



DISTRIBUÍMOS ENERGÍAS DE FUTURO

A large, semi-transparent circular graphic with a blue-to-white gradient, centered on the page. It contains the main headline text.

**Hello, Future.
Hello, Floene.**

Annual Report 2022

Contents

01

Overview

- 06 Message to Stakeholders
- 09 Floene in numbers

04

Our Governance

- 30 Shareholder structure
- 31 Corporate governance model
- 32 Ethics and Transparency
- 33 Internal control and risk management systems
- 36 Involvement with the community/ stakeholders

02

Floene's Universe

- 12 Our activity
- 14 Floene, an energy brand for the future
- 16 Purpose, mission, values and strategy

05

Our People

- 42 Safety and well-being
- 46 Internal transformation
- 48 Training

03

Our commitment to Sustainability

- 20 Global context and Floene's contribution to sustainability
- 22 Our strategic position in the energy transition
- 23 Our Sustainability approach

06

Our Planet

- 52 Decarbonization overview in the gas sector
- 54 Energy efficiency and climate change
- 60 Our carbon footprint
- 62 Sustainable management of the supply chain



07

Our Prosperity

- 66 Operational Performance
- 69 Innovation, adaptation and resilience
- 70 Quality service, safe and efficient supply
- 74 Customer Satisfaction
- 75 Performance and financial sustainability

08

82 Future Prospects

09

86 Proposed Application of Results

10

90 Relevant facts occurring after the closing of the financial year

11

94 Our Report

12

96 Annexes

- 98 Annex I - Declarations
- 101 Annex II - Declaration of compliance by members of the Board of Directors
- 103 Annex III a – Consolidated Financial Statements
- 164 Annex III b – Separate Financial Statements
- 203 Annex IV - Annual Report of Activities of the Audit Board
- 208 Annex V – Report on the audit of the consolidated financial statements
- 214 Annex VI –Report on the audit of the financial statements

13

220 GRI Table

14

260 Glossary

01

Overview



01 Message to Stakeholders

2022 was a historic year for Floene. We created a new identity, a new ambition and a new purpose.

This was also a year marked by the energy crisis, with increases in gas prices and reduced consumption. The war in Ukraine brought a different pace to the energy transition and the recognition that investing in endogenous energies with strong decarbonization potential that ensure flexibility, diversification, resilience, and supply security is imperative.

Renewable gases gained new visibility, and their use in the public gas network stand as essential to ensure diversification of renewable energy sources and the availability of more appropriate solutions.

At the national and European level, governmental support and incentives for renewable gases have been increasing, generating more interest from producers and industries to inject renewable gases into the network. During 2022, Floene received dozens of these requests. We are witnessing a paradigm shift in our sector: the classic model of centralized energy production and distribution will increasingly give way to a decentralized model that enhances the use of renewable gases, efficient resource use and production, values the territory and promotes territorial cohesion.

To respond to this new reality, Floene has been undergoing a process of profound transformation, reinforcing its internal competencies and acquiring new skills, ensuring the maintenance of high performance and successful management of its autonomization process.

We would like to highlight some relevant and differentiating projects accomplished during 2022:

- Launch of the Roadmap for the Introduction of Renewable Gases in the Industrial Sector, a project ranked #1 under the Energy Efficiency Promotion Plan (PPEC), in the intangible measures category. For the first time, this edition of the program included gas consumption, and Floene's project was clearly distinguished by ERSE

2022 was a historic year for Floene.
 We created a new identity,
 a new ambition and a new purpose.



Pedro Álvaro de Brito
 Gomes Doutel
 CFO

Gabriel Nuno Charrua
 de Sousa
 CEO

Diogo António
 Rodrigues da Silveira
 Chairman

José Manuel
 Rodrigues Vieira
 COO

Yoichi
 Onishi
 CSO

and DGEG in this context. With this Roadmap, we aim to drive decarbonization of the national economy through renewable gases in the industrial sector, with a particular focus on hydrogen, and bring together the various actors in the energy transition process in joint knowledge-sharing forums;

- Launch of a second winning project in PPEC, through its subsidiary Lisboagás, in partnership with Portgás and Sonorgás. This project falls under tangible measures in the residential sector and aims to replace energetically inefficient equipment with more efficient one;
- The arrival of the gas network in new communities, promoting the prosperity of families and businesses and providing access to cleaner, more economical, and safer energy: municipalities of Oliveira do Hospital, Miranda do Corvo, Vila Velha de Ródão, and Sobral de Monte Agraço;
- The development of the pioneering hydrogen injection project in the gas network in Seixal, which demonstrates the high level of readiness of gas networks in Portugal and its Operators and prepares us for the challenges resulting from the growing number of renewable gas producers;
- The first autonomous stakeholder consultation that addressed sustainability issues from the perspective of double materiality. This process allowed us to define our ESG positioning based on four major axes - Governance, Planet, People, and Prosperity;
- The launch of a new brand - Floene, paving the way to our transformation, reinforcing our positioning as an enabler of the energy transition and how we are perceived by our stakeholders.

The year 2022 was also a challenging year in the financial area since, in the context of high market volatility and the trend of increasing interest rates, Floene started the process for refinancing its debt, which matures in September 2023. To this end, a credit line of 600 million euros was successfully contracted with a wide range of national and international banks.

This annual report is therefore a reflection of the major changes experienced by our Company this year. First and foremost, in terms of image, as this is Floene's first annual report under its new brand and identity. It is also an important milestone in terms of sustainability, as we have developed, for the first time, a report aligned with the guidelines of the GRI (Global Reporting Initiative), considered an international standard for the development of sustainability models.

In this report, you can read about our material sustainability topics, the ESG principles we use, and the progress made compared to previous years, from a hybrid perspective of presenting financial and sustainability information.

A special word to our employees and partners, who started projects in 2022 that will also take a prominent place next year, due to their relevance and contribution to the decarbonization process and literacy in the field of renewable gases.

These projects will have a positive impact on the communities we serve, at a time when more efficient gas consumption by families will bring significant environmental and economic gains and will serve as a lever for combating energy poverty.

FLOENE IN NUMBERS

Resilient
performance
in times of
transformation

32% Women

49% Aged between 30 and 50

23h/employee Training hours



396

Employees

15 008

Scope 1
and 2 emissions
(ton CO₂ eq.)



106

municipalities
with natural gas



Operational Indicators

13 673

Network extension (km)

1 131 266

Connection points

16 733

Energy Distributed (GWh)



Financial indicators

millions of euros

148

Allowed revenues

102

EBITDA

49

Free cash flow

20

Net Income

41

CAPEX

586

Net Debt

FL  ENE

02

Floene's
Universe



02 Floene's Universe

Floene and the Energy Sector ongoing Transformation process

2.1. Our Activity

Floene Energias, S.A. (Floene) is the largest operator of the gas distribution network in Portugal, through the direct management and participation of nine Regional Gas Distribution Operators (DSO), present in 106 municipalities from north to south of the country.

We manage about 70% of the gas distribution network under the public service regime (medium and low pressure) as defined by the contracts of Regional Concession or Local Distribution Licenses of natural gas signed with the Portuguese State (General Directorate of Energy and Geology), and in accordance with the specific legislation of the sector and regulatory framework established by the Energy Services Regulatory Authority (ERSE). Serving more than 1 million domestic and business clients through its infrastructure, Floene plays an important role in the energy landscape, contributing to the effective improvement of the quality of the national energy system through its wide geographical coverage.

Distribution is a regulated activity in the gas value chain in Portugal, carried out by the distribution network operators, with each DSO acting in an exclusive geographical area based on a Concession or License contract. Five of our DSOs operate under Concession regime, signed with the Portuguese State in 2008, with a duration of 40 years, while the remaining ones operate under Licenses with a 20-year term.

With a network of over 13 600 km, mostly made up of polyethylene (94%), and with an average age of less than 16 years, the Floene group has one of the most modern and efficient infrastructures in Europe, allowing it to ensure a safe supply and high-quality service, complying with all criteria defined by ERSE and specific industry legislation.

Distribution

Distribution ensures the flow of natural gas, coming from the high-pressure transport network (HP), in medium (MP: between 20 and 4 bar) and low-pressure (LP: below 4 bar) networks, to the consumption facilities (delivery points). These networks are also called interconnected networks, as opposed to other local distribution networks, which are supplied by liquefied natural gas (LNG) tanks, delivered by tanker trucks.

PRODUCTION

STORAGE

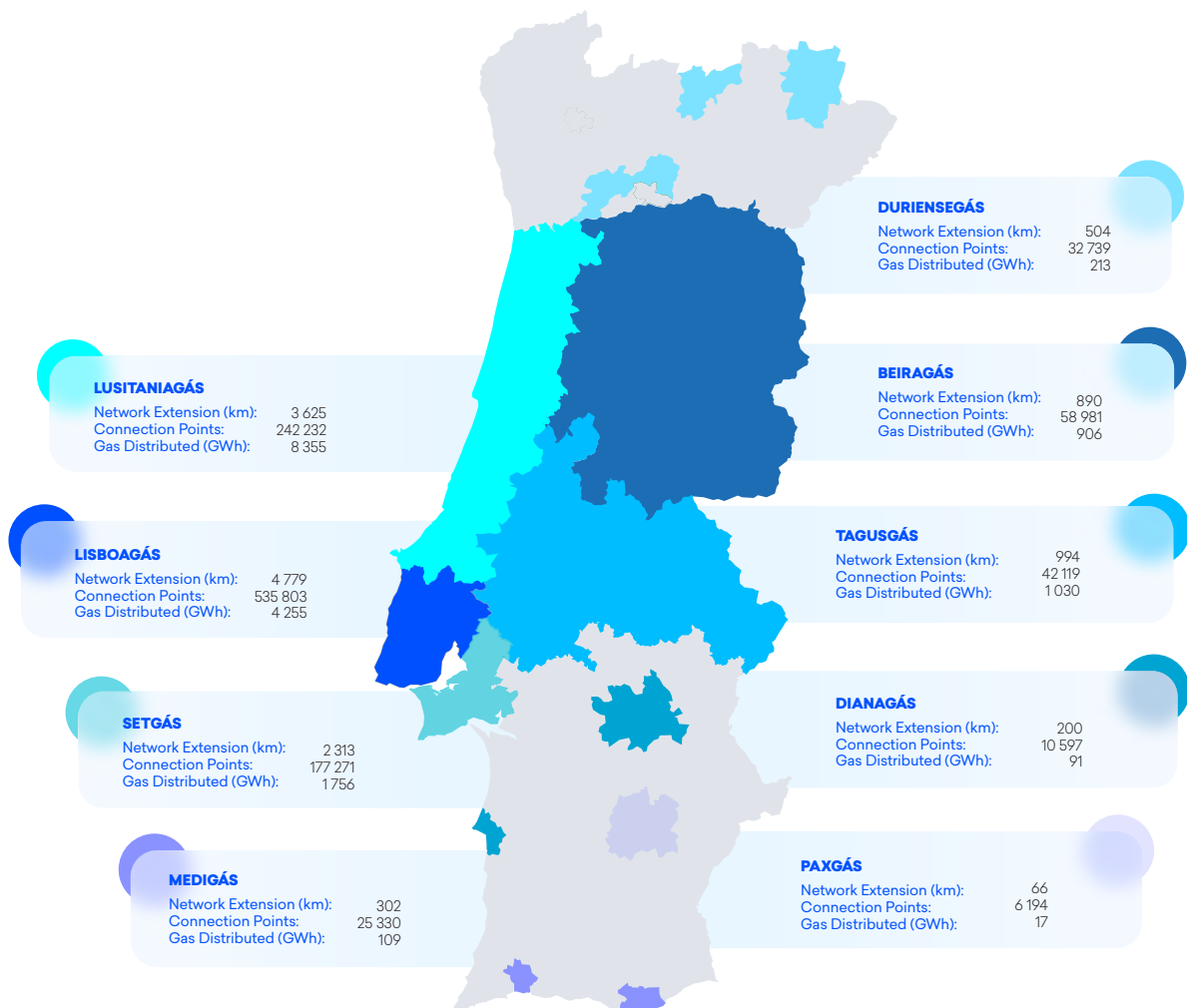
TRANSPORT

DISTRIBUTION

COMMERCIALIZATION

Commercialization

DSO serving less than 100 000 customers (Beiragás, Duriensegás, Dianagás, Tagusgás, Paxgás, Medigás) also engage in gas commercialisation, exercised as a Last Resort Commercialisation Retailer (LRS) with an obligation of accounting unbundling.



2.2. Floene, an energy brand for the future

Shareholder change

As of March 2021, Floene has a new majority shareholder, with the entry of Allianz Capital Partners (ACP), holding a 75% stake. ACP is part of the Allianz group and is a long-term investor, with around € 56 billion in assets under management, of which € 21.8 billion is allocated to infrastructure. With a large portfolio of investments in energy networks in Europe, ACP's participation in Floene represented the first direct investment by ACP in infrastructure in Portugal. The stable regulatory framework of the energy sector in Portugal and the critical role of Floene in the national decarbonization plan were key factors in the completion of this investment by ACP.

Transformation

Following the change in majority shareholder, Floene has been experiencing a profound transformation process, which have included several challenges:

1. Creating a new identity, embracing a new purpose, mission, and values and building a new brand;
2. Promoting a profound internal reorganization to develop skills and manage the phased transition of the company to an autonomous entity;
3. Carrying out a strategic reflection on the present and future, with a focus on growth opportunities – growth of the gas market supplied by the distribution network infrastructure and acceleration of the decarbonization process of this asset;
4. Assuming its role as a relevant player in the energy transition in Portugal, being at the forefront of the distribution of renewable gases (hydrogen and biomethane).

The new brand

The change of shareholders, together with the new challenges of the energy sector, led to the creation of the new brand. Floene brand was born on October 17 of 2022, with the clear objective of reinforcing the company's commitment to the energy transition.

Floene has a legacy of 175 years of history, starting in 1847 with the public lighting of Lisbon and since, has undergone several energy transitions, such as the distribution of City Gas in Lisbon and later, the introduction of Natural Gas and the expansion of its network.

Currently, it has a gas network already prepared to distribute the new renewable gases. This is how Floene assumes the ambition to embrace the challenge of yet another energy transformation in the country.

Floene has become the umbrella brand for the nine DSOs.



FLOENE
BEIRAGÁS

FLOENE
DIANAGÁS

FLOENE
DURIENSEGÁS

FLOENE
LISBOAGÁS

FLOENE
LUSITANIAGÁS

FLOENE
MEDIGÁS

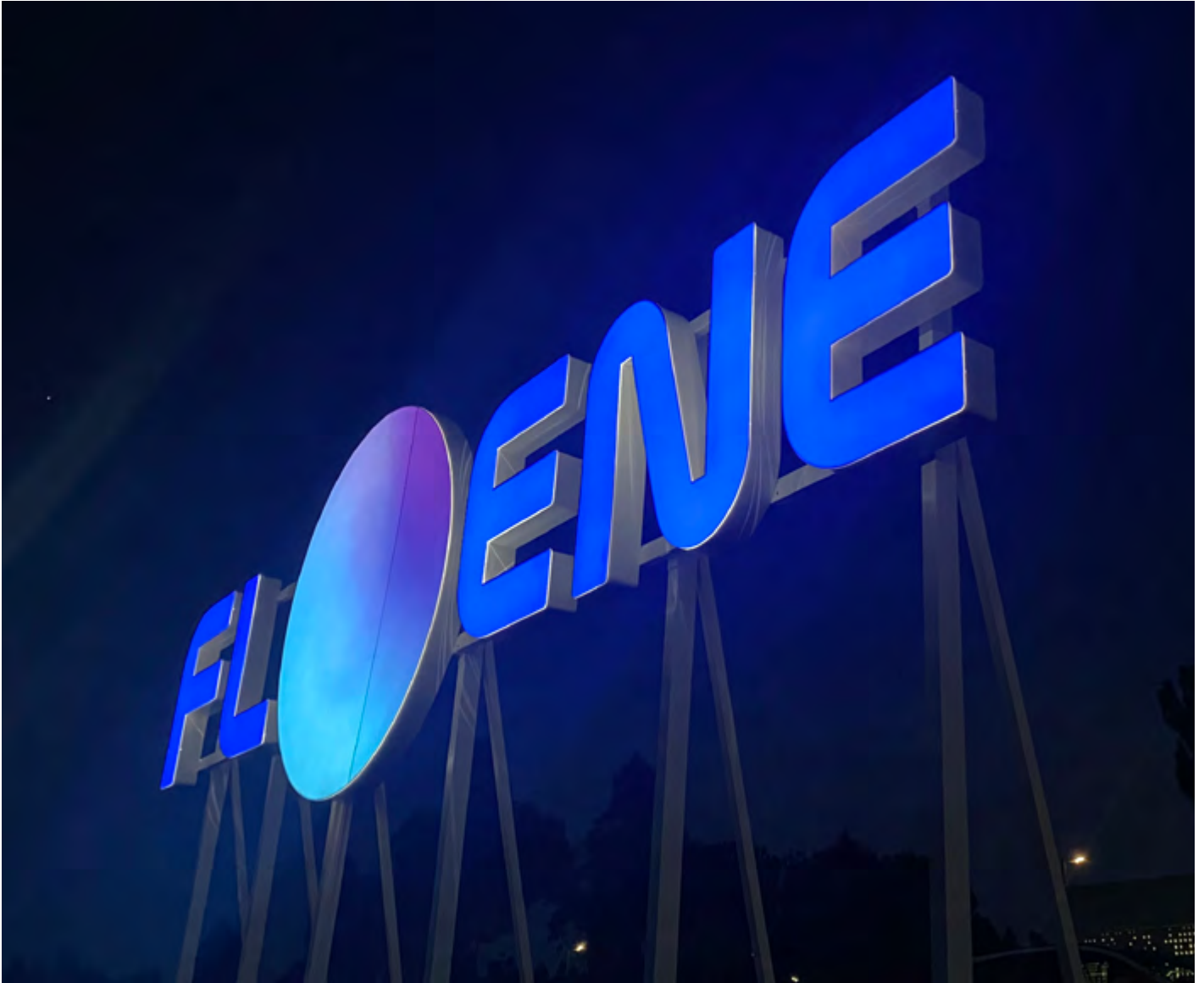
FLOENE
PAHAGÁS

FLOENE
SETGÁS

FLOENE
TAGUSGÁS

The launch of the new brand was achieved through a digital advertising campaign, in national and regional press, and in billboards, in 42 locations in 28 municipalities, complemented by a set of Public Relations initiatives.





2.3. Purpose, mission, values and strategy

As a company providing a public service, our main focus is to ensure the quality of the service that meets the needs of the communities we serve, ensuring the safety and integrity of the infrastructure we operate, promoting high levels of supply efficiency.

In a time where the energy transition brings new challenges to the gas distribution sector, we assume a crucial role in the decarbonization of the economy, as an enabler of this transition process, with a strategy focused on accelerating it and efficiently managing the distribution infrastructure.

The high capillarity of our network allows us to be present from north to south of the country, promoting the most efficient solutions and delivering new energies (renewable gases) to our communities in a more cost-effective and sustainable way, based on a safe, reliable, and highly efficient network.

**Our purpose:
promote
sustainable
communities.**

We believe we can enable our communities to manage energy sustainably. With over 175 years of experience and one of the most modern networks in Europe, we are renewed and positioned in the value chain, making our purpose the promotion of sustainable communities, contributing to the common good with new future energies.



MISSION

WE BRING YOU NEW
ENERGIES WITH **175 YEARS**
OF EXPERIENCE

We lead by example and by
our ability to bring ever
more efficient and cleaner
energy solutions.



VALUES

COLLABORATION
RESPECT
AUDACITY

We are all one.
We take care of our surroundings.
We imagine and make it happen.



PURPOSE

WE PROMOTE
SUSTAINABLE COMMUNITIES

Existing since 1847, we are here to stay and
embrace transformation and the sustainable
progress of the communities where we operate.

03

Our commitment
to Sustainability



03 Our Commitment

Embracing and promoting the transformation and progress of communities, since 1847

3.1. Global context and Floene's contribution to sustainability

In a global and challenging context regarding the need for change and innovation, the energy sector is in full transition due to a consensus on the need to decarbonize the economy. Over the next few decades, the energy transition will play a fundamental role in the distribution of energy in a constantly growing society, while also seeking to reduce greenhouse gases (GHG) emissions. Therefore, it is crucial for companies to define their path to decarbonization, becoming competitive and assuming sustainability as a criteria for investment decision-making.

One of the fundamental instruments for creating conditions and promoting national decarbonization is the National Energy and Climate Plan 2030 (PNEC 2030).



According to PNEC 2030, natural gas distribution infrastructure will play an important role in enabling the introduction, distribution, and consumption of renewable gases, particularly biomethane and hydrogen, in various sectors of the economy, **allowing for higher levels of renewable energy incorporation into final energy consumption.**

Renewable gases, particularly hydrogen and biomethane, have the potential to play an important role in **promoting decarbonization in sectors of the economy** that currently have few technological options and where electrification in the short to medium term could result in significant costs.



Gas supply to the city of Lisbon, for public lighting.

Throughout our history, that started in 1847 with the public lighting of Lisbon, we have been successfully developing projects with positive impacts on the economy and the environment, industry, and households.

Globally, the vision for the future of gas infrastructure in Portugal presented is aligned with Floene's ambition as a gas distribution company. We are equipped with technical and human resources that allow us to face the new challenges of the energy sector with confidence, having already promoted changes in our organization to be able to collaborate with the various stakeholders and players in this process of change in the energy sector.

Throughout our history, that started in 1847 with the public lighting of Lisbon, we have been successfully developing projects with positive impacts on the economy and the environment, industry, and households. The introduction of natural gas in Portugal is an example of this, with national interest and promoting an increase in national economic competitiveness. Additionally, we also highlight the ambitious challenge that was the gas change project in Lisbon, with the replacement of city gas with natural gas, with all the logistics that an operation of this magnitude required, and which Floene successfully overcame. Therefore, we believe that we will have a relevant role and added value in the national energy transition.

In parallel, the goals of the Paris Agreement for 2030 defined by the United Nations Framework Convention on Climate Change (UNFCCC) and alignment with the 17 Sustainable Development Goals (SDG) are guiding principles for defining a sustainable business strategy.

We recognize our commitment as a key enabler for a fair energy transition, promoting greater equity and territorial cohesion.

In 2022, Floene carried out work to define and align with the SDG, where it believes it has the potential to generate greater impact and contribution, promoting a response to these global challenges. In this work, we had as a reference the WBCSD's Roadmap for SDG for the sector and also the SDG associated with the commitments of the Gas Distributors for Sustainability (GD4S), an association that Floene participates in.

It should also be noted that Floene is an associate member of the Business Council for Sustainable Development (BCSD) Portugal, a business association that brings together forward-thinking companies working to accelerate the transition to a more sustainable world, which is part of the WBCSD's global network of associations. In this context, we also signed the BCSD's Charter of Principles, which encourages signatories to go beyond legal compliance, adopting standards and practices in line with the highest management, ethical, social, environmental, and quality standards, in any context of the global economy.

Recognizing our role in climate action, Floene signed the manifesto created during the United Nations Climate Summit (COP27) in 2022.

3.2. Our strategic position in the energy transition

Floene sees the energy transition as an opportunity to promote the optimization of the National Gas System infrastructure. In accordance with the national and European strategy for decarbonization, the gas sector contributes and should continue to actively contribute to a modern, dynamic, and decarbonized economy. For this to happen, the path must continue to be prepared to enable the decarbonization of the energy sector, at the lowest cost, while maintaining the balance of the National Gas System that supports its sustainability, contributing to the competitiveness of the national industry and the families' well-being.

In this context, Floene continues to develop a set of initiatives aimed to accelerating the introduction of renewable gases into gas distribution networks and consolidating the entire process that allows achieving, in the networks where it operates, the goals of renewable gas injection. We are preparing the infrastructure for the distribution of renewable or low-carbon gases, leveraging an available asset at national level, with great capillarity and potential for expansion to serve the community.

We understand that it is through complementarity between segments of different characteristics (renewable electricity and renewable gases) that it will be possible to guarantee the security and independence of supply, as well as sustainability and access to decarbonization solutions for all. The national infrastructure is robust and highly efficient, so its optimization should involve and impact all sectors of the economy, including families and industries, with renewable gases playing a key role in the national decarbonization process. We recognize our commitment as a key enabler for a fair energy transition, ensuring that the infrastructure is prepared to receive and inject renewable gases safely and efficiently, promoting greater equity and territorial cohesion. Chapter 6 discusses Floene's renewable gas projects that contribute to decarbonization.

3.3. Our Sustainability approach

Context and purpose

Our approach focuses on the materialization of our purpose. All stages are essential for creating value in the four most relevant axes for our stakeholders and in alignment with our purpose.

Axes

GOVERNANCE

PLANET

PEOPLE

PROSPERITY

For each one of the strategic axes, commitments and initiatives are established that drive our purpose, values, and commitment to a responsible business conduct.

Sustainability governance

In 2022, Floene's Board of Directors established an ESG & Stakeholders Committee. This new governance structure aims to present a broader vision of sustainability, associated initiatives and information sharing.

Materiality analysis

In order to identify and evaluate the most relevant sustainability topics and trends for our stakeholders and business, we conducted a materiality exercise in 2022.

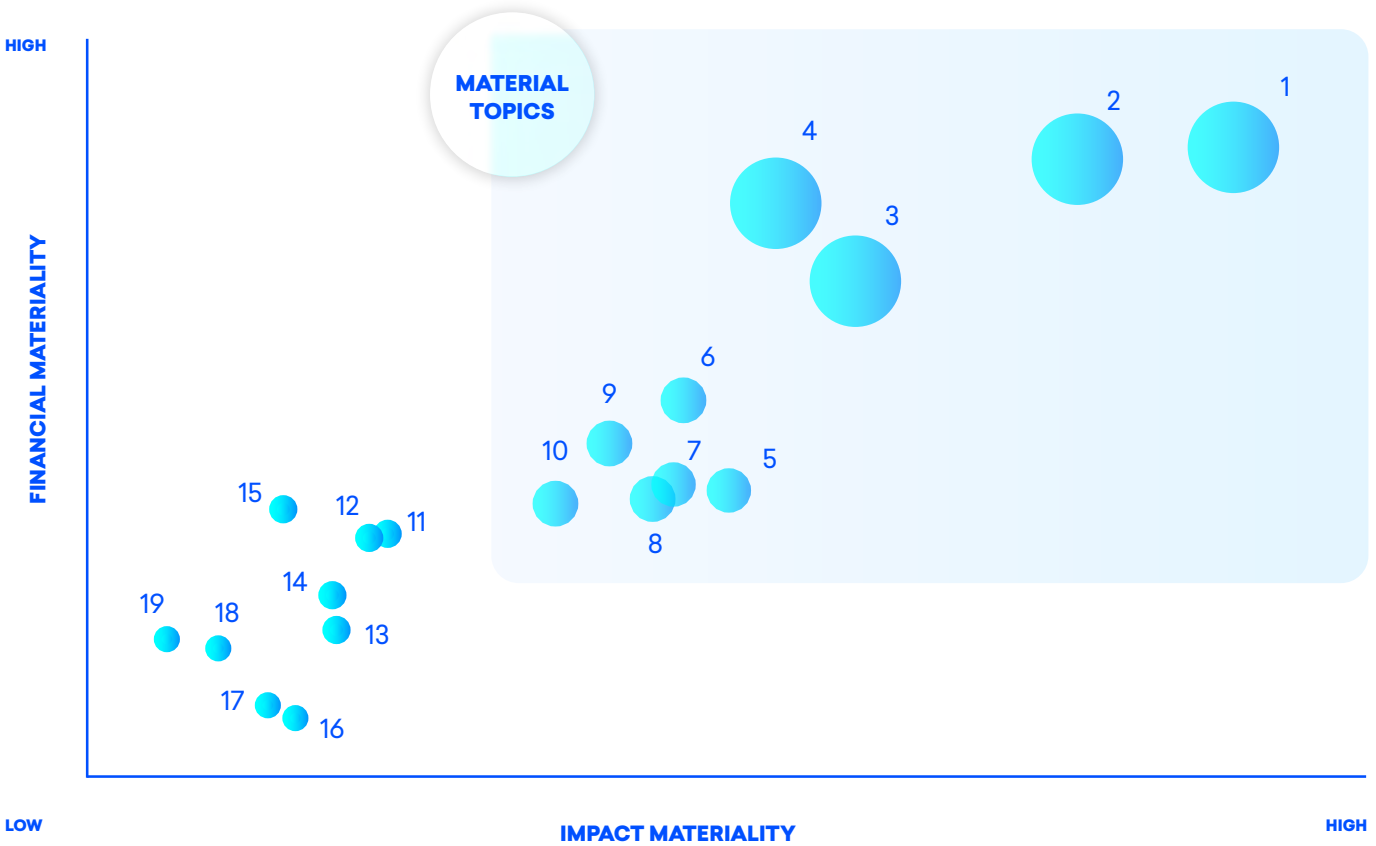
This exercise was based, first, on a benchmarking study, in which our national and international peers were considered. Secondly, it included stakeholder engagement through surveys, focus groups, and interviews to identify the most relevant sustainability topics. These methodologies involved employees from all departments of the company, to obtain a representative and diverse view.

The materiality analysis, based on the concept of double materiality, aimed to: (1) evaluate the significance of our impacts on the economy, environment, and people, including human rights, as a result of our activity or commercial relations (impact materiality); (2) evaluate the financial, operational, and reputational relevance of material topics to the company (financial materiality).

Starting from an analysis of 19 sustainability topics, it was possible to identify a total of ten material topics for Floene and its stakeholders. These are identified in the matrix and are present in the contents of the chapters and subchapters of this report.

The concept of double materiality was used in this first stakeholder consultation promoted by Floene.

Materiality Matrix



Caption

- | | | |
|---|---|--|
| 1 Quality service, safe and efficient supply | 8 Engagement with the local community/ stakeholders | 14 Information quality |
| 2 Energy Efficiency and Climate Change | 9 Ethics and Transparency | 15 Risk management and internal control |
| 3 Customer satisfaction | 10 Sustainable supply chain management | 16 Waste management |
| 4 Economic performance and financial sustainability | 11 Respect for Human Rights | 17 Data protection and privacy |
| 5 Regulatory compliance | 12 Diversity and Inclusion | 18 Biodiversity/Natural Capital management |
| 6 Innovation, adaptation, and resilience | 13 Water management | 19 Combating corruption and fraude |
| 7 Safety, well-being, and development of our people | | |

This process was essential to define the sustainability positioning and the Sustainability Agenda of Floene, ensuring alignment between the strategic objectives of the gas/renewable gases distribution operation and the expectations and needs of stakeholders.

Positioning – Strategic axes valued by Floene and stakeholders

The structure of our positioning demonstrates the correlation between our strategic axes and the values that drive us as a company. Each of the 4 axes groups the material sustainability topics addressed and valued by our stakeholders, accompanied by commitments, objectives, goals, and initiatives that materialize them.



GOVERNANCE

Embed our purpose at the centre of our business: critical enabler for a fair energy transition, promoting greater equality and territorial cohesion

- i. Engagement with local community/stakeholders
- ii. Regulatory compliance
- iii. Ethics and transparency



PEOPLE

Collaboration to ensure dignity and equality in a healthy environment

- i. Safety, well-being, and development of our people



PLANET

Respect and contribution to the protection of the planet

- i. Energy efficiency and climate change
- ii. Sustainable management of the supply chain



PROSPERITY





Audacity to ensure social and technological progress to grow together



- i. Economic performance and financial sustainability
- ii. Innovation, adaptation, and resilience
- iii. Quality service, safe and efficient supply
- iv. Customer satisfaction

Floene as a critical enabler for a just energy transition, promoting partnerships and improving national literacy and education in the field of renewable gases.

Alignment with SDG and Sustainability Agenda

Our activity contributes to the United Nations Sustainable Development Goals. We distinguish SDG 4 and SDG 17, which will allow us to highlight our performance as a critical enabler for a fair energy transition, promoting partnerships and improving national literacy and education in the renewable gases field.

Axes	SDG	Description	Commitments
Governance		Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> Promote a culture of ethics and compliance. Ensure legal compliance of our processes, operations, policies, and internal regulations.
		Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	<ul style="list-style-type: none"> Foster close relationships with the local community. Strengthen the literacy on renewable gases.
Planet		Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> Contribute to improving energy efficiency. Mitigate climate change by reducing operational carbon emissions.
		Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> Ensure transparent and integrity-based relationships with suppliers, incorporating ESG criteria.

Axes	SDG	Description	Commitments
People		Ensure access to quality health care and promote well-being for all	<ul style="list-style-type: none"> Promote the safety, health, and well-being of employees. Foster employee engagement and development.
		Achieve gender equality	<ul style="list-style-type: none"> Promote a culture and organizational climate that attract and retain talent. Promote a culture of equality, diversity, and inclusion, ensuring equal opportunities throughout the organization.
Prosperity		Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> Contribute to a low-carbon economy - Facilitation of the renewable gas market and the decarbonization and decentralization of the economy.
		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> Promote the financial sustainability of the company.
		Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> Foster a culture of innovation within the company. Promote technological capacity building, development of solutions aligned with sustainability challenges, and foster knowledge networks and partnerships.
		Reduce inequality within and among countries	<ul style="list-style-type: none"> Ensure the quality and supply of our service.
		Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> Develop a customer-centric culture, exceeding their needs and expectations.

04

Our
Governance

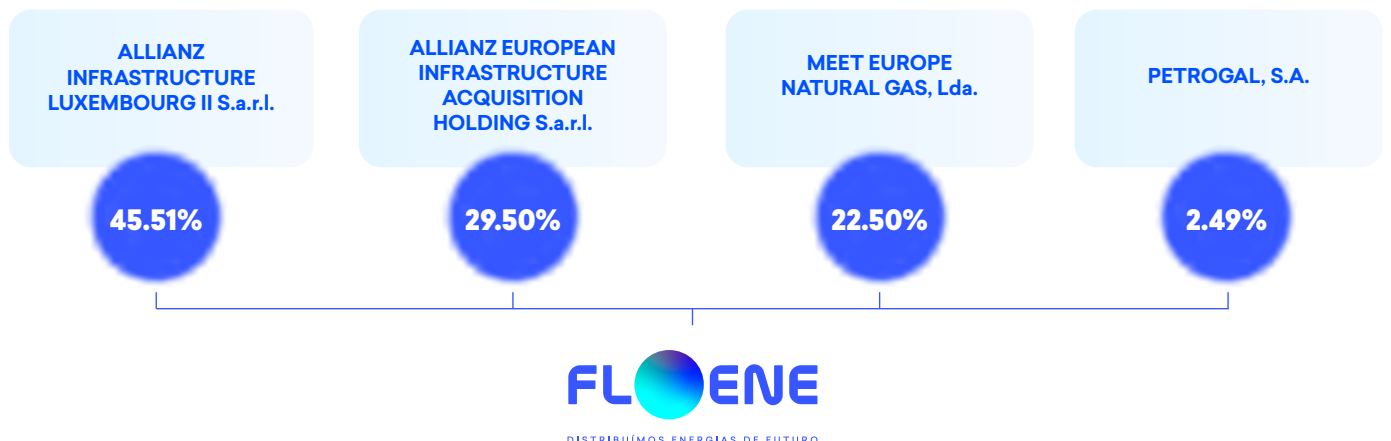


04 Our Governance

Embed our purpose at the center of our business

4.1. Shareholder Structure

Floene’s shareholder structure underwent a significant change with the entry of Allianz Capital Partners. This participation resulted from the execution of the share purchase agreement celebrated on October 26, 2020, between Galp Energia, SGPS, S.A., through its subsidiary Galp New Energies, S.A., on the one hand, and Allianz Infrastructure Luxembourg II S.à r.l. and Allianz European Infrastructure Acquisition Holding S.à r.l., on the other. The remaining share capital of Floene is held by Meet Europe Natural Gas, Lda. (consortium formed by the Japanese companies Marubeni Corporation and Toho Gas Co. Ltd.) and Petrogal, S.A. (Galp group), respectively, with 22.50% and 2.49%.



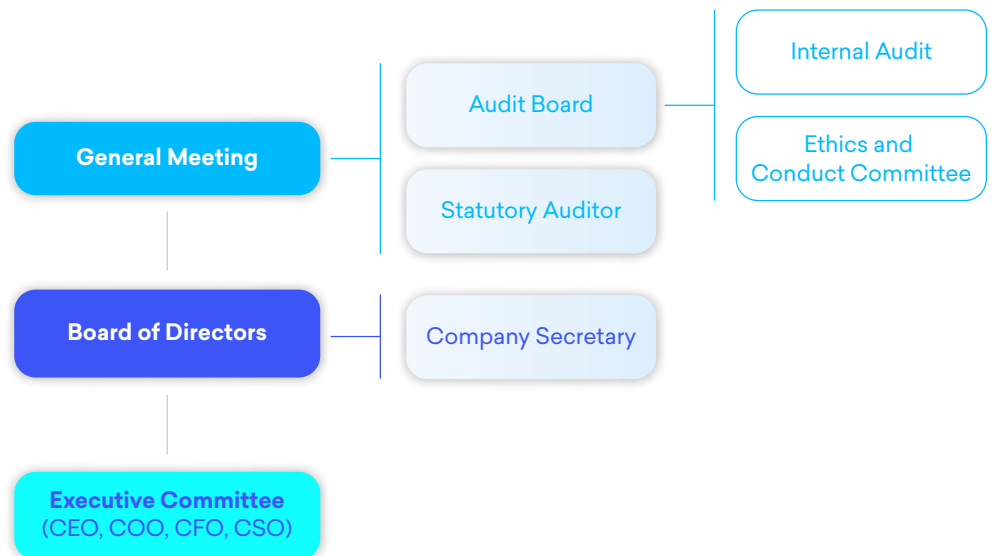
The Governance model was reinforced in 2022 with the creation of several internal Committees.

4.2. Corporate Governance Model

Floene adopts the classic monistic corporate governance model composed of:

- General Meeting, which brings together the company's shareholders;
- Board of Directors and an Executive Committee with delegated powers;
- Supervision, which includes an Audit Board and a Statutory Auditor;
- Company Secretary, responsible for specialized support to the governing bodies.

The company also has an Ethics and Conduct Committee.

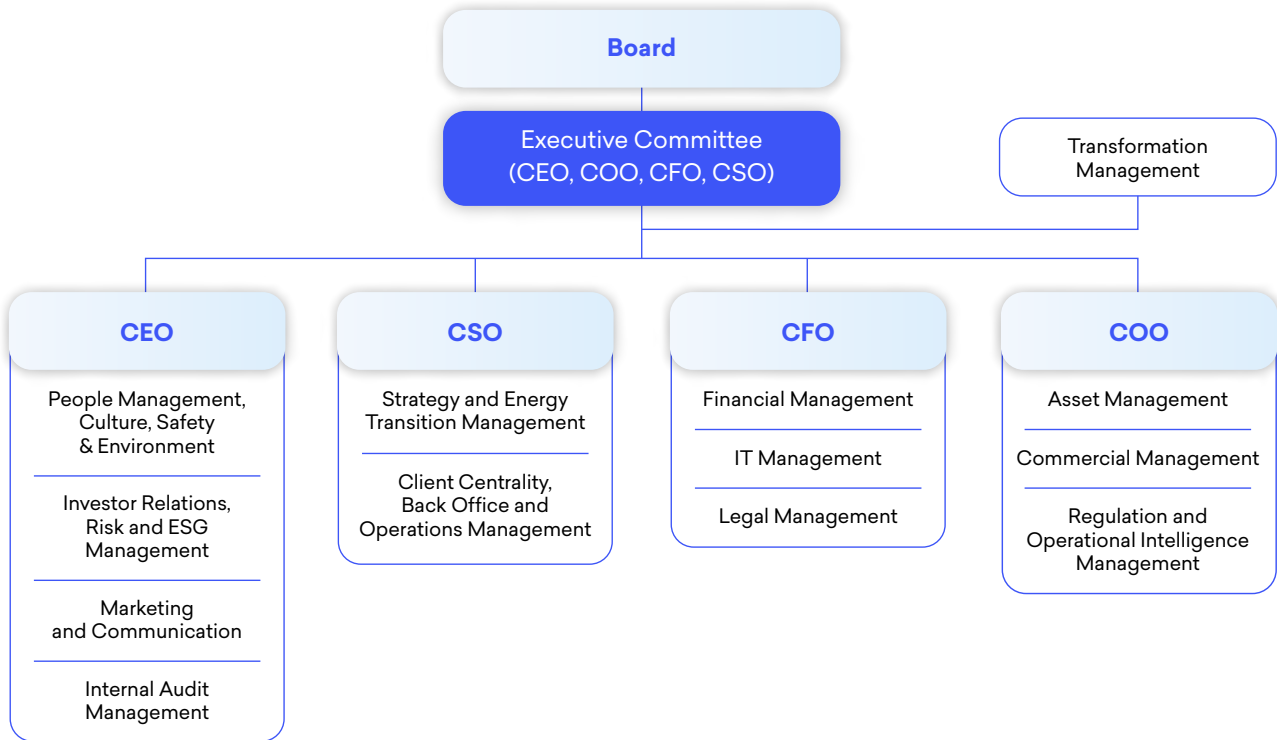


Floene's governance model also includes five committees, with distinct discussion topics but with a common objective of strategic internal communication and knowledge sharing, among management teams.

- Management Committee
- ESG & Stakeholders Committee
- Risk & Internal Control Committee
- Strategy & Market Committee
- Transformation, Innovation & IT Committee

The composition of the governing bodies is detailed in annex I.

Our structure



4.3. Ethics and Transparency

Responsible conduct, code of ethics and conduct

Our identity is centered on promoting sustainability among all of our stakeholders, promoting transformation and development in the communities where we operate, in order to continuously improve our economic, social, and environmental results.

Our long history as a company and our ability to always bring more ecological and efficient energy solutions to communities is based on a culture of respect and collaboration, attentive to the expectations of our stakeholders.

Floene’s responsible business conduct is governed by a Code of Ethics and Conduct (Code of Ethics), which guides the personal and professional conduct of all employees and is also applicable to all of our service providers. Its objective is to materialize our purpose, mission, and values in our operations, as well as to guide daily functioning, so that every behavior or action fits into the corporate culture of our company.

In the same line, the DSOs, in addition to subscribing to Floene’s Code of Ethics, also have their own codes of conduct. These documents establish the principles and general conduct standards to be observed by managers and other DSO employees, ensuring absolute compliance with the rules of independence and transparency, in the exercise of their activities, as well as guaranteeing the absence of discriminatory behaviour.

Floene also has a procedure for Reporting Irregularities with the aim of allowing any stakeholder to communicate to the Ethics Committee, any irregularities or non-compliance situations with the Code of Ethics, through a dedicated channel that ensures a level of security and confidentiality of the information communicated.

The Ethics Committee of Floene, reporting to the Audit Board, is responsible for monitoring the application and interpretation of the Code of Ethics, as well as for receiving, recording, and processing irregularity reports received through the dedicated ethics communication channel (opentalk@floene.pt).

During 2022, the Ethics Committee received one complaint of irregularity and initiated an inquiry and followed its subsequent resolution.

4.4. Internal Control and Risk Management Systems

Internal Control

As a holding company of a group of regulated companies, operating in the sector of distribution and gas last resort supplier in Portugal, Floene aims to ensure compliance with applicable legislation and regulations, as well as the continuity and sustainability of its operation, promoting the resilience of companies through a solid and appropriate Internal Control and Risk Management System.

In 2022, the Internal Control Manual was approved, which establishes the general principles and requirements of the internal control components, as well as the organizational model associated with the integrated and global management of internal control and risk management in the Company. This manual is understood as the set of processes implemented and executed by the social and supervisory bodies, Ethics and Conduct Committee, internal auditor and Floene employees, in order to ensure compliance with the objectives related to operations, disclosure, and compliance.

The Manual follows the COSO - Internal Control Integrated Framework reference model. Accordingly, adopts the five components of the internal control: 1. Control Environment; 2. Risk Assessment; 3. Control Activities; 4. Information and Communication; 5. Monitoring Activities. These components aim to provide reasonable assurance regarding Floene's compliance with its objectives in relation to: (i) the pursuit of its strategic objectives; (ii) the orderly and efficient conduct of activities; (iii) the safeguarding and protection of assets; (iv) the prevention and detection of fraud and errors; (v) compliance with applicable laws and regulations; and (vi) financial and non-financial reporting.

The governance structure of internal control and risk management at Floene is based on the three lines of defense model, accordingly with the best accepted practices.

Certified Management Systems

In 2022, the conditions for maintaining the certification of the Environment, Quality, Safety and Health management system implemented, were ensured.

Floene's DSOs have implemented certified Environment, Quality, Safety and Health at Work management systems by APCER for NP EN ISO 9001, NP EN ISO 14001 and ISO 45001, contributing to the sustainability of the gas distribution activity and demonstrating our commitment to the environment, customer satisfaction and the safety of our employees.

Regulatory compliance

It should be noted that the strictly regulated framework, in which the companies of Floene's group operate, has led to the establishment of a Compliance Program.

According to applicable regulations, an independent entity has been appointed to ensure the exercise of the Compliance Officer in the three DSOs with more than 100 thousand clients. This entity monitors the proper application of the principles set forth in the program and the compliance of the DSO's actions with the established obligations.

Operational, compliance, and financial audits are carried out, as well as reviews to the information systems, in order to test the effectiveness of the existing internal control mechanisms, ensuring adequate conditions for maintaining a continuous improvement process.

Risk management

Floene's operations have a long-term nature, which implies that many of the risks to which it is exposed are permanent. However, the factors that trigger risks, internal or external, are variable and may develop and evolve over time, changing in probability, severity, and detectability.

Floene adopts a dynamic and comprehensive Risk Management methodology, which encompasses a set of risk identification, assessment, treatment and monitoring activities, involving the Executive Committee, the Risk Management area and those responsible for risk mitigation action plans. During 2022, the Risk Management and Internal Control Committee was created, whose mission is to support the Board of Directors and the Executive Committee in monitoring the risks of the Floene group, ensuring the application of the risk management policy and sharing the best practices.

The main risks arising from the nature of our activity and the current context are the following:

- regulatory changes and legal framework,
- the refinancing process of the company's current bond issuance, and
- information systems and cybersecurity.

Mitigation measures for the first risks mentioned are related to systematic monitoring of national and European regulatory and legislative trends, as well as legal, compliance, and regulatory advisory in close coordination with the Company, to ensure compliance with statutory, legal, and regulatory provisions.

The refinancing risk was mitigated, in 2022, by contracting a credit line - Backstop Facility, through a banking syndicate, as well as the commitment from management to maintain an investment grade rating. For risks related to information systems and cybersecurity, mitigation involves a set of continuous improvement actions at the level of information systems and specific control procedures, as well as redundant backup and disaster recovery systems.

It is also important to mention that, in the current context, Floene is aware of the risks and opportunities related to climate change. Our opportunities arise from the transition to a low-carbon economy and the possibility to find new ways to meet the needs of our customers, based on the regulated activity that we exercise as an operator of a public service. We manage these risks in accordance with the global internal risk management standard, ensuring a global view and comparison of the levels of risk/opportunities to which the Company is exposed. Globally, our climate change risks and opportunities are the following:

- National and European regulations associated with the transition to a low-carbon economy (insufficient legislative framework for renewable and low-carbon gases), changes in environmental policies and requirements, technology, market, etc.
- Adverse weather conditions.

