

distribuição  
gás natural



# distribuição gás natural

April 2017

## **FY 2016 Results Presentation**

Galp Gás Natural Distribuição, S.A.

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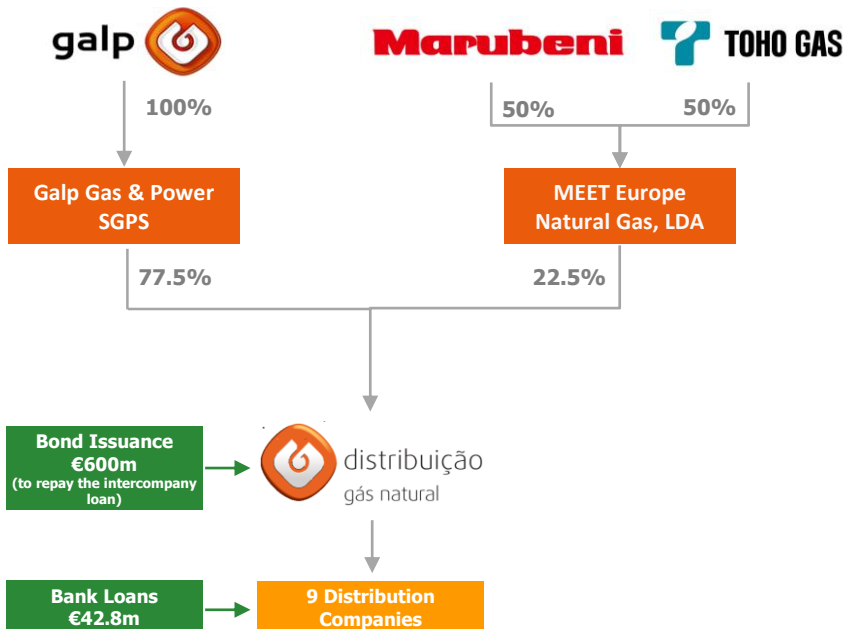
## 2016 Highlights

