

distribuição
gás natural



distribuição gás natural

April 2017

FY 2016 Results Presentation

Galp Gás Natural Distribuição, S.A.

Cautionary Statement

By attending or reading this presentation, you acknowledge and agree to be bound by the following limitations and restrictions. This document has been prepared by Galp Gás Natural Distribuição, S.A. ("GGND" or the "Company"), and may be amended and supplemented, but may not be relied upon for the purposes of entering into any transaction. This presentation is strictly confidential, is being distributed to a limited range of persons solely for their own information and may not (i) be distributed to the media or disclosed to any other person in any jurisdiction, nor (ii) be reproduced in any form, in whole or in part, without the prior written consent of the Company.

Although the Company has taken reasonable care in preparing the information contained herein, no representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein or any other material discussed at the presentation. Consequently, neither the Company nor any of its affiliates, subsidiaries, shareholders, representatives, agents, employees or advisors shall have any liability whatsoever (including in negligence or otherwise) for any loss or liability whatsoever arising from any use of this presentation or its contents or any other material discussed at the presentation or otherwise arising in connection with this presentation.

This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or otherwise acquire securities of the Company or any of its subsidiaries or affiliates in any jurisdiction (the "Company Group"), an inducement to enter into investment activity in any jurisdiction. Neither this presentation nor any part thereof, nor the fact of its distribution, shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever in any jurisdiction. This presentation is made to and directed only at persons (i) who are outside the United Kingdom, (ii) having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). This presentation must not be acted or relied on by persons who are not Relevant Persons.

Neither this presentation nor any copy of it, nor the information contained herein, in whole or in part, may be taken or transmitted into, or distributed, directly or indirectly in or to the United States, its territories or possessions. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. This presentation is not an offer of securities for sale in the United States. No securities of the Company have been registered under the United States Securities Act of 1933 or the securities laws of any state of the United States and the Company does not intend to register any security in the United States or to conduct a public offering of securities in the United States. Unless the securities are so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements are statements other than in respect of historical facts. The words "believe", "expect", "anticipate", "intends", "estimate", "will", "may", "continue", "should" and similar expressions usually identify forward-looking statements. Forward-looking statements may include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; energy demand and supply; developments of GGND markets; the impact of regulatory initiatives; and the strength of GGND competitors. The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although GGND believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. No assurance, however, can be given that such expectations will prove to have been correct. Important factors that may lead to significant differences between the actual results and the statements of expectations about future events or results include the Company's business strategy, industry developments, financial market conditions, uncertainty of the results of future projects and operations, plans, objectives, expectations and intentions, among others. Such risks, uncertainties, contingencies and other important factors could cause the actual results of GGND or the industry to differ materially from those results expressed or implied in this presentation by such forward-looking statements.

The information, opinions and forward-looking statements contained in this presentation speak only as at the date of this presentation, and are subject to change without notice. GGND and its respective representatives, agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this presentation to reflect any change in events, conditions or circumstances.

No representation or warranty, express or implied, is given or will be given by or on behalf of GGND or any of their respective affiliates or agents, or any of such persons' directors, officers, employees or advisors or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and any reliance you place on such information or opinions will be at your sole risk. In addition, no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted by GGND or any other person in relation to such information or opinions or any other matter in connection with this presentation or its contents or otherwise arising in connection therewith. Neither GGND nor any of their respective affiliates, advisers or agents undertakes any obligation to provide the respective recipients with access to additional information or to update this Presentation or to correct any inaccuracies in the information contained or referred to therein.

By reading this presentation, you agree to be bound by the foregoing and to maintain confidentiality regarding the information disclosed in this presentation.

