

Hello, Floene. Hello, *Comunidades de Futuro.*

2023 Annual Report

FL  **ENE**

DISTRIBUÍMOS ENERGÍAS DE FUTURO

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2023 Annual Report



DISTRIBUÍMOS ENERGIAS DE FUTURO

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FL  ENE



01.

Overview

01.

Overview



We materialize our purpose -
We promote sustainable communities

1.1. Message to Stakeholders

Floene has developed a study throughout 2023 on the role of gas infrastructure in transitioning to a low-carbon economy. This vision reflects a balanced and sustainable decarbonization, which necessarily involves the development of renewable gases such as green hydrogen and biomethane. This study demonstrates that by harnessing endogenous potential, we can leverage national energy competitive advantages on the one hand, and minimize investments in infrastructure on the other, thus causing a reduced financial impact on consumers and production processes.

In addition to Portugal's high capacity for green hydrogen production, this study also quantifies the significant potential for biomethane feedstock supply in our country, through the utilization of biomass waste, the agricultural sector, as well as landfills and wastewater treatment plants. This potential will enable the gas network to be fully decarbonized by 2050 through the decentralized injection of biomethane and green hydrogen, thereby incorporating 100% clean energy into the gas sector.

This perspective is fully aligned with the ambition of our shareholders, with the developments the energy sector has experienced, as well as with national and European goals for the necessary energy transition.

National and European public policies have sought to lead and motivate the energy transition



Renewable gases are a challenge for the energy sector and for many other sectors and it opens new business development opportunities, skills and professions

movement, which must be fair and balanced. Communities and companies also seek to find and define their role in this process of production and consumption of renewable gas, and in 2023, Floene was very active in interacting with the communities where it operates.

In this way, we sought to raise awareness among various stakeholders about the uniqueness of our assets and the role we want to play in a sustainable, circular, decarbonized economy with no greenhouse gas emissions to the environment.

Furthermore, we engaged with the industry and communities and conducted six *Indústria de Futuro* workshops and three *Comunidades de Futuro* conferences in Aveiro, Leiria, and Viseu. It was a very challenging but enriching work that deepened our knowledge, raised our brand visibility, and consolidated the vision we have for the path we want to take.

With the *Indústria de Futuro* program, we aimed to showcase the potential of renewable gases in decarbonizing industrial processes, but we also wanted to learn and listen to the concerns and challenges faced by natural gas-consuming clients. Energy price competitiveness is a very sensitive point, and investments in energy

We sought to raise awareness among various stakeholders about the uniqueness of our assets and the role we want to play in a sustainable, circular, decarbonized economy with no greenhouse gas emissions to the environment.



Pedro Álvaro
de Brito Gomes
Doutel
CFO

Gabriel Nuno
Charrua
de Sousa
CEO

Diogo António
Rodrigues
da Silveira
Chairman

Satoshi
Kanomata,
CSO

Carlos Miguel
Faria da Silva,
COO

transition are a source of great concern. The Biomethane and the green Hydrogen that Floene plans to inject into its network addresses these concerns correctly.

In *Comunidades de Futuro*, Floene materializes its Social Responsibility policy by establishing partnerships with civil society and seeking to embrace the educational axis, developing a literacy project on renewable gases in schools and promoting training in this area. We were present in three cities and engaged with companies, associations, and schools in a very productive work through which we demonstrated that renewable gases are a challenge not only for the energy sector but for many other as well, and that besides addressing existing environmental problems, it also opens new business development opportunities, skills, and professions. The agricultural sector, for example, is one of the sectors that we believe could benefit significantly from the development of decentralized biomethane production.

Another very important milestone in 2023 was the inauguration of the “The Natural Energy of Hydrogen” project in Seixal. This pioneering project is allowing us to acquire very important experience and skills for the future development of our network. In addition to the interest in the technical component, which we have been sharing with regulators, partners, and academia, this project has generated high international interest from legislators, diplomats, and businessmen. Floene has always kept its doors open and shared its experience because we believe that this acquired knowledge is very important for the sector’s development.

Regarding financial performance, specifically the refinancing process of the EMTN 2016 bond loan, it is important to highlight that despite the unfavourable conditions in the financial markets, marked by high volatility and a widespread increase in interest rates, Floene successfully concluded the refinancing of the Group. This refinancing reduced the Company’s financial risk and provided greater diversification of its funding sources, maturities, and interest rate profiles, with 38% of the debt at

variable rates and 62% at fixed rates. Furthermore, Floene as strengthened its commitment to maintaining an Investment Grade credit profile, reaffirmed in 2023 by S&P, at ‘BBB-’, with a stable Outlook.

However, it is worth mentioning that Floene recorded a significant increase in the average cost of debt, with a negative impact on financial costs and consequently on its net result. In order to mitigate the impact of cost increases, and in a context of the carve-out process, the Company initiated an optimization and efficiency program to be implemented in 2024 and 2025.

This process thus represents a unique opportunity for transformation and optimization of its operational model and cost reduction across various dimensions, including organization simplification, process reengineering, technological improvement, and re-education and training of human resources mainly involved in transactional activities.

For this internal transformation, the challenge of Information Systems stands out, reflecting Floene’s commitment to promoting excellence through the implementation of an ecosystem that allows the technological and digital transformation of its businesses and operations to ensure value creation for all stakeholders.

All these achievements would not have been possible without the great dedication and commitment demonstrated throughout the year by our people, to whom we extend a special word of appreciation.

We believe we are on the right track. We still have significant challenges to overcome, and as we approach the final date of the carve-out process, the demands become even greater, with 2024 being particularly challenging for everyone.

We thus thank all our employees and partners, who have contributed so much to the success of our company and to the decarbonization process and literacy in the renewable gases field. We are convinced that what we are building today will have a positive and lasting impact on the communities we serve.

1.2. Floene in numbers

1.2.1. Key figures

Operational indicators

13,800 km
Network
Extension

1,131,566
Connection
Points

15,653 GWh
Energy
Distributed

96.8 %
Emergency
Response
(< 60 min.)

Financial indicators (millions of EUR)

103
EBITDA

17
Net
Income

592
Net
Debt

41
CAPEX

ESG indicators

ENVIRONMENT

23,470 tCO₂ eq
GHG emissions
Scope 1 and 2

7,513 tCO₂ eq
GHG emissions
Scope 3

100 %
Waste
recovered

48 %
Waste
incorporated
(works)

SOCIAL & GOVERNANCE

407
Employees¹

35 h/employee
Training

4.26
LTIF (Injury Frequency)
Floene employees

Gender and age

32%

Women

68%

Men

46%

Between 30-50 years

¹ Does not include interns/trainees or Governing Bodies

1.2.2. Key indicators for 2023

Operational indicators

	Unit	2023	2022	YoY	% YoY
Connection points	#	1,131,566	1,131,266	300	0.0%
Gas volume distributed	GWh	15,653	16,733	(1,079)	(6.5%)
Total network extension	km	13,800	13,673	127	0.9%
Primary Network	km	790	790	0	-
Secondary Network	km	13,010	12,883	127	1.0%
Service lines	#	371,810	366,977	4,833	1.3%

Financial information

(thousands of EUR)

	2023	2022	YoY	% YoY
EBITDA	102,622	102,266	356	0.3%
EBIT	53,449	53,099	350	0.7%
Net income	17,025	19,819	(2,794)	(14.1%)
Free cash flow ¹	28,433	48,734	(20,301)	(41.7%)
Net debt ²	591,835	585,856	5,979	1.0%
Net fixed assets ³	1,120,897	1,128,174	(7,278)	(0.6%)
CAPEX	41,077	41,190	(112)	(0.3%)

1. Cash flows from operating activities - Cash flows from investment activities

2. Bank debt + Bond loans - Cash and equivalents

3. Tangible assets + Intangible assets (excluding Goodwill)

ESG Information

	2023	2022	2021
Greenhouse gas emissions (tCO₂eq)			
Scope 1+2	23,470	15,008	15,149
Scope 1+2+3	30,983	22,615	-
GHG emissions intensity Scope 1+2 (tCO ₂ eq/GWh)	1.5	0.9	0.8
GHG emissions intensity Scope 1+2 (tCO ₂ eq/km network)	1.7	1.1	1.1
People			
No. of employees ¹	412	404	394
% of women vs. men	32%	33%	31%
% of women in top management positions ²	31%	23%	23%
Training per employee (h)	35	23	9
Employee retention rate ³	94%	92%	98%

1. Includes trainees, fixed-term contracts, and unpaid leave, does not include governing bodies. Employees of all Floene Group companies are considered.

2. Top management includes the Executive Committee, Directors and Managers.

3. Employee retention rate is the percentage of employees who have stayed in the company in a given period, relative to the total number of employees.

Corrections have been made to the headcounts for previous years.



FL  ENE

02.

Floene's Universe

02.

Floene's Universe



Floene has one of the most modern and efficient infrastructures in Europe, which allows it to ensure a safe supply and high-quality service

2.1. Our activity

The Floene group is the largest gas distribution operator in Portugal, through the direct participation and management of nine Regional Gas Distribution Operators (DSO) (Beiragás, Dianagás, Duriensegás, Lisboagás, Lusitaniagás, Medigás, Paxgás, Setgás and Tagusgás). With more than 1.1 million residential, tertiary and industrial customers, Floene is present in 106 municipalities from north to south of the country, with approximately 72% market share in terms of connection points.

Floene manages the concession and licence companies responsible for operating the gas networks in nine of the eleven regional concessions in Portugal. The nine DSO share the same management team and operating systems.

Five of these DSO operate under Regional Concession contracts signed with the Portuguese State in 2008 with a duration of 40 years, while the others operate under Local Distribution Licences, with a 20-year term.

With a network mostly made up of polythene (94%) and with an average age of less than 17 years, Floene has one of the most modern and efficient infrastructures in Europe, which allows it to ensure a safe supply and high-quality service, complying with all the criteria defined by the Energy Services Regulatory Authority (ERSE) and the sector's specific legislation.

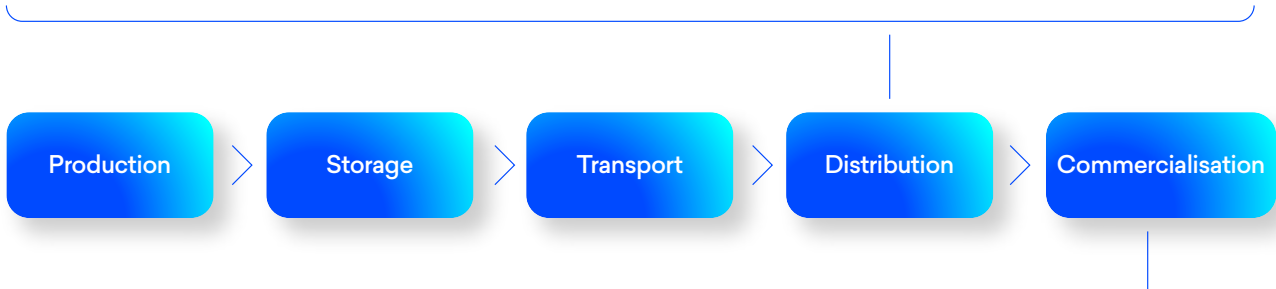


Floene manages the concession and licence companies responsible for operating the gas networks in nine of the eleven regional concessions in Portugal

How and where we operate

Distribution

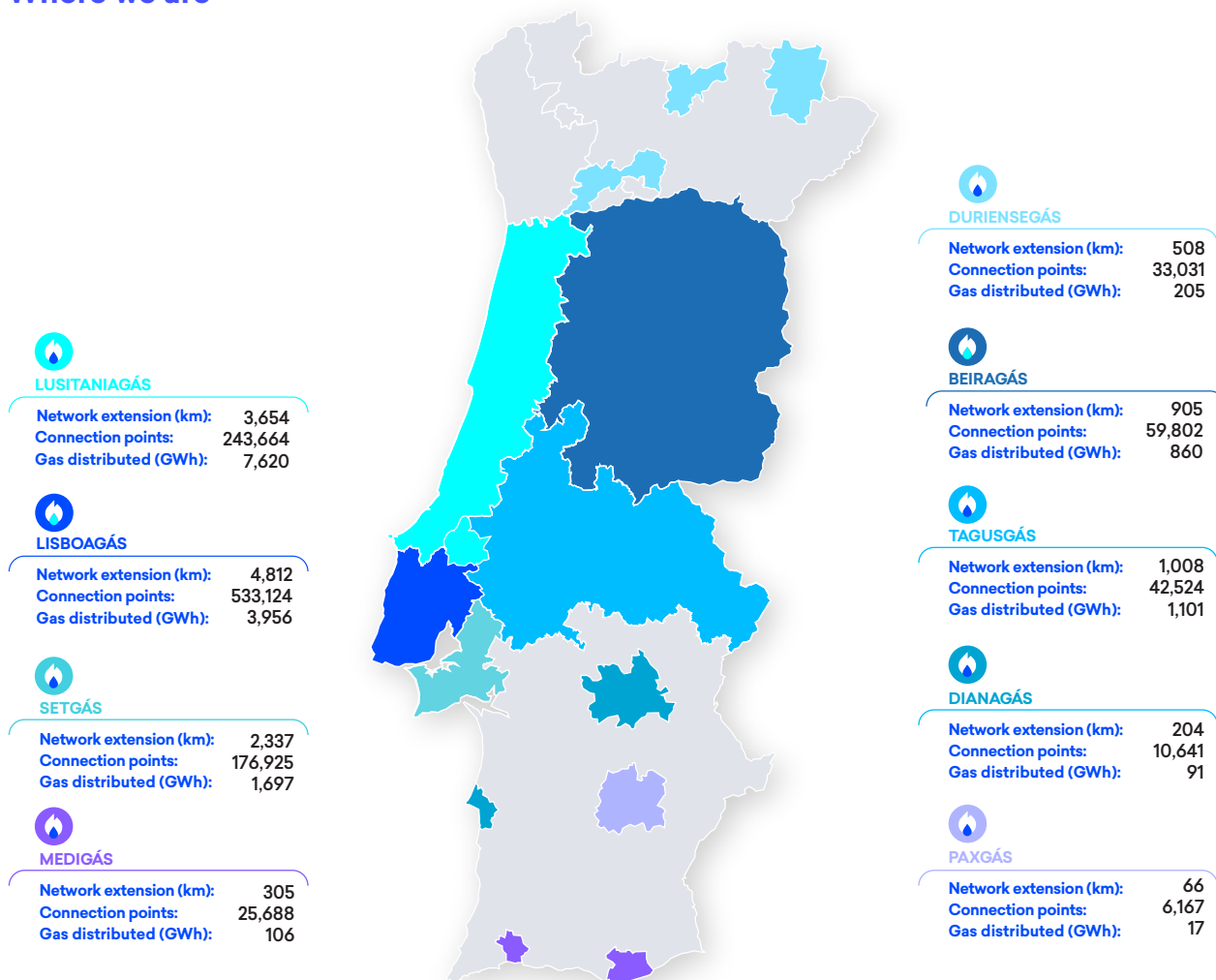
Distribution ensures the flow of natural gas from the high-pressure (HP) transmission network, in medium-pressure (MP: between 20 and 4 bar) and low-pressure (LP: below 4 bar) networks, to the consumption facilities (delivery points). These networks are also called interconnected networks, as opposed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



Commercialisation

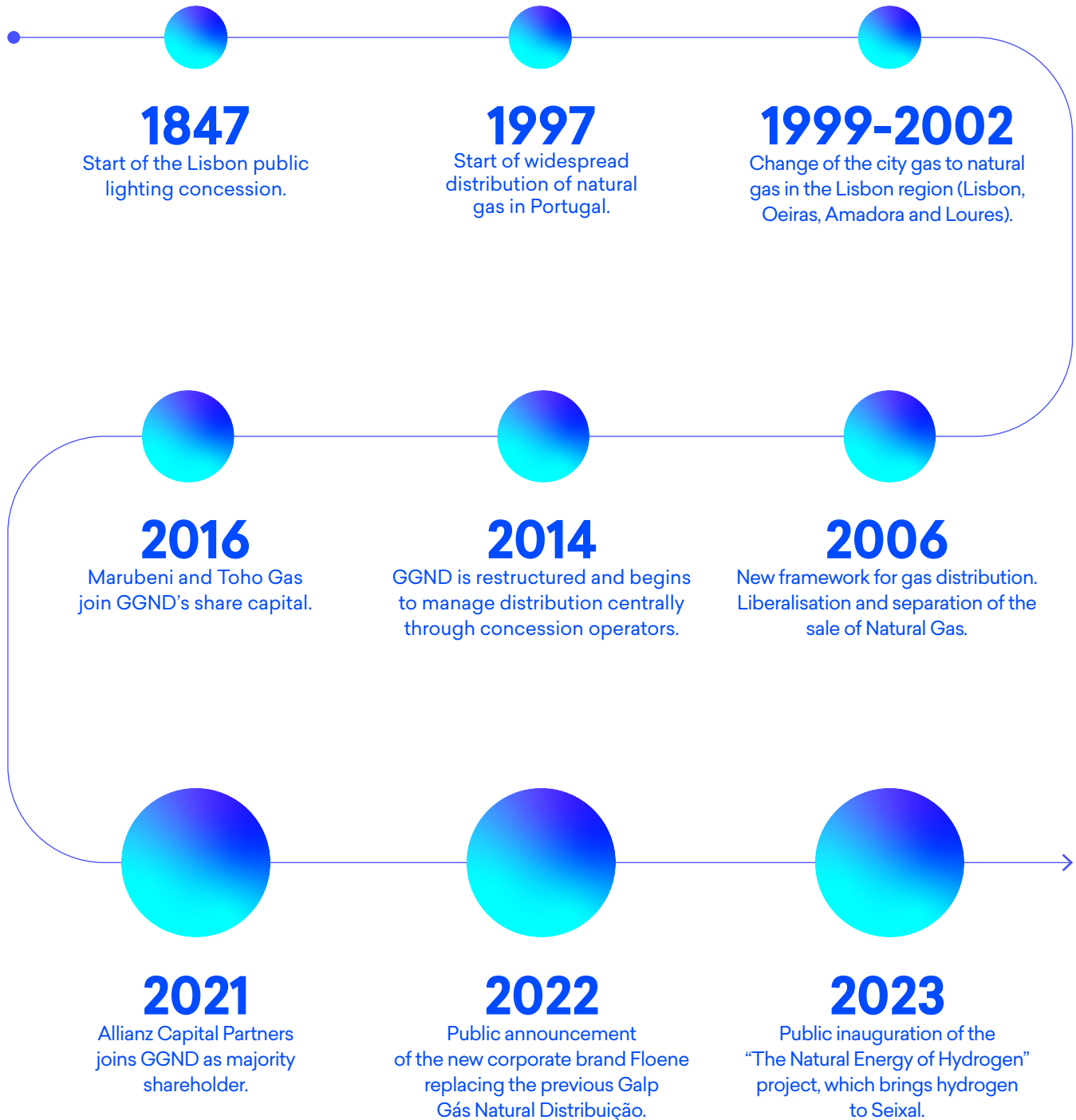
DSO serving **less than 100 000 customers** (Beiragás, Duriensegás, Dianagás, Tagusgás, Paxgás and Medigás) also engage in **gas commercialisation**, exercised as a Last Resort Commercialisation Retailer (LRS) with an obligation of accounting unbundling report.

Where we are



2.2. Our History

We bring you new energies with 175 years of experience:



2.3. Purpose, Mission, Commitment, Values and Strategy

Our Purpose, Mission, Commitment and Values, as well as our Code of Conduct, make up our identity and distinguish who we are.

Purpose

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

Mission

- We bring you new energies with **175 years of experience.**
- We lead by example and by our ability to bring ever more efficient and cleaner energy solutions.

Values

- **Collaboration**
We are all one.
- **Respect**
We take care of our surroundings.
- **Audacity**
We imagine and make it happen.

Commitment

- Being the best partner in the **energy transformation.**
- We expand and innovate:
 - to make energy transformation a reality.
 We foster sustainability:
 - so that we can grow together;
 - we encourage different ways of doing things - so that we can continue to have a future ahead of us.

Strategy

- To be one of the main **promoters of the energy transition**
- Floene is also at the forefront of decarbonising energy consumption and the energy transition, with all the conditions in place for distributing renewable gases. The polyethylene network enables the transport of green hydrogen and non-fossil gases such as biomethane. With a network of 13 800 km fully

prepared to receive the new renewable gases, such as hydrogen and biomethane, Floene is a key enabler of the energy transition to a low carbon economy in Portugal, materialising its purpose of promoting sustainable communities. Floene's goal is to grow and create value in a sustainable way, as well as contributing to the wellbeing of communities with the new energies of the future.



FLORENE

COMUNIDADE
DO FUTURO
DAS DSDS

COMUNIDADE
DO FUTURO
DAS DSDS

FL  ENE



03.

Main highlights of 2023

03.

Main highlights of 2023



The year 2023 was marked by a variety of projects that helped to further strengthen Floene’s relations with its partners and communities



“Indústria de Futuro” – Roadmap for the Introduction of Renewable Gases in Industry

See more [here](#)



“The Natural Energy of Hydrogen”

See more [here](#)



TROCA CALDEIRAS

O PROGRAMA FINANCIADO PARA MELHORAR A EFICIÊNCIA ENERGÉTICA DA SUA CASA

Efficient Boilers (PPEC)

See more in [page 52](#)



“Comunidades de Futuro”

See more in [page 31](#)



Co-operation protocols

See more in [page 34](#)



2nd Trainee Program *Change your world!*

See more in [page 48](#)





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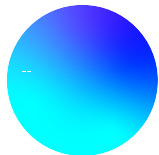
04.