In terms of adaptation to climate change, we have been analyzing the effects on the gas distribution infrastructure, namely the vulnerability to extreme weather events. Gas infrastructure, mostly being underground, will be less impacted in the event of weather phenomena.

In order to minimize exposure to various risks resulting from operational activities, Floene Group contracts the insurance policies considered necessary. These instruments cover the risks that may occur during the course of those activities, transferring the risk and minimizing potential reputational, operational, and financial damages, with emphasis on property insurance, liability insurance, social insurance, financial insurance, cybersecurity insurance, among others.

Company's ESG risks are increasingly under scrutiny by stakeholders and there are currently a wide variety of entities specializing on issuing ESG analysis and ratings. Sustainalytics, an independent ESG and corporate governance research, ratings and analytics firm, issued an unsolicited ESG rating on Floene, based on publicly available information. This risk rating provides quantitative information on the ESG risk unmanaged by the company and distinguishes 5 levels of risk: negligible, low, medium, high and severe. Floene's rating improved significantly in 2022, reaching a value of 29.5, reflecting a medium risk range.

4.5. Involvement with the community/stakeholders

Floene prioritizes a relationship of trust, proximity, and transparency with its stakeholders, focusing on the creation of shared economic, environmental, and social value.

Involving stakeholders in our governance model allows us to anticipate their expectations and leverage our performance.

Our mission can only be fully achieved if we promote the involvement of all individuals and groups with whom we are related, so we seek to develop regular consultation processes as a way of obtaining feedback on their needs, expectations, and interests, and to incorporate them into our action strategy.

Regarding our involvement with our stakeholders, we promote regular interaction with each group. It should also be noted that for the materiality analysis, stakeholders were surveyed through specific interviews and questionnaires.

Dialogue with stakeholders

Floene aims to ensure that the channels used, and their frequency, are appropriated, making communication and engagement personalized according to the group of stakeholders. It is important to note that the approach to the main stakeholders and the established means depend largely on the dynamics, legal requirements, and the characteristics of each region where Floene operates, the projects developed, and/or the companies.

OUR STAKEHOLDERS	MOST POPULAR TOPICS	INTERACTION
Investors/Shareholders	Financial performance goals, responsible and sustainable organization	Meetings and general assemblies; Periodic financial reports; Other communications.
Clients	Customer-oriented service; network accessibility; secure and sustainable supply	Customer satisfaction surveys; Complaint channels and their management; efficient management of the LRS activity.
Employees	Well-being and development; safe working environment	Management meetings and knowledge sharing forums; Publications and internal communications; Training sessions; Workers' committee; Consultation of workers regarding safety and health.
Associations	Partnership in decarbonization; sustainable energy supply; market facilitation	Working groups; Participation in management bodies of associations; Other initiatives.
Financial sector	Efficient and integrated management of financial resources; financial value; sustainability positioning; ethics and transparency	Presentation meetings; Periodic financial reports; Other communications.
Suppliers	Secure supply; technical knowledge; decarbonization planning; customer orientation and service	Training sessions; Qualification mechanisms and prerequisites; general supply Partnerships/agreements.
Public opinion	Sustainability positioning; supply security; energy efficiency; decarbonization; ethics and transparency	Articles and news for magazines and newspapers; Social media; Press releases and public clarifications.
Official entities (ERSE, DGEG, etc.) and regional/local communities	Sustainable development of the activity; innovation; energy efficiency; decarbonization strategy; market facilitation	Annual report and accounts; Protocol celebration; Public consultations; Mandatory legal documents under the regulator's scope; Initiatives and proposals; ERSE advisory and tariff council.
Partners and Research/Academy	Technical training; activity resilience; quality, efficient and safe service; decarbonization; market facilitation	Protocols; training; Partnerships for specific studies and projects development.

Collaboration and partnerships

We consider that partnerships are essential to achieve the goals of the energy transition and the global collaboration necessary to achieve decarbonization objectives. During the year of 2022, we maintained and strengthened partnerships and participation in some entities that we consider relevant:


- **Business Council for Sustainable Development Portugal (BCSD Portugal)**
The reference organization in Portugal that brings together more than 130 Portuguese companies actively committed to the transition to sustainability.
- **Gas Distribution for Sustainability (GD4S)**
The association that brings together the main gas distribution operators in eight European countries.
- **Associação Portuguesa de Empresas de Gás (APEG)**
A nonprofit organization with a professional, technical, and scientific character, being the representative body of the sector and the preponderant interlocutor with public and private entities, national and international.
- **Associação Portuguesa para a Promoção do Hidrogénio (AP2H2)**
A nonprofit entity whose activities are aimed at promoting and facilitating the use of hydrogen as an energy vector in Portugal.
- **European Clean Hydrogen Alliance**
Created to support the large-scale deployment of clean hydrogen technologies by 2030.
- **Associação Portuguesa de Energia (APE)**
A nongovernmental, nonprofit, and public utility institution that aims to stimulate reflection and debate on sustainable energy transition at various levels of the value chain of energy products and services, promoting the sector's contribution to the economy and quality of life in Portugal.
- **Internacional Gas Union (IGU)**
Its mission is to defend gas as an integral part of a sustainable global energy system and to promote the political, technical, and economic progress of the gas industry.
- **European Biogas Association (EBA)**
Represents the sustainable biogas and biomethane sector in Europe.
- **Ready4H₂**
Aims to offer a shared vision, supported by the experiences of European distributors, of the essential role of gas distribution networks in supporting the development of hydrogen.

- **Eurogas**

An association that represents the European gas sectors to EU institutions. The association aims to strengthen the role of gas in the energy mix, establishing a continuous dialogue with players in the European industry, global gas producers, and relevant institutions.

- **Marcogaz**

The technical association of the European gas industry. Its mission covers policy advice related to European technical regulation, standardization, and certification regarding gas system and equipment safety and integrity, rational energy use, as well as environment and health.

During the year of 2022, we also reinforced the positioning of Floene in the industrial sector, with the academy and suppliers, in the context of the project  [“Indústrias de Futuro”](#).

Some of these projects and partnerships are detailed in chapter 6.

05

Our
People



05 Our People

Collaboration to ensure dignity and equality in a healthy environment

5.1. Safety and well-being

Safety and safety culture

The occupational health and safety management system (OHS) is a central piece in Floene's policies, with the aim of preventing accidents and occupational diseases involving employees and service providers. The daily operationalization of this management involves:

- Carrying out technical visits for safety, health, and occupational medicine
- Conducting internal, external, and legal compliance audits to verify compliance with requirements
- Thorough investigation and determination of root causes of incidents
- Conducting training and simulations for proper emergency management
- Conducting occupational health and safety studies
- Identification and management of hazards and risks in activities
- Safety and hygiene training
- Control and management of service provider documentation

The number of severe accidents remained low in 2022, despite an increase in the number of worked hours compared to 2021. This fact demonstrates the knowledge and compliance with safety procedures and instructions by employees and service providers, although the desired goal is zero accidents.

Safety Numbers

+25 Training and Simulations

4 Audits

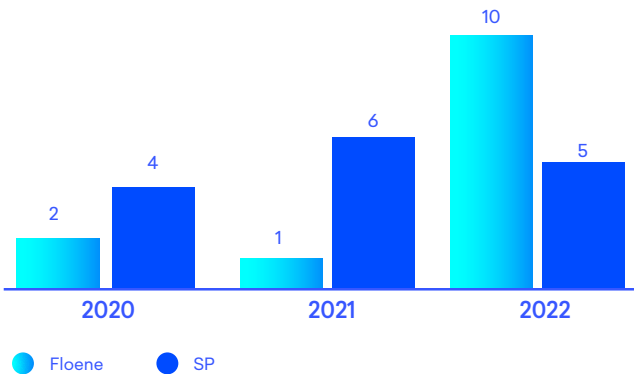
Integrated Environmental, Quality and Safety Management System; Legal Compliance; Seveso

+170 Technical visits for OHS

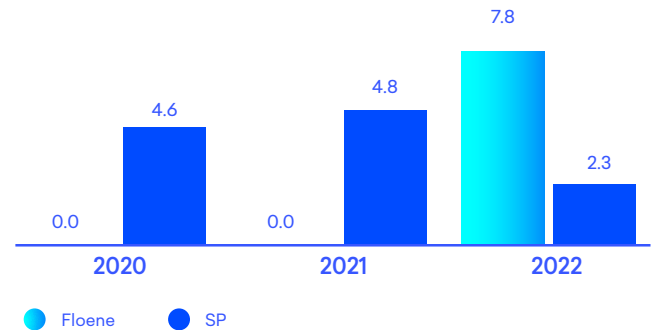
+70 OHS studies
(ergonomics, lighting, etc.)

2940 hours of OHS training

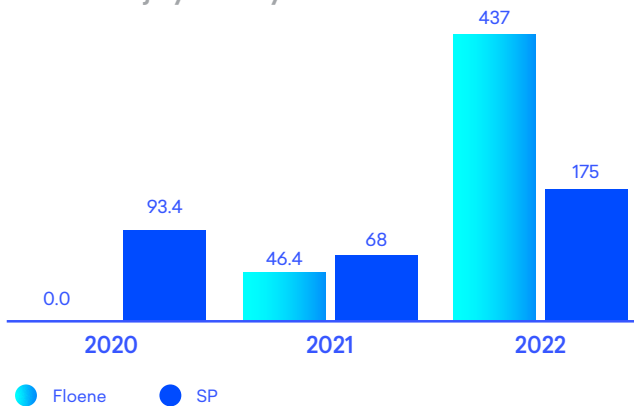
Total Number of Accidents



Lost Time Injury Frequency



Lost Time Injury Severity



The Lost Time Injury Frequency (LTIF), in 2022, was higher compared to the previous year. This is mainly due to a higher number of low-severity accidents such as trips, collision with objects, and falls at the same level.

Note: Normalization factor for the number of hours worked: 1 000 000; To calculate the indices shown in the graphs above, only employee accidents were considered in days lost.

The concept of “Safety Talks” is based on a positive safety culture and involves dialogue between employees based on observation during work execution, focusing on the issue of behaviors and conditions under which tasks are performed.

In 2022, there were nine more accidents involving Floene employees compared to 2021 during effective working time, which resulted in an increase in lost days due to work accidents. As for service providers (SP), one less accident was reported in 2022 compared to 2021.

The lost time injury frequency and severity indexes did not evolve favorably compared to 2021.

Safety and health visits are a regular practice in Floene’s facilities and operations to assess compliance with the company’s safety procedures. All construction and network maintenance contracts are audited several times during execution to ensure frequent monitoring of the work and promote the implementation of improvements and corrections.

Our goal and greater ambition remain the promotion of a safety culture, including internal employees and service provider employees who operate and maintain our distribution network. In order to accomplish this, the safety strategy is based on incident prevention practices, such as safety talks during work or service provision to clients (Safety Talks), reporting of near-accidents, unsafe acts and conditions, and the alignment of individual performance indicators and annual employee evaluation linked to incident reporting.

During 2022, 796 safety talks were held, involving more than 80 observers.

This program, in which directors and managers also participate, has as its main objectives the identification of unsafe acts and unsafe conditions, their immediate correction, and the promotion of transversal safety communication.

Parallel to this, mechanisms for recognition and constructive feedback are implemented to encourage a safe attitude and behavior by employees and contractors. During 2022, employees who reported near-accidents or safety talks in accordance with the outlined objectives were recognized individually and as a team.

Floene promotes the participation and consultation of employees on various topics such as safety, hygiene, and health at work, opening communication channels for reporting situations as mentioned, but also through a biannual formal consultation to listen to specific OHS topics. In this context, meetings with workers’ representatives are also held.

Health and well-being

Regarding occupational health services, we maintain our commitment to ensuring access and conducting routine and complementary exams, taking into account the specificity of each task.

At the largest medical center in Lisbon, medical consultations of various specialties are provided. Employees have personalized and accessible services in terms of insurance for personal accidents, life, health, etc. through a strong partnership with the insurer and face-to-face assistance and direct contact with the consultant.

During the last quarter of 2022, a Psychosocial Risk Assessment survey was made available to all employees. This survey aimed to assess several aspects, including work demands, social and leadership relations, workplace values, health and well-being, among others.

We recognize that mental health and well-being in the workplace are increasingly relevant in society, and Floene prioritizes them. Therefore, we are committed to creating a healthy work environment that promotes the balance of our personal and professional dimensions through the creation of specific prevention and intervention plans.

During 2022, several ergonomic studies and evaluations of workstations associated with all activities carried out by Floene employees were developed, as well as the definition of improvement action plans.

Employee Journey

In a year of internal transformation, with company reorganization and the welcoming of new employees to reinforce our strategy, we considered it essential to have a new perspective of our people, their real needs and motivations. For this purpose, the Employee Experience project was developed, combining the expectations of employees, the environment, and the events that shape their journey within an organization.

Throughout the past year, initiatives were developed to address the development of an onboarding process for new employees, with the possibility of immersion sessions for a deeper understanding of the activity and integration within the company. The Floene performance and career development process was also reviewed and presented, as well as several people development programs, particularly in leadership competencies.

We also promoted internal mobility through mobility processes, ensuring direct allocation and the match between Company's needs and the profiles of our employees.

5.2. Internal Transformation

The materialization of our purpose is only possible with the participation of our people and the necessary competencies for the new energies and new challenges. We are therefore reinforcing our internal organization with new people and/or new competencies to respond to the external challenges.

Conditions for a sustainable result

Recruitment
16 women | 21 men

Total number of employees
127 women | 269 men

Talent Attraction

In June 2022, we launched our first edition of the Trainee Program - Change your world! This campaign was directed towards graduates from various academic backgrounds and universities throughout the country.

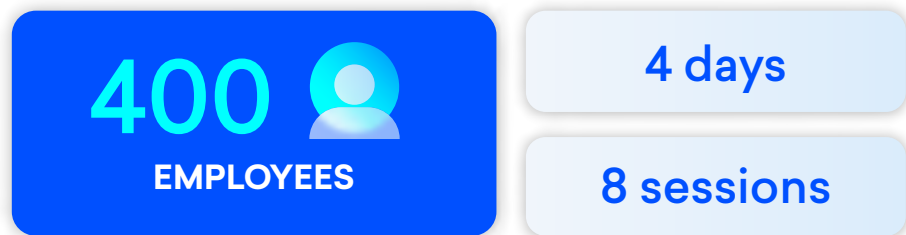


The onboarding included the involvement of the trainees in the official launch event of the new brand, a unique moment for the entire company and a very impactful way to start a professional career. Dynamics were developed to provide the new employees an overview of the organization, business model, and main challenges of Floene.

Career and performance evaluation processes were reviewed and developed, focusing on people's feedback and development.

Transforming with the future sessions

As part of the internal transformation process, all employees were involved in specific sessions on the definition of the pillars of Corporate Culture - Purpose, Mission, and Values. The main objective was to translate the defined principles into actions and behaviors. It was mainly a process of reflection and co-creation with multidisciplinary, multifunctional, and multi-geographical teams.



We Talk – Knowledge Sharing

This initiative aims to materialize a platform for sharing knowledge and discussing relevant topics related to the strategy of our company. We believe that these will be privileged moments to share, develop and reinforce the knowledge and vision of our employees on emerging topics related to the energy and gas sector. The initiative was launched in 2022, and clarification and knowledge-sharing sessions were developed on the legislative package for hydrogen and decarbonized gas, as well as on the European Union's proposal for reducing methane emissions in the energy sector.



5.3. Training

In 2022, we increased the total number of training hours provided to employees and achieved a growth of 183% (9 152 total hours). In addition to the available training catalog, this growth was made possible through the design and implementation of a set of tailor-made training programs.

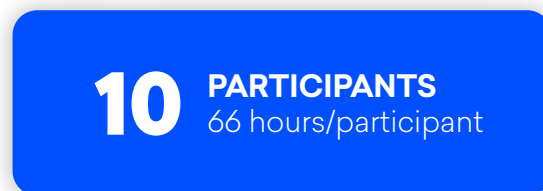
We Grow – Leadership Training

We promoted an apprenticeship training aimed at contributing to promote managers empowerment and accountability. These sessions were especially focused on feedback and development, which we consider to be the central pillars of the new performance management model of our company.



Líder ARC - Floene launches Leadership Challenge to Directors

During 2022, we launched the first executive training - *Líder ARC* aimed at directors. The main objectives of this training were to strengthen different management skills, to follow the major trends and best practices in leadership, and, above all, to reinforce the interaction and collaboration among this group.



Performance Management Program - Meet Me

The new performance management model has been redefined and made available to all employees. Clarification sessions were held to help identify how to build paths of professional development within our organization and what role each of us can play.

Technical Procedures Training Program (partner ISQ Academy)

In partnership with ISQ Academy, we developed a training program aimed at improving Exploration and Construction of Networks processes. These training sessions were aimed to commercial management teams, asset management, and service providers.

We want to continue to invest in the training and development of our people, and since safety is an essential issue in our activity, it is important that employees (internal and service providers) always have up-to-date and complete knowledge about the technical procedures they must apply on a daily basis.

40 PARTICIPANTS
25 hours/participant

Next Level Development Program

This program was designed to contribute to a better self-knowledge on the part of the participants, so that they can conceive and implement initiatives to develop technical and behavioral skills, contributing to a better team alignment. All participants developed Individual Development Plans, together with their managers, in order to promote the development of specific skills.

20 PARTICIPANTS
1 day of training



FL  ENE

06

Our
Planet





06 Our Planet

Floene's respect and contribution to the protection of the planet

6.1. Decarbonization overview in the gas sector

Energy efficiency and the use of renewable energies are central to our sustainability strategy. As enablers of the energy transition, we monitor environmental performance indicators and develop initiatives that are aligned and have an impact on this transition.

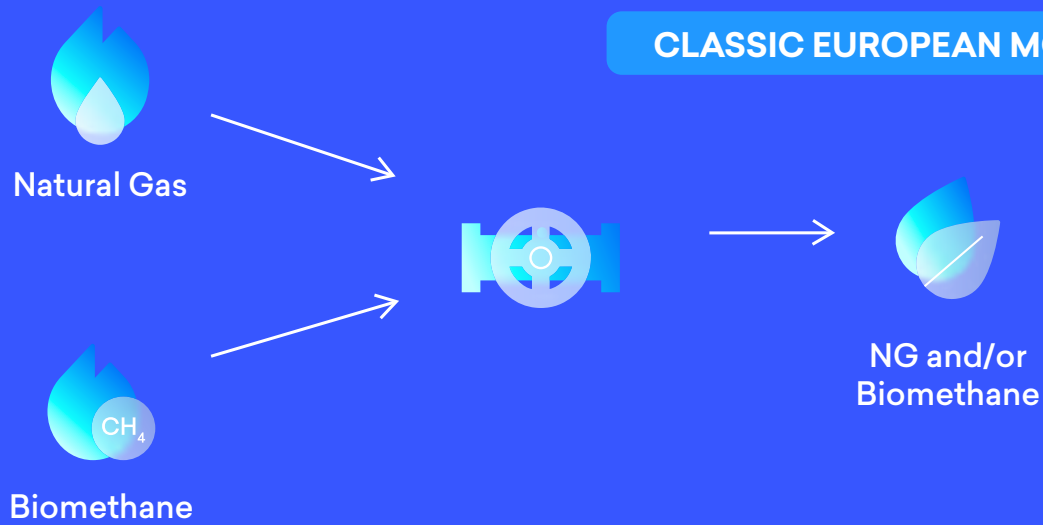
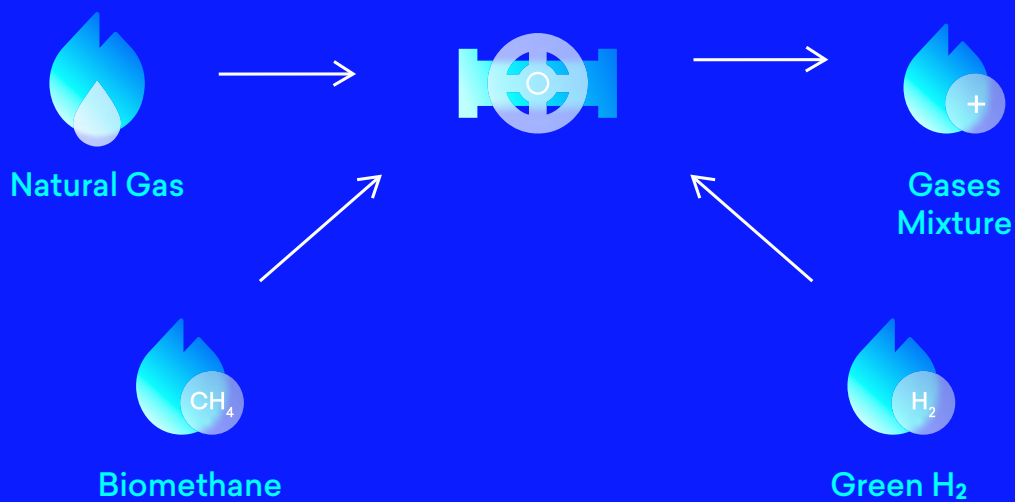
Success in a fair energy transition to a low-carbon economy will require structural changes in society and the understanding in the energy sector of the need for integrating solutions of electricity and gas. These changes present challenges to our activity but also create opportunities for us to grow and contribute to a fair transition.

Our actions and development plan reflect the main emerging energy trends and allow us to help consumers use energy more efficiently and promote the use of renewable gases.

An increasingly urgent reality

In a context of energy crisis, the investment in endogenous energies with strong decarbonization potential that ensure flexibility, resilience, and security in energy supply has never been so important. The classic model of centralized production and distribution of energy will increasingly give way to a decentralized model, that will promote the use of renewable or low-carbon gases, contributing to an effective decarbonization.

Renewable Gases

A MODEL THAT MAKES YOU
THINK DIFFERENT**FUTURE MODEL**

- It can be incorporated into the current gas distribution network
- Identical composition to natural gas, can be used in current equipment without the need for any adaptation
- Renewable origin, produced from abundantly available waste

- It can be incorporated into the current gas distribution network
- It can be consumed in a mixture with natural gas up to 20% vol in current equipment
 - Produced using renewable electricity

As in the electricity sector, we can decarbonize the gas system using renewable gases such as biomethane and green hydrogen. This will enable the diversification of consumption and create a fair transition for consumers.

6.2. Energy efficiency and climate change

Climate change and the growing concern about the need to meet reduction and mitigation targets places decarbonization at the center of Portuguese and European policies with a significant impact on the energy sector. The adequacy of the gas infrastructure is therefore a critical factor in achieving national energy policy targets, and renewable gases will play a key role in the decarbonization process.

Floene assumes its position in the national energy sector, ensuring that the distribution network is prepared to safely and efficiently inject renewable gases, promoting greater equity and territorial cohesion. The introduction of renewable gases into the distribution network will have impacts at industry and regional levels, generating positive externalities for the industry and the local economy. The current distribution infrastructure will allow for the distribution and consumption of renewable gases in various sectors of the economy and will enable an increasing incorporation of renewable energy sources in final consumption.

Biomethane

Fosters a circular economy by promoting more sustainable management of urban, industrial, and agricultural waste.

Green Hydrogen

Offers a decarbonization pathway for intensive heat industries and greater integration of the energy system.

We are developing several initiatives to accelerate the introduction of renewable gases into the network, including:

- Ensuring the technical conditions for the reception of renewable gases, including green hydrogen:
- Creating the conditions for the development of renewable gas projects:
 - Turnkey support for producers - Supporting producers in evaluating potential, business cases, and connecting to the network;
 - Pilot projects - Developing pilot projects to leverage a learning effect and demonstrate the role of the distribution infrastructure.

As the largest gas distributor in Portugal, Floene's investments will make the energy transition viable and have a significant contribution to reducing GHG emissions in the energy sector.

Our projects in decarbonization

We are developing several pilot projects with renewable gases, namely the injection of green hydrogen into the gas grid. These projects involve various partnerships and multiple stakeholders (including local producers, municipalities, industrial associations, academy, etc.).

- **“Energia Natural do Hidrogénio” (initially known as Green Pipeline Project)**

This is the first project in Portugal of green hydrogen (H₂) injection into the natural gas grid. This two-year pilot project allow us to acquire direct knowledge about the distribution of hydrogen/natural gas mixtures, putting the company in a better position to deal with other H₂ projects in the networks. Led by Floene, and with funding from the Environmental Fund, the project has technical partners such as Bosch, Gestene, Catim, PRF, ISQ, and also the *Instituto Superior Técnico* and AP2H2.

The project, which covers around 80 customers, mostly residential, started hydrogen injection (2 to 5%vol.) in 2022, with the ambition to reach a maximum of 20%vol. Also, in this year, the installation of mixing, monitoring, and control equipment was completed. This project is particularly important for demonstrating the use of H₂ in domestic consumption, thus highlighting a principle of complementarity between gas and electricity systems in the decarbonization process, as opposed to a total electrification option that raises technical, social, and economic issues [🌐 \(greenpipeline.pt\)](https://greenpipeline.pt).



- **Retrofit Project: Long Term Decarbonization Plan**

Aware that H₂ presents issues regarding its operation and consumption, and that there is a need to adapt all components that integrate distribution assets, we intend to develop a set of activities focused on adapting our assets to the distribution of 100% hydrogen (total decarbonization of the distribution activity).

- **H₂GVillage**

The H₂GVillage project is part of the H₂ Green Valley consortium, composed by 6 co-promoters. This initiative, under the Portuguese Recovery and Resilience Plan, aims to develop a set of complementary projects covering the entire value chain of green hydrogen. It focuses on the development of hydrogen transmission, compression, and distribution infrastructures, to create the first green hydrogen

hub in Portugal, which will be located in the Sines region. This infrastructure will enhance and link a cluster of producers and consumers of green H₂, allowing the sharing of infrastructure costs and the development of innovative services to maximize the penetration of renewable hydrogen. The project includes the development of a hydrogen pipeline that connects major hydrogen producers and consumers (H₂BACKBONE) and a natural gas and hydrogen injection and mixing system for injection into the transport network (H₂GBlend).

Under the H₂GVILLAGE project, the gas distribution network of Sines will be connected to the hydrogen pipeline and adapted to distribute 100% hydrogen in the future. A pilot conversion program of around 30 end-users to 100% hydrogen will be implemented, aiming to demonstrate the feasibility of this conversion. The pilot program is supported by BOSCH, for the supply of the necessary equipment.

- **Gas Tracking Mechanism + Gas Quality Tracking System (GQTS)**


With the energy transition, renewable gas producers may inject them directly into the distribution network. Their characteristics must be controlled, as well as the gas composition within the mixture with other gases from other sources, in the network. This circulation gas tracking system will consist of a software that will be related to other systems and allow for a preliminary study of specific areas of the network, where the injection of renewable gases is occurring. The software will also develop a network model and calculate the uncertainties that affect the determination of mixture properties, in order to be compliant with quality and safety criteria.

Our projects in the field of energy efficiency and literacy in renewable gases

We are committed to promoting knowledge and information in the area of new renewable gases and in the best technology. To that end, we have several initiatives and projects undergoing that materialize our purpose of promoting sustainable communities:

- **Roadmap for the Introduction of Renewable Gases in Industry**

We are promoting a pioneering project in Portugal for 24 months:

 [“Indústria de Futuro”](#) - the Roadmap for the Introduction of Renewable Gases in the National Industrial Sector. This roadmap aims to boost the decarbonization of the national economy through renewable gases in the sector, with a special focus on hydrogen. The project is funded under Portugal’s Plan for the Promotion of Energy Consumption Efficiency (PPEC) and approved by ERSE. The roadmap will demonstrate the relevance of gases in decarbonizing hard to abate industries, namely glass and ceramic production, also promoting increased energy efficiency through the use of more efficient equipment and consumption adaptation. The project will identify the needs of the sector, providing technical-scientific content and training actions to simplify the transition to more sustainable and efficient solutions. In partnership with major industry associations, academy, energy sector associations, and innovation and research centers, we will share technological knowledge about the incorporation of renewable gases in the industrial sector,

developing a wide range of activities, including conferences, workshops, advanced training courses, energy surveys, and energetic diagnosis.

At the end of 2022, we launched the project, with an opening conference that was attended by government representatives, official entities, and regulators, as well as various partners in the technological and academic fields. This event also featured a special roundtable with four industrial associations discussing the opportunities and challenges of decarbonization in the industrial sector. In the upcoming months, the roadmap will have more initiatives, focusing on a series of six workshops - reaching different industries and communities. The main goal will be to build synergies at the local and regional levels and continue to promote the impact of renewable gases on the decarbonization and development of the Portuguese economy.



- **Network Decarbonization – Partnership with Paper and Ceramics Industry**

As a national market leader in gas distribution, we have developed a collaborative initiative with the ceramics and paper industry to study, analyze, and promote a study of decarbonization of high-energy-consuming industries. Floene intends to support industrial consumers, inferring and identifying which are the biggest technical/technological challenges of these specific customers and their respective industrial sectors. This plan includes providing support and energy auditing, both technological and technical, resulting from a detailed analysis of the execution of the action plan and roadmap for the implementation of possible decarbonization routes, with a focus on renewable gases.

The development of this initiative highlights Floene's commitment to supporting and facilitating national economic development based on a decarbonized and more sustainable society and industry.

- **Tangible Measures for the Gas Sector, for the Replacement and Elimination of Non-Energy-Efficient Equipment with More Efficient Equipment - Residential Segment**

We want to actively contribute to reducing energy poverty by addressing its root cause in the gas sector: low literacy and perception of the positive evolution of the sector by the consumer, as well as the limited knowledge and use of more efficient equipment. In this sense, as promoters of this measure and together with partners in this project, we intend to enhance the conditions for the replacement of less efficient equipment with a more efficient one. To this end, an awareness plan is also included to transmit the importance of responsible energy use. The aim is to demonstrate the benefits for all parties, both for consumers, obtaining direct savings in their consumption, and for society in general, through the reduction of greenhouse gases. With this program, we aim to evaluate a more efficient consumption and promote a better quality of life for families at national level (domestic customers).

During the year 2022, through one of its DSO (Lisboagás), Floene ensured its participation as a promoter of this project and support for the implementation of PPEC - replacement of equipment with more efficient boilers. This project will last for 24 months.

Strengthening relationships of proximity with our stakeholders for a common purpose - decarbonization of the gas sector

Over the past years, we have actively participated in a set of international and national projects aimed at promoting the progressive decarbonization of gas distribution infrastructures. These partnerships are focused mainly on promoting hydrogen and biomethane as the new future energies, new technologies for adapting the distribution network for the injection of renewable gases, and best practices and techniques for reducing fugitive methane emissions.

- **Active participation in national, European and international associations**

To become the networks of the future, we need to have a strong presence in different sector associations and cooperate with many of our peers from other countries. Therefore we have been proactive in participating in various European and international associations. Through our participation in these associations, we cooperate with our peers, compare experiences with the aim of developing good practices, creating links and identifying future opportunities. In some of these associations, we have worked together, monitoring and analyzing the impact of European Union policy and legislative initiatives on the business and energy sector. During the year 2022, several meetings were held with members of the European Parliament and the European Commission, which ranged from

promoting the role of gas infrastructures and distribution operators to achieving climate goals, giving feedback and contributions on specific legislative proposals. In order to keep up with developments in national and European energy policy, we participate as members or leaders of Working Groups and Committees within the aforementioned associations.

- [GD4S Sustainability Charter - “GD4S Sustainability Charter Decarbonising the gas grid as a key enabler for a climate neutral society”](#)

As a member of GD4S, we have signed and endorsed the first GD4S Sustainability Charter. Co-drafted by the seven members, this document defines a collective approach to sustainability, sharing commitments among the three pillars of sustainability: Environment, Social and Governance (ESG), all aligned with the SDG. The Sustainability Charter is a collective milestone that complements individual company initiatives and demonstrates the commitment to make a difference for the planet, people, and our companies.

- [Ready4H₂, Ready for Hydrogen](#)

We have reinforced our commitment to the transition to a greener economy, joining other Gas Distribution Network Operators from 22 countries across Europe in a new project called “Ready4H₂”. In this project, officially launched in 2021, we have committed to working together with over 96 European DSOs to create a common understanding of the potential of gas distribution networks in the growth of hydrogen usage and emissions reduction. The DSOs participating in this project aim to share the knowledge gained through this cooperation between partners for the benefit of European Union policymakers and various member states, thus contributing directly to the development of an economy that will have hydrogen as a natural solution for the future of energy.

- [Biomethane Industrial Partnership \(BIP\)](#)

The European Commission and the industry leaders launched, at the end of September 2022, the BIP, as announced in the REPowerEU Plan. The BIP is an industrial partnership in which policymakers, industry, and other stakeholders come together to promote the achievement of the goal of 35 billion cubic meters of sustainable biomethane production and its usage annually, until 2030, and establish the prerequisites for further strengthening its potential by 2050.

- [European Clean Hydrogen Alliance \(ECH₂A\)](#)

The European Clean Hydrogen Alliance was announced under the New European Industrial Strategy and it was launched in 2020 in the context of the Hydrogen Strategy for a Climate-Neutral Europe. The ECH₂A aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen producers, industrial sector, mobility, among others, as well as transmission and distribution of hydrogen. The Alliance will maximize the impact by involving all stakeholders in the hydrogen value chain and mobilizing resources to develop an investment agenda to stimulate the deployment of renewable and low-carbon hydrogen production and use.

- **International Cooperation in Biogas Development - France and Spain**

During 2022, we have reinforced our commitment to the transition to a greener economy, with a leading facilitator role at the national level in supporting and promoting the development and decentralization of renewable gas production, with a focus on biogas development. In this regard, we proactively participated jointly with other DSOs from various European countries and GD4S members in international actions to share information, best practices, and technical and technological synergies on the development and integration of biogas production and injection units.

6.3. Our carbon footprint

In addition to the national sector's global decarbonization initiatives, we are committed to reducing our carbon footprint. In 2021, we began disclosing carbon emissions resulting from our direct activity (scope 1) and electricity purchases (scope 2) for the 2020 base year.

Our emission sources:

Scope 1 - direct GHG emissions

Direct GHG emissions occur from sources owned or controlled by the company, such as methane emissions from the gas distribution network, natural gas consumption, company fleet, etc.

Scope 2 - indirect GHG emissions from electricity

These GHG emissions come from the generation of electricity acquired and consumed by the company.

Scope 3 - other indirect GHG emissions

All indirect emissions (not included in scope 2) that occur in the company's value chain, including upstream and downstream emissions. These emissions are a consequence of the company's activities but occur in sources that do not belong to or are not controlled by the company.

25%

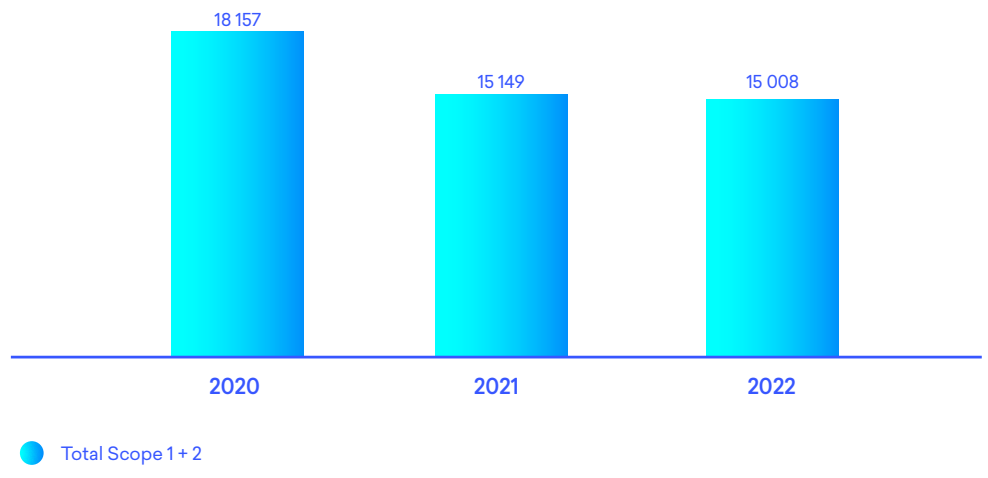
Reduction targets for emissions (scope 1 e 2) by 2025.

In 2021, we established reduction targets for emissions (scope 1 and 2) through a short-term decarbonization plan (2022-2025), with the goal of reducing emissions by 25% by 2025 (compared to the 2020 base year).

To understand and reduce our carbon footprint, we will continue to monitor performance and calculate direct and indirect emissions, and in 2023, we will estimate indirect emissions from the value chain for the first time - scope 3, based on predefined categories. We believe that the carbon footprint is a tool that will allow us to identify more rigorously opportunities to reduce GHG emissions.

We calculate emissions using the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard, globally recognized, issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

GHG Emissions (Scope 1 and 2 - tCO₂eq.)



With a modern distribution network made of polyethylene (94%), fugitive methane emissions are reduced.

On a global level, we observed a decrease of emissions compared to 2021 (-1%), with an increase in scope 1 emissions by 0.04% and a reduction in scope 2 emissions compared to the year 2021 by 100%. Regarding fugitive methane emissions in the network, a decrease (-1%) was recorded. As for scope 2 emissions, a reduction was observed compared to the previous year, as the acquisition of electricity became 100% renewable. In relation to the 2020 baseline, there was a decrease of 17% in total emissions.

Regarding methane emissions, we are committed to reducing leaks by 25% by 2025, compared to the base year of 2020. Fugitive methane emissions are difficult to measure at the occurrence site, so the methodology used for calculation is based on an estimate of methane leaks in the distribution network through an approved tool used by Sedigas. Currently, we continue to work to strengthen and detail our leak detection process, raise awareness of third parties damages to our infrastructure, and compare our performance with other European DSOs through participation in working groups.

Greenhouse gas emissions (tCO₂eq.)

	2020	2021	2022
SCOPE 1			
Fleet	934	1 028	1 137
Network fugitive emissions	16 952	13 877	13 746
Equipment's fugitive emissions	0	0	27
Natural Gas – Boilers	71	71	67
Natural Gas – Office Buildings	38	25	31
Total Scope 1	17 996	15 002	15 008
SCOPE 2			
Electricity (Market Based)	162	147	0
Total Scope 2	162	147	0
Total GHG Emissions			
Total Scope 1 + 2	18 157	15 149	15 008

Regarding the fleet, we have initiated an electrification policy as a way to reduce emissions, and currently, 5% of vehicles are hybrid (plug-in hybrid electric vehicles). The increase in emissions recorded in 2022 compared to 2021 is related to an increase in the number of employees with a vehicle and a potential increase in kilometers traveled compared to the years 2020 and 2021, which were impacted by travelling restrictions due to the pandemic.

6.4. Sustainable management of the supply chain

We are aware of the impact our activity has on society, seeking to create sustainable value throughout the supply chain. Being present throughout the national territory, we have an impact on the local economy, particularly in terms of contracting services and purchasing goods, with 95% of the suppliers having national origin.

Management of suppliers

Floene Group has a centralized Purchasing department that aggregates and manages the needs for goods, services, and works for all DSOs, ensuring uniformity of criteria and transparency in purchasing processes. The partnership established with service providers through contracts of support to the central activities of the distribution network operators and covering the entire geography of concessions and licenses is noteworthy. Through these contracts, which involve more than 700 people directly and indirectly, all emergency operational activities, maintenance, and construction of infrastructures are ensured. These activities include those associated with commercial expansion with the aim of creating conditions for an increase in the number of consumption points, as well as technical services performed at Customer facilities.

The relationships with our suppliers are based on commercial and technical conditions, as well as on criteria set out in our code of ethics and conduct, quality policy, safety, health, environment and major accident prevention policy, among others. We have a risk management methodology that involves different stages, namely the process of selection, qualification, and evaluation of the performance of suppliers of goods or services.

Purchasing activities are supported by a specific and collaborative information system that allows stakeholders to share, in an integrated way, all information relating to the acquisition and supply management chain processes. This solution covers the entire purchasing process cycle, from the acquisition phase to the management of supplies and contracts, connecting all stakeholders and creating benefits in the transparency, efficiency, and quality of activities developed. We have a supplier qualification and evaluation system, where, based on predefined criteria and contractual conditions, their performance can be evaluated.

General Data Protection Regulation (GDPR) and cybersecurity risks are managed through the One Trust platform, interconnected and automated with the Purchasing platform, for processes containing such risks, as well as action plans to mitigate them.



STAR Program – Performance evaluation

For contractors, there is an incentive program (Star Program - Safety Engagement) that involves works contracts and has as main objectives the communication and training of all teams in their technical and administrative activities, recognition of good practices, sharing of experiences, and distinction of the best performances based on the continuous evaluation of operations in technical, procedural, behavioral, and safety dimensions.

This program consists of an important mechanism for promoting good practices and developing competencies for the organization, whose impact is assessed by Floene through customer satisfaction evaluation tools.

FL  ENE

07

Our
Prosperity



07 Our Prosperity

Audacity to ensure social and technological progress to grow together

7.1. Operational Performance

Regulatory Framework

During the year 2022, the first amendment to the Tariff Regulation of the Gas Sector was approved, according to Regulation no. 583/2022, published in *Diário da República*, 2nd series - no. 123/2022, of June 28. The norm regarding the calculation of the discount adjustment resulting from the application of the social tariff was reviewed in order to make its application clearer.

Decree-Law no. 57-B/2022 was also published in *Diário da República*, 1st series - no. 172/2022, of September 6, establishing an exceptional and temporary regime that allows natural gas final customers with annual consumption equal to or less than 10 000 m³ to join the regulated tariff regime for the sale of natural gas. Additionally Decree-Law no. 84-D/2022, was published in *Diário da República*, 1st series - no. 236/2022, of December 9, which approves the creation of a transitional regime for the stabilization of gas prices by collective persons with consumption exceeding 10 000 m³.

Lastly, Gas Tariffs and Prices for the 2022-2023 gas year was approved, according to Directive no. 15/2022, published in *Diário da República*, 2nd series - no. 123/2022, of June 28.

Allowed revenues are calculated according to the applicable regulatory parameters published by ERSE at the beginning of each regulatory period and the year 2022 corresponds to the third year of the 5th regulatory period of the gas sector, which runs from January 1, 2020 to December 31, 2023.

Allowed revenues for the gas distribution activity result from the sum of the following components:

- Capital cost, defined as the product of the regulated asset base (RAB) and the rate of return (RoR) published by ERSE, plus the amortization and depreciation of those assets. The RoR is defined by applying a methodology consisting of a set of fixed parameters and

a variable component indexed to the daily average price of Portuguese Treasury Bonds (PBY) with a maturity of 10 years, with maximum and minimum values. The average value of the PBY is obtained by taking the average of the daily quotation, minus one-twelfth of the lowest and highest quotation values in the calendar year (January to December);

- Recovery of allowed net operating costs (OPEX) indexed to efficiency factors defined by the regulator, the update of the GDP deflator, and market trends (number of active customers and energy demand); and,
- Adjustments to allowed revenues that correspond to the difference between the actual revenues recovered and the estimated revenues allowed by ERSE, concerning year n-2 of the first year of the gas year.

Regarding the gas last resort supplier activity, the value of allowed revenues results from the sum of the following items:

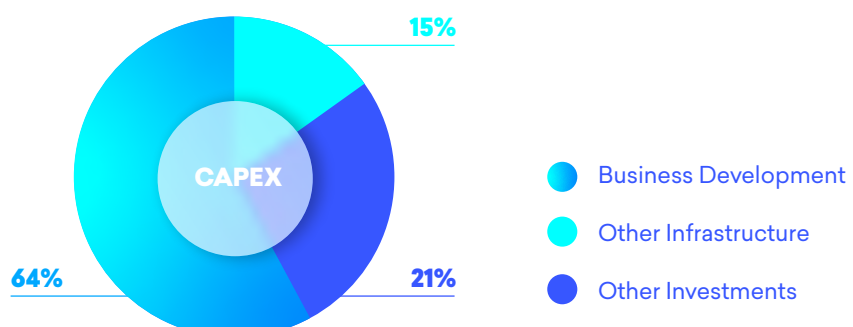
- recovery of allowed net operating costs indexed to efficiency factors, GDP deflator, and number of active customers;
- additional revenue established in the commercial license;
- differential between average payment and receipt terms; and,
- adjustments to allowed revenues that correspond to the difference between the actual revenues recovered and the estimated revenues allowed by ERSE, concerning year n-2 of the first year of the gas year.

According to the current regulatory assumptions, the gas year period is included between October and September of the following year, during which regulated tariffs are applied. Therefore, in 2022, the gas tariffs and prices for the gas year 2021-2022 (period from January 1 to September 30) and the gas tariffs and prices for the gas year 2022-2023 (period from October 1 to December 31) published by ERSE, were applied.

The rate of return on regulated assets (RoR) published in the ERSE document “Gas tariffs and prices for the gas year 2022-2023,” for the period of 2022 was 5.05%, and the regulated companies of Floene considered an adjusted RoR of 5.49% in their 2022 exercise, which was calculated according to the methodology mentioned above for the calculation of allowed revenues, reflecting the variation of 2022 Portuguese Bond Yields.

Investment (CAPEX)

During this period, excluding IFRS 16, total investment amounted to € 41.1 million, an increase of 23.9% YoY, with business development representing 64% of the total. This reflects Floene’s continued efforts and commitment to providing alternative energy to the population, communities, and economic activities of the country, and to operate in an increasingly decarbonized manner.



The investment in the distribution activity includes safety and continuity of supply, with market development up to the end consumer. In 2022, investments made in business development amounted to € 26.3 million, of which 73% were related to the construction of distribution networks and branches. The gas distribution system had a total of 13 673 km of distribution network (+175 km of secondary network and +5 902 branches). In terms of infrastructure for new connection points, 17 255 more were connected, representing an investment of € 7.2 million, ensuring the sustainability of the gas distribution system.

	2022	2021	Var. YoY	% Var. YoY
Connection points (#)	1 131 266	1 126 159	5 107	0.5%
Gas volume distributed (GWh)	16 733	18 073	(1 340)	(7.4%)
Total network extension (km)	13 673	13 498	175	1.3%
Primary Network (km)	790	790	0	0.0%
Secondary Network (km)	12 883	12 708	175	1.4%
Service lines (#)	366 977	361 075	5 902	1.6%

Investment in other infrastructures amounted to € 6.3 million, based on the economic rationality and operational efficiency of assets, as well as the technical component of the solution for supplying new locations. Following information from the operation and maintenance of the distribution infrastructures and associated equipment, opportunities or needs for intervention are identified to ensure timely supply security, equipment reliability and the proper functioning state of these assets of the gas distribution system. Noteworthy are the renewal of 8 km of distribution network, as well as reinforcement and restructuring of the existing network.

In addition, the development and implementation of an asset management system has enabled efficient running of the distribution system, providing a preventive maintenance process that allows proper conservation, safe and reliable operation of equipment until its replacement.

Investment in other activities amounted to € 8.6 million, mostly directed towards operational improvement, modernization of existing assets, and adaptation of business information systems, as well as the requirements arising from regulatory changes. Floene continued with its investment plan for the development of its infrastructure and the sector, necessary to leverage the energy transition process to ensure the preparation for the injection of renewable gases into distribution infrastructure, as planned in the Portuguese Government's energy policy objectives, particularly in the PNEC 2030.

THOUSANDS OF €	2022	2021	Var. YoY	% Var. YoY
Business development	26 319	22 299	4 020	18.0%
Other infrastructure	6 289	4 668	1 622	34.7%
Other investments	8 582	6 265	2 317	37.0%
CAPEX	41 190	33 232	7 958	23.9%

In 2022, a proposal for a five-year plan for the development and investment in gas distribution networks for the period 2023-2027 (PDIRD-G 2022) was submitted, with ERSE promoting the exercise of public consultation on the respective proposals and the operators submitting revised proposals, following the recommendations received.

