucks)



Regulation and Measurement Stations (RMS)

One set of equipment that enable control of working pressure between primary and secondary system and ensure the monitoring of the gas distribution system



Secondary System (Distribution)

Polyethylene piping is installed in the roadway and sidewalks of urban or industrial areas to ensure natural gas distribution. Working pressure varies between 0.5 and 4 bar; In certain areas of Lisbon urban mesh, gas supply is done at lower pressures, in the order of 22 mbar, according to the gas pressure utilization



Connecting Branch (Home or Industrial)

It's a system section dedicated (also done in a thermoplastic/Polyethylene material) that makes the connection from the distribution system installed on the public road until the client shut-off valve

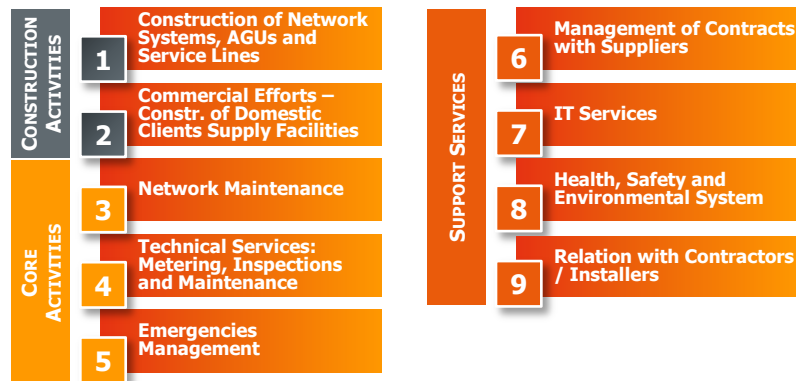


Customer Installations ⁽¹⁾

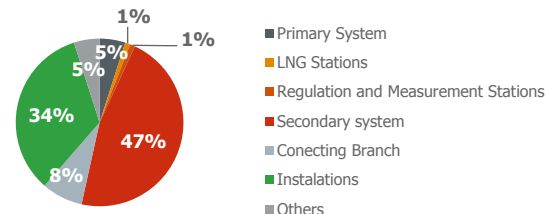
Customer infrastructure starts at client shut-off valve and comprises all the equipment and piping inside the buildings, with the exception of meters, which belong to the distribution company

(1) Customer Installations not managed or maintained by GGND

GGND's Main Activities



Accumulated Investment as of Dec. 2014 (%)





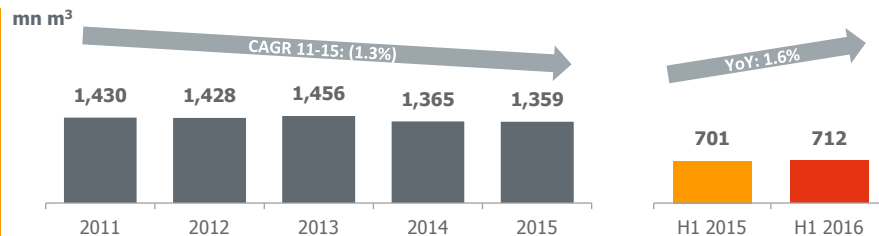
5

**Historical Operating and
Financial Performance**

Historical Operating and Financial Performance

Historical Operating Performance

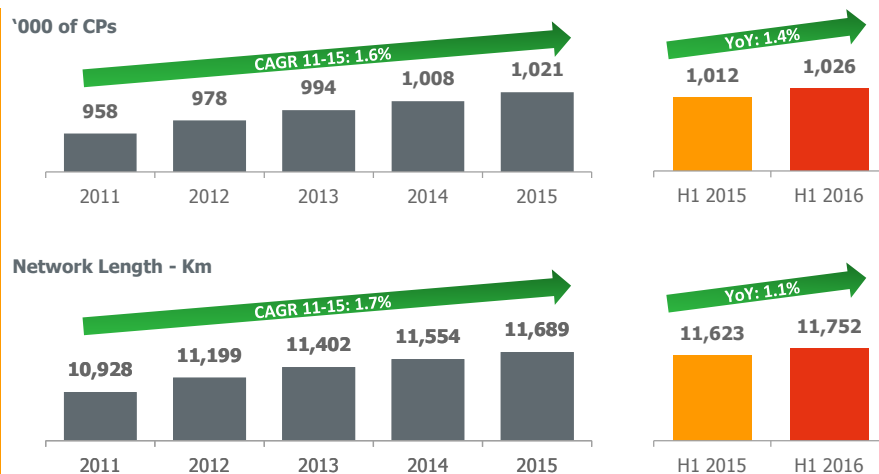
GAS DISTRIBUTED



Comments

- Stable performance
- Evolution of gas volumes distributed by GGND in line with the Portuguese market
- Distribution growth in 1H16 due to an increase in the volumes of Lusitaniagás, both in domestic and industrial segments
- The decrease in 2014, resulted from a one-off event, the shut-down of a large industrial client of Lisboagás, that represented c.20% of its volume distributed (and c.6.5% of GGND's volume)

CONNECTION POINTS AND NETWORK LENGTH



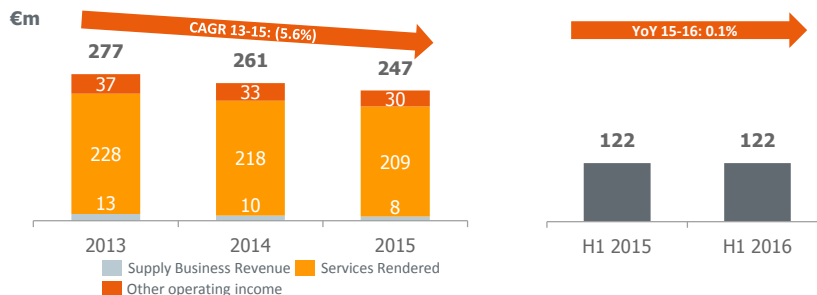
- Connection points and network length have been increasing at a low, but steady pace
 - GGND's three main gas distribution companies by CPs as of 2015 were:
 - Lisboagás: 525,894 CPs
 - Lusitaniagás: 215,736 CPs
 - Setgás: 162,945 CPs
 - GGND's three main gas distribution companies by Network Length as of 2015 were:
 - Lisboagás: 4,473 km
 - Lusitaniagás: 3,335 km
 - Setgás: 2,102 km

Source: Galp and companies' statutory accounts.

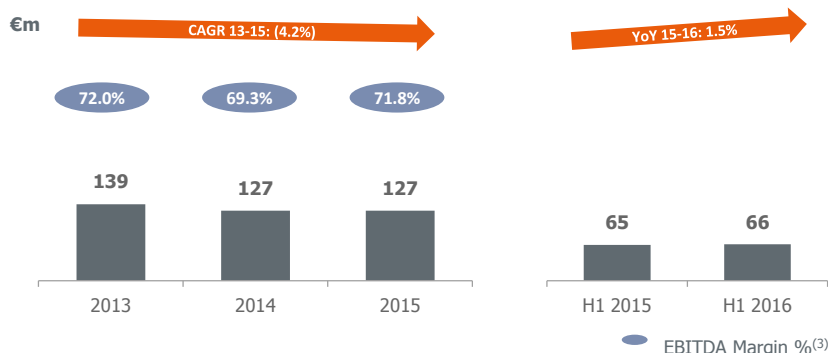
Historical Operating and Financial Performance

Pro-Forma Historical Financial Performance

REVENUE



ADJUSTED EBITDA⁽²⁾



Comments

- Revenues decrease as a result of:
 - Decrease in the RoR following decrease in Portuguese bonds yield (6.2% average yield for June 2013 vs. 2.9% for June 2015)
 - Adjustment in income from RNF⁽¹⁾ (accounting recognition only until Dec 31, 2014)
 - Reduction of Supply Business revenue from ongoing liberalization (regulated tariffs will be terminated by Dec 31st, 2017)

- Adjusted EBITDA evolution reflects:
 - Abovementioned decrease in revenues
 - Cost optimization
- Stable and low opex requirements resulting in stable margin year-on-year

Source: Galp.

Note: Tagusgás not included in the PF consolidated accounts as GGND holds a stake below 50%. Tagusgás participation taken into account only as financial income item.

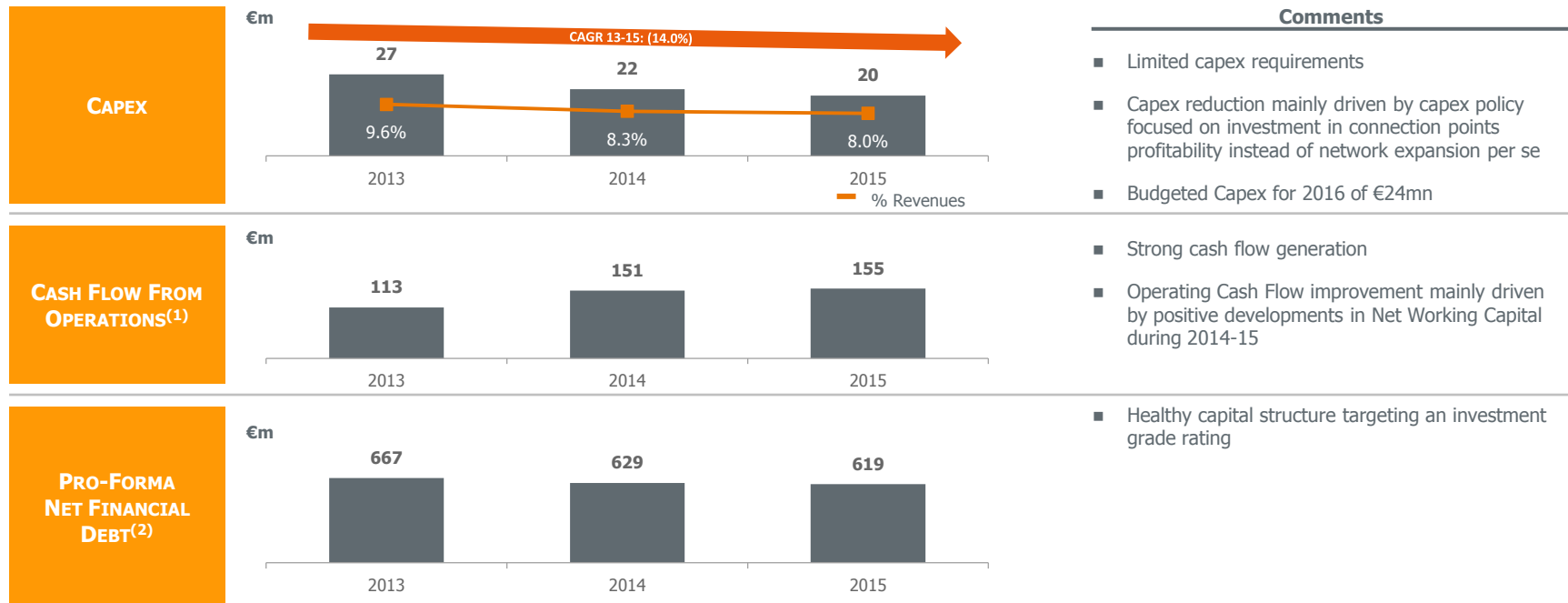
(1) RNF ("Reposição (gradual da) Neutralidade Financeira"): In the 1st regulatory period ('08-'10), ERSE established a "smoothing" mechanism for RAB remuneration to flatten tariffs and prevent excessively high tariffs during network build-up. This mechanism was eliminated in the 2nd regulatory period ('10-'13) and during 6 years (ending in gas year 2015-16), the distributor will recover the amounts (including interests capitalisation) due under the smoothing system.