Our

Governance

04.

Our Governance



Since 2021, Allianz Capital Partners has held a 75.01% stake in Floene, through two subsidiaries

4.1. Shareholder structure

Floene's shareholder structure underwent a significant change in 2021 with the entry of Allianz Capital Partners, which holds 75.01% of the capital, through its subsidiaries Allianz Infrastructure Luxembourg II S.à r.l. and Allianz European Infrastructure Acquisition Holding S.à r.l. The remaining share capital of Floene is held by Meet Europe Natural Gas, Lda. (Consortium formed by the Japanese companies Marubeni Corporation and Toho Gas Co.Ltd.) and Petrogal, S.A. (Galp Group), with 22.50% and 2.49% respectively.

Floene Group is composed of the company Floene Energias, S.A., five concessionaires and four licencees whose shareholdings are shown below.



Floene's structure also includes 22.5% of the share capital held by Meet Europe Natural Gas consortium and 2.49% by Petrogal



45.51%

Allianz Infrastructure
Luxembourg II S.a.r.l



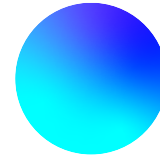
29.50%

Allianz European
Infrastructure Acquisition
Holding S.a.r.l



22.50%

Meet Europe
Natural Gas, Lda.

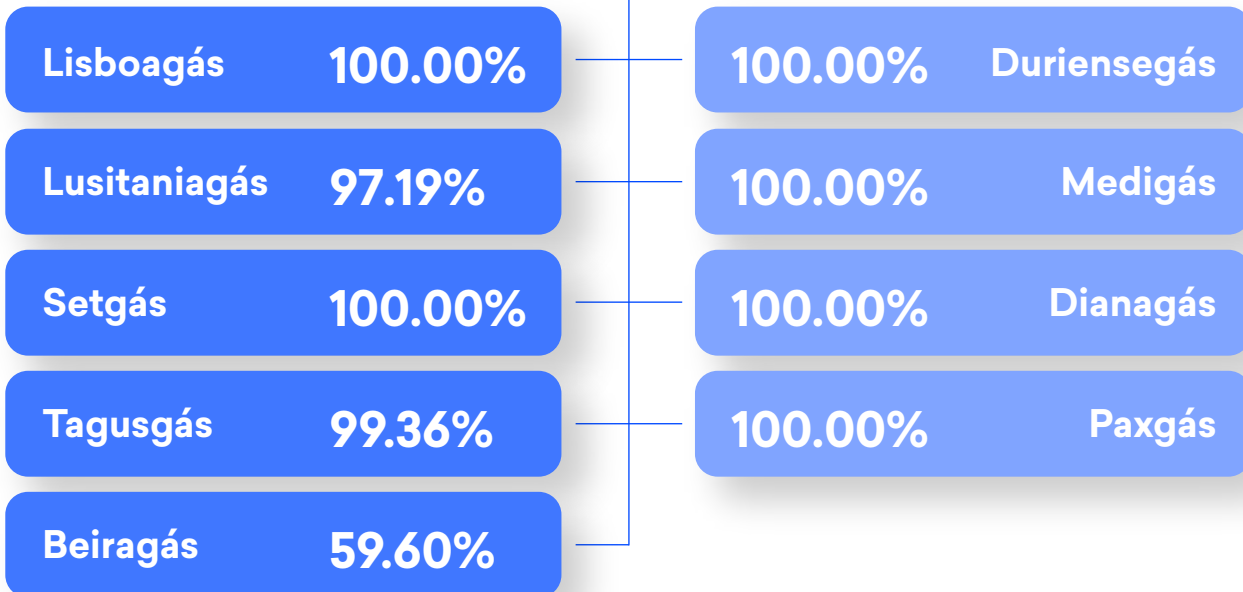


2.49%

Petrogal, S.A.

FL O ENE

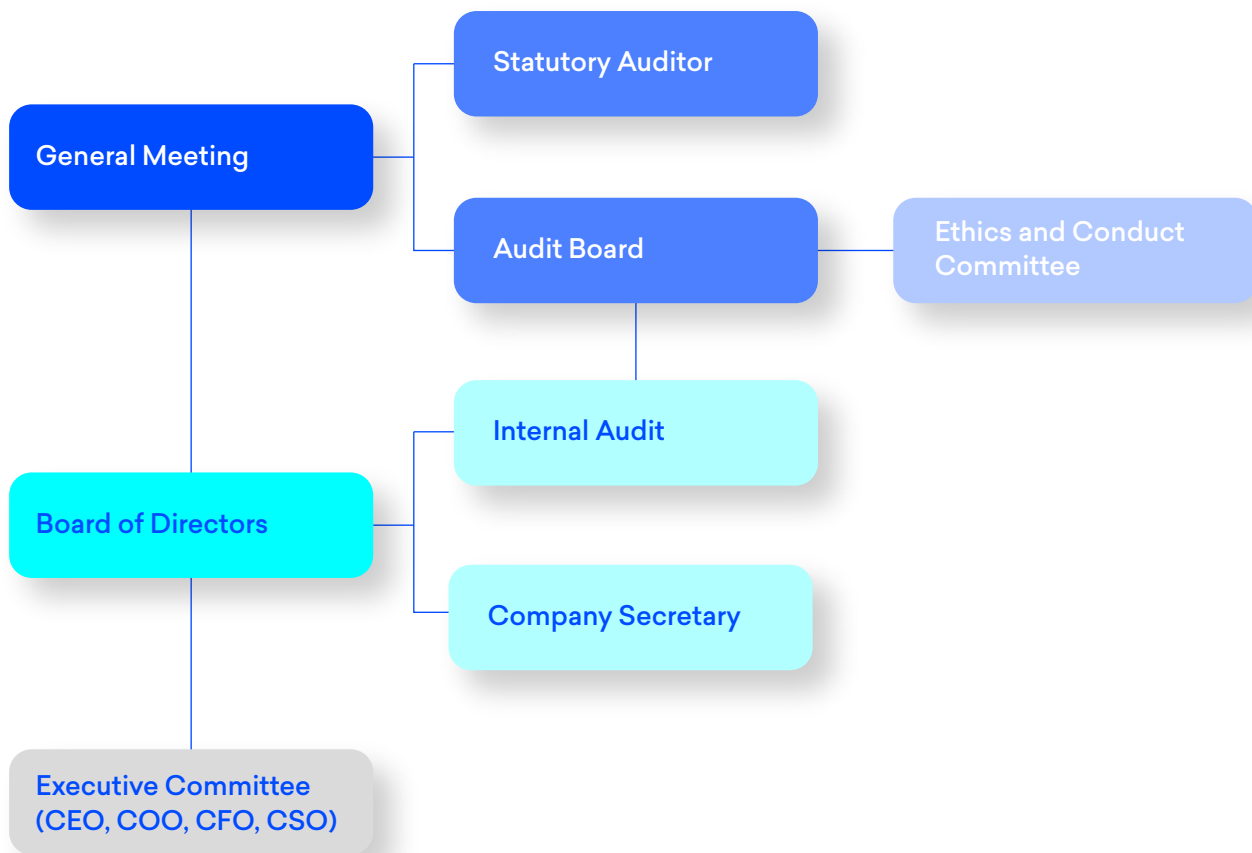
DISTRIBUÍMOS ENERGIAS DE FUTURO



● Concessionary companies

● Licensed companies

4.2. Corporate Governance Model



Floene adopts the classic monistic corporate governance model, composed of:

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

The composition of the governing bodies for the current 2022-2024 term is detailed in Annex I.

On 31 December 2023, the Board of Directors was made up of nine members, including five non-executive members. The Executive Committee was made up of four executive members.

In May 2023, an Internal Audit Department was created, has independent functions, and reports hierarchically to the Board of Directors and functionally to the Audit Board.

The company has an Ethics and Conduct Committee, made up of 3 members appointed by the Audit Board, on a proposal from the Board of Directors, whose mandate is the same as the Audit Board.

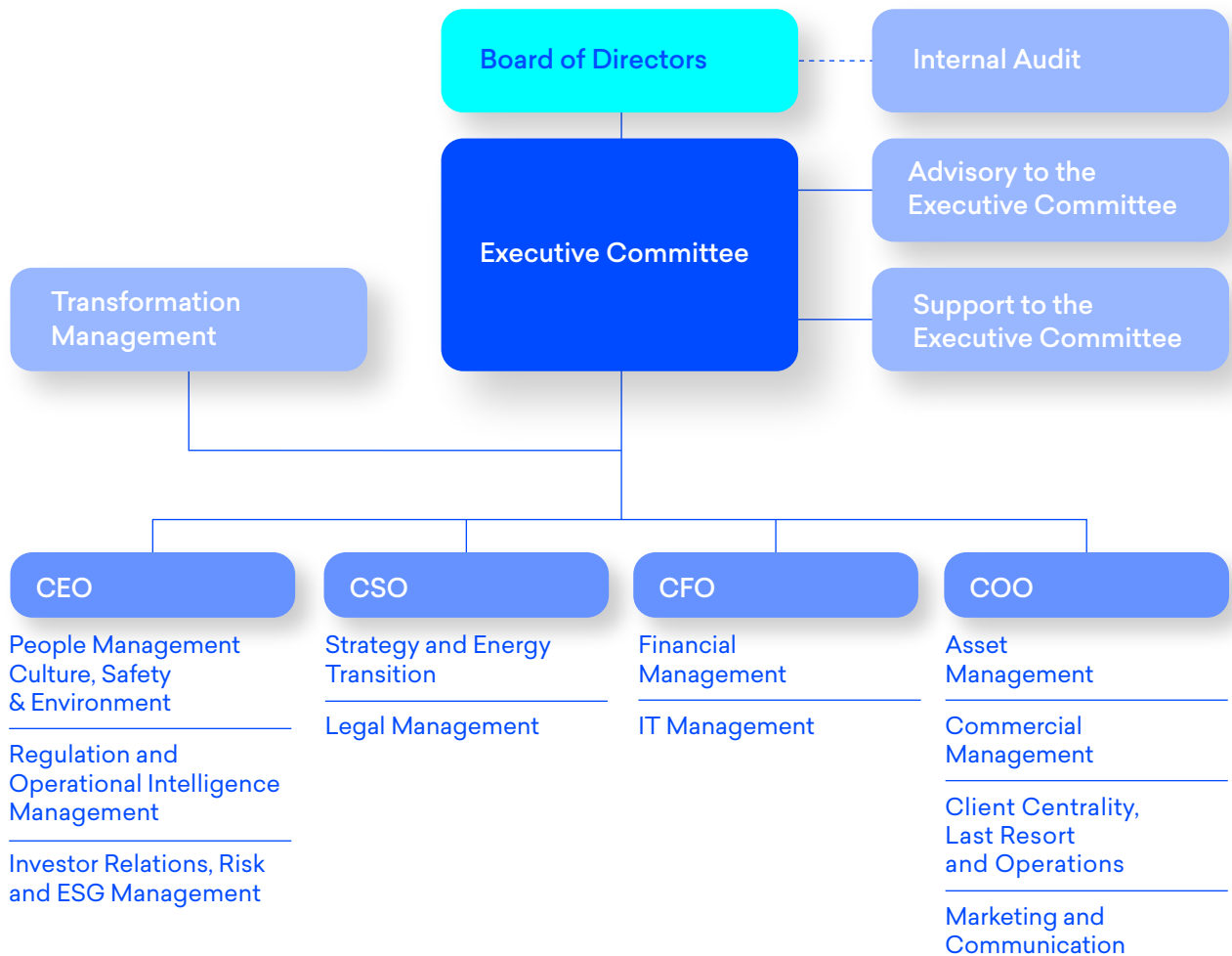
Floene's governance model also has five committees, with different topics for discussion, but

with a common goal of strategic internal communication and knowledge sharing between management:

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

On 31 December 2023, Floene’s organisational structure was organized as represented in the diagram below.

2023 was another important year in Floene’s internal transformation process. The organisation made changes to the Executive Committee, with the replacement of two members in the roles of Chief Strategy Officer (CSO) and Chief Operating Officer (COO), and in terms of its external context and the ongoing energy transformation in Portugal and worldwide.



4.3. Ethics and transparency

Floene's identity is based on fundamental ethical principles: we embrace the transformation and sustainable progress of the communities in which we operate.

Floene is committed to ensuring an environment where the company's values - **collaboration, respect and audacity** - are lived by all employees and translated into their day-to-day behaviour.

Following the significant changes our company has undergone, we felt we had to develop a new Code of Ethics that reflected our new identity, our purpose, mission and values. Floene's **Code of Ethics and Conduct** was revised in 2023, making it more up-to-date and directly addressing issues that are essential to Floene and its people's integration into an increasingly complex and demanding society.

The new Code of Ethics ensures that our values are aligned with current demands and the way we do business. At the same time, a new communication channel was launched for reporting irregularities - *ComunicaÉtica*. This channel is available on our intranet homepage, as well as on our website [Floene.pt/en](https://floene.pt/en), and guarantees total security for all those who use it, ensuring the strictest confidentiality of the information provided and also total anonymity.

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

Floene's Ethics and Conduct Committee (ECC) is an internal and independent structure, reporting to the Audit Board, responsible for monitoring the implementation of the Code of Ethics and

Conduct, as well as clarifying any doubts about its application. The ECC receives and processes information transmitted under the **ComunicaÉtica** channel - relating to alleged irregularities or breaches of the rules of the Code of Ethics and Conduct or internal regulations and rules. It is also responsible for training employees in matters of ethics and conduct.

The transparent, open and constructive culture we want for our company involves understanding and recognising the principles that guide us. To this end, a new communication and training plan for the new Code of Ethics and Conduct has been developed for 2024.

During the 2023 financial year, the Commission received a report of one irregularity and a process was set in motion to investigate and subsequently resolve the incident.

4.4. Internal control and risk management systems

Internal control

As a holding company of a group of regulated companies, operating in the sector of gas distribution and last resort supplier, Floene's management and supervisory bodies have attached increasing importance to the continuous improvement of its internal control environment, with the aim of guaranteeing compliance with applicable legislation and regulations, the continuity and sustainability of its operations, promoting the resilience of the companies through a solid and appropriate Internal Control and Risk Management System.

In 2022, the Internal Control Manual was approved, which establishes the general principles and requirements of the internal control components, as well as the organisational model associated

with the integrated and global management of internal control and risk management in the company. This manual is understood as the set of processes implemented and executed by the governing and supervisory bodies, the Ethics and Conduct Committee, the internal auditor and Floene employees, with a view to providing reasonable assurance of the fulfilment of objectives related to operations, disclosure and compliance.

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

The governance structure of internal control and risk management at Floene is based on the three lines of defence model, accordingly with the best accepted practices. It should also be noted that in 2023, as mentioned above, the Internal Audit Department was set up to assess the adequacy and efficiency of the internal control system and other elements of the governance system, considering Floene's risk policy at any given time and focussing primarily on the risks with the greatest impact highlighted by the Risk Management Model adopted.

Certified management systems

In 2023, APCER (third-party entity) renewed the certification of the Environment, Quality, Safety and Health management system implemented at Floene's DSO, in accordance with NP EN ISO 9001, NP EN ISO 14001 and ISO 45001, contributing to the sustainability of the gas distribution

activity and demonstrating our commitment to the environment, customer satisfaction and the safety of our employees. A change in the system's scope was requested and accepted, and it is now directed at the organisation's strategic objective with a view to energy transition: "Management of the construction, maintenance, operation and use of gas distribution networks, including gases of renewable origin and low-carbon gases".

Legal and regulatory compliance

In the context of legal compliance, operational audits and evaluations are conducted regarding Floene's environmental and safety compliance with legal requirements and other environmental aspects, as well as occupational health and safety, quality, energy, and protection of people and data. Additionally, reviews of information systems are performed to test the effectiveness of existing internal control mechanisms, ensuring suitable conditions for maintaining a process of continuous improvement.

Risk management

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

Floene adopts a dynamic and comprehensive risk management methodology, which encompasses a series of risk identification, assessment, treatment and monitoring activities, involving the Executive Committee, the Risk and Internal Control Committee, the Risk Management area and those responsible for identifying risks and mitigation action plans.

During 2023, three meetings were held by the Risk and Internal Control Committee, whose mission is to support the Board of Directors and the Executive Committee in the review and regular

monitoring of Floene's risks and opportunities, ensure the application of the risk management policy and guarantee the implementation of an appropriate action plan.

The main risks identified in 2023, arising from the regulated nature of Floene's activity and its current context, resulted in a revision of the overall risk assessment of the activity. There was an upward revision of the following risks: (i) Legal/Political Framework, which remains critical; (ii) Failure in the transition of knowledge, recruitment and retention due to the timing of the restructuring initiatives and the proximity of the conclusion of the autonomation process, which went from high to critical; and (iii) Failures in market strategy due to the inability to attract and retain customers, which increased, remaining at a high level. On the other hand, the following risks were revised downwards (i) Regulatory changes, following the publication of the parameters for the next regulatory period 2023-2027 and (ii) Financial risk with the successful conclusion of the refinancing process.

Regarding mitigation measures, the first risk mentioned is managed through systematic monitoring of national and European regulatory and legislative trends, as well as legal, compliance and regulatory advice in close liaison with the company, to guarantee compliance with statutory, legal and regulatory provisions.

For risks related to failure in knowledge transition, recruitment and retention, mitigation involves a set of initiatives such as programs aimed at transmitting knowledge, more agile and flexible hiring and networking, and global development of the company's culture.

For its part, market risk is managed by promoting and developing the introduction of innovative low-carbon and more efficient solutions, establishing partnerships, and improving digital

platforms in order to guarantee the maintenance of high-level service quality.

It should also be noted that, in the current context, Floene is aware of the risks and opportunities related to climate change. Our opportunities arise from the transition to a low-carbon economy as well as from finding new ways to fulfil our clients' needs, based on the regulated activity we carry out as a public service operator.

Overall, we have identified the following factors that may generate risks and opportunities related to climate change:

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

Regarding the first factor, Floene regularly monitors and follows the evolution of national and EU regulations associated with the energy transition and collaborates with a very diverse range of national and international partners to promote the decarbonisation of energy consumption and the gradual transition to the distribution of renewable gases, which will make it possible to achieve a complete decarbonisation of the gas network by 2050.

In terms of adapting to climate change, we have been analysing the effects on gas distribution infrastructures, particularly their vulnerability to extreme weather events. Because most gas infrastructures are underground, they will be less impacted by climatic phenomena.

To minimise exposure to various risks resulting from accidents arising from its operational activity, Floene takes out the insurance policies it deems necessary. These instruments cover the risks that may

occur during the pursuit of activities, with a view to transferring the risk and minimising potential reputational, operational, and financial damage, including civil liability property insurance, social, financial and cybersecurity insurance, among others.

4.5. Involvement with the community /stakeholders

In order to transform ourselves and contribute to the energy transition, we need to create a relationship of trust, proximity and transparency with our stakeholders, focused on creating shared economic, environmental and social value. In 2023, we sought to do this by launching a program – **Comunidades de Futuro** – for this purpose in some of the locations where we are present, reinforcing our commitment to decarbonisation, and also by establishing and maintaining collaborative partnerships, both nationally and internationally.

Comunidades de Futuro

Aware that each community has unique needs and potential, Floene has materialised its purpose – Promoting Sustainable Communities – into a versatile and dynamic social responsibility program: **Comunidades de Futuro**.

This is the first step in Floene’s integrated approach to the communities where it operates, with a view to fulfil its two priority Sustainable Development Goals (SDG 4 - Quality Education and SDG 17 - Partnerships for the Goals). With this program, Floene positions itself as an enabler for a fair energy transition, fostering partnerships and raising national awareness and education levels on renewable gases as a mean to mitigate climate change.

Floene is committed to contributing to the economic, environmental and social development of each location in which it operates, through a program with two dimensions:

1. **Conferences** - promoting debate and the sharing of knowledge on various themes;
2. **Intervention Projects** - with a long-term perspective, in each of the localities and in various areas that contribute to the energy transition.



Floene has materialised its purpose – Promoting Sustainable Communities – into a versatile and dynamic social responsibility program: *Comunidades de Futuro*



Conferences

The first phase of this program consists of conferences to raise awareness in each community of the energy transition through renewable gases and the opportunities they bring to the region.

Floene promotes the involvement of various *stakeholders* – companies, schools, polytechnics, universities and civil society in general – bringing the different participants together in a circular economy model and promoting a virtuous cycle of value creation.

To ensure that the content and debates are relevant to the specific realities of each region, the panels feature national and local representatives. Topics addressed include: the circular economy, the importance of renewable gases in decarbonising our country, the new business opportunities that these gases can bring and the skills and professions that will be needed in the future.

Over the course of 2023, three conferences were held in different cities, and were received with great interest, with several priorities of action being already defined and worked upon in each of the communities.

Aveiro



Leiria



Viseu



These conferences were received with great interest, with several priorities of action being already defined and worked upon in each of the communities

Intervention projects

In a second dimension, long-term actions are being developed together with stakeholders to encourage active participation by all players in favour of a more sustainable society.

