FLOENE

DISTRIBUÍMOS ENERGIAS DE FUTURO

Hello, Future. Hello, Floene.

Annual Report 2022

Consolidated, Individual Statements and Annexes

FLOENE

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

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
Goodwill	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 commer-cialisation 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 Ener-gies, 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 re-gime, 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 cus-tomers, last resort commercialisation retailer licenses were also granted, to the commercialisation to cus-tomers 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 Feb-ruary 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 m^3 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 m^3.

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 Rus-sia 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 consolidat-ed 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 eco-nomic 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 Ener-gias, 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-porting 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 ac-tual 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 uncer-tainty 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 cur-rency, 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 ad-justs the profits or losses at-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:

Unit: € k

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**

Unit: € k

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 appli-cable, 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 com-pleted 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 rein-statement of the tangible assets, during its estimated useful life, considering, where applicable, the conces-sion 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 differ-ence between the sale price and the net book value on the date of sale/write-off. The net book value in-cludes accumulated impairment losses. The recorded capital gains and losses are recorded in the consoli-dated 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 con-cession and exploration license, and whose remuneration is controlled by ERSE, in accordance with the In-tangible Asset Model. Thus, tangible 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 appro-priate economic rates, those that allow the asset to be reinstated, during the estimated useful life or accord-ing 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 trans-mission of the infra-structures and other means related to the concession to the State occurs, and the con-cessionaire, 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 Licenses, 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								
	Lands	Buildings	Basic equipment	NG consumption reconversion	Assets under construction	Other concession agreements	Total concession Agreement	Other intangible assets	Total
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				
	Lands	**Buildings**	**Basic equipment**	**NG consumption reconversion**	**Assets under construction**	**Other concession agreements**	**Total concession Agreement**	**Other intangible assets**	**Total**
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.

			Discount rates	
Cash generating unit	Valuation Model	Cash flows	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

		2022		2021	
	Notes	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	-
Tariff deviation – pass-through		18 361	-	10 379	-
Tariff deviation – core		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, correspond-ing to the difference between the amount paid by the Group and the amount billed to customers, duly ac-crued 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

		2022		2021	
	Notes	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 renumerations 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 accord-ance 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 activi-ties 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

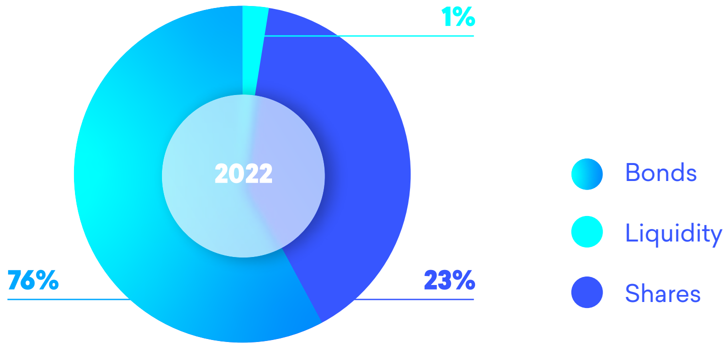
	2022	2021
Past service liability at the end of the current year	**66 083**	**83 967**
Past service liability at the end of the previous year	83 967	86 150
Current service cost	1 339	1 759
Interest cost	779	1 101
Actuarial (gains)/losses	(15 001)	1 030
Payment of benefits made by the fund	(1 431)	(1 443)
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 ob-servable 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%	∆ -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	∆+1.00% from 2nd year onwards	∆-1.00% from 2nd 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. Manage-ment makes estimates regarding to provisions and contingencies, including assessing the likelihood of pend-ing 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 contin-gencies 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.

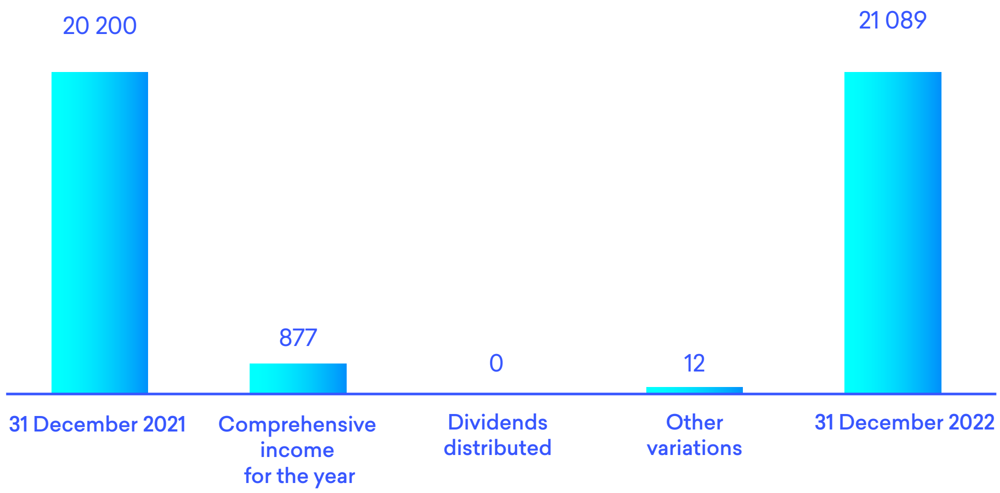
In accordance with current legislation, ancillary capital contributions can only be distributed to shareholders as long as the equity, after its repayment, is not less than the sum of capital and undistributed reserves.

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 oc-curred, 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 recog-nised 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 cus-tomers contain the cost of the tariffs included in the price.