(2) EBITDA excluding RNF impact.

(3) Based on the distribution revenues, calculated as allowed revenues + others.

Historical Operating and Financial Performance

Pro-Forma Historical Financial Performance (Cont'd)



Source: Galp.

Note: Tagusgás not included in the PF consolidated accounts as GGND holds a stake below 50%. Tagusgás participation taken into account only as financial income item.

(1) Cash Flow from Operations calculated as: EBITDA + Dividends from Associates + Changes in WC + Others (WC Adjustments).

(2) Pro-Forma Net Financial Debt presented for illustrative purposes. Calculated based on pro-forma accounts as: long-term debt, incl. SHL from Galp Gas & Power to GGND (€588m in 2015) and other long-term payables + long-term debt, EIB loans (€58m in 2015) + pension obligations and other liabilities + other financial instruments + LT provisions + ST debt – cash and cash equivalents – LT investment subsidies – LT anticipated costs – LT optical fiber.

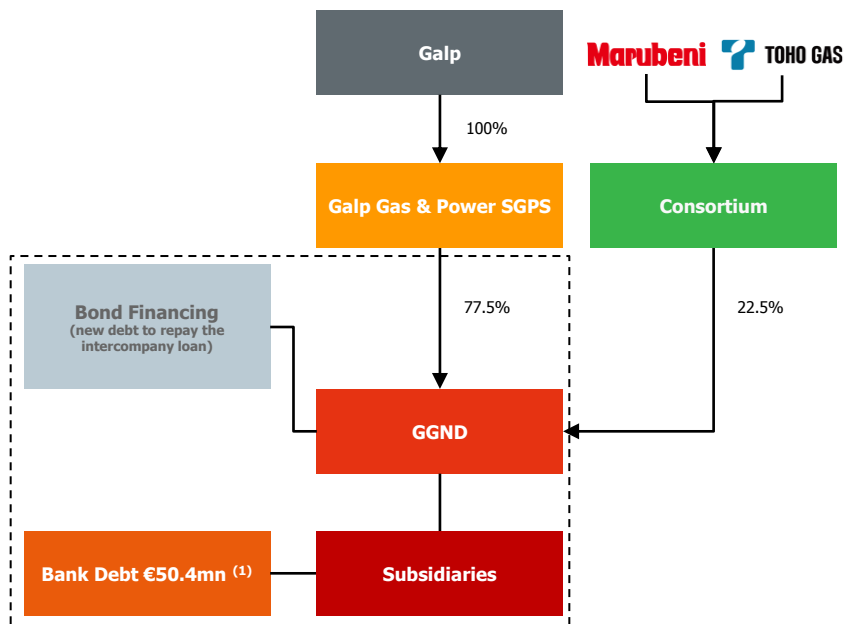
A close-up photograph of a gas burner with bright blue flames. A dark brown, semi-transparent oval is overlaid on the burner, containing the white number '6'. The background is dark, and there are some blurred light effects in the lower-left corner.

6

The Proposed Transaction

The Proposed Transaction

Expected Capital Structure



- In the context of the partial sale by Galp of a 22.5% stake in GGND, GGND is working on the issuance of new debt to replace the intercompany loan currently in place
- A €1bn EMTN Programme has been established, pursuant to which the new bond will be issued
- GGND will be deconsolidated and insulated from Galp
- GGND has achieved a preliminary rating of BBB- by S&P
- The existing debt at subsidiaries is expected to remain in place, declining over time with the last maturity in 2020

(1) Figure as of June 2016. Tagusgás debt not consolidated.

The Proposed Transaction

Preliminary Bond Term Sheet

Issuer	Galp Gas Natural Distribuição, SA	Negative Pledge	Yes, capital markets style
Rating	BBB- by S&P	Cross Default	Yes, within the ring-fenced GGND Group
Status of the Notes	Senior, unsecured	Restrictive Covenants	<ul style="list-style-type: none"> Restricted payments to shareholders not permitted if in lock-up, except for: <ul style="list-style-type: none"> Any payment made to affiliates in respect of amounts due under any service level agreement in consideration for the services provided under such agreements Any payments made to Galp Energia SGPS or any other affiliate in respect of tax contributions in relation to RETGS ("regime especial de tributação de grupos de sociedades") Arm's length terms Restrictions on Indebtedness No disposals to Affiliates (€10mn threshold) No acquisition from affiliates (€10mn threshold)
Nominal Amount	Benchmark size		
Tenor	7 years		
Denomination	€100K + 100K		
Coupon Period	Annually	Lock-up for restricted payments	Lock-up levels <ul style="list-style-type: none"> DSCR < 2.0x ND to EBITDA > 6.5x
Step-Up	125 bps step-up should apply in case the Rating is downgraded to sub-investment grade rating	Events of Default	EoD levels <ul style="list-style-type: none"> DSCR < 1.5x ND to EBITDA > 7.0x
Documentation	Pursuant to the €1,000,000,000 EMTN Programme	Redemption for non-disposal	The notes should be redeemed at 101% (plus accrued interest) in whole, if on or prior to 30 th June 2017, Galp Gas & Power SGPS SA has not completed the sale of at least 22.5% of the Issuer
Governing Law	English Law		
Clearing	Interbolsa, Euroclear and/or Clearstream		
Form of the Notes	Dematerialised book-entry (Interbolsa)		
Put Option	<ul style="list-style-type: none"> Restructuring event (reducing the consolidated EBITDA to less than 65% and causing a downgrade) Material license change (reducing the consolidated EBITDA to less than 65% and causing a downgrade) Change of control (subject to rating downgrade) 		

The Proposed Transaction

Credit Rating: BBB- ; Stable Outlook (S&P)

"The excellent business risk profile is supported by a transparent and predictable regulatory environment, which provides a capacity-based tariff determined through a cost-of-service-based revenue allowance with a three-year cycle. There is a well-established track record (since 2008) of utilities recovering their operating and capital costs as well as debt service obligations under Portugal's Energy Services Regulatory Authority (ERSE) regulatory framework"

"The excellent business risk profile is also supported by GGND's reliability and safety record, in line with its peers, and the ERSE's customer service expectations. Further, the utility's asset profile is relatively young—the bulk of its assets are less than 20 years old. Management has a track record of keeping costs aligned with the expenses allowed by the regulator"

"... but we consider that GGND is sufficiently insulated from the parent to be rated one notch above the group credit profile (GCP)"

"The stable outlook reflects our expectation that the regulatory environment will continue to support stable cash flow, GGND's operating environment remains relatively low risk, and management will continue to manage costs and meet regulatory expectations"

S&P Global Ratings, August 2016

Key Credit Highlights

A LARGEST GAS INFRASTRUCTURE PLAYER IN PORTUGAL

B TRANSPARENT AND STABLE REGULATORY FRAMEWORK

C MODERN INFRASTRUCTURE WITH LOW MAINTENANCE REQUIRED

D FOCUSED ON OPERATIONAL EXCELLENCE

E RESILIENT PROFITABILITY AND PRUDENT FINANCIAL POLICY

F EXPERIENCED MANAGEMENT TEAM WITH STRONG TRACK RECORD

The image features a close-up of a gas burner with bright blue flames. A dark, semi-transparent circular area is superimposed over the burner head, containing the word "Appendix" in white, bold, sans-serif font. The background is dark, and there are some blurred, colorful light streaks in the lower-left corner.

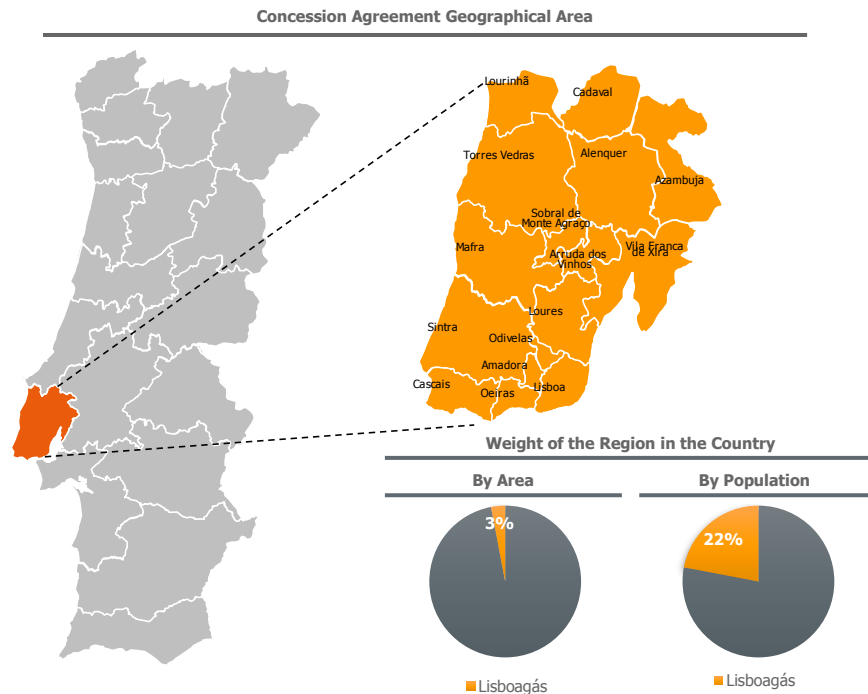
Appendix

Additional Materials on GGND's Operational Overview

Additional Materials on GGND's Operational Overview

Lisboagás

Areas Covered



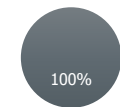
Source: Galp.