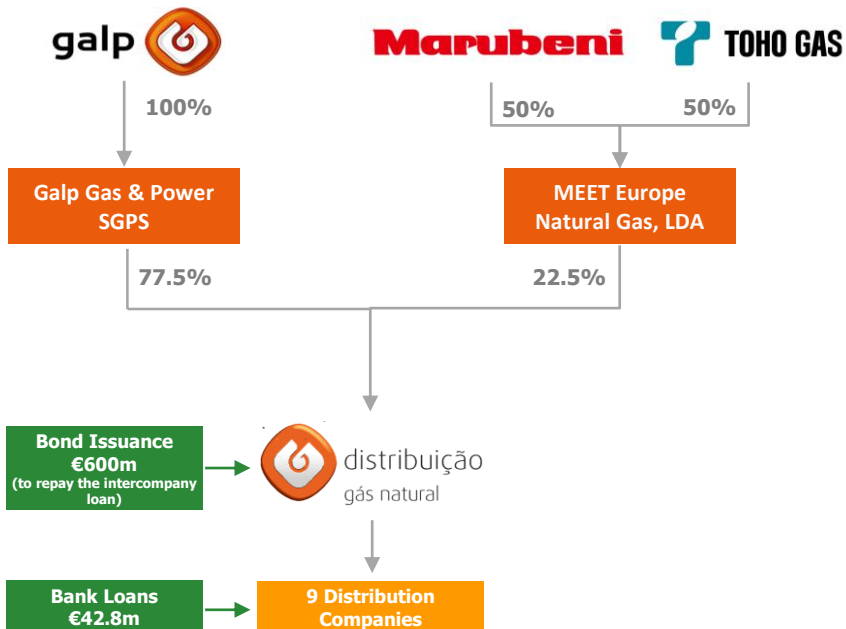
2016 Highlights

Operating Results

Financial Overview

2016 Highlights: A Year of Change

New Shareholder and Capital Structure



- BBB- Rating with stable outlook assigned by S&P
- Galp Gás Natural Distribuição, S.A. ("GGND") issued Euro Bond in the international capital market: €600m, 7 years, 1.375% with an orderbook above €4 billion
- MEET Europe Natural Gas, Lda. ("MEET Europe"), a company held in equal parts by the Marubeni Corporation and Toho Gas Co., Ltd became 22.5% shareholder of GGND
- GGND is currently joint-controlled by Galp Gas & Power and MEET Europe with a new governance structure in place
- GGND Board of Directors is composed of 3 directors from Galp Gas & Power including chairman, 1 independent director (deputy chairman), 1 director from MEET Europe and 3 directors from Executive Committee of GGND (CEO, CFO, COO of GGND)
- Continued focus on operation excellency and prudent financial policy

