

# 2022 Results

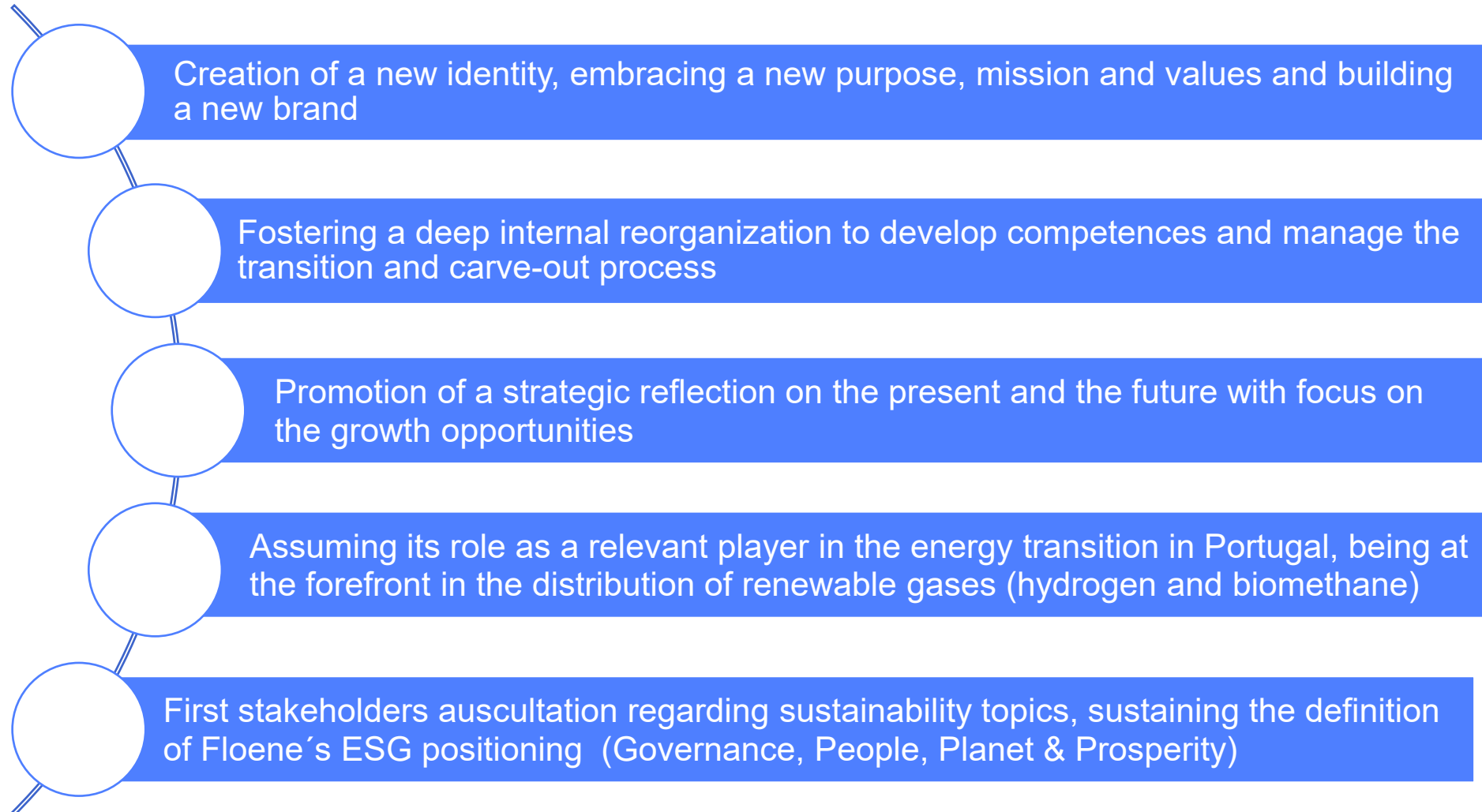
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# 1. 2022 Highlights

2022 was a year of Profound Transformation, where the following milestones were achieved:

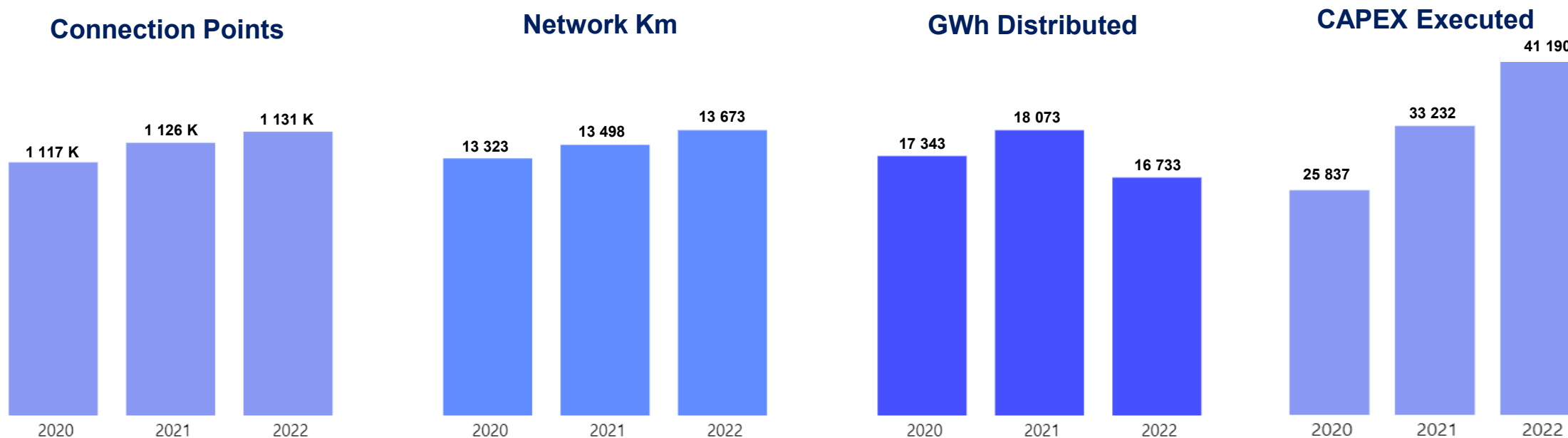


# 1 - 2022 Highlights - Key Operational figures



In 2022, **volume distributed** stood at 17 TWh (-7.4% YoY), mainly impacted by the decrease in the industrial segment (-8.7%), but partially offset by the increase in consumption in the tertiary segment (+6.2%).