Considering the reality of each community, Floene intends to promote specific projects in the areas of education and training, the promotion of renewable gases and partnerships with local organisations. The main lines of action include the following initiatives:

- **School Project** - Project in the educational community to promote literacy about renewable gases;
- **Upcoming Professions** - Partnerships with technical and vocational schools, polytechnics and universities;
- **Biomethane Producers** - Creation of working groups to debate the production, injection and consumption of biomethane.
- **Relationships with the main local stakeholders** - Identifying and approaching local organisations with an environmental and social impact and creating partnerships with them.

In 2024, these intervention projects will be developed together with the communities to encourage active participation by all stakeholders in favour of a more sustainable society.

Active participation in national and international associations

It is essential to have a strong presence in different industry associations and co-operation with many of our peers in other countries. In this regard, Floene has been proactive in its participation in various national and international associations and initiatives, such as:

- Business Council for Sustainable Development Portugal (BCSD Portugal);
- Portuguese Business Confederation (CIP);
- Portuguese Energy Association (APE);
- Portuguese Association of Gas Companies (APEG);
- Portuguese Association for the Promotion of Hydrogen (AP2H2);
- Eurogas;

GD4S Board meeting with Floene's participation



- Gas Distributors for Sustainability (GD4S);
- European Biogas Association (EBA);
- European Clean Hydrogen Alliance (ECHA);
- International Gas Union (IGU);
- Marcogaz;
- Ready4H2;
- Biomethane Industrial Partnership (BIP).

Through our participation in these associations, we co-operate with our peers, compare experiences with the aim of developing good practices, as well as forming links and identifying future opportunities. In several of these associations we work together, monitor and analyse the impact of EU policy and legislative initiatives on business and the sector.

During 2023, a series of meetings were held with members of the European Parliament, the European Commission and the Permanent Representation of Portugal to the European Union (REPER), covering issues from promoting the role of gas infrastructures and distribution operators to realising climate objectives, as well as feedback and contributions on specific legislative proposals. To keep pace of developments in national and European energy policy, we participate as members or leaders of Working Groups and Committees within the previously mentioned associations. Floene has also hosted

some very important events for the sector, such as the Distribution Committee Meeting and the Eurogas Annual Regional Conference, where topics such as the energy transition and the role of renewable gases were discussed.

Co-operation protocols

In 2023, a Co-operation Protocol was signed between Lisboagás and the Lisbon City Council, which joined forces to build a training camp at the Lisbon Fire Brigade Regiment (FBR) School in Marvila. The aim is to develop training initiatives in operation, maintenance, safety and emergency activities in gas infrastructures.

With this protocol, Lisboagás, a Floene Group company, guarantees the availability of representative gas network infrastructure (construction and installation) at the FBR's new training ground, including a space to place a hydrogen tank (H₂) as well as the construction of an H₂ network next to the natural gas network. Floene will also support the training of firefighters and other civil protection personnel, providing know-how and technical expertise.

The training camp is also at Floene's disposal for the training of its operational staff, and joint drills between firefighters and Floene technicians are also planned for emergency situations.

Under the protocol, Lisboagás provided 12 gas detectors to the commanders of the FBR.



Floene and EntreAjuda volunteer action

Floene joined forces with the *EntreAjuda* Association to promote a volunteer action with “Banco Alimentar”, where 11% of the Company staff signed up as volunteers, supporting more than 690 families with baskets of goods in the 9 communities where we are present.

In addition, the Company also organised a collection of warm clothes at its offices, which were also donated to organisations that had identified the need. We reached 36 organisations, contributing to Floene’s positive impact on society, just as we are committed to in our Purpose.



We reached 36 organisations, contributing to Floene’s positive impact on society

Floene volunteers at the Lisbon “Banco Alimentar”





The logo for FLORENE, featuring the word "FLORENE" in a white, sans-serif font. The letter "O" is replaced by a circular graphic with a blue-to-teal gradient.

FLORENE

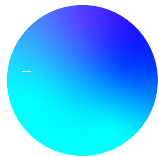
The number "05." in a white, sans-serif font, positioned above the main title.

05.

The main title "Business sustainability" in a large, white, sans-serif font, centered on the page. The background features a field of blue flowers in the foreground, a large industrial building with a brown facade in the middle ground, and a wind farm in the distance under a clear blue sky. Three large, overlapping circles in shades of blue and teal are superimposed over the scene.

05.

Business sustainability



In 2023, Floene brought its sustainability strategy and initiatives even closer to the Group's strategy

5.1. Our commitment to sustainability

The importance of sustainability in the global context and in the energy sector

Sustainability is increasingly becoming a global imperative, with the challenges of climate change and resource scarcity demanding an urgent and concerted response from the international community. The transition to a more sustainable economic model is crucial to reconciling economic development with environmental protection and social justice. The energy sector is transitioning towards decarbonisation of the economy, with the need to reduce greenhouse gas (GHG) emissions.

Companies in the energy sector, of which Floene is a part, are undergoing a profound transformation, charting their path towards decarbonisation while remaining competitive and ensuring a fair, sustainable and economically viable transition for all.

And it is in this sense that Floene's approach to sustainability is also built on the company's defined purpose – **We promote sustainable communities.**

The Sustainability Strategy defined by Floene

Floene conducts its activities considering the input from its stakeholders, ensuring a commitment to involving all interested parties in alignment and awareness for the development of a sustainable culture in its business area.

In 2023, Floene brought its sustainability initiatives even closer to the Group's strategy by designing its sustainability journey through the development and implementation of ESG initiatives. This journey materialised in the development of the **2022-2025 Sustainability Roadmap.**

The integration of the challenges identified in the materiality assessment (the concept of dual materiality) was incorporated into Floene's Sustainability Strategy, which is operationalised along **four axes - Governance; Planet; People and Prosperity**, which aggregate the **ten material topics identified**, together with the initiatives to be developed to improve Floene's performance.

Sustainability Roadmap



Alignment with the SDGs and the Sustainability Roadmap

Since 2022, Floene has been committed to the **United Nations 2030 Sustainability Agenda and the Sustainable Development Goals (SDGs)**, emphasising the importance of SDG 4 (Quality Education) and SDG 17 (Partnerships for the Goals) to promote national literacy and education in the area of renewable gases.



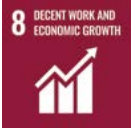






- **SDG 4:** Floene invests in the education and training of its employees and the communities where it operates, promoting literacy in renewable gases, energy transition and sustainability.
- **SDG 17:** As the largest gas distributor in Portugal, Floene, collaborates with various entities to promote sustainability in the energy sector and its decarbonisation, promoting renewable gases.

The structure of our positioning demonstrates the correlation between our strategic axes and the values that drive us as a company. The Sustainability Roadmap relates each one of the four axes to the material topics addressed and valued by our stakeholders, accompanied by commitments, initiatives and targets that materialise them, in parallel with the fulfilment of the SDG mentioned above.

This **Sustainability Roadmap has a 2022-2025 horizon**. The progress and monitoring of this roadmap is achieved through the follow-up of the KPI defined for each strategic axis (Governance, Planet, People, Prosperity), taking into account the initiatives that have already begun, those that have been concluded and those that are planned for the future. This roadmap is reflected in 63 KPI, broken down as follows:

The 2022-2025 Sustainability Agenda is reflected in 63 KPI, distributed as follows:

Axes	Material Topics	Commitments	No. of KPI per SDG
People	Safety, wellbeing and development of our people	<ul style="list-style-type: none"> Promote the safety, health, and wellbeing of employees. Foster employee engagement and development. Promote a culture and organizational climate that attract and retain talent. Promote a culture of equality, diversity, and inclusion, ensuring equal opportunities throughout the organization 	<p>12</p> <p>13</p>
Governance	Ethics and Transparency	<ul style="list-style-type: none"> Promote a culture of ethics and compliance. Ensure legal compliance of our processes, operations, policies, and internal regulations. 	<p>5</p>
	Regulatory compliance	<ul style="list-style-type: none"> Foster close relationships with the local community. 	<p>2</p> <p>1</p>
	Involvement with the local community/ stakeholders	<ul style="list-style-type: none"> Strengthen the literacy on renewable gases. 	<p>2</p>

Axes	Material Topics	Commitments	No. of KPI per SDG
Prosperity	Customer satisfaction	<ul style="list-style-type: none"> Contribute to a low-carbon economy- Facilitation of the renewable gas market and the decarbonization and decentralization of the economy. 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> 3  </div> <div style="text-align: center;"> 5  </div> </div>
	Economic performance and financial sustainability	<ul style="list-style-type: none"> Promote the financial sustainability of the company. Foster a culture of innovation within the company. 	2 
	Innovation, adaptation and resilience	<ul style="list-style-type: none"> Promote technological capacity building, development of solutions aligned with sustainability challenges, and foster knowledge networks and partnerships. 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> 4  </div> <div style="text-align: center;"> 2  </div> </div>
	Quality service, safe and efficient supply	<ul style="list-style-type: none"> Ensure the quality and supply of our service. Develop a customer-centric culture, exceeding their needs and expectations 	3 
Planet	Energy efficiency and climate change	<ul style="list-style-type: none"> Contribute to improving energy efficiency. Mitigate climate change by reducing operational carbon emissions. 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> 5  </div> <div style="text-align: center;"> 3  </div> </div>
	Sustainable supply chain management	<ul style="list-style-type: none"> Ensure transparent and integrity-based relationships with suppliers, incorporating ESG criteria. 	1 
TOTAL KPI			63

2023 KPI status		
Concluded 21 (33%)	In progress 23 (37%)	Planned 19 (30%)

In 2023, Floene has already concluded 33% of the total roadmap, with 37% in progress and 30% planned until 2025. The plan is in line with the targets and deadlines set.

This monitoring is an integral part of the corporate strategy for 2022-2025 - Floene's Sustainability Roadmap. Its progress is regularly reported to Floene's Governing Bodies through quarterly reports and the holding of three Committees during the year, ensuring that our organisation is committed to achieving these goals with the same importance as the company's other strategic ambitions.

Global Reporting Initiative (GRI) standards

This Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) Standards for the period from January 1, 2023 to December 31, 2023. GRI is an international organisation that defines a set of standards for communicating information on sustainability. Adherence to the GRI standards guarantees the comparability and reliability of the information provided, which reflects our commitment to sustainability.

Sustainability Governance

We recognise sustainability governance as a key element in accelerating progress on sustainability Key Performance Indicators (KPI). We organise our work according to the sustainability governance model implemented in 2022, which defines the following guiding principles:

- **Top management commitment:** Floene's top management is committed to sustainability and ensures that it is integrated into the company's strategy and operations. The company and its Governing Bodies have KPI associated with reducing GHG emissions.
- **Integration into Risk Management:** Risks and opportunities related to sustainability are identified, assessed, and integrated into the company's risk management process.

- **Stakeholder Involvement:** Floene dialogues and collaborates with stakeholders to ensure that their needs and expectations are considered in decision-making.
- **Transparency and Communication:** The company publishes an annual integrated report presenting its sustainability performance and initiatives.
- **Period, scope and limits of the Sustainability Report:** This Sustainability Report covers the period from 1 January to 31 December 2023 and includes information on Floene's activities in Portugal.

External evaluations

Currently, Floene has unsolicited ratings from MSCI and Sustainalytics. ESG Risk Rating methodology is based on Floene publicly available information, namely the company Management Report and Accounts.

As of August 2022, Floene received an ESG Risk Rating of 29.5 from Morningstar Sustainalytics and was assessed to be at Medium risk of experiencing material financial impacts from ESG factors. In no event the ESG Risk Rating shall be construed as investment advice or expert opinion as defined by the applicable legislation.

In March 2024, Floene received a rating of AAA (on a scale of AAA-CCC) in the MSCI¹ ESG Ratings assessment.



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5.2. Our people

We are committed to the future of our culture by setting higher standards in safety, fairness, inclusion and healthier working practices. Throughout its more than 175-year history, Floene group has always valued mutual collaboration, respect, support and now more recently, with the rebranding, audacity. But we need to go further to attract and retain talented people to drive company's growth and commitment to the energy transition.

- **Safety:** Our absolute priority. We cultivate a culture of safety to ensure that we always safeguard the health of the employees and partners with whom we work.
- **Social sustainability:** We continue to invest in programs that improve the health and well-being of our employees and enrich the experience of working at Floene.

5.2.1 Safety and wellbeing

Safety, working conditions and health

Our Code of Ethics and Conduct is the basis for working conditions, reinforced by a complete set of global human resources policies and procedures that make fair hiring possible. We comply with, and whenever possible exceed, the existing national legal requirements and regulations in this regard. We work hard to ensure decent working conditions and fair employment, recognising international and local laws and guidelines. Considering that people are our most important asset, guaranteeing safe and healthy workplaces is essential for Floene to avoid accidents and occupational illnesses both for its own employees and for the service providers who work on behalf of Floene.

Our health and safety management system is the basis for our overall program and an integral part of the way we manage health and safety at work. The management system is certified to the internationally recognised ISO 45001 standard (Occupational Health and Safety Management System). Certification is provided by an external organisation, APCER.

In this context, prevention is a daily management based on various activities, such as:

1. Technical safety visits carried out by level VI senior safety technicians, site safety and occupational health coordinators;
2. Carrying out internal and external audits and legal compliance checks, to assess compliance with requirements;
3. Careful investigation and determination of the root causes of incidents, with implementation of corrective actions;
4. Carrying out training and drills for proper emergency management;
5. Carrying out occupational health and safety studies;
6. Identifying and managing the hazards and risks of activities;
7. Training in occupational health and safety;
8. Control and document management of service providers;
9. Monitoring compliance with the maintenance plans defined by the areas.

In 2023, there were no serious accidents, as in 2022 and in previous years. This demonstrates that all stakeholders (internal and external) are aware of and comply with safety procedures and instructions.

Safety numbers



4

audits



628

Safety Talks held



19

firefighting simulation exercises
in buildings



1

earthquake simulation exercise
"The Earth Shakes" - "A Terra Treme"



10

emergency scenario
simulation exercises within
the scope of Major
Accident Prevention



193

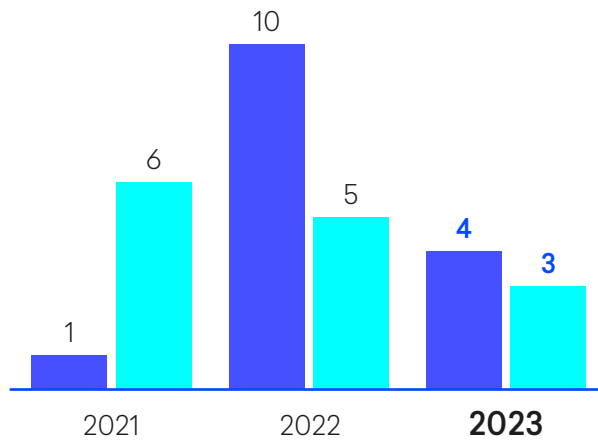
internal verifications
of OSH level VI
senior technicians



3,912

hours of OSH training
resulting from **42 training
sessions** with a total of
413 participants

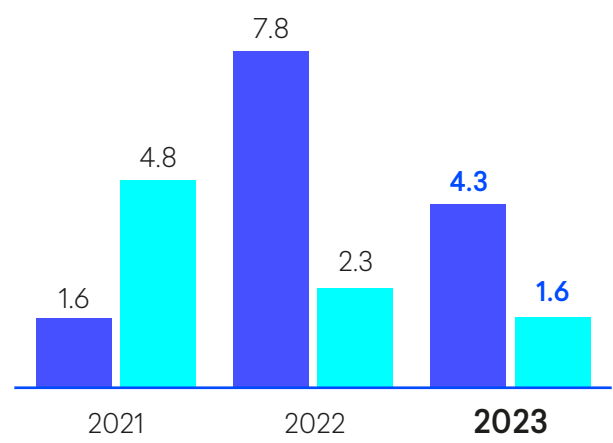
Personal Accidents (Total)



● Floene ● Service Providers

Note: Personal accidents of Floene employees (on duty or *In Itinere*) or service providers (on duty), visitors or the community.

Frequency Index



● Floene ● Service Providers

Note: Factor for normalising the number of hours worked: 1 000 000.

Number of accidents in 2023 decreased 53%

In 2023, the number of accidents recorded decreased by 53% compared to the previous year. Both Floene employees and its service providers (SP) recorded fewer accidents than in 2022. This reduction in the number of accidents in 2023 is a significant result that we believe that demonstrates Floene’s commitment to safety.

The Frequency Index indicates how many lost-days accidents, including fatalities, occur per million hours of work performed. The result of its classification allows us to assess whether the management of occupational health and safety is efficient or not.

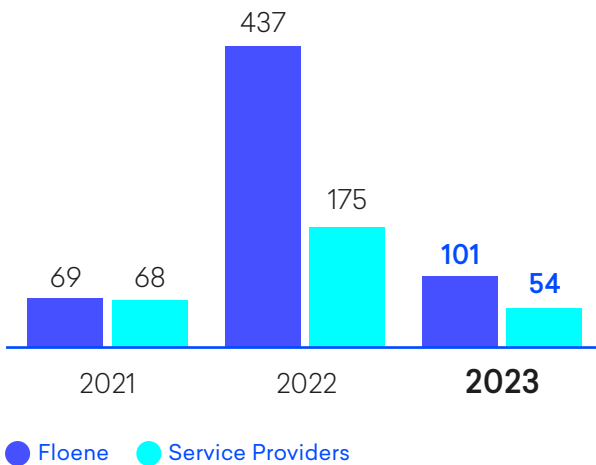
According to the International Labour Organization (ILO), a frequency Index **below 20 is**

classified as Very Good. Therefore, Floene has a very positive frequency Index, not only in general terms, but also when compared to other companies in the same sector.

Benchmark 2022	LTIF	LTIS
Company A	2.02	0.05
Company B	1.76	0.08
Company C	4	0.23
Floene	4.12	0.26
Floene 2023 ⁽¹⁾	2.62	0.07

1. Floene Employees + Service Providers

Severity Index



Factor for normalising the number of hours worked: 1 000 000; for the calculation of the indices shown in the graph above, only accidents with days lost were taken into account.

The Severity Index indicates the number of days lost due to work accidents, normalised per million hours worked.

According to the ILO, a severity index **below 500 is classified as Very Good**. Once again, Floene’s behaviour is very positive overall, and the same is true when compared to companies in the sector at national and international level.

Floene has been continuously improving and developing a comprehensive safety culture, including all employees, whether in-house or not, who contribute daily to improve the Occupational Health and Safety Management System. This culture plays a crucial role in preventing accidents, injuries, and incidents, promoting a safe and healthy environment for everyone involved.



Floene’s behavior is very positive in the overall panorama of work accidents, which is also observed in the sector at the national and international levels

Some elements of Floene’s safety culture include:

Leadership commitment

Open communication

Recognition and rewards

Personal responsibility

Training and awareness-raising

Incident investigation

Risk identification and assessment

Continuous improvement

Health and wellbeing

Floene empowers its employees to manage their personal health and well-being, promoting a safe space for them to talk openly about their mental health at work and providing them with access to the necessary support when needed. In addition to occupational health services, throughout 2023, Floene promoted and provided, free of charge, to its employees a range of services and initiatives that foster a safe and healthy work environment, such as:

- “Pink October” initiative, through routine breast cancer prevention examinations;
- Vaccination – flu season;
- “Get in shape” program in partnership with Multicare – an 8-week online program designed by Multicare to help employees achieve their fitness and well-being goals, providing personalised advice from a nutritionist and a personal trainer;
- Cardiovascular screening (blood pressure measurement, capillary blood glucose, capillary cholesterol level, and body mass index).

5.2.2 Internal transformation

The process of making Floene independent is a critical project that requires the mobilisation and involvement of the entire organisation, due to its structural impact and because it is an opportunity to optimise all the processes and systems that support its activity. As established for in the agreement signed with Galp Energia, the Transition Plan, where the main objective is to make Floene an independent company in technological and operational terms, began in April 2023 and was developed with a focus on:

- Ensuring Floene’s current activities;
- Implementing new infrastructures and information systems;
- Modernising and optimising the company’s operations.

Activities not reliant on the introduction of new technological applications were successfully ensured. However, the remaining tasks, which depend on these applications and are expected to be implemented in the next two years, present a challenge due to the need for establishing new and autonomous technological infrastructures.

We remain motivated to reinforce our strategy, relying on the participation of our people through the development of the necessary skills for the increasing challenges that the future holds. In this regard, the Recruitment and Mobility Policy has been approved, we have strengthened relationships with universities and vocational schools, fostered closeness with various entities promoting inclusive recruitment.

Floene is committed to its process of autonomy, which will modernize and optimize its operations, preparing for the future.

Recruitment and Mobility Policy

Floene’s Recruitment and Mobility Policy, approved in June 2023, is aligned with the United Nations SDG, in particular SDG 5 and SDG 8.

With the implementation of this policy we have completed 39 recruitment processes, of which:

- 12 internal mobilisations (vs. 5 in 2022);
- 33 for permanent positions (vs. 37 in 2022);
- 16 women (vs. 15 in 2022).



Relations with universities and vocational schools

To create and strengthen relationships with higher education institutions, in 2023 Floene took part in many initiatives, such as university fairs, a job shadowing program and promoting curricular and summer internships. Through these initiatives, Floene aims to raise awareness of its employer brand to attract young talent, make communities and institutions aware of renewable gases and create bridges between academia and professional practice.

Trainee Program “Change Your World”

Following the success of the first program and with the aim of bringing rejuvenation, dynamism, and diversity to the organization, the 2nd Edition

of the Trainee Program was launched, lasting for 12 months. It involved the integration of four recent graduates in the areas of Procurement, Information Systems, Asset Management, and Energy Transition.