Key Facts

- Lisboagás holds the concession for distribution of Gas in the Lisboa region

	2013	2014	2015
Total Income	€'000 126,028	117,934	107,566
Adjusted EBITDA	€'000 68,038	61,939	60,642
Capex	€'000 9,565	8,480	6,944

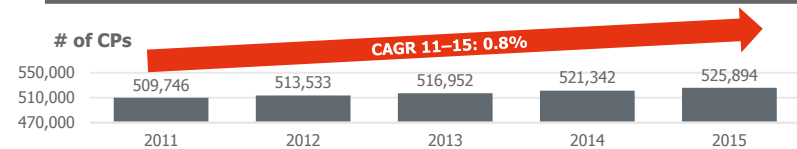
Ownership Structure



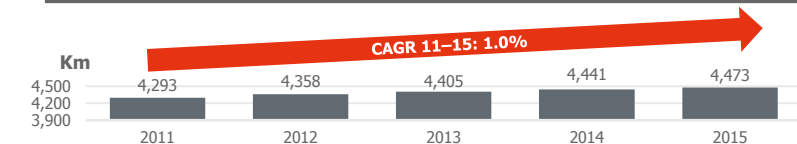
■ GGND

- Covers area of 2.2mn inhabitants and 2,800km²

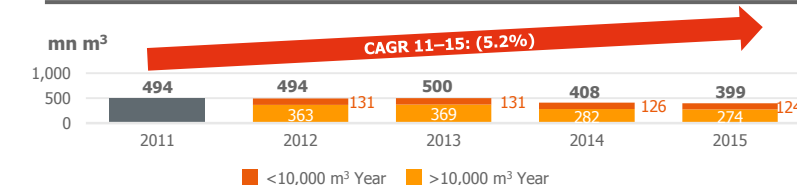
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed

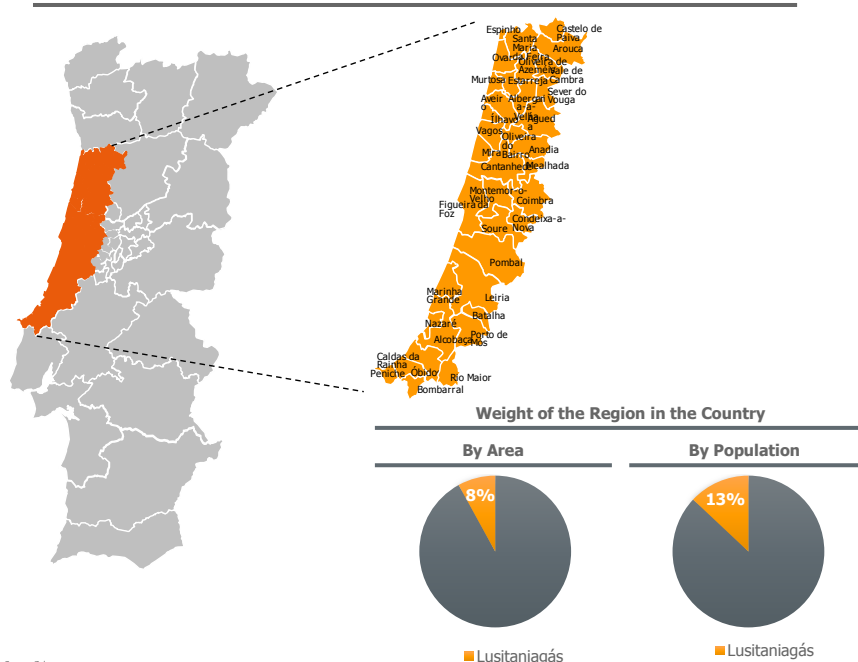


Additional Materials on GGND's Operational Overview

Lusitaniagás

Areas Covered

Concession Agreement Geographical Area



Source: Gelp.

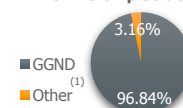
(1) Címaria Mun. Coimbra 0,850%; Extruzal - Companhia Portuguesa de Extruzão, SA 0,317%; Lena Energia, SGPS, SA 0,266%; CINCA 0,188%; Leirsenne Holding, SGPS, SA 0,142%; Címaria Mun. Oliveira do Bairro 0,094%; Alberto Santos de Araújo Santos 0,089%; Movicores - Serviços e Gestão, SA 0,080%; Ferpisa - Indústrias de Tubos de Aço de Fernando Pinho Teixeira, S.A 0,068%; Címaria Mun. Leiria 0,066%; Fracrate - Fábrica de Fibras, Lda 0,059%; Címaria Mun. Aveiro 0,054%; Barcel, Empresa Cerdâmica Barro Terrenho, SA 0,050%; CS - Cimento da Silva, SA 0,050%; Címaria Mun. Estarreja 0,051%; Bongás - Energias, SA 0,050%; Kapnia - Indústria e Comércio de Lã, SA 0,047%; Oliva - Indústrias Metalúrgicas, SA 0,046%; Cerdâmica do Lã, SA 0,047%; Famões - Fabricação e Comercialização de Hóteis, SA 0,043%; Inoco - Imobiliária e Construções, Lda 0,043%; Címaria Mun. Oliveira de Azeméis 0,043%; Címaria Mun. Pombal 0,038%; Vista Alegre Alentejo, SA 0,032%; Gresart, Cerdâmica Industrial, SA 0,030%; Associação Industrial do Concelho de Pombal 0,027%; Portugal, SA 0,026%; Qui Ria-Quimbro Serviços Financeiros, SA 0,026%; Címaria Mun. Ovar 0,024%; Címaria Mun. Murtosa 0,021%; Maria Luísa Batista Mendes Gouveia 0,021%; Antidormer - Engenharia e Equipamentos, Têrmicos Lda 0,020%; Címaria Mun. Vagos 0,019%; Címaria Mun. Vale de Cambra 0,019%; Címaria Mun. Marinhã Grande 0,017%; Címaria Mun. Batalha 0,013%; Haworth Portugal - Mobiliário de Escritório SA 0,013%; FEB Cafés, SA 0,012%; Associação Comercial e Industrial de Coimbra 0,011%; Seta - Sociedade de Exportação e Cerdâmica, SA 0,009%; Global - Companhia de Seguros, SA 0,003%; Herminio de Oliveira Palmeira 0,001%.

Key Facts

- Lusitaniagás holds the concession for distribution of Gas in the regions of Leiria, Coimbra and Aveiro

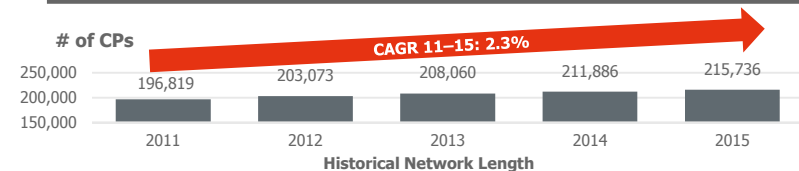
	2013	2014	2015
Total Income	€'000 67,205	65,801	66,138
Adjusted EBITDA	€'000 33,909	30,714	30,605
Capex	€'000 6,507	5,894	5,526

Ownership Structure

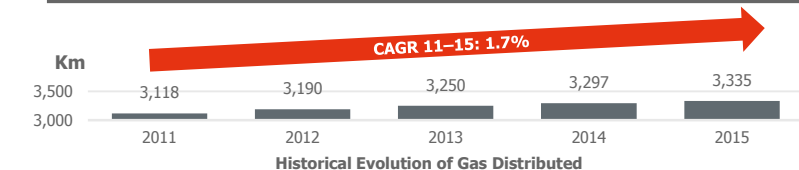


- Covers area of 1.4mn inhabitants and c.7,300 km²

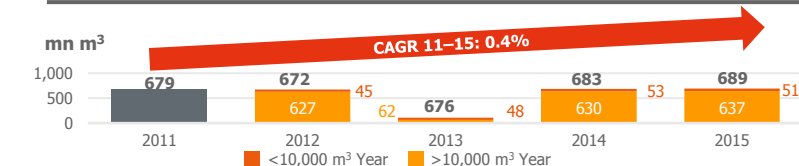
Historical Evolution of Connection Points



Historical Network Length



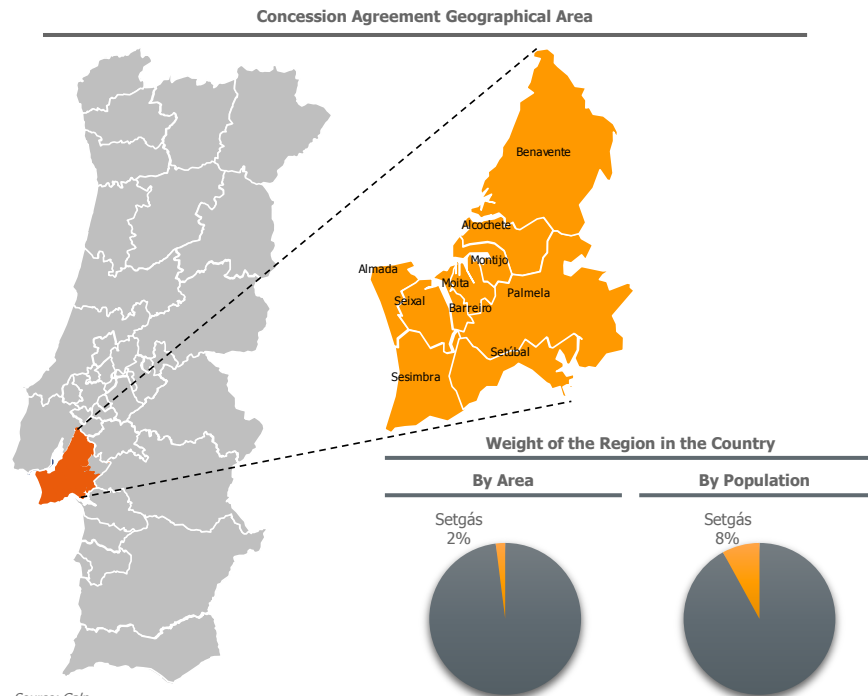
Historical Evolution of Gas Distributed



Additional Materials on GGND's Operational Overview

Setgás

Areas Covered



Source: Galp.