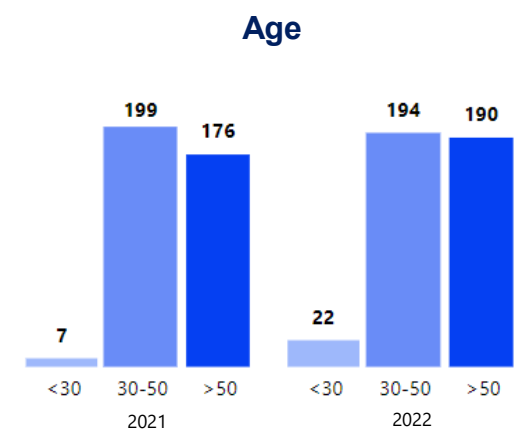
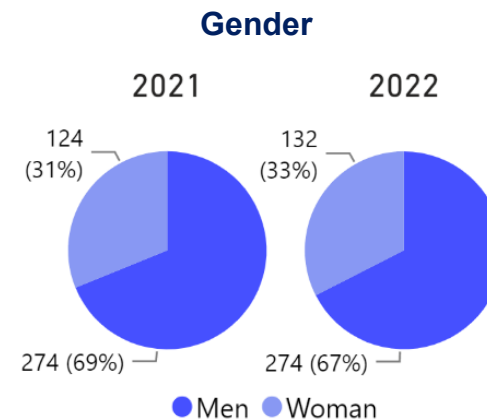
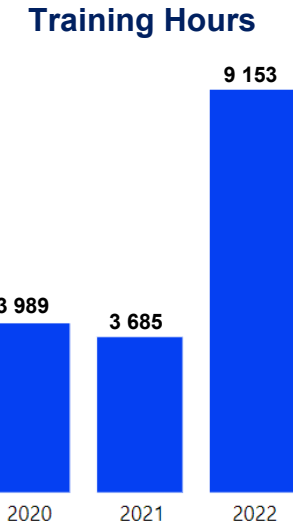
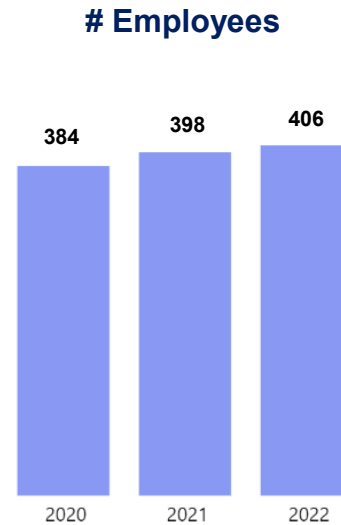
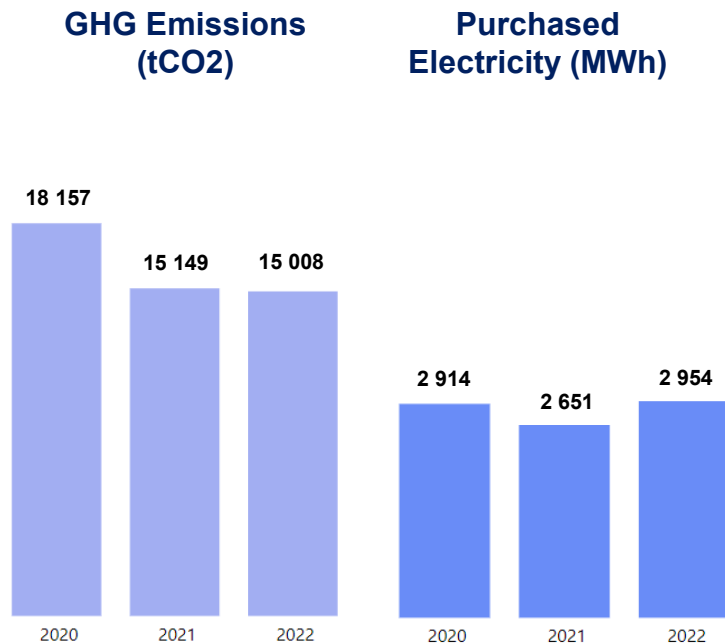
**Network length** increased to 13,673 km (vs. 13,498 km); new net **connection points** of 5,107.



Source: Floene's Management Report and Consolidated and Separate Accounts 2020, 2021, 2022

# 1 - 2022 Highlights - Key ESG figures

Floene established a **short-term decarbonization plan** in 2021, to **reduce CO2 emissions from base year 2020 until 2025 by 25%**; Floene will publish at the end of April its 1<sup>st</sup> Annual Report according to GRI framework



Source: Floene's Management Report and Consolidated and Separate Accounts 2020, 2021, 2022