The program’s promotion took place in various universities across the country (through posters and presence in job fairs) and on social media, through a digital campaign that included testimonials from trainees of the 1st Edition of the Program. The selection process occurred in several stages, including group dynamics, cognitive tests, interviews, and a final pitch. Furthermore, training sessions were promoted targeting Tutors and Buddies (trainees from the previous year) for better integration and support of the trainees.

Trainees and Tutors



Trainees and Buddies



Trainee Program “Change Your World”



Following the success of the first program and with the aim of bringing rejuvenation, dynamism, and diversity to the organization, the 2nd Edition of the Trainee Program was launched

Meet Me Performance Management Model

Within the scope of performance management, professional development, and talent retention, in 2023, the New Meet Me Performance Management Model (launched in 2022) was implemented, which strengthened internal mobility opportunities (12 internal moves, equivalent to a growth of 140%), and continued the career model launched in 2022, with the annual career progression process taking place in 2023.

As part of this plan, the following activities were carried out:

- Follow-up sessions with all management, aiming to contribute to continuous leadership development;
- Development and dissemination of e-learning content for new hires and knowledge refreshment.

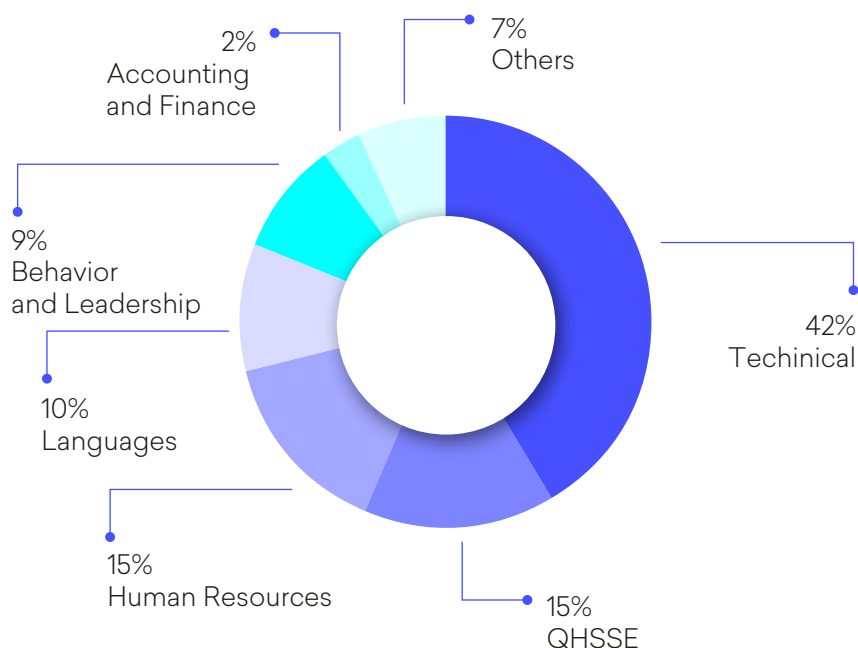


5.2.3. Training

Within the scope of continuous training and skills development, the volume of training hours was increased (14,670 hours, a 60% growth compared to 2022), and tailor-made programs were designed for the professional community of

Floene, aiming to develop critical technical and behavioural skills for the organization’s future. With a particular focus on technical skills, the training covered the following topics:

Training



Language Training

In the last quarter of 2023, a partnership was launched, allowing all employees to have free access to a language development tool. Simultaneously, a program for the development of the English language, exclusively for Floene employees, was launched with the same partner. This program focuses on improving internal communication and integrating employees from different cultures and backgrounds. It also enhances team productivity by facilitating access to information and documents that are increasingly available only in English.

With this partnership, employees can learn numerous languages at their own pace and according to their personal interests, with unlimited access to a wide range of languages and personalized resources.

“Hydrogen Training Program” (Strategic Aspect + Operational Aspect)

In order to bring the topic of renewable gases to our network of partners and clients, it is important to empower our personnel with the appropriate knowledge on this subject to ensure that we can navigate and execute this transition with the required safety.

In 2023, Floene and ISQ Academy formed a new partnership, offering training aimed at the Commercial Management and Asset Management departments, with teams that work daily at the Consumers’ installations of Natural Gas. In the first quarter, an extensive training program on hydrogen – covering production, storage, and operational safety – was launched, representing one of Floene’s key strategies for energy transition and presenting two main aspects:

- Strategic Aspect / High level – targeted at the coordination roles within the Operation, Maintenance, Emergency, and Technical Services departments;

- Operational Aspect – aimed at operational roles, particularly for Gas Infrastructure Technicians.

Training Program for the Information Systems Management

Floene is always seeking new ways of working that promote greater autonomy. To achieve this, it is necessary to equip Floene’s internal teams with new skills. In this regard, a training program was designed, in partnership, for the IT team, consisting of two main components:

- ITIL® Foundation;
- Functional Analysis Academy.

This training program aimed to equip the team with skills in Service Management and Functional Analysis, contributing to the upskilling of its members and to the sustainability of Floene as an autonomous independent entity.

Effective Communication Training

The topic of “Effective Communication” was addressed at various levels and with different audiences. Being a critical soft skill for professional performance and the reinforcement of our values, this competency was worked on both through individual coaching and classroom training.

- **Training for Floene Directors**, focused on public speaking - included group sessions and individual follow-up sessions;
- **Training for the Client Centrality, Back Office and Operations Management**, focused on day-to-day communication - included group sessions and a follow-up session.

Safety Training Program

In 2023, an ambitious safety training plan was implemented, consisting of several relevant actions aimed at promoting safety in various activities at Floene. This plan aims to equip participants with the necessary skills in the topics covered, enabling them to understand and implement preventive measures to avoid accidents. Among these actions, we highlight the relevance and scope of the following:

- **Firefighting, with the National Fire School (NFS) in Sintra** – aimed at Coordination roles of Gas Infrastructure Technicians;

- **Work at heights and confined spaces** – targeted at Gas Infrastructure Technicians whose activities involve the risk of falling from heights and working in confined spaces. The initiative took place at the Volunteer Firefighters of Peniche and at the Reduction and Measuring Station (RMS) of the Armed Forces, respectively;
- **Defensive Driving** – initially targeting service vehicle drivers in the Northern region of the country (in 2024, we will continue this program for other geographies), at the Maia Aerodrome.

Photographs of the Confined Spaces and Work at Heights sessions, respectively.



5.3. Our Planet

A culture of sustainability prioritises the defence of the environment and the implementation of practices that protect, conserve and restore our planet. Floene recognises its role and responsibility as a facilitator and enabler of the energy transition and decarbonisation of the sector in which operates.

5.3.1. Our position in the energy transition

Floene sees the energy transition as an opportunity to stimulate the optimisation of the National Gas System infrastructure. In line with this commitment, we continue to develop a set of initiatives to accelerate the introduction of renewable gases into the gas distribution network.

We believe that this structural change in society, based on the efficient decarbonisation of the economy, will require renewable energy alternatives in the electricity and gas sector, as well as the decentralisation of the energy production and distribution model. This decentralisation is fundamental to boosting the use of renewable or low-carbon gases, thus contributing to an effective decarbonisation.

In addition, we recognise the importance of energy efficiency and the use of renewable energies in our sustainability strategy. We monitor environmental performance indicators and develop initiatives in line with this transition, to promote a more efficient use of energy and increase the use of renewable gases.

Our development plan reflects the main emerging energy trends and seeks to contribute to a fair and equitable energy transition, while boosting economic and social growth in all regions of the

country. To achieve this goal, it is essential that the distribution network reaches potential biomethane and green hydrogen producers throughout the country, facilitating their integration into the national energy system. Floene has been receiving an increasing number of requests to inject renewable gases into its network, having received 149 requests to date.

Requests for information - Injection of renewable gases into the grid

	2023	Accumulated
Hydrogen	62	130
Biomethane	8	19
Total	70	149

Main projects in the decarbonisation strategy and promotion of renewable gases

Floene continues to promote and develop various projects focussing on three levels of action:

- Introduction of renewable gases into the network, specifically the injection of green hydrogen and biomethane;
- Promotion of greater energy efficiency;
- Fostering knowledge and literacy about renewable gases and their contribution to energy transition.

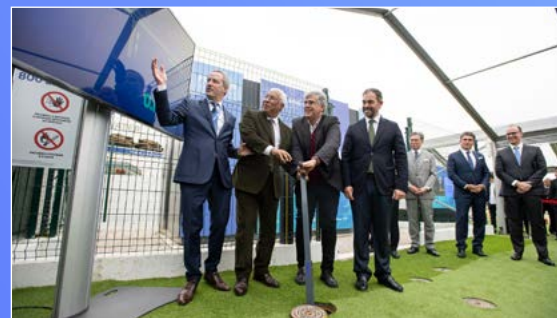
These projects are only possible through strategic partnerships with local producers, municipalities, industrial associations, academia, and other relevant stakeholders, enabling the company to build a more sustainable energy future for Portugal.

The main projects carried out were the following:

1. Natural Energy of Hydrogen

• Natural Energy of Hydrogen project is the first project involving the injection of green hydrogen into the gas network in Portugal. It began in 2022 and has a duration of two years. The hydrogen is produced locally using 100% renewable energy and travels 1400 meters through a polyethylene network to a station where it is blended with natural gas and distributed to approximately 80 customers. Since the start of the project, the percentage of hydrogen has already evolved to 12%, with the ambition to reach a maximum of 20% vol.

• In March 2023, the official inauguration of the hydrogen injection into the network took place (this event was attended by the Prime Minister and the Minister of Environment and Climate Action, who were in office at that time).



Our development plan seeks to contribute to a fair and equitable energy transition, while boosting economic and social growth

2. Roadmap for the Introduction of Renewable Gases in Industry – *Indústria de Futuro*

- Initiated in 2022 and lasting for 24 months, the “Indústria de Futuro” project is a pioneering initiative in Portugal, promoted by ERSE/DGEG. This project aims to drive the decarbonization of the national economy through the use of renewable gases in industry, with a special focus
- Throughout the year 2023, six workshops were held in the cities of Coimbra, Aveiro, Torres Vedras, Setúbal, Oliveira do Bairro, and Marinha Grande, which attracted more than 2000 participants. Twenty-two case studies were presented and discussed during these workshops.

on hydrogen. The main objective is to build synergies at the local and regional levels, supporting and diagnosing the energy needs of energy-intensive industries, as well as promoting the impact of renewable gases on decarbonization and the development of the Portuguese economy.



3. Retrofit Project

- The fundamental objective of the “Retrofit” project is to guarantee the adaptability of gas distribution networks to receive

renewable gases, identifying and mitigating possible challenges, while ensuring a safe and continuous supply to customers.

4. Efficient Boilers (PPEC)

- This program was created under the Energy Efficiency Promotion Plan (PPEC), approved by ERSE, in response to the objective of gaining energy efficiency. In this case, the program defines tangible measures for the gas sector, such as the replacement of non-energy-efficient equipment with more efficient ones in the residential segment. It is aimed at all customers supplied with natural gas, using an atmospheric or other conventional (non-condensing) gas boiler for central heating installed before 2015, providing a unique opportunity to replace it with

a new, more efficient one. The operational start of this project occurred in 2023, with the replacement of 942 equipments and an expected 14% reduction in CO₂ emissions.



5. Comunidades de Futuro

- Floene has launched a program for the economic, environmental and social development of the locations where it operates, reinforcing its commitment

to decarbonisation. See the program here: [Involvement with the community/stakeholders](#) (page 31).

6. Gas Network of the Future

In response to the imperative of decarbonizing the energy sector, Floene commissioned a study with the support of a consultancy firm to define the possible evolution of gas distribution networks by 2050, aiming for their complete decarbonization and leveraging national competitive advantages. The study began with the national context and perspectives of key stakeholders, involving interviews with state entities, producers and suppliers of renewable gases, engineering companies, and entities from the national scientific and technological system, among others. The study concluded on the **structural**

role of renewable gases such as biomethane and green hydrogen in decarbonizing the economy, enabling the achievement of national and European targets, valuing, distributing, and incorporating renewable energy into the Portuguese energy mix, actively contributing to territorial cohesion and economic circularity. Balanced decarbonization that jointly explores the national endogenous potential of electricity and renewable gases, notably biomethane, allows for reduced investment in infrastructure, resulting in lower operational and financial impact on consumers.

5.3.2. Our carbon footprint

Currently, like all companies, we have the responsibility to reduce the emissions and waste generated in our activities, as well as the number of resources we use. We fulfil this responsibility through continuous improvement of our efficiency and transforming how we work – both internally and throughout our value chain. This ensures that our operations perform better, with a reduced environmental footprint, as our business grows.

In addition to national sector-wide decarbonization initiatives, Floene is committed to reducing its carbon footprint. The disclosure of Scope 1 and 2 emissions began in 2021, based on the 2020 baseline year. In 2024, for the first time, Scope 3 emissions for the year 2023 are disclosed.

Scope 1 emissions – Direct greenhouse gas emissions from sources owned or controlled by the company, such as methane emissions from the gas distribution network, natural gas

consumption in administrative buildings and in our AGU (Autonomous Gas Units), company fleet, among others.

Scope 2 emissions – These greenhouse gas emissions originate from the generation of purchased electricity consumed by the company.

Scope 3 emissions – Indirect emissions that arise as a result of the company's activities but occur from sources that are not owned or controlled by it: emissions that occur in the value chain.

We believe that the carbon footprint is a tool that allows us to identify opportunities more rigorously to reduce greenhouse gas emissions. We calculate emissions using the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standards, globally recognized, issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Scope 1 and 2 emissions

Greenhouse gas emissions (tCO₂eq)

	2023	2022	2021
Scope 1			
Fleet	1,226	1,137	1,028
Network fugitive emissions ¹	22,122	13,746	13,877
Equipment's fugitive emissions	0	27	0
Natural gas - boilers	77	67	71
Natural gas - administrative buildings	43	31	25
Total Scope 1	23,470	15,008	15,002
Scope 2			
Electricity (Market based)	0*	0*	147
Total Scope 2	0*	0*	147
Total Scope 1 + 2	23,470	15,008	15,149

1. natural gas losses to the atmosphere in the distribution network

*since 2022 with 100% renewable guarantee of origin contract

Overall emissions increased compared to 2022 (+56%), namely in scope 1 emissions. The rise occurred in fugitive methane emissions in the network, where methane leaks are calculated by an estimation, using a methodology approved and used by Sedigas.

Currently, the search for leaks in the entire network is carried out over five years, with a different section of the network being searched each year, so the results obtained range greatly from year to year due to the characteristics of the section being analysed (type of network material, age, location where the leak is detected and its pressure). Of these characteristics, we would emphasise that **medium pressure networks (4 to 20 bar) have a leakage flow rate three to eight times higher than low pressure networks (below 4 bar).**

Fugitive emissions in the network depend considerably on the characteristics of the network section, as mentioned above, so an accurate comparison will only be possible after five years, when the same section is analysed again. To illustrate this, it is possible to compare the year 2021 with 2023, where the same number of leaks were detected in the network (64) and yet the fugitive emissions in the network were quite different, corresponding to 13,877 tCO₂eq in 2021, and 22,122 tCO₂eq in 2023.

As far as the fleet is concerned, we remain committed to electrifying it as a way of reducing our emissions, with 7% of vehicles currently being plug-in hybrid electric vehicles. The increase in emissions in 2023 compared to 2022 is related to the increase in the number of employees with vehicles and the consequent increase in kilometres travelled compared to previous years.

Short-term decarbonisation plan

In 2021, we established emissions reduction targets (Scopes 1 and 2) through a short-term decarbonization plan (2022-2025), aiming to reduce emissions by 25% by 2025 (compared to the 2020 baseline year). This plan includes various operational initiatives, such as:

- Fleet replacement with hybrid vehicles – In progress;
- Acquisition of electricity certified as 100% renewable;
- Replacement of the existing steel and iron network with polyethylene and reduction in the number of leaks detected – 56% of the established network renewal plan completed;
- Reduction in the number of third party damages in our existing network – Ongoing, with a 22% average reduction.

Scope 3 emissions

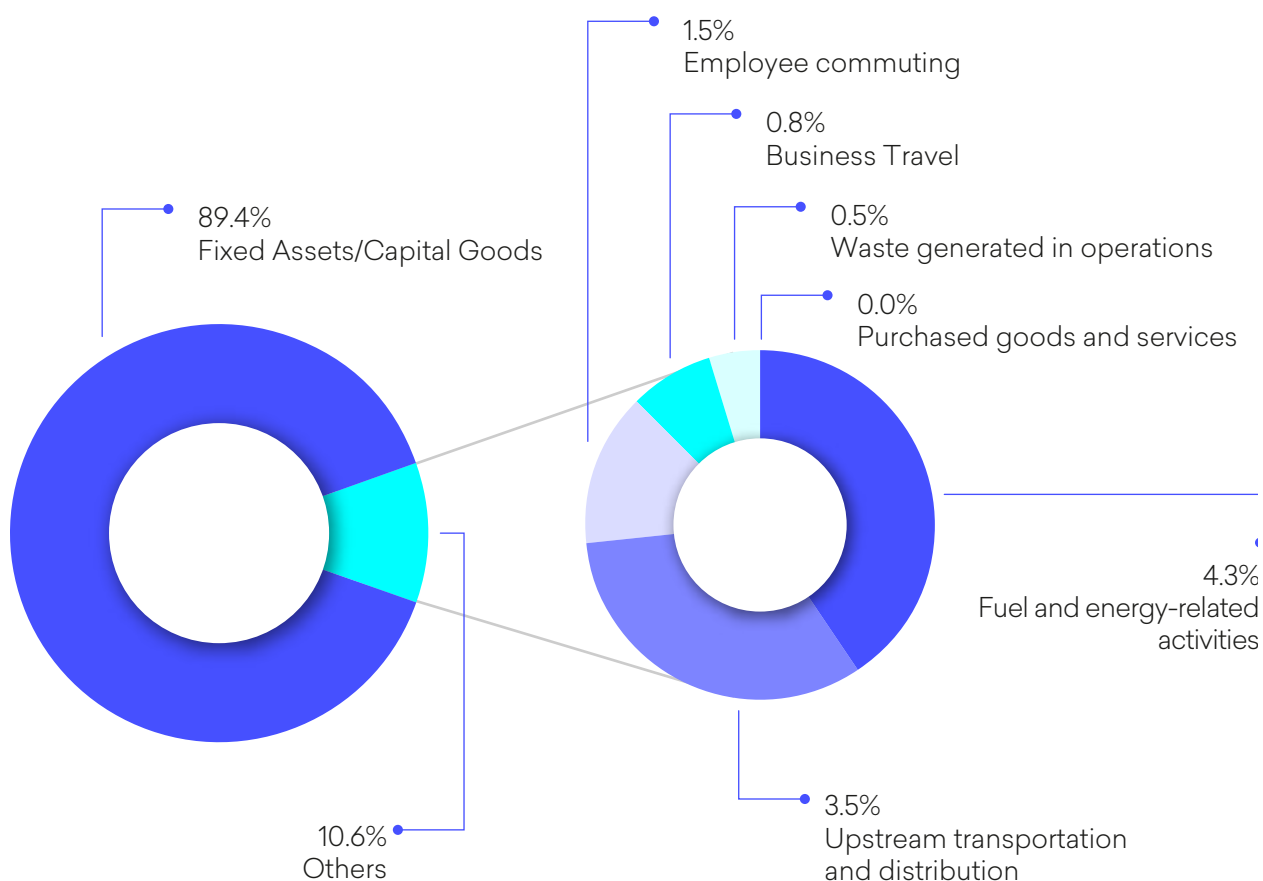
Em 2023, Floene took significant steps in assessing its Scope 3 emissions, calculating the total emissions for the years 2022 and 2023, considering the applicable categories. Similar to Scopes 1 and 2 emissions, this calculation covers all nine DSO and is based on the methodology approved by the GHG protocol, allowing for an estimation of emissions throughout our value chain with a high degree of utilization of emission factors specific to our activities.

The selection of categories to include in the calculation of Scope 3 emissions was based on Floene's business model and benchmarking of companies operating in the same sector. Scope 3 emissions can fall into 15 categories. In Floene's footprint, emissions from seven categories were considered.

Scope 3 emissions (tCO₂eq)

	2023	2022
C1 – Purchased goods and services ⁽¹⁾	-	-
C2 – Fixed assets/Capital goods	6,718	6,544
C3 – Fuel and energy-related activities	322	464
C4 – Upstream transport and distribution	265	376
C5 – Waste generated in operations	41	33
C6 – Business travel	57	70
C7 – Employee commuting	110	120
Total	7,513	7,607

1. The goods acquired by Floene (Category 1) that materially represent its activity as a natural gas distributor are network construction services and the acquisition of meters. These acquired goods/services are considered fixed assets, so according to the GHG Protocol they should be considered in category 2.