**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

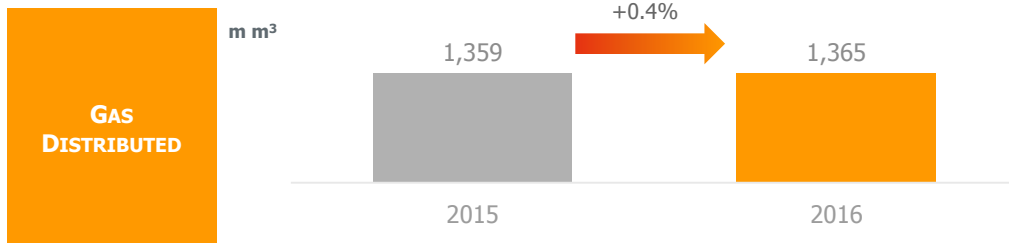
## 2016 Highlights

### Operating Results

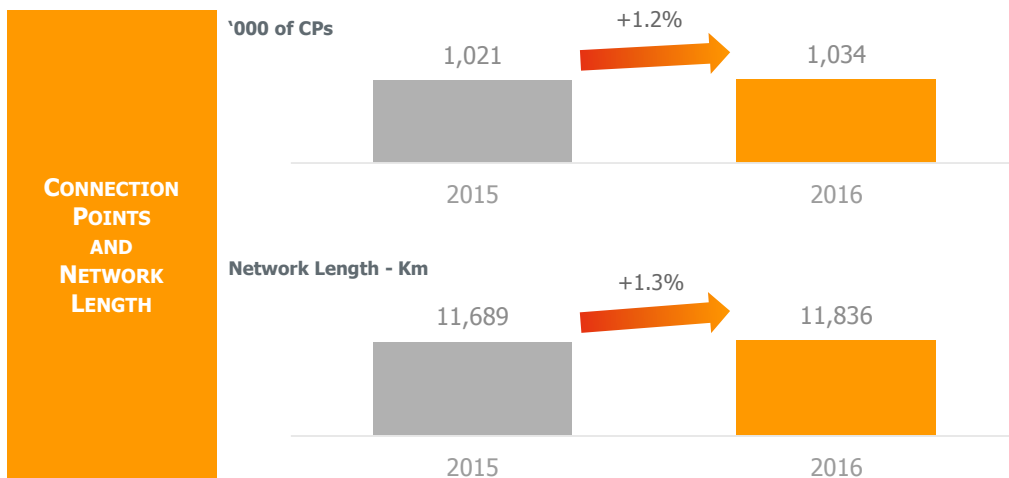
### Financial Overview

# 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

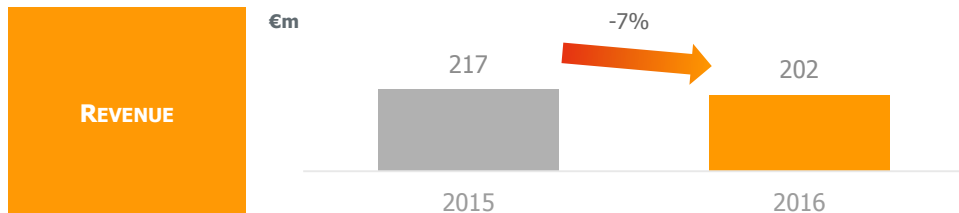
# 2016 Highlights

## Operating Results

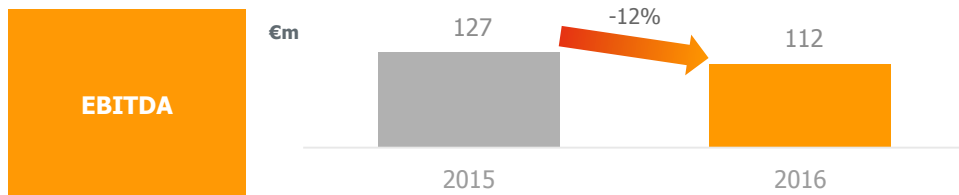
## Financial Overview

# Financial Overview

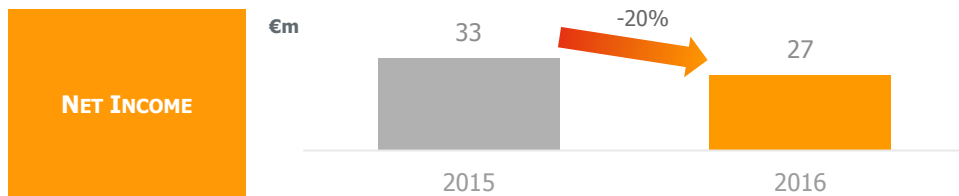
## Impact of RoR Reduction to 6.2% was Partially Offset by Decrease in Financing Costs



- 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



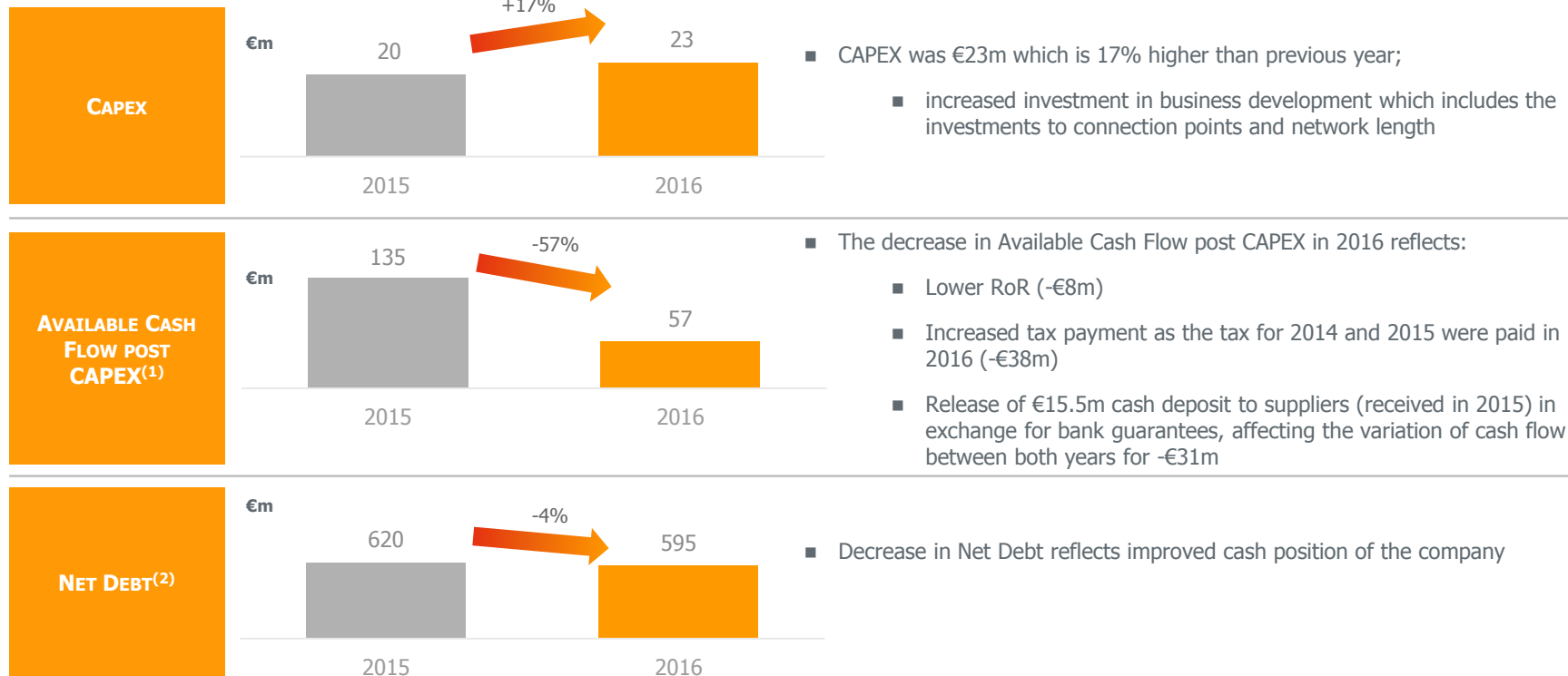
- Net Income decreased by -€6m due to:
  - Abovementioned decrease in revenue and EBITDA
  - Reduction of financial costs of €8m resulting from the issuance of the bond which partially offsets the abovementioned decrease in revenue and EBITDA

*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



<sup>(1)</sup> Available Cash Flow post CAPEX: Cash flows from operating activities – CAPEX

<sup>(2)</sup> 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
<b>Total</b>	<b>642.8</b>

- 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



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