Volume of distributed gas

The volume of natural gas distributed in the distribution network was 16 733 GWh, a decrease of 7.4% YoY, mainly impacted by the decline in the industrial segment (-8.7%), affected by the maintenance of high gas prices and domestic sector (-4.6%), but partially offset by the positive performance of the tertiary segment (+6.2%). The industrial segment represents about 80% of the volume conveyed in the network, however, about 83% of the revenue comes from the domestic and tertiary segments. In 2022, the number of connection points with active contract increased by a net of 5 107, totaling 1 131 266.

7.2. Innovation, adaptation and resilience

7.2.1. Information systems

Floene is developing new ways of working, seeking autonomy in a stand-alone operation, and promoting long-term activities oriented towards the future. One of the highlights of this work focuses on information systems, necessary to manage our risks and opportunities as well as to allow the adaptation of our long-term activity while respecting the incorporation of the social, environmental, and political transition.

The journey of digital and technological transformation of our Company will be based on three fundamental principles:

- **Sustainability**

Develop and implement digital solutions with a positive impact on the environment and climate. This goal will be achieved through a careful selection of technological partners that provide a lower carbon footprint. Business processes based on information systems will be evaluated to reduce energy consumption, namely by encouraging remote activities, and reducing the number of trips, and dematerializing activities, thus reducing the use of consumables;

- **Protection and Security**

Allow information systems to be secure, ensuring the privacy of personal data and protecting the assets that support the operational processes of the Company. The transformation journey provides for a complete re-evaluation of the information systems responsible for the cybersecurity of our organization, in order to protect the interests of people, companies, and public institutions associated with Floene against cybercrime, including data breaches and cyber attacks. This includes protecting digital identity against theft or manipulation;

- **People**

It is intended that the information systems resulting from digital and technological transformation serve and benefit all parties involved in our Company's processes. This includes increasing the transparency of the services provided by these entities to people, companies, and public institutions, and making these services closer to end users.

7.2.2. Energy transition and efficiency

We are evaluating the necessary investment in preparing distribution infrastructures for the gradual incorporation of renewable gases, ensuring alignment with national energy policy and emerging operational and regulatory challenges.

This is the type of investment whose planning depends on the evolution of the measures foreseen in the PNEC 2030, namely regarding the regulation of the injection of renewable gases into the national gas grid.

The projects approved or initiated in 2022 that are mentioned below represent benefits, either for the consumer, obtaining direct savings, or for society in general, by reducing greenhouse gas emissions and primary energy consumption, as well as ensuring system efficiency.

7.3. Quality service, safe and efficient supply

We are committed to providing quality service and safe gas supply that meets the needs of consumers and preserves the integrity of the assets. We have, therefore, maintained our accident prevention actions and ensuring that we carry out our activity safely, protecting employees, service providers, our communities, as well as our assets.

7.3.1. Compliance and development projects

The investment projects in compliance that we carry out over the years, have a very relevant impact on the pillar of safety and guarantee of efficient supply. The main positive impacts identified are:

- Ensuring compliance with regulatory and legal obligations, as well as compliance with public service obligations arising from Concession or License contracts.
- Allowing to reinforce supply security, including capacity reinforcements and contributing to the fulfillment of the required service quality levels.
- Improving the safety conditions of the distribution system and optimizing its operation.
- Ensuring the improvement of the operational efficiency of the gas distribution activity.

- Ensuring the longevity, modernization, and proper functioning of assets related to Concessions and Licenses, namely allowing their use to convey renewable gases, such as biogas and hydrogen.



Investment projects aimed at Floene's residential and industrial segments - benefits:

- Reduction of GHG emissions and energy bill costs for the customer.
- Efficiency gains in the installed equipment and consequent reduction in gas and primary energy consumption.

Throughout 2022, the Market Support Office was created, which aims to act as a facilitator and proximity mechanism with the infrastructure users, while seeking to implement measures that contribute to the sustainability of the sector, namely regarding connection and customer retention programs. Some of the projects and initiatives are presented below.

Connection of Industrial Customers by conversion of consumption to natural gas

In 2022, 71 large customers were connected to the distribution networks of Floene group's DSOs through conversion to natural gas.

Projects initiated in 2022 aimed at the residential segment

PPEC - Lisboaágás, a tangible measure approved by ERSE: Boiler replacement and efficiency improvement

This project aims to replace existing less efficient equipments with newer technology in boilers, namely replacing atmospheric boilers with condensing boilers. This initiative will cover 1 049 equipments.

New Municipalities supplied with natural gas

One of the responsibilities of the DSO is to develop the infrastructure with principles of economic rationality and aligned with the object of concession contracts. Infrastructure development contributes to the increase in the national coverage rate of the gas network, allowing access to cleaner, more economical, and safer energy for families, while promoting territorial cohesion and reducing asymmetries between the coast and the interior regions. These benefits are also reflected in the economic and competitiveness of businesses, where companies have access to a modern gas distribution infrastructure.

In 2022, we started residential connections in the following new municipalities:

- Oliveira do Hospital
- Miranda do Corvo
- Vila Velha de Ródão
- Sobral de Monte Agraço

7.3.2. Changing to the regulated market

From the perspective of gas last resort supplier, in September 2022, the Portuguese government issued a legislation that allows customers with annual consumption below 10 000 m³ to return to the regulated market. This important measure has a direct and immediate impact on families, as it offers a substantially lower energy price alternative than the prices practiced in the liberalized market. As Floene holds 6 LRS, this measure impacted the number of customers of these entities, which increased by about 58% since the beginning of 2022.

7.3.3. Maintenance and operation of the distribution network

The distribution network of Floene requires permanent management, and its maintenance is essentially preventive. As a distribution network operator, our priority is to increase the overall quality of the system, maintaining a high level of safety and reliability in the network's operation. We are responsible for ensuring the operation and maintenance of the infrastructure in terms of safety, reliability, service quality, and uninterrupted operation.

To achieve this, we have a preventive maintenance plan that includes periodic inspection routines for most facilities, surveillance of networks to prevent damage caused by third parties, detection and repair of leaks, and other activities.

Some examples:

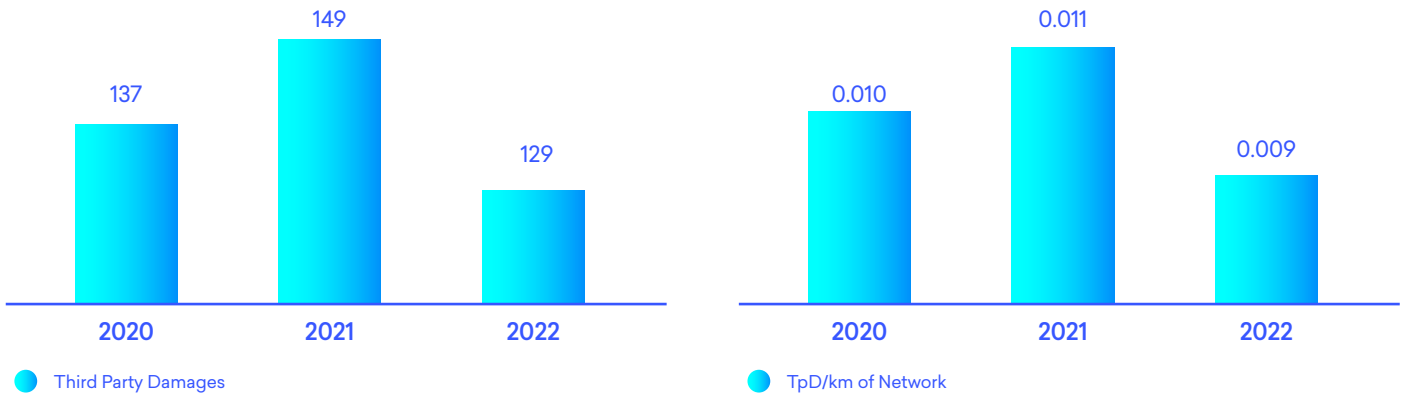
- Visual inspection and functional control of Reduction and Measuring Stations (RMS) and Autonomous Gas Unit (AGU)
- Checking the maneuverability of valves
- Systematic search for leaks along the network
- Adjustment of RMS line settings and inversion
- Search for coating failures of steel pipes

7.3.4. Third party damages

The works carried out by external entities in the vicinity of Floene's distribution network are one of the main risks to the infrastructure's integrity. The works of these external entities include construction and improvement of communication, water or other service networks, requalification of roads, streets, among others. During the year 2022, 129 damages by third parties were recorded, with network and branch ruptures being the most common.

To address this issue we maintain an active multidisciplinary working group to monitor the evolution of these types of damages, their characterization and causes, as well as the most appropriate measures and initiatives to reduce their occurrence. Among the initiatives carried out, the following stand out:

- A reinforcement in the monitoring of construction works;
- Availability and greater accessibility in the consultation of work registry for external entities;
- Create awareness among municipal entities to the importance of warning and reporting the start of works, particularly in areas where gas infrastructure exists.

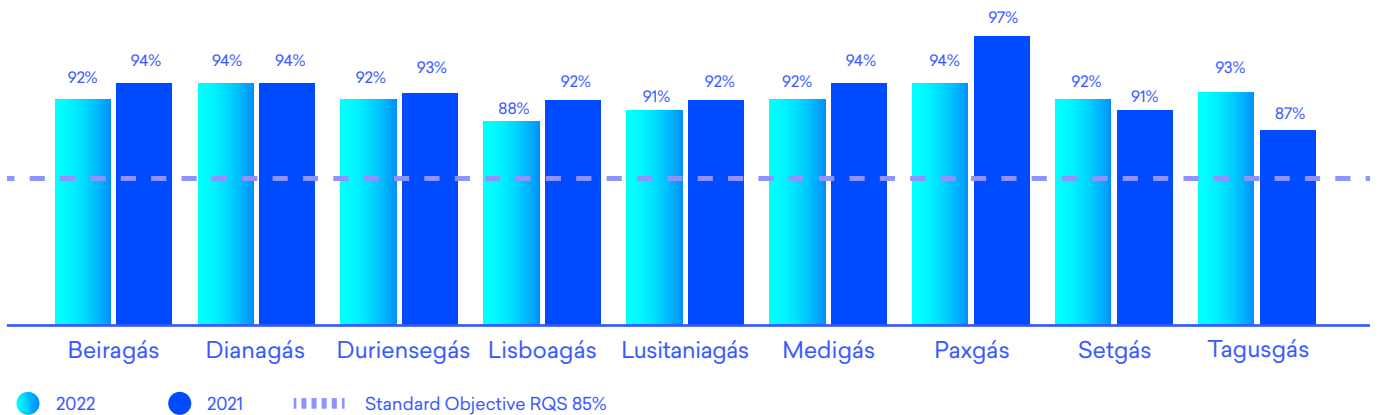


7.3.5. Our emergency response system

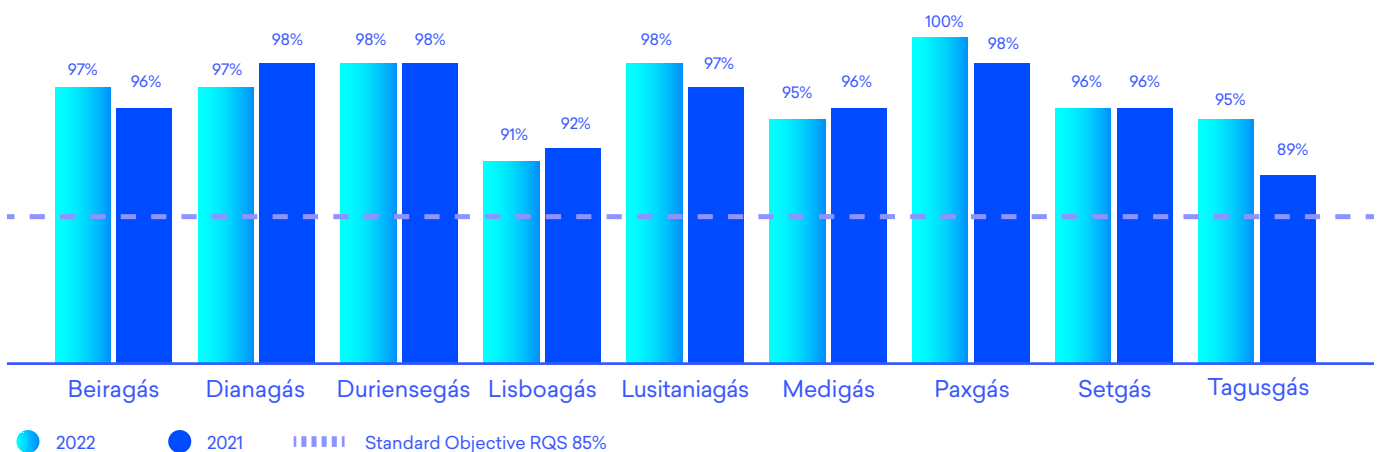
Floene's Distribution Network Operators make available to customers an emergency system, free of charge and permanent (24 hours a day, 365 days a year) that, after being activated by a phone contact and a triage being made, dispatches a prevention team to the location within a maximum period of 60 minutes.

On site, the occurrence is analyzed, and the necessary measures are taken to ensure people and assets' safety. Such measures may include, for example, the interruption of gas supply. In 2022, the Floene group met the standard objective of the Quality of Service Regulation (RQS) regarding emergency responses.

Number of emergency and breakdown telephone calls with waiting time of less than or equal to 60 seconds



Number of emergency situations with arrival time at the location of less than or equal to 60 minutes



7.3.6. Network renewal

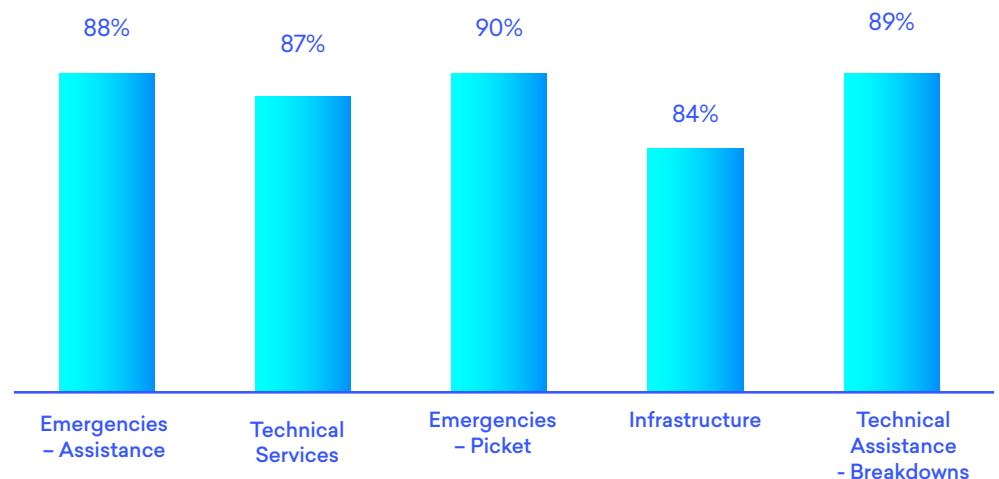
Floene has a modern gas distribution network, with an average of 16 years and mainly composed of polyethylene (94%).

We continue our program of renewing the existing steel network. According to this plan, about 22 km of network have already been renewed since 2020, and the plan is expected to be fully executed by 2026.

7.4. Customer Satisfaction

As a distribution network operator, the quality of service provided to customers monitors issues such as service continuity and characteristics of natural gas supply (technical quality of service) and the services supplied to customers (commercial quality of service). The indicators that we regularly monitor, as provided for in the RQS, demonstrate high levels of service quality over the years.

Level of consumer satisfaction per service provided



In 2022, in addition to the goal of continuously improving the service we provide to gas consumers in different DSOs, additional attention was given to finding the causes leading to the exit of consumers from the national gas system, which has increased in recent years. We sought to act on two distinct areas:

- (i) Design and implement a diagnosis and follow-up services for high-risk clients in the short term.
- (ii) In the context of continuous improvement of operations serving the gas consumer of concessions managed by Floene, we consistently sought to act on the diagnosis and intervention areas.
 - a. Diagnosis: We doubled the dedicated hours for quality control activities and consumer questionnaires, as well as increased satisfaction measurement points. We carried out a survey of the well-being and needs of the teams serving the customer, which culminated in the launch of the Wellbeing Project in the FrontOffice.

- b. Intervention: We increased the number of dedicated hours for training teams that serve the consumer. We carried out the first year of Continuous Improvement Committees, collaborative and multidisciplinary working sessions where all areas with processes convergent with customer interaction are represented. We identified new customer questionnaire methodologies that will streamline and simplify the listening process and additionally increase the number of listening moments.

We partnered with the Portuguese Contact Centers Association (APCC). Through this association, Floene will have access to the best technical information, research, and pilots considered as Best Practices in companies operating in the service of the consumer. We will also have the opportunity to obtain a diagnostic report on the strengths, weaknesses, and opportunities for improvement of Floene's operation, promoted annually by APCC. This adds another strategic external partnership, aimed at continuous improvement of Floene's operations in the FrontOffice customer service.

Also in 2022, we obtained the distinction of Reference Brand in the energy distribution sector (electricity and gas) by Consumers Trust (*Portal da Queixa*), with whom we established a cooperation protocol, which culminated in the annual distinction of Recommended Brand.

7.5. Performance and financial sustainability

7.5.1. Consolidated results

The turnover in 2022 amounted to € 159.4 million, an increase of 0.4% compared to the previous year (YoY). This evolution is net of the positive effect of allowed revenues (including adjustment s-2), amounting to € 4.7 million and the negative effect of the reduction in network access tariffs, related to the use of the transport network (URT) and the global use of the system (UGS) (pass-through mechanism), of around € 4.4 million.

The allowed revenues, included in the turnover category above mentioned, recorded a growth 3.2% YoY, reaching € 147.8 million (including adjustment s-2). This evolution was positively impacted by the increase in the base remuneration rate (RoR) from 4.72% in 2021 to 5.49% in 2022, reflecting the increase in the interest rates of Portuguese Treasury Bonds with a 10-year maturity, as referred to in chapter 7.1. The allowed revenues were accounted for considering the actual value, verified as of December 31, 2022, of the variables that contribute to their calculation, according to the methodology published by ERSE for the current regulatory period.

Net operating costs, excluding the pass-through effect, were € 46.3 million, a 2.7% increase compared to the previous year, explained by the rise in external supplies and services.

Floene's consolidated EBITDA was € 102.3 million, an increase of 3.8% YoY. This favorable evolution, excluding the effects of pass-through activities, is mainly explained by the positive contribution of RoR, as mentioned above, of around € 8.0 million.

EBIT increased by 10.9% YoY to € 53.1 million, benefiting from € 1.9 million decrease in amortizations and depreciations, due to the extension of the useful life of assets assigned to Group companies whose licenses for local distribution network exploitation have been extended until December 31, 2027.

Financial results were negative at € 11.1 million, representing a 9.8% YoY increase, due to the negotiation of a credit line in bond format (Backstop Facility) of € 600 million, that led to a slight increase in the average cost of debt from 1.35% to 1.70%.

The Extraordinary Contribution on the Energy Sector (CESE) continues to significantly impact results at € 11.5 million corresponding to the 2022 CESE and default interest.

The net income attributable to Floene reached € 18.9 million, which represents a growth of € 4.1 million, or 27.9% compared to the previous year.



THOUSANDS OF €	2022	2021	Δ	% Δ
Turnover	159 357	158 724	633	0.4%
Net operating costs	(57 091)	(60 221)	3 130	(5.2%)
EBITDA	102 266	98 503	3 763	3.8%
Amortisation, depreciation and impairment¹	(48 570)	(50 438)	1 867	(3.7%)
Provisions	(597)	(185)	(412)	223.3%
EBIT	53 099	47 881	5 218	10.9%
Financial results ¹	(11 124)	(10 135)	(989)	9.8%
Profit before tax	41 975	37 746	4 229	11.2%
Taxes	(10 676)	(10 261)	(415)	4.0%
Energy sector extraordinary contribution	(11 479)	(11 930)	451	(3.8%)
Consolidated net income	19 819	15 555	4 265	27.4%
Non-controlling interests	(877)	(743)	(134)	18.0%
Net income to Floene	18 942	14 811	4 131	27.9%

¹Includes IFRS 16

7.5.2. Cash Flow

The Cash Flow from operating activities increased by 30.0% YoY to € 82.6 million, supported by the decrease in payments, of about € 19 million, mainly due to the reduction in compensations defined by ERSE, and services execution compared to the previous year.

The Cash Flow from investment activities showed a negative evolution of € 3.2 million, resulting from an increase in investment.

The Free Cash Flow reached € 48.7 million, an increase of € 15.9 million YoY, driven by the improvement in operational Cash Flow already explained above.

The net cash variation was positive by € 20.0 million, accommodating the increase in financial expenses of € 2.4 million due to the contracting of a new credit line - Backstop Facility, and the payment of dividends to shareholders in the amount of € 15 million in 2022. Floene had a cash and cash equivalents balance of € 87.5 million at the end of the period.

THOUSANDS OF €	2022	2021	Δ	% Δ
Cash and equivalents at the beginning of the period	67 484	76 879	(9 395)	(12.2%)
Cash flow from operating activities	82 644	63 562	19 082	30.0%
Cash flow from investment activities	(33 910)	(30 682)	(3 228)	10.5%
Free Cash Flow	48 734	32 880	15 854	48.2%
Payment of loans	(1 042)	(1 042)	0	—
Net financial expenses ¹	(12 653)	(10 233)	(2 420)	23.6%
Payment of dividends	(15 000)	(31 000)	16 000	(51.6%)
Net Cash variation	20 040	(9 395)	29 435	(313.3%)
Cash and equivalents at the end of the period	87 523	67 484	20 040	29.7%

¹Includes lease payments and lease interest (IFRS 16)

7.5.3. Financial Situation

As of December 31, 2022, Floene's net fixed assets were € 1128.2 million, a decrease of € 6.6 million YoY, with an investment level below the amortizations and depreciations of the period.

The working capital decreased by € 14.0 million YoY, impacted by the increase in current liabilities, mainly related to fixed asset suppliers, and income tax payable, as well as the reduction of short-term tariff deviation.

Other non-current assets/liabilities decreased by € 6.1 million YoY, reflecting the € 15.2 million reduction in net liabilities with post-employment benefits and other benefits, as well as the increase in provision for the 2022 CESE tax in € 11.5 million.

The tariff deviation receivable at the end of 2022 reached € 33.6 million, up € 4.0 million YoY, mainly explained by the reduction in billing compared to the revenues allowed during 2022 in € 11.5 million and the recovery of deviations from previous years in € 8.1 million.

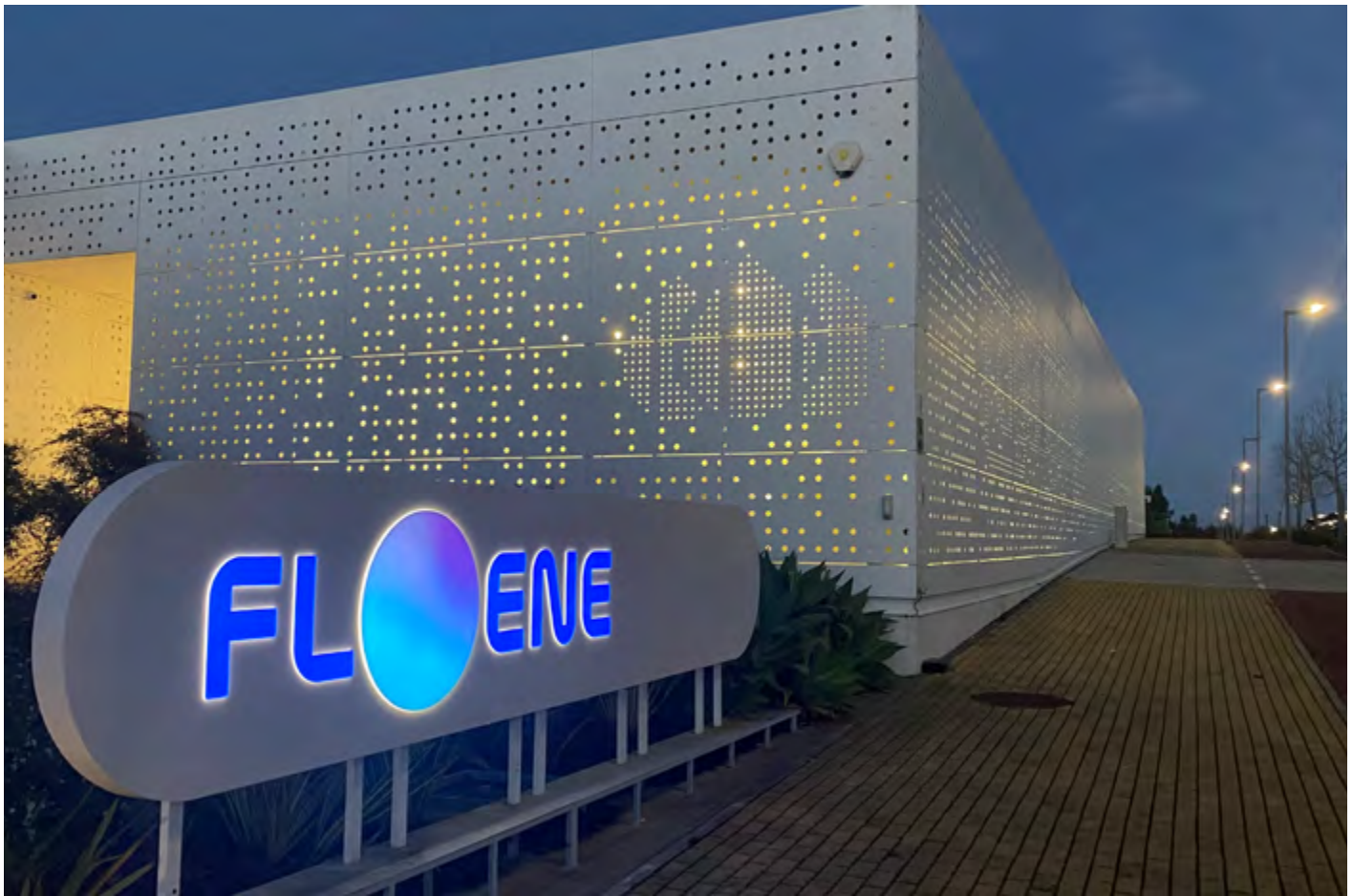
Floene's capital employed decreased by € 6.8 million YoY to € 852.0 million.

At the end of the year, the net debt was € 585.9 million, a decrease of € 21.7 million YoY, mainly due to a rise in cash and cash equivalents of € 20.0 million.

On September 8, 2022, Floene Energias, S.A. contracted a credit line in the bond format, through a banking syndicate, with an underwriting commitment in the total amount of € 600 million. This financing provides the Company with sufficient funds to repay the Notes due in September 2023. The amount was fully available on December 31, 2022, and can be used until September 25, 2023. Once used, the initial maturity will be September 30, with the possibility of extension up to 1 year at the option of the Company.

THOUSANDS OF €	2022	2021	Δ
Net fixed assets	1 128 174	1 134 733	(6 559)
Active use rights (IFRS 16)	11 078	11 499	(421)
Working capital ¹	22 313	36 339	(14 026)
Subsidies to investment	(197 489)	(205 535)	8 046
Other non-current assets (liabilities)	(112 123)	(118 246)	6 123
Capital employed	851 954	858 791	(6 837)
Net Debt	585 856	607 528	(21 672)
Leases (IFRS 16)	11 720	12 027	(307)
Equity	254 378	239 236	15 142
Equity, net debt and leases	851 954	858 791	(6 837)
Net Debt to equity	2.3x	2.5x	—

¹ Working capital = Current Assets - Current Liabilities (excluding Cash and equivalents, Short-term debt, Short-term leases and Short-term subsidies)



7.5.4. Financial Ratios

The Euro Medium Term Note Programme (EMTN), issued by Floene, includes two financial ratios (“Financial Covenants”) in the form of “lock-up of dividends distribution” and the other in the form of “event of default”:

The net debt to EBITDA ratio (5.8x) and the debt service coverage ratio (4.8x) comply with the financial ratios defined in the EMTN Program.

	2022	2021	Lock-up	Default
			Limits	
Net Debt ¹ / EBITDA ²	5.8x	6.2x	> 6.5x	> 7.0x
Debt Service Coverage Ratio ³	4.8x	3.6x	< 2.0x	< 1.5x

¹ Bank Loan + Bond + Accrued Interest - Cash and equivalents

² EBITDA + Provisions

³ (Cash Flow from Operating Activity, excluding CESE - CAPEX Payments) / Interest Service

On December 13, 2022, after its usual annual review, S&P Global Ratings reiterated Floene’s long-term rating of “BBB-” (“investment grade”), with a stable outlook.

08

Future
Prospects



08 Future Prospects

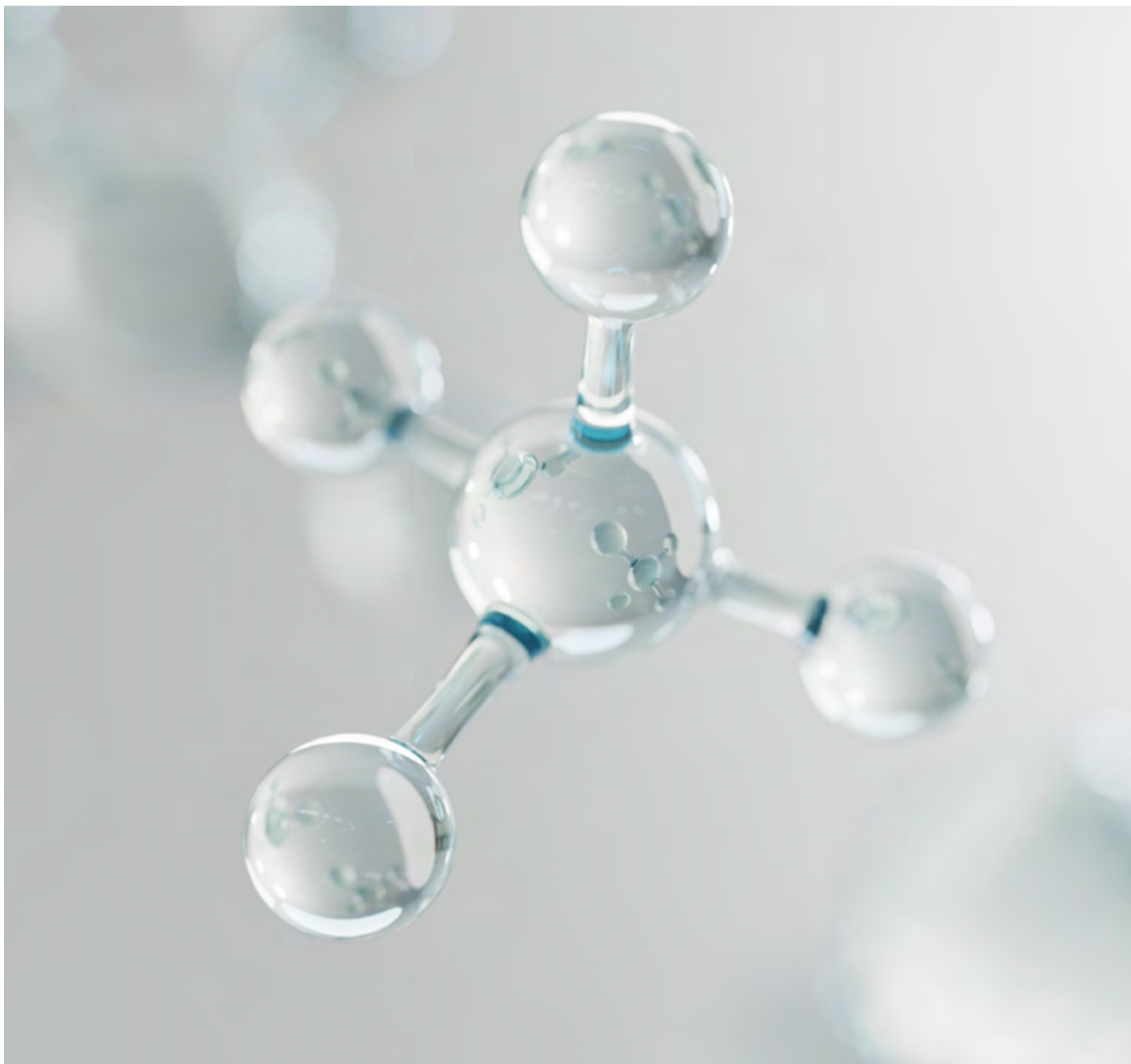
The creation and launch of a new brand during the year 2022 allows the company and its stakeholders to align with the defined strategic objectives, positively impacting on the communities where it operates.

Floene will continue, in 2023, to consolidate its internal transformation and ensure the path to an autonomous operation, while developing its activity based on compliance with applicable legislation and regulation, maintaining principles of safety, efficiency, and reliability.

We will continue to promote and facilitate decarbonization of infrastructures and the energy transition, always ensuring the sustainability of the national gas system and the profitability of the assets we manage.

2023 will be a year of acceleration of the transformation of the energy sector and the gas sector in particular, with increasing demand and development expected for the production and use of renewable gases.

2023 will be a year of acceleration of the transformation of the energy sector and the gas sector in particular, with increasing demand and development expected for the production and use of renewable gases. We are confident that the regulatory framework, in this area, will continue to be developed and contribute to achieving a balanced and fair transition, recognizing the important role of gas networks in this process.



We believe that the learning from the first injection of hydrogen into Floene network will allow us to follow the green hydrogen and biomethane projects, approved under the PRR, in the coming years. In total, Portugal will have 25 selected projects in the Environmental Fund's notice for hydrogen and renewable gases, corresponding to investments of, approximately, 234 million euros.

We are confident that our positioning and actions will lead us to view future transformations as a set of opportunities for creating common value. 2023 will be a year of materializing some important initiatives and projects, relevant for the decarbonization of the sector, which will allow us to have a positive impact on social and environmental aspects.

09

Proposed
Application of Results



09 Proposed application of results

Floene closed the year 2022 with a positive net profit of € 3 717 590.57 (three million, seven hundred and seventeen thousand, five hundred and ninety euros and fifty seven cents), calculated on an individual basis, in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under the terms of the law, that the net profit for the year 2022 of € 3 717 590.57 be applied as follows:

- Allocation to the legal reserve in the amount of € 185 879.53
- Transfer to retained earnings of € 3 531 711.04

It is also proposed to distribute to the employees and executive-directors of Floene Group, as profit sharing for 2022, a maximum amount of up to € 3 475 610.00, an amount already recognized and expressed in the consolidated financial statements of Floene and in the individual financial statements of each of its participated companies. The respective net results for 2022 were already calculated considering that amount.

The distribution to employees will be determined by the Executive Committee, under the terms of the applicable internal rules, and the amount to the executive directors will be determined by the General Meeting, under the applicable legal terms.



BOARD OF DIRECTORS

Diogo António Rodrigues da Silveira
President

Roxana Tataru
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
CEO

Yoichi Onishi
CSO

Pedro Álvaro de Brito Gomes Doutel
CFO

José Manuel Rodrigues Vieira
COO

Lisbon, April 27th, 2023

10

Relevant facts occurring
after the closing
of the financial year



10 Relevant facts occurring after the closing of the financial year

Refinancing

At the end of 2022, Floene had around 90% of its financial debt contracted through a Euro Medium-Term Note (“EMTN”) bond loan, in the amount of € 600 million, which will mature in September 2023. The interest rate on the loan is a fixed rate of 1.375%, for the period.

In early March 2023, the Company began the process of refinancing the EMTN, having carried out a partial buyback operation in the amount of € 180 million. This transaction was financed through a bank syndicate and had a variable interest rate indexed to Euribor and a contractual spread. After this operation, Floene still has € 420 million in its EMTN loan at a fixed rate.

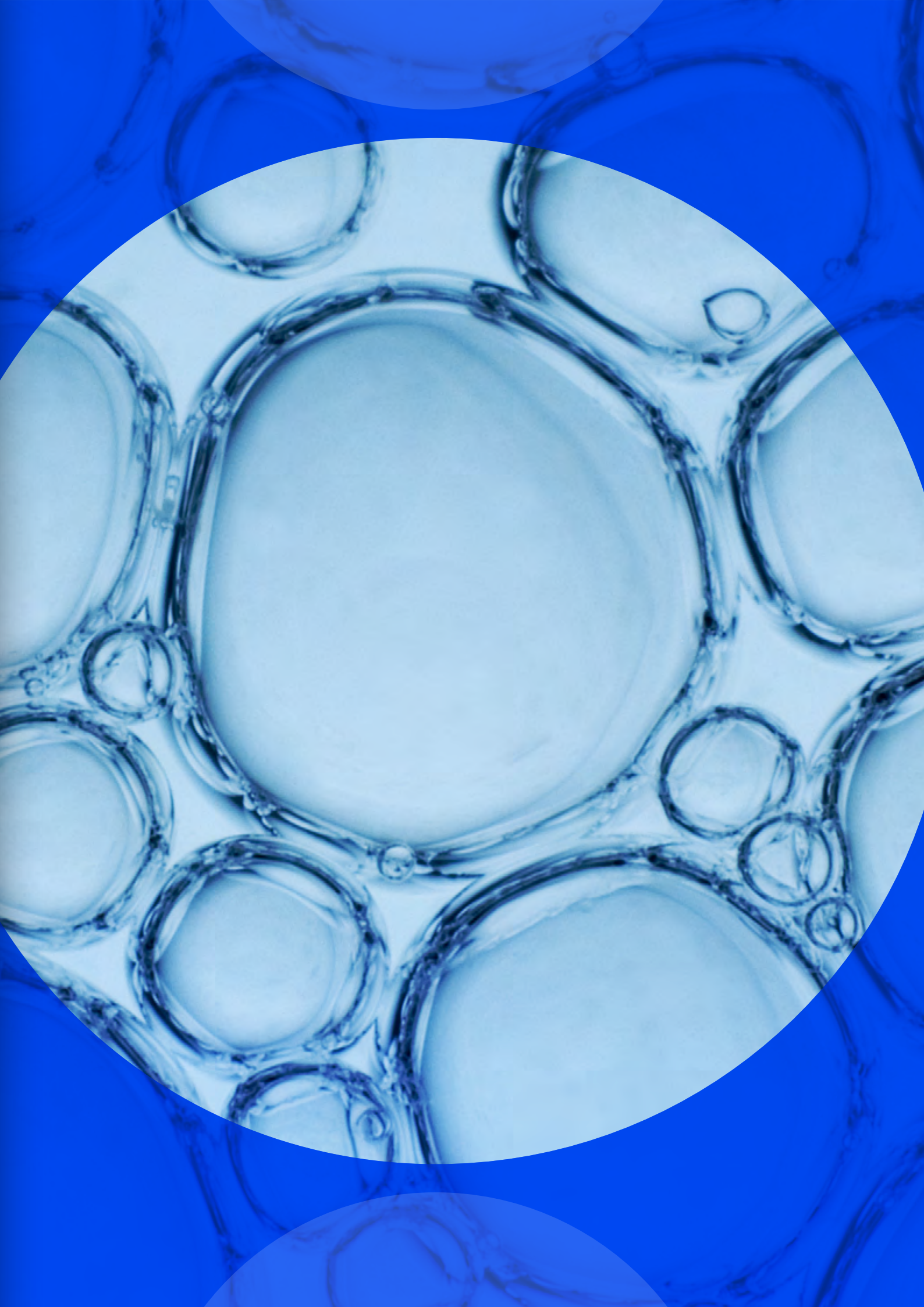
CESE

- On March 16, 2023, Ruling No. 101/2023 was issued by the Constitutional Court regarding the Extraordinary Contribution on the Energy Sector (CESE) for the year 2018, in favor of the Floene Group Company, Lisboagás, S.A., declaring this tax unconstitutional. The financial impact of this ruling amounts to approximately € 5 million and is fully provisioned (Note 33 of the annex to the consolidated financial statements).
- On March 28, 2023, the Constitutional Court issued a summary decision No. 201/2023, regarding the CESE of 2018, in favor of the Floene Group Company, PAXGÁS - Natural Gas Distributor of Beja, S.A., in the amount of € 54 thousand euros, an amount that is fully provisioned.

Taking into consideration the ongoing analysis by the Company's Administration and the deadlines for appealing the decision made, no adjustment has been made to the financial statements as of December 31, 2022, in the amounts recognized in the Provisions category at this date.

11

Our Report



11 Our Report

Annual Report 2022

Floene Energias S.A. has published its Consolidated and Individual Management and Accounts Report for 2022, as required by current regulations and standards.

Aware of the increasing importance of an integrated and balanced analysis of its sustainability performance, Floene also includes in its Consolidated Management and Accounts Report information on its ESG performance and its alignment with the United Nations Sustainable Development Goals.

Floene has a bond listed on the London Stock Exchange (LSE), and as such, this report complies with LSE and Financial Conduct Authority (FCA) requirements, including the disclosure of the report within four months after the end of the fiscal year, making it available to the public for at least 10 years, including audited financial statements, management reporting, and statements of responsibility.

During the second half of 2022, Floene (still under the name GGND), conducted a stakeholder consultation in accordance with the requirements of the AA1000 Stakeholders Engagement Standard, in order to analyze materiality. The applied materiality analysis responded to the concept of double materiality, where the identification of financially material issues, which evaluate issues with financial, operational, and reputational relevance, was complemented by the evaluation of the impacts of our activities and business relationships on the economy, environment, and people, including human rights.

To enhance readability and ease of reference, the document is interactive, and readers can use the numbering at the top to navigate between chapters and annexes. Throughout the report, there are hyperlinks to internal chapters and external websites that provide additional information on the topics covered.

Period, scope, and limits of sustainability reporting

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards version 2021 and includes Floene's commitments, strategies, initiatives, projects, and programs during the period from January 1 to December 31, 2022. This report is published annually.

This report includes all activities of the Floene Energias S.A. Group, including its 9 Regional Distribution Operators.

Date of report publication and information presentation

Floene's Management and Consolidated Accounts Report will be published on April 28, 2023. This reporting document is in digital format and can be accessed on the Floene website.

Acknowledgments

The Board of Directors of Floene would like to express its appreciation, to all those who, individually or jointly, contributed to the results achieved and the preparation of this report. Floene will do everything to continue improving the quality of its service and its social and environmental performance.

Opinion and contacts

We value and are interested in hearing the opinions of all our stakeholders. Therefore, if you need any clarification or additional information on the topics covered in this report, please contact:

Investor Relations, Risk, and Social, Environmental and Governance
Responsibility Management

ir@floene.pt

Phone: (+351) 219 023 417

Address: Rua Tomás da Fonseca Torre C, 6ºPiso 1600-209 Lisboa, Portugal

12

Annexes



Annex I - Declarations**A. Governing Bodies**

As of this date, the composition of Floene's corporate bodies for the current 2022-2024 term of office is as follows:

Board of the General Assembly

Nuno Cunha Rodrigues, President

Rafael de Almeida Garrett Lucas Pires, Secretary

Company Secretary

Pedro Maria Soares Cruz Teles Feio, Effective

Ana Trouillet Pessoa, Alternate

Board of Directors

Diogo António Rodrigues da Silveira, President

Roxana Tataru (1), Member

Karl Klaus Liebel, Member

Ippei Kojima, Member

Nuno Luís Mendes Holbech Bastos, Member

Gabriel Nuno Charrua de Sousa, Member (CEO)

Yoichi Onishi, Member (CSO)

Pedro Álvaro de Brito Gomes Doutel, Member (CFO)

José Manuel Rodrigues Vieira, Member (COO)

Executive Committee

Gabriel Nuno Charrua de Sousa, CEO

Yoichi Onishi, CSO

Pedro Álvaro de Brito Gomes Doutel, CFO

José Manuel Rodrigues Vieira, COO

Audit Board (2)

Pedro Miguel Ribeiro de Almeida Fontes Falcão, President

Manuel Lázaro Oliveira de Brito, Member

José Carlos Carvalho Brites, Member

Amável Alberto Freixo Calhau, Alternate Member

Statutory Auditor

PricewaterhouseCoopers & Associados – SROC, Lda., represented by:

Rita da Silva Gonçalves dos Santos, ROC n.º 1681, Effective

José Manuel Henriques Bernardo, ROC n.º 903, Alternate

(1) Unanimous social decision in writing of September 1st, 2022.

(2) Unanimous social decision in writing of May 16th, 2022.



B. Qualified holdings in the company's share capital on 31 December 2022

Shareholders	No. of Shares	Nominal Value	%
Allianz Infrastructure Luxembourg I S.ar.l.	40 743 759	1.00 EUR	45.51%
Allianz European Infrastructure Acquisition Holding S.à.r.l.	26 412 050	1.00 EUR	29.50%
Meet Europe Natural Gas, Lda.	20 144 057	1.00 EUR	22.50%
Petrogal, S.A	2 229 275	1.00 EUR	2.49%
Total	89 529 141	1.00 EUR	100.00%

C. Own shares

(Articles 66 d) and 325-A paragraph 1 of the Portuguese Companies Code).

During the 2022 financial year, Floene did not acquire or dispose of any of its own shares. On 31 December 2022, Floene did not hold any own shares.

D. Shareholder position of the members of the management and supervisory bodies as at 31 December 2022

(Article 447 paragraph 5 of the Portuguese Companies Code).

None of the members of the management and supervisory bodies held Floene shares or bonds on 31 December 2022.

E. Annual amount of remuneration earned, on aggregate and individually, by members of the Company's management and supervisory bodies and the board of the General Meeting in 2021

(Article 3 of Law No. 28/2009 of 19 June, applicable pursuant to Article 3 of the Legal Framework of Audit Supervision approved by Law No. 148/2015 of 9 September).

The gross annual amount of remuneration earned on aggregate and individually in 2022 by the members of the Company's management and supervisory bodies and the board of the general meeting currently in office is shown in the table below.

Directors

Unit: EUR

Name	Position	Fixed Remuneration ¹	Other Remunerations ²	Variable Remuneration ³	Total
Diogo da Silveira	Chairman of the Board of Directors non-executive	209 750	0	0	209 750
Gabriel Sousa	Executive director (CEO)	171 129	2547	86 502	260 177
Pedro Doutel	Executive director (CFO)	160 000	2749	12 500	175 249
Yoichi Onishi	Executive director (CSO)	105 000	68 795	64 888	238 683
José Vieira	Executive director (COO)	134 750	2 794	80 075	217 619
Total		780 629	76 885	243 965	1 101 478

¹ Includes amounts related to Salary, Holiday Allowance and Christmas Allowance.

² Includes amounts related to Food Allowance and amounts associated with expatriation.

³ Includes amounts related to Variable Remuneration and Triennium Variable 2019-2021.

Audit Board

Unit: EUR

Name	Position	Fixed Remuneration
Daniel Bessa ^(a)	President	14 000
Armindo Marcelino ^(a)	Member	6 000
Pedro Almeida ^(a)	Member	6 000
Pedro Falcão ^(b)	President	18 790
Carlos Brites ^(b)	Member	15 659
Manuel Brito ^(b)	Member	9 395
Total		69 844

^(a) Remuneration from January to April 2022. Copied position(s).

^(b) Remuneration from May 16th to December 2022.