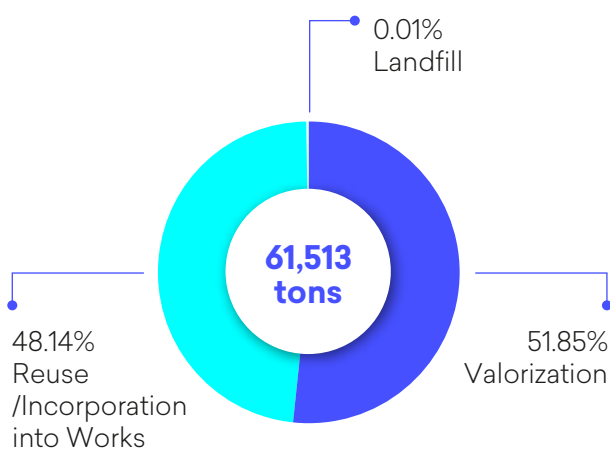
In 2023, Floene's Scope 3 emissions amounted to 7,513 tCO₂eq, representing 24% of the company's total emissions. Approximately 89% of these emissions come from the category of fixed assets, primarily due to the construction of the gas distribution network and other related infrastructure. Emissions associated with the production of polyethylene pipelines used in network construction accounted for 19%.

In 2023, several improvements were made compared to the initial estimation done in 2022. These improvements included enhanced interaction with our value chain, allowing for the acquisition of specific emission factors for elements where economic emission factors had been previously used. For example, milling² (included in category 2) and the addition of waste from construction projects, where only administrative waste had been accounted for (category 5), among others.

Additionally, Floene demonstrates highly positive waste management performance, 99.8% of the waste produced is from its construction projects, all of which are fully valorised. These waste materials undergo valuating, reuse, or incorporation into construction projects. The small fraction of administrative waste sent for final disposal (landfill) is less than 0.01%, having minimal impact on the total waste produced by Floene.

The following graph illustrates the positive impact Floene has on incorporating its waste into construction projects, with an approximate value of 50%.

Total waste produced in 2023 by treatment process



Floene commits to continuously improve the calculation of its Scope 3 emissions by investing in the robustness of the information collection process and interaction with its value chain. This enables the aggregation and acquisition of specific activity data tailored to the services and products provided.

Greenhouse gas emissions (tCO₂eq)

	2023	2022
Scope 1	23,470	15,008
Scope 2	0	0
Scope 3	7,513	7,607
Total	30,983	22,615

5.3.3. Sustainable supply chain management

Aware of the impact we have on society, Floene is committed to creating sustainable value throughout its supply chain through concrete actions. Floene prioritizes local development by having 95% of its suppliers national, thus driving local economy and creating direct and indirect jobs.

Supplier management is part of a procurement department that centralizes and ensures uniformity of criteria and total transparency in the procurement processes of the Group. Floene considers the use of a robust risk management methodology, with a supplier selection, qualification, and evaluation process that ensures reliability and ethics in the supply chain. Floene uses a supplier qualification and evaluation system based on predefined criteria and contractual conditions.

2. Milling: a process that involves removing the upper layer of pavement followed by replacing it with new asphalt.

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

STAR Program – Performance evaluation

Our service providers, particularly the contracts with contractors, play an essential role in delivering services to our customers and consumers. To recognize their significance and contributions, Floene has created the STAR program – safety engagement, which maintains a long tradition of recognizing exceptional performance. Under this program, awards are given every four months to honor the best performances. In addition to this initiative, we promote safety within the program by awarding the “Safe Team” prize.

The main objectives of this program are communication and training for all teams in their technical and administrative activities, recognition of good practices, sharing experiences, and distinguishing the best performances based on continuous evaluation of operations in technical, practical, behavioural, and safety dimensions.

The STAR Program is also an important mechanism for promoting best practices and developing skills in the organization, the impact of which is assessed by Floene through customer satisfaction assessment tools.



5.4. Our Prosperity

5.4.1. Innovation, adaptation and resilience

5.4.1.1. Information Systems

Floene is committed to improving its business processes, reducing its carbon footprint. The evolution of its information systems is a critical process, as it contributes to more tasks being carried out digitally, avoiding the need for paper printing, as well as providing remote services, avoiding unnecessary travel. Floene’s digital and technological transformation journey is based on three fundamental axes:

- Sustainability

With the aim of developing and implementing digital solutions that also have a positive impact on the environment and climate, Floene prioritizes the careful selection of technological partners who share concerns about reducing the carbon footprint. Business processes, supported by information systems, will be evaluated to reduce energy consumption, encouraging remote activities and reducing the number of physical trips, as well as dematerializing operations, which contributes to reducing the environmental footprint.

- Safety and security

The digital transformation journey of Floene is an ongoing process, where one of the priority processes for Floene is ensuring the security of its information systems. The company is committed to ensuring the privacy of personal data and protecting the assets that support its operational processes.

The Company is vigilant about cybercrime threats, such as data breaches and cyberattacks. Floene invests in protecting digital identities against impersonation or manipulation and implements measures to prevent disruption of its operations.

In 2023, Floene continued to invest in the protection of its business processes. The Company implemented improvements in its information systems and promoted training and awareness among its employees regarding the importance of information security.

• People

The digital and technological transformation at Floene aims primarily to serve and benefit all parties involved in the Company's processes. This includes increasing the transparency of services provided, making them closer to end users, and ultimately, valuing human talent.

In 2023, the Company took a significant step in this direction by optimizing a series of corporate processes through the implementation of Robotic Process Automation (RPA) solutions. This initiative eliminated manual and repetitive tasks, letting employees to focus on strategic and higher-value activities.

For 2024, Floene plans to implement even more automation, always with the goal of valuing human talent and increasing the quality and performance of services provided. The Company believes that digital and technological transformation is fundamental to its future success and is committed to continuing to invest in this direction.

5.4.2. Operational and financial performance

Regulatory framework

During the year 2023, some regulations in the sector were revised and published in the Official Journal 2nd series – no. 146/2023, of June 28th:

- Regulation no. 825/2023, which approves the Gas Sector Tariff Regulation and repeals Regulation no. 368/2021, dated April 28th, and Regulation no. 583/2022, dated June 28th;
- Regulation no. 826/2023, which approves the Quality of Service Regulation for the Electric and Gas Sectors and repeals Regulation no. 406/2021, dated May 12th; and,

- Regulation no. 827/2023, which approves the Commercial Relations Regulation for the Electric and Gas Sectors and repeals Regulation no. 1129/2020, dated December 30th.

It is also noteworthy the approval of the new Regulation regarding Improper Appropriation of Energy (RAIE), published in the Official Journal, 2nd series, no. 145/2023, on July 27th.

On June 1st, ERSE approved and published the document "Gas tariffs and prices for the gas year 2023-2024", which includes access tariffs to the distribution networks, as well as the prices of regulated services to be in force between October 1st, 2023, and September 30th, 2024. Also approved and published was the document "Parameters for the regulatory period 2024-2027", with the new parameters to be applied in the new regulatory period, which generally confirms the stability trend of the current regulatory framework, starting on January 1st, 2024, until December 2027.

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

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

- Capital cost, defined as the product of the regulated asset base (RAB) and the base rate of return (RoR) published by ERSE, plus the amortization and depreciation of those assets. The RoR is defined by applying a methodology consisting of a set of fixed parameters and a variable component indexed to the daily average price of Portuguese Treasury Bonds (PBY) with a maturity of 10 years, with maximum and minimum values. The average value of the PBY is obtained by taking the average of the daily quotation, minus one-twelfth of the lowest and highest quotation values in the calendar year (January to December);

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

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

- recovery of allowed net operating costs indexed to efficiency factors, GDP deflator and number of active customers;
- additional revenue established in the commercial license;
- differential between average payment and receipt terms; and,

According to current regulatory assumptions, the gas year period is included between October and September of the following year, during which regulated tariffs are applied. Therefore, in 2023, the gas tariffs and prices for the gas year 2022-2023 (from January 1st to September 30th) and the gas tariffs and prices for the gas year 2023-2024 (from October 1st to December 31st) published by ERSE, were applied.

The rate of return on regulated assets (RoR) published in the ERSE document “Gas tariffs and prices for the gas year 2023-2024”, for the period of 2023, was 5.89%, and the regulated companies of Floene considered, in their 2023 exercise, an adjusted RoR of 5.90%, which was calculated according to the methodology mentioned above for the calculation of allowed revenues, reflecting the variation of 2023 PBV.

Investment (CAPEX)

	Thousands of EUR			
	2023	2022	YoY	% YoY
Business development	19,285	26,319	(7,034)	(26.7%)
Other infrastructure	7,523	6,289	1,234	19.6%
Other Investments	14,269	8,582	5,688	66.3%
CAPEX	41,077	41,190	(112)	(0.3%)
IFRS 16	238	505	(267)	(52.9%)
CAPEX+IFRS16	41,315	41,695	(379)	(0.9%)

In 2023, investment amounted to € 41.1 million, remaining at the same level as the previous year.

Investment in business development amounted to € 19.3 million, of which 67% were related to the construction of 127 km of secondary network and 4,833 distribution branches, with Floene's gas distribution network reaching a total length of 13,800 km by the end of 2023. The remaining 33% refers to the infrastructure for new connection points, 14,001 more were connected (including 9,611 conversions/reconversions of the existing segment and 66 new connections for industrial customers), representing an investment of € 6.4 million, guaranteeing the sustainability of the gas distribution system.

By the end of 2023, the total number of connection points with an active contract amounted to 1.1 million customers.

Investment in other infrastructures, based on the economic rationality and operational efficiency of assets, amounted to € 7.5 million and resulted in the identification of opportunities or needs for intervention to guarantee the continued security of supply, the reliability of the equipment and the proper state of operation of all the infrastructure and associated equipment of the gas distribution system. This period also saw follow-up of the plan to renovate the steel and iron network to polyethylene, which is scheduled for completion

in 2026. Noteworthy are the renewal of 10 km of distribution network, as well as reinforcement and restructuring of the existing network.

Floene has a recent gas distribution network, an average of 17 years old, made up mostly of polythene - around 94%.

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

Investment in other activities amounted to € 14.3 million, mostly directed towards operational improvement, modernization of existing assets, specifically replacing meters, and investment in developing new business information systems, as well as the requirements arising from regulatory changes and the ongoing transformation process to strengthen the Group's digitalisation and autonomy.

In February 2023, a revised proposal was submitted for the five-year plan for development and investment in gas distribution networks for the period 2023-2027 (PDIRD-G 2022), which considered the comments received from various organisations, particularly ERSE, and is awaiting approval.

Volumes of distributed gas

Operational indicators	Unit.	2023	2022	YoY	%YoY
Volume distributed	GWh	15,653	16,733	(1,079)	(6.5%)

The volume of natural gas distributed in the distribution network was 15,653 GWh, a decrease of 6.5% YoY, mainly impacted by the decline in the industrial (-7.4%) and domestic (-4.5%) segments, but partially offset by the positive performance of the tertiary segment (+2.8%).

The industrial segment represents about 80% of the volume conveyed in the network, however, about 83% of the revenue comes from the domestic and tertiary segments. Demand from the industrial segment was significantly impacted by the reduction in consumption in the Ceramics, Cogeneration and Pulp/Paper sectors, even though these industries maintained their connection to the network. This was partially offset by an increase in gas consumption in the Food/Beverage, Glass and Iron/Steel sectors.

5.4.3. Quality service, safe and efficient supply

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

Compliance and development projects

In 2023, the Remote Terminal Unit (RTU) Installation Project was concluded and consisted of placing pressure transmitters at relevant points in the network, allowing anomalies to be detected in good time due to an abrupt drop in pressure, thus allowing for greater security and continuity of supply, increasing the speed of action in the event of emergency situations. 102 RTU have been installed.

Since a new Methane Emissions Regulation for the Oil and Gas Sector will soon come into force and anticipating future needs for its applicability with regard to Leak Detection and Repair (LDAR) and Monitoring, Quantification and Reporting of leaks (MRV), Floene decided to carry out a pilot project to evaluate and compare methodologies. This pilot project made it possible to evaluate and compare the leak survey technology currently in use at Floene (on-foot search technology) with mobile leak survey technology (by vehicle), using technology from the company Picarro.

Maintenance and operation of the distribution network

The distribution network of Floene requires permanent management, and its maintenance is essentially preventive. As a DSO, our priority is to improve the overall quality of the system, maintaining a high level of safety and reliability in the network's operation, quality of service and continuity. To this end, we have a preventive maintenance plan that includes regular inspections of most networks, leak detection and other more specific activities. Some examples include the visual inspection and functional control of Reduction and Measuring Stations (RMS), checking the manoeuvrability of valves, the systematic search for leaks along the network, adjusting RMS line settings and inversion, and searching for coating failures of steel pipes.

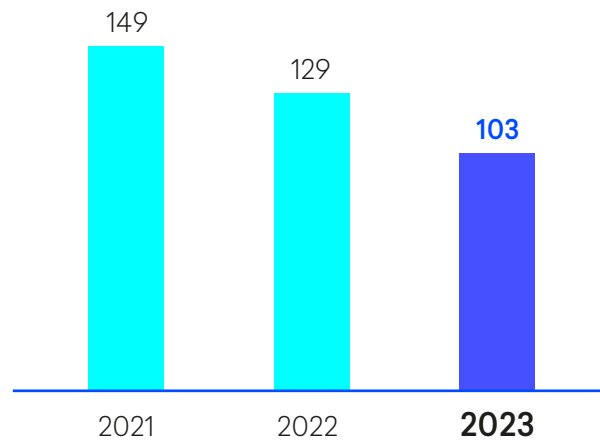
We also have the technical means to monitor works on the public highway to prevent damage caused by third parties.

Third party damages

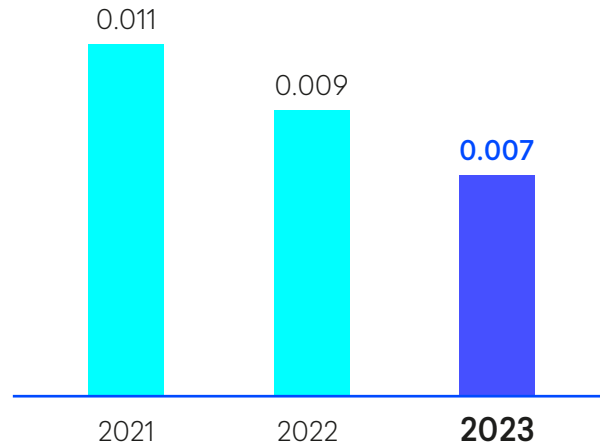
The work carried out by external entities in the vicinity of Floene's distribution network, such as construction and improvement work on the communications network, water or other services, are one of the main risks to the infrastructure's integrity. During 2023, 103 damages by third parties were recorded, a **reduction of 20%** compared to the previous year. There is an active working group at Floene which continuously monitors the evolution of this type of damage, their characterisation and causes, as well as the most appropriate measures and initiatives to reduce their occurrence and the monitorisation of initiatives already implemented, such as:

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

Third party damages



TpD/Network km



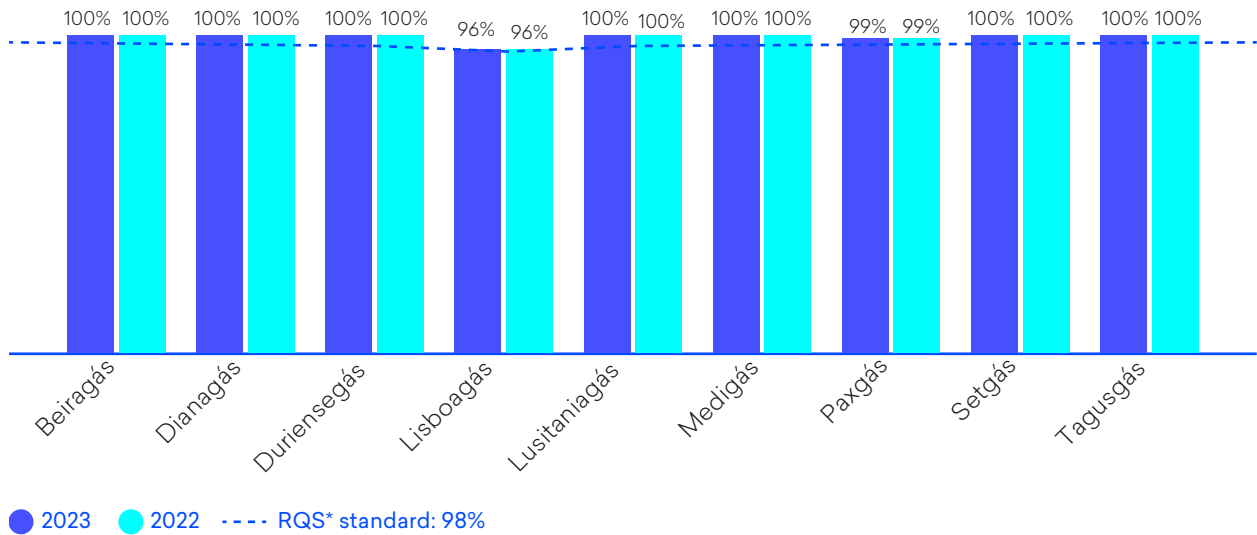
There is an active working group at Floene which continuously monitors the evolution of this type of damage, their characterisation and causes, as well as the most appropriate measures and initiatives to reduce their occurrence

Performance in terms of service quality indicators

In terms of performance in the general service quality indicators in 2023, Floene Group companies met the standards set by ERSE in the

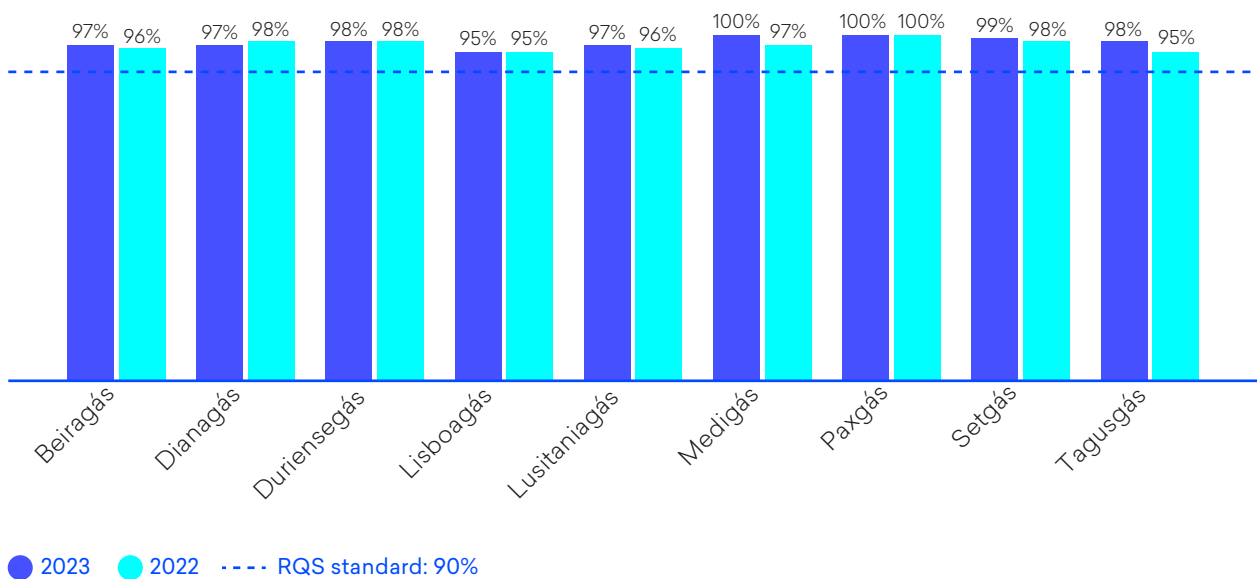
Service Quality Regulation (RQS) for the gas sector, as shown in the graphs below. The companies' [quality of service reports](#) are public and available for consultation on Floene's website.

Number of readings with an interval from the previous reading of less than or equal to 64 days

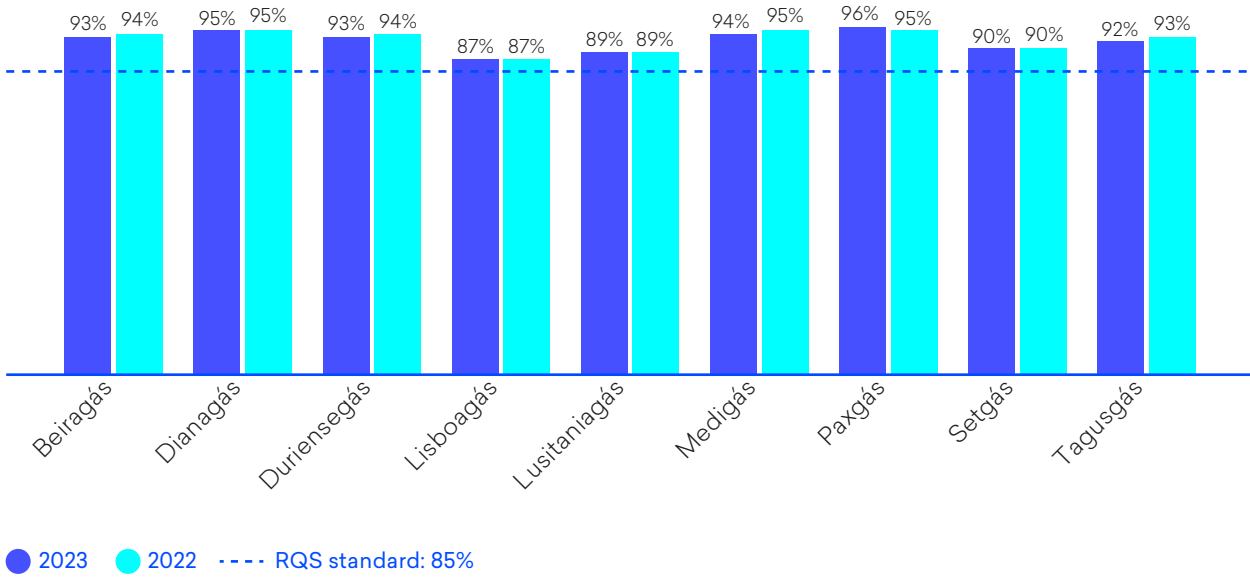


*NOTE: with the publication of the RQS of July 2023, article 86 and annex I, the standard value of this indicator for Lisboagás was changed to 96%.