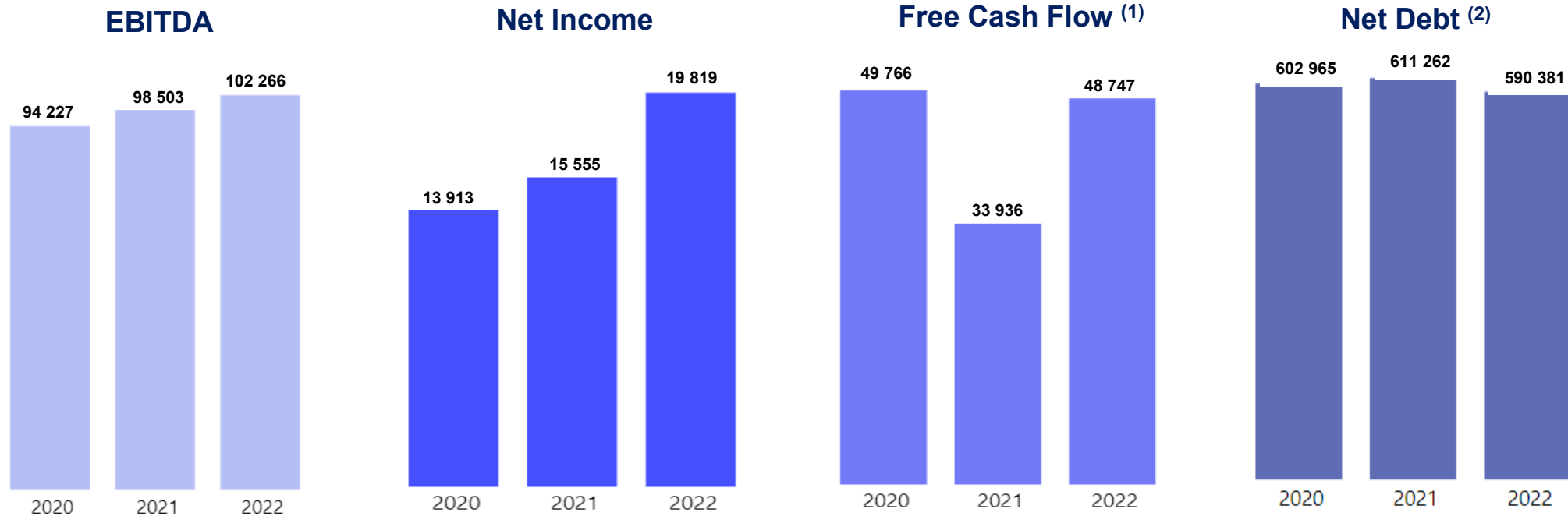
## 1 - 2022 Highlights - Key Financial figures

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- **EBITDA** registered a 3.8% growth YoY, reaching €102 million, mainly driven by RoR increase to 5.49% (vs 4.72% FY21).
- **Net Income** increased 27.4% YoY to €19 million, as a result of EBIT improvement to €53 million, reflecting lower depreciations related to the Licenses Agreements extension period from 2022 to 2027.
- **Free Cash Flow** (excl. CESE) reached €49 million (+43.6% YoY) mainly explained by higher Operating Cash Flow (+€18m).
- **Net debt** reduction to €590 million (-3.8% vs 2021) due to a robust net cash flow.
- **At the end of 2022, Floene complied with financial covenants and credit metrics with significant headroom.**
- Floene signed a **Backstop Facility** in the amount of €600 million in September 2022.

# 1 - 2022 Highlights - Key Financial figures

## Financial Indicators (€k)



- (1) Free Cash Flow (FCF) = Cash flows from operating activities (excluding CESE) - Cash flows from investing activities  
FCF 2020: Positively impacted by the sale of Tagusgás Propano; FCF 2021: Negatively impacted by higher income tax paid and higher CAPEX
- (2) Net Debt = Bank Loan + Bonds + Accrued Interest - Cash and equivalents

Source: Floene's Management Report and Consolidated and Separate Accounts 2020, 2021, 2022

# 1 - 2022 Highlights - Challenges in the Energy sector

The current environment for the energy sector presents significant challenges with more ambitious targets in terms of decarbonization, the need for diversification of energy supply and the scale up renewable energy

- **More ambitious targets for the reduction of GHG emissions**

To achieve global decarbonisation goals, emissions need to be cut in half; the EU has set out a target to reduce emissions by 55% until 2030 (base year 1990); this implies that emissions should be reduced by 7.6% /year; in 2020, with reduced economic activity and the lockdown imposed by the Covid-19, estimates point to a reduction in emissions of (only) 5.6%.

- **Need to accelerate clean energy transition and energy resilience**

Current regulations and policies reflect a strategy to expedite the reduction of GHG emissions. New geopolitical and energy market realities show the need to drastically accelerate our clean energy transition and increase Europe's energy independence and resilience.