Board of the General Assembly

Unit: EUR

Name	Position	Attendance fees
Ana Perestrelo ^(a)	Presidente	1 500
Rafael Lucas Pires	Secretário	500
Total		2 000

^(a) Copied position - currently Nuno Cuna Rodrigues without paid attendance tokens in 2022.

Statutory Auditor/External Auditor

The value of auditing services in 2022 amounted to € 96 800, and for other services not related to auditing, it was € 22 750.

In 2022, the following services were provided by the Statutory Auditor/External Auditor and entities belonging to their network to the Company and companies under its control, separate from the audit services:

- Limited Review of Floene;
- Verification of physical quantities, subsurface occupancy rates, and regulated accounts of Group Companies for regulatory purposes.

In 2022, non-audit services represented 19% of the average fees paid to the External Auditor in 2019, 2020, and 2021 for financial audit services provided to Floene and entities under the control of Floene during the same period.

F. Provision of services to group companies and creditor positions in subsidiaries

Article 5, paragraph 4 of Decree-Law no. 495/88 of December 30th, as amended by DecreeLaw no. 318/94 of December 24th).

See Note 28 in the notes to the individual financial statements and Note 30 in the notes to the consolidated financial statements.



Annex II - Declaration of compliance by members of the Board of Directors

In accordance with the reporting principles applicable to annual financial information, each of the members of the Board of Directors listed below declares that, to the best of their knowledge, the management report, annual accounts, legal certification of accounts, and other accountability documents relating to the year 2022 have been prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position, and results of Floene and the companies included in the consolidation perimeter, and that the management report faithfully reflects the business development, performance, and position of Floene and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties faced by Floene and the companies included in the consolidation perimeter in their activity.

Lisbon, April 27th, 2023

The Board of Directors

Diogo António Rodrigues da Silveira
President

Roxana Tataru
Member

Karl Klaus Liebel
Member

Ippei Kojima
Member

Nuno Luís Mendes Holbech Bastos
Member

Gabriel Nuno Charrua de Sousa
Member

Yoichi Onishi
Member

Pedro Álvaro de Brito Gomes Doutel
Member

José Manuel Rodrigues Vieira
Member

Annex III a – Consolidated Financial Statements

Disclaimer:
Translation of a report originally
issued in Portuguese.
In the event of a discrepancy, the
Portuguese language version
prevails.

contents

Consolidated statement of financial position	104
Consolidated statement of income and other comprehensive income	106
Consolidated statement of changes in equity	107
Consolidated statement of cash flow	108
Notes to the consolidated financial statements as at 31 december 2022	109
Introductory note	109
Significant accounting policies, judgments and estimates	111
Impact of new or amended international financial reporting standards	114
Segment information	115
Tangible assets	119
Intangible assets	121
Leases	124
Government grants and other grants	127
Goodwill	128
Financial investments in subsidiaries	129
Inventories	129
Trade receivables and other receivables	129
Other financial assets	133
Cash and cash equivalents	133



Financial debt	133
Trade payables and other payables	136
Income taxes	137
Post-employment and other employee benefit liabilities	139
Provisions	143
Derivative financial instruments	145
Financial assets and liabilities	145
Financial risk management	147
Equity	148
Non-controlling interests	150
Revenue and income	150
Costs and expenses	154
Staff costs	155
Financial income and expenses	156
Contingent assets and liabilities and provided guarantees	156
Related parties	158
Companies from the floene group	160
Subsequent events	162
Approval of the consolidated financial statements	162
Translation note	162

Consolidated statement of financial position

Consolidated statement of financial position as at 31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

ASSETS	NOTES	2022	2021
Non-current assets:			
Tangible assets	5	445	450
<i>Goodwill</i>	9	2 275	2 275
Intangible assets	6	1 127 729	1 134 283
Right-of-use of assets	7	11 078	11 499
Deferred tax assets	17	14 364	17 551
Other receivables	12	20 055	14 237
Other financial assets	13	3	3
Total non-current assets:		1 175 950	1 180 299
Current assets:			
Inventories	11	1 200	1 810
Trade receivables	12	9 260	10 696
Other receivables	12	62 025	68 406
Cash and cash equivalents	14	87 523	67 484
Total current assets:		160 009	148 395
Total assets:		1 335 959	1 328 694
Equity and Liabilities			
Equity:			
Share capital	23	89 529	89 529
Ancillary capital contributions	23	19 516	19 516
Reserves	23	13 037	12 080
Retained earnings		111 206	97 911



ASSETS	NOTES	2022	2021
Total equity attributable to shareholders:		233 289	219 036
Non-controlling interests	24	21 089	20 200
Total equity:		254 378	239 236
Liabilities:			
Non-current liabilities:			
Financial debt	15	72 337	673 969
Lease liabilities	7	10 610	11 012
Other payables	16	190 144	197 415
Post-employment and other employee benefit liabilities	18	47 130	62 370
Deferred tax liabilities	17	18 755	19 596
Provisions	19	81 069	69 256
Total non-current liabilities:		420 046	1 033 617
Current liabilities:			
Financial debt	15	601 042	1 042
Lease liabilities	7	1 110	1 015
Trade payables	16	8 445	8 381
Other payables	16	47 381	44 185
Current income tax payable	17	3 557	1 217
Total current liabilities:		661 535	55 840
Total liabilities:		1 081 581	1 089 457
Total equity and liabilities:		1 335 959	1 328 694

The accompanying notes form an integral part of the consolidated statement of financial position and must be read in conjunction.

Consolidated statement of income and other comprehensive income

Consolidated statement of income and other comprehensive income for the years ended
31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	NOTES	2022	2021
Sales	25	3 842	3 416
Services rendered	25	155 515	155 308
Other operating income	25	47 499	40 690
Financial income	28	130	170
Total revenue and income:		206 986	199 584
Cost of sales	26	(2 566)	(1 946)
Supplies and external services	26	(40 979)	(44 877)
Staff costs	27	(22 477)	(22 633)
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	26	(48 570)	(50 438)
Provisions	19 and 26	(597)	(185)
Impairment losses on accounts receivables	26	(87)	(30)
Other operating costs	26	(38 481)	(31 426)
Financial expenses	28	(11 254)	(10 305)
Total costs and expenses:		(165 011)	(161 839)
Profit before taxes and other contributions:		41 974	37 746
Income Tax	17	(10 676)	(10 261)
Energy Sector Extraordinary Contribution	19	(11 479)	(11 930)
Consolidated net income for the year		19 819	15 555
Income attributable to:			
Floene Energias, S.A. Shareholders		18 942	14 811
Non-controlling interests	24	877	743
Basic and Diluted Earnings per share (in Euros)		0.21	0.17
Consolidated net income for the year		19 819	15 555
Items which will not be recycled in the future through net income			
Remeasurements - pension benefits	18	12 449	(284)
Income taxes related to actuarial gains and losses	17 and 18	(2 138)	(274)
Total other comprehensive income:		10 310	(558)
Total comprehensive income for the year, attributable to:		30 130	14 996
Floene Energias, S.A. Shareholders		29 253	14 253
Non-controlling interests		877	743

The accompanying notes form an integral part of the consolidated statement of income and other comprehensive income and must be read in conjunction.



Consolidated statement of changes in equity

Consolidated statement of changes in equity for the years ended
31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	Notes	Share Capital	Ancillary capital contributions	Reserves	Retained earnings	Sub-total	Non-controlling interests (Note 24)	Total
As at 1 January 2021		89 529	-	11 045	115 476	216 050	19 952	236 002
Consolidated net income for the year		-	-	-	14 811	14 811	743	15 555
Other comprehensive income	18	-	-	-	(558)	(558)	-	(558)
Comprehensive income for the year		-	-	-	14 253	14 253	743	14 996
Other adjustments		-	-	-	(268)	(268)	-	(268)
Dividends distributed		-	-	-	(30 515)	(30 515)	(492)	(31 007)
Increase/decrease in capital reserves		-	-	1 035	(1 035)	-	(4)	(4)
Constitution/Increase in ancillary capital contributions	23		19 516	-	-	19 516	-	19 516
As at 31 December 2021		89 529	19 516	12 080	97 911	219 036	20 200	239 236
Consolidated net income for the year		-	-	-	18 942	18 942	877	19 819
Other comprehensive income	18	-	-	-	10 310	10 310	-	10 310
Comprehensive income for the year		-	-	-	29 253	29 253	877	30 130
Dividends distributed	23	-	-	-	(15 000)	(15 000)	-	(15 000)
Increase/decrease in capital reserves	23	-	-	957	(957)	-	12	12
As at 31 December 2022		89 529	19 516	13 037	111 206	233 289	21 090	254 378

The accompanying notes form an integral part of the consolidated statement of changes in equity and must be read in conjunction.

Consolidated statement of cash flow

Consolidated statement of cash flow for the years ended 31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	NOTES	2022	2021
Operating activities:			
Cash received from customers		226 193	226 677
(Payments) to suppliers		(56 997)	(69 852)
(Payments) to staff		(30 223)	(28 084)
(Payments) relating to VAT		(28 709)	(28 823)
(Payments) relating to income tax		(8 106)	(12 752)
(Payments) relating to Subsoil occupation levies		(17 323)	(19 496)
(Payments) relating to Energy Sector Extraordinary Contribution	19 and 23	(13)	(1 053)
Other receipts relating to the operational activity		(2 177)	(3 056)
Cash flow from operating activities (1)		82 644	63 562
Investing activities:			
Cash received from disposals of tangible and intangible assets		-	1
(Payments) for the acquisition of tangible and intangible assets		(33 913)	(30 681)
Cash received relating to financial investments		-	(2)
Cash received from interest and similar gains		3	
Cash flow used in investing activities (2)		(33 910)	(30 682)
Financing activities:			
(Payments) related to loans obtained	15	(1 042)	(1 042)
(Payments) from interests and similar costs		(11 490)	(9 150)
Payments relating to leases	7	(815)	(728)
Payments relating to lease interests	7	(348)	(354)
Dividends paid	23	(15 000)	(31 000)
Cash flow used in financing activities (3)		(28 694)	(42 275)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		20 040	(9 395)
Cash and cash equivalents at the beginning of the year	14	67 484	76 879
Cash and cash equivalents at the end of the year	14	87 523	67 484

The accompanying notes form an integral part of the consolidated statement of Cash flow and must be read in conjunction.

1. Notes to the consolidated financial statements as at 31 December 2022

1.1 Introductory Note

Parent-Company

Floene Energias, S.A. (designated as “Floene” or “Company”), established on 2 December 2009 and formerly designated Galp Gás Natural Distribuição, S.A., with Head Office at Rua Tomás da Fonseca in Lisbon, Portugal and with the corporate purpose of developing activity in the energy sector, especially the natural gas distribution and commercialisation, including supporting management services in the areas of management, administration, and logistics, purchasing and supply and information systems.

Pursuant to Article 3 of the Legal Framework of Audit Supervision approved by Law 99-A/2021 of 31 December, with entry into force on 1 January 2022, the Company no longer meets the criteria to be classified as a public interest entity in Portugal with reference to the said date.

The Group

On 31 December 2022, the Floene Group is composed by Floene Energias, S.A. and subsidiaries (joint-ly as “Group” or “Floene Group”), that develop their activities in the distribution and last resort commercialisation of natural gas.

In October 2016, Galp Gás & Power, SGPS, S.A. (nowadays Galp New Energies, S.A.) sold 22.50% of the Floene Energias Group, S.A. to Meet Europe Natural Gas Lda. This sale resulted in an agreement concluded in 28 July 2016 between Galp Energia SGPS, S.A., through its subsidiary Galp New Energies, S.A. and Marubeni Corporation and Toho Gas Co. Ltd..

On 26 October 2020, Galp New Energies S.A. agreed with Allianz Capital Partners, on behalf of the insurance companies Allianz Infrastructure Luxembourg II S.à.r.l. and Allianz European Infrastructure Acquisition Holding S.à.r.l., to sell 75.01% of its stake in Floene with the remaining 2.49% of Floene’s share capital being held by Galp through its subsidiary Petrogal, S.A..

On 24 March 2021, and after the regulatory authorisations and obtaining consents from third parties, Allianz Capital Partners which ultimate beneficial owner is Allianz SE, became the holder of 75.01% of Floene’s share capital. The remaining share capital of Floene are held by Meet Europe Natural Gas, Lda and by Petrogal, S.A..

Gas Activity

The business segment of gas covers the natural gas distribution, exercised under a public service regime, and the natural gas commercialisation as a retail last resort, according to the applicable regulation.

This public service was granted by the Portuguese State to the Floene Group companies, five of which operate under a Concession contract for a period of 40 years starting in 2008 (until the year 2047), while the others operate under exploration licenses for operating the local distribution network, for a period of 20 years, from 1 January 2008 until 2027 and, as it supplies gas to less than 100 000 customers, last resort commercialisation retailer

licenses were also granted, to the commercialisation to customers with consumption below 2Mm³/year, who choose to remain under the regulated tariff regime. The licenses for gas distribution and commercialisation, whose period ended in 2022, were reissued in February 2022, pursuant to paragraph 2 of article No. 70 of Decree-Law 140/2006 from 26 July, starting from 1 January 2008 to 31 December 2027, similar to the other licenses held by the Group.

In summary, for each subsidiary company, the detail of concession/licenses, as well as their maturity, is presented below:

Subsidiary	Licences and period
Beiragás Companhia de Gás das Beiras, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution and Last Resort Commercialisation Retailer activities.
Tagusgás Empresa de Gás do Vale do Tejo, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution and Last Resort Commercialisation Retailer activities.
Lusitaniagás Companhia de Gás do Centro, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution activity.
Lisboagás GDL Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution activity.
Setgás Sociedade Distribuidora de Gás Natural, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution activity
Dianagás Sociedade Distribuição de Gás Natural de Évora, S.A.	Exploration licenses: for a period of 20 years, which ends in the year 2027 for the Évora exploration hub (the start date of the license was modified in 2022 under paragraph 2 of article No. 70 of Decree-Law 140/2006 from 26 July, starting from 1 January 2008) and Sines, for the Distribution and Last Resort Commercialisation Retailer activities.
Duriensegás Sociedade Distribuidora de Gás Natural do Douro, S.A.	Exploration licenses: for a period of 20 years, which ends in the year 2027 (for Bragança, Chaves and Vila Real the start date of the license was modified in 2022 under paragraph 2 of article No. 70 of Decree-Law 140/2006 from 26 July, starting from 1 January 2008) for the Amarante, Bragança, Chaves, Marco de Canaveses and Vila Real exploration hubs, for the Distribution and Last Resort Commercialisation Retailer activities.
Medigás Sociedade Distribuidora de Gás Natural do Algarve, S.A.	Exploration licenses: for a period of 20 years, which ends in the year 2027 for the Faro and Olhão exploration hubs (the start date of the license was modified in 2022 under paragraph 2 of article No. 70 of Decree-Law 140/2006 from 26 July, starting from 1 January 2008) and Portimão, for the Distribution and Last Resort Commercialisation Retailer activities.
Paxgás Sociedade Distribuidora de Gás Natural de Beja, S.A.	Exploration licenses: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution and Last Resort Commercialisation Retailer activities.



During 2022, was approved the first change to the Tariff Regulation for the Gas Sector, according to Regulation No. 583/2022, published in the Republic Diary No. 123/2022, series 2 of 28 June, having been reviewed the normative text related to the calculation of the discount adjustment resulting from the social tariff application, in order to make its application clearer.

Was also published the Decree-Law No. 57-B/2022, in the Republic Diary No. 172/2022, series of 6 September, that established the exceptional and temporary regime that allows natural gas final clients with annual consumption less than or equal to 10 000 m³ join to the natural gas regulated tariff regime, as well as, the Decree-Law No. 84-D/2022, in the Republic Diary No. 236/2022, series 1 of 9 December, that approves the creation of the transitory regime of gas price stabilization by corporate entities with consumptions higher than 10 000 m³.

At last, stands out the approval to the gas tariffs and prices for the gas year of 2022-2023, according to the Directive No. 15/2022, published in the Republic Diary No. 123/2022, series of 28 June.

Within the scope of the Tariff Regulation, the Group develops the Gas Distribution Activity (“ADG”) and the Network Access Activity (“AAR”) in the scope of its Distribution Network Operator (“DSO” or “ORD”) activity, and the Gas Commercialisation Activity, in the scope of its Last Resort Commercialisation Retailer (“LRS” or “CURR”), which includes the following functions: (i) Purchase and Sale of gas (“FCVG”); (ii) Purchase and Sale of Network Access (“FCVAR”); (iii) and Commercialisation of gas (“FCG”).

Due to the current situation resulting from the geopolitical conflict between Russia and Ukraine, Floene management continues to monitor the evolution of the situation, in order to control any operational risks, guarantee the maintenance of its activities and mitigate any materially relevant financial impacts in Floene Group companies. Up to the date of approval of the accounts, the geopolitical conflict with Russia had not had significant impacts on the activity.

2. Significant accounting policies, judgments and estimates

2.1. Basis of presentation

Financial Statements are presented in thousands of Euro (unit: € k), rounded to the nearest thousand, unless otherwise stated. Therefore, the subtotals and totals of the tables presented in these consolidated financial statements and explanatory notes may not be equal to the sum of the amounts presented, due to rounding.

Company’s consolidated financial statements were prepared on a going concern basis, at historical cost, on the accounting records of companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2022. 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 accounting policies adopted are, according to their content, included in the respective note in the notes to the financial statements. Common or generic accounting policies for several notes is found in this Note.

Information disclosure

Due the United Kingdom’s exit from the European Union, and since the bonds issued by Floene Energias, S.A. under the Medium Term Note Program are only admitted to trading on the main market of the London Stock Exchange, Floene Energias, S.A. is no longer subject to the supervision of the Securities Market Commission (CMVM - “Comissão do Mercado de Valores Mobiliários”) and to the obligations to provide and disclose information provided for in the Securities Code (CVM - “Código dos Valores Mo-biliários”). Thus, Floene Energias, S.A. became to be subject to the supervision of the Financial Conduct Authority (FCA) and to continue to provide and disclose relevant information in accordance with the re-ported and transparency obligations established by the FCA for issuers of securities.

It should also be noted that, in accordance with the regime established by the FCA, the IFRS issued by IASB are equivalent to the International Financial Reporting Standards adopted by the United Kingdom for the purposes of the Transparency Rules (in the terms defined by section 474 (1) of the Companies Act 2006).

2.2. Judgments and estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and expenses recognised each year. The actual results could be different depending on the estimates currently made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is great uncertainty or a high susceptibility of these situations to changes; and (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of the financial statements are: (i) impairment of goodwill, tangible and intangible assets and right-of-use assets (Notes 9, 5, 6 and 7); (ii) provisions for contingencies (Note 19); (iii) demographic and financial assumptions used to calculate liabilities for retirement and other benefits (Note 18); (iv) impairment of accounts receivable (Note 12); (v) useful lives and residual values of tangible and intangible assets (Note 5 and 6); and (vi) deferred tax assets and uncertain tax position estimates (Note 17); and (vii) revenue and income (Note 25).

2.3. Accounting policy

Translation of foreign currencies

Transactions are recorded in the separate financial statements of the subsidiaries in its functional currency, at the exchange rates in force on the dates of the transactions.

The monetary assets and liabilities expressed in foreign currency in the separate financial statements of the are translated into the functional currency of each subsidiary, using the exchange rate prevalent at the date of the end of the reporting period.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated statement of Income in the same captions where the revenue and expenses associated with these transactions are reflected.

Basic and diluted earnings per share

The basic earnings per share are calculated based on the division of profits or losses attributable to holders of the Company's common equity by the weighted average number of outstanding common shares during the period. For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to holders of the Company's common equity, as well as the weighted average number of outstanding shares, for the purposes of all potential diluting common shares. In the period covered by these financial statements, there were no dilutive effects with an impact on net earnings per share, so this is equal to the basic earnings per share.

3. Impact of new or amended International Financial Reporting Standards

3.1 Published standards and interpretations that came into force in the financial year

The IFRS standards approved and published in the Official Journal of the European Union (“OJEU”) with application during the year 2022 are summarised in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendment to IFRS 3 Definition of business, IAS 16 Tangible fixed assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual improvements of standards IFRS cycle 2018-2020	02/07/2021	01/01/2022	2022	No relevant impact.

3.2. Published standards and interpretations that will become effective in future years

The IFRS standards approved and published in the OJEU during the year ended 31 December 2022 and with accounting application in subsequent years are summarised in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 17 Insurance contract: Initial application of IFRS 17 and IFRS 9 – comparative information (issued on 9 December 2021)	09/09/2022	01/01/2023	2023	Not applicable.
Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities associated with a single transaction (issued on 7 May 2021)	12/08/2022	01/01/2023	2023	No predictable impact.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No accounting impacts. Impact on disclosures.
Amendments to IAS 8 Accounting Policies, Changes in Estimates, Errors, Restatement: Disclosure of accounting estimates (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No predictable impact.
IFRS 17 Insurance Contracts (issued on 18 May 2017), including amendments to IFRS 17	23/11/2021	01/01/2023	2023	Not applicable.

3.3. Standards and interpretations not yet published by the European Union

The IFRS standards (new and amended) that become effective, on or after 1 January 2023, not yet endorsed by the EU are summarised in the table below:

IAS Standards	Accounting application date	Enforcement year	Observations
Amendments to IAS 1 Presentation of financial statements: non-current liabilities with covenants (issued on 31 October 2022)	01/01/2024	2024	No predictable impact.
Amendments to IFRS 16 Leases: Lease liabilities in sale and leaseback transactions (issued on 22 September 2022)	01/01/2024	2024	No predictable significant impact.

4. Segment information

Accounting policy

Operational Segment is a component of an entity:

- a) That develops business activities that can obtain revenue and incur in costs (including revenue and costs related with transactions with other components of the same entity);
- b) Whose operating results are regularly reviewed by the entity's chief operating decision maker for the purpose of making decisions about allocating resources to the segment and assessing its performance; and
- c) For which distinct financial information is available.

All the accounting policies in the segment reporting are coherently used within the Group. All the inter-segmental revenues are at market prices and are eliminated in the consolidation.

Operating segments

The Group, as at 31 December 2022, is comprised by Floene Energias, S.A. and its subsidiaries that develop their activities in the distribution and commercialisation of natural gas on a last resort basis.

The Natural Gas operational segment encompasses the areas of distribution and commercialisation of natural gas on a last resort basis (Note 25 for further details on the Gas activity).

In respect of the segment "Others", the Group considered the holding Floene Energias, S.A..

The financial information of the segments identified above, as at 31 December 2022 and 2021, is presented as follows:

Unit: € k

	Consolidated		Natural Gas		Other		Consolidation adjustments	
	2022	2021	2022	2021	2022	2021	2022	2021
Sales and Services rendered	159 357	158 724	158 577	157 950	22 879	24 704	(22 099)	(23 930)
Cost of sales	(2 566)	(1 946)	(2 567)	(1 946)	-	-	-	-
Other income and expenses	(54 525)	(58 275)	(54 857)	(58 744)	(21 851)	(23 539)	22 183	24 008
EBITDA	102 266	98 503	101 154	97 261	1 029	1 165	84	78
Amortisation, depreciation, and impairment losses	(48 570)	(50 438)	(47 381)	(49 305)	(1 189)	(1 133)	-	-
Provisions (net)	(597)	(185)	(597)	(185)	-	-	-	-
EBIT	53 099	47 881	53 176	47 771	(160)	32	84	78
Other financial income and expenses	(11 125)	(10 135)	-	-	-	-	-	-
Income tax	(10 676)	(10 261)	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(11 479)	(11 930)	-	-	-	-	-	-
Consolidated net income, of which is attributable to:	19 819	15 555	-	-	-	-	-	-
Non-controlling interests	877	743	-	-	-	-	-	-
Floene Energias S.A. shareholders	18 942	14 811	-	-	-	-	-	-
OTHER INFORMATIONS								
Segment assets ¹								
Investments in subsidiaries ²	2 278	2 278	3	3	2 275	2 275	-	-
Other assets	1 333 681	1 326 415	1 286 307	1 274 002	241 630	213 527	(194 259)	(161 114)
Segment assets	1 335 959	1 328 694	1 286 310	1 274 005	243 905	215 802	(194 259)	(161 114)
of which rights-of-use of assets	11 078	11 499	6 215	6 509	4 863	4 991	-	-

¹ Net amount

² Goodwill and Other financial assets

The main inter-segmental services rendered transactions refer to back-office and management services.

In a context of related parties, similar to what happens between independent companies that carry out transactions with each other, the conditions on which their commercial and financial relations are based are governed by market mechanisms.

The assumptions underlying the determination of prices in transactions between the Group's Companies are based on the consideration of the economic realities and characteristics of the situations under consideration, that is, on the comparison of the characteristics of the operations or of the companies likely to have an impact on the conditions inherent to commercial transactions under analysis. In this context, the goods and services traded, the functions exercised by the parties (including the assets used and the risks assumed), the contractual clauses, the economic situation of the parties as well as the respective business strategies are analysed, among others.

The remuneration, in a context of related parties, thus corresponds to that which is, as a rule, adequate to the functions exercised by each intervening company, considering the assets used and the risks assumed. Thus, and in order to determine this remuneration, the activities carried out and the risks assumed by the companies within the value chain of the goods / services they transact are identified, according to their functional profile, namely with regard to the functions they carry out - distribution and marketing.

In short, market prices are determined not only by analysing the functions that are performed, the assets used, and the risks incurred by an entity, but also bearing in mind the contribution of these elements to the company's profitability. This analysis involves verifying whether the profitability indicators of the companies involved fall within the ranges calculated based on the assessment of a panel of functionally comparable, but independent companies, thus allowing prices to be fixed with a view to respecting the principle of fair competition.

The reconciliation between segment information and Statement of income for 2022 and 2021 is as follows:

SEGMENT INFORMATION		
	2022	2021
Sales and services rendered	159 357	158 724
Cost of sales	(2 566)	(1 946)
Other income and expenses	(54 525)	(58 275)
EBITDA	102 266	98 503
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use of assets	(48 570)	(50 438)
Provisions (net)	(597)	(185)
EBIT	53 099	47 881
Financial income and expenses	(11 125)	(10 135)
Income tax	(10 676)	(10 261)
Energy Sector Extraordinary Contribution	(11 479)	(11 930)
Consolidated net income for the year	19 819	15 555

STATEMENT OF INCOME		
	2022	2021
Sales	3 842	3 416
Services rendered	155 515	155 308
Cost of sales	(2 566)	(1 946)
Other operating income	47 499	40 690
Supplies and external services	(40 979)	(44 877)
Staff costs	(22 477)	(22 633)
Impairment losses on accounts receivables	(87)	(30)
Other operating costs	(38 481)	(31 426)
Operating income before amortisations and provisions	102 266	98 503
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use of assets	(48 570)	(50 438)
Provisions (net)	(597)	(185)
Operating Income	53 099	47 881
Financial income and expenses	(11 125)	(10 135)
Income tax	(10 676)	(10 261)
Energy Sector Extraordinary Contribution	(11 479)	(11 930)
Consolidated net income for the year	19 819	15 555

5. Tangible assets

Accounting policy

Recognition

Tangible assets acquired up to 1 January 2010 (date of transition to IFRS) are recorded under the option provided for in IFRS 1 at their deemed cost, which corresponds to the acquisition cost, revalued, when applicable, in accordance with the legal provisions on 1 January 2004, date of the first adoption of IFRS in the financial statements of the parent entity that owned the Company at the time, less accumulated depreciation and eventual impairment losses.

Tangible assets acquired after that date are stated at cost, less accumulated depreciation and impairment losses. The acquisition cost includes the purchase amount, plus transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress reflect assets that are still under construction and are recorded at acquisition cost less any impairment losses, depreciated from the moment the investment projects are substantially completed or ready for use.

Depreciations are calculated on the deemed cost (for acquisitions until 1 January 2010) or on the acquisition cost, using the straight-line method, applied from the date on which the assets are available to be used as intended by management. It is used among the most appropriate economic rates, those that allow the reinstatement of the tangible assets, during its estimated useful life, considering, where applicable, the concession period.

The average effective annual depreciation rate used for Buildings and other constructions is 2% for 2022 and 2021.

The capital gains or losses resulting from the sale or write-off of tangible assets are determined by the difference between the sale price and the net book value on the date of sale/write-off. The net book value includes accumulated impairment losses. The recorded capital gains and losses are recorded in the consolidated statement of income under Other operating income or Other operating costs, respectively.

Costs for repairs and maintenance of a current nature are recorded as expenses for the year in which they are incurred. Major repairs related to the replacement of parts of equipment or other tangible assets are recorded as tangible assets, if the replaced component is identified and written off, and depreciated at rates corresponding to the residual useful life of the respective main fixed assets.

Impairment

Impairment tests are carried out whenever a devaluation of the asset in question is identified. In cases where the amount at which the asset is recorded is greater than its recoverable amount, an impairment loss is recognised, which is recorded in the consolidated statement of income under the item of depreciation, depreciation, impairment losses of assets and right-of-use of assets.

The recoverable amount is the higher of the net selling price and the value in use. The net selling price is the amount that would be obtained from the sale of the asset, in a transaction between independent and knowledgeable entities, less costs directly attributable to the sale. The value in use is determined by updating the estimated future cash flows of the asset over its estimated useful life. The recoverable amount is estimated for the asset or cash-generating unit to which it may belong. The discount rate used to update discounted cash flows reflects the Floene Group's Weighted Average Cost of Capital ("WACC").

The projection period of the cash flows varies according to the average useful life of the cash generating unit.

The movements occurred during the period are as follows:

	Land, natural resources and buildings	Office equipment	Total
As at 31 December 2021			
Acquisition cost	938	-	938
Accumulated depreciation	(488)	-	(488)
Net amount	450	-	450
As at 31 December 2022			
Acquisition cost	938	14	952
Accumulated depreciation	(507)	-	(507)
Net amount	432	14	445
	Land, natural resources and buildings	Office equipment	Total
Balance as at 1 January 2021	469	-	469
Depreciation and impairment	(19)	-	(19)
Balance as at 31 December 2021	450	-	450
Balance as at 1 January 2022	450	-	450
Depreciation and impairment	(19)	-	(19)
Other adjustments (Transfers)	-	14	14
Balance as at 31 December 2022	432	14	445

6. Intangible assets

Accounting policy

Intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses. Intangible assets are only recognised if they are identifiable, and if they are likely to result in future economic benefits for the Group and are controllable and measurable with reliability.

Development expenses are only recorded as intangible assets if the Group demonstrates technical and economic capacity, as well as a decision to complete that development and start its commercialisation or own use, and also demonstrates the probability of the asset generating future economic benefits. If expenses do not meet these requirements, development expenses are recorded as a cost for the year in which they are incurred.

Research expenses are recognised as a cost for the year.

Intangible assets with finite useful lives are amortised using the straight-line method. Amortisation rates vary according to the terms of existing contracts or the expected use of the intangible asset.

With the application of IFRIC 12, the Group classifies the Natural Gas assets that are the subject to the concession and exploration license, and whose remuneration is controlled by ERSE, in accordance with the Intangible Asset Model. Thus, intangible assets of companies with regulated activity are classified as intangible assets, under the heading of Concession Services Agreements, being amortised over their economic useful lives using the straight-line method applicable as from the date of deployment using among the most appropriate economic rates, those that allow the asset to be reinstated, during the estimated useful life or according to the terms of existing contracts or the expected use.

According to the Concession Contracts and Licences signed with the Portuguese State, and currently in force, when the concessions contracts/licenses period reaches its end or if they are extinguished, the transmission of the infra-structures and other means related to the concession to the State occurs, and the concessionaire, unless the law relieves the State from this obligation, will be paid an indemnity corresponding to the book value of the intangible assets net of amortisations and co-payments.

The book value of the net intangible assets at the end of the Concession Agreements or Licences, may be considered as a financial asset (Mixed Model under IFRIC 12) at that moment. This amount is recognised as at 31 December 2022 as Intangible assets, based on Management's best estimate regarding the effective amount's recovery, and considering the definition by ERSE for assets remuneration.

Usage rights on infrastructures related to gas, namely gas distribution networks, are being amortised over the period of 45 years.

The Group capitalises the expenses related to the conversion of consumption to gas that are reflected in the adaptation of facilities. The Group considers that it is able to

control the future economic benefits of these reconversions through the continuous distribution / sale of gas provided for in Decree-Law 140/2006, of 26 July. These expenses are amortised by the straight-line method until the end of the concession period attributed to the natural gas distribution companies.

Impairment

See Note 5.

By the IFRIC 12 application, the regulated assets subject to the public concession of infrastructure to private individuals were transferred to the headings “Concession agreements” and “Assets under construction – concession agreements”, as shown below:

Unit: € k

	Concession agreement								Total
	Lands	Buildings	Basic equipment	NG consumption reconversion	Assets under construction	Other concession agreements	Total concession Agreement	Other intangible assets	
As at 31 December 2021									
Acquisition cost	12 703	12 238	1 363 446	632 193	1 706	18 610	2 040 897	4 556	2 045 454
Accumulated amortisation	(4 844)	(7 552)	(593 349)	(285 982)	-	(17 405)	(909 133)	(2 037)	(911 171)
Net amount	7 860	4 686	770 097	346 211	1 706	1 205	1 131 764	2 519	1 134 283
As at 31 December 2022									
Acquisition cost	12 717	12 917	1 395 413	628 964	2 263	25 820	2 078 095	7 763	2 085 858
Accumulated amortisation	(5 111)	(7 819)	(620 361)	(297 687)	-	(24 315)	(955 294)	(2 835)	(958 129)
Net amount	7 606	5 099	775 051	331 277	2 263	1 506	1 122 801	4 928	1 127 729

Unit: € k

	Concession agreement								Total assets
	Lands	Buildings	Basic equipment	NG consumption reconversion	Assets under construction	Other concession agreements	Total concession Agreement	Other intangible assets	
Balance as at 1 January 2021	8 097	5 010	781 167	352 274	1 424	1 886	1 149 858	842	1 150 700
Additions	-	-	-	-	30 781	-	30 781	2 451	33 232
Amortisations	(267)	(346)	(31 326)	(16 054)	-	(788)	(48 782)	(774)	(49 556)
Write-offs	-	-	(87)	-	-	(6)	(93)	-	(93)
Other adjustments (Transfers)	30	21	20 344	9 991	(30 498)	112	-	-	-
Balance as at 31 December 2021	7 860	4 686	770 097	346 211	1 706	1 205	1 131 764	2 519	1 134 283
Balance as at 1 January 2022	7 860	4 686	770 097	346 211	1 706	1 205	1 131 764	2 519	1 134 283
Additions	-	-	-	-	37 969	-	37 969	3 221	41 190
Amortisations	(268)	(262)	(31 576)	(14 305)	-	(414)	(46 825)	(798)	(47 623)
Write-offs	-	-	(8)	-	-	-	(8)	-	(8)
Other adjustments (Transfers)	14	675	36 538	(628)	(37 413)	715	(100)	(14)	(114)
Balance as at 31 December 2022	7 606	5 099	775 051	331 277	2 263	1 506	1 122 801	4 928	1 127 729

The additions related with concession agreement for the year ended 2022, in the amount of € 37 969 k (2021: € 30 781 k) mainly refer to assets related to the construction of gas infrastructures and investments in the gas consumption reconversion (Notes 25 and 26).

7. Leases

Accounting policy

Recognition

The Group recognises both a right-of-use of assets and a lease liability as at the lease commencement date. The right-of-use of assets are initially measured at cost, which represents the initial amount of the lease liabilities, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or restore the site on which it is located (if applicable), less any lease incentives received.

The lease liabilities are initially measured at the present value of the lease payments that have not yet been paid up to the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The types of lease payments included in the measurement of the lease liabilities are as follows:

- fixed payments, including in kind fixed payments;
- variable lease payments that are pegged to an index or a rate;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to be able to exercise; and
- penalties for the early termination of a lease, unless the Company is reasonably certain not to terminate it early.

The lease liabilities are remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of assets, or it is recorded in profit or loss if the carrying amount of the right-of-use of assets has been reduced to zero.

The Group presents right-of-use of assets and lease liabilities in a separate line in the consolidated statement of financial position.



Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use of assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Depreciation

The right-of-use of assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use of assets or the end of the lease term. The estimated useful lives of right-of-use of assets are determined as those used for the property and equipment items.

Impairment

The right-of-use of assets are reduced by eventual amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of intangible assets and discount rates

The calculation of the residual values of assets, the estimation of the useful lives, and the discount rates used are based on the assumptions of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use of assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

The details of right-of-use of assets are as follows:

Unit: € k

	Buildings	Vehicles	Total
As at 31 December 2021			
Acquisition cost	13 537	477	14 014
Accumulated depreciation	(2 211)	(304)	(2 515)
Net amount	11 326	174	11 499
As at 31 December 2022			
Acquisition cost	13 537	880	14 417
Accumulated depreciation	(2 919)	(419)	(3 339)
Net amount	10 618	460	11 078

The movements occurred during the period are as follows:

Unit: € k

	Buildings	Vehicles	Total
Balance as at 1 January 2021	12 004	306	12 309
Additions	-	34	34
Depreciations	(707)	(156)	(863)
Write-offs	-	18	18
Other adjustments	30	(28)	1
Balance as at 31 December 2021	11 326	174	11 499
Balance as at 1 January 2022	11 326	174	11 499
Additions	-	505	505
Depreciations	(708)	(221)	(929)
Other adjustments	-	3	3
Balance as at 31 December 2022	10 618	461	11 078

Lease liabilities are as follows:

Unit: € k

	2022	2021
Maturity analysis – contractual undiscounted cash flow	14 383	15 003
Less than one year	1 125	1 030
One to five years	3 989	3 788
More than five years	9 269	10 186
Lease liabilities included in the consolidated statement of financial position	11 720	12 027
Current	1 110	1 015
Non-current	10 610	11 012

In addition to the depreciations of the rights-of-use of assets for the year shown in the first table of this note, the amounts recognised in the consolidated statement of income for the year present the following detail:

Unit: € k

	Notes	2022	2021
		1 476	1 072
Lease interests	28	348	354
Expenses related to short-term, low-value and variable-payment leases		1 128	717

The amounts recognised in the consolidated statement of cash flow are as follows:

Unit: € k

	2022	2021
Financing activities	1 162	1 083
Payments relating to leases	815	728
Payments relating to lease interests	348	354

8. Government grants and other grants

Accounting policy

Government grants and other grants are recorded at fair value when there is certainty that they will be re-ceived and that the Group will comply with the conditions required for them to be granted. The investment grants for tangible and intangible assets are recorded in deferred income as a liability and recognised in the consolidated statement of income as operating income, in proportion to the depreciation/amortisation of the granted assets.

The amounts recognised in the financial statement related to grants are as follows:

Unit: € k

	Notes	2022	2021
Programmes		427 781	427 671
Energy Program ("Programa Energia")		103 689	103 689
Protede		19 708	19 708
Operational Economy Program ("Programa Operacional Economia")		303 393	303 393
Proalgarve - FEDER		882	882
Portugal 2020 Program ("Programa Portugal 2020")		110	-
Accumulated amount recognised as income		(230 292)	(222 137)
Amount to be recognised	16	197 489	205 534

During the year ended 31 December 2022, an amount of € 8 648 k (2021: € 8 927 k) was recognised in the consolidated statement of income (Note 25). In 2022, the variation of the Amount to be recognised includes the balance of € 416 k previously recorded as other deferred income (Note 16) by the accumulated amount recognised as income.

9. Goodwill

Recognition

The differences between the investee's acquisition cost and the fair value of the identifiable assets and liabilities of the acquired entities at the acquisition date, if positive, are recorded within goodwill. The negative differences are recognised immediately in the consolidated statement of income.

The difference between the payment amount of the participation in the Group companies and the fair value of their equity was, in 31 December 2022 and 2021, as follows:

	Unit: € k	
	2022	2021
	2 275	2 275
Duriensegás - Soc Distrib. de Gás Natural do Douro, S.A.	1 640	1 640
Lusitaniagás - Companhia Gás do Centro, S.A.	585	585
Beiragás - Companhia Gás das Beiras, S.A.	50	50

Goodwill impairment analysis

In the Goodwill impairment analysis, the carrying value of Goodwill is allocated to the respective cash generating unit ("CGU"). The recoverable amount of Goodwill is estimated based on the value in use, which is determined by updating the estimated future cash flows of the cash generating unit. The recoverable amount is estimated for the cash generating unit to which it may belong, according to the discounted cash flow method. The discount rate used to update discounted cash flows reflects the Group's Weighted Average Cost of Capital (WACC) for the business segment to which the cash generating unit belongs to.

Cash generating unit	Valuation Model	Cash flows	Discount rates	
			2022	2021
Financial Investments (included in the concession period)	DCF (Discounted Cash Flow) or RAB	In accordance with the budget for 2022 and the four-year strategic plan	5.6%	5.6%

The demand and consumption of natural gas has been steady through the years. There is no evidence of impairment. The core business of the Floene Group is regulated and, as a result, the impairment analysis is based on Regulatory Asset Base (RAB).

10. Financial investments in subsidiaries

Not applicable.

11. Inventories

Accounting policy

Inventories (goods, raw and subsidiary materials, finished and semi-finished goods, and products and work in progress) are stated at acquisition cost (in the case of goods and raw and subsidiary materials) or production cost (in the case of finished and semi-finished goods and products and work in progress) or at the net realisable value, whichever is the lower.

The net realisable value corresponds to the selling price less costs to complete production and to sell.

Whenever the cost exceeds the net realisable value, the difference is recorded in operating expenses as part of the Cost of sales.

Inventories at 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
	1 200	1 810
Raw, subsidiary and consumable materials	1 290	1 890
Goods	10	8
Decrease in inventories	(99)	(88)

As at 31 December 2022, raw, subsidiary and consumables materials, in the amount of € 1 290 k (2021: € 1 890 k), essentially corresponds to materials to be used in the construction of the Group's infrastructure.

Goods, in the amount of € 10 k (2021: € 8 k), corresponds essentially to natural gas held in the regasification units ("UAG").

The change in Decrease in inventories in the amount of € 12 k was recognised in operating costs in the con-solidated statement of income (Note 26).

12. Trade receivables and Other receivables

Accounting policy

Accounts receivable are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised in Impairment losses on accounts receivables. Usually, the amortised cost of these assets does not differ from their nominal value or their fair value.

Trade receivables and Other receivables are derecognised when the contractual rights to the cash flow expire (i.e., they are collected), when they are transferred (e.g., sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses the lifetime expected losses for all accounts receivable. Accounts receivables were grouped by business segment (common credit risk characteristics) for the purpose of assessing the expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the clients' credit risk profiles. The credit risk analysis is based on the annual probability of default and considers the clients' credit risk profiles. The probability of default represents an annual probability of default, reflecting the current and projected information and considering macroeconomic facts.

Accounts receivables are adjusted for management's estimate of the collection risks as at the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit risk

For credit risk purposes, if trade and other receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit risk assessment considers the credit quality of the client, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings, in accordance with limits set by Management. Clients' compliance with credit limits is regularly monitored by Management.

For further credit risk mitigation, bank guarantees and insurance policies for eventual credit defaults are a standard part of the Group's overall risk policy.

Trade receivables

The caption Trade receivables, on 31 December 2022 and 2021, presented the following detail:

Unit: € k

	Notes	2022	2021
		9 260	10 696
Trade receivables		9 821	11 522
Allowance for doubtful accounts		(561)	(826)
Ageing of trade receivables	Exposure to risk	9 260	10 696
Not yet due	Low	7 943	9 840
Overdue up to 180 days	Medium	423	346
Overdue between 181 and 365 days	High	227	88
Overdue over 365 days	Very High	666	422

Unit: € k

Movements in allowance for doubtful accounts	Notes	2022	2021
Allowance at the beginning of the year		826	751
Net increase of impairment	26	87	75
Utilisation of impairment		(352)	-
Allowance at the end of the year		561	826

Other receivables

The caption Other receivables, on 31 December 2022 and 2021, presented the following detail:

Unit: € k

	Notes	2022		2021	
		Corrente	Não corrente	Corrente	Não corrente
		62 025	20 055	68 406	14 237
Other debtors		21 796	2 235	26 272	3 453
Subsoil occupation levies	29	19 429	2 235	19 930	3 453
Others		2 367	-	6 342	-
Contract assets		37 551	17 760	40 613	10 743
Sales and services rendered but not yet invoiced		13 094	-	14 551	-
<i>Tariff deviation – pass-through</i>		18 361	-	10 379	-
<i>Tariff deviation – core</i>		5 967	17 760	15 380	10 743
Other accrued income		129	-	303	-
Deferred charges		2 760	61	1 602	40
Other deferred charges		2 760	61	1 602	40
Impairment of other receivables		(81)	-	(81)	-

The change in the caption Other debtors - Others is mainly due to advance payments to suppliers at the end of 2022.

The Tariff deviation - pass-through refer to the remuneration of the network access charges related to the global use of the system (“UGS”) and use of the transport networks (“URT”), paid to third parties, corresponding to the difference between the amount paid by the Group and the amount billed to customers, duly accrued so that the impact on the consolidated statement of income for these functions is nil.

The annual allocation of the tariff deviation with origin in adjustments of core activity is detailed below:

Unit: € k

	2021	Change	2022
“DSO” or “ORD” – Gas Distribution Activity (ADG)			
2019	12 396	(12 396)	-
Increases	24 032	-	24 032
Adjustment	(14 796)	-	(14 796)
Reversal	3 160	(22 803)	(19 643)
2020	4 513	(645)	3 868
Increases	(8 145)	(24)	(8 169)
Adjustment	-	12 862	12 862
Reversal	12 658	(13 484)	(826)
2021	6 308	-	6 308
Increases	6 308	-	6 308
2022	-	11 363	11 363
Increases	-	11 363	11 363
Tariff deviation – ADG	23 217		21 538
Contract assets	25 993		23 681
Accrued costs	(2 776)		(2 143)

Unit: € k

	2021	Change	2022
“LRS” or “CURR” - Gas Commercialisation Activity (FCG)			
2019	(2 162)	2 162	-
Increases	(1 343)	-	(1 343)
Reversal	(818)	2 162	1 343
2020	(64)	78	14
Increases	(140)	-	(140)
Reversal	77	78	154
2021	7	(8)	(1)
Increases	7	-	7
Reversal	-	(8)	(8)
2022	-	(35)	(35)
Increases	-	(35)	(35)
Tariff deviation – FCG	(2 219)		(22)
Contract assets	130		46
Accrued costs	(2 349)		(68)

The accrued costs are included in the caption Other payables (Note 16).

13. Other financial assets

Other financial assets as at 31 December 2022 and 2021 is detailed as follows:

Unit: € k

	2022	2021
	Non-current	Non-current
	3	3
Financial assets at fair value through other comprehensive income	3	3

14. Cash and cash equivalents

Accounting policy

The amounts included in Cash and cash equivalents correspond to cash values, bank deposits, time deposits and other treasury applications with maturities of less than six months at the issue date, and which can be immediately mobilised with an insignificant risk of change in value.

For the purposes of the consolidated statement of cash flow, Cash and cash equivalents also include bank overdrafts recorded in the caption financial debt in the statement of financial position.

As at 31 December 2022 and 2021, Cash and cash equivalents' details are as follows:

Unit: € k

	2022	2021
	87 523	67 484
Cash and cash equivalents	87 523	67 484

15. Financial debt

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortised cost.

Financial charges are calculated at the effective interest rate and recorded in the consolidated statement of income on an accruals basis in accordance with each loan agreement.