(1) Gasiba SGPS, SA 58,03%; Município Abrantes 0,09%; Município Torres Novas 0,07%; Município Chamusca 0,05%; Município Santarém 0,05%; Município Almeirim 0,04%; Município Cartaxo 0,04%; Município Alcanena 0,04%; Município Coruche 0,04%; Município Tomar 0,04%; Município Entroncamento 0,03%; Município Macao 0,02%; Município Salvaterra Magos 0,02%; Município Ferreira Zêzere 0,02%; Município Gavião 0,02%; Município Sardoal 0,01%; Município Vila Nova Barquinha 0,01%; Município Alpiarça 0,01%; Município Constança 0,01%; Câmara Mun. Golegã 0,01%. Galp doesn't control and consolidate this company.

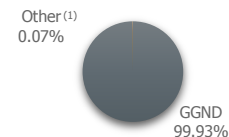
Key Facts

- Setgás holds the concession for distribution of Gas in the Setubal region

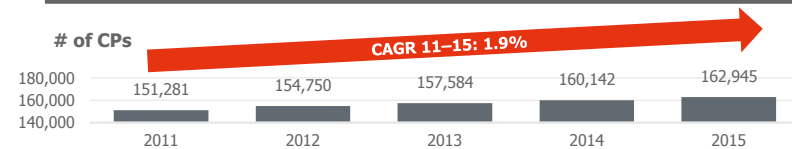
	2013	2014	2015
Total Income	€'000 34,394	32,802	32,735
Adjusted EBITDA	€'000 18,234	16,470	16,584
Capex	€'000 4,129	3,799	4,007

- Covers area of 812k inhabitants and c.2,100 km²

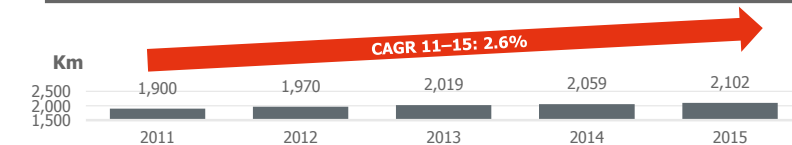
Ownership Structure



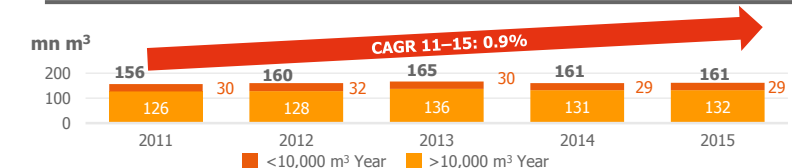
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed

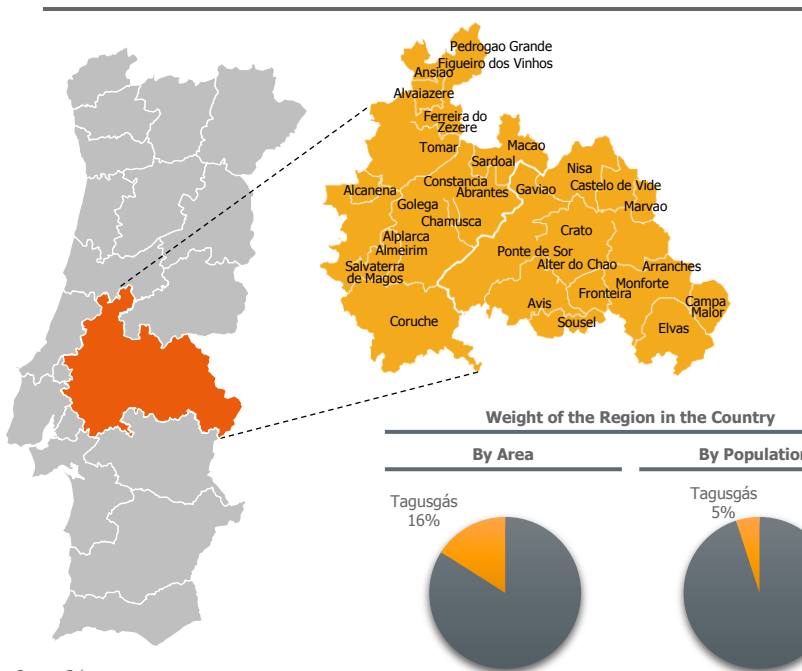


Additional Materials on GGND's Operational Overview

Tagusgás

Areas Covered

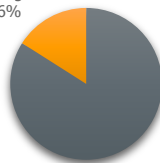
Concession Agreement Geographical Area



Weight of the Region in the Country

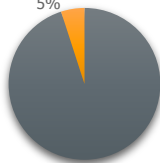
By Area

Tagusgás
16%



By Population

Tagusgás
5%



Source: Galp.

(1) Município Abrantes 0,09%; Município Torres Novas 0,07%; Município Chamusca 0,05%; Município Santarém 0,05%; Município Alpiarca 0,04%; Município Cartaxo 0,04%; Município Alcanena 0,04%; Município Coruche 0,04%; Município Tomar 0,04%; Município Entroncamento 0,03%; Município Macao 0,02%; Município Salvaterra Magos 0,02%; Município Ferreira Zezere 0,02%; Município Vila Nova Barquinha 0,01%; Município Alpiarca 0,01%; Município Constança 0,01%; Câmara Mun. Golegã 0,01%. Galp doesn't control and consolidate this company.

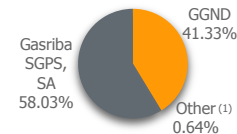
Key Facts

- Tagusgás holds the concession for distribution of Gas in the Santarém region

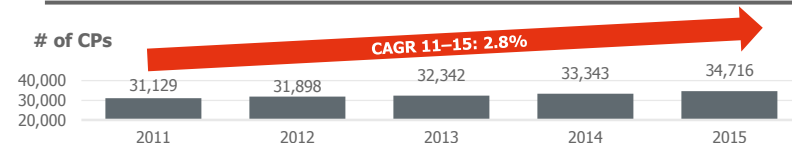
	2013	2014	2015
Total Income	€'000 24,104	25,058	21,625
Adjusted EBITDA	€'000 9,593	9,588	9,003
Capex	€'000 4,436	5,447	3,351

- GGND does not own a controlling majority of Tagusgás and follows an equity accounting consolidation methodology
- Covers area of 532k inhabitants and c.15,000 km²

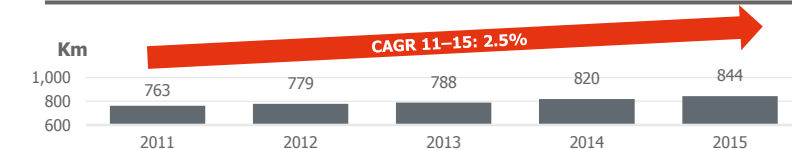
Ownership Structure



Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed

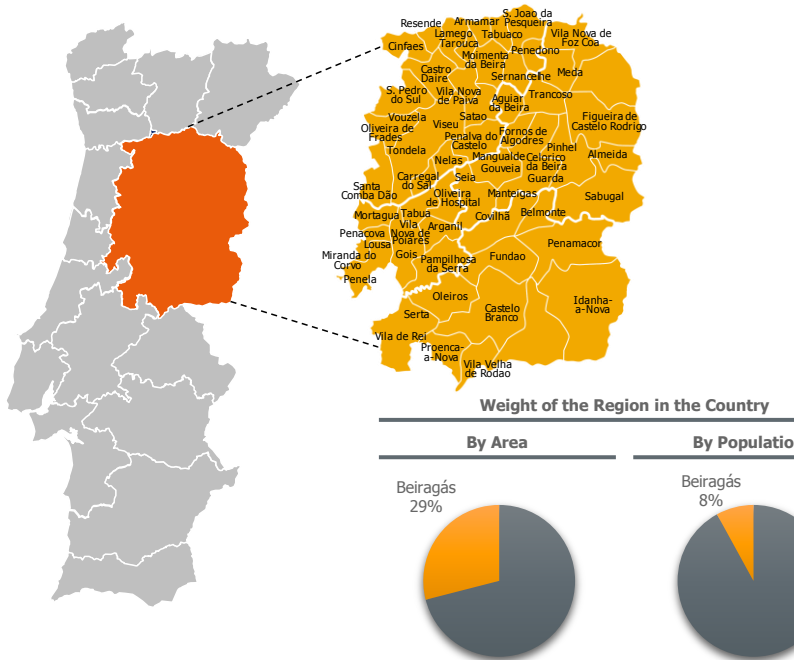


Additional Materials on GGND's Operational Overview

Beiragás

Areas Covered

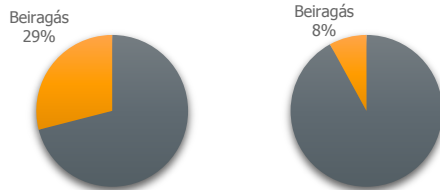
Concession Agreement Geographical Area



Weight of the Region in the Country

By Area

By Population

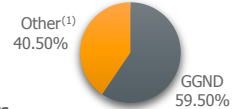


Key Facts

- Beiragás holds the concession for distribution of Gas in the internal central region