Based on the analysis carried out, the Group concluded that each performance obligation defined contrac-tually to provide the specified good or service is its responsibility, thus controlling the goods or services pro-vided 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 subcon-tracted 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 execu-tive 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:

Unit: € k

	Notes	2022	2021
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 commercialisa-tion of natural gas, in the amount of € 1 170 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 mu-nicipalities in the areas conceded under the previous concession contract but not yet paid or contested le-gally 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 meet-ing 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 en-tity; 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 identi-fied 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 com-pleted 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 com-pany 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 appro-priately 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 Por-tuguese 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

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	-
Intangible assets	**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.

FLOENE

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 – remeasurements	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

		2022	2021
	Notes	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

		2022		2021	
	Notes	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
	76 779	**52 372**
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

		2022		2021
	Notes	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 renumerations 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

		Assets		Liabilities	
	Notes	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:

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.

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:

	2022		2021	
Shareholders	**%**	**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:

Unit: € k

	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**

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:

Unit: € k

	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

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

					Current	Non-current
	Total	Trade receivables (Note 11)	Other receivables (Note 11)	Current taxes (Note 16)	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

				Current
	Total	Trade payables (Note 15)	Loans obtained (Note 15)	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.

FLOENE

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

pwc

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.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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*
Revenue recognition and tariff deviation	
Disclosures related to revenue and tariff deviation are presented in notes 2,12,16 and 25 of the consolidated financial statements.	
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. 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. 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.	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: - 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. 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*
Litigation and tax contingencies Disclosures related to litigation and tax contingencies are presented in notes 17, 19, 29 and 32 of the consolidated financial statements. 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). 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.	The audit procedures performed included, among others: - 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. 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.

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.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel: +351 213 599 000, Fax: +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Valuation of financial investments	
Disclosures related to financial investments are presented in the notes 2 and 9 of the financial statements.	
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. 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. 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. 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.	To confirm the accurate valuation of the financial investments the following audit procedures were performed, among others: - evaluation of impairment indicators in the financial investments; and - obtaining and analyzing the impairment testing on financial investments, when applicable. The analysis of the impairment testing, based on discounted cash flows models, considers the following procedures, when applicable: - 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. Additionally, we have verified the accuracy of the disclosures presented in the financial statements, considering the requirements of the applicable accounting standard.

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
- 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

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
Costumer 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
Costumer Satisfaction Score

CSO
Chief Strategy Officer

CSR
Corporate Social Responsibility

DGEG
General Directorate of Energy and Geology

DSO
Distribution System Operator

EBA
European Biogas Association

ECH2A
European Clean Hydrogen Alliance (Aliança Europeia para o Hidrogénio Limpo)

EMTN
Euro Medium Term Notes

EQHS
Environment, Quality, Health, and Safety

ERSE
Energy Services Regulatory Authority (Entidade Reguladora dos Serviços Energéticos)

ESG
Environmental, Social and Governance

EU
European Union

FCG
Gas Trading Function (Função de Comercialização de Gás)

FCVAR
Network Access Sales and Purchase Function (Função de Compra e Venda do Acesso às Redes)

FCVG
Gas Sales and Purchasing Function (Função de Compra e Venda de Gás)

FTE
Full Time Equivalent

FEDER
Regional Development European Fund (Fundo Europeu de Desenvolvimento Regional)

GDA
Gas Distribution Activity

GDP
Gross Domestic Product

GDPR
General Data Protection Regulation

GD4S
Gas Distributors for Sustainability

GGND
Galp Gás Natural Distribuição

GHG
Greenhouse Gases

GQTS
Gas Quality Tracking System

GUS/UGS
Global Usage of the System

GWP
Global Warming Potential

H2
Hydrogen

HP
High Pressure

HSE
Health, Safety and Environment

IGU
Internacional Gas Union

ILO
International Labour Organisation

INE
National Institute for Statistics (Instituto Nacional de Estatística)

IP
Infraestruturas de Portugal, S.A.

ISO 45001
International standard which identifies the requirements for an Occupational Health and Safety Management System.

ISQ
ISQ - Interface and Technology Centre

IT
Information technology

KPI
Key Performance Indicators

Líder ARC
Líder ARC - Audácia, Respeito e Colaboração (Leader ARC - Audacity, Respect and Collaboration)

LNG
Liquefied natural gas

LP
Low Pressure

LPG
Liquefied Petroleum Gas

LRS
Last Resort Commercialisation Retailer

LSE
London Stock Exchange

Ltd/Lda
Limited

LTIF
Lost Time Injury Frequency Rate

MP
Medium pressure

NA
Network Accesses

NIR
National Inventory Report

NG
Natural Gas

NP EN ISO 9001
International Standard that identifies the requirements for a Quality Management System

NP EN ISO 14001
International Standard that identifies the requirements for an Environmental Management System

NPS
Net Promotor Score

OHHS
Occupational Health, Hygiene and Safety

OHS
Occupational Health and Safety

OHSAS 18001
Occupational Health and Safety Assessment Series

OHSMS
Occupational Health and Safety Management System

OJEU
Official Journal of the European Union

OLMC
Logistics Operation for Switching Suppliers (Operação Logística de Mudança de Comercializador)

ORD
Regional Gas Distribution Network Operators (Operadores Regionais das Redes de Distribuição de Gás)

ORT
Transport Network Operator (Operador de Rede de Transportes)

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

m^3
Cubic metre

Mm/ano
Mega metre per year

$tCO2_eq$
Equivalent tonne of CO_2

vol.
Volume

€ k
Thousands of Euros

floene.pt

Floene Energias, S.A.
Rua Tomás da Fonseca - Torre C - 1600-209 Lisboa
N.P.C./M.C.R.C. 509 148 247 | Capital social 89 529 141 Euros