Number of written requests for information answered within 15 working days or less



Number of commercial telephone calls with a waiting time of 60 seconds or less

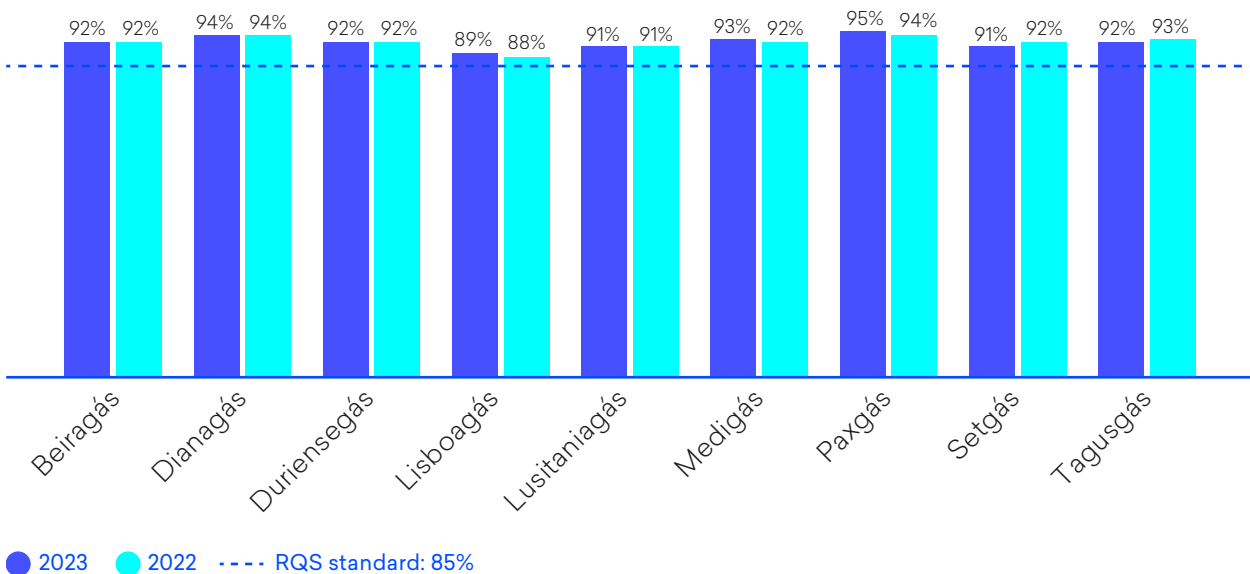


Our emergency response system

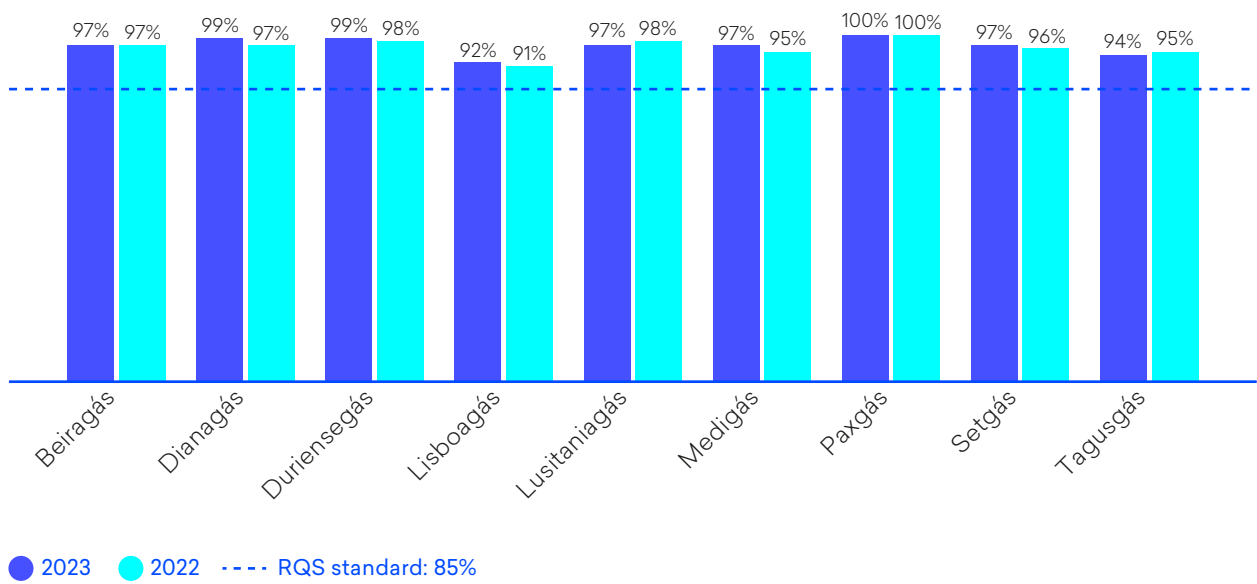
Floene’s Distribution Network Operators make available to customers an emergency system, free of charge and permanent (24 hours a day, 365 days a year) that, after being activated by a phone contact and a triage being made, dispatches a prevention team to the location within a maximum period of 60 minutes.

On site, the occurrence is analysed, and the necessary measures are taken to ensure people and assets’ safety. Such measures may include, for example, the interruption of gas supply. In 2023, the Floene group met the standard objective of the Service Quality Regulation (RQS) regarding emergency responses.

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



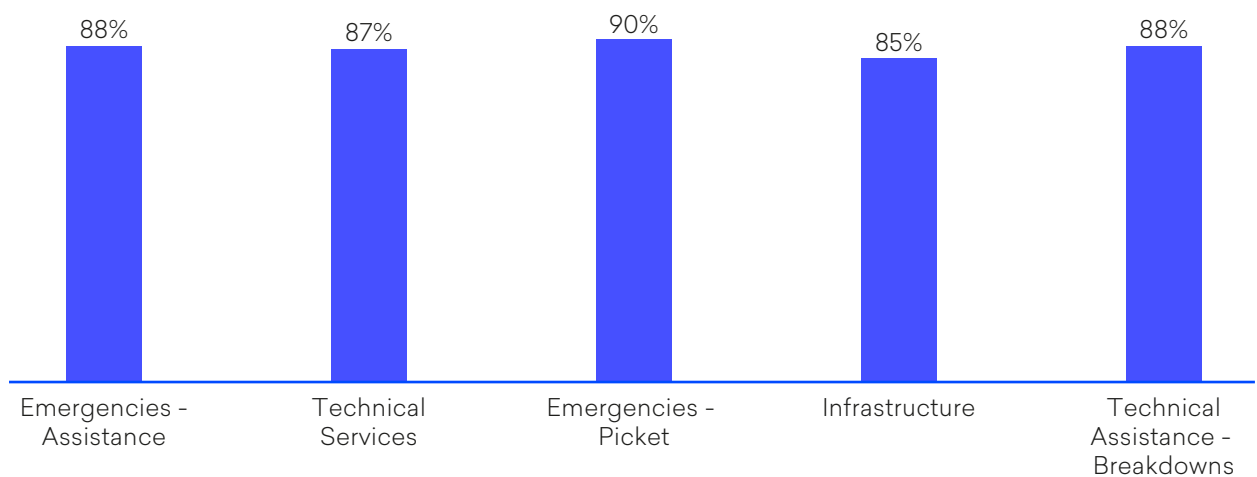
Number of emergency situations with arrival time at the location of less than or equal to 60 minutes



5.4.4. Customer satisfaction

Floene aims to promote excellence in the customer experience and maximise customer satisfaction. The quality of service provided to customers, as a distribution network operator, monitors issues such as service continuity and

characteristics of natural gas supply (technical quality of service) and the services supplied to customers (commercial quality of service). The service quality indicators that we regularly monitor, as provided for in the RQS, demonstrate show high levels of service quality over the years.

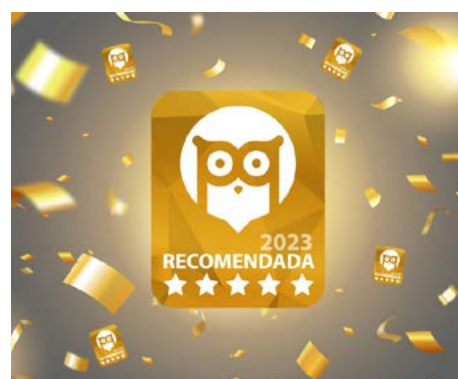


In 2023, in addition to the objective of continuously improving the service provided to gas consumers from different DSO, the mapping of the customer journey emerged as an additional focus.

The customer journey systematizes the gas consumer's experience from their search for the service to the possible disconnection from the distribution network. This mapping results

in a diagram of all consumer touchpoints with the company and their influence on the perception of the company's image by customers, allowing identification of improvement opportunities and adjustment of processes according to consumer needs.

We were recognized in 2023 as a Recommended Brand of the Year by Customer Trust, through an evaluation carried out on the *Portal da Queixa* Platform, regarding the excellent customer support service.



We also obtained certification for the customer support service from the Portuguese Contact Center Association.

5.4.5. Financial Performance

Consolidated Results

	Thousands of EUR			
	2023	2022	YoY	%YoY
Turnover	167,315	159,357	7,958	5.0%
Net operating costs	(64,693)	(57,091)	(7,602)	13.3%
Cost of sales	(4,525)	(2,566)	(1,959)	76.4%
External services	(42,483)	(40,979)	(1,504)	3.7%
Personnel costs	(25,602)	(22,477)	(3,125)	13.9%
Other operating income (costs)	9,065	9,018	48	0.5%
Impairment losses on other receivables	(1,148)	(87)	(1,062)	1,226.3%
EBITDA	102,622	102,266	356	0.3%
Amortisation, depreciation and impairment ¹	(49,446)	(48,570)	(875)	1.8%
Provisions	272	(597)	869	(145.6%)
EBIT	53,449	53,099	350	0.7%
Financial results¹	(22,850)	(11,124)	(11,725)	105.4%
Profit before tax	30,599	41,975	(11,375)	(27.1%)
Income tax	(8,299)	(10,676)	2,377	(22.3%)
Extraordinary levy on the energy sector	(5,275)	(11,479)	6,204	(54.0%)
Consolidated net profit attributable to:	17,025	19,819	(2,794)	(14.1%)
Uncontrolled interests	(1,049)	(877)	(172)	19.6%
Floene shareholders	15,976	18,942	(2,966)	(15.7%)

1. Includes IFRS 16



We were recognized in 2023 as a Recommended Brand of the Year by Customer Trust, through an evaluation carried out on the *Portal da Queixa* Platform, regarding the excellent customer support service

The turnover, in 2023, amounted to € 167.3 million, an increase of 5.0% compared to the previous year (YoY). This evolution is explained, on the one hand, by the increase in regulated income of € 4.9 million and € 0.6 million, from the distribution and last resort retail supply (LRS) activities, respectively, and, on the other hand, by the increase in sales from the LRS activity of around € 2 million, which corresponds to the energy tariff with a pass-through effect through costs.

The above-mentioned allowed revenues, including the distribution and LRS activities, recorded a growth 3.7% YoY to € 153.2 million, positively impacted by the increase in the base rate of return (RoR) to 5.90% in 2023 (from 5.49% in 2022), reflecting the increase in the interest rates on Portuguese Treasury Bonds 10-year maturity, as referred in [chapter 5.4.2](#). The allowed revenues were calculated based on the real value, as at 31 December 2023, of the variables that contribute to their calculation, according to the methodology published by ERSE for the current regulatory period.

Net operating costs increased from € 7.6 million to € 64.7 million. It should be noted that these costs include € 13.1 million in pass-through costs

(costs accepted by the tariff), which increased by € 2 million in terms of the energy tariff, as mentioned above. Apart from this effect, net operating costs were € 51.6 million, an increase of 11.4% YoY, explained by: i) an increase in personnel costs (+13.9% YoY), mainly due to the increase in the number of employees and salary increases; ii) an increase in external supplies and services (+3.7% YoY); and iii) an increase in impairment losses on other receivables (+1,226.3% YoY) due to the creation of impairments relating to the pass-through tariff deviation of the last resort retail supply activity, which is more than two years for Dianagás and Medigás Group companies, of € 0.814 million and € 0.456 million, respectively.

Floene's consolidated EBITDA totalled € 102.6 million, an increase of 0.3% YoY. This favourable evolution is mainly explained by the positive contribution of RoR, of around EUR 4.2 million, as mentioned above, unfavourably offset by the increase in operating costs.

EBIT increased by 0.7% YoY to € 53.4 million, with the increase in depreciation and amortisation of € 0.9 million being offset by a decrease of the same amount in provisions, a result of the favourable outcome of legal proceedings.

Financial results were negative in € 22.9 million, an increase of 105.4% YoY, due to the renegotiation of debt in an adverse macroeconomic context, with a significant increase in interest rates, in line with what was seen on the financial markets. The average cost of financing was 2.71%, which represents an increase of 1.01 p.p. YoY, also benefiting from the proportion of interest recorded under the 2023 pre-refinancing. Despite the increase in financial costs of € 18.2 million, these were partially offset by an increase in financial income of € 6.5 million as a result of taking advantage of market opportunities.

The net income attributable to Floene reached € 16.0 million, a decrease of 15.7% YoY which is explained, on one hand, by the increase in

financial costs mentioned above and, on the other, continues to be significantly impacted by the Extraordinary Contribution on the Energy Sector (CESE). In 2023, the CESE had a positive variation due to the reversal of the provision by € 7.1 million, following decisions by the

Constitutional Court, ruling this tax unconstitutional for 2018, in favour of the Lisboagás and Paxgás Group companies, and the decision by the South Central Administrative Court, in turn, in favour of the Setgás Group company for the same year.

Cash Flow

Thousands of EUR

	2023	2022	YoY	%YoY
Cash and cash equivalents at the beginning of the period	87,523	67,484	20,039	29.7%
Cash flow from operating activities	62,901	82,644	(19,743)	(23.9%)
Cash flow from investing activities	(34,468)	(33,910)	(558)	1.6%
Investment (tangible and intangible assets)	(39,733)	(34,103)	(5,630)	16.5%
Subsidies	217	190	27	14.2%
Receipt of interest and similar income	5,048	3	5,045	185,605.0%
Free Cash Flow	28,433	48,734	(20,300)	(41.7%)
Loans obtained	599,160	0	599,160	100.0%
Loan repayments	(601,042)	(1,042)	(600,000)	57,598.9%
Financial charges ¹	(19,515)	(12,653)	(6,862)	54.2%
Payment of dividends	(15,054)	(15,000)	(54)	0.4%
Net cash variation	8,017	20,040	(28,057)	(140.1%)
Effect of exchange rate differences	(1)	0	(1)	(100.0%)
Cash and cash equivalents at the end of the period	79,505	87,523	(8,018)	(9.2%)

1. Includes lease payments and lease interest (IFRS 16)

The cash flow from operating activities amounted to € 62.9 million, down 23.9% YoY. This mainly reflected the following effects: i) an increase of € 9.2 million in payments to suppliers, including payments through the compensation mechanism between distributors; ii) an increase of € 5.9 million in income tax payments, and iii) a reduction of around € 5.2 million in customer receivables, due to the decrease in the volumes of gas distributed, which was not offset by the 5.5% average increase in tariffs.

In 2023, as a result of the unfavourable decisions of the Constitutional Court, some of the Companies of the Floene Group (Paxgás and Setgás), paid CESE, referring to previous years, in the amount of € 2 million. This payment was fully compensated by Floene shareholders through ancillary capital contributions subject to the supplementary capital contributions legal regime.

Free Cash Flow reached € 28.4 million, a decrease of € 20.3 million, basically explained by the reduction in cash flow from operating activities mentioned above, since the increase in Capex paid of € 5.4 million was offset by the receipt of interest and similar income of € 5.0 million.

The financial charges increased YoY to €19.5 million, as a result of debt refinancing, which implied

a rise in interest payments compared to the previous period. Financial charges were also negatively impacted by the increase in debt servicing, marked by worsening financial market conditions.

The balance of cash and equivalents available at the end of the period was € 79.5 million.

Financial situation

	Thousands of EUR		
	2023	2022	YoY
Net fixed assets	1,120,897	1,128,174	(7,278)
Active use rights (IFRS 16)	10,279	11,078	(800)
Working capital ¹	26,470	22,313	4,157
Subsidies to investment	(189,070)	(197,489)	8,418
Other non-current assets (liabilities)	(106,142)	(112,123)	5,980
Capital employed	862,432	851,954	10,478
Short-term debt	71,444	601,042	(529,598)
Medium-long term debt	599,896	72,337	527,558
Total debt	671,340	673,379	(2,039)
Cash and cash equivalents	79,505	87,523	(8,019)
Net debt	591,835	585,856	5,979
Leases (IFRS 16)	11,016	11,720	(704)
Equity	259,581	254,378	5,203
Equity, net debt and leases	862,432	851,954	10,478
Net Debt to Equity	2.3x	2.3x	-

1. Working capital = Current assets - Current liabilities (excluding cash and equivalents, short-term debt, short-term leases and short-term subsidies)



Floene has reinforced its commitment to maintaining an Investment Grade credit profile, reaffirmed at the beginning of June by S&P at “BBB-”, with a stable Outlook.

As of December 31, 2023, Floene’s net fixed assets were € 1,120.9 million, a decrease of € 7.3 million YoY, due to the fact that the level of investment did not offset the amortisations and depreciations of the period.

Working capital increased by € 4.2 million YoY, mainly impacted by the current tax on income receivable of € 4.9 million. Other non-current assets/liabilities decreased by € 6.0 million YoY to € 106.1 million, mainly due to the € 10.8 million YoY increase in the tariff deviation.

The balance of the tariff deviation to be recovered, relating to regulated distribution and pass-through activities, amounted to € 44.3 million.

Floene’s net financial debt at the end of December 2023 was € 591.8 million, corresponding to an increase of € 6.0 million YoY, mainly due to the reduction in cash and cash equivalents to € 79.5 million.

During 2023, despite unfavourable financial market conditions with high volatility and a general rise in interest rates, it was possible to successfully complete the Group’s refinancing, with the following financing operations having been concluded:

- At the beginning of March 2023, the company carried out a partial repurchase of its EMTN 2016 bond loan, in the amount of € 180 million through a Liability Management Exercise (“LME”). This transaction was financed

through a three-year Syndicated Bond Loan with a variable interest rate indexed to the Euribor and a contractualised spread. Following this operation, Floene kept € 420 million of its EMTN 2016 loan, with a fixed rate and maturing in September 2023. On the same date, the € 600 million Back-stop facility was partially cancelled in the amount of € 180 million.

- At the end of June 2023, Floene issued a € 420 million five-year EMTN bond, maturing in July 2028, with a coupon of 4.875% and admitted to trading on Euronext Dublin. As a result, the backstop facility was fully cancelled in July. The increase in the interest rate was partially mitigated by the revision of the rate of return on regulated assets.
- The refinancing process of the EMTN 2016 bond loan, completed in September 2023 with the full repayment of the € 420 million outstanding amount on maturity date, reduced the company’s financial risk, allowing for greater diversification of its funding sources, maturities, and interest rate profile, with 38% of the debt at variable rates and 62% at fixed rates.

With this transaction, Floene has reinforced its commitment to maintaining an Investment Grade credit profile, reaffirmed at the beginning of June by S&P at ‘BBB-’, with a stable Outlook.





The logo for FLORENE, featuring the word "FL" in white, a blue-to-white gradient circle, and the word "ENE" in white. The background is a dark blue-tinted forest scene with large trees and a path.

FL ENE

A circular inset showing a close-up of a tree trunk with a hollowed-out section, set against a background of green foliage and sunlight filtering through the trees.

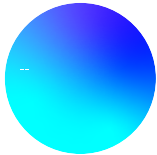
06.

A circular inset showing a forest path with a large rock on the right side, surrounded by trees and greenery.

**Future
prospects**

06.

Future prospects



The development of biomethane will promote the circular economy around waste valuing, create jobs, economic growth, and strengthen territorial cohesion.



The Company will continue to focus on promoting and accelerating the decarbonization of gas infrastructure, through the development of various renewable gases projects and in strategic partnerships

The year 2024 is expected to continue to be a challenging year from an economic standpoint, with the maintenance of inflationary pressure at high levels, which could compromise the reduction of interest rates and, consequently, the stimulation of growth.

External geopolitical tensions are expected to remain high, as in addition to the current wars in Ukraine and the Middle East, significant political events will occur, such as elections in Europe and the United States. In Portugal, the election results also brought a challenging political context, with expectations of strong pressure from the opposition regarding the new government.

Floene enters 2024 with the mission of continuing and completing by 2025 the execution of its internal transformation process, resulting in a demanding stage of the restructuring and autonomy of our Company. This involves the commitment and mobilization of the entire organization, which will be an excellent opportunity to develop the business in a more sustainable, agile, and digital way.