Financial charges include interest on financing and, eventually, commission expenses on the structuring of loans.

Financial Debt as at 31 December 2022 and 31 December 2021 are as follows:

Unit: € k

	2022		2021	
	Current	Non-current	Non-current	Não corrente
	601 042	72 337	1 042	673 969
Bank loans	1 042	4 167	1 042	5 208
Origination fees	-	-	-	(1)
Bank Loans	1 042	4 167	1 042	5 208
Bonds and notes	600 000	68 171	-	668 762
Origination fees	-	(1 829)	-	(1 238)
Bonds and Notes	600 000	70 000	-	670 000

The average interest rate on loans, including bank overdraft costs, supported by the Group in 2022 and 2021, amount to 1.70% and 1.35%, respectively.

Current and non-current loans, excluding origination fees and bank overdrafts, have the following repayment plan as at 31 December 2022:

Unit: € k

Maturity	Loans		
	Total	Current	Non-current
	675 208	601 042	74 166
2023	601 042	601 042	-
2024	71 041	-	71 041
2025	1 042	-	1 042
2026 and thereafter	2 083	-	2 083

Changes in the financial debt during the period ended 31 December 2022 are as follows:

Unit: € k

	Initial balance	Repayment of the principal	Other	Final balance
	675 011	(1 042)	(590)	673 379
Bank loans	6 249	(1 042)	1	5 208
Origination fees	(1)	-	1	-
Bank loans	6 250	(1 042)	-	5 208
Bonds and Notes	668 762	-	(591)	668 171
Origination Fees	(1 238)	-	(591)	(1 829)
Bonds and Notes	670 000	-	-	670 000

For comparative information, please refer to the financial statements for the year ended 31 December 2021.

Description of main loans

Bank loans – Other

In December 2005 it was celebrated, by Beiragás - Companhia de Gás das Beiras, S.A., a financial contract under a Project Finance regime that includes a credit line for investment until the maximum amount of € 27 000k (Instalment A) which could be use until December 2008 and an operating credit line until the maximum amount of € 4 000k (Instalment B) which could be reimbursed until December 2012, being this term extent until 31 December 2013.

In 2017, an amendment to the previously mentioned contract was signed, and the following was amended: i) Agent Bank; ii) reimbursement plan of Instalment A (repaid in 36 consecutive half-yearly instalments, from 15 June 2010 until 15 December 2027) and iii) the margin.

The outstanding amount of the loan bears interest at Euribor 6M increased by spread, which varies over the repayment period.

As at 31 December 2022, the outstanding amount of the investment credit line was € 5 208 k, comprised of € 4 167 k classified as non-current and € 1 042 k classified as current.

Backstop Facility

On 8 September 2022, Floene Energias, S.A. contracted a loan in the bond format, through a banking syndicate, with a underwriting commitment in the total amount of € 600 000 k. This financing provides the Company with sufficient funds to repay the Notes that will mature in September 2023. The amount was fully available on 31 December 2022 and can be used until 25 September 2023. Once used, the maturity of the financing will be on 30 September 2023, with the possibility of extending up to 1 year at the option of the Company.

Bond loan

As of 1 August 2019, the Floene Energias, S.A. issued bonds to the amount of € 70 000 k with an interest rate Euribor 6M increased by spread. This bond loan will be totally reimbursed on 1 August 2024.

Notes issuance – Floene Energias, S.A.

Floene Energias, S.A. established on 25 August 2016, an EMTN Program (“EUR 1 000 000 000 Euro Medium Term Note Programme”).

Under the EMTN program, on 19 September 2016, the Company issued notes in the amount of € 600 000 k, ending on 19 September 2023 and with a coupon of 1.375%, to be traded in the London Stock Exchange regulated market. The Notes market value as at 31 December 2022 is € 591 716 k.

JP Morgan, BofA Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners Under these programs (Bond loan and EMTN), a set of financial ratios (“Financial Covenants”) have been set and they represent an increased level of protection for Floene Group creditors.

These ratios, called Net Debt/Ebitda (“Liquid Debt/Ebitda”) and Debt Service Coverage Ratio (“DSCR”) have two limits - one in the form of a lock-up event and the other in the form of an event of default. As at 31 December 2022 the ratios are as follows:

	2022
Net Debt ¹ /EBITDA ²	5.8x
Debt Service coverage ratio ³	4.8x

¹ Bank debt + Bank loan + accrued interest- Cash and cash equivalents

² EBITDA + Provisions

³ Operating activities cash flow, excluding CESE - Payment CAPEX/Interests charge

It is important to highlight that these ratios, as at 31 December 2022, were within the established limits.

16. Trade payables and Other payables

Accounting policy

Trade payables and Other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Usually, the amortised cost does not differ from the nominal value.

On 31 December 2022 and 31 December 2021, Trade payables and Other payables, current and non-current, are presented as follows:

Unit: € k

	Notes	2022		2021	
		Current	Non-current	Non-current	Não corrente
Trade payables		8 445	-	8 381	-
Other payables		47 381	190 144	44 185	197 415
State and other public entities		4 555	-	4 398	-
VAT payables		3 564	-	3 508	-
"ISP" - Tax on oil products		166	-	126	-
Other taxes		825	-	764	-
Other creditors		10 522	-	7 345	-
Tangible and intangible assets suppliers		10 380	-	7 326	-
Other		142	-	20	-
Related parties		137	-	137	-
Other accounts payables		2 306	-	2 166	-
Accrued costs		20 516	1 866	20 370	1 091
External supplies and services		3 692	-	4 429	-
Staff remunerations to be paid		6 344	161	6 891	-
Tariff deviation - core	12	506	1 705	4 033	1 091
Tariff deviation - pass through		6 315	-	1 812	-
Other accrued costs		3 660	-	3 205	-
Other deferred income		9 345	188 278	9 768	196 324
Government grants	8	9 210	188 278	9 210	196 324
Others		135	-	557	-

17. Income taxes

Accounting policy

Current Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in each geographical area in which the Floene Group operates.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes. Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of enough future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax are reviewed at each statement of financial position date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

Deferred taxes are recorded in the consolidated statement of income for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

The companies that are part of the Floene Group for over 1 year and whose participation percentage is 75% or more, and as long as such participation gives more than 50% of the voting right, they are taxed in accordance with the special regime for the taxation of groups of companies ("RETGS"). With reference to 1 January 2021, the fiscal result of the Floene Group is determined in the sphere of Floene Energias, S.A. (previously determined in the sphere of Galp Energia SGPS S.A.). The average tax rate applied to companies based in Portugal was 25%.

As at 31 December 2022 and 2021, the income tax payable is as follows:

Unit: € k

	Liabilities	
	2022	2021
	(3 557)	(1 217)
State and other public entities	(3 471)	(1 124)
Galp Energia, SGPS, S.A.	(86)	(94)

As of 31 December 2022, and 31 December 2021, the amount of income tax is as follows:

Unit: € k

	2022			2021		
	Current tax	Deferred tax	Total	Deferred tax	Total	Total
Income tax	10 473	203	10 676	10 101	160	10 261
Current income tax	10 473	203	10 676	10 101	160	10 261

The effective income tax rate as at 31 December 2022 and 2021, is as follows:

Unit: € k

	2022	2021
Effective income tax rate	25.43%	27.18%
Income tax rate	25.00%	25.00%
Tax rate differences	1.28%	0.77%
(Excess)/insufficiency of estimated income tax	(2.29%)	(0.64%)
Autonomous taxation	0.81%	0.68%
Other increases and deductions	0.63%	1.37%

The change in the item Other increases and deductions are mainly due to expenses with social utility activities carried out by the Group.

As at 31 December 2022 and 31 December 2021, the deferred tax assets and liabilities movements is as follows:

Unit: € k

	1 January 2022	Impact on the statement of income	Impact on equity (Note 19)	Other changes	31 December 2022
Deferred taxes – Assets	17 551	(1 049)	(2 138)	-	14 364
Adjustments to tangible and intangible assets	4	6	-	-	9
Retirement benefits and other benefits	11 145	219	(2 138)	-	9 225
Tariff deviation	3 583	(520)	-	-	3 063
Non-deductible provisions	2 819	(753)	-	-	2 066
Deferred taxes – Liabilities	(19 596)	845	-	(5)	(18 755)
Adjustments to tangible and intangible assets fair value	(9 871)	382	-	-	(9 489)
Tariff Deviation	(8 844)	401	-	-	(8 442)
Others	(881)	62	-	(5)	(824)

For comparative information, please refer to the financial statements for the year ended 31 December 2021.

18. Post-employment and other employee benefit liabilities

Accounting policy

Defined-contribution plans

The Group has a defined-contribution plan funded by a pension fund which is managed by an independent entity. The Group contributions to the defined-contribution plan are charged to the consolidated statement of income in the relevant year.

Defined-benefit plans

The Group has a defined-benefit plan that provides the following benefits: retirement, disability and survivor pension supplement; pre-retirement; early retirement; retirement bonuses; and voluntary social insurance.

The payment of pension supplements for old age and disability, as well as survivors' pensions, is funded by a pension fund managed by independent entities.

Recognition of defined-benefit plans

The period costs for post-employment benefit plans are determined based on the Projected Unit Credit method. This method reflects the services provided by employees at the valuation date, based on actuarial assumptions, as well as considering a discount rate to determine the present value of benefits and the remuneration projected rates of growth. The discount rate is based on the yield on high-quality bonds in the respective country. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income during the period in which they arise. Past service costs are recognised immediately in the consolidated statement of income.

A defined-benefit plan net excess (in other words, asset) is only recognised when the Group is capable of obtaining future economic benefits, such as plan repayments or reduction of future contributions. When a plan is unfunded, a liability for the retirement benefit obligation is recognised in the consolidated statement of financial position. Costs recognised for retirement benefits are included in staff costs. The net obligation recognised in the consolidated statement of financial position is reported within non-current liabilities.

Other retirement benefits

Along with the plans, the Group provides additional benefits related to healthcare, life insurance and a minimum defined-benefit plan (for disability and survival).

Accounting estimates and judgments

Demographic and financial assumptions used to calculate the retirement benefit liabilities

Accounting for pensions and other post-retirement benefits requires estimates to be made when measuring the group's pension plan surpluses and deficits. These estimates require assumptions to be made regarding uncertain events, including discount rates, inflation and life expectancy.

Post-employment benefits

Unit: € k

	2022	2021
Liabilities	(47 130)	(62 370)
Net liabilities	(47 130)	(62 370)
Liabilities	(66 083)	(83 967)
Past services covered by the pension fund	(22 091)	(29 390)
Liabilities related with other benefits	(43 992)	(54 577)
Fund Assets	18 953	21 597

Post-employment obligations

Unit: € k

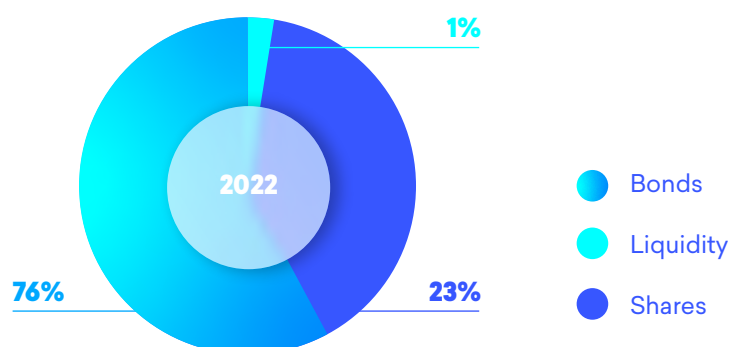
	2022	2021
Past service liability at the end of the current year	66 083	83 967
Past service liability at the end of the previous year	83 967	86 150
Current service cost	1 339	1 759
Interest cost	779	1 101
Actuarial (gains)/losses	(15 001)	1 030
Payment of benefits made by the fund	(1 431)	(1 443)
Payment of benefits made by the Group	(3 456)	(3 096)
Cuts	3 085	(1 535)
Other adjustments	(3 198)	2

The average maturity of the liabilities under the defined-benefit plans is 8.8 years (11.1 years in 2021).

Unit: € k

	2022	2021
Assets at the end of the current year	18 953	21 597
Assets at the end of the previous year	21 597	19 898
Net interest	219	287
Associate contributions	1 104	2 100
Payment of benefits	(1 431)	(1 443)
Financial gains/(losses)	(2 536)	756

Asset Type 2022



The fair value hierarchy of assets is mostly Level 1 for shares and alternative investments and a uniform combination of Level 1 and 2 for bonds and real estate. Level 1 includes financial instruments valued on the basis of net market prices, e.g. from Bloomberg. Level 2 includes financial instruments valued at prices observable in current liquid markets for the same financial instrument provided by external counterparties, available through Bloomberg.

Post-employment benefit expenses

Unit: € k

	Notes	2022	2021
Current service cost		1 339	1 759
Net interest		560	813
Net cost for the year before special events		1 899	2 572
Curtailment impact – pre-retirements and early retirements		3 085	(1 535)
Other adjustments		(3 198)	2
Net cost for the year of defined-benefit plan expenses		1 786	1 039
Defined contribution		403	382
Net cost for the year of defined-contribution plan expenses		403	382
Total	27	2 189	1 421

Remeasurements

Unit: € k

	Notes	2022	2021
		10 310	(558)
Gains and losses recognised through comprehensive income		12 449	(284)
(Loss)/Gains from actuarial experience		(2 026)	(71)
(Loss)/Gains from changes in actuarial assumptions		17 027	(958)
Financial gain/(loss)		(2 536)	756
Other gains/(losses)		17	(10)
Income tax related to actuarial gains and losses	17	(2 138)	(274)

Assumptions

Unit: € k

	Retirement benefits		Other benefits	
	2021	2022	2021	2022
Rate of return on assets	3.75%	1.05%	-	-
Discount rate	3.75%	1.05%	3.75%	1.05%
Rate of increase of salaries/costs	1.00%	1.00%	[0.00% - 3.00%]	[0.00% - 3.00%]
Rate of increase of pensions	[0.00% - 2.00%]	[0.00% - 2.00%]	0.00%	0.00%
Mortality table for current staff and pre-retirees	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Mortality table for retired staff	INE 2009-2011	INE 2009-2011	INE 2009-2011 GKF95	INE 2009-2011 GKF95
Disability table	EVK80 - 50%	EVK80 - 50%	EVK80 - 50%	EVK80 - 50%
Normal age for retirement	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security at 65 years, respectively	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security at 65 years, respectively	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security at 65 years, respectively	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security at 65 years, respectively
Method	Project Unit Credit	Project Unit Credit	Project Unit Credit	Project Unit Credit

Stress analysis

Stress analysis of the discount rate

Unit: € k

	Discount rate 3.75%	Δ -0,25%
Total	66 083	1 325
Retirement benefits	49 564	867
Other benefits	16 520	458

Stress analysis of the growth rate of health insurance costs

Unit: € k

	0% in the first year and 3% in the following	Δ+1.00% from 2 nd year onwards	Δ-1.00% from 2 nd year onwards
Past services	15 224	(1 605)	1 900

19. Provisions

Accounting policy

Provisions are recorded when the Group has a present obligation (legal, contractual or constructive) resulting from a past event, it is probable that an outflow of resources entailing economic benefits will be required to settle that obligation, and a reliable estimate of the obligation amount can be made. Provisions are reviewed and adjusted on each consolidated statement of financial position date to reflect the best estimate at that date.

The Group calculates its estimates evolution based on the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities.

Provisions to legal disputes contain several types of provisions related to ongoing legal disputes. Management makes estimates regarding to provisions and contingencies, including assessing the likelihood of pending and potential litigation outcomes. By determining the outcomes, the Management considers the lawyers' opinions, as well as the past experience.

Floene measures uncertain tax positions (except corporate income tax), namely tax provisions by the most likely outcome and not by probabilities.

Accounting estimates and judgements

Provisions by contingencies

The final cost of lawsuits, liquidations and other litigation may vary from estimates made due to different interpretations of standards, opinions and final assessments of the amount of losses. Therefore, any change in circumstances related to this type of contingencies could have a significant effect on the amount of the provision for contingencies recorded.

During the years ended 31 December 2022 and 2021, Provisions caption presented the following movements:

Unit: € k

	2022			2021
	CESE I	Other provisions	Total	
No início do ano	65 174	4 081	69 256	77 713
Aumentos	11 479	597	12 076	12 120
Diminuições	-	-	-	(5)
Utilização	(13)	(249)	(261)	(20 572)
No final do ano	76 640	4 429	81 069	69 256

For comparative information, please refer to the financial statements for the year ended 31 December 2021.

The net increases for the year ended 31 December 2022 have the following decomposition:

Unit: € k

	Operational costs (Note 26)	CESE I	Other	Total
2022	597	11 479	-	12 076
CESE I	-	11 479	-	11 479
Other provisions	597	-	-	597

For comparative information, please refer to the financial statements for the year ended 31 December 2021.

CESE

Since 2014, the Group has been subject to a special tax, the Energy Sector Extraordinary Contribution (“CESE”), under article No. 228 of Law 83C/2013 of 31 December, which states that companies from the energy sector with assets in certain activities are subject to a fee that is levied on the amount of eligible net assets. Due to the fact that the Company contests the application of this contribution, the Group has not proceeded with the respective settlement at the due moment since 2014, having recorded the total amount of CESE in the Provisions caption and the expense was recognised in results in the respective years.

On 31 December 2022, the caption of CESE provisions in the amount of € 76 640 k corresponds to the total liability, excluding the years for which there was an unfavourable court decision, that the Group continues to contest, having recognised an increase in the amount of € 11 479 k in the consolidated statement of income in 2022, regarding to CESE in 2022 and € 11 930 k in 2021. Following the court decision in 2021, payments were made in the total amount of the € 20 572 k during that year, which were financed by ancillary capital contributions by shareholders (Note 23).

On 16 March 2023 the judgment No. 101/2023 were issued by the Constitutional Court, regarding the claims to the application of CESE for 2018, favourable to Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., deeming the unconstitutionality of this contribution for the mentioned year, whose impact is approximately € 5 million, which is fully provisioned (Note 32). On 28 March 2023 the Constitutional Court issued a Summary Decision No. 201/2023, regarding CESE for 2018, that was favourable to Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A., whose impact is € 54 k, which is fully provisioned (Note 32). Considering the analysis that is still in progress by the Group’s Management, and timings to run for appeal against the decision rendered, no adjustment was made to Provisions in the consolidated financial statements as at 31 December 2022.

Other provisions

The caption Other provisions refer mainly to the provision constituted (€ 3 185 k) for the total debts issued by the Administration of the Port of Lisbon for the occupation in Cabo Ruivo’s land and claimed by Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.. Part of the increase in 2022, in the amount of € 191 k, under the caption of Other provisions, refers to the reinforcement of this provision. The utilisation in the amount of € 249 k, refers to a payment in 2022, is result of an unfavourable decision, related to court costs or lawyer’s fees.

Additionally, during 2022, a new provision was constituted, in the amount of € 391 k, referring to estimated liabilities that may arise from executive processes in progress in the sphere of the subsidiary Tagusgás - Empresa de Gás do Vale do Tejo, S.A..

20. Derivative financial instruments

Not applicable.

21. Financial assets and liabilities

Accounting policy

The Group classifies financial assets and liabilities into the following categories:

- a) Financial assets at fair value through other comprehensive income;
- b) Financial assets and liabilities carried at amortised cost;
- c) Financial assets and liabilities at fair value through profit or loss (derivatives).

Management determines the classification of its financial assets on initial recognition and changes this classification, if and only if there is a change in the business model of financial assets management, which should rarely occur, and these are significant to the entity's operations and demonstrable to external parties. For financial liabilities such changes in classification are not allowed.

Recognition and measurement

Purchases and sales of financial assets are recognised on the date of the transaction. Financial assets are initially recognised at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently restated at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Derecognised of financial assets

Financial Assets are derecognised from the consolidated statement of financial position when the rights to receive cash flow from investments have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if: (i) the inherent objective to the business model used is achieved, either to collect contractual cash flows or to sell financial assets, and (ii) the underlying contractual cash flows represent only principal and interest payments. Assets in this category, which are debt instruments, are initially and subsequently measured at their fair value, with changes in their book value recorded against Other comprehensive income, except for the recognition of impairment losses, interest or exchange gains and losses, which are recognised in the consolidated statement of income. When the asset is derecognised, the accumulated gain or loss in other comprehensive income is reclassified to profit or loss.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are non-derivative financial assets/liabilities which are held solely for payments of principal and interests ("SPPI"). If

collection/payment is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets/liabilities. If not, they are presented as non-current assets/liabilities.

Trade receivables and other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost using the effective interest method, less impairment.

Fair value hierarchy

In accordance with the accounting rules, an entity must classify the fair value measurement based on a fair value hierarchy that reflects the meaning of the inputs used for measurement. The fair value hierarchy has the following levels:

- Level 1 – the fair value of the assets or liabilities is based on active liquid market quotation as at the date of the statement of financial position;
- Level 2 – the fair value of the assets or liabilities is determined through valuation models based on observable market inputs; and;
- Level 3 – the fair value of the assets or liabilities is determined through valuation models; whose main inputs are not observable in the market.

In general, the book value of financial assets and liabilities approximates fair value.

Unit: € k

	Notes	2022	2021
Financial assets by category		154 382	135 800
Financial assets at fair value through comprehensive income	13	3	3
Financial assets at amortised cost	12	91 341	93 338
- less deferred costs, TOS and receivable amounts from the State	12	(24 484)	(25 026)
Cash and cash equivalents	14	87 523	67 484

Financial assets at amortised cost comprises Trade receivables and Other receivables, net of impairments.

Unit: € k

	Notes	2022	2021
Financial liabilities by category		728 891	726 529
Financial liabilities not measured at fair value	7, 15 and 16	931 069	937 019
- less deferred income and payable amounts to the State	16	(202 179)	(210 490)

Financial liabilities comprise Financial debt, Lease liabilities, Trade payables and Other payables.

22. Financial risk management

The Group is organised to identify, measure and control the different risks to which it is exposed to using various financial instruments to cover them, in accordance with the corporate guidelines across the Group. The contracting of these instruments is centralized.

Floene is essentially exposed to the interest rate risk.

Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans and bonds. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the consolidated statement of income. The policy for interest rate risk management aims to reduce the exposure to variable rates by fixing the interest rate risk on loans, using a mix of variable and fixed rate instruments.

Interest rate stress analysis

The analysis of interest rate risk includes investments and loans at variable interest rates. A 0.5% increase in the interest rate would impact Group's financial income as outlined in the table below:

Unit: € k

	2022		2021	
	Risk exposure	Impact on statement of income	Risk exposure	Impact on statement of income
Loans obtained	75 208	(376)	76 250	(381)

Note: Excludes loans not subject to interest rate volatility risk, i.e., fixed rate loans.

Liquidity risk

Liquidity risk is defined as the impact on the profit and/or cash flow of the business of the Group's ability to obtain the financial resources necessary to meet its operating and investment commitments. Floene finances itself through the cash flow generated by its operations and maintains a diversified portfolio of loans and bonds.

The Group has access to credit lines that are not fully used but that are at its disposal. These credit lines would cover all loans that are repayable within 12 months. The available short-term credit lines that are not being used amount to € 620 million as at 31 December 2022 and € 70 million as at 31 December 2021. Floene has readily available cash and cash equivalents that amount to € 88 million as at 31 December 2022 and € 67 million on 31 December 2021. These combined amount to € 708 million as at 31 December 2022 and € 137 million on 31 December 2021.

Regarding the maturity of the Group's financial liabilities, mainly financial loans, see Note 15.

Credit risk

Credit risk results from the potential non-payment by one of the parties of their contractual obligations, thus depending of the risk level of the counterparty. In addition, counterparty credit risk arises on monetary investments and hedging instruments.

Credit risk limits are established by Floene and are implemented in the various business segments. The credit risk limits are defined and documented, and the credit limits for certain counterparties are based on their credit ratings, periods of exposure and the monetary amount of the exposure to credit risk.

See Note 12 for further risk assessments, specifically regarding Trade receivables and Other receivables.

Claims risk

Floene Group owns a wide insurance program to reduce its exposure to various risks resulting from claims that may occur during the execution of its activity, as follows:

- Indemnity and environmental Insurance: covering general activity risks caused by third parties and risks of management risks;
- Patrimony Insurance: answer for damages with external origin that can be caused at Floene' assets and exploration losses;
- Social Insurances: cover work accidents, personal accidents, life and health risks;
- Other Insurances: cover risks on vehicles, travels, etc.

23. Equity

Equity management policy

Floene Energias, S.A. is the Group's holding Company in the natural gas distribution business in Portugal, with the Group's consolidated equity as at 31 December 2022 amounting to € 254 378 k (2021: € 239 236 k).

Regarding to the financing model, Floene established on 25 August 2016 a Euro Medium Term Note Program up to a maximum amount of € 1 000 000 k (Note 15). On 19 September 2016, Floene issued notes in the amount of € 600 000 k.

The Floene group's debt ratio (Net Debt /EBITDA) is 5.8x as referred in Note 15.

Shareholder structure and Dividends

Shareholder structure

During 2022, Floene shareholder structure has not changed, with the share capital remaining at € 89 529 141 divided into 89 529 141 shares, with a nominal value of one Euro each, being fully subscribed and paid up by the following shareholders:

Shareholders	%	No. of shares
	100	89 529 141
Allianz Infrastructure Luxembourg II, S.à r.l.	45.51	40 743 759
Allianz European Infrastructure Acquisition Holding, S.à r.l.	29.50	26 412 050
Meet Europe Natural Gas, Lda.	22.50	20 144 057
Petrogal, S.A.	2.49	2 229 275

Reserves

During the year ended 31 December 2022, by deliberation at the Shareholders' General Meeting, the Company reinforced the legal reserve in € 957 k. The total amount of legal reserve is € 13 037 k.

Ancillary capital contributions

The Ancillary capital contributions has not registered any alterations during the year of 2022, maintaining in the global amount € 19 516 k, realized at 20 December 2021, in order to strengthen the Group's capital structure and to fulfil its financial obligations relating to the payment of CESE (Note 19). The Ancillary capital contributions are non-remunerated, are subject to the supplementary capital regime as to their enforceability and delivery obligation, and the payments were paid in accordance with the following distribution among shareholders:

- Allianz Infrastructure Luxembourg II, S.à r.l.: € 8 882 k;
- Allianz European Infrastructure Acquisition Holding, S.à r.l.: € 5 758 k;
- Meet Europe Natural Gas, Lda.: € 4 391 k; e
- Petrogal, S.A.: € 486 k.

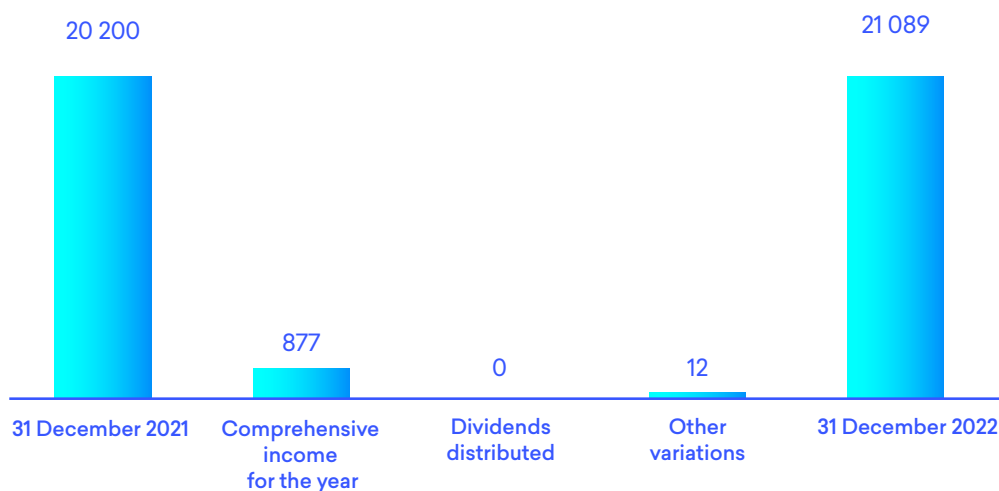
In accordance with current legislation, ancillary capital contributions can only be distributed to shareholders as long as the equity, after its repayment, is not less than the sum of capital and undistributed reserves.

Dividends

In accordance with the Shareholders' General Meeting on 2 December 2022, dividends in the amount of € 15 000 k were attributed to the Company's shareholders, regarding to the accumulated results distribution, which were paid on 20 December 2022.

24. Non-controlling interests

As at 31 December 2022, the changes in non-controlling interests during the year and included in equity are as follows:



The other variations refer namely to remeasurements with a pension fund.

25. Revenue and income

Accounting policy

Revenue from gas sales (under the last resort commercialisation regime) and the services rendered for the use of the natural gas distribution network is recognised in the consolidated statement of income when the risks and rewards related to the possession of the assets are transferred to the buyer or the services are rendered, and the amount of the corresponding revenue can be reasonably estimated. Sales and services rendered are recognised net of taxes, discounts, and other costs inherent to their materialisation, by the fair value of the amount received or receivable.

Allowed revenue is calculated in accordance with the applicable regulatory parameters and published by ERSE, at the beginning of each regulatory period and the year 2022 corresponds to the third year of the 5th regulatory period, which runs from 1 January 2020 to 31 December 2023.

The amount of the allowed revenue for the gas distribution activity results from the sum of:

- (i) the cost of capital, defined as the product of the Regulated Asset Base (“RAB”) by the Rate of Return on regulated assets (“RoR”) published by ERSE, plus amortisation and depreciation of those assets. The RoR comprises a fixed part and a variable part indexed to the average daily quotation of Portuguese Treasury Bonds (“OTs”) at 10 years, framed by a maximum and a minimum value. The average value of the OTs is obtained by the average of the daily quotation, deducted by 1/12th of the value of the lowest and highest quotation, verified in the calendar year (January to December);

- (ii) recovery of allowed net operating costs (OPEX) indexed to efficiency factors (GDP deflator, consumption locations and distributed volume of gas), with review of applicable regulatory parameters published by ERSE; and
- (iii) adjustments, namely related to the tariff deviation, which corresponds to the difference between the income actually billed and the allowed revenue estimated by ERSE, with the difference being incorporated in the calculation of the allowed revenue of the second gas year following the calendar year to which they relate.

Regarding to the gas commercialisation activity, the amount of allowed revenue results from the sum of the following parts:

- (i) recovery of allowed net operating costs (OPEX) indexed to efficiency factors (GPD deflator and customers);
- (ii) additional income established in the commercialisation license;
- (iii) difference between average payment and collection periods; and
- (iv) adjustments, namely related to the tariff deviation, which corresponds to the difference between the income actually billed and the allowed revenue estimated by ERSE, with the difference being incorporated in the calculation of the allowed revenue of the second gas year following the calendar year to which they relate.

The regulated tariffs applied by the Group in the invoicing of sold gas and access to the gas distribution networks conveyed in the National Gas System are defined by ERSE, so that they allow the recovery of the permitted revenue calculated at the beginning of each gas year for each regulated activity/function, which are as follows:

- (i) energy tariff to be applied by the wholesale supplier of last resort, which must provide the benefits of the Purchase and Sale of gas function ("FCVG") for supply to the Last Resort Commercialisation Retailer;
- (ii) commercialisation tariff to be applied by the Last Resort Commercialisation Retailer, which must provide the permitted revenue from the Commercialisation of gas activity of each LRS;
- (iii) global Use of the System tariff ("UGS") to be applied by the transmission system operator to the distribution network operator, which must provide the allowed revenue from the Global Technical Management Activity of the ORT System;
- (iv) use of the Transportation Network tariff ("URT") to be applied by the transportation system operator, which must provide the allowed revenue from the Gas Transport Activity;
- (v) distribution Network Use tariff ("URD") in medium pressure (MP) and for the Distribution Network Use tariff in low pressure (BP), which must provide the allowed revenue from the Gas Distribution Activities of each DSO; and
- (vi) logistics Operation for the Change of Merchant tariff ("OLMC"), which must provide the allowed revenue of the entity responsible for managing the supplier change process.

According to current regulatory assumptions, the period of the gas year is between October and September of the following year, period in which the regulated tariffs are applied. In 2022 the applied tariffs and prices corresponds to the gas year of 2021-2022 (period from 1 January and 30 September) and the gas year of 2022-2023 (period from 1 October to 31 December) published by ERSE.

The gas regulation system is based on the principle of tariff uniformity (where the same tariff is applicable to all regions of the country), and considering the different levels of use of the networks and the efficiency of the regulated companies. ERSE published a compensation mechanism between the DSOs and between the LRSs, applicable across the sector's companies, in order allow for an equilibrium between the revenue recovered by applying the regulated tariffs and the regulated revenue of those companies (Notes 12 and 16).

Additionally, transfers between LRSs and DSOs ("sobreproveito" transfer) were also defined, with the aim of minimising financial flows between companies, and, likewise, transfers between the Transport Network Operator (ORT) and DSOs, and, in the same way, transfers to the LRSs in order to operationalise the recovery of funds. In this way, ERSE, for each gas year, indicates the amounts of compensation and transfers to be settled between the companies of the National Gas System, within the scope of their Activities.

In 2022, the Group companies estimated and included in their accounts the difference between the published allowed revenue and adjusted allowed revenue, that is, the amount obtained considering the real variables underlying its calculation.

The Group companies recognise in their financial statements, under accruals and deferrals (Notes 12 and 16), the difference between the estimated allowed revenue published for its regulated activity and the revenue generated by the actual billing issued.

Given the regulatory framework and legislation in place, tariff deviations calculated in each year meet several conditions (measurement reliability; financial asset remuneration; entitlement to their recovery and transmissibility of same, among other) that support their recognition as revenue, and as assets in the year they are calculated, namely because they can be reliably measured and there is certainty that economic benefits will flow to the Group.

Costs and income are recorded in the corresponding year, regardless of the date of payment or receipt. Costs and income which actual amounts are unknown, are estimated.

Under Other receivables and Other payables are recorded costs and income of the current year and which receipt and payment will only occur in future years, as well as receipts and payments that have already occurred, but which relate to future years and will be imputed, in the corresponding amounts, to each year's results.

Estimates and accounting judgments

The Group analysed, under the accounting principles established in IFRS 15, the income framework recognised within the scope of the Gas Distribution and Commercialisation Activities, namely in what regards its performance as Principal vs. Agent.

Within the scope of the Gas Distribution and Commercialisation Activities, the transactions associated with the billed tariffs related to the Global Use of the System (“UGS”) and the Use of the Transportation Network (“URT”) tariffs were analysed, among others. These tariffs are initially recognised as expenses within the scope of gas distribution and commercialisation services provided by the entity, being subsequently billed to customers and recognised as operating income, given that the services provided or promised to their customers contain the cost of the tariffs included in the price.

Based on the analysis carried out, the Group concluded that each performance obligation defined contractually to provide the specified good or service is its responsibility, thus controlling the goods or services provided to the customer, in its entirety, acting as Principal and not as Agent.

The Group’s operating income for the years ended 31 December 2022 and 2021 is as follows:

Unit: € k

	Notes	2022	2021
		206 986	199 584
Sales		3 842	3 416
Goods		3 842	3 416
Services rendered		155 515	155 308
URD tariff		146 899	142 290
URT tariff		4 520	6 861
UGS tariff		2 829	5 310
OLMC tariff		221	313
ORT transfer to company - Social tariff		(278)	(317)
ORT and ORD transfer		5 088	5 234
MP Discount		(5 303)	(5 709)
“Sobreproveito” transfer		426	536
Connections/Reconnections		841	304
Other		272	484
Other operating income		47 499	40 690
Profits under IFRIC 12	6 and 26	37 969	30 781
Investment subsidies	8	8 648	8 927
Other		881	982
Financial income	28	130	170

Regarding the concession contracts under IFRIC 12, the construction of the concession assets is subcontracted to specialized entities, which assume the risk inherent in the construction activity, with income and costs associated with the construction of these assets being recognised. The income and costs associated with the construction of these assets are of equal amounts and are duly mentioned in the table above, as well as in the following note of operating costs.

26. Costs and expenses

Costs and expenses for the years ended 31 December 2022 and 2021 are as follows:

Unit: € k

	Notes	2022	2021
		165 011	161 839
Total costs and expenditure:		2 566	1 946
Goods		2 555	1 942
Decrease in inventories	11	12	3
Exchange differences		(1)	-
Supplies and external services		40 979	44 877
Specialised works		2 985	5 947
Subcontracts - network use		8 246	13 195
IT Services		6 369	6 034
Administrative and financial services		4 167	3 796
Maintenance and repairs		3 590	3 379
Rental costs		1 194	745
Technical assistance maintenance		3 035	2 738
Electricity, fuel and water		1 053	755
Insurance		3 876	3 553
Readings		1 779	1 565
Connections/reconnections		784	241
Cleaning and security		405	423
Travel and accommodation		512	190
Gas meters and infrastructure charges		847	802
Communications		739	550
Personnel assigned from other companies		61	107
Billing and collection		81	65
General Services		436	590
Other		820	202
Staff costs	27	22 477	22 633
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use of assets	5, 6 and 7	48 570	50 438
Provisions	19	597	185
Impairment losses of accounts receivables	12	87	30
Other operating costs		38 481	31 426
Costs under IFRIC 12	6 and 25	37 969	30 781
Donations		4	23
Other taxes		232	156
Other		276	466
Financial expenses	28	11 254	10 305

The variation in "subcontracts - network use" was due to the reduction in the price of network access tariffs for the use of the transportation network (URT) and the global use of the system (UGS), by about € 4 949k.



27. Staff costs

Accounting policy

Staff costs

Salaries, social security contributions, annual and sick leave, bonuses, and non-monetary benefits are recognised in the year in which the respective services are rendered by the Company's employees.

Remuneration of the Board of Directors

Under the policy currently adopted, the remuneration of Floene's governing bodies includes all remuneration due for the exercise of positions in Group companies and the accrual of costs related to amounts to be allocated to this period.

According to IAS 24, key personnel correspond to the group of all persons with authority and responsibility to plan, direct and control the Company's activities, directly or indirectly, including any director, whether executive or non-executive. According to the interpretation of this standard by Floene, the only people who meet all these characteristics are the members of the Board of Directors.

Staff costs for the years ended 31 December 2022 and 2021 are as follows:

	Notes	2022	2021
		Unit: € k	
Staff costs		22 477	22 633
Staff costs capitalisation		(1 777)	(1 192)
Total costs for the year		24 253	23 824
Board of Directors remuneration		813	887
Staff remuneration		15 561	17 144
Social charges		3 740	3 598
Retirement benefits – pension and insurance	18	2 189	1 421
Other insurance		1 391	1 353
Other charges		560	(579)
Board of Directors remuneration		813	887
Salaries and bonuses		813	887

Other charges change refer mainly to personnel assigned to companies of the Galp Energia Group.

During the years ended 31 December 2022 and 2021, the average number of employees at Floene Group service was 398.

28. Financial income and expenses

Accounting policy

The financial charges on loans obtained are recorded as financial expenses on an accrual basis.

Financial charges arising from general and specific loans obtained to finance investments in fixed assets are assigned to tangible and intangible assets in progress, in proportion to the total expenses incurred on those investments net of investment government grants (Notes 5 and 6), until the commencement of its operations, with the remaining being recognised under financial expenses in the consolidated statement of income for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalised.

Financial charges included in fixed assets are depreciated over the useful life of the respective assets.

Financial income and expenses for the years ended 31 December 2022 and 2021 are as follows:

Unit: € k

	Notes	2022	2021
		(11 125)	(10 135)
Financial income		130	170
Interest on bank deposits		130	170
Financial expenses		(11 254)	(10 305)
Interest on bank loans, overdrafts and others		(8 974)	(8 794)
Interest on lease liabilities	7	(348)	(354)
Charges relating to loans		(1 555)	(978)
Other financial costs		(377)	(179)

29. Contingent assets and liabilities and provided guarantees

Accounting policy

Contingent assets and liabilities are arisen from past events that need confirmation as to their future occurrence and which may cause economic inflows or outflows from the Group. The Group does not reflect this type of assets and liabilities in its accounts, as they may not be effective. When the probability of occurrence is not re-mote, the contingent assets and liabilities are disclosed in the notes to the accounts.

Contingent Liabilities

Many municipalities demand payments (liquidations and executions) concerning Subsoil Occupation Levies (“TOS”) with existing gas pipelines, from the concessionaire companies of the distribution and commercialisation of natural gas, in the amount of € 1170 k. The Group does not agree with the municipalities and refuses to pay what they demand. Because of that they have actions in the Tax Administrative Court, having the suspension of execution request deferred, and the and the execution is suspended until the final decision is handed down. For that reason, guarantees were established.

In the course of negotiating the Concession Contract between the Portuguese State and the Company, it was agreed, among other matters, that the Concessionaire has the right to charge, to the entities selling natural gas and to the final costumers, the full amount of the subsoil occupation levies assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil occupation levies paid each year will be reflected on the entities supplying gas that use the infrastructures or on the final costumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation levies will be assessed for each municipality, based on the amount charged by it.

Given the fact that eventual levies to be paid until 31 December 2022 and interest to be paid will be passed through to customers, the Group has decided not to recognise any provision for responsibilities resulting from legal proceedings concerning this issue.

As of 31 December 2022, the amounts paid to City Councils and charged to customers related to subsoil usage levies are as follows (the transfer conditions, including the amount to be recovered each year, the number of years of transfer and unit values for customers are governed by ERSE):

	Notes	2022
Amount to be recovered - Subsoil Occupation Levies	12	21 664
Paid amount (includes additional costs)		228 491
Interest		5 419
Amount billed to clients		(212 246)

The amount to be recovered is remunerated based on the Euribor 12M rate increased by spread stipulated by ERSE.

Provided guarantees

During its commercial operations, the Group entered into contracts, under which it assumed commitments for commercial, regulatory or other commercial purposes.

As of 31 December 2022 and 2021, the liabilities for provided guarantees are as follows:

	Unit: € k	
	2022	2021
Provided guarantees	13 845	14 335
Portuguese State, for the duties and obligations arising from the Concession Agreement	8 812	10 322
Municipalities, relating to Subsoil Occupation Levies	1 160	1 654
Directorate-General of Energy and Geology (DGEG)	3 054	1 576
IP-Infraestruturas de Portugal, S.A.	318	314
Tax Authority (AT – “Autoridade Tributária”)	300	300
Others	201	168

In accordance with the Concession Contracts and Licenses established with the Group Companies, the entities, as Concessionaires, must promote adequate financing for the development of the object of the concession or license, in order to fully and timely fulfil all the obligations they assume in the present contract.

Thus, Concessionaires must maintain at the end of each year a Financial Autonomy ratio greater than 20%. As at 31 December 2022, the Financial Autonomy ratio presented by the Companies that comprise the Group varies between 42.91% and 121.67%.

30. Related parties

Accounting policy

A related party is a person or entity that is related to the entity preparing its financial statements, and meeting the following requisites:

- (a) a person or a close member of that person’s family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (b) an entity is related to a reporting entity if any of the following conditions applies: (i) the entity and the reporting entity are members of the same group (which means that each parent and subsidiaries are related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third



entity, and the other entity is an associate of the third entity; (v) the entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group has had the following material balances and transactions with related parties for the years ended 31 December 2022 and 2021 as follows:

Unit: € k

	2022	2021
	Current	Current
Assets	3 085	8 383
Galp Group (a)	3 085	8 383

(a) Galp Group includes all the companies that compose the Galp Energia Group.

Unit: € k

	2022	2021
	Current	Current
Liabilities	(4 300)	(6 310)
Galp Group (a)	(4 300)	(6 310)

(a) Galp Group includes all the companies that compose the Galp Energia Group.

Unit: € k

	2022	2021
	Operating costs/income	Operating costs/income
Transactions	47 726	50 256
Galp Group (a)	47 726	50 256

(a) Galp Group includes all the companies that compose the Galp Energia Group.

Transactions with Group Galp companies are mainly due to IT services cost.

31. Companies from the Floene Group

Group companies are considered to be all the financial investments in companies over which the Group has control, namely if it has cumulatively:

- power over the investee;
- exposure or rights in relation to the variable results arising through its relationship with the investee; and
- ability to use its power over the investee to impact the amounts of the results to the investors.

The equity and the net income corresponding to the participation of third parties in the subsidiaries companies is presented separately in the consolidated financial statement and in the consolidated statement of income, respectively, in Non-controlling interests. The losses and gains that result from the non-controlling interests, are imputed to them, even if it exceeds, in the case of losses, the amount invested by the interests that they do not control.

Regarding the control acquisition date, the Group already has an acquired interest, the fair value of that interest contributes to the determination of Goodwill or negative Goodwill.

Transaction costs that are directly assignable to the business combinations are recognised immediately in the consolidated statement of income.

Non-controlling interests include the proportion of the third parties' the fair value of identifiable assets and liabilities at the date of acquisition of the subsidiaries. When control is acquired in a percentage lower than 100%, by applying the purchase method, the interests that they do not control can be measured at fair value or in proportion to the fair value of the assets and liabilities acquired. Each option is defined in each transaction.

The results of the subsidiaries acquired or sold during the year are included in the consolidated statement of income from the date of their acquisition or the control exercise date until their sale.

Subsequent transactions for the sale or acquisition of financial investments of non-controlling interests, which do not imply control change, nor result in the recognition of gains/losses or Goodwill, being any difference determined between the transaction value and the book value of the transaction recognised in equity.

When required, there are adjustments made in the subsidiary's statement of incomes in order to adapt its accounting policies to the one's used by the Group. Transactions (including gains and losses that may exist due to the disposals between Group companies), the balances and the dividends that are distributed between companies' Group are excluded of the consolidation process, unless the losses that proof there were impairment losses in the transferred assets.



Situations where the Group has, in substance, the control of other structured entities, even if it does not have equity interests directly in these entities, they are consolidated using the full consolidation method. The entities in these situations, when existing, they are included in this Note.

Consolidation perimeter

The companies included in the consolidation and the percentage of shares owned are as follows:

Unit: € k

Company and country	Percentage of shares owned 2022	Percentage of shares owned 2021
Parent Company		
Floene Energias, S.A., Portugal	-	-
Subsidiaries		
Beiragás - Companhia de Gás das Beiras, S.A., Portugal	59.60%	59.60%
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A., Portugal	100.00%	100.00%
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A., Portugal	100.00%	100.00%
Lisboagás - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Portugal	100.00%	100.00%
Lusitaniagás - Companhia de Gás do Centro, S.A., Portugal	97.19%	97.19%
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A., Portugal	100.00%	100.00%
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A., Portugal	100.00%	100.00%
Setgás - Sociedade de Distribuição de Gás Natural, S.A., Portugal	100.00%	100.00%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A., Portugal	99.36%	99.36%

32. Subsequent events

At the end of 2022, Floene had around 90% financial debt contracted through a bond loan in form of EMTN, in the global amount of € 600 million, with the maturity at September 2023. The financing interest rate is a fixed rate of 1.375%.

At the beginning of March 2023, the Company initiated a process of refinancing of the EMTN, having completed a partially repayment in the amount of € 180 million. The transaction was financed by a bank syndicate and was contracted a variable interest rate, indexed to Euribor, with a spread. After the operation, Floene has still an amount of € 420 million of EMTN loan at a fixed rate.