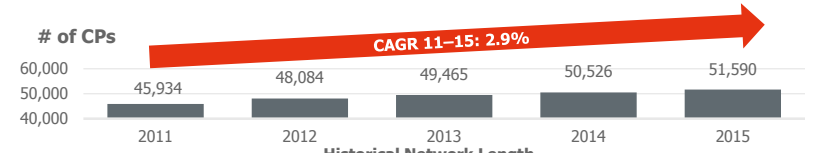
	2013	2014	2015
Total Income	€'000 23,003	21,179	18,536
Adjusted EBITDA ⁽²⁾	€'000 8,392	8,371	8,189
Capex	€'000 1,836	1,400	1,292

Ownership Structure

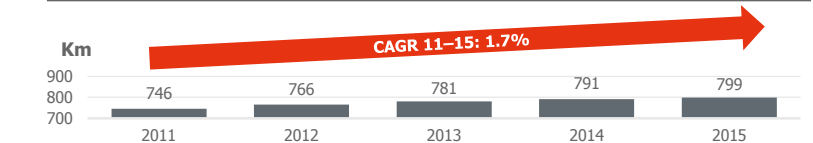


- Covers area of 814k inhabitants and c.26,700 km²

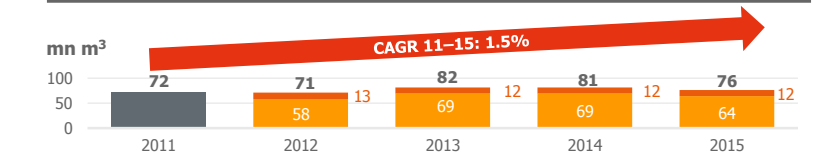
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed



Source: Galp

(1) António José dos Santos Namorado 0,04%; António José Coelho de Araújo 0,04%; António Pedro F. dos Santos Coelho de Araújo 0,02%; Associação Comercial e Industrial do Funchal 0,02%; Associação Industrial da Região de Viseu 0,06%; Câmara Municipal Agualva de Beira 0,00%; Câmara Municipal Guarda 0,04%; Câmara Municipal Mortágua 0,04%; Câmara Municipal Oliveira de Frades 0,04%; Câmara Municipal São Pedro do Sul 0,04%; Câmara Municipal São João do Oitavo 0,04%; Câmara Municipal Vila Nova de Poiares 0,02%; Cândia Abrantes da Silva 0,04%; Frangent – Serviços de Gestão e Controlo, SA 4,59%; GATCONTA 0,04%; Gouveia e Campos, SA 1,04%; Visabeira Global, SGPS, SA 23,52%; GUARDAGÁS, LDA, 0,04%; Henrique Manuel Albuquerque Cruz 0,04%; RFL, SA 0,63%; João Manuel Pinho de Almeida 1,30%; João Vaz de Sá & Filhos 0,75%; João Virgílio Costa Figueiredo 1,21%; Jorge de Oliveira Santos 0,02%; José dos Santos Costa 0,04%; José Luís Gomes 0,02%; José Pedro da Costa Figueiredo 0,04%; José Vicente Fiamada 0,01%; J. Soares & Gomes Marques, LDA, 0,05%; Luís Vítor da Câmara Rebelo 1,08%; HBL - Electricidade e Telecomunicações, S.A. 0,43%; MRG - Manuel Rodrigues Gouveia, S.A. 1,17%; NERCAD 0,08%; Nevilgas, LDA 0,17%; PRISOL, SA 2,11%; Remédios Marques de Sá 0,01%; Santa Catarina R. J. Ribeiro 0,20%; WROCON SERRA, LDA, 0,17%. Until the end of 2015, GGND will own Luís Alberto Proença da Fonseca e Castro (0,04%), Associação de Comércio e Serviços Distrito Viseu (0,00%) and TDM - Transportes e Dist. de Mercadorias, LDA (0,01%) stakes in Beiragás.

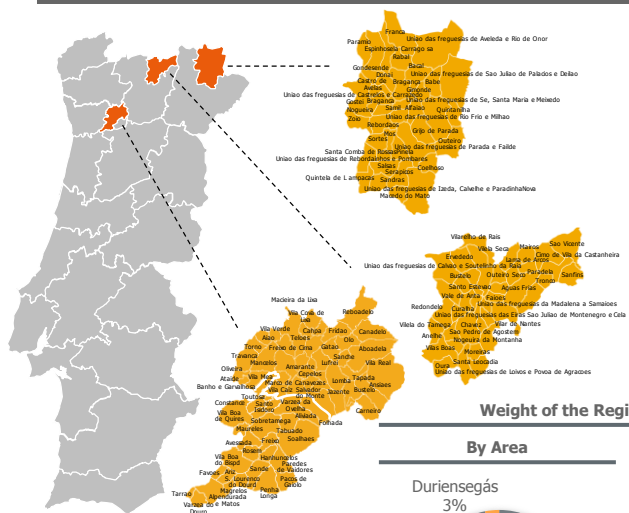
(2) Supply business contribution to total adjusted EBITDA of €415k in 2013, €455k in 2014 and €538k in 2015.

Additional Materials on GGND's Operational Overview

Duriensegás

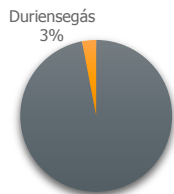
Areas Covered

Concession Agreement Geographical Area

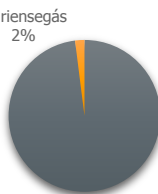


Weight of the Region in the Country

By Area



By Population

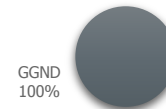


Key Facts

- Duriensegás holds the license for distribution of Gas around the Douro region
- 20-year concession from 1st January 2008

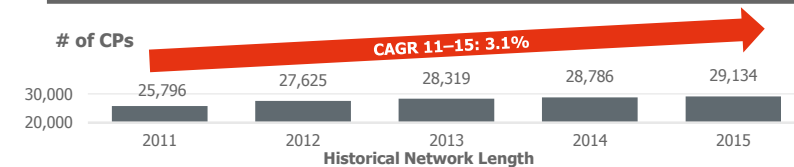
	2013	2014	2015
Total Income	€'000 12,538	11,035	10,628
Adjusted EBITDA ⁽¹⁾	€'000 5,038	4,798	5,639
Capex	€'000 1,524	789	636

Ownership Structure

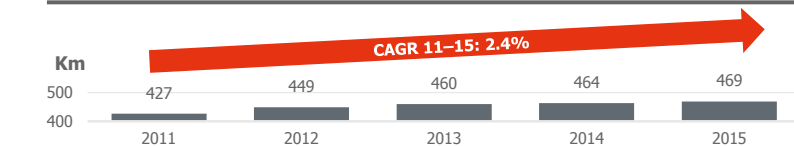


- Covers are of 180k inhabitants and 2,400 km²

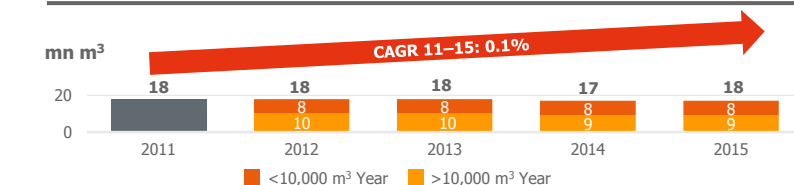
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed



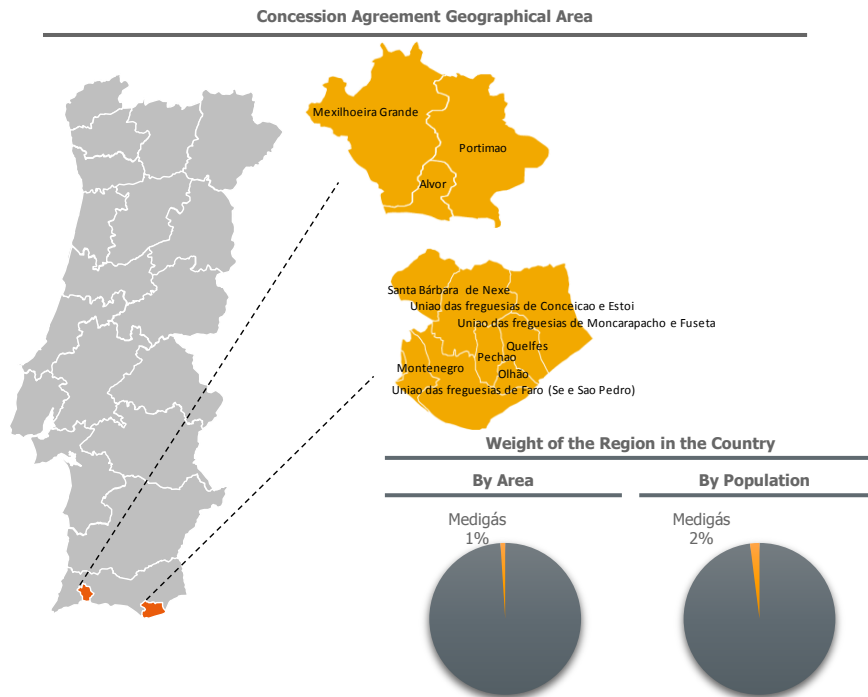
Source: Galp.

(1) Supply business contribution to total adjusted EBITDA of €191k in 2013, €158k in 2014 and €224k in 2015.