Floene will also continue to invest in the expansion and modernization of its distribution network, ensuring access to the largest number of consumers and economic agents in line with the objectives of the PDIRD, maintaining the sustainability and safety of the national gas system, as well as the profitability of the asset it manages.

At the same time, the Company will continue to focus on promoting and accelerating the decarbonization of gas infrastructure, through the development of various renewable gases projects, strategic partnerships with local producers, municipalities, industrial associations, academia, and other relevant agents, in order to support its customers and the communities where it operates in building a more sustainable energy future for Portugal.

In the context of the Portuguese energy policy, and given the imperative of decarbonizing the energy sector, Floene welcomed and participated in the public consultation process on the Biometano Action Plan 2024-2040 (PAB). This plan, already approved by Resolution of the Council of Ministers No. 41/2024 of March 15, 2024, establishes an integrated and sustained strategy for the development of the biomethane value chain and the promotion of this market in Portugal in the coming years.

Floene considers that the development of biomethane in Portugal represents not only an opportunity for the country to drive its energy transition towards a more sustainable, fair, and accessible economy for all, but also to promote the circular economy around waste valuing, create jobs, economic growth, and strengthen territorial cohesion.



07.

Proposed allocation of results

07.

Proposed allocation of results

Floene closed the 2023 financial year with a positive net profit of € 3,579,031.47 (three million, five hundred and seventy-nine thousand, thirty-one euros and forty-seven cents), calculated on an individual basis in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under the terms of the law, that the net profit for the year 2023 of € 3,579,031.47 be applied as follows:

- Allocation to the legal reserve in the amount of € 178,951.57;
- Transfer to retained earnings of € 3,400,079.90.

It is also proposed that a maximum amount of up to € 4,127,077.92 be distributed to Floene Group employees and executive directors, as profit sharing for 2023, an amount already recognised and expressed in the consolidated financial statements of Floene and in the individual financial statements of each of its participated companies. The respective net results for 2023 were already calculated considering that amount.

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





08.

**Relevant facts
occurring after
the close of the
financial year**

08.

Relevant facts occurring after the close of the financial year

On March 8, 2024, the Company entered into a Commercial Paper Program in the amount of € 79 million, aimed to strength its financial position. The Commercial Paper Program has a term of four years (counting from the first issuance date) and bears a variable interest rate, indexed to Euribor and a contractual spread. On 24 April 2024, the Company completed the early repayment of the Bond Loan in the amount of € 70 million, which would mature on 1 August 2024, through Cash and cash equivalents.

On 19 March 2024, Setgás was notified of judgment no. 197/2024 handed down by the Constitutional Court regarding the 2019 CESE, with a non-final decision in favour of the Company. The financial impact of this verdict amounts to around € 1.5 million.







09.

About this report

09.

About this report

Floene Energias S.A. has published its Management Report and Consolidated and Individual Accounts 2023, as required by current regulations and standards, which includes the reporting of financial and non-financial/sustainability information.

This report has been prepared in accordance with the applicable globally recognised standards and guidelines, namely: the Commercial Companies Code (CSC) guidelines on the content of the management report and transparency and market abuse regulations on Issuer Disclosure Obligations, as well as the Euronext Dublin Listing Rules.

Regarding the reporting of financial information, the consolidated and individual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

With regard to reporting non-financial/sustainability information, this report complies with the principles of the AA1000 Stakeholders Engagement Standard, with a view to analysing materiality, and

in accordance with the GRI (Global Reporting Initiative) standards version 2021, and includes Floene's commitments, strategies, initiatives, projects and programs for the period between 1 January and 31 December 2023. This report is published annually.

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

Throughout the report, there are hyperlinks to internal chapters and external websites that provide additional information on the topics covered.

Acknowledgements

Floene's Board of Directors would like to say a word of appreciation to everyone who, individually or jointly, contributed to the results achieved and to the preparation of this report. Floene is committed to constantly improving the quality of its services and its social and environmental impact.

Feedback and contacts

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

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1600-209 Lisboa, Portugal

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

ir@floene.pt

ESG@floene.pt

Lisbon, 24 April 2024

The Board of Directors

Diogo António Rodrigues da Silveira
Chairman

Gabriel Nuno Charrua de Sousa
Member

Roxana Tataru
Member

Satoshi Kanomata
Member

Karl Klaus Liebel
Member

Pedro Álvaro de Brito Gomes Doutel
Member

Ippei Kojima
Member

Carlos Miguel Faria da Silva
Member

Nuno Luís Mendes Holbech Bastos
Member



FL  ENE

10.
Annexes

10.

Annexes

Annex I – Mandatory Information

As of today, the composition of Floene's governing bodies for the current 2022-2024 term is as follows:

A. Governing bodies

- **General Meeting Board**

Pedro Schiappa Pietra Ferreira Cabral, Chairman⁽¹⁾
Rafael de Almeida Garrett Lucas Pires, Secretary

- **Company Secretary**

Pedro Maria Soares Cruz Teles Feio, Member
Ana Trouillet Pessoa, Alternate

- **Board of Directors**

Diogo António Rodrigues da Silveira, Chairman
Roxana Tataru, Member
Karl Klaus Liebel, Member
Ippei Kojima, Member
Nuno Luís Mendes Holbech Bastos, Member
Gabriel Nuno Charrua de Sousa, Member (CEO)
Satoshi Kanomata, Member (CSO)⁽²⁾
Pedro Álvaro de Brito Gomes Doutel, Member (CFO)
Carlos Miguel Faria da Silva, Member (COO)⁽³⁾



● Executive Committee

Gabriel Nuno Charrua de Sousa, CEO

Satoshi Kanomata, CSO⁽²⁾

Pedro Álvaro de Brito Gomes Doutel, CFO

Carlos Miguel Faria da Silva, COO⁽³⁾

● Audit Board⁽³⁾

Pedro Miguel Ribeiro de Almeida Fontes Falcão, Chairman

João Albino Cordeiro Augusto, Member⁽⁴⁾

José Carlos Carvalho Brites, Member

Amável Alberto Freixo Calhau, Alternate Member

● Statutory Auditor

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

Rita da Silva Gonçalves dos Santos, ROC no. 1681, Member

José Manuel Henriques Bernardo, ROC no. 903, Alternate

(1) Annual General Shareholders' Meeting of 28 April 2023

(2) Shareholders unanimous written resolution of 22 May 2023

(3) Shareholders unanimous written resolution of 22 June 2023,
with effect on June 12, 2023

(4) Shareholders unanimous written resolution of 4 October 2023

B. Qualifying holdings in the company's share capital on 31 December 2023

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

C. Own shares

(Article 66(d) and 325-A(1) of the Companies Code)

During the 2023 financial year, Floene did not acquire or sell any of its own shares.

On 31 December 2023, Floene did not hold any own shares.

D. Shareholding position of the members of the management and supervisory bodies as at 31 December 2023

(Article 447(5) of the Companies Code)

None of the members of the management and supervisory bodies held any Floene shares or bonds on 31 December 2023.

E. Annual amount of remuneration received, both in aggregate and individually, by the members of the management, supervisory and general meeting Board of Directors of the Company in 2023

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

The gross annual amount of remuneration earned in aggregate and individually in 2023 by the members of the Company's management, supervisory and general meeting bodies currently in office is shown in the table below.

Directors

						EUR
Name	Position	Period	Fixed Remuneration ¹	Other Remunerations ²	Variable Remuneration ³	Total
Diogo da Silveira	Chairman of the Board of Directors non-executive	Year 2023	213,000	0	0	213,000
Gabriel Sousa	Executive director (CEO)	Year 2023	180,000	2,939	58,392	241,331
Pedro Doutel	Executive director (CFO)	Year 2023	160,000	2,893	44,944	207,838
Yoichi Onishi	Executive director (CSO)	1 Jan. 23-1 Jun. 23	44,946	27,480	24,567	96,992
Satoshi Kanomata	Executive director (CSO)	1 Jun. 23-31 Dec. 23	57,267	45,556	0	102,823
José Vieira	Executive director (COO)	1 Jan. 23-11 Jun. 23	63,667	1,304	0	64,970
Miguel Faria	Executive director (COO)	12 Jun. 23-31 Dec. 23	85,883	1,635	0	87,519
Total			804,764	81,806	127,903	1,014,473

(1) Includes amounts related to Salary, Holiday Allowance and Christmas Allowance

(2) Includes amounts related to Food Allowance and amounts associated with expatriation

(3) Includes amounts relating to the Profit Sharing Bonus

Audit Board

				EUR
Name	Position	Period	Fixed Remuneration	
Pedro Falcão	Chairman	Year 2023	30,000	
Carlos Brites	Member	Year 2023	25,000	
Manuel Brito ^(a)	Member	1 Jan. 23 - 31 Oct. 23	11,250	
João Augusto ^(b)	Member	1 Oct. 23 - 31 Dec. 23	3,629	
Total			69,879	

(a) Death

(b) Replacement of Member Manuel Brito

Board of the General Meeting

EUR

Name	Position	Period	Attendance fees
Nuno Cunha Rodrigues	Chairman	Year 2023	359
Rafael Lucas Pires	Secretary	Year 2023	500
Total			859

Statutory Auditor/External Auditor

The value of audit services in 2023 amounted to € 105,512 and for other services non-audit amounted to € 102,779.

In 2023, the following services, other than auditing services were provided by the Statutory Auditor/ External Auditor and the entities belonging to its network, to the Company and to the companies in a control relationship with it:

- Limited Review of Floene's half year accounts;
- Reliability assurance services and agreed procedures on physical quantities, subsoil occupation levies and regulated accounts of Group Companies for regulatory purposes;
- Reliability assurance services on Expenditure Maps within the scope of the Energy Consumption Efficiency Promotion Plan (PPEC);
- Services provided within the scope of the prospectus prepared by Floene for the purposes of the bond issuance program.

Following the amendment to article 3 of the Legal Regime for Audit Supervision, approved by Law 99-A/2021 of December 31st, with entry into force on January 1st, 2022, Floene no longer meets the criteria for classify as an Entity of Public Interest in Portugal with reference to that date. In these circumstances, the limit for non-audit services provided for in paragraph 2 of article 4 of EU Regulation no. 537/2014 no longer applies. Until the issuance of bonds under the EMTN 2023 Program, Floene was not an issuer of securities admitted to trading on a regulated market in the European Union.

F. Provision of services to Group companies and creditor positions with subsidiaries

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

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

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

In accordance with the reporting principles applicable to annual financial information, each of the members of the Board of Directors listed below hereby declare that, to the best of their knowledge, the management report, the individual and consolidated annual accounts, the auditor's report and other accounting documents relating to the 2023 financial year were prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial position, and the results of Floene and the companies included in the consolidation perimeter. It is also stated that the management report faithfully describes the evolution of the business, the performance, and the position of Floene, and the companies included in the consolidation perimeter, as well as contain a description of the main risks and uncertainties that Floene and the companies included in the consolidation perimeter face in their activity.

Lisbon, 24 April 2024

The Board of Directors

Diogo António Rodrigues da Silveira

Chairman

Gabriel Nuno Charrua de Sousa

Member

Roxana Tataru

Member

Satoshi Kanomata

Member

Karl Klaus Liebel

Member

Pedro Álvaro de Brito Gomes Doutel

Member

Ippei Kojima

Member

Carlos Miguel Faria da Silva

Member

Nuno Luís Mendes Holbech Bastos

Member

Annex III a) – Financial Statements – Consolidated

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

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Consolidated Statement of Financial Position

Consolidated statement of Financial Position as at 31 December 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

Assets	Notes	2023	2022
Non-current assets			
Tangible assets	5	454	445
Goodwill	9	2,275	2,275
Intangible assets	6	1,120,442	1,127,729
Right-of-use of assets	7	10,279	11,078
Deferred tax assets	17	11,416	14,364
Other receivables	12	28,077	20,055
Other financial assets	13	3	3
Total non-current assets		1,172,946	1,175,950
Current assets			
Inventories	11	1,209	1,200
Trade receivables	12	10,565	9,260
Other receivables	12	63,470	62,025
Current income tax receivable	17	4,921	-
Cash and cash equivalents	14	79,505	87,523
Total current assets		159,670	160,009
Total assets		1,332,616	1,335,959

(Amounts stated in thousand Euros - € k)

Equity and Liabilities	Notes	2023	2022
Equity			
Share capital	23	89,529	89,529
Ancillary capital contributions	23	21,588	19,516
Reserves	23	13,223	13,037
Retained earnings		113,152	111,206
Total equity attributable to shareholders		237,493	233,289
Non-controlling interests	24	22,088	21,089
Total equity		259,581	254,378
Liabilities			
Non-current liabilities			
Financial debt	15	599,896	72,337
Lease liabilities	7	9,923	10,610
Other payables	16	181,310	190,144
Post-employment and other employee benefit liabilities	18	44,441	47,130
Deferred tax liabilities	17	18,588	18,755
Provisions	19	84,060	81,069
Total non-current liabilities		938,219	420,046
Current liabilities			
Financial debt	15	71,444	601,042
Lease liabilities	7	1,093	1,110
Trade payables	16	10,683	8,445
Other payables	16	51,597	47,381
Current income tax payable	17	-	3,557
Total current liabilities		134,817	661,535
Total liabilities		1,073,035	1,081,581
Total equity and liabilities		1,332,616	1,335,959

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 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

	Notes	2023	2022
Sales	25	6,188	3,842
Services rendered	25	161,127	155,515
Other operating income		43,613	47,499
Financial income	25 and 28	6,640	130
Total revenue and income		217,568	206,986
Cost of sales	26	(4,525)	(2,566)
Supplies and external services	26	(42,483)	(40,979)
Staff costs	27	(25,602)	(22,477)
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	26	(49,446)	(48,570)
Provisions	19 and 26	272	(597)
Impairment losses on accounts receivable	12 and 26	(1,148)	(87)
Other operating costs	26	(34,547)	(38,481)
Financial expenses	26 and 28	(29,490)	(11,254)
Total costs and expenses		(186,969)	(165,011)
Profit before taxes and other contributions		30,599	41,974
Income Tax	17	(8,299)	(10,676)
Energy Sector Extraordinary Contribution	19	(5,275)	(11,479)
Consolidated net income for the year		17,025	19,819
Income attributable to:			
Floene Energias, S.A. shareholders		15,976	18,942
Non-controlling interests	24	1,049	877
Basic and diluted earnings per share (in Euros)		0.18	0.21
Consolidated net income for the year		17,025	19,819
Items which will not be recycled in the future through net income			
Remeasurements - pension benefits	18	1,187	12,449
Income taxes related to actuarial gains and losses	17 and 18	(31)	(2,138)
Total other comprehensive income:		1,156	10,310
Total comprehensive income for the year, attributable to:		18,181	30,130
Floene Energias, S.A. shareholders		17,132	29,253
Non-controlling interests		1,049	877

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 2023 and 31 December 2022

(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 2022		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		-	-	-	(15,000)	(15,000)	-	(15,000)
Increase/decrease in reserves		-	-	957	(957)	-	12	12
As at 31 December 2022		89,529	19,516	13,037	111,206	233,289	21,089	254,378
As at 1 January 2023		89,529	19,516	13,037	111,206	233,289	21,089	254,378
Consolidated net income for the year		-	-	-	15,976	15,976	1,049	17,025
Other comprehensive income	18	-	-	-	1,156	1,156	-	1,156
Comprehensive income for the year		-	-	-	17,132	17,132	1,049	18,181
Dividends distributed	23	-	-	-	(15,000)	(15,000)	-	(15,000)
Increase/decrease in reserves	23	-	-	186	(186)	-	(50)	(50)
Constitution of ancillary capital contributions	23	-	2,072	-	-	2,072	-	2,072
As at 31 December 2023		89,529	21,588	13,223	113,152	237,493	22,088	259,581

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 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

	Notes	2023	2022
Operating activities			
Cash received from customers		221,012	226,193
(Payments) to suppliers		(66,164)	(56,997)
(Payments) to staff		(28,733)	(30,223)
(Payments) relating to VAT		(28,344)	(28,709)
(Payments) relating to income tax	17	(14,021)	(8,106)
(Payments) relating to subsoil occupation levies		(18,637)	(17,323)
(Payments, net) relating to Energy Sector Extraordinary Contribution	19 and 23	60	(13)
Other receipts relating to the operational activity		(2,272)	(2,177)
Cash flow from operating activities (1)		62,901	82,644
Investing activities			
(Payments) for the acquisition of tangible and intangible assets		(39,516)	(33,913)
Cash received from interest and similar income		5,048	3
Cash flow used in investing activities (2)		(34,468)	(33,910)
Financing activities			
Cash received related to loans obtained	15	599,160	-
(Payments) related to loans obtained	15	(601,042)	(1,042)
(Payments) of interests and similar costs		(18,273)	(11,490)
Payments relating to leases	7	(915)	(815)
Payments relating to lease interests	7	(328)	(348)
Dividends paid	23	(15,054)	(15,000)
Cash flow used in financing activities (3)		(36,451)	(28,694)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(8,017)	20,040
Effect of exchange rate change on cash and cash equivalents		(1)	-
Cash and cash equivalents at the beginning of the year	14	87,523	67,484
Cash and cash equivalents at the end of the year	14	79,505	87,523

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

Notes to the Consolidated Financial Statements as at 31 December 2023

1. Introductory Note

Parent-Company

Floene Energias, S.A. (“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.

The Group

On 31 December 2023, Floene Energias, S.A. and its subsidiaries (jointly as “Group” or “Floene Group”), developed their activities in the distribution and last resort commercialisation of natural gas.

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

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

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

Gas Activity

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

This public service was granted by the Portuguese State to the Floene Group companies, five of which operate under a Concession contract for a period of 40 years starting in 2008 (until the year 2047), while the others operate under exploration licenses for operating the local distribution network, for a period of 20 years, from 1 January 2008 until 2027 and, as it supplies gas to less than 100,000 customers last resort commercialisation retailer licenses were also granted, to the commercialisation to customers with consumption below 2Mm³/year, who choose to remain under the regulated tariff regime. The licenses for gas distribution and commercialisation, whose period ended in 2022, were reissued in February 2022, pursuant to paragraph 2 of article No. 70 of Decree-Law 140/2006 from 26 July, starting from 1 January 2008 to 31 December 2027, similar to the other licenses held by the Group.

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

Subsidiary	Licences and period
Beiragás – Companhia de Gás das Beiras, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution and Last Resort Commercialisation Retailer activities.
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution and Last Resort Commercialisation Retailer activities.
Lusitaniagás - Companhia de Gás do Centro, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution activity.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Concession Area: for a period of 40 years from 1 January 2008 until the year 2047 for the Distribution activity.
Setgás - Sociedade de Distribuição 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 Distribuidora 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 2023, some sector regulations were reviewed, with their respective publication in the Republic Diary No. 146/2023, series II of 28 July:

- Regulation No. 825/2023, which approves the Gas Sector Tariff Regulation and revokes Regulation No. 368/2021, of 28 April, and Regulation no. 583/2022, of 28 June;
- Regulation No. 826/2023, which approves the Service Quality Regulation for the Electricity and Gas Sectors and revokes Regulation No. 406/2021, of 12 May; and
- Regulation No. 827/2023, which approves the Regulation on Commercial Relations for the Electricity and Gas Sectors and revokes Regulation no. 1129/2020, of 30 December.

Was also approved the new Regulation related to Energy Misappropriation, published in the Republic Diary No. 145/2023, Series II of 27 July.

The Energy Services Regulatory Entity (“ERSE”) approved and published on 1 June the document “Natural gas tariffs and prices for the gas year 2023-2024”, which integrate the tariffs for access to distribution networks, as well as such as the prices for regulated services to be in force between 1 October 2023 and 30 September 2024. The document “Parameters for the 2024-2027 regulation period” was also approved and published, with the new parameters to be applied in the new period regulatory framework, which generally confirms the stability trend of the current regulatory framework that will begin on 1 January 2024 until December 2027.

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

Due to the current situation resulting from the geopolitical conflict between Russia and Ukraine, the Company’s Management continues to monitor the evolution of the situation, in order to control possible operational risks, guarantee the maintenance of its activities and mitigate any materially relevant financial impacts. Until the date of approval of the accounts, the geopolitical conflict with Russia had no significant impact on the activity.

2. Significant accounting policies, judgments and estimates

The material information of the main policies adopted by the Company to prepare the financial statements is explained below. During the year ended 31 December 2023, no material misstatements related to previous years were recognised.

Basis of presentation

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

Company’s consolidated financial statements were prepared on a going concern basis, at historical cost, on the accounting records of companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2023. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Committee (“IASC”) and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee (“SIC”) and International Financial Reporting Interpretation Committee (“IFRIC”). These standards and interpretations are hereinafter referred to as “IFRS”.

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

Information disclosure

Due the United Kingdom's exit from the European Union, and since the bonds issued by Floene Energias, S.A. under the Euro Medium Term Note Program of 2016 ("EMTN 2016") 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 Mobiliários"). Thus, Floene Energias, S.A. became to be subject to the supervision of the Financial Conduct Authority (FCA) and to provide and disclose relevant information in accordance with the reporting and transparency obligations established by the FCA for issuers of securities.

It should also be noted that in 2022, 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).

On 3 July 2023, the Company concluded the EMTN 2016 refinancing process, with the issuance of a bond loan, admitted to trading on the Euronext Dublin regulated market. For the purposes of the Transparency Directive and Market Abuse Regulation, and following the latest securities issuance, Floene became subject to the supervision of the CBI (Central Bank of Ireland) and to provide and disclose relevant information in accordance with reporting and transparency obligations applicable to Ireland.