According to Note 19, on 16 March 2023 was declared the judgement No. 101/2023 by the Constitutional Court related to Energy Sector Extraordinary Contribution (CESE), referring to 2018, favourable to the company of the Group, Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., declaring the tribute as unconstitutional, whose financial impact is approximately € 5 million, which is fully provisioned. On 28 March 2023, the constitutional Court issued a Summary Decision No. 201/2023, regarding CESE of 2018, favourable to Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A., in the amount of € 54 k, which is fully provisioned.

There were no additional subsequent events after 31 December 2022 with a material impact on the attached financial statements.

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 27 April 2023. However, they are still subject to approval by the Shareholders' General Meeting, in accordance with the commercial law applicable in Portugal. The Board of Directors believes that these financial statements truly and appropriately reflect the Group's operations, its financial performance and cash flows.

34. Translation note

These financial statements are a translation of the consolidated financial statements originally issued in Portuguese in accordance with the International Financial Reporting Standards as adopted by the European Union, some of which may not conform to the generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version shall prevail.

**THE BOARD OF DIRECTORS:****PRESIDENT:**

Diogo António Rodrigues da Silveira

MEMBERS:

Roxana Tataru

Karl Klaus Liebel

Ippei Kojima

Nuno Luís Mendes Holbech Bastos

Gabriel Nuno Charrua de Sousa

Yoichi Onishi

José Manuel Rodrigues Vieira

Pedro Álvaro de Brito Gomes Doutel

**THE CERTIFIED
ACCOUNTANT:**

Ana Maria Serafim de Brito Mousinho

Annex III b – Separate Financial Statements

Disclaimer:
Translation of a report originally
issued in Portuguese.
In the event of a discrepancy, the
Portuguese language version
prevails.

contents

Statement of financial position	166
Statement of income and other comprehensive income	168
Statement of changes in equity	169
Statement of cash flow	170
Notes to the financial statements as at 31 december 2021	171
Corporate information	171
Significant accounting policies, judgments, and estimates	171
Impact of new international financial reporting standards	174
Tangible assets	175
Intangible assets	176
Right-of-use and lease liabilities	177
Government grants and other grants	179
Goodwill	179
Financial investments in subsidiaries	179
Inventories	181
Trade receivables and other receivables	181
Other financial assets	184



Cash and cash equivalents	184
Financial debt	185
Trade payables and other payables	187
Income taxes	188
Post-employment and other employee benefits liabilities	190
Provisions	192
Derivative financial instruments	192
Financial assets and liabilities	192
Financial risk management	195
Capital structure	195
Revenue and income	196
Costs and expenses	197
Staff costs	198
Financial income and expenses	198
Contingent assets and liabilities	199
Related parties	199
Information on environmental matters	201
Subsequent events	201
Approval of the financial statements	201
Translation note	201

Statement of financial position

Statement of financial position as at December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

ASSETS	NOTES	2022	2021
Non-current assets:			
Tangible assets	4	14	-
<i>Intangible assets</i>	5	4 928	2 519
Right-of-use of assets	6	4 863	4 991
Financial investments in subsidiaries	9	640 422	640 422
Deferred tax assets	16	96	118
Other receivables	11	32	17
Other financial assets	12	127 246	127 246
Total non-current assets:		777 601	775 313
Current assets:			
Other financial assets	12	-	13 670
Trade receivables	11	8 672	7 934
Other receivables	11	6 936	3 790
Current income tax receivable	16	11 938	1 460
Cash and cash equivalents	13	76 779	52 372
Total current assets:		104 325	79 226
Total assets:		881 926	854 539
Equity and Liabilities			
Equity:			
Share capital	22	89 529	89 529
Ancillary capital contributions	22	19 516	19 516
Reserves	22	13 428	12 471
Retained earnings		26 118	38 463

ASSETS	NOTES	2022	2021
Total Equity:		148 591	159 980
Liabilities:			
Non-current liabilities:			
Financial debt	14	68 171	668 762
Lease liabilities	6	4 579	4 725
Other payables	15	79	-
Post-employment and other employee benefits liabilities	17	680	526
Total non-current liabilities:		73 509	674 012
Current liabilities:			
Financial Debt	14	600 000	-
Lease liabilities	6	422	376
Trade payables	15	3 876	3 852
Other payables	15	51 801	15 624
Current income tax payable	16	3 726	695
Total current liabilities:		659 826	20 547
Total liabilities:		733 334	694 559
Total equity and liabilities:		881 926	854 539

The accompanying notes form an integral part of the statement of financial position and must be read in conjunction.

Statement of income and other comprehensive income

Statement of income and other comprehensive income for the years ended
31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	NOTES	2022	2021
Services rendered	23	22 879	24 704
Other operating income	23	132	326
Financial income	26	6 474	5 826
Results related to financial investments in subsidiaries	9 and 23	7 493	22 295
Total revenue and income:		36 977	53 150
Supplies and external services	24	(10 868)	(12 242)
Staff costs	24 and 25	(11 038)	(11 563)
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	5, 6 and 24	(1 189)	(1 133)
Other operating costs	24	(76)	(60)
Financial expenses	26	(10 827)	(9 793)
Total costs and expenses:		(33 998)	(34 791)
Earnings before taxes and other contributions:		2 980	18 361
Income taxes	16	738	776
Net income for the year		3 718	19 137
Basic and Diluted Earnings per share (in Euros)		0.04	0.21
Net income for the year		3 718	19 137
Items which will not be recycled in the future through net income:			
Remeasurements – pensions fund	17	(136)	(51)
Income taxes related to actuarial gains and losses	16 and 17	31	12
Total Comprehensive income for the year		3 612	19 097

The accompanying notes form an integral part of the statement of income and other comprehensive income and must be read in conjunction.

Statement of changes in equity

Statement of changes in equity for the years ended 31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	Notes	Share capital	Ancillary capital contributions	Other reserves	Retained earnings – revaluations	Retained earnings – other	Net income of the year	Total
Balance as at 1 January 2021		89 529	-	11 436	(43)	30 260	20 700	151 882
Net income for the year		-	-	-	-	-	19 137	19 137
Other gains and losses recognised in equity	17	-	-	-	(40)	-	-	(40)
Comprehensive income for the year		-	-	-	(40)	-	19 137	19 097
Constitution/increase in ancillary capital contributions	22	-	19 516	-	-	-	-	19 516
Increase/decrease in reserves by results appropriation		-	-	1 035	-	19 665	(20 700)	-
Dividend distribution						(30 515)		(30 515)
Balance as at 31 December 2021		89 529	19 516	12 471	(83)	19 409	19 137	159 980
Balance as at 1 January 2022		89 529	19 516	12 471	(83)	19 409	19 137	159 980
Net income for the year		-	-	-	-	-	3 718	3 718
Other gains and losses recognised in equity	17	-	-	-	(106)	-	-	(106)
Comprehensive income for the year		-	-	-	(106)	-	3 718	3 612
Increase/decrease in reserves by results appropriation	22	-	-	957	-	18 180	(19 137)	-
Dividend distribution	22	-	-	-	-	(15 000)	-	(15 000)
Balance as at 31 December 2022		89 529	19 516	13 428	(188)	22 588	3 718	148 591

The accompanying notes form an integral part of the statement of changes in equity and must be read in conjunction.

Statement of cash flow

Statement of cash flow for the years ended 31 December 2022 and 31 December 2021

(Amounts stated in thousand Euros - € k)

	NOTES	2022	2021
Operating activities:			
Cash received from customers		24 835	38 679
Cash payments to suppliers		(11 123)	(13 971)
Payments relating to employees		(9 838)	(9 414)
Payments/receipts relating to income taxes		(6 644)	2 150
Other (payments)/receipts relating to the operational activity		(4 441)	(4 256)
Dividends receipts	9 and 23	7 493	22 295
Cash Flow from operating activities (1)		282	35 483
Investing activities:			
Cash receipts related to:			
Interests and similar income		2 865	5 778
Loans granted		13 670	-
Cash payments related to:			
Financial investments	9	-	(2)
Tangible and Intangible assets		(2 003)	(2 373)
Loans granted		-	(13 670)
Cash Flow from investing activities (2)		14 532	(10 267)
Financing activities:			
Cash receipts related to:			
Loans obtained	15	36 302	4 505
Ancillary capital contributions	22	-	19 516
Cash payments related to:			
Loans obtained		-	(9 774)
Interests on loans obtained		(8 676)	(8 676)
Interests and similar costs		(2 593)	(226)
Leases	6	(363)	(329)
Lease interests	6	(77)	(79)
Dividends paid	22	(15 000)	(30 515)
Cash Flow from financing activities (3)		9 593	(25 578)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		24 408	(362)
Cash and cash equivalents at the beginning of the year	13	52 372	52 734
Cash and cash equivalents at the end of the year	13	76 779	52 372

The accompanying notes form an integral part of the statement of cash flow and must be read in conjunction.



Notes to the financial statements as at 31 December 2021

1. Corporate Information

Floene Energias, S.A., (“Floene” or “Company”) with Head Office in Lisbon was established on 2 December 2009 under the company name Galp Gás Natural Distribuição, SGPS, S.A.. Its corporate business is the management of shareholdings in other societies. On 1 April 2015, by unanimous decision of the unique shareholder, GDP Gás de Portugal, SGPS, S.A., the Company changed its corporate name to Galp Gás Natural Distribuição, S.A., changing its corporate purpose to the distribution of natural gas, including supporting services in the areas of management, administrative and logistics, purchasing and supply and information systems. In October 2022, the Company changed its corporate name from Galp Gás Natural Distribuição, S.A. to the current one, Floene Energias, S.A., maintaining its corporate purpose.

In October 2016, Galp Gás & Power, SGPS, S.A. (currently Galp New Energies, S.A.) sold 22.50% of the Floene Energias, S.A. Group to Meet Europe Natural Gas Lda. This sale resulted in an agreement concluded on 28 July 2016 between Galp Energia SGPS, S.A., through its subsidiary Galp New Energies, S.A. and Marubeni Corporation and Toho Gas Co. Ltd..

On 26 October 2020 Galp New Energies S.A. agreed with Allianz Capital Partners, on behalf of Allianz Infrastructure Luxembourg II S.à.r.l. and Allianz European Infrastructure Acquisition Holding S.à.r.l., to sell 75.01% of its stake in Floene with the remaining 2.49% of Floene’s share capital being held by Galp through its subsidiary Petrogal S.A.. On 24 March 2021 and after the regulatory authorisations and obtaining consents from third parties, Allianz Capital Partners, which ultimate beneficial owner is Allianz SE, became the shareholder of 75.01% of Floene’s share capital. The remaining shares of Floene are held by Meet Europe Natural Gas, Lda and by Petrogal, S.A. (Note 22).

Its Head Office is in Lisbon, at Rua Tomás da Fonseca Torre C 1, 1600-209 Lisbon. Due to the current situation resulting from the geopolitical conflict between Russia and Ukraine, Floene Management is monitoring the evolution of the situation to control any operational risks, guarantee the maintenance of its activities and mitigate any material relevant financial impacts on the companies of the Group. Up to the date of approval of the accounts, the geopolitical conflict between Russia and Ukraine had not had significant impacts on the activity.

Pursuant to Article 3 of the Legal Framework of Audit Supervision approved by Law 99-A/2021 of 31 December, with entry into force on 1 January 2022, the Company no longer meets the criteria to classify as a public interest entity in Portugal with reference to the said date.

2. Significant accounting policies, judgments, and estimates

The accounting policies adopted by the Company to prepare the financial statements are explained below. During the year ended 31 December 2022, no material prior years errors were noted.

Basis of presentation

Company's financial statements were prepared on a going concern basis, at historical cost, on the accounting records of the Company maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning on 1 January 2021. 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 Company's Board of Directors believes that the attached financial statements and the Notes to the financial statements ensure an adequate presentation of the financial information.

Financial Statements are presented in thousands of Euros (units: € k), rounded to the nearest thousand, unless otherwise stated. Therefore, the subtotals and totals of the tables presented in these financial statements and explanatory notes may not be equal to the sum of the amounts presented, due to rounding.

The accounting policies adopted are, according to their content, included in the respective Note in the Notes to the financial statements. Common or generic accounting policies for several notes are disclosed in this Note.

Estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the current estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is great uncertainty or are very susceptible to changes in the situation; and (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: i) impairment of intangible assets, rights of use assets and financial investments (Notes 5, 6 and 9); (ii) pensions and other post-employment benefits demographic and financial assumptions (Note 17); (iii) impairment for accounts receivable (Note 11); (iv) useful lives and residual values of intangible assets (Note 5); (v) deferred tax assets and uncertain tax position estimates (Note 16); and (vi) revenue (Note 23).



General accounting policies

Balances and transactions stated in foreign currency

Transactions are recorded in the Company's financial statement in its functional currency (Euro), at the exchange rates in force on the dates of the transactions.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the statement of income in the same captions where the revenue and expenses associated with these transactions are reflected, except those related to non-monetary values whose change in fair value is recorded directly in equity.

Basic and diluted earnings per share

The basic earnings per share are calculated based on the division of profits or losses attributable to holders of the Company's common equity by the weighted average number of outstanding common shares during the period. For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to holders of the Company's common equity, as well as the weighted average number of outstanding shares, for the purposes of all potential diluting common shares. In the period covered by these financial statements, there were no dilutive effects with an impact on net earnings per share, so this is equal to the basic earnings per share.

3. Impact of new international financial reporting standards

3.1 Published standards and interpretations that came into force in the financial year

The IFRS standards approved and published in the Official Journal of the European Union (“OJEU”) with application during the year 2022 are summarized in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendment to IFRS 3 Definition of business, IAS 16 Tangible fixed assets, IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual improvements of standards IFRS cycle 2018-2020 (all issued on 14 May 2021)	02/07/2021	01/01/2022	2022	No relevant impact.

3.2. Published standards and interpretations that will become effective in future years

The IFRS standards approved and published in the OJEU during the year ended 31 December 2022 and with accounting application in subsequent years are summarized in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IFRS 17 Insurance contract: Initial application of IFRS 17 and IFRS 9 – comparative information (issued on 9 December 2021)	09/09/2022	01/01/2023	2023	Not applicable.
Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities associated with a single transaction (issued on 7 May 2021)	12/08/2022	01/01/2023	2023	No predictable impact.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No accounting impacts. Impact on disclosures.
Amendments to IAS 8 Accounting Policies, Changes in Estimates, Errors, Restatement: Disclosure of accounting estimates (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No predictable impact.
IFRS 17 Insurance Contracts (issued on 18 May 2017), including amendments to IFRS 17	23/11/2021	01/01/2023	2023	Not applicable.

3.3. Standards and interpretations not yet published by the European Union

The IFRS standards (new and amended) that become effective, on or after 1 January 2023, not yet endorsed by the EU are summarized in the table below:

IAS Standards	Accounting application date	Enforcement year	Observations
Amendments to IAS 1 Presentation of financial statements: non-current liabilities with covenants (issued on 31 October 2022)	01/01/2024	2024	No predictable impact.
Amendments to IFRS 16 Leases: Lease liabilities in sale and leaseback transactions (issued on 22 September 2022)	01/01/2024	2024	No predictable significant impact.

4. Tangible assets

Accounting policy

Tangible assets are recorded at acquisition cost, revalued when applicable, less accumulated depreciation and any impairment losses. The acquisition cost includes the invoice price, transportation, and assembly costs.

Depreciations are calculated on the considered cost value or on the acquisition cost, using the straight-line method, applied from the date on which they are available for use under the conditions intended by the Board of Directors, using economic rates more appropriate, those that allow the reintegration of tangible assets, during their estimated useful life.

Tangible assets are, as a whole, allocated to the Company's activity.

	2022		2021
	Office equipment	Total	Total
As at 31 December			
Acquisition cost	14	14	-
Accumulated depreciation	-	-	-
Net amount	14	14	-
Opening balance	-	-	-
Additions	14	14	-
Closing balance	14	14	-

5. Intangible assets

Accounting policy

Recognition

Intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses. Intangible assets are only recognised if they are identifiable, and if they are likely to result in future economic benefits for the Company and are controllable and measurable with reliability.

Development expenses are only recorded as intangible assets if the Company demonstrates technical and economic capacity, as well as a decision to complete that development and start its commercialisation or own use and demonstrates the probability of the asset generating future economic benefits. If expenses do not meet these requirements, development expenses are recorded as a cost for the year in which they are incurred.

Amortisations

Intangible assets with finite useful life are amortised using straight-line method.

Amortisation rates vary according to the terms of existing contracts or the expected use of the intangible asset

Accounting estimates and judgments

Useful lives and residual values of intangible assets

The calculation of the assets' residual values and useful lives, as well as the amortisation method to be applied, are essential to determine the amortisation recognised in the statement of income for each period. These parameters are set based on Management's judgment, as well as the practices adopted by peers in the industry. Changes in the economic life of the assets are recorded prospectively.

Intangible assets are as follows:

Unit: € k

			2022	2021
	Industrial property and other rights	Intangible assets under construction	Total	Total
As at 31 December				
Acquisition cost	4 208	3 556	7 763	4 556
Accumulated amortisation	(2 835)	-	(2 835)	(2 037)
Net amount	1 373	3 556	4 928	2 519
Opening balance	1 072	1 447	2 519	842
Additions	-	3 221	3 221	2 451
Amortisations and impairments losses	(798)	-	(798)	(774)
Write-off and sales	-	-	-	-
Transfers	1 098	(1 098)	-	-
Other adjustments	-	(14)	(14)	-
Closing balance	1 373	3 556	4 928	2 519



6. Right-of-use and lease liabilities

Accounting policy

Recognition

The Company recognises both a right-of-use of assets and a lease liabilities as at the lease commencement date. The right-of-use of assets are initially measured at cost, which represents the initial amount of the lease liabilities, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or restore the site on which it is located (if applicable), less any lease incentives received.

The lease liabilities are initially measured at the present value of the lease payments that have not yet been paid up to the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The types of lease payments included in the measurement of the lease liabilities are as follows:

- Fixed payments, including in kind fixed payments;
- Variable lease payments that are pegged to an index or a rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to be able to exercise, and
- Penalties for the early termination of a lease unless the Company is reasonably certain not to terminate it early.

The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of assets, or it is recorded in profit or loss if the carrying amount of the right-of-use of assets has been reduced to zero.

The Company presents right-of-use of assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Company decided not to recognise right-of-use of assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Company recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use of assets are subsequently amortised using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use of assets or the end of the lease term. The estimated useful lives of right-of-use of assets are determined as those used for the tangible assets.

Impairment

The right-of-use of assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of assets and discount rates

The calculation of the residual values of assets, the estimation of the useful lives, and the discount rates used are based on the assumptions of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use of Assets

Identifying impairment indicators, estimating future cash flow, and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

The details of right-of-use of assets are as follows:

Unit: € k

			2022	2021
	Buildings	Vehicles	Total	Total
As at 31 December				
Acquisition cost	5 909	334	6 243	6 044
Accumulated amortisation	(1 260)	(120)	(1 380)	(1 053)
Net amount	4 649	214	4 863	4 991
Opening balance at 1 January	4 959	32	4 991	5 331
Additions	-	257	257	17
Amortisations	(310)	(82)	(391)	(359)
Other adjustments	-	7	7	1
Closing balance at 31 December	4 649	214	4 863	4 991



Lease liabilities are as follows:

Unit: € k

	December 2022	December 2021
Maturity analysis – contractual undiscounted cash flow	5 562	5 730
Less than one year	425	379
One to five years	1 576	1 435
More than five years	3 561	3 917
Lease liabilities in the statement of financial position	5 001	5 101
Current	422	376
Non-current	4 579	4 725

The amounts recognised in profit or loss are as follows:

Unit: € k

	Notes	December 2022	December 2021
		918	151
Interest on leases	26	77	79
Expenses related to short-term, low-value and variable-payment leases	24	841	73

The amounts recognised in cash flow statement are as follows:

Unit: € k

	December 2022	December 2021
Financing activities	(440)	(407)
Payments related to leases	(363)	(329)
Payments related to lease interest	(77)	(79)

7. Government grants and other grants

Not applicable.

8. Goodwill

Not applicable.

9. Financial investments in subsidiaries

Accounting policy

Financial investments in subsidiaries are accounted at acquisition cost, being subsequently measured at cost, deducted of impairment losses, when applicable.

Dividends received from subsidiaries are recognised in the statement of income, when allocated. Whenever the recoverable amount determined is lower than the net book value of the financial investment, the Company records the respective impairment loss in the same caption.

Financial investments in subsidiaries are as follows:

Unit: € k

Company	Country	Percentage of capital held	
		2022	2021
Subsidiaries:			
Beiragás - Companhia de Gás das Beiras, S.A.	Portugal	59.60%	59.60%
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	Portugal	100.00%	100.00%
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	Portugal	100.00%	100.00%
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Portugal	100.00%	100.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.	Portugal	97.19%	97.19%
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	Portugal	100.00%	100.00%
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	Portugal	100.00%	100.00%
Setgás - Sociedade de Distribuição de Gás Natural, S.A.	Portugal	100.00%	100.00%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	Portugal	99.36%	99.36%

All financial investments are related to the Company's main activity as well as the Group's natural gas distribution and commercialisation business.

Unit: € k

	Subsidiaries financial information - 2022			
	Total assets	Total liabilities	Equity	Net income
	1 252 559	536 526	716 033	24 721
Subsidiaries:				
Beiragás - Companhia de Gás das Beiras, S.A.	80 575	33 880	46 695	1 650
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	14 633	4 263	10 370	297
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	36 000	10 386	25 614	649
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	530 142	329 966	200 176	7 965
Lusitaniagás - Companhia de Gás do Centro, S.A.	295 287	81 224	214 063	7 167
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	20 088	5 531	14 557	440
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	6 232	1 053	5 179	121
Setgás - Sociedade de Distribuição de Gás Natural, S.A.	167 968	48 578	119 390	4 232
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	101 634	21 645	79 989	2 200

For comparative information, refer to the financial statements for the year ended 31 December 2021.

Unit: € k

	Financial investments		Earnings related with financial investments	
	Acquisition cost	Net amount	Dividends	Total
Financial investments in subsidiaries	640 422	640 422	7 493	7 493
Subsidiaries:				
Beiragás - Companhia de Gás das Beiras, S.A.	20 296	20 296	-	-
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	9 987	9 987	218	218
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	25 766	25 766	570	570
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	157 205	157 205	6 265	6 265
Lusitaniagás - Companhia de Gás do Centro, S.A.	175 258	175 258	-	-
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	14 073	14 073	380	380
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	4 995	4 995	60	60
Setgás - Sociedade de Distribuição de Gás Natural, S.A.	143 273	143 273	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	89 570	89 570	-	-

For comparative information, refer to the financial statements for the year ended 31 December 2021.

From the analysis carried out by Management on the risk of impairment, it was considered that there are no relevant impairment indicators as at 31 December 2022.

10. Inventories

Not applicable.

11. Trade receivables and Other receivables

Accounting policy

Accounts receivable are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised as impairment losses on accounts receivable. Usually, the amortised cost of these assets does not differ from their nominal value or their fair value.

Trade and other receivables are derecognised when the contractual rights to the cash flow expire (i.e., they are collected), when they are transferred (e.g., sold) or when they are impaired.

Accounting estimates and judgments

Impairment of accounts receivable

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables were grouped by business segment for the purposes of the assessment of

expected credit losses. The credit risk of the accounts receivable balance is evaluated at each reporting date, taking into consideration the client's credit risk profile. The credit risk analysis is based on the annual default probability and considers the loss in the event of default. The default probability represents an annual probability of default, reflecting the current and projected information and considering macroeconomic factors, whereas the loss in the event of default represents the expected loss when a default occurs.

Accounts receivable are adjusted for management's estimate of the collection risks as at the statement of financial position date, which may differ from the actual impairment to be incurred.

Credit Risk

For credit risk purposes, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Risk assessment considers the credit quality of the customer, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Customers' compliance with credit limits is regularly monitored by Management.

For further credit risk mitigation measures, guarantees and insurance policies for eventual credit defaults are a standard part of Company overall risk policy.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

Trade receivables

Trade receivables as at 31 December 2022 and 2021 is detailed as follows:

Unit: € k

	Notes	2022	2021
		Current	Current
		8 672	7 934
Trade receivables – related parties	28	8 672	7 934
Impairment of trade receivables			
Ageing schedule of trade receivables		8 672	7 934
Not yet due		5 132	6 658
Overdue up to 180 days		1 507	1 359
Overdue between 181 days and 365 days		683	(83)
Overdue over 365 days		1 351	-

The outstanding balances correspond entirely to balances with its subsidiaries, which the Company believe to be settled during 2023.

As mentioned in the policies above, accounts receivable from customers are grouped into shared credit risk characteristics and days past due. For the Company, the credit risk level of accounts receivable is as follows:

Type	Exposure to risk
Not yet due	Low
Overdue up to 180 days	Medium
Overdue between 181 and 365 days	High
Overdue over 365 days	Very high

Other receivables

As at 31 December 2022 and 2021, Other receivables are detailed as follows:

Unit: € k

	Notes	2022		2021	
		Current	Non-current	Current	Non-current
		6 936	32	3 790	17
State and other public entities		46	-	-	-
Other debtors		293	-	3 255	-
Receivables from suppliers		37	-	66	-
Advanced payments to suppliers		223	-	3 099	-
Personnel		1	-	1	-
Other		33	-	90	-
Related parties	28	17	-	-	-
Contract assets		5 910	-	360	-
Interests to be received		3 811	-	252	-
Others		2 099	-	108	-
Deferred charges		669	32	175	17
Other deferred charges		669	32	175	17

The amount of €3 811 k refers to interests to be received by the subsidiary LisboaGás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (Note 28), from which € 3 387 k were overdue on 31 December 2022 and settled in January 2023.

The amount of € 2 099 k, recorded under Contract assets – others, essentially refers to management services provided to Group companies in 2022, to be invoiced in January 2023 (Note 28).

12. Other financial assets

Other financial assets as at 31 December 2022 and 2021 is detailed as follows:

Unit: € k

	Note	2022		2021	
		Current	Non-current	Current	Non-current
		-	127 246	13 670	127 246
Financial assets not measured at fair value - Loans	28	-	127 246	13 670	127 246

Loans recognised refer to loans granted to subsidiaries that bear interest at a market rate, indexed to Euribor, and have no defined repayment term. The Company's Management understands that the loans recognised as non-current will not be repaid in the next year, which is the reason for such classification.

The amount of € 13 670 k recognised in Other financial assets – current in 2021, related to cash pooling with Group companies and earned interest at market rates. As at 31 December 2022, given the creditor position with all Group Companies, the cash pooling balance is recorded in other payables (Note 15).

13. Cash and cash equivalents

Accounting policy

The amounts included in cash and cash equivalents correspond to cash values, bank deposits, time deposits and other cash investments with maturities less than six months from the date of issue, and which can be immediately mobilised with a risk of insignificant changes in value.

For the purposes of the statement of cash flow, cash and cash equivalents also include bank overdrafts recorded as financial debt in the statement of financial position.

For the years ended 31 December 2022 and 2021 the caption Cash and cash equivalents is detailed as follows:

Unit: € k

	2022	2021
Cash and cash equivalents	76 779	52 372

14. Financial debt

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of the expenses incurred on the issuance of these loans. Loans are subsequently measured at amortised cost.

Financial charges are calculated at the effective interest rate and recorded in the statement of income on an accruals basis in accordance with each loan agreement. Financial charges include interest and, eventually, commission expenses for structuring loans.

Financial debt as at 31 December 2022 and 31 December 2021 is as follows:

Unit: € k

	Notes	2022		2021
		Current	Non-current	Non-current
		600 000	68 171	668 762
Bond loans and Notes		600 000	68 171	668 762
Origination Fees		-	(1 829)	(1 238)
Bond loan		-	70 000	70 000
Notes		600 000	-	600 000

Description of the main bank loans

Backstop Facility

On 8 September 2022, the Company contracted a credit line in a bond format, through a banking syndicate, with an underwriting commitment totalling € 600 000 k. This financing provides the Company with sufficient funds to repay the Notes that will mature in September 2023. The amount was fully available as at 31 December 2022 and can be used until 25 September 2023. Once used, the maturity of the financing will be on 30 September 2023, with the possibility of extending up to 1 year at the option of the Company.

Bond loan

As at 1 August 2019, the Company issued bonds to the amount of € 70 000 k with an interest rate of Euribor 6M plus spread. This bond loan will be totally reimbursed on 1 August 2024.

Notes issuance

The Company established on 25 August 2016, an EMTN Program ("EUR 1 000 000 000 Euro Medium Term Note Programme").

Under the EMTN program, on 19 September 2016, the Company issued notes in the amount of € 600 000 k, maturing on 19 September 2023 and with a coupon of 1.375%,

to be traded in the London Stock Exchange regulated market. JP Morgan, BofA Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners. The Notes market value as at 31 December 2022 is € 591 716 k.

Under these programs (Bond loan and EMTN), a set of financial ratios (“Financial Covenants”) have been set and they represent an increased level of protection for Floene Group creditors. These ratios, called Net Debt / Ebitda (ND / E) and Debt Service Coverage Ratio (DSCR) have two limits - one in the form of a lock-up event and the other in the form of an event of default, calculated based on the Floene consolidated financial statements.

As at 31 December 2022 the ratios are as follows:

Financial ratios	2022
Net Debt ¹ /EBITDA ²	5.8x
Debt Service coverage ratio ³	4.8x

¹ Bank debt + Bank loan + Loan interest - Cash and cash equivalents

² EBITDA + Provisions (excluding CESE)

³ Operating activities cash flow (excluding CESE) - CAPEX payments / paid interests

It is important to highlight that these ratios, as at 31 December 2022, were within the established limits.

15. Trade payables and Other payables

Accounting policy

Trade payables and Other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Usually, the amortised cost does not differ from the nominal value.

As at 31 December 2022 and 2021, Trade payables and Other payables, current and non-current, are detailed as follows:

Unit: € k

	Notes	2022		2021
		Current	Non-current	Non-current
Trade payables		3 876	-	3 852
Trade payables - current accounts		1 109	-	480
Trade payables - pending invoices		1 026	-	802
Trade payables - related parties	28	1 741	-	2 570
Other payables		51 801	79	15 624
State and other public entities		202	-	866
VAT payables		-	-	726
Other taxes		202	-	140
Other creditors		611	-	85
Tangible and intangible assets suppliers		483	-	78
Personnel		18	-	4
Other		110	-	3
Related parties		42 324	-	5 968
Loans	28	42 324	-	5 968
Accrued costs		7 689	-	7 633
Supplies and external services		2 150	-	2 197
Staff remunerations to be paid		2 862	-	2 942
Accrued interest		2 687	-	2 492
Other accrued costs		(10)	-	2
Deferred income		975	79	1 072
Investment grants		-	79	-
Others		975	-	1 072

The Related parties - loans, in the amount of € 42 324 k, concerns to cash pooling with subsidiaries and aims to manage the Group's treasury needs (Note 28). This balance bears interest at a rate indexed to Euribor.

16. Income taxes

Accounting policy

The Company is subject to Income Tax (“CIT” or “IRC”). The Company and some of its subsidiaries are covered by the special tax regime for groups of companies (“RETGS”), being Floene the dominant company. Income tax is calculated based on the taxable results of the Company in accordance with the applicable tax rules in Portugal.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Accounting estimates and judgments

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each statement of financial position date to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

Deferred taxes are recorded in the statement of income for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

Income taxes for the year ended 31 December 2022 and 2021 is as follows:

Unit: € k

	Notes	Assets		Liabilities	
		2022	2021	2022	2021
		11 938	1 460	3 726	695
Group companies	28	11 938	1 460	-	-
Income tax receivable/payable		11 938	1 460	-	-
State and other public entities		-	-	3 726	695
Income tax receivable/payable		-	-	3 726	695

As at 31 December 2022, the receivable balance from Floene Group companies results from the application of the RETGS, with the Company being the dominant company responsible for the payments to the State under this regime. The payable balance corresponds to the amount calculated resulting from the income tax estimate for the period less withholding tax, since the payments on account paid by the Company to the State on behalf of the subsidiaries in 2022 were only reimbursed by them in January 2023.

Income taxes for the year ended 31 December 2022 and 2021 is as follows:

Unit: € k

	2022			2021		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income tax for the period	(791)	53	(738)	(695)	(81)	(776)
Current income tax	(727)	53	(674)	(632)	(81)	(713)
Insufficiency/(excess) of estimated income tax	(64)	-	(64)	(63)	-	(63)

The effective income tax rate reconciliation as at 31 December 2022 and 2021 is as follows:

Unit: € k

	2022	Rate	Income tax	2021	Rate	Income tax
Result before taxes:	2 980	21.00%	626	18 361	21.00%	3 856
Income tax adjustments:						
Insufficiency/excess of income tax estimate for		(2.16%)	(64)		(0.44%)	(81)
Autonomous taxation		7.06%	210		0.69%	127
Received dividends		(52.81%)	(1 573)		(25.50%)	(4 682)
Other increases and deductions		2.14%	64		0.02%	4
Income tax and effective income tax rate		(24.77%)	(738)		(4.23%)	(776)

During the year ended as at 31 December 2022, the movements in deferred tax assets and liabilities, at a rate of 22.5%, is as follows:

Unit: € k

	As at 31 December 2021	Impact on the statement of income	Impact on Equity	Others	As at 31 December 2022
Deferred Taxes – Assets	118	(53)	31	-	96
Post-employment and other employee benefits	47	19	31	-	96
Provisions not accepted for tax purposes	72	(72)	-	-	-

For comparative information, refer to the financial statements for the year ended 31 December 2021.

17. Post-employment and other employee benefits liabilities

Accounting policy

Defined-Contribution Plan

The Company has a defined-contribution plan financed by a pension fund and managed by an independent entity. The Company's contributions to the defined-contribution plan are recorded in the statement of income in the period in which they occur.

Other retirement benefits

Associated with the defined-contribution plan, the Company grants a minimum benefit for situations of disability and survival.

Recognition of defined benefit plans

The period costs for post-employment benefit plans are determined based on the Projected Unit Credit method. This method reflects the services provided by employees at the valuation date, based on actuarial assumptions, as well as considering a discount rate to determine the present value of benefits and the remuneration projected rates of growth. The discount rate is based on the yield on high-quality bonds denominated in Euros.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recorded in equity in the period in which they occur. Past Services Liabilities are recognised immediately in the statement of income.

Accounting estimates and judgments

Demographic and financial assumptions used to calculate the retirement benefit liabilities

Accounting for pensions and other post-retirement benefits requires estimates to be made when measuring the Group's pension plan surpluses and deficits. These estimates require assumptions to be made regarding uncertain events, including discount rates, inflation and life expectancy.

Post-employment benefits

Unit: € k

	2022	2021
Liabilities	(680)	(526)
Other benefits	(680)	(526)
Minimum benefit defined-contribution plan	(427)	(208)
Other	(254)	(318)

Post-employment liabilities

Unit: € k

	Notes	2022	2021
Past service liability at the end of the current year		680	526
Past service liability at the end of the previous year		526	115
Current service cost		74	40
Interest cost	26	2	2
Actuarial (gain)/loss		136	51
Payment of benefits made by the Company		(103)	-
Cuts		363	-
Other adjustments		(318)	318

The average maturity of liabilities for defined-contribution plan is 11.1 years.

Post-employment benefit expenses

Unit: € k

	Notes	2022	2021
Current service cost	25	74	40
Interest cost	26	2	2
Net cost for the year before special events		76	41
Cuts impact - early retirements	25	363	-
Other adjustments	25	(318)	318
Net cost for the year of defined-benefit plan expenses		121	359
Defined contribution	25	96	50
Net cost for the year defined-contribution plan expenses		96	50
Total		216	408

Remeasurements

Unit: € k

	Notes	2022	2021
		(106)	(40)
Gains and losses recognised through comprehensive income		(136)	(51)
(Loss)/Gains from actuarial experience		(210)	(46)
(Loss)/Gains from changes in actuarial assumptions		74	(6)
Taxes related to actuarial gains and losses	16	31	12

Assumptions

Unit: € k

	Other benefits	
	2021	2022
Discount rate	3.75%	1.05%
Rate of increase of salaries/costs	1.00%	1.00%
Rate of increase of pensions	0.00%	0.00%
Mortality table for current staff and pre-retirees	INE 2009-2011	INE 2009-2011
Mortality table for retired staff	INE 2009-2011 GKF95	INE 2009-2011 GKF95
Disability table	EVK 80 - 50%	EVK 80 - 50%
Normal age for retirement	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security. at 65 years, respectively	67 years, except for early retirement cases at 66 or 65 years if at least with 43 or 46 years of discounts to Social Security. at 65 years, respectively
Method	Project Unit Credit	Project Unit Credit

Stress Analysis

Stress analysis of the discount rate

Unit: € k

	Taxa de desconto	
	3.75%	Δ -0.25%
	680	6
Minimum benefits defined-contribution plan	427	5
Other benefits	254	1

18. Provisions

Not applicable.

19. Derivative financial instruments

Not applicable.

20. Financial assets and liabilities

Accounting policy

The Company classifies financial assets and liabilities into the following categories:

- financial assets at fair value through other comprehensive income.
- financial assets and liabilities carried at amortised cost.
- financial assets and liabilities at fair value through profit or loss.

Management determines the classification of its financial assets on initial recognition and re-evaluates it at the end of each reporting period if and only if there is a change in the business model. For financial liabilities such changes in classification are not allowed.

Recognition and measurement

Financial assets are recognised as at the trade date, that is the date in which the Company has assumed the commitment to acquire that asset and are initially recognised at fair value. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Fair value disclosures are made separately for each class of financial instruments at the end of the reporting period.

Derecognition

Financial assets are derecognised from the statement of financial position when the rights to receive cash flow from investments have expired or have been transferred, and company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if: (i) the inherent objective to the business model used is achieved, either to collect contractual cash flows or to sell financial assets, and (ii) the underlying contractual cash flows represent only principal and interest payments. Assets in this category are initially and subsequently measured at their fair value, with changes in their book value recorded against other comprehensive income, except for the recognition of impairment losses, interest or exchange gains and losses, which are recognised in the statement of income. When the asset corresponding to a debt instrument is derecognised, the accumulated gain or loss in other comprehensive income is reclassified to profit or loss.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are non-derivative financial assets/liabilities which are held solely for payments of principal and interests ("SPPI"). If collection/payment is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets/liabilities. If not, they are presented as non-current assets/liabilities.

Trade receivables and Other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost using the effective interest method, less impairment.

Fair value hierarchy

In accordance with the accounting rules, an entity must classify the fair value measurement based on a fair value hierarchy that reflects the meaning of the inputs used for measurement. The fair value hierarchy has the following levels:

- Level 1:** the fair value of the assets or liabilities is based on active liquid market quotation as at the date of the statement of financial position;
- Level 2:** the fair value of the assets or liabilities is determined through valuation models based on observable market inputs; and
- Level 3:** the fair value of the assets or liabilities is determined through valuation models; whose main inputs are not observable in the market.

In general, the book value of financial assets and liabilities approximates fair value.

Unit: € k

	Notes	2022	2021
Financial assets by category		218 695	201 738
Financial assets not measured at fair value	11 and 12	142 885	152 657
- less deferred costs, advanced payments to suppliers and receivable amounts from the State	11	(970)	(3 291)
Cash and cash equivalents	13	76 779	52 372

Financial assets at amortised cost comprises Other financial assets, Trade receivables and Other receivables net of impairments.

Unit: € k

	Notes	2022	2021
Financial liabilities by category		727 672	691 401
Financial liabilities not measured at fair value	6, 14 and 15	728 928	693 339
- less deferred income and payable amounts to the State	15	(1 256)	(1 938)

Financial liabilities comprise Financial debt, Lease liabilities, Trade payables and Other payables.

21. Financial risk management

The Company is exposed to various types of market risks inherent in the activity it conducts. Detailed information on these risks and their impact on the Floene Group is reflected in Note 22 of the Notes to the Company's Consolidated Financial Statements.

22. Capital Structure

Share Capital

The shareholder structure of Floene, during 2022, does not changed. The share capital remains at € 89 529 141, divided into 89 529 141 shares, with a nominal value of one Euro each, being fully subscribed and paid up by the following shareholders:

Shareholders	2022		2021	
	%	No. of shares	%	No. of shares
	100	89 529 141	100	89 529 141
Meet Europe Natural Gas, Lda.	22.50	20 144 057	22.50	20 144 057
Allianz Infrastructure Luxembourg II S.à.r.l.	45.51	40 743 759	45.51	40 743 759
Allianz European Infrastructure Acquisition Holding S.à.r.l.	29.50	26 412 050	29.50	26 412 050
Petrogal, S.A.	2.49	2 229 275	2.49	2 229 275

Legal reserves

In accordance with the Company deeds and Commercial Law ("Código das Sociedades Comerciais - CSC"), the Company must transfer a minimum of 5% of its annual net profit to legal reserves, included in the caption Reserves in equity, until the legal reserves reach 20% of share capital. The legal reserves cannot be distributed to the shareholders but may, in certain circumstances, be used to increase capital or to absorb losses after all the other reserves have been utilised.

For the years ended 31 December 2022 and 2021 Legal reserves is detailed as follows:

Unit: € k

	2022	2021
	13 428	12 471
Legal reserves	13 428	12 471

During the year ended 31 December 2022, the Company reinforced the legal reserve in the amount of € 957 k.

Ancillary capital contributions

During the year ended 31 December 2021, the Company's shareholders, in proportion to their holdings, made ancillary capital contributions in the amount of € 19 516 k, subject to the supplementary capital regime. These ancillary capital contributions were intended to the payment in 2021 of the Floene Group's responsibilities related to the Extraordinary Contribution to the Energy Sector ("CESE").

Dividends

In accordance with the Shareholders' General Meeting on 2 December 2022, dividends in the amount of € 15 000 k were attributed to the Company's shareholders, which were paid on 20 December 2022.

23. Revenue and income

Accounting policy

Sales revenue and services rendered are recorded in the statement of income when all the risks and rewards related with the ownership of the assets are transferred to the buyer or the services are rendered, and the amount of the corresponding revenue can be reasonably estimated. Sales and services rendered are recognised net of taxes, discounts and rebates by the fair value of the amount received or receivable. Costs and revenues are recorded in the corresponding year, independently of the date of payment or receipt. Costs and revenues for whose actual amount is unknown, are estimated.

Under the captions Other receivables and Other payables are recorded costs and revenues of the current year and which receipt and payment will only occur in future periods, as well as receipts and payments already occurred but related to future years and that are assigned to each year's results.

Exchange differences arising from Trade payables and Trade receivables balances are recognised in operating results.

For the years ended 31 December 2022 and 2021 the revenue and income is detailed as follows:

	Notes	2022	2021
Total revenue and income		36 977	53 150
Services rendered		22 879	24 704
Other operating income		132	326
Supplementary gains		131	326
Other		1	-
Results related to financial investments in subsidiaries	9	7 493	22 295
Financial income	26	6 474	5 826

Unit: € k

Services rendered in 2022 and 2021 include, among others, the amount of and € 22 879 k and € 24 704 k, respectively, mainly related to management services provided to Group companies (Note 28).

24. Costs and expenses

Costs and expenses for the years ended 31 December 2022 and 2021 is as follows:

Unit: € k

	Notes	2022	2021
Total costs and expenses		33 998	34 791
Supplies and external services		10 868	12 242
Other specialised services		3 559	6 595
Travel and accommodation		344	85
Rental costs	6	841	73
Fuel		211	118
Insurance		135	113
IT services		3 273	3 877
Communications		384	270
Legal services		306	131
Other costs		1 815	981
Staff costs	25	11 038	11 563
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	4, 5 and 6	1 189	1 133
Other operational costs		76	60
Other taxes		-	1
Other costs		76	59
Financial expenses	26	10 827	9 793

From the amount of € 10 868 k, € 5 069 k refer to services provided by Galp Energia, S.A. (Note 28).

25. Staff costs

Accounting policy

Staff costs

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the respective services are rendered by employees of Floene.

Staff costs for the years ended 31 December 2022 and 2021 is as follows:

	Notes	2022	2021
Staff costs	24	11 038	11 563
Staff costs capitalisation		(457)	(30)
Total costs of the year		11 495	11 592
Board of Directors remuneration		777	848
Staff remuneration		2 661	2 808
Social charges		767	483
Assigned staff		6 663	6 878
Retirement benefits - pensions and insurance	17	214	408
Other insurance		157	71
Other costs		256	95
Board of Directors remuneration		777	848
Salaries		928	704
Bonuses		(162)	135
Allowances		11	9

Unit: € k

The amount of € 6 663 k recorded as assigned staff includes a cost of € 6 777 k related to personnel assigned by other Group companies to Floene and an income of € 148 k referring to personnel assigned by Floene to other Group companies. These amounts are included in Operating costs in Note 28.

During the years ended 31 December 2022 and 31 December 2021, the average number of employees working for the Company, including assigned staff, was 146 and 140 respectively

26. Financial income and expenses

Accounting policy

Financial income and expenses include interest on external loans, related party loans, leasing and retirement and other benefit plans. Other financial income and expenses from other financial assets or liabilities are not included in this caption.

Financial charges on loans obtained are recorded as financial expenses on an accrual's basis.

Financial charges arising from general and specific obtained loans to finance investments in fixed assets are assigned to tangible and intangible assets under construction, in proportion to the total expenses incurred on those investments net of investment government grants, until the commencement of its operations. The remainder is recognised under the heading of financial expenses in the statement of income for the year. Any interest income from loans directly related to the financing of fixed assets which are in the process of construction is deducted from the financial charges capitalised.

Those financial charges included within fixed assets are depreciated over the useful lives of the respective assets.

The detail of the value calculated in relation to financial income and costs for the years ended 31 December 2022 and 2021 is as follows:

Unit: € k

	Notes	2022	2021
		(4 353)	(3 967)
Financial income:		6 474	5 826
Interest on bank deposits		19	-
Interest and other income with related parties	28	6 454	5 826
Financial expenses:		(10 827)	(9 793)
Interest on bank loans, bonds, overdrafts and others		(8 871)	(8 676)
Net interest on retirement and other benefits	17	(2)	(2)
Interest on lease liabilities	6	(3)	(1)
Interest on lease liabilities - Related parties	6 and 28	(74)	(78)
Other interest and charges incurred - Related parties	28	(82)	-
Other financial costs		(1 795)	(1 036)

27. Contingent assets and liabilities

Not applicable.

28. Related parties

Accounting policy

A related party is a person or entity that is related to the entity preparing its financial statements, as follows:

- a) A person or a close member of that person's family is related to a reporting entity if that person: i) has control or joint control over the reporting entity; ii) has significant influence over the reporting entity; or iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

- b) An entity is related to a reporting entity if any of the following conditions applies: i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); iii) Both entities are joint ventures of the same third party; iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity; v) The entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; vi) The entity is controlled or jointly controlled by a person identified in (a); vii) a person identified in (a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

As at 31 December 2022 the Company presents the following balances and transactions with related parties:

Assets

Unit: € k

	Total	Trade receivables (Note 11)	Other receivables (Note 11)	Current taxes (Note 16)	Current		Non-current
					Accruals and deferrals (Note 11)	Loans granted (Note 12)	
Assets:	153 808	8 672	17	11 938	5 934		127 246
Entities from Floene Group	153 771	8 636	17	11 938	5 934		127 246
Entities from Galp Group	36	36	-	-	-		-

For comparative information, refer to the financial statements for the year ended 31 December 2021.

Liabilities

Unit: € k

	Total	Trade payables (Note 15)	Loans obtained (Note 15)	Current	
				Accruals and deferrals	
Liabilities:	45 172	1 741	42 324		1 106
Entities from Floene Group	42 724	399	42 324		-
Entities from Galp Group	2 448	1 341	-		1 106

For comparative information, refer to the financial statements for the year ended 31 December 2021.