Additional Materials on GGND's Operational Overview

Medigás

Areas Covered

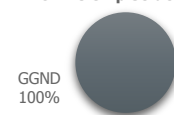


Key Facts

- Medigás holds the concession for distribution of Gas in the regions of Faro, Olhao and Portimao
- 20-year concession from 1st January 2008

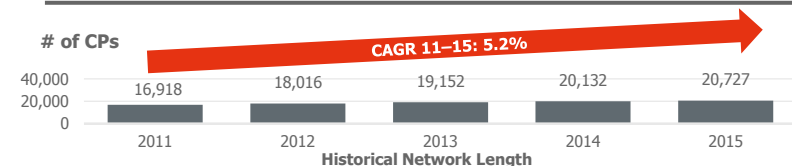
	2013	2014	2015
Total Income	€'000 6,709	5,955	5,119
Adjusted EBITDA ⁽¹⁾	€'000 2,547	2,212	2,520
Capex	€'000 938	777	516

Ownership Structure

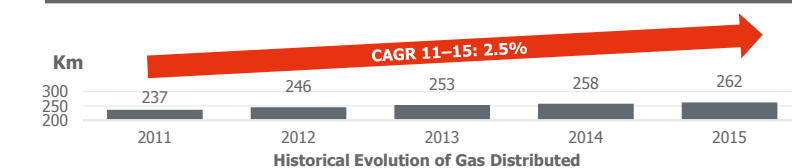


- Covers area of 162k inhabitants and c.500km²

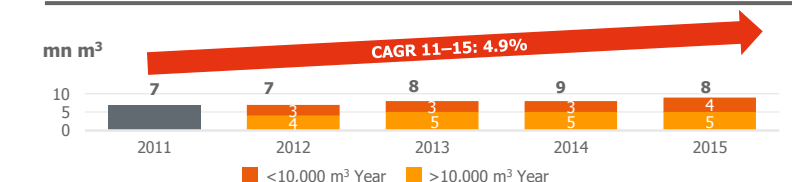
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed



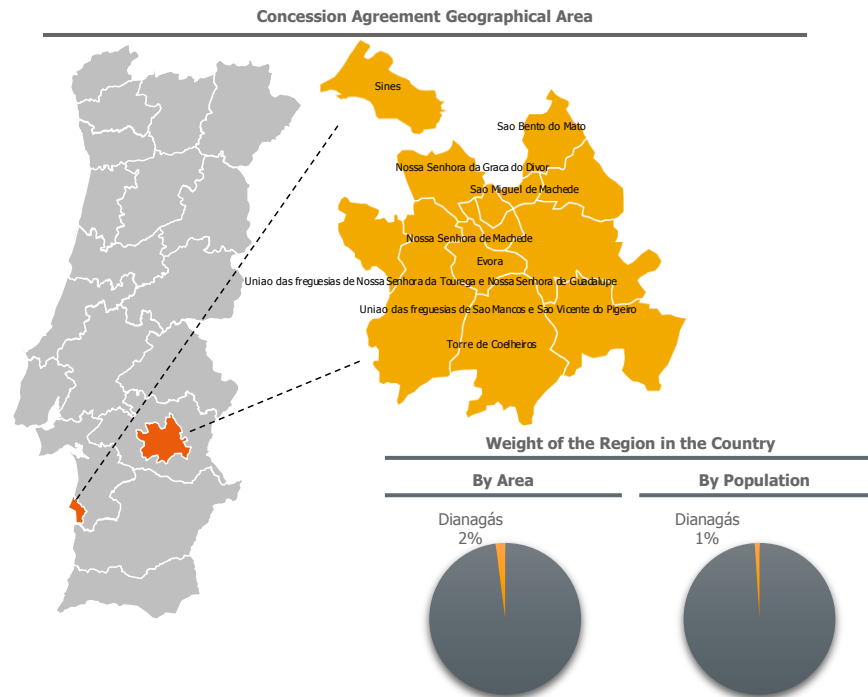
Source: Galp.

(1) Supply business contribution to total adjusted EBITDA of €116k in 2013, €(20)k in 2014 and €100k in 2015.

Additional Materials on GGND's Operational Overview

Dianagás

Areas Covered



Source: Galp.

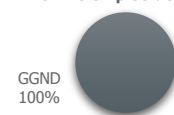
(1) Supply business contribution to total adjusted EBITDA of €153k in 2013, €58k in 2014 and €99k in 2015.

Key Facts

- Dianagás holds the concession for distribution of Gas in the regions of Evora and Sines
- 20-year concession from 1st January 2008

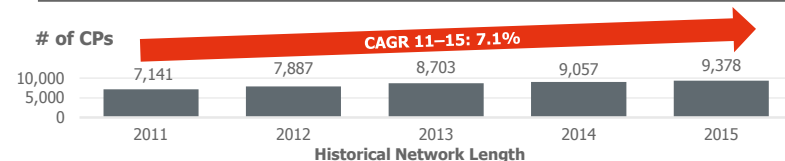
	2013	2014	2015
Total Income	€'000 5,022	4,581	4,470
Adjusted EBITDA ⁽¹⁾	€'000 1,670	1,844	1,860
Capex	€'000 913	614	774

Ownership Structure

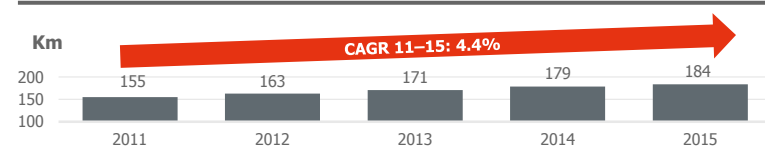


- Covers area of 68k inhabitants and c.1,500 km².

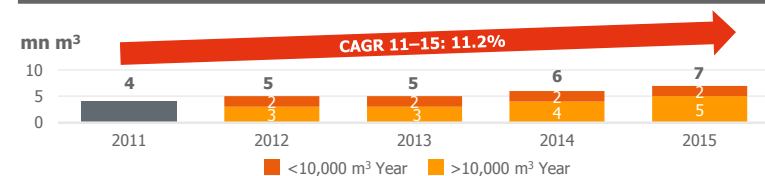
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed

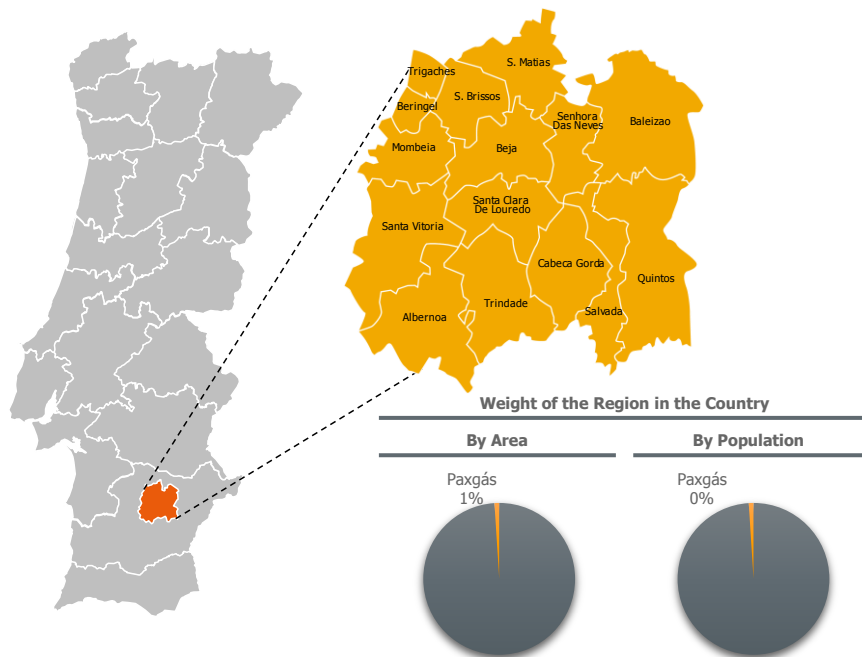


Additional Materials on GGND's Operational Overview

Paxgás

Areas Covered

Concession Agreement Geographical Area



Source: Galp.

(1) Supply business contribution to total adjusted EBITDA of €35k in 2013, €(19)k in 2014 and €41k in 2015.

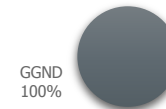
Key Facts

- Paxgás holds the concession for distribution of Gas around the Beja region
- 20-year concession from 1st January 2008

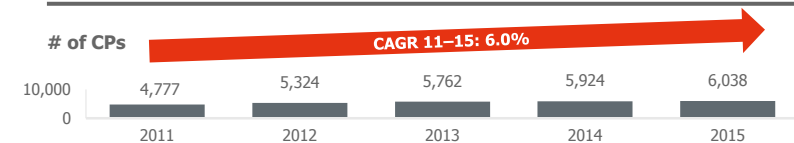
	2013	2014	2015
Total Income	€'000 2,450	1,899	1,713
Adjusted EBITDA ⁽¹⁾	€'000 806	585	864
Capex	€'000 623	262	121

- Covers area of 35k inhabitants and c.1,100 km².

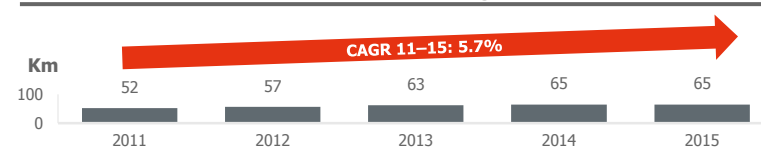
Ownership Structure



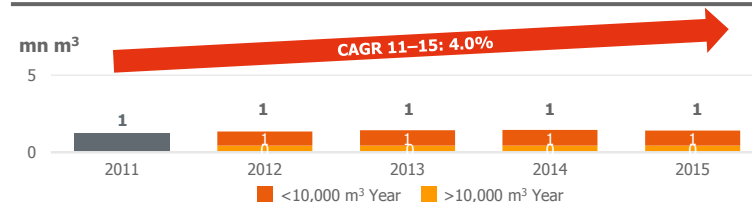
Historical Evolution of Connection Points



Historical Network Length



Historical Evolution of Gas Distributed



Historical Pro-Forma Financial Statements

Historical Pro-Forma Financial Statements

P&L

€mn	Pro-forma Accounts		
	2013	2014	2015
P&L			
Supply Business Revenue	13	10	8
Services Rendered	228	218	209
Other operating income	37	33	30
Total revenues	277	261	247
% growth		(5.8%)	(5.4%)
COGS	(11)	(8)	(5)
Suppliers and external services	(71)	(74)	(71)
Personnel expenses	(19)	(17)	(23)
Other operating costs	(26)	(23)	(21)
Provisions	(1)	(0)	(0)
Reported EBITDA	149	139	127
Adjusted EBITDA (Excluding RNF⁽¹⁾ impact)	139	127	127
% growth		(8.4%)	0.2%
% margin ⁽²⁾	72.0%	69.3%	71.8%
Depreciation & Amortization	(41)	(41)	(41)
EBIT	108	98	86
% margin	39.1%	37.5%	34.8%
Financial income	0	4	1
Financial income - Tagusgas	2	1	1
Financial expenses	(30)	(27)	(32)
EBT	80	76	56
Income tax	(22)	(22)	(13)
Special contribution on the energy sector	-	(10)	(10)
Net income	58	45	33
Minority interests	(2)	(2)	(2)
Net income to shareholders	56	42	32

Comments

- **Net Income** impacted by **non-recurring items**:
 - Special contribution on the energy sector created in 2014 (accounted for in P&L and resulting in an increase in provisions – i.e. non-cash item): €(9.8)mn in 2015 and €(9.6)mn in 2014
 - Minority interests adjustments: €0.3m in 2015, €0.1m in 2014 and €0.4mn in 2013

Source: Galp.