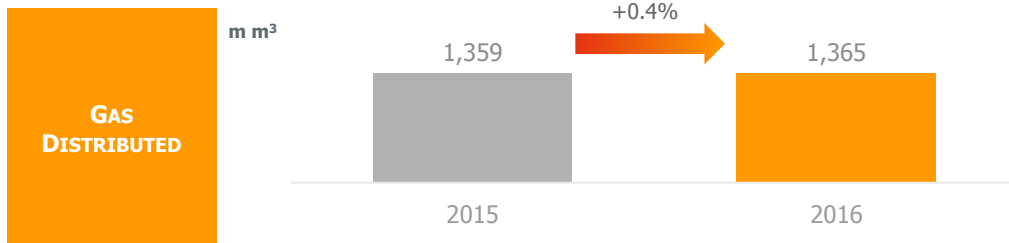
2016 Highlights

Operating Results

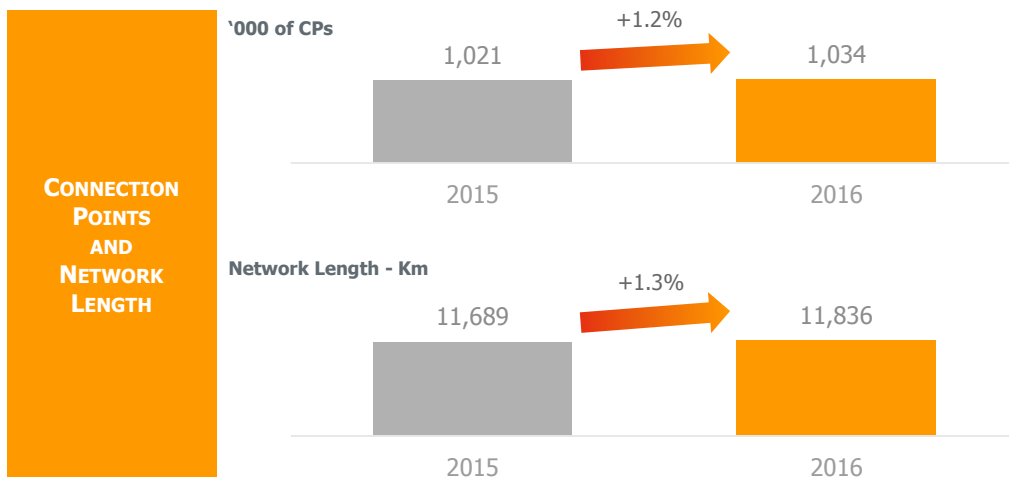
Financial Overview

Operating Results

Stable Performance Focused on Sustainability of the System



- Slight increase in line with stable demand in Portuguese market



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

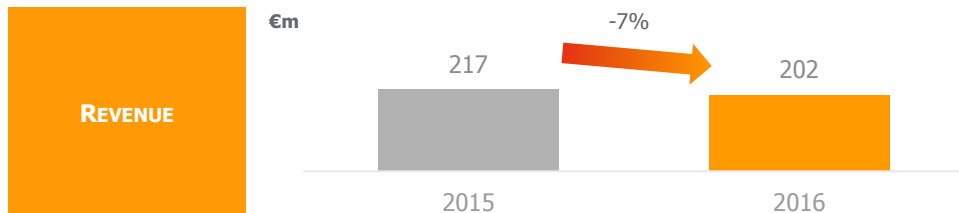
2016 Highlights

Operating Results

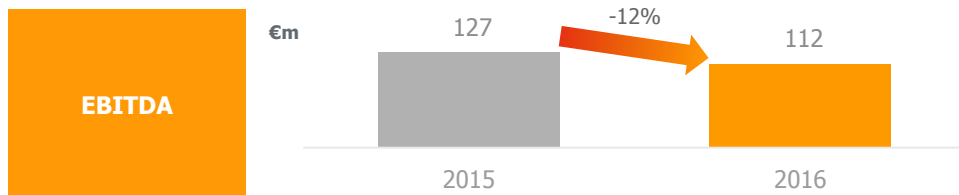
Financial Overview

Financial Overview

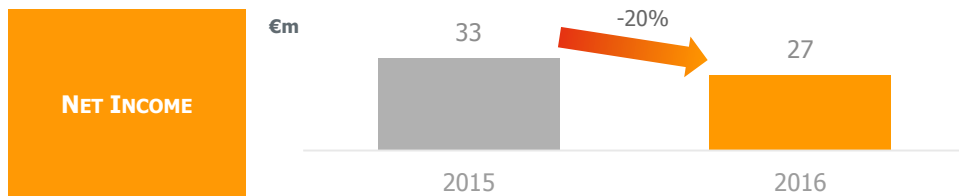
Impact of RoR Reduction to 6.2% was Partially Offset by Decrease in Financing Costs



- Revenue decreased by -€15m due to mainly:
 - Decrease of RoR (for the Gas Year 2016-2017, RoR was 6.20% compared to 7.94% in the previous Gas Year)



- EBITDA decreased by -€15m due to :
 - Abovementioned decrease in revenue

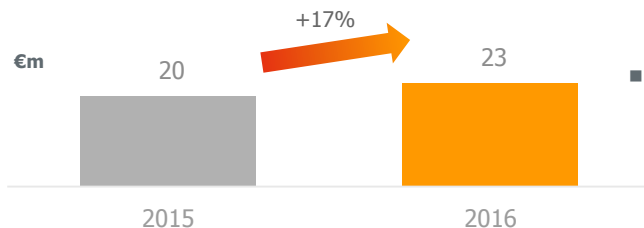


- Net Income decreased by -€6m due to:
 - Abovementioned decrease in revenue and EBITDA
 - Reduction of financial costs of €8m resulting from the issuance of the bond which partially offsets the abovementioned decrease in revenue and EBITDA

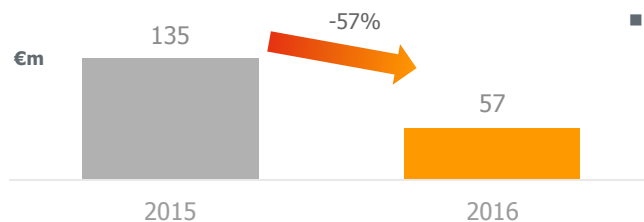
Note: GGND holds a stake below 50% of Tagusgás so, the participation taken into account only as financial income item.

Financial Overview (cont'd)

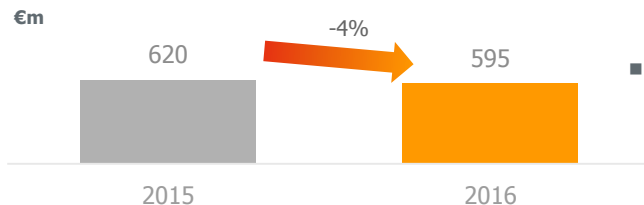
Cash Flow Decreased Mainly due to Non-recurring Cash Outflow Items



- CAPEX was €23m which is 17% higher than previous year;
 - increased investment in business development which includes the investments to connection points and network length



- The decrease in Available Cash Flow post CAPEX in 2016 reflects:
 - Lower RoR (-€8m)
 - Increased tax payment as the tax for 2014 and 2015 were paid in 2016 (-€38m)
 - Release of €15.5m cash deposit to suppliers (received in 2015) in exchange for bank guarantees, affecting the variation of cash flow between both years for -€31m



- Decrease in Net Debt reflects improved cash position of the company

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

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

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

Financial Overview (cont'd)

Prudent Financial Policy Focused on Maintaining Investment Grade Rating

TOTAL DEBT

€ m	
Bond	600.0
EIB Bank Loans	30.5
Commercial Bank loan	12.3
Total	642.8

- Bank Loans contracted at subsidiaries amortizing until 2020

LIQUIDITY

€ m	
Cash	43.1
Revolving Credit Facility	50.0
Short Term Credit Line	20.0

- In March 2017, GGND closed a Revolving Credit Facility in the amount of €50m and also Short Term Credit Line of €20m

FINANCIAL COVENANTS

Net Debt / EBITDA	5.4x
Debt Service Coverage Ratio	2.1x

- Prudent financial policy with healthy headroom under the financial covenants



April 2017

FY 2016 Results Presentation

Galp Gás Natural Distribuição, S.A.