Transactions

Unit: € k

	Operating costs (Notes 24 and 25)	Operating income (Note 23)	Financial costs (Note 26)	Financial income (Note 26)
Transactions:	(11 943)	22 230	(156)	6 454
Entities from Floene Group	(6 663)	22 211	(82)	6 454
Entities from Galp Group	(5 280)	18	(74)	-

For comparative information, refer to the financial statements for the year ended 31 December 2021.

From the amount of € 5 280 k, € 5 069 k refer to services provided by Galp Energia, S.A. (Note 24).

29. Information on Environmental Matters

Not applicable.

30. Subsequent Events

At the end of 2022, around 90% of Floene's financial debt was contracted through a bond loan in the form of an EMTN (Note 19), in the amount of € 600 million, with full maturity occurring in September 2023. The financing interest rate is a fixed rate for the period of 1.375%.

In early March 2023, the Company started the EMTN refinancing process, having carried out a partial repurchase operation in the amount of € 180 million. This transaction was financed through a banking syndicate and has a variable interest rate indexed to the Euribor rate and a contracted spread. After this operation, Floene was still left with € 420 million on its EMTN fixed rate loan.

There are no additional subsequent events after 31 December 2022 with a relevant impact on the attached financial statements.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on 27 April 2023. However, they are still subject to approval by the Shareholders' General Meeting, in accordance with the commercial law applicable in Portugal.

32. Translation note

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with the International Financial Reporting Standards as adopted by the European Union, some of which may not conform to the generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version shall prevail.

THE BOARD OF DIRECTORS:

PRESIDENT:

Diogo António Rodrigues da Silveira

MEMBERS:

Roxana Tataru

Karl Klaus Liebel

Ippei Kojima

Nuno Luís Mendes Holbech Bastos

Gabriel Nuno Charrua de Sousa

Yoichi Onishi

José Manuel Rodrigues Vieira

Pedro Álvaro de Brito Gomes Doutel

**THE CERTIFIED
ACCOUNTANT:**

Ana Maria Serafim de Brito Mousinho



Annex IV - Annual Report of Activities of the Audit Board

Report and Opinion of the Audit Board of Floene Energias, S.A.

Dear Shareholders,

According to the legislation in force and the Company's By-laws, and in accordance with our mandate, we hereby presented our opinion on the 2022 Management Report, which includes the individual and consolidated financial statements and the proposal of allocation of net income presented by the Board of Directors of Floene Energias, S.A. ("Floene Energias") regarding the year ended December 31, 2022.

During 2022 and 2023, we have met with the Statutory Auditor/External Auditor of the Company, monitoring the performance of their supervising role as well as the process of preparing and disclosing financial information and the legal revision of individual and consolidated accounts.

We have verified and supervised the independence of the Statutory Auditor / External Auditor, in compliance with the applicable law, in particular, verifying and approving the provision of non-audit services.

We have reviewed the Statutory Audit Report and Auditors' Report on the individual and consolidated financial statements for the financial year 2022, with which we agree.

Pursuant to article 420, paragraph 6, of the Commercial Companies Code, each of the below indicated members of the Audit Board declares that, to the extent of his knowledge, the management report, the annual financial statements, the statutory audit report and auditors' report and any further accounting documents regarding the year of 2022 were prepared in accordance with the applicable accounting standards, providing a true and fair image of the assets and liabilities, financial position and results of Floene Energias and the companies included in the consolidation perimeter, and that the management report faithfully reflects the evolution of the business, performance and position of Floene Energias and companies included in the consolidation perimeter, and includes a description of the main risks and uncertainties that these companies face in their activity.

Accordingly, taking into consideration the information received from the Board of Directors and of the departments of the Company, as well as the conclusions set out in the Statutory Audit Report and Auditors' Report on the financial statements, both individual and consolidated, we

express our agreement with the 2022 Management Report, the Individual and Consolidated Financial Statements and the proposal of allocation of the individual net income for the financial year 2022, so we are of the opinion that it should be approved at the General Shareholders' Meeting.

Lastly, the Audit Board wishes to express its gratitude to both the Board of Directors and Executive Committee of Floene Energias for their cooperation in the exercise of their duties.

Lisbon, 27 April 2023

The Audit Board

Pedro Fontes Falcão – President

José Carlos Carvalho Brites - Member

Manuel Lázaro Oliveira de Brito - Member



Annual Activity Report of the Audit Board of Floene Energias, S.A. for the financial year 2022

In accordance with the of paragraph 1 item g) of article 420 of the Portuguese Commercial Companies Code (CSC) and of paragraph 1 item g) of article 6 of the regulations of the Audit Board of Floene Energias, S.A. ("FLOENE ENERGIAS"), the Audit Board hereby presents its report on the supervisory activity performed during the financial year of 2022.

I. Introduction

The Company adopts the Latin model set out in the articles 278, paragraph 1, item a) and 413, paragraph 1, item b), both from the Commercial Company Code, includes a Board of Directors, responsible for the management of the Company, an Audit Board, responsible for monitoring the Company's activity, and a Statutory Auditor - independent of the Audit Board.

The current Audit Board in office was elected at the General Shareholders' Meeting held on May 16, 2022, for the 2022-2024 term of office, being composed by three members, all independent, in accordance with the criteria set out in paragraph 5 of article 414 of the CSC. All members of the Audit Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the CSC.

II. Activity performed by the Audit Board in relation to the financial year 2022

In 2022, the Audit Board held thirteen meetings, in addition to the meetings held in the meantime in 2023 with a view to obtaining additional clarifications in the account closure process.

The permanent monitoring of the Company during this period was conducted, namely, through meetings with the Chairman of the Executive Committee, with the Executive Director responsible for the financial area, with the Head of the IR& Risk Management and Governance, Financial Management, Information Systems, Regulation and Operational Studies and Transformation Management, within the scope of a service agreement in force between Galp Energia, S.A. and FLOENE ENERGIAS, and with the Statutory Auditor and PwC as External Auditor.

Through these meetings, the Audit Board monitored, in particular, the financial situation of the Company, the risk management system of the FLOENE ENERGIAS Group, the main litigation processes with possible impact on the financial statements of the Group, the internal audit activities of the FLOENE ENERGIAS Group, executed through Ernest & Young to whom the internal audit functions were attributed to the period 2021 and 2022, and the application of the Code of Ethics and Conduct, through the Ethics and Conduct Committee.

During the year 2022, the Audit also monitored the functioning of the corporate governance system adopted by FLOENE ENERGIAS and the compliance with legal, regulatory, and statutory rules, having provided relevant recommendations for improving the Company's governance.

The Audit Board's access to financial, operational and risk management information was carried out regularly and properly, either through the IR, Risk Management and Governance Departments and the Financial Management Department, responsible for preparing the relevant financial information and active and face-to-face participation in the internal Management, Risk & Internal Control Committees and in the Transformation, Innovation & IT Committee, without any constraints arising in the exercise of their duties.

The Audit Board carried out the verification of the accuracy of the financial statements and the reliability of the financial information and the monitoring of compliance with accounting policies, criteria and practices through the analysis of the reports prepared by the Statutory Auditor/External Auditor.

During 2022, the Audit Board carried out several activities of monitoring, supervision and evaluation of the operation and adequacy of internal control systems, risk management and internal audit of FLOENE ENERGIAS, and also monitored the implementation by the Company of measures aimed at improving internal control in response to recommendations from the Internal and External Auditor.

The Audit Board considers that the Company has made a continuous effort to improve the risk management system, namely through the monitoring Floene risk matrix, internal control and internal audit, supporting the execution of the annual audit plan.

In 2022, the Audit Board assessed the activity of the External Auditor, regularly monitoring its activity, namely through a critical appraisal of the reports and documentation produced by it in the performance of their duties.

In the context of verification of compliance with the rules on independence of the External Auditor, the Audit Board authorized the provision of services not related to audit services for which a prior opinion of this Body is necessary, having confirmed that the independence of the External Auditor was ensured. These services represented 23.50% compared to the audit services provided in 2022 and 19% of the average fees paid to the External Auditor in 2019, 2020 and 2021 for the financial audit services provided to Floene and the entities under Floene's control in the same period.

Within the scope of its function of annual assessment of the activity of the External Auditor, the Audit Board considers that the External Auditor provided its services satisfactorily in accordance with the Audit Plan to the FLOENE ENERGIAS Group in 2022 submitted to the Audit Board, having complied with the applicable rules and regulations and revealed in its performance technical rigor, quality in



the conclusions presented, namely in terms of the statutory audit, opportunity and efficiency in the recommendations issued and competence of the development of the procedures performed.

Lisbon, April 27, 2023

Chairman
Pedro Fontes Falcão

Member
José Carlos Carvalho Brites

Member
Manuel Lázaro Oliveira de Brito

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Floene Energias, S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2022 (which shows total assets of Euro 1,335,959 thousand and total shareholders' equity of Euro 254,378 thousand including a consolidated net income for the year of Euro 19,819 thousand), the consolidated statement of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Floene Energias, S.A. as at December 31, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

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**Key Audit Matter****Summary of the Audit Approach****Concession assets**

Disclosures related to intangible assets are presented in notes 2 and 6 of the consolidated financial statements.

As at December 31, 2022, Intangible assets amounts to Euro 1,127,729 thousand (Euro 1,134,283 thousand as at December 31, 2021) and corresponds mainly to assets built and/or acquired under licenses and concession agreements signed between the Group and the Portuguese State, and which are accounted for in accordance with the Intangible assets model defined in IFRIC 12 – Service concession agreements.

According to the above-mentioned agreements and licenses, unless the law exempts it, the Portuguese State must indemnify the Group companies, at the end of each concession period, in the amount corresponding to the net book value of the assets allocated to the concessions.

Considering the relevance of the net book value of intangible assets in the total assets of the consolidated financial statements, as well as the relevance that their recovery may have in the continuity of operations of the Group companies in the medium and long term, the concession assets, namely their initial recognition and subsequent measurement, were considered as a key audit matter.

In order to ensure the correct recognition and measurement of the Intangible assets allocated to concessions, the following procedures were performed, among others:

- understanding and evaluation of the internal control process associated with the management of intangible assets and procurement, namely regarding to investment approval policies and respective monitoring;
- obtaining, from the Group's services, the details of the intangible assets allocated to concessions, with an indication of amount, date of acquisition, useful life, accumulated amortization and amortization of the year, when applicable;
- holding meetings with management, in order to understand the monitoring carried out on the net amount and recoverability of assets allocated to concessions, namely for assets whose useful lives are longer than the term of the respective operating licenses/concession agreements;
- reading the minutes of the Executive Committee and of the Board of Directors of the respective Group companies, in order to validate existing investment projects;
- performing substantive audit procedures on assets allocated to concessions in order to confirm their correct classification, their initial recognition and subsequent measurement, as well as the appropriateness of the operations cut-off.

We also verified the adequacy of the disclosures presented in the consolidated financial statements, considering the requirements of the applicable accounting standards.

Key Audit Matter	Summary of the Audit Approach
<p>Revenue recognition and tariff deviation</p> <p>Disclosures related to revenue and tariff deviation are presented in notes 2,12,16 and 25 of the consolidated financial statements.</p> <p>As at December 31, 2022, the Group presents tariff deviations, assets and liabilities, respectively in the amounts of Euro 42,088 thousand and Euro 8,526 thousand.</p> <p>In compliance with the legislation and in accordance with the applicable regulatory parameters published by ERSE (Energy Sector Regulatory Authority), the revenue of the distribution and retail of natural gas is recognized based on the allowed revenue published at the beginning of each regulatory period. The tariff deviations calculated in each year, which correspond to the difference between the revenue actually billed and the revenue estimated, are recognized in the Other receivables and Other payables captions, as applicable. Any adjustments resulting from the definitive amounts of the allowed revenue published by ERSE are incorporated in the calculation of the regulated revenue for the second gas year subsequent to the calendar year to which they relate.</p> <p>Given the relevance of the amounts in question and the timing of their recovery, we consider the recognition of revenue from regulated activities and the associated tariff deviation as a key audit matter.</p>	<p>In order to ensure the correct revenue recognition from regulated activities and the correct measurement of tariff deviations, the following audit procedures were performed, among others:</p> <ul style="list-style-type: none"> - understanding of the applicable regulatory framework; - obtaining from the Group's services the calculation of tariff deviations and reconciling the values contained therein with the several existing sources of information, namely publications made by ERSE; - substantive audit procedures to validate the amounts invoiced by the Group, namely with regard to its regulated activity; - performing analytical procedures to validate the tariff deviations estimate of the year and respective classification, based on the information published by ERSE and the amounts invoiced by the Group. <p>We also verified the adequacy of the disclosures presented in the consolidated financial statements, considering the requirements of the applicable accounting standards.</p>



Key Audit Matter	Summary of the Audit Approach
<p data-bbox="325 568 699 595">Litigation and tax contingencies</p> <p data-bbox="325 629 839 707">Disclosures related to litigation and tax contingencies are presented in notes 17, 19, 29 and 32 of the consolidated financial statements.</p> <p data-bbox="325 741 847 1205">The dimension and structure of the Group originates an increase in the complexity of the tax recognition in the Group's financial statements. As a consequence, the Group has several pending tax matters and litigations in progress, including those related to the Energy Sector Extraordinary Contribution - "CESE", recognizing provisions whenever the Group considers that a negative outcome is probable, in accordance with IAS 37. The assessment of the outcome probability is supported by the legal consultants and tax advisors of the Group, as well as by the management judgment in relation to these matters. As at December 31, 2022 the provisions recognized in the consolidated financial statements amounted to Euro 81,069 thousand (2021: Euro 69,256 thousand).</p> <p data-bbox="325 1238 847 1368">The relevance of this matter in our audit is related with the complexity and level of judgment inherent to the tax matters, as well as the unpredictability associated with the respective outcome.</p>	<p data-bbox="876 546 1326 600">The audit procedures performed included, among others:</p> <ul data-bbox="876 618 1394 936" style="list-style-type: none"> - obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by the outcome probability; - understanding tax and legal contingency processes; - obtaining and analyzing the replies to the confirmation letters sent to external lawyers; - inquiry of the management and of the tax and legal Directors of the Group over the estimates and judgments considered. <p data-bbox="876 965 1374 1099">We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.</p>

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' report in accordance with the applicable law and regulations;

- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

April 27, 2023

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

Rita da Silva Gonçalves dos Santos, ROC no. 1681
Registered with the Portuguese Securities Market Commission under no. 20161291



Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Floene Energias, S.A. (the Entity), which comprise the statement of financial position as at December 31, 2022 (which shows total assets of Euro 881,926 thousand and total shareholders' equity of Euro 148,591 thousand including a net profit of Euro 3,718 thousand), the statement of income and other comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Floene Energias, S.A. as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the financial statements” section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	Summary of the Audit Approach
<p data-bbox="325 577 722 604">Valuation of financial investments</p> <p data-bbox="325 633 837 712"><i>Disclosures related to financial investments are presented in the notes 2 and 9 of the financial statements.</i></p> <p data-bbox="325 745 837 880">As at December 31, 2022, Floene Energias, S.A. holds financial investments in subsidiaries in the amount of Euro 640,422 thousand, which are valued at acquisition cost, deducted of impairment losses.</p> <p data-bbox="325 913 837 1126">These financial investments are subject to impairment testing whenever there are indicators or changes in the underlying circumstances which indicate that the carrying value may not be recoverable. For that purpose, the recoverable amount is determined by the value in use, in accordance with the discounted cash flows method.</p> <p data-bbox="325 1160 837 1328">The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely those related to future cash-flows, growth rates for the perpetuity and discount rates used.</p> <p data-bbox="325 1361 837 1518">The relevance of this matter in our audit is related to the significance of the amounts involved and level of potential complexity and judgement associated to the impairment models, when impairment indicators related with the mentioned financial investments exist.</p>	<p data-bbox="876 745 1402 824">To confirm the accurate valuation of the financial investments the following audit procedures were performed, among others:</p> <ul data-bbox="876 846 1402 969" style="list-style-type: none"> - evaluation of impairment indicators in the financial investments; and - obtaining and analyzing the impairment testing on financial investments, when applicable. <p data-bbox="876 1003 1402 1081">The analysis of the impairment testing, based on discounted cash flows models, considers the following procedures, when applicable:</p> <ul data-bbox="876 1104 1402 1417" style="list-style-type: none"> - verifying the mathematical accuracy of the model; - assessing the reasonableness of the future cash flows projections, from the comparison with historical performance; - evaluating the accuracy of the discount rate considered; and - evaluating the estimates and judgments assumed by the management, underlying the relevant assumptions supporting the model. <p data-bbox="876 1451 1402 1552">Additionally, we have verified the accuracy of the disclosures presented in the financial statements, considering the requirements of the applicable accounting standard.</p>

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' report in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to



events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements.

Report on other legal and regulatory requirements

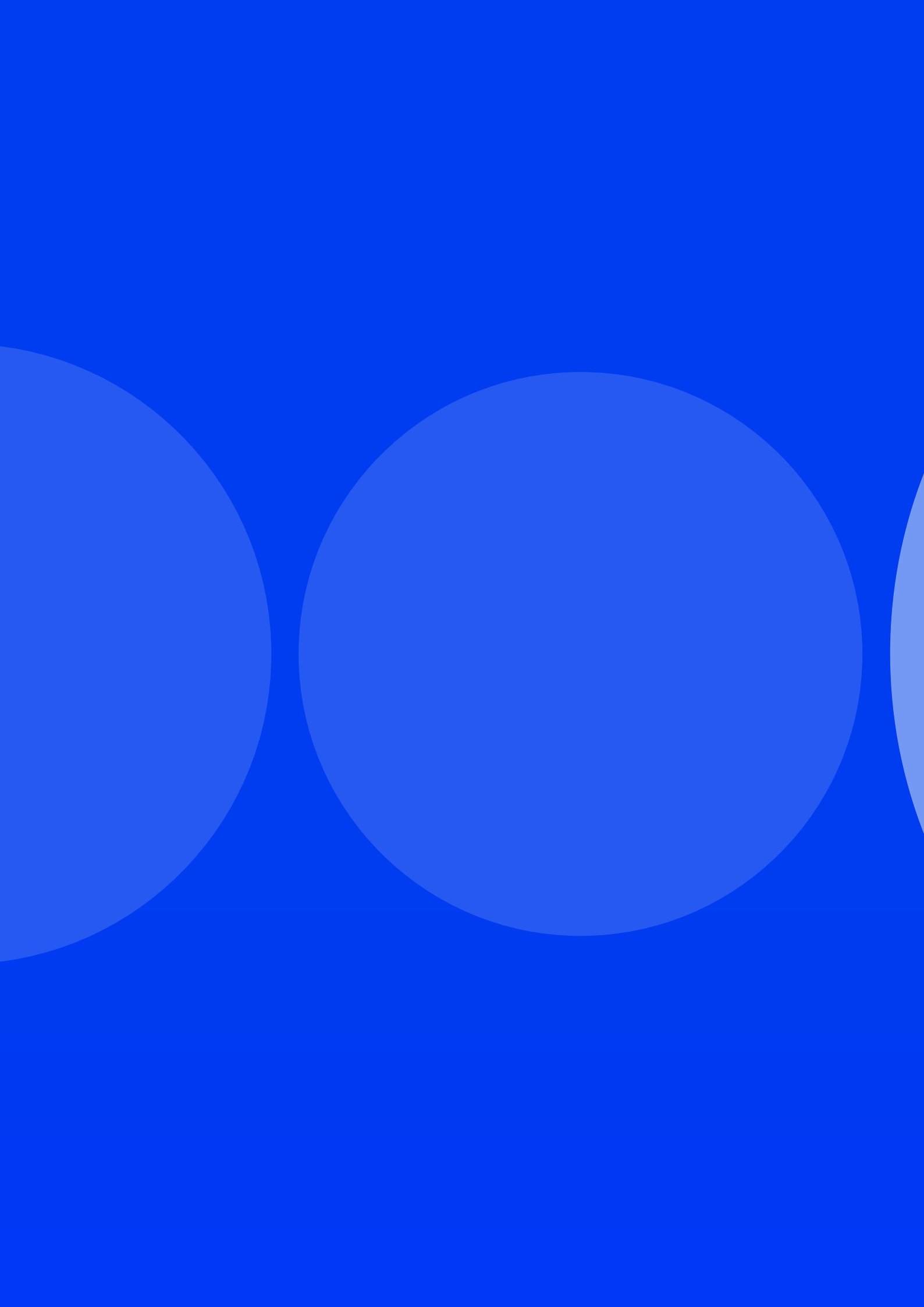
Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

April 27, 2023

PricewaterhouseCoopers & Associados
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Registered with the Portuguese Securities Market Commission under no. 20161291



GRI Table

GRI Standards

This document is an annex to Floene's 2022 Management and Accounts Report. It identifies the GRI Standards and indicators that are being addressed, with references to their respective contents in the Report (or other external resources), and provides a detailed response in the table itself, whenever applicable.

Usage statement	Floene reported in accordance with GRI Standards for the period from 01/01/2022 to 31/12/2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	GRI 11 Oil and Gas Sector 2021

GLOBAL STANDARDS

GRI 2: GENERAL DISCLOSURES	LOCATION
Referring to the standard published in 2021.	
The organisation and its reporting practices	
2-1 Organisational details	
Legal name of the organisation: FLOENE ENERGIAS S.A. Nature of the organisation: Public limited company Headquarters: Rua Tomás da Fonseca, Torre C, 6th Floor, 1600-209 Lisbon Country of operation: Portugal	
2-2 Entities included in the organisation's Sustainability reporting	
The Floene Group is the largest gas distribution operator in Portugal, through the direct management and participation in nine Regional Gas Distribution System Operators (DSO), present in 106 municipalities from north to south of Portugal. Accordingly, this sustainability report includes the entity Floene Energias S.A. Group, which includes nine DSO (subsidiaries): Duriensegás, Beiragás, Lusitaniagás, Tagusgás, Lisboagás, Setgás, Dianagás, Paxgás, and Medigás.	Pages 12 - 13
2-3 Reporting period, frequency and contact point	
The sustainability report is integrated into Floene's 2022 Management and Accounts Report and refers to activities carried out during the period between 01/01/2022 and 31/12/2022. Whenever possible, indicators are presented with a history of up to 3 years. Floene's Management and Accounts Report is published annually. This report will be published on April 28, 2023.	Pages 94 - 95
For more information about the report or the themes addressed in it, please contact the Investor Relations, Risk, and ESG Management Department at joana.appleton@floene.pt or ir@floene.pt and/or by phone at 217 242 500.	
2-4 Restatements of information	
Any reformulations to any information presented in previous reports are referred to throughout the report, whenever applicable.	
2-5 External assurance	
Regarding sustainability information, this report will not be subject to external verification (which is exclusive to financial information). However, its completion is scheduled for 2024, referring to the year 2023.	

GRI 2: GENERAL DISCLOSURES

LOCATION

Activities and employees

2-6 Activities, value chain and other business relationships

Chapter 2.1. Our Activity

[Pages 12 - 13](#)

Chapter 6.4. Sustainable Management of the Supply Chain

[Pages 62 - 63](#)

The Floene Energias, S.A. group (Floene) is the largest operator of the gas distribution network in Portugal, through direct management and participation in nine Regional Gas Distribution Operators (DSO), present in 106 municipalities from north to south of the country.

The distribution activity is a regulated activity in the gas value chain in Portugal, exercised by the distribution network operators, with each DSO operating in an exclusive geographical area based on a Concession or License agreement.

Distribution activity - Distribution ensures the flow of natural gas, coming from the high-pressure transport network (HP), in the medium (MP: between 20 and 4 bar) and low-pressure (LP: below 4 bar) networks, up to the consumption facilities (delivery points). These networks are also called interconnected networks, as opposed to other local distribution networks, which are supplied by liquefied natural gas (LNG) tanks, delivered by tanker truck. Last Resort Commercialisation Retailer (LRS) activity - The DSO with gas supply to less than 100 000 customers (Beiragás, Duriensegás, Dianagás, Tagusgás, Paxgás, Medigás) also engage in gas commercialisation, exercised as a LRS aspect, with accounting unbundling obligation.

2-7 Employees

Number of employees by gender (and type of contract)	Gender	2020	2021	2022
Number of permanent employees (permanent contract)	Male	259	269	268
	Female	122	124	126
	Other	-	-	-
	Subtotal	381	393	394
Number of temporary employees (fixed-term or uncertain term)	Male	-	3	1
	Female	-	-	1
	Other	-	-	-
	Subtotal	-	3	2
Number of employees without fixed hours (non-guaranteed hours employee)	Male	-	-	-
	Female	-	-	-
	Other	-	-	-
	Subtotal	-	-	-
Number of full-time employees	Male	259	272	269
	Female	122	124	127
	Other	-	-	-
	Subtotal	381	396	396
Number of part-time employees	Male	-	-	-
	Female	-	-	-
	Other	-	-	-
	Subtotal	-	-	-
Total (number of employees by gender)	Male	259	272	269
	Female	122	124	127
	Other	-	-	-
	Subtotal	381	396	396

NOTE: The count was made at the end of the reporting period.

The FTE (Full-Time Equivalent) criterion was used for counting employees.

Trainees were not considered for the calculation of the number of employees.

GRI 2: GENERAL DISCLOSURES
LOCATION
2-8 Workers who are not employees

As of December 31st, 2022, Floene had 854 non-employee workers whose work is controlled by the organisation. These include contractors (with a direct contractual relationship with the organisation) and subcontractors (with an indirect contractual relationship with the organisation through contractors). The work carried out by these workers includes mainly constructions, inspections, and administrative service providers.

2-9 Governance structure and composition

Chapter 4.2 Corporate Governance Model
 Chapter 3.3 Our Approach to Sustainability (Sustainability Governance)
 Consolidated and Individual Accounts Report for 2021 - Chapter 6.2. Integration of Sustainability in our organisation.

[Page 31](#)
[Page 23](#)
[Page 17](#)

The global management of ESG issues is under the responsibility of the Investor Relations, Risk, and ESG Management Department. This Department reports to the CEO and has the responsibility to promote the Company's sustainability, best corporate management practices and disclosure of information, through an integrated approach to environmental, social, and governance performance management, focused on protecting and creating sustainable value for all stakeholders.

2-10 Nomination and selection of the highest governance body

The Board of Directors (BoD) is composed of a fixed number of 6 to 12 directors elected by the General Assembly. The General Assembly will elect the Chairman of the Board (CoB) - the highest-ranking governance body - who will be replaced by whom he or she indicates in his or her absences or impediments. The BoD is composed of 1 executive president, 4 executive directors, and 4 shareholder representatives. The appointment is made through the General Assembly at the beginning of each term based on a proposal from the shareholders.

2-11 Chair of the highest governance body

Chairman of the Board of Directors

2-12 Role of the highest governance body in overseeing the management of impacts

Consolidated and Individual Reports and Accounts for 2021 - 6.5.3 Risk Management Model

[Pages 32 - 33](#)

The current management of the Company is exercised by the Executive Committee under the delegation of powers conferred by the Board of Directors, which supervises and monitors management through its non-executive members. The Audit Board is responsible for overseeing the effectiveness of risk management systems, internal control, and internal audit, and proposing necessary adjustments, as well as evaluating their operation and internal procedures annually, and commenting on work plans and resources allocated to internal control services. The Board of Directors is responsible for approving the internal control policy and defining the strategy and supervision of risk management. This body is also responsible for ensuring alignment of the Company's strategy with the level of risk it is willing to assume, monitoring and controlling the performance of the functions delegated to the Executive Committee. The Executive Committee is responsible for monitoring risk management with a focus on the main risks to which Floene is exposed, including strategic, operational, financial, and regulatory risks. The CEO plays a key role in supervising the management of impacts. The Board of Directors meets twice per quarter. The Chairman of the Board of Directors meets weekly with the members of the Executive Committee and is present in various internal committees, including the ESG & Stakeholders, Risk Management, among others. Floene is intensifying its risk analysis and management procedures, as well as internal control, considering its specific area of activity, as well as the legislative and regulatory framework in which it operates.

2-13 Delegation of responsibility for managing impacts

Chapter 3.3 Our Approach to Sustainability (Sustainability Governance)

[Page 23](#)

Consolidated and Individual Report and Accounts for 2021 - Chapter 6.2. Integration of Sustainability into Our Organisation.

[Page 17](#)

GRI 2: GENERAL DISCLOSURES**LOCATION****2-14 Role of the highest governance body in sustainability reporting**

The BoD, the highest governance body, is responsible for reviewing and approving the sustainability report (including the list of material topics) annually. The BoD also closely monitors environmental issues at quarterly meetings, and interacts 3 to 4 times a year on matters related to the decarbonization and energy transition plan.

2-15 Conflicts of interest

Chapter 4.3 Ethics and Transparency (Responsible Conduct, Code of Ethics and Conduct)

[Pages 32 - 33](#)

2-16 Communication of critical concerns

The current management of the Company is exercised by the Executive Committee under the delegation of powers conferred by the BoD, which oversees and monitors management through its non-executive members. This body provides updates and monitors activities in accordance with what is mentioned in 2-12.

2-17 Collective knowledge of the highest governance body

Chapter 3.3 Our Approach to Sustainability (Sustainability Governance)
Chapter 5.3 Líder ARC

[Page 23](#)

[Page 48](#)

2-18 Evaluation of the performance of the highest governance body

The performance evaluation of the CEO is done by the shareholders.

2-19 Remuneration policies

There is a Remuneration Policy for the executive members of the Board of Directors. Regarding the remuneration policies for the members of the highest hierarchical governing body and senior executives: The remunerations are available in this 2022 Annual Report and Accounts, Annex I, Point E. "Annual amount of remuneration received, both in aggregate and individually, by the members of the management, supervisory and general meeting Board of Directors of the Company in 2022".

[Page 99](#)

2-20 Process to determine remuneration

In addition to the compensation policy, there is a set of KPIs (Key Performance Indicators) defined annually for the variable component.

2-21 Annual total compensation ratio

The ratio between the CEO's total annual compensation and the total average annual compensation of all employees (excluding administration and trainees) is 5.7.

Strategy, policy and practices**2-22 Statement on sustainable development strategy**

Chapter 1 Overview - Message to Stakeholders

[Pages 6 - 8](#)

GRI 2: GENERAL DISCLOSURES
LOCATION
2-23 Policy commitments

Chapter 4.3 Ethics and Transparency
 Chapter 6.4 Sustainable Management of the Supply Chain
 Consolidated and Individual Financial Statements 2021 - 6.4 Responsible Business Conduct

[Pages 32 - 33](#)
[Pages 62 - 63](#)
 Pages 17 - 18

Floene governs its activity according to several intergovernmental instruments, namely the United Nations' principles of Human Rights, which serve as a guide for the commitments set forth in a set of documents such as the Human Rights Policy, the Code of Ethics and Conduct, the Quality Policy, the Safety, Health and Environment Policy, and Prevention of Serious Accidents, Data Protection policies and standards, among others.

Floene explicitly and irrefutably defends the respect for Human Rights and the application of the Precautionary Principle, believing that the defense of Human Rights is an essential condition for the maintenance of a sustainable society. Therefore, it carries out its activities with careful consideration for the recognition and safeguarding of the dignity, freedom, and equality of human beings, and the protection of labor and trade union rights, health, safety at work, and the environment. It commits to respecting, promoting, and enforcing Human Rights among stakeholders and adopting measures to prevent its actions from causing, directly or indirectly, abuses or violations of internationally recognized Human Rights.

All policies were approved by the Board of Directors, communicated internally, and applied to all employees of the Floene Group, and are publicly available on the Floene [website](#).

2-24 Embedding policy commitments

Chapter 4.3 Ethics and Transparency
 Chapter 6.4 Sustainable Management of the Supply Chain
 Consolidated and Individual Financial Statements 2021 - 6.4 Responsible Business Conduct

[Pages 32 - 33](#)
[Pages 62 - 63](#)
 Page 17 - 18

Companies are increasingly aware of the importance of their role in society as a whole, making it crucial that they understand the impacts generated by their business throughout the value chain. Aware of its impact, Floene seeks to create sustainable value and share it with its stakeholders. The Group plays an important role in the national economy and impacts the lives of thousands of people. It is therefore increasingly evident that the way the Group manages its relationship with the community, natural resources, and the risks associated with its activities has an impact on economic performance. In order to be aligned with the trends of the energy transition, Floene has been moving towards the implementation of several initiatives, assuming its responsibility in the value chain. Such initiatives can be consulted in the above-mentioned chapters.

2-25 Processes to remediate negative impacts

Chapter 4.3 Ethics and Transparency
 Chapter 4.4 Internal Control and Risk Management Systems

[Pages 32 - 35](#)

In order to repair negative impacts, Floene presents a procedure for Reporting Irregularities with the aim of allowing any stakeholder to report to the Audit Board, through the Ethics and Conduct Commission, any irregularities or situations of non-compliance with the Code of Ethics and Conduct. For this purpose, the Internal Control Manual was also approved, in relation to which the Board of Directors, the Executive Committee, the Audit Board and the Internal Audit play important roles in monitoring, supervising, overseeing, and evaluating it.

There is also a Risk and Internal Control Committee, a risk management area and the responsible parties for action plans, who implement the management of risks and opportunities identified in the company. The Risk and Internal Control Committee has the following responsibilities: To monitor matters related to Floene's management model, risk and internal control; Review risk treatment options and identify those responsible for mitigation actions; Monitor compliance with policies and the effectiveness of the mitigation plans outlined.

In order to monitor the effectiveness of complaint mechanisms and other remediation processes, working groups are implemented where these issues are addressed and satisfaction surveys are periodically conducted.

GRI 2: GENERAL DISCLOSURES

LOCATION

2-26 Mechanisms for seeking advice and raising concerns

Chapter 4.3 Ethics and Transparency

[Pages 32 - 33](#)

At Floene, we have mechanisms for ethical advice and policy implementation. Employees become aware of these mechanisms through policy disclosure and training. Floene supports, encourages, and defends the reporting of irregularities, as established in the Code of Ethics and Conduct, by training employees on this subject. It commits to reporting using the ethics line (open talk), which aims to prevent and/or repress irregularities within Floene, in areas and within the scope permitted by the laws in force at any given time.

Floene's Ethics and Conduct Commission, appointed by the Floene's Audit Board, is the governing body responsible for ensuring the proper functioning and application of the Code of Ethics and Conduct, controlling the interpretation and execution of the Code, and monitoring and treating situations reported under the Irregularities Reporting Procedure, as defined in internal regulations.

2-27 Compliance with laws and regulations

A fine of € 5 000 resulting from non-compliance with laws and regulations was recorded during the reporting period. This fine was imposed for unauthorized gas cuts, and a legal process was carried out in 2021, with the actual payment of the fine made in 2022.

2-28 Membership associations

Among the most relevant business associations and advocacy groups, we highlight:

[Pages 38 - 39](#)

Entity Name	Sees participation as strategic	Has functions in Social Bodies	Participates in projects or committees
Eurogas	Yes	Yes	Yes
GD4S (Gas Distributors for Sustainability)	Yes	Yes	Yes
Marcogaz	Yes	No	Yes
BCSD Portugal	Yes	No	Yes
Ready4H ₂	Yes	Yes	Yes
AP2H ₂ (Associação Portuguesa para a Promoção do Hidrogénio)	Yes	No	Yes
APE - Associação Portuguesa de Energia	Yes	No	Yes
IGU - Gas Union	Yes	No	Yes
APEG (Associação Portuguesa de Empresas de Gás)	Yes	Yes	Yes
European clean hydrogen alliance	Yes	No	Yes
European Biogas Association (EBA)	Yes	No	Yes

Floene's lobbying activities in the European Union (EU) aim to promote or defend the company's interests by its representatives before European institutions, with the aim of directly or indirectly influencing proposals or decisions that may have an effect on the EU's climate and energy framework and, more specifically, on the company's activities. We are committed to acting transparently and responsibly.

Floene is registered in the European Transparency Register under the number 205215521290-52 and, as such, follows the rules of the EU Transparency Register Code of Conduct in its relations with EU institutions. Floene has exhaustively listed its participating associations in the Register. In addition to respecting the EU Transparency Register Code of Conduct, Floene also follows its own Code of Ethics and Conduct, available on the Floene [website](#).

GRI 2: GENERAL DISCLOSURES
LOCATION

Stakeholder Engagement

2-29 Approach to stakeholder engagement

Chapter 4.5 Involvement with the community/stakeholders

[Pages 36 - 39](#)
2-30 Collective bargaining agreements

	2020	2021	2022
Total number of employees covered by collective bargaining agreements	92	90	79
Number of employees	382	398	396
Percentage of employees covered by collective bargaining agreements (%)	24%	23%	20%



GRI 3: MATERIAL TOPICS

LOCATION

Referring to the standard published in 2021.

Material Topics Content

3-1 Process to determine material topics

The materiality analysis process is detailed in the Floene 2022 Annual Report, in Chapter 3.3, “Our Sustainability Approach”.

[Pages 23 - 24](#)

3-2 List of material topics

The list of material topics defined through the materiality definition process is described in the Floene 2022 Annual Report, in Chapter 3.3, “Our Sustainability Approach”.

[Pages 23 - 24](#)

3-3 Material topics management

Material Topics	Chapter ¹	Specific Standards and Indicators	Reference number of the GRI sector-specific standard
Quality service, safe and efficient supply	7. Our Prosperity	GRI 306: Waste 2020 306-3 GRI 416: Consumer Health and Safety 2016 416-2 GRI 417: Marketing and Labeling 2016 417-3	11.8 Asset Integrity and Process Safety Accident Management
Energy efficiency and climate change	6. Our Planet	GRI 302: Energy 2016 302-1 GRI 302: Energy 2016 302-2 GRI 302: Energy 2016 302-3 GRI 305: Emissions 2016 305-1 GRI 305: Emissions 2016 305-2 GRI 305: Emissions 2016 305-3 GRI 305: Emissions 2016 305-4 GRI 305: Emissions 2016 305-5 GRI 305: Emissions 2016 305-6 GRI 305: Emissions 2016 305-7 GRI 406: Non-discrimination 2016 406-1	11.1 GHG Emissions
Innovation, adaptation, and resilience	7. Our Prosperity	GRI 201: Economic Performance 2016 201-2	11.2 Adaptation, Resilience and Climate Transition
Economic performance and financial sustainability	7. Our Prosperity	GRI 201: Economic Performance 2016 201-1 GRI 201: Economic Performance 2016 201-4 GRI 203: Indirect Economic Impacts 2016 203-1 GRI 203: Indirect Economic Impacts 2016 203-2 GRI 204: Procurement Practices 2016 204-1	11.14 Economic Impacts
Engagement with local community/ stakeholders	4. Our Governance	GRI 202: Market Presence 2016 202-2 GRI 413: Local Communities 2016 413-1 GRI 413: Local Communities 2016 413-2	11.15 Local Communities

GRI 3: MATERIAL TOPICS			LOCATION
Material Topics Content			
3-3 Material topics management			
Material Topics	Chapter ¹	Specific Standards and Indicators	Reference number of the GRI sector-specific standard
Sustainable management of the supply chain	6. Our Planet	GRI 308: Supplier Environmental Assessment 2016 308-1 GRI 308: Supplier Environmental Assessment 2016 308-2 GRI 414: Supplier Social Assessment 2016 414-1 GRI 414: Supplier Social Assessment 2016 414-2	11.12 Forced labor and modern slavery
Regulatory compliance	4. Our Governance	GRI 204: Procurement Practices 2016 204-4 GRI 207: Tax 2019 207-1 GRI 207: Tax 2019 207-2 GRI 207: Tax 2019 207-3 GRI 207: Tax 2019 207-4 GRI 415: Public Policy 2016 415-1	
Safety, well-being, and development of our people	5. Our People	GRI 202: Market Presence 2016 202-1 GRI 401: Employment 2016 401-1 GRI 401: Employment 2016 401-2 GRI 401: Employment 2016 401-3 GRI 402: Labor Practices 2016 402-1 GRI 403: Occupational Health and Safety 2018 403-1 GRI 403: Occupational Health and Safety 2018 403-2 GRI 403: Occupational Health and Safety 2018 403-3 GRI 403: Occupational Health and Safety 2018 403-4 GRI 403: Occupational Health and Safety 2018 403-5 GRI 403: Occupational Health and Safety 2018 403-6 GRI 403: Occupational Health and Safety 2018 403-7 GRI 403: Occupational Health and Safety 2018 403-8 GRI 403: Occupational Health and Safety 2018 403-9 GRI 403: Occupational Health and Safety 2018 403-10 GRI 404: Training and Education 2016 404-1 GRI 404: Training and Education 2016 404-2 GRI 404: Training and Education 2016 404-3 GRI 405: Diversity and Equal Opportunity 2016 405-1 GRI 405: Diversity and Equal Opportunity 2016 405-2 GRI 406: Non-discrimination 2016 406-1 GRI 414: Supplier Social Assessment 2016 414-1 GRI 414: Supplier Social Assessment 2016 414-2	11.9 Occupational Health and Safety 11.10 Employment Practices
Ethics and transparency	4. Our Governance	GRI 205: Combating Corruption 2016 205-1 GRI 205: Combating Corruption 2016 205-2 GRI 205: Combating Corruption 2016 205-3 GRI 206: Unfair Competition 2016 206-1 GRI 407: Freedom of Association and Collective Bargaining 2016 407-1 GRI 418: Customer Privacy 2016 418-1	11.21 Payments to governments 11.22 Public policies
Customer satisfaction	7. Our Prosperity	There are no GRI Topic Standards associated to this Material Topic	

NOTE 1: Each material topic presents, in its respective sub-chapters, information on its relevance to the Group and our stakeholders, as well as the approach followed - including defined policies and commitments - reflecting the Group's management approach.

NOTE 2: Floene has a channel for reporting irregularities, called "Open Talk", which is transversally applicable to various material topics. For more information on this topic, please refer to the Floene 2022 Report and Accounts, in chapter 4.3. Ethics and Transparency.



TOPICS IN THE OIL AND GAS SECTOR (GRI 11) THAT WERE NOT CONSIDERED MATERIAL

Topic	Justification
11.3 Atmospheric Emissions	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.4 Biodiversity	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.5 Waste	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.6 Water and Effluents	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.7 Closure and Rehabilitation	Not applicable. Floene's activity does not involve situations where the closure and rehabilitation of oil and gas fields may occur.
11.11 Non-discrimination and Equal Opportunities	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.12 Forced Labor and Modern Slavery	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.13 Freedom of Association and Collective Bargaining	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.16 Land and Natural Resource Rights	Not applicable. In the geography where Floene is present and in its activity, there are no situations of land and natural resources dispute.
11.17 Indigenous Rights	Not applicable. In the geography where Floene is present, there are no situations of potential violation of indigenous communities' rights.
11.18 Conflict and Security	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.19 Unfair Competition	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.20 Anti-corruption	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.

SPECIFIC STANDARDS

GRI 200: ECONOMIC PERFORMANCE

GRI 201: ECONOMIC PERFORMANCE

LOCATION

Regarding the standard published in 2016.

201-1 Direct economic value generated and distributed

	2020	2021	2022
I) Direct Economic Value Generated	140 834 264.5	144 547 112.9	149 438 921.5
Revenue	140 834 264.5	144 547 113	149 438 922
II) Direct Economic Value Distributed (Operating costs)	74 882 368.6	74 878 497	74 541 573
Operating costs	30 767 028.3	30 347 534	31 216 315
Salaries and benefits of employees	23 209 818.2	23 963 791	23 995 413
Payments to providers of capital	10 350 190.6	10 305 430	11 269 036
Taxes	10 555 331.5	10 261 741	8 060 808
III) Cumulative Economic Value (I-II)	65 951 895.9	69 668 616.2	74 897 349.0

NOTE: Operating costs: Includes training and PPE and excludes fleet and pass-through
 Salaries and benefits of employees: Excludes training and includes fleet costs
 Payments to providers of capital: Financing interest, from the financials' side
 Taxes: Does not include deferred taxes
 Revenue: Total income, excluding recognition of investment subsidies, IFRIC and excluding pass-through items

201-2 Financial implications, risks and opportunities due to climate change

This information is included in the Floene 2022 Annual Report and Accounts, throughout Chapter 3.1 "Global context and Floene's contribution to sustainability", Chapter 4.4 "Internal control and risk management systems" (Risk Management subchapter), and Chapter 6.2 "Energy Efficiency and Climate Change".

[Pages 20 - 22](#)
[Pages 33 - 35](#)
[Pages 54 - 60](#)

201-4 Financial assistance received from government

Floene has not received any financial support from the government.

GRI 202: MARKET PRESENCE

LOCATION

Regarding the standard published in 2016.

202-1 Ratios of standard entry level wage by gender compared to local minimum wage

		2020	2021	2022
National Minimum Wage	Men	635.0	665.0	705.0
	Women	635.0	665.0	705.0
Minimum Wage Practiced by the Organisation (lowest wage practiced)	Men	926.4	972.0	998.4
	Women	821.8	830.0	840.8
Ratio between the organisation's minimum wage and the local minimum wage	Men	1.5	1.5	1.4
	Women	1.3	1.2	1.2



GRI 200: ECONOMIC PERFORMANCE

GRI 202: MARKET PRESENCE

202-2 Proportion of senior Management contracted from the local Community

		2020	2021	2022
Total number of top management members in important operational units	Men	19.0	51.0	40.0
	Women	1.0	15.0	12.0
Total number of top management members in important operational units hired from the local community	Men	19.0	50.0	39.0
	Women	1.0	15.0	12.0
Percentage of top management members in important operational units hired from the local community (%)	Men	100%	98%	98%
	Women	100%	100%	100%

NOTE 1: The organisation adopts the following definitions:

“Top management” - Executive Committee, Heads of Area, Strategic Developers, Managers, and Unit Managers;

“Local” - For this type of indicator (referring to top management), “local” is synonymous with “national” (Portugal);

“Important operational units” - All existing directions at Floene;

NOTE 2: Data referring to full-time employees.

GRI 203: INDIRECT ECONOMIC IMPACTS

LOCATION

Regarding the standard published in 2016.

203-1 Development and impact of investments in infrastructures and services provided

The topic of investments in infrastructure and services provided is included in the Floene 2022 Annual Report and Accounts, in Chapter 7.1 “Operational Performance”.

[Pages 66 - 69](#)

203-2 Significant indirect economic impacts and extent of impacts

Chapter 7 Our Prosperity

[Pages 66 - 69](#)

During the reporting period, the organisation identified some significant economic impacts, namely regarding employment in supplier or distribution chains. There was also an economic impact resulting from the use of products and services. Information on this topic can be found in more detail in Chapter 7 “Our Prosperity”.

GRI 204: PROCUREMENT PRACTICES

LOCATION

Regarding the standard published in 2016.

204-1 Proportion of spending on local suppliers

In 2022, Floene had a total cost of € 31 216 315.31 with suppliers, 95% of which pertains to purchases made from local (national) suppliers.

GRI 205: ANTI-CORRUPTION

LOCATION

Regarding the standard published in 2016.

205-1 Operations subject to risk assessments related to corruption and significant identified risks

No corruption risk assessments were carried out during the reporting period.

GRI 200: ECONOMIC PERFORMANCE

GRI 205: ANTI-CORRUPTION

LOCATION

205-2 Communication and training in anti-corruption policies and procedures

Anti-corruption policies and procedures are internally communicated to all employees through mandatory training on the subject, as part of the Code of Ethics and Conduct training. For other stakeholders, these policies and procedures are communicated through the “Code of Ethics and Conduct,” which is available for consultation at [Floene](#).