Note: Tagusgás not included in the PF consolidated accounts as GGND holds a stake below 50%. Tagusgás participation taken into account only as financial income item.

(1) RNF ("Reposição (gradual da) Neutralidade Financeira"): In the 1st regulatory period ('08-'10), ERSE established a "smoothing" mechanism for RAB remuneration to flatten tariffs and prevent excessively high tariffs during network build-up. This mechanism was eliminated in the 2nd regulatory period ('10-'13) and during 6 years (ending in gas year 2015-16), the distributor will recover the amounts (including interests capitalisation) due under the smoothing system.

(2) Based on the distribution revenues, calculated as allowed revenues + others.

Historical Pro-Forma Financial Statements

Balance Sheet

€mn	Pro-forma Accounts			Statutory Accounts	
	2013	2014	2015	2014	2015
Balance Sheet					
Fixed Assets	1,288	1,249	1,214	1,260	1,214
Tangible Assets	1	1	1	1	1
Goodwill	2	2	2	2	2
Other Intangible Assets	1,173	1,154	1,132	1,154	1,132
Investment in Subsidiaries	0	0	0	0	0
Stakes in Associates	12	13	14	13	14
Other LT receivables	87	67	49	72	49
Deferred tax assets	14	13	15	18	15
Current Assets	133	145	140	137	140
Inventories	1	1	1	1	1
Clients	20	13	15	13	15
Other ST receivables	106	119	96	111	96
Corporate tax receivables	2	0	-	-	-
Cash and equivalents	4	12	29	12	29
Total Assets	1,421	1,394	1,354	1,397	1,354
Equity	318	357	330	319	257
Capital	90	90	90	90	90
Reserves	3	3	3	(0)	3
Supplementary capital	0	0	(0)	0	-
Coverage reserves	-	(0)	(0)	-	-
Retained earnings	153	205	187	(13)	115
Profit/(loss) for the period	56	42	32	191	30
Minorities	16	18	19	51	19
Long-term liabilities	921	871	891	864	965
Long-term debt - Incl. SHL from Galp G&P to GGND and other LT payabl	772	726	760	714	833
Long-term debt - EIB loans	73	58	43	58	43
Pension obligations and other liabilities	41	48	50	48	50
Deferred tax assets	31	27	16	32	16
Long term provisions	3	13	23	13	23
Current liabilities	182	166	132	213	132
Short-term debt - EIB loans	38	44	18	44	18
Suppliers	14	25	9	25	9
Other short-term payables	117	80	66	127	66
Tax payables	12	17	40	18	40
Total liabilities and equity	1,421	1,394	1,354	1,397	1,354

Comments

Pro-forma Balance Sheet: Prepared for comparability purposes to eliminate the impact of the acquisition of participations in the operating companies throughout the period. Assumes that current perimeter is in force since Jan. 2013

Statutory Balance Sheet: Evolution impacted by acquisition of participations in different years:

Participation (%)	2013	2014	2015
Lisboagás	--	100.0%	100.0%
Lusitaniagás	--	86.3%	96.8%
Setgás	--	66.9%	99.9%
Tagusgás	--	41.3%	41.3%
Beiragás	--	59.5%	59.5%
Duriensegás	--	100.0%	100.0%
Medigás	--	100.0%	100.0%
Dianagás	--	100.0%	100.0%
Paxgás	--	100.0%	100.0%

- Assumes acquisition of participations completed close to year end, resulting in part of the dividends not being received by GGND
- Acquisition of part of Lusitaniagás and Setgás equity completed in 2015, partially offsetting decrease in pro-forma accounts debt
- Increase in provisions due to extraordinary contribution for the energy sector provisions (accrued but not paid)

2015 pro-forma/statutory figures reconciliation: c.€74mn higher equity and lower debt in the pro-forma accounts due to dividends anticipation and interests paid by operating companies (net of impact from "theoretical" interest paid by GGND):

€mn	2013	2014	2015	Total
Dividends Received	46	32	-	78
Interests Received	23	17	-	40
Interests Paid	(26)	(21)	-	(46)
Income Tax	1	1	-	2
Other	-	-	0	0
Total	44	29	0	74

Historical Pro-Forma Financial Statements

Cash Flow

€mn	Pro-forma Accounts		
	2013	2014	2015
Cash Flow Statement			
EBIT	108	98	86
Dividends from associates	-	-	-
D&A	41	41	41
Changes in WC	(26)	2	12
Others	(10)	10	16
Cash flow from operations	113	151	155
Capex	(27)	(22)	(20)
Cash flow from investing	(27)	(22)	(20)
Net financial expenses	(29)	(22)	(30)
Taxes	(7)	(19)	(5)
Dividends paid	-	-	(57)
Others	1	(0)	(2)
Total	51	88	42
Increase/(decrease) in short-term debts	4	(29)	(47)
Increase/(decrease) in long-term debts	(61)	(52)	21
(Increase)/decrease in availability	6	(8)	(16)

Comments

- **Impact from Change in Working Capital** mainly driven by decrease in accounts receivable due to lower allowed revenues (€12.3mn) and RNF (€11.1mn)
- Partially offset by decrease in accounts payables

Source: Galp.

Note: Tagusgás not included in the PF consolidated accounts as GGND holds a stake below 50%. Tagusgás participation taken into account only as financial income item.

GGND Capital Structure & Financial Policy

GGND Capital Structure & Financial Policy

Proposed GGND Governance

Key Elements

- | | | | |
|--|--|--|--|
| 1
Economic Rights | <ul style="list-style-type: none"> Economic rights proportional to shareholding in GGND | 5
Shareholders Qualified Matters⁽¹⁾ | <ul style="list-style-type: none"> List of matters requiring approval by a qualified majority of 90% of shareholders |
| 2
Dividend Distribution Policy | <ul style="list-style-type: none"> Maximise cash distributions and leverage while maintain investment grade rating | 6
Board Qualified Matters⁽²⁾ | <ul style="list-style-type: none"> List of matters requiring approval of seven Directors |
| 3
Board | <ul style="list-style-type: none"> Total of 8 directors <ul style="list-style-type: none"> 5 appointed by Galp 2 appointed by Partner 1 Senior Independent Director appointed by both shareholders, also Vice-Chairman of the Board | 7
Funding and Distribution Policy | <ul style="list-style-type: none"> Commitment to maintain investment grade rating from S&P <ul style="list-style-type: none"> At least BBB- as a stand-alone credit profile Distributions to comply with FFO to Debt ratio above 9% or any other metrics that S&P may use to determine credit rating Senior Independent Director approval needed for exceptions |
| 4
Managing Board | <ul style="list-style-type: none"> Three (or five) Directors from the Board <ul style="list-style-type: none"> Two (or four) to be appointed by Galp (one being Chairman of the Managing Board) CFO to be appointed by the Partner | | |

(1) *Shareholders Qualified Matters: any change to the agreed dividend payout ratio / dividend distribution policy; payment or declaration by GGND of any distributions; share capital increase and reduction; remuneration of Managing Board members, consolidation or amalgamation of GGND with another company; winding-up or liquidation of GGND.*

(2) *Board Qualified Matters: diversification into new lines of business or shareholdings in new distribution companies; disposal of assets of the Company or of assets or share capital of any of the Subsidiaries; approval of Business Plan and annual Budget; preparation of the annual financial statements for approval at the General Shareholders' Meeting; increase of indebtedness or provision of new security in an aggregate value above the amounts provided for in the Budget; changes to the accounting policies related to the depreciation of the GGND' assets; entering into or changes to contracts with related and non-related parties with an aggregate annual value above 5% of the annual aggregate operating costs of GGND; the consolidation or amalgamation of any of the Subsidiaries with any other company; the winding up or liquidation of any of the Subsidiaries.*

GGND Capital Structure & Financial Policy

External Debt Breakdown

		Lisboagás 100%	Lusitaniagás 96.84%	Setgás 99.93%	Tagusgás ⁽¹⁾ 41.33%	Beiragás 59.50%	Duriensegás 100%	Medigás 100%	Dianagás 100%	Paxgás 100%
<i>€mn</i>										
EIB Loans	Amount	24.6	8.1	4.1	-	-	-	-	-	-
	Interest Rate	EIB Rate ⁽²⁾	EIB Rate ⁽²⁾	EIB Rate ⁽²⁾	-	-	-	-	-	-
	Yearly Repayment	6.2	2.3	4.1	-	-	-	-	-	-
Other Bank Loans	Amount	-	-	-	CGD 22.7	Novo Banco 13.6	-	-	-	-
	Base Rate	-	-	-	Euribor 6M	Euribor 6M	-	-	-	-
	Spread	-	-	-	4.00%	0.63%	-	-	-	-
	Yearly Repayment	-	-	-	Variable	Variable	-	-	-	-

Source: As of June 2016. Note:

(1) Tagusgás not consolidated.

(2) EIB rate historically next to EUR 3M + 0.15%. – of the last 5 years.