- **Need to develop multiple solutions for renewable energy**

Multiple energy platforms combining renewable electric and gas solutions are vital to ensure security and supply independence as well as to provide sustainable and affordable decarbonisation solutions for all.



**Renewable gases have a key role to play in the decarbonization process**



# 1 - 2022 Highlights – Main projects developed

Floene is working with different partners on projects involving hydrogen and its injection into the gas grid as well as initiatives aimed at promoting energy efficiency and knowledge of renewable gases

## H2 Injection

- **Retrofit Project** to assess the ability of current Floene's assets to distribute hydrogen and develop an implementation plan to ensure the gas grid is ready for the conversion to 100% H2;
- **Green Pipeline Project Natural Energy of Hydrogen** - construction of 1,400 meters of a new network segment, in which 100% of H2 already circulates, connecting the hydrogen production site to the injection and mixing point. The injection of green H2 was officially inaugurated on March 7th, 2023, by the Portuguese PM and with strong support by official entities; the blending with NG started at 2%, is now at 5% vol., with the ambition to reach a maximum of 20% vol.;
- **H2GVillage:** Project in a consortium with REN, High Lab, among others, submitted to funding programs (IAPMEI / PRR); Conversion of Sines and industrial and logistics area networks and customers from natural gas to H2.

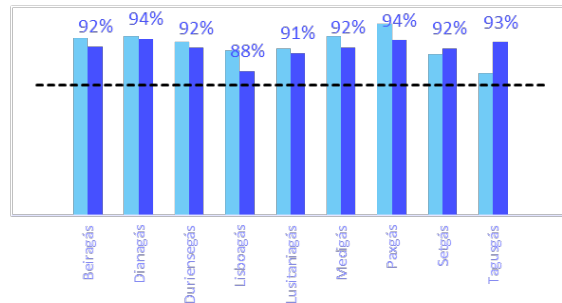
## Improving efficiency and knowledge on renewable gases

- **Roadmap for industrial decarbonization** – Project promoting the use of renewable gases in the industrial sector. Under the Efficiency plan program promoted by ERSE/DGEG, this project was awarded 1st place among all projects presented;
- **Replacement of non-energy efficient equipment – residential segment** (under ERSE PPEC program);
- **Pilot projects** - Developing partnership with Ceramics and Paper industry to study and promote decarbonization of high-energy-consuming industries; the goal is to help identify and overcome technical challenges to the use of renewable gases;
- **Gas Tracking Mechanism + Gas Quality Tracking System (GQTS);**
- **Gas networks model for the future.**

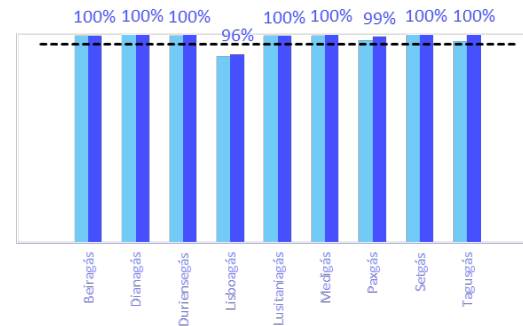
## 2. Quality Standards

### Floene maintains its operational excellency, complying with all quality regulatory requirements

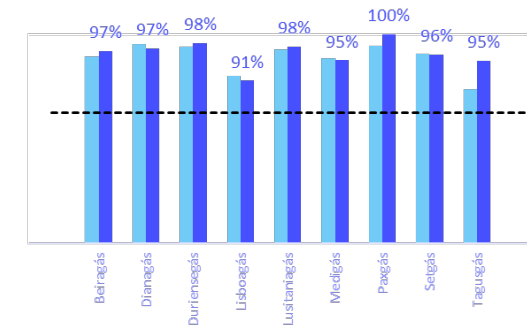
Emergency Telephone Line - Queue time in seconds (60 sec)  
RQS Standard: 85%