205-3 Confirmed cases of corruption and measures taken

No confirmed cases of corruption were recorded during the reporting period.

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

LOCATION

Regarding the standard published in 2016.

206-1 Lawsuits as a consequence of unfair competition, antitrust or monopoly practices and their outcomes

During the reporting period of this report, Floene was not associated with any legal actions due to anti-competitive behavior, unfair competition, or monopoly practices. It should also be added that there are no pending actions, nor has it been subject to a judicial decision in which it has been targeted.

GRI 207: TAX

LOCATION

Regarding the standard published in 2016.

207-1 Approach to tax

Although it is not formalized in any public document, Floene has a tax strategy that is reviewed and approved annually by the Board of Directors and the Executive Committee. To ensure regulatory compliance with its tax strategy, Floene observes applicable tax and tax disclosure requirements according to applicable laws and regulations, adopting appropriate measures for this purpose. With regard to relationships between related parties, Floene Group companies prepare a transfer pricing tax documentation process adopted by international practices, which includes all documentation relating to the policy adopted in determining transfer prices, maintaining elements capable of proving their parity with the market, as well as the selection of the most appropriate method for determining the prices charged.

207-2 Tax governance, control and risk management

Chapter 4.4 Internal Control and Risk Management Systems

[Pages 33 - 39](#)

The Audit Board is responsible for ensuring compliance in tax matters, monitoring, in particular, accounting policies, valuation criteria, the effectiveness of the internal control and risk management system, and the process for preparing and disclosing financial information. Annually, the Audit Board prepares a report on its supervisory activities and issues an opinion on the report, accounts, and proposals presented by the Administration. In addition to this Council, external and internal auditors also play a crucial role in this regard.

207-3 Stakeholder engagement and management concerns related to tax

Regarding taxation issues, it can be stated that Floene follows a compliance and ethical stance for compliance with all current tax regulations, with full availability to collaborate with tax authorities in inspection or any other interaction process that may be applicable. Thus, tax compliance is a guarantor of its actions. The Group listens to and analyzes the contributions/concerns of stakeholders, safeguarding communications that aim to clarify any existing doubts, without, however, altering the principles, rigor, compliance, and transparency of operations from a tax point of view.

207-4 Country-by-country reporting

Since all companies in the Floene Group are residents in Portugal, only Portuguese jurisdiction applies. For more information on these companies, Chapter 2.1 “Our Activity” can be consulted.

[Pages 12 - 13](#)

GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 302: ENERGY

LOCATION

Regarding the standard published in 2016.

302-1 Energy consumption within the organisation

Source	Unit	2020	2021	2022
Non-renewable		14 107.9	15 178.9	16 825.6
Renewable		0	0	0
Acquired	GJ	2 913.9	2 650.5	2 954.2
Sold		0	0	0
Total		17 021.9	17 829.4	19 779.8

For this purpose, the following energy consumption sources within the organisation were considered: electricity consumption, natural gas consumption, and fleet fuel consumption (diesel, gasoline, and LPG). It should be noted that starting from 2022, the acquired electricity has 100% renewable energy certificates and that for the years 2020 and 2021, corrections were made regarding electricity and natural gas consumption, which were previously being overcounted, since cancelled consumption was being counted as actual consumption.

The conversion factors used were: DGEG, 2020 - Conversion of GWh to GJ; APA NIR, 2020 - Conversion of fuel liters to GJ.

302-3 Energy intensity

Energetic Intensity	2020	2021	2022
	0.00027	0.00027	0.00033

For this purpose, the selected metric to calculate the ratio is the energy conveyed/distributed in GJ. For this ratio, the following types of energy were included:

- Consumption: electricity, natural gas, vehicle fuel;
- Distribution: natural gas.

GRI 305: EMISSIONS

LOCATION

Regarding the standard published in 2016.

305-1 Direct GHG emissions (scope 1)

Chapter 6.3 Our Carbon Footprint

[Pages 60 - 62](#)

At the end of 2022, Scope 1 was recalculated for all years, including the base year, 2020. Two significant changes were made:

- Previously, natural gas consumption emissions were being accounted for in Scope 2, and are now in Scope 1.
- Regarding the fleet, a change was made in the calculation methodology, no longer using the GHG protocol's transport tool, and instead using the emission factors from APA's NIR.

For the calculation of Natural Gas (network losses - fugitive emissions), the Sedigas methodology, used by several companies in the sector, was used (*Metodología para la cuantificación de las emisiones de metano en los sistemas de distribución de gas Fecha: 29 de junio de 2020*).

As a reference for emission factors, the following sources were used: APA NIR emission factors (Fleet); Specific emission factor for natural gas published by APA (Natural Gas); GWP of the Greenhouse Gas Protocol - Fourth Assessment Report (AR4) (network losses/fugitive emissions of natural gas).

NOTE: CO₂ was the only gas considered in the calculations.

GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 305: EMISSIONS

LOCATION

305-2 Indirect GHG emissions (scope 2)

Chapter 6.3 Our Carbon Footprint

[Pages 60 - 62](#)

At the end of 2022, Scope 2 was recalculated for all years, including the base year, 2020. Two significant changes were made.

- 1 - Previously, natural gas consumption emissions were being accounted for in Scope 2, and are now in Scope 1.
- 2 - The emission factors previously used were from ERSE, and the weighting for different types of energy was not being considered. The factors now used are from APA (location based) and the supplier (market based).

For the location-based calculation, the APA's emission factors were considered since our activity is in Portugal. For the market-based calculation, our supplier's factor was considered. It should be noted that in 2022, the market-based factor became 0 since the acquired electricity became 100% renewable.

305-3 Other indirect GHG emissions (scope 3)

Chapter 6.3 Our Carbon Footprint

[Page 60](#)

As of 2022, there were not enough data available regarding indirect emissions (Scope 3). However, calculations have already started in 2023.

305-4 Intensity of GHG emissions

Units	2020	2021	2022
t CO ₂ /GWh	1.0	0.8	0.9
t CO ₂ /km network	1.4	1.1	1.1

The greenhouse gas emission energy intensity was calculated using two relevant metrics: gas volume distributed (GWh) and distribution network length (km). The calculation includes Scope 1 and Scope 2 emissions, with only CO₂ considered.

305-5 Reduction of GHG emissions

Reduction of GHG emissions as a direct result of developed initiatives (tCO ₂ eq)	2020	2021	2022
	-	-	2 156.0

NOTE: CO₂ was the only gas considered in the calculations.

The base year of 2020 was chosen because it was the year in which the calculation of Scope 1 and Scope 2 GHG emissions began. The data considered for the calculation is available in Chapter 6.2.

The reduction in emissions resulting from electricity consumption was calculated considering market-based emissions and comparing them to electricity consumption in the base year. The remaining reductions are calculated compared to the 2020 base year.

Reductions in emissions resulting from the following initiatives were verified:

- Purchase of 100% renewable energy.
- Renewal of the distribution network and reduction of leaks in the network.
- Reduction of network occurrences due to damage by third parties.

305-6 Emissions of ozone depleting substances

Not applicable

305-7 NO_x, SO_x and other significant atmospheric emissions

Not applicable



GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 306: WASTE

LOCATION

Regarding the standard published in 2020.

306-3 Waste generated

	Hazourds waste (t)	2020	2021	2022
08 0119 (*) (Aqueous suspensions containing paints or varnishes, containing organic solvents or other hazardous substances)	Generated	–	–	0.163
	For valorisation	–	–	–
	For elimination	–	–	0.163
	Hazourds waste (t)	2020	2021	2022
13 01 05 (*) (Non-chlorinated emulsions)	Generated	–	–	0.030
	For valorisation	–	–	0.030
	For elimination	–	–	–
	Hazourds waste (t)	2020	2021	2022
15 01 11 (*) (Metal packaging, including empty pressurized containers, containing a hazardous solid porous matrix (e.g. asbestos))	Generated	0.061	0,022	0.043
	For valorisation	0.061	0,022	0.043
	For elimination	–	–	–
	Hazourds waste (t)	2020	2021	2022
15 02 02 (*) (Absorbents, filtering materials (including oil filters without other specifications), cleaning cloths and protective clothing, contaminated with substances)	Generated	0.028	–	0.068
	For valorisation	0.028	–	0.068
	For elimination	–	–	–

GRI 300: ENVIRONMENTAL PERFORMANCE
GRI 306: WASTE
LOCATION
306-3 Waste generated

	Hazourds waste (t)	2020	2021	2022
16 01 04 (*) (End-of-life vehicles)	Generated	—	4,372	—
	For valorisation	—	4,372	—
	For elimination	—	—	—
16 02 11 (*) (Out-of-use equipment containing chlorofluorocarbons, CFCs, HFCs)	Generated	—	0,580	—
	For valorisation	—	0,580	—
	For elimination	—	—	—
17 01 06 (*) (Mixtures or separated fractions of concrete, bricks, tiles, roofing and ceramic materials, containing hazardous substances)	Generated	—	—	0,351
	For valorisation	—	—	—
	For elimination	—	—	0,351
20 01 21 (*) (Fluorescent lamps and other waste containing mercury)	Generated	—	—	0,005
	For valorisation	—	—	—
	For elimination	—	—	0,005



GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 306: WASTE

LOCATION

306-3 Waste generated

	Hazourds waste (t)	2020	2021	2022
20 01 33 (*) (Batteries and accumulators covered by 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries and accumulators containing such accumulators or batteries)	Generated	–	0,067	0,029
	For valorisation	–	0,067	0,029
	For elimination	–	–	–
	Hazourds waste (t)	2020	2021	2022
Total hazardous waste (t)	Generated	0,09	5,04	0,69
	For valorisation	0,09	5,04	0,17
	For elimination	–	–	0,52
	Non-hazardous waste (t)	2020	2021	2022
08 03 18 (Printer toner waste not covered under 08 03 17)	Generated	–	0.005	0.050
	For valorisation	–	–	–
	For elimination	–	0.005	0.050
	Non-hazardous waste (t)	2020	2021	2022
15 01 01 (Paper and cardboard packaging)	Generated	–	0,255	0,099
	For valorisation	–	0,255	–
	For elimination	–	–	0,099
	Non-hazardous waste (t)	2020	2021	2022
15 01 02 (Plastic packaging)	Generated	–	0,098	–
	For valorisation	–	0,098	–
	For elimination	–	–	–

GRI 300: ENVIRONMENTAL PERFORMANCE
GRI 306: WASTE
LOCATION
306-3 Waste generated

	Non-hazardous waste (t)	2020	2021	2022
15 01 03 (Wooden packaging)	Generated	–	0.472	0.376
	For valorisation	–	0.472	0.260
	For elimination	–	–	0.116
	Non-hazardous waste (t)	2020	2021	2022
15 02 03 (Absorbents, filtering materials, cleaning cloths, and protective clothing not covered under 15 02 02)	Generated	0.073	0.067	0.361
	For valorisation	–	0.067	–
	For elimination	0.073	–	0.361
	Non-hazardous waste (t)	2020	2021	2022
16 02 14 (Out of use equipment not covered under 16 02 09 to 16 02 13)	Generated	0.291	2.183	14.894
	For valorisation	0.291	2.183	14.894
	For elimination	–	–	–
	Non-hazardous waste (t)	2020	2021	2022
17 04 07 (Metal mixtures)	Generated	118.685	163.966	97.484
	For valorisation	118.685	163.966	97.484
	For elimination	–	–	–



GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 306: WASTE

306-3 Waste generated

	Non-hazardous waste (t)	2020	2021	2022
20 01 01 (Paper and cardboard)	Generated	0.082	-	0.051
	For valorisation	0.082	-	0.051
	For elimination	-	-	-
	Non-hazardous waste (t)	2020	2021	2022
20 01 38 (Wood not covered under 20 01 37)	Generated	-	-	0.059
	For valorisation	-	-	0.059
	For elimination	-	-	-
	Non-hazardous waste (t)	2020	2021	2022
20 03 06 (Sewage cleaning waste)	Generated	6.000	-	6.000
	For valorisation	-	-	-
	For elimination	6.000	-	6.000
	Non-hazardous waste (t)	2020	2021	2022
20 01 39 (Plastics)	Generated	0.159	-	-
	For valorisation	0.159	-	-
	For elimination	-	-	-

GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 306: WASTE

LOCATION

306-3 Waste generated

	Non-hazardous waste (t)	2020	2021	2022
20 01 99 (Other fractions, without other specifications)	Generated	-	0.011	-
	For valorisation	-	-	-
	For elimination	-	0.011	-
	Non-hazardous waste (t)	2020	2021	2022
Total non-hazardous waste (t)	Generated	125.29	167.06	119.37
	For valorisation	119.22	167.04	112.75
	For elimination	6.07	0.02	6.63



GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

LOCATION

308-1 New suppliers that were screened using environmental criteria

Chapter 6.4. Sustainable management of the supply chain

[Pages 62 - 63](#)

Regarding the sustainable management of the supply chain, it can be noted that the partnership between Floene and service providers is based on compliance with commercial and technical conditions, as well as commitments expressed in the following documents: Code of Ethics; Codes of Conduct; Health, Safety and Environment Policy and Prevention of Major Accidents; Quality Policy, as well as compliance with current legislation. We also subscribe to the BCSD principles letter.

Therefore, there is a supply chain risk management, based on a methodology that involves the process of selection, qualification, and performance evaluation of service providers.

The risks of GDPR and cybersecurity are managed through the One Trust platform, interconnected and automated with the purchasing management platform, for bidding processes containing such risks, as well as action plans to mitigate them. Compliance and due diligence assessments are carried out before the hiring of suppliers, with the aim of identifying potential red flags, such as corruption and money laundering.

This model, which combines financial and non-financial information available on the market, to be provided by our partners, translates into broader monitoring coverage of various areas of risk in our supply chain, namely ESG, cybersecurity, GDPR.

Type of supplier Floene	Percentage of suppliers evaluated in the last 3 years
Tier 1	65
Non-tier 1	0
Critical Tier 1	19

NOTE: Tier 1 - Tier 1 services have a higher inherent cyber risk.

Results of sustainability risk assessment:

Sustainability risk (No. of Floene tier 1 suppliers)	2020	2021	2022
with high economic sustainability risk	ne	ne	0
with high environmental sustainability risk	ne	ne	0
with high social sustainability risk	ne	ne	5

Results of CSR risk assessment:

Risk level - Corporate Social Responsibility (CSR) Assessment Questionnaires	Number of Floene suppliers with billing in 2020		Number of Floene suppliers with billing in 2021		Number of Floene suppliers with billing in 2022	
	Tier 1	Critical	Tier 1	Critical	Tier 1	Critical
A+ Above-average rating	ne	ne	ne	ne	34	15
A Average rating	ne	ne	ne	ne	10	3
B Below-average rating	ne	ne	ne	ne	5	1

GRI 300: ENVIRONMENTAL PERFORMANCE

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

LOCATION

308-1 New suppliers that were screened using environmental criteria

Certifications:

Standard Internacional	2020	2021	2022
ISO 9001	ne	ne	92
ISO 14001	ne	ne	47
OHSAS 18001/ISO 45001	ne	ne	46
Other certifications	ne	ne	25

Supplier Audits:

	2020	2021	2022
Nº of supplier audits	ne	ne	12
Nº of tier 1 supplier audits	ne	ne	3
Critical suppliers audited (both tier 1 and non-tier 1)	ne	ne	0

In addition to the risk management practices and monitoring of certifications in the supply chain, we conduct audits of suppliers or potential suppliers in the following areas:

- Financial;
- Technical;
- Corporate Social Responsibility;
- Health & Safety;
- Environment;
- Business Continuity;
- SLA Contract.

308-2 Negative environmental impacts in the supply chain and actions taken

No tier 1 suppliers (both critical and non-critical) with high environmental sustainability risk were identified.



GRI 400: SOCIAL PERFORMANCE

GRI 401: EMPLOYMENT

LOCATION

Regarding the standard published in 2016.

401-1 New employee hires and employee turnover

Total number of employees at the end of the reporting period, by location, gender and age group

Region	Gender	2020			2021			2022		
		<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
National	Men	4	120	135	7	117	148	12	118	143
	Women	27	77	43	3	76	45	10	76	47
Total Employees (by age group)		31	197	178	10	193	193	22	194	190
Total Employees (by gender)		Men			259			272		
		Women			147			124		
Total Employees (by Location)		National			406			396		
					406					

NOTE: Includes trainees and fixed-term contracts, but excludes executive board members. Employees from all companies within the Floene group are included.

Total number of employees who entered or left during the reporting period

Region	Gender	2020					
		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	0	2	0	0	1	11
	Women	0	0	0	0	0	3
Total Entries and Exits (by Age Group)		0	2	0	0	1	14
Total Entries and Exits (by Gender)		Men			2		
		Women			0		
Total Entries and Exits (by Location)		National			2		
					15		

GRI 400: SOCIAL PERFORMANCE

GRI 401: EMPLOYMENT

LOCATION

401-1 New employee hires and employee turnover

		2021					
		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	3	7	2	1	0	2
	Women	1	3	1	0	2	3
Total Entries and Exits (by Age Group)		4	10	3	1	2	5
Total Entries and Exits (by Gender)	Men	12			3		
	Women	5			5		
Total Entries and Exits (by Location)	National	17			8		

		2022					
		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	8	13	0	2	1	20
	Women	7	8	1	1	0	7
Total Entries and Exits (by Age Group)		15	21	1	3	1	27
Total Entries and Exits (by Gender)	Men	21			23		
	Women	16			8		
Total Entries and Exits (by Location)	National	37			31		



GRI 400: SOCIAL PERFORMANCE

GRI 401: EMPLOYMENT

LOCATION

401-1 New employee hires and employee turnover

Employee turnover rate for the reporting period

2020

		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	0%	0.5%	0%	0%	0.2%	3%
	Women	0%	0%	0%	0%	0%	1%
Total Entries and Exits (by Age Group)		0%	0.5%	0%	0%	0.2%	3%
Total Entries and Exits (by Gender)	Men	0.5%			3%		
	Women	0%			1%		
Total Entries and Exits (by Location)		0.5%			4%		

2021

		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	1%	2%	1%	0.3%	0%	1%
	Women	0.3%	1%	0.3%	0%	1%	1%
Total Entries and Exits (by Age Group)		1%	3%	1%	0.3%	1%	1%
Total Entries and Exits (by Gender)	Men	3%			1%		
	Women	1%			1%		
Total Entries and Exits (by Location)		4%			2%		

2022

		Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
National	Men	2%	3%	0%	0.5%	0.2%	5%
	Women	2%	2%	0.2%	0.2%	0%	2%
Total Entries and Exits (by Age Group)		4%	5%	0.2%	1%	0.2%	7%
Total Entries and Exits (by Gender)	Men	5%			6%		
	Women	4%			2%		
Total Entries and Exits (by Location)		9%			8%		

NOTE: for simplicity, we calculated the turnover rate (exit) using the final values for each period.

GRI 400: SOCIAL PERFORMANCE
GRI 401: EMPLOYMENT
LOCATION
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

The benefits listed apply to all Floene employees (permanent and temporary), except for the Pension Fund, which is not applicable to Tagusgás employees:

- Pension Fund;
- Life Insurance;
- Personal Accident Insurance;
- Travel Insurance;
- Health Insurance;
- Automobile Insurance.

401-3 Parental leave

According to the criteria in force, all Floene organisation employees are entitled, by law, to parental leave. In this sense, the number of workers who actually used this right during the reporting period is detailed below:

	Gender	2020	2021	2022
Number of employees who started parental leave during the reporting period	Men	1	2	2
	Women	2	0	2
	Total	3	2	4
Number of employees who returned to work after parental leave	Men	1	2	2
	Women	2	0	2
	Total	3	2	4
Number of employees who returned to work and remain in the company after 12 months	Men	4	1	2
	Women	3	1	0
	Total	7	2	2
Return-to-work rate	Men	100%	100%	100%
	Women	100%	---	100%
	Total	100.00%	100.00%	100.00%
Retention rate (12 months)	Men	100%	100%	100%
	Women	100%	50%	---
	Total	233.33%	67.00%	100.00%

NOTE: The return-to-work rates for 2020 are higher than 100% because the number of employees who returned to work in 2020 refers to those who started their leave in 2019.

**GRI 400: SOCIAL PERFORMANCE****GRI 402: LABOUR/MANAGEMENT RELATIONS****LOCATION**

Regarding the standard published in 2016.

402-1 Minimum notice periods regarding operational changes

Floene respects all deadlines provided by applicable legislation and internal regulations, ensuring the existence of an adequate adaptation period for relevant operational changes.

Only LISBOAGÁS company has a Collective Bargaining Agreement, in which the notification period and provisions for consultation and negotiation are specified.

GRI 403: OCCUPATIONAL HEALTH AND SAFETY**LOCATION**

Regarding the standard published in 2018.

403-1 Occupational health and safety management system

Chapter 4.4. Internal control and risk management systems
Chapter 5.1. Safety and well-being (Safety and safety culture)
Chapter 6.6 Management and Accounts Report 2021

[Pages 33 - 35](#)
[Pages 42 - 44](#)
Page 20

In the gas sector, there are several regulations, including the Service Quality Regulation, compliance with which presupposes the existence of well-defined and implemented quality, environment, and safety management systems to ensure the safety and quality of natural gas distribution in Portugal. Thus, the implementation of the certification of an integrated EQHS (Environment, Quality, Health, and Safety) system at Floene aims not only to meet legal, normative, and regulatory requirements but also to ensure the existence of an effective management system that guarantees the distribution of natural gas to consumers based on the best available practices. Regular practice of internal and external audits, follow-up meetings, and periodic performance analysis allows the system to mature to identify new risks or requirements and respective improvement opportunities or corrective actions, to ensure continuous improvement of the management system.

The system covers all activities related to certification, including the management of construction, maintenance, operation, and use of natural gas distribution networks, as well as all administrative workplaces and facilities of the natural gas distribution system, managed and maintained by Floene (RMSs, AGUs, etc.). Audited workers may be internal and external (service providers who provide services in the context of construction and maintenance of natural gas distribution networks).

403-2 Identification of hazards, assessment of risks and investigation of accidents

Chapter 5.1. Safety and well-being (Safety and safety culture)

[Pages 42 - 44](#)

The planning process for identifying hazards, evaluating and controlling risks for OSH, and identifying significant environmental aspects, includes the following subprocesses: 1. Develop/review the identification of hazards for OSH and environmental aspects, evaluation and control of risks and environmental impacts; 2. Plan its implementation.

In terms of process activities, the HSE responsible, together with the process owners, identifies hazards for OSH and environmental aspects by activity, product, and service typology, considering those that the organisation can control and those it can influence, considering a life cycle perspective. Normal, abnormal, and reasonably predictable emergency situations are taken into account. This information is documented in hazard and risk assessment matrices for OSH and environmental aspects and impacts. This survey may be reviewed and updated whenever necessary, particularly in the face of new circumstances (acquisition of new products, provision of new services, change of legal requirements, etc.). All these situations and new risks and hazards identified can be reported by any employee, either through the hierarchy or through proactive safety and environmental prevention mechanisms, such as visits to facilities, safety talks, observation of unsafe situations or acts, near misses, participation and periodic consultation of employees, among others.

Subsequently, the Planned Action Proposal is submitted for approval to Top Management, which includes the definition and verification of objectives, management programs, projects, and corrective and/or preventive actions. Mechanisms for communication and participation of workers have been defined to report risk situations, and Life Saving Rules have been adopted, which must always be followed.

403-2 Identification of hazards, assessment of risks and investigation of accidents

Any situation that does not allow for the safety and health of workers during their activities must be stopped by the worker or by whoever identifies the situation. In no case should management subject workers to working conditions that are not suitable. If such a situation occurs, employees are protected against possible reprisals regarding the identification/reporting of the situations referred to in the previous paragraphs, by the Code of Ethics and Conduct, as well as by the Open Talk Channel.

After an incident occurs, immediate emergency response measures are taken. Following that, incidents are classified based on predefined criteria that take into consideration personal/material damages, severity, etc. The incident is communicated to the entire pre-defined hierarchical chain of command, and when applicable, to external entities. A multidisciplinary team is appointed to report and investigate the incident, with well-defined responsibilities and outputs including the initial and final incident reports, where immediate and root causes, as well as corrective and improvement measures are identified. Lastly, whenever an incident occurs and the causes are identified, a risk matrix evaluation associated with the respective activity/task is conducted.

403-3 Occupational health services

Chapter 5.1. Safety and well-being (Health and well-being)

[Pages 42 - 44](#)

Occupational health services that contribute to hazard identification and elimination and risk minimization have the following functions: planning prevention, integrating risk assessment and prevention measures at all levels and for all company activities; performing risk assessments and creating corresponding reports; developing occupational risk prevention plans, as well as detailed prevention and protection plans required by specific legislation; participating in the development of the internal emergency plan, including specific fire-fighting, evacuation, and first-aid plans; collaborating in the design of work locations, methods, and organisation, as well as in the selection and maintenance of work equipment; supervising the supply, validity, and preservation of personal protective equipment, as well as the installation and maintenance of safety signage; coordinating measures to be taken in case of serious and imminent danger; monitoring working conditions of workers in more vulnerable situations; designing and implementing an information program for promoting safety and health at work, promoting the integration of prevention measures into the company's information and communication systems; designing and implementing a training program to promote safety and health at work; supporting information and consultation activities with worker representatives for safety and health at work, or in their absence, with the workers themselves; ensuring or monitoring the implementation of prevention measures, promoting their efficiency and operability; organizing the necessary elements for mandatory notifications; creating mandatory reports in case of occupational accidents or illnesses; coordinating or monitoring internal audits and inspections; analyzing the causes of occupational accidents or occurrences of occupational illnesses and preparing corresponding reports; collecting and organizing statistical data relating to safety and health at work.

Floene ensures the quality of these services and facilitates their access to workers through OHS commissions with worker representatives (Lisboagás), conducting inspections, visits, and training at all companies, and involving safety technicians in the process (either formally through a questionnaire or informally through consultation). In addition, occupational medical services are provided by the internal service at a medical station located at Floene's headquarters or through mobile services at various workplace locations for various companies.



GRI 400: SOCIAL PERFORMANCE

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

LOCATION

403-4 Participation of workers. worker consultation with regard to occupational health and safety

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

Two formal written consultations are conducted annually with all employees regarding OHS and work equipment. In addition to these written consultation mechanisms, there are other means and processes of consultation and participation of employees. This process accepts various tools and mechanisms for its implementation, namely:

- a) Safety Meetings;
- b) Holding specific meetings with areas to address safety issues;
- c) Introduction of consultative and participatory approaches in OHS audits/inspections/verifications, allowing workers the opportunity to convey any concerns;
- d) Annual surveys to understand workers' attitudes towards OHS;
- e) Introduction of consultative and participatory approaches in conducting safety talks;
- f) Regular dissemination and discussion forums;
- g) Inclusion of workers' participation in reporting near-misses, unsafe acts, and unsafe conditions.

After a decision is made, and whenever relevant, feedback should be given to workers on the decision made, and if opinions and/or proposals are not adopted in the decision, they should be the subject of reasoned decisions and information to workers or their representatives. The main results and status of the actions resulting from consultation and participation are also communicated in the annual OHS consultation for all employees. In this context, there are also OSH meetings with the workers' representatives, as well as a meeting of the Workers' Commission with the Management (Lisboagás).

403-5 Worker training on occupational health and safety

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

There is an annual OHS training plan to respond to specific training needs on some topics and also to refresh others. OHS training covers safety inductions, which are given to all new employees, self-protection measures, manual handling of loads, machine directive, first aid, handling of fire extinguishers, policies, emergency plans, fire fighting, communication and reporting of accidents, management of modifications, task safety analysis, work permits, EQHS management systems and prevention of major accidents, explosive atmospheres, safety data sheets, hazard and risk assessment, personal protective equipment, etc. Some training sessions are also held on specific topics for service providers, namely contractors (construction and maintenance work). These trainings are provided free of charge and during working hours.

In order to assess training needs, the HSE area identifies a transversal HSE training plan to respond to various normative and legal requirements. At the time of evaluation, both management and employees can identify specific training actions.

403-6 Promotion of worker health

Chapter 5.1. Safety and Well-being (Health and well-being)

[Pages 44 - 45](#)

In order to facilitate employees' access to medical services and healthcare, there is an occupational health service for all Floene employees. In addition, all employees have access to a personal health insurance (including family members) with a wide range of curative medical services.

At Floene's headquarters, there is a medical center exclusively for employees, family members, and retirees, with a variety of general medical and various specialty consultations. In addition to health insurance, Floene provides free administration of the flu vaccine in the workplace

GRI 400: SOCIAL PERFORMANCE

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

LOCATION

403-7 Preventing and mitigating occupational health and safety impacts directly linked to business relations

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

In order to prevent or mitigate significant negative impacts on health and safety at work directly related to its operations, Floene defines the risk and environmental impact assessment methodology, assesses them, and defines mitigating actions. It sets objectives and monitors through audits or other monitoring instruments if they are being met. This process applies not only to its employees but also to workers of contractors hired to carry out some activities in its business chain.

403-8 Employees covered by the occupational health and safety management system

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

The organisation has a certified and audited Occupational Health and Safety Management System (OHSMS) by an external entity, which covers all employees and other workers whose work is controlled by the organisation.

403-9 Workplace accidents

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

Data regarding Employees

	Gender	2020	2021	2022
Total number of	work-related deaths	0	0	0
	serious work-related accidents ¹ (excluding deaths)	0	0	0
	mandatory reportable work-related accidents ²	3	1	5
	hours worked	585 303	624 819	650 437
Index of	work-related deaths	0.00	0.00	0.00
	serious work-related accidents (excluding deaths)	0.00	0.00	0.00
	mandatory reportable work-related accidents	5.12	1.60	7.69

Data regarding workers who are not employees but whose work is controlled by the organisation

	Gender	2020	2021	2022
Total number of	work-related deaths	0	0	0
	serious work-related accidents ¹ (excluding deaths)	0	0	0
	mandatory reportable work-related accidents ²	4	4	3
	hours worked	878 344	836 943	1 292 510
Index of	work-related deaths	0.00	0.00	0.00
	serious work-related accidents (excluding deaths)	0.00	0.00	0.00
	mandatory reportable work-related accidents	4.55	4.78	2.32

GRI 400: SOCIAL PERFORMANCE

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

LOCATION

403-9 Work accidents

Through the analysis of the accident history, it is verified that falls on the same level (slips and trips) are the main occupational hazards that can cause serious injuries. These risks were properly identified through the Hazard Identification and Risk Assessment Methodology, and Floene includes in its Prevention and Safety Plan all actions taken, or in progress, to eliminate these hazards and minimize risks, using the hierarchy of risk control. During the reporting period of this report, no serious accidents occurred.

NOTE¹ According to GRI criteria, a work accident with a serious consequence results in death or an injury from which the worker is unable to fully recover within six months to their health condition prior to the accident.

NOTE² According to GRI criteria, it includes all accidents that result in any of the following possibilities: fatalities, accidents with medical leave, accidents resulting in loss or reduction of capacity for work or transfer to another function, accidents requiring medical treatment beyond first aid, loss of consciousness, serious injury diagnosed by a doctor or other qualified healthcare professional. It can also be referred to as TRI (Total Recordable Incidents).

NOTE: For calculation purposes, a normalization factor of 1 million hours worked was assumed.

403-10 Occupational diseases

Chapter 5.1. Safety and Well-being (Safety and safety culture)

[Pages 42 - 44](#)

	2020	2021	2022
Number of fatalities resulting from occupational diseases	0	0	0
Number of reported occupational diseases	0	0	0
Number of confirmed occupational diseases	0	0	0

During its activities, Floene recognizes several hazards related to occupational diseases (for more information, see chapter 4.4. Internal Control and Risk Management Systems), which are not significant and are properly controlled through Occupational Medicine Services and risk assessment and workplace visits. These risks were properly identified through the Hazard Identification and Risk Assessment Methodology, and Floene includes in its Health Prevention Plan all actions taken, or in progress, to eliminate these hazards and minimize risks, using the hierarchy of risk control.

During the reporting period of this report, no occupational diseases were identified.

GRI 400: SOCIAL PERFORMANCE
GRI 404: TRAINING AND EDUCATION
LOCATION

Regarding the standard published in 2016.

404-1 Average hours of training per year, per employee and per category

Total number of training hours by functional category and gender

	Gender	<30	30-50	>50
Administration	Men	-	-	97
	Women	-	-	-
	Subtotal	0	0	97
Heads of Area	Men	-	339	441
	Women	-	189	-
	Subtotal	0	528	441
Managers	Men	-	215	426
	Women	-	287	108
	Subtotal	0	501	535
Specialists	Men	132	761	1764
	Women	122	646	374
	Subtotal	254	1408	2138
Technical Contributors	Men	334	1411	1088
	Women	12	124	56
	Subtotal	346	1536	1145
Operational & Support Contributors	Men	-	-	-
	Women	-	-	22
	Subtotal	0	0	22
Trainees	Men	80	-	-
	Women	123	-	-
	Subtotal	203	0	0
Total	Men	546	2727	3817
	Women	256	1246	560
		803	3972	4377

In 2020 and 2021 it was not possible to count average annual training hours by gender and position. However, Floene gauged the following:

	2020	2021	2022
Training hours	3 989	3 685	9 152
Employees	384	398	406
Training hours/employee	10.4	9.3	22.5



GRI 400: SOCIAL PERFORMANCE

GRI 404: TRAINING AND EDUCATION

LOCATION

404-2 Lifelong learning and skills management programs that support the employability of workers and help manage career goals

Chapter 5.3 Training

Pages 48 - 49

Regarding the development of skills, tailor-made training programs were designed to meet the needs in various areas, namely the new performance management model “Meet Me”, in which 80 employees participated; the “WeGrow” program on leadership in the areas of feedback and development, which had the participation of 22 employees; the “Leader ARC” program for management skills development, in which 11 employees participated, and the technical skills development program, entitled “Next Level”, with the participation of 40 employees. In addition to the internal development programs, Floene also provided a Post-Graduation in Sales Management, and also facilitated the payment of gas technician certification courses for new employees hired for the Gas Infrastructure Technician position.

Regarding the development of skills, it is also worth noting that Floene granted an unpaid leave for the purpose of pursuing a doctorate degree.

Regarding end-of-career management, it is worth noting that Floene provided compensation higher than the amount established by law for all agreements that ceased by mutual agreement.

404-3 Percentage of employees who receive regular performance evaluations and career development

Data for 2020 and 2021 were not filled out since at the time, Floene's Organisational Structure was not established.

Total number of employees eligible for performance evaluation by professional category and gender

	Gender	2022
Administration	Men	0
	Women	0
	Subtotal	0
Heads of Area	Men	7
	Women	0
	Subtotal	7
Managers	Men	27
	Women	17
	Subtotal	44
Specialists	Men	89
	Women	48
	Subtotal	137
Technical Contributors	Men	142
	Women	56
	Subtotal	198
Operational & Support Contributors	Men	0
	Women	2
	Subtotal	2
Total	Men	265
	Women	123
	Subtotal	388

GRI 400: SOCIAL PERFORMANCE

GRI 404: TRAINING AND EDUCATION

LOCATION

404-3 Percentage of employees who receive regular performance evaluations and career development

Total number of employees who received a performance and career development analysis

	Gender	2022
Administration	Men	0
	Women	0
	Subtotal	0
Heads of Area	Men	7
	Women	0
	Subtotal	7
Managers	Men	27
	Women	17
	Subtotal	44

	Gender	2022
Specialists	Men	89
	Women	48
	Subtotal	137
Technical Contributors	Men	142
	Women	56
	Subtotal	198
Operational & Support Contributors	Men	0
	Women	2
	Subtotal	2
Total	Men	265
	Women	123
	Subtotal	388

Percentage of employees who received a performance and career development analysis

	Gender	2022
Administration	Men	0
	Women	0
	Subtotal	0
Heads of Area	Men	100%
	Women	0
	Subtotal	100%
Managers	Men	100%
	Women	100%
	Subtotal	100%

	Gender	2022
Specialists	Men	100%
	Women	100%
	Subtotal	100%
Technical Contributors	Men	100%
	Women	100%
	Subtotal	100%
Operational & Support Contributors	Men	0
	Women	100%
	Subtotal	100%
Total	Men	100%
	Women	100%
	Subtotal	100%



GRI 400: SOCIAL PERFORMANCE

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES

LOCATION

Regarding the standard published in 2016.

405-1 Diversity of governance bodies and employees

Number of employees by Job Category and Gender	Gender	2021			2022		
		<30	30-50	>50	<30	30-50	>50
Administration	Men	0	0	4	0	0	4
	Women	0	0	0	0	0	0
	Subtotal	0	0	4	0	0	4
Heads of Area	Men	0	4	0	0	3	5
	Women	0	2	0	0	2	0
	Subtotal	0	6	0	0	5	5
Managers	Men	0	16	27	0	12	16
	Women	0	9	4	0	10	4
	Subtotal	0	25	31	0	22	20
Specialists	Men	3	28	44	5	39	54
	Women	2	27	8	2	36	19
	Subtotal	5	55	52	7	75	73
Technical Contributors	Men	4	69	76	4	66	83
	Women	1	38	34	2	28	27
	Subtotal	5	107	110	6	94	110
Operational & Support Contributors	Men	0	0	1	0	0	0
	Women	0	2	4	0	0	4
	Subtotal	0	2	5	0	0	4
Trainees	Men	0	0	0	4	0	0
	Women	1	0	0	6	0	0
	Subtotal	1	0	0	10	0	0
Total	Men	7	117	152	13	120	162
	Women	4	78	50	10	76	54
	Subtotal	11	195	202	23	196	216

NOTE: Data for 2020 was not filled out because at the time, Floene's Organisational Structure was not established, making it impossible to compare with the current structure.

GRI 400: SOCIAL PERFORMANCE

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES

LOCATION

405-2 Ratio of basic salary remuneration of women to men

Category	Women Average salary received	Men Average salary received	Ratio
Heads of Area	7 000.00	6 618.57	1.06
Managers	3 830.63	4 311.31	0.89
Specialist	2 150.02	2 274.69	0.95
Technical Contributors	1 300.78	1 466.72	0.89
Operational & Support Contributors	1 910.21	0	---

GRI 406: NON-DISCRIMINATION

LOCATION

Regarding the standard published in 2016.

406-1 Incidents of discrimination and corrective actions taken

No incidents of discrimination, whether based on race, color, gender, religion, political opinion, national or social origin, or other forms of discrimination, were recorded during the reporting period.

GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

LOCATION

Regarding the standard published in 2016.

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

Information not available

GRI 413: LOCAL COMMUNITIES

LOCATION

Regarding the standard published in 2016.

413-1 Operations with local community engagement, impact assessments, and development programs

No operations involving local community engagement, impact assessments, and development programs were carried out in 2022. However, Floene is developing a Social Responsibility Policy in 2023, and several initiatives will be implemented in this regard during the current year, which will already be included in the report for 2023.

413-2 Operations with significant actual and potential negative impacts on local communities

Information not available

GRI 414: SUPPLIER SOCIAL ASSESSMENT

LOCATION

Regarding the standard published in 2016.

414-1 New suppliers that were screened using social criteria

Information on new suppliers selected based on social criteria can be found in Indicator 308-1.

414-2 Negative social impacts in the supply chain and actions taken



GRI 400: SOCIAL PERFORMANCE

GRI 414: SUPPLIER SOCIAL ASSESSMENT

LOCATION

Information on negative social impacts in the supply chain and actions taken can be found in Indicator 308-2.

GRI 415: PUBLIC POLICY

LOCATION

Regarding the standard published in 2016.

415-1 Political contributions

Floene did not make any contributions, monetary or in-kind, to political organisations during the reporting period.

GRI 416: CUSTOMER HEALTH AND SAFETY

LOCATION

Regarding the standard published in 2016.

416-1 Assessment of the health and safety impacts of product and service categories

All works and services awarded to contractors and service providers are subject to operational monitoring and control, in accordance with current legislation and Floene's own requirements, ensuring the promotion of safety and health at work. It should be added that a risk assessment is carried out for all activities (both those carried out by our employees and those carried out by our service providers), and the respective mitigation measures are defined.

416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

There were no non-compliances with regulations that resulted in fines or warnings from the competent regulatory authority. Similarly, there were no non-compliances with regulations and voluntary codes.

GRI 417: MARKETING AND LABELING

LOCATION

Regarding the standard published in 2016.

417 -3 Incidents of non-compliance concerning marketing communications

There were no cases of non-compliance related to marketing communication during the reporting period

GRI 418: CUSTOMER PRIVACY

Regarding the standard published in 2016.

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

There were no substantiated complaints regarding customer data violation or loss.



Glossary

GLOSSARY

FINANCIAL GLOSSARY

ACRONYMS

AL

Allowed Revenues

BBB-

Medium Credit Quality

CAPEX

Capital Expenditure (investment in acquiring and/or improving tangible and intangible assets)

CESE

Extraordinary Contribution to the Energy Sector

CIT

Current Income Tax

DSCR

Debt Service Coverage Ratio

EBIT

Earnings Before Interest and Taxes (operating profit)

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (operating profit, excluding amortization/ depreciation costs)

EBT

Earnings Before Taxes

FCA

Financial Conduct Authority

FY

Fiscal Year

IAS

International Accounting Standard

IASB

International Accounting Standard Board

IASC

International Accounting Standards Committee

IFRIC

International Financial Reporting Interpretation Committee

IFRS

International Financial Accounting Standards

OPEX

Operational Expenditure (operation and maintenance costs)

PSL

Past Service Liabilities

PY

Previous Year

RAB

Regulated Asset Base

RMS

Regulation and Metering Station

RoR

Rate of Return

SHL

Shareholder Loans

SIC

Standing Interpretation Committee

SPPI

Solely Payments of Principal & Interest

SRTCG (RETGS)

Special Regime for Taxation of Corporate Groups

TOP (ISP)

Tax on Oil and Energy Products

TOS

Underground Taxes



TSA
Transaction and Sales Agreement

Var. YoY
Variation Year over Year

VAT
Value Added Tax

WACC
Weighted Average Cost of Capital

YTD
Year To Date

YoY
Year over Year

TECHNICAL GLOSSARY

ACRONYMS

AA1000
Stakeholders Engagement Standards

ACP
Allianz Capital Partners

AGU/UAG
Autonomous Gas Units

APA
Portuguese Environmental Agency

APCC
Portuguese Association of Contact Centres (Associação Portuguesa de Contact Centers)

APCER
Portuguese Association for Certification (Associação Portuguesa de Certificação)

APE
Portuguese Energy Association (Associação Portuguesa de Energia)

APEG
Portuguese Association of Gas Companies (Associação Portuguesa de Empresas de Gás)

AP2H2
Portuguese Association for the Promotion of Hydrogen (Associação Portuguesa para a Promoção do Hidrogénio)

AR4
Fourth Assessment Report

BCSD
Business Council for Sustainable Development

BoD
Board of Directors

BIP
Biomethane Industrial Partnership

CEO
Chief Executive Officer

CES
Customer Effort Score

CFO
Chief Financial Officer

CMVM
Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários)

CoB
Chairman of the Board

COO
Chief Operating Officer

COP27
27th United Nations Climate Change Conference of the Parties

COSO
Internal Control Integrated Framework

CSAT
Customer Satisfaction Score

CSO Chief Strategy Officer	FEDER Regional Development European Fund (Fundo Europeu de Desenvolvimento Regional)
CSR Corporate Social Responsibility	GDA Gas Distribution Activity
DGEG General Directorate of Energy and Geology	GDP Gross Domestic Product
DSO Distribution System Operator	GDPR General Data Protection Regulation
EBA European Biogas Association	GD4S Gas Distributors for Sustainability
ECH2A European Clean Hydrogen Alliance (Aliança Europeia para o Hidrogénio Limpo)	GGND Galp Gás Natural Distribuição
EMTN Euro Medium Term Notes	GHG Greenhouse Gases
EQHS Environment, Quality, Health, and Safety	GQTS Gas Quality Tracking System
ERSE Energy Services Regulatory Authority (Entidade Reguladora dos Serviços Energéticos)	GUS/UGS Global Usage of the System
ESG Environmental, Social and Governance	GWP Global Warming Potential
EU European Union	H2 Hydrogen
FCG Gas Trading Function (Função de Comercialização de Gás)	HP High Pressure
FCVAR Network Access Sales and Purchase Function (Função de Compra e Venda do Acesso às Redes)	HSE Health, Safety and Environment
FCVG Gas Sales and Purchasing Function (Função de Compra e Venda de Gás)	IGU Internacional Gas Union
FTE Full Time Equivalent	ILO International Labour Organisation



INE National Institute for Statistics (Instituto Nacional de Estatística)	NA Network Accesses
IP Infraestruturas de Portugal, S.A.	NIR National Inventory Report
ISO 45001 International standard which identifies the requirements for an Occupational Health and Safety Management System.	NG Natural Gas
ISQ ISQ - Interface and Technology Centre	NP EN ISO 9001 International Standard that identifies the requirements for a Quality Management System
IT Information technology	NP EN ISO 14001 International Standard that identifies the requirements for an Environmental Management System
KPI Key Performance Indicators	NPS Net Promotor Score
Líder ARC Líder ARC - Audácia, Respeito e Colaboração (Leader ARC - Audacity, Respect and Collaboration)	OHHS Occupational Health, Hygiene and Safety
LNG Liquefied natural gas	OHS Occupational Health and Safety
LP Low Pressure	OHSAS 18001 Occupational Health and Safety Assessment Series
LPG Liquefied Petroleum Gas	OHSMS Occupational Health and Safety Management System
LRS Last Resort Commercialisation Retailer	OJEU Official Journal of the European Union
LSE London Stock Exchange	OLMC Logistics Operation for Switching Suppliers (Operação Logística de Mudança de Comercializador)
Ltd/Lda Limited	ORD Regional Gas Distribution Network Operators (Operadores Regionais das Redes de Distribuição de Gás)
LTIF Lost Time Injury Frequency Rate	ORT Transport Network Operator (Operador de Rede de Transportes)
MP Medium pressure	

PDIRD-G 2022
Five-Year Indicative Development and Investment Plan for Gas Distribution Networks for the period 2023-2027

PNEC 2030
National Energy and Climate Plan 2030 (Plano Nacional de Energia e Clima 2030)

PBY
Portuguese Bond Yields

PPEC
Promotion Plan for Efficiency in Consumption

PRF
PRF – Gás, Tecnologia e Construção, SA

PRR
Program of Recovery and Resilience

Ready4H2
Ready for Hydrogen Initiative

RMS
Reduction and Measuring Stations

RQS
Service Quality Regulation for the Electricity and Natural Gas Sectors

SDG
Sustainable Development Goals

SGPS
Holding Company (Sociedade Gestora de Participações Sociais)

SLA
Service-Level Agreement

SP
Service Providers

UDN/URD
Usage of Distribution Network

UNFCCC
United Nations Framework Convention on Climate Change

TpD
Third Party Damages

TRI
Total Recordable Incidents

UTN/URT
Usage of Transport Network

WBCSD
World Business Council for Sustainable Development

WRI
World Resources Institute

UNITS

GJ
Gigajoule

GWh
Gigawatt.hour

km
Kilometres

m³
Cubic metre

Mm/ano
Mega metre per year

tCO₂eq
Equivalent tonne of CO₂

vol.
Volume

€ k
Thousands of Euros





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