Marubeni & Toho Gas Overview

Marubeni & Toho Gas Overview

Consortium Overview

Marubeni Business Description

- Marubeni is a Japanese conglomerate engaged in a wide range of business activities and with a global presence
- Operates through five business divisions, established in April 2015, following an internal organisational restructuring, namely Food & Consumer Products, Chemical & Forest Products, Energy & Metals, Power Projects & Plant and Transportation & Industrial Machinery
- The Company's network comprises 132 branches and offices in 67 countries across Africa, Asia-Pacific, Europe, the Americas and the Middle East
- Caters to the food materials, textiles, pulp and paper, chemicals, energy, metals and mineral resources, transportation machinery, plants and industrial machinery, finance, logistics and information, real estate development and construction industries
- Listed on the Tokyo Stock Exchange since July 1950
- Founded: 1858; Headquartered: Tokyo, Japan; Employees: 38,830 (Mar '15)

Toho Gas Business Description

- Founded in 1922 Toho Gas, with its 2,859 employees, is the third largest city gas provider in Japan supplying city gas mainly in the Aichi, Gifu and Mie Prefectures in the Tokai Area
- The company serves over 2.4 million customers, selling over 3.9 billion m3
- Beside the LPG (liquefied petroleum gas) sales business, its group companies are engaged in:
 - Residential energy business: gas appliances for residential use
 - Engineering business: design and installation of gas equipment in plants, office buildings and other commercial and industrial facilities
- In addition to its core gas activities, the company is also involved in the leasing and management of real estate properties, designing and construction of residential buildings, offering of data processing/systems engineering, insurance/travel agency, and LNG ship lending services
- Toho Gas has recently appointed Yoshiro Tominari as President and CEO of the company
- Shareholders: i) 41% Financial Institutions, ii) 24% Individuals, iii) 17% Foreign investors, iv) 17% Domestic Companies, V) 1% Treasury Stock

Additional Materials on Market & Regulatory Framework

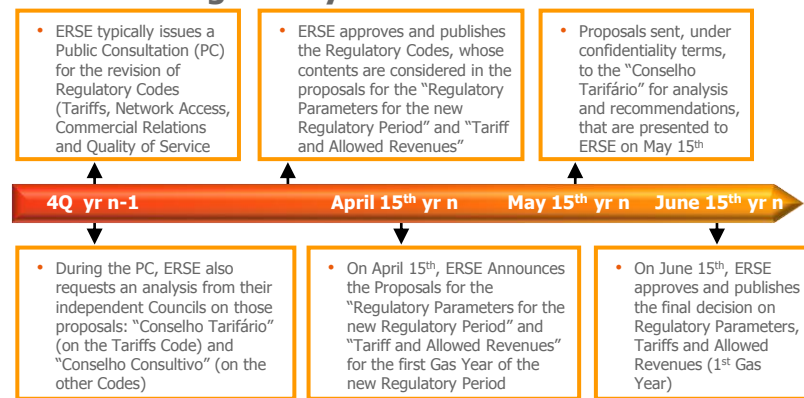
Additional Materials on Market & Regulatory Framework

Relationship of Distributors with the Regulator

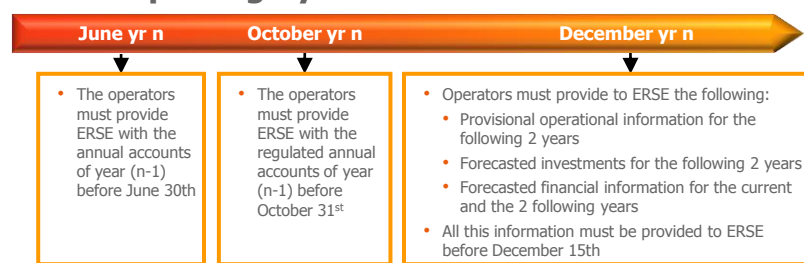
Overview

Tariffs	<ul style="list-style-type: none"> ERSE sets the regulatory framework and determines the access tariffs for distributors and the regulated gas supply tariffs for last resort supply companies / customers
Allowed Revenues	<ul style="list-style-type: none"> ERSE determines the general rules for the calculation of the allowed revenues for each regulatory period
Investments	<p>ERSE and the distribution companies work together to define the required investments for the distribution network</p> <ul style="list-style-type: none"> In the Portuguese gas distribution sector there is no centralised planning for new investments on distribution infrastructures conducted at national level Each operator presents every 2-year a rolling 5-year investment plan to the Government (through DGEG) that are subject to a Public Consultation process conducted by ERSE. Once the investment plan is approved by the Minister of Energy, ERSE would hardly dispute its inclusion in the RAB ERSE compares the actual investments with the figures provided in previous forecasts. Any difference is adjusted in the allowed revenues of the year and the RAB is recalculated including this adjustment Currently, there is no incentive mechanism on capex to allow distributors to harness added efficiencies on their investments. There is no price cap mechanism
Cost Allowance	<ul style="list-style-type: none"> ERSE defines the opex efficiency factors and the allowed opex to be recognised when determining the companies' remuneration

Triennial Regulatory Review⁽¹⁾



ERSE Reporting Cycle on an Annual Basis



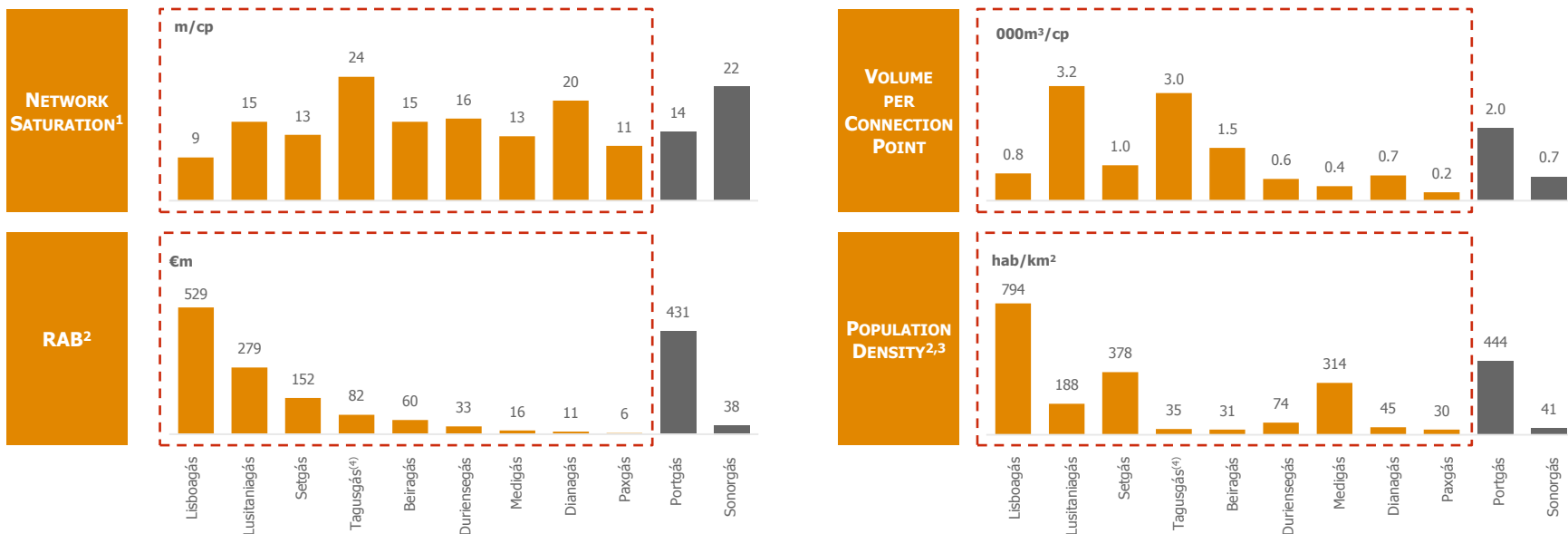
Note: Distributors must provide ERSE with all the information required according with the "Regulamento Tarifário do sector do Gas Natural" Section VI.

(1) Official process, not preventing informal consultation process between the companies and ERSE, where proposals are presented to the Regulator for consideration in the proposals for codes revision.

Additional Materials on Market & Regulatory Framework

Portuguese Gas Distribution Overview

Key 2015 Operating Data



Source: ERSE report: "Parametros de Regulacao Para o Periodo dos Anos Gas de 2013 – 2014 a 2015 – 2016".

Note: (*) Autonomous gas distribution units. Data as of 31 December 2015, with exception of Portgás and Sonorgás.

1 Calculated as (network length m/connection points).

2 As of 31 December 2014.

3 Source: INE.

4 GGND holds less than 50% in Tagusgás and as such does not control it.

■ GGND Controlled

■ Other Companies

┌ Companies included under the Transaction Perimeter

Glossary

Glossary

A	Annual
AGDUs	Autonomous Gas Distribution Units
bcm	Billion Cubic Metre
CAGR	Compound Annual Growth Rate
Capex	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
COGS	Cost of Goods Sold
CPs	Connection Points
DBCcs	Distribution Business Companies
DL	Decree-Law
DGEG	Direção-Geral de Energia e Geologia
DSO	Distribution System Operator
EDP	Energias de Portugal
EIB	European Investment Bank
EMTN	Euro Medium Term Note
ERSE	Entidade Reguladora dos Serviços Energéticos - Portuguese Regulator for energy services
Galp	Galp Energia, SGPS, SA
GGND	Galp Gás Natural Distribuição, S.A.
GNF	Gas Natural Fenosa
IFRS	International Financial Reporting Standards
Kg	Kilogram
km	Kilometre

km²	Square Kilometre
KWh	Kilo Watt hour
LDCs	Local Distribution Concessions
LNG	Liquefied Natural Gas
m	Metre
mm	Millimetre
m³	Cubic Metre
mn	Million
MW	Mega Watt
MWh	Mega Watt hour
Opex	Operating Expenses
p.a.	Per Annum
PF	Pro Forma
RAB	Regulated Asset Base (Total fixed Asset net of subsidies and accumulated depreciation)
REN	Redes Energéticas Nacionais
TSO	Transmission System Operator
UGS	Global System Utilisation Tariffs
URD	Distribution Network Utilisation Tariffs
URT	Transport Network Utilisation Tariffs
VAT	Value Added Tax
X-Factor	Efficiency Factor
YR	Year