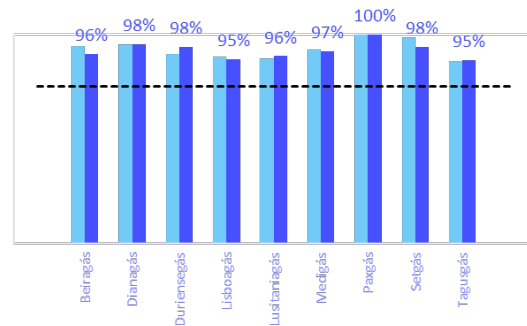
Meter Reading Frequency (64 days)  
RQS Standard: 98%



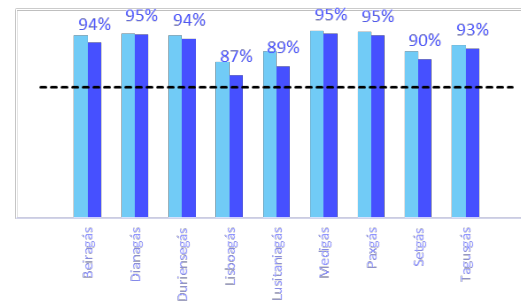
Emergency Response (< 60')  
RQS Standard: 85%



Written Requests Answer (< 15 days)  
RQS Standard: 90%



Customer Service Line (call answer < 60 sec)  
RQS Standard: 85%



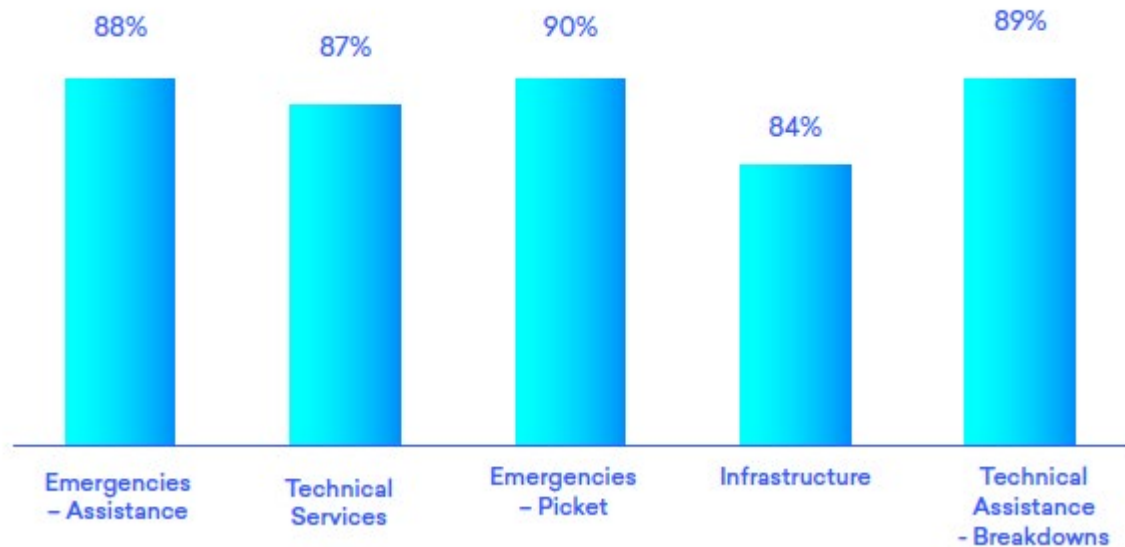
- Deviations from RQS standards: **Meter reading frequency performance** was below the target in Lisboagás due to inability to read meters installed inside the houses. This topic is known by ERSE and under discussion for solutions to improve service level. No fines are applicable.

2021 2022 RQS standard

## 2. Quality Standards

Floene maintains its operational excellency, complying with all quality regulatory requirements

Level of consumer satisfaction per service provided



- 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 Floene regularly monitor, as provided for in the RQS, demonstrate high levels of service quality over the years.

## 3. Subsequent Events

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### 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.
- 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, an amount that is fully provisioned.

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# FL ENE

DISTRIBUÍMOS ENERGÍAS DE FUTURO