Pursuant to Law no. 99-A/2021 of 31 December, Floene does not qualifies as a Public Interest Entity in Portugal due to its securities not being admitted to trading in a regulated market located in Portugal.

Judgments and estimates

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

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

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

Accounting policy

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. Impacts resulting from the application of new standards or changes to IFRS standards

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 2023, are summarised in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar two model rules (issued on 23 May 2023)	09/11/2023	Immediately and 01/01/2023 for annual reporting periods	2023	No relevant Impact
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 arising from a single transaction (issued on 7 May 2021)	12/08/2022	01/01/2023	2023	No relevant 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, change in estimates, errors, restatement: Disclosure of accounting estimates (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No relevant impact
IFRS 17 Insurance contracts (issued on 18 May 2017), including amendments to IFRS 17	23/11/2021	01/01/2023	2023	Not applicable

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 2023 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 IAS 1 Presentation of financial statements: Non-current liabilities with covenants (issued on 31 October 2022)	20/12/2023	01/01/2024	2024	No predictable impact
Amendments to IFRS 16 Leases: Lease liability in sale and leaseback (issued on 22 September 2022)	21/11/2023	01/01/2024	2024	No predictable significant impact

Standards and interpretations not yet published by the European Union

The IFRS standards (new and amended) that become effective, on or after 1 January 2024, not yet endorsed by the EU, are summarised in the table below:

IAS Standards	Accounting application date	Enforcement year	Observations
Amendments to IAS 7 Statements of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier finance arrangements (issued 25 May 2023)	01/01/2024	2024	No predictable impact
Amendments to IAS 21 The effects of changes in foreign exchange rates: Lack of exchangeability (issued 15 August 2023)	01/01/2025	2025	No accounting impacts

4. Segment information

Accounting policy

The 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 2023, 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 2023 and 2022, is presented as follows:

Unit: € k

	Consolidated		Natural Gas		Other		Consolidation adjustments	
	2023	2022	2023	2022	2023	2022	2023	2022
Sales and Services rendered	167,315	159,357	166,670	158,577	24,932	22,879	(24,286)	(22,099)
Cost of sales	(4,525)	(2,566)	(4,525)	(2,566)	-	-	-	-
Other income and expenses	(60,168)	(54,525)	(60,668)	(54,857)	(23,873)	(21,851)	24,374	22,183
EBITDA	102,622	102,266	101,476	101,154	1,059	1,029	87	84
Amortisation, depreciation, and impairment losses	(49,446)	(48,570)	(48,285)	(47,381)	(1,160)	(1,189)	-	-
Provisions (net)	272	(597)	272	(597)	-	-	-	-
EBIT	53,449	53,099	53,463	53,176	(102)	(160)	87	84
Financial income and expenses	(22,850)	(11,125)	-	-	-	-	-	-
Income tax	(8,299)	(10,676)	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(5,275)	(11,479)	-	-	-	-	-	-
Consolidated net income, of which is attributable to:	17,025	19,819	-	-	-	-	-	-
Non-controlling interests	1,049	877	-	-	-	-	-	-
Floene Energias S.A. shareholders	15,976	18,942	-	-	-	-	-	-
OTHER INFORMATION								
Segment assets⁽¹⁾								
Investments in subsidiaries ⁽²⁾	2,278	2,278	3	3	2,275	2,275	-	-
Other assets	1,330,338	1,333,681	1,272,150	1,286,310	238,118	241,630	(179,930)	(194,259)
Segment assets	1,332,616	1,335,959	1,272,153	1,286,313	240,393	243,905	(179,930)	(194,259)
of which rights-of-use of assets	10,279	11,078	5,728	6,215	4,550	4,863	-	-

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 2023 and 2022, is as follows:

Segment information	Unit: € k	
	2023	2022
Sales and services rendered	167,315	159,357
Cost of Sales	(4,525)	(2,566)
Other income and expenses	(60,168)	(54,525)
EBITDA	102,622	102,266
Amortisation, depreciation and impairment losses	(49,446)	(48,570)
Provisions (net)	272	(597)
EBIT	53,449	53,099
Financial income and expenses	(22,850)	(11,125)
Income tax	(8,299)	(10,676)
Energy Sector Extraordinary Contribution	(5,275)	(11,479)
Consolidated net income for the year	17,025	19,819

Consolidated statement of income items

Unit: € k

	2023	2022
Sales	6,188	3,842
Services rendered	161,127	155,515
Cost of sales	(4,525)	(2,566)
Other operating income	43,613	47,499
Supplies and external services	(42,483)	(40,979)
Staff costs	(25,602)	(22,477)
Impairment losses on accounts receivable	(1,148)	(87)
Other operating costs	(34,547)	(38,481)
Operating income before amortisations and provisions	102,622	102,266
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use of assets	(49,446)	(48,570)
Provisions (net)	272	(597)
Operating income	53,449	53,099
Financial income and expenses	(22,850)	(11,125)
Income tax	(8,299)	(10,676)
Energy Sector Extraordinary Contribution	(5,275)	(11,479)
Consolidated net income for the year	17,025	19,819

5. Tangible assets

Accounting policy

Recognition

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

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

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

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

The average effective annual depreciation rate used for Buildings and other constructions is 2% for 2023 and 2022.

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

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

Impairment

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

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

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

The movements occurred during the period are as follows:

Unit: € k

	Land, natural resources and buildings	Other	Total
As at 31 December 2022			
Acquisition cost	938	14	952
Accumulated depreciation	(507)	-	(507)
Net amount	432	14	445
As at 31 December 2023			
Acquisition cost	938	53	992
Accumulated depreciation	(526)	(12)	(537)
Net amount	413	42	454

Unit: € k

	Land, natural resources and buildings	Other	Total
Balance as at 1 January 2022	450	-	450
Depreciation	(19)	-	(19)
Transfers	-	14	14
Balance as at 31 December 2022	432	14	445
Balance as at 1 January 2023	432	14	445
Depreciation	(19)	(12)	(30)
Transfers	-	39	39
Balance as at 31 December 2023	413	42	454

6. Intangible assets

Accounting policy

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

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

Research expenses are recognised as a cost for the year.

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

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

With the application of IFRIC 12, the Group classifies the Natural Gas assets that are the subject to the concession and exploration license, and whose remuneration is controlled by ERSE, in accordance with the Intangible Asset Model. Thus, 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 appropriate economic rates, those that allow the asset to be reinstated, during the estimated useful life or according to the terms of existing contracts or the expected use.

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

The book value of the net intangible assets at the end of the Concession Agreements or Licenses, may be considered as a financial asset (Mixed Model under IFRIC 12) at that moment. This amount is recognised as at 31 December 2023 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”, as shown below:

Unit: € k

	Lands	Buildings	Basic equipment	NG consumption reconversion	Intangible assets under construction	Concession agreement		Other intangible assets	Total
						Other concession agreements	Total concession agreement		
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
As at 31 December 2023									
Acquisition cost	12,717	12,980	1,421,795	633,520	3,214	26,939	2,111,165	14,687	2,125,852
Accumulated amortisation	(5,379)	(8,036)	(651,473)	(312,206)	-	(24,746)	(1,001,840)	(3,569)	(1,005,409)
Net amount	7,338	4,943	770,322	321,314	3,214	2,193	1,109,325	11,117	1,120,442

Unit: € k

	Lands	Buildings	Basic equipment	NG consumption reconversion	Intangible assets under construction	Concession agreement		Other intangible assets	Total
						Other concession agreements	Total concession agreement		
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 and 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
Balance as at 1 January 2023	7,606	5,099	775,051	331,277	2,263	1,506	1,122,801	4,928	1,127,729
Additions	-	-	-	-	34,115	-	34,115	6,963	41,077
Amortisations	(268)	(217)	(32,093)	(14,525)	-	(567)	(47,671)	(734)	(48,405)
Write-offs	-	-	(20)	-	-	-	(20)	-	(20)
Other adjustments and transfers	-	62	27,384	4,562	(33,163)	1,254	99	(39)	60
Balance as at 31 December 2023	7,338	4,943	770,322	321,314	3,214	2,193	1,109,325	11,117	1,120,442

The additions related with the concession agreement for the year ended 2023, in the amount of €34,115 k (2022: €37,969 k) mainly refer to assets related to the construction of gas infrastructures and investments in the gas consumption reconversion (Notes 25 and 26). The additions of Other intangible assets, in the amount of €6,963 k, relates to projects related to the change of the new IT system of Floene Group companies and the new brand.

7. Right-of-use of assets and lease liabilities

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.

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.

Lease liabilities are initial 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 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 are 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.

Amortisation

The right-of-use of assets are 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 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:

	Buildings	Vehicles	Total
Unit: € k			
As at 31 December 2022			
Acquisition cost	13,537	880	14,417
Accumulated amortisation	(2,919)	(419)	(3,339)
Net amount	10,618	461	11,078
As at 31 December 2023			
Acquisition cost	13,537	934	14,472
Accumulated amortisation	(3,627)	(566)	(4,193)
Net amount	9,910	369	10,279

The movements occurred during the period are as follows:

	Unit: € k		
	Buildings	Vehicles	Total
Balance as at 1 January 2022	11,326	174	11,499
Additions	-	505	505
Amortisation	(708)	(221)	(929)
Other adjustments	-	3	3
Balance as at 31 December 2022	10,618	461	11,078
Balance as at 1 January 2023	10,618	461	11,078
Additions	-	238	238
Amortisation	(708)	(303)	(1,011)
Other adjustments	-	(28)	(28)
Balance as at 31 December 2023	9,910	369	10,279

Lease liabilities are as follows:

	Unit: € k	
	2023	2022
Maturity analysis – contractual undiscounted cash flow	13,352	14,383
Less than one year	1,108	1,125
One to five years	3,909	3,989
More than five years	8,334	9,269
Lease liabilities included in the consolidated statement of financial position	11,016	11,720
Current	1,093	1,110
Non-current	9,923	10,610

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	2023	2022
		1,297	1,476
Lease interests	28	328	348
Expenses related to short-term, low-value and variable-payment leases		969	1,128

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

	Unit: € k	
	2023	2022
Financing activities	1,243	1,162
Payments relating to leases	915	815
Payments relating to lease interests	328	348

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 received 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	2023	2022
Programmes		428,078	427,781
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	110
Green pipeline		297	-
Accumulated amount recognised as income		(239,007)	(230,292)
Amount to be recognised	16	189,071	197,489

During the year ended 31 December 2023, an amount of €8,635 k (2022: €8,648 k) was recognised in the consolidated statement of income (Note 25).

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, at 31 December 2023 and 2022, as follows:

	Unit: € k	
	2023	2022
	2,275	2,275
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	1,640	1,640
Lusitaniagás - Companhia de Gás do Centro, S.A.	585	585
Beiragás - Companhia de 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 WACC of the Group for the business segment to which the cash generating unit belongs to.

Cash generating unit	Valuation Model	Cash flows	Discount rates	
			2023	2022
Financial Investments (included in the concession period)	DCF (Discounted Cash Flow) or RAB	In accordance with the budget for 2024 and the four-year strategic plan	5.9%	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 2023 and 31 December 2022 are as follows:

	Unit: € k	
	2023	2022
	1,209	1,200
Raw, subsidiary and consumable materials	1,270	1,290
Goods	10	10
Decrease in inventories	(70)	(99)

As at 31 December 2023, raw, subsidiary and consumables materials, in the amount of €1,270 k (2022: €1,290 k), essentially corresponds to materials to be used in the construction of the Group's infrastructure.

Goods, in the amount of €10 k (2022: €10 k), corresponds essentially to natural gas held in the regasification units ("UAG").

The change in Decrease in inventories, in the amount of €19 k, was recognised in operating costs in the consolidated statement of income (Note 26).

12. Trade receivables and Other receivables

Accounting policy

Accounts receivables are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised in Impairment losses on accounts receivable. 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 receivables

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 factors.

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 2023 and 2022, presented the following detail:

		Unit: € k	
		2023	2022
		10,565	9,260
Trade receivables		11,004	9,821
Impairment of trade receivables		(439)	(561)
Ageing of trade receivables	Exposure to risk	10,565	9,260
Not yet due	Low	8,752	7,943
Overdue up to 180 days	Medium	841	423
Overdue between 181 and 365 days	High	214	227
Overdue over 365 days	Very High	758	666

		Unit: € k	
Impairment of trade receivables	Notes	2023	2022
Impairment at the beginning of the year		561	826
Net increase (decrease) in impairment losses	26	(122)	87
Utilisation of impairment		-	(352)
Impairment at the end of the year		439	561

Other receivables

The caption Other receivables, at 31 December 2023 and 2022, presented the following detail:

		Unit: € k			
		2023		2022	
	Notes	Current	Non-current	Current	Non-current
		63,470	28,077	62,025	20,055
Other debtors		25,308	365	21,796	2,235
Subsoil occupation levies	29	21,754	365	19,429	2,235
Others		3,554	-	2,367	-
Assets resulting from contracts:		36,278	27,643	37,551	17,760
Sales and services rendered but not yet invoiced		16,390	-	13,094	-
Tariff deviation – pass-through		10,574	-	18,361	-
Tariff deviation – core		8,781	27,643	5,967	17,760
Other accrued income		534	-	129	-
Deferred charges		3,235	69	2,760	61
Other deferred charges		3,235	69	2,760	61
Impairment of other receivables		(1,351)	-	(81)	-

		Unit: € k	
Impairment of other receivables	Notes	2023	2022
Allowance at the beginning of the year		81	81
Net increase of impairment	26	1,270	-
Allowance at the end of the year		1,351	81

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

The Impairment of other receivables increased in 2023 relates to the tariff deviation - pass-through of the commercialisation activity with more than 2 years, referring to two Floene Group companies (Dianagás, total of €814 k and Medigás, total of €456 k).

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

Unit: € k

	2022	Change	2023
“DSO” or “ORD” – Gas Distribution Activity (ADG)			
2020	3,868	(3,868)	-
Increases	(8,169)	-	(8,169)
Adjustment	11,774	-	11,774
Reversal	263	(3,868)	(3,605)
2021	6,308	(1,339)	4,969
Increases	6,308	-	6,308
Adjustment	-	317	317
Reversal	-	(1,656)	(1,656)
2022	11,363	-	11,363
Increases	11,363	-	11,363
2023	-	18,400	18,400
Increases	-	18,400	18,400
Tariff deviation – ADG	21,538		34,731
Assets resulting from contracts	23,681		36,364
Accrued costs	(2,143)		(1,633)

Unit: € k

	2022	Change	2023
“LRS” or “CURR” – Gas Commercialisation Activity (FCG)			
2020	14	(14)	-
Increases	(140)	-	(140)
Reversal	154	(14)	140
2021	(1)	-	(1)
Increases	7	-	7
Reversal	(8)	-	(8)
2022	(35)	-	(35)
Increases	(35)	-	(35)
2023	-	(76)	(76)
Increases	-	(76)	(76)
Tariff deviation – FCG	(22)		(112)
Assets resulting from contracts	46		60
Accrued costs	(68)		(172)

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

13. Other financial assets

Other financial assets, as at 31 December 2023 and 2022, is detailed as follows:

	Unit: € k	
	2023	2022
	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 three 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 2023 and 2022, Cash and cash equivalents details are as follows:

	Unit: € k	
	2023	2022
	79,505	87,523
Cash and cash equivalents	79,505	87,523

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 2023 and 31 December 2022, are as follows:

Unit: € k

	2023		2022	
	Current	Non-current	Current	Non-current
	71,444	599,896	601,042	72,337
Bank loans:	1,065	3,125	1,042	4,167
Bank Loans	1,042	3,125	1,042	4,167
Others	23	-	-	-
Bonds and notes:	70,379	596,771	600,000	68,171
Origination fees	379	(3,229)	-	(1,829)
Bond loan	70,000	-	-	70,000
Notes – EMTN 2016	-	-	600,000	-
Notes – EMTN 2023 and Syndicate bond loan	-	600,000	-	-

The average interest rate on loans supported by the Group, in 2023 and 2022, amount to 3.15% and 1.70%, respectively.

Current and non-current loans, excluding origination fees and bank overdrafts, have the following repayment plan, as at 31 December 2023:

Unit: € k

Maturity	Loans		
	Total	Current	Non-current
	674,191	71,065	603,125
2024	71,065	71,065	-
2025	1,042	-	1,042
2026	181,042	-	181,042
2027	1,042	-	1,042
2028	420,000	-	420,000

Changes in the financial debt, during the period ended 31 December 2023, are as follows:

Unit: € k

	Opening balance	New financing	Repayment of the principal	Other	Final balance
	673,379	600,000	(601,042)	(998)	671,340
Bank loans:	5,208	-	(1,042)	23	4,190
Bank loans	5,208	-	(1,042)	-	4,167
Other	-	-	-	23	23
Bonds and Notes:	668,171	600,000	(600,000)	(1,021)	667,150
Origination Fees	(1,829)	-	-	(1,021)	(2,850)
Bond loan	70,000	-	-	-	70,000
Notes – EMTN 2016	600,000	-	(600,000)	-	-
Notes – EMTN 2023 and Syndicate bond loan	-	600,000	-	-	600,000

For comparative information, please refer to the financial statements for the year ended 31 December 2022.

The amount of €1,021 k, recorded in Origination Fees – Other, essentially refers to charges related to contracted loans during the year ended 31 December 2023.

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 €27,000 k (Instalment A) which could be drawn until December 2008 and an operating credit line until the maximum amount of €4,000 k (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 2023, the outstanding amount of the investment credit line was €4,167 k, comprised of €1,042 k classified as non-current and €3,125 k classified as current.

EMTN 2016

On 25 August 2016, the Company established an EMTN Program (“Euro 1,000,000,000 Euro Medium Term Note Programme”). On 19 September 2016, issued notes in the amount of €600,000 k, maturing on 19 September 2023 with a coupon of 1.375%, admitted to trading on the regulated London Stock Exchange. In this transaction, JP Morgan, BofA, Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners.

At the beginning of March 2023, the Company began the EMTN 2016 refinancing process, having completed a partial repurchase operation through a Liability Management Exercise (“LME”), in the amount of €180,000 k, financed via Syndicate Bond Loan. On 19 September 2023, the Company reimbursed the remaining amount of €420,000 k through the issuance of EMTN 2023.

Bond Loan

On 1 August 2019, the Company issued bonds in the amount of €70,000 k, with a 6-month Euribor interest rate, plus spread and maturity date on 1 August 2024. The Company completed the early repayment of the entire Bond Loan on 24 April 2024, through Cash and cash equivalents.

Back-stop facility

On 8 September 2022, the Company contracted a credit line in bond format, through a bank syndicate, with an underwriting commitment, in the total amount of €600,000 k, intended to finance the reimbursement of EMTN 2016, and which could be used until 25 September 2023. This line was partially cancelled in March 2023, in the amount of €180,000 k, due to the partial repurchase operation of EMTN 2016 via Syndicate Bond Loan and fully cancelled in July 2023, after issuance of a bond loan worth €420,000 k (see EMTN 2023).

Syndicate Bond Loan

On 26 February 2023, the Company formalized a Syndicate Bond Loan, with an amount of up to €300,000 k. On 7 March 2023, the Syndicate Bond Loan was used to finance the partial repurchase of EMTN 2016 through an LME, in the total amount of €180,000 k, with a maturity of 3 years and a variable interest rate indexed to the Euribor Rate, plus a contractual spread. The remaining amount was cancelled at that same date.

EMTN 2023

On 3 July 2023, the Company concluded the EMTN 2016 refinancing process, with the issuance of a 5-year bond loan, in the amount of €420,000 k, admitted to trading on the Euronext Dublin regulated market, with maturity on 3 July 2028 and coupon of 4.875%. The issuance was made under an EMTN Program in accordance with the Prospectus published on 16 June 2023 (“Notes 2023”). Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander Totta, S.A., BNP Paribas and Mizuho Securities Europe GmbH acted as Joint-Bookrunners in this transaction. On 31 December 2023, the market value of the 2023 Notes corresponds to €435,964 k.

Under the loans in force on 31 December 2023, financial ratios (“Financial Covenants”) are no longer applied.

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 2023 and 31 December 2022, Trade payables and Other payables, current and non-current, are presented as follows:

Unit: € k

	Notes	2023		2022	
		Current	Non-current	Current	Non-current
Trade payables		10,683	-	8,445	-
Other payables:		51,597	181,310	47,381	190,144
State and other public entities		2,582	-	4,555	-
VAT payable		1,487	-	3,564	-
"ISP" - Tax on oil products		256	-	166	-
Other taxes		839	-	825	-
Other creditors:		7,431	-	10,522	-
Tangible and intangible assets suppliers		7,413	-	10,380	-
Other		17	-	142	-
Related parties		138	-	137	-
Other accounts payable		3,053	-	2,306	-
Accrued costs:		29,679	824	20,516	1,866
External supplies and services		4,872	-	3,692	-
Staff remunerations to be paid		7,286	-	6,344	161
Tariff deviation - core	12	981	824	506	1,705
Tariff deviation - pass through		911	-	6,315	-
Bond Loans interests		14,605	-	2,696	-
Other accrued costs		1,025	-	964	-
Deferred income:		8,714	180,487	9,345	188,278
Government grants	8	8,584	180,487	9,210	188,278
Others		130	-	135	-

The increase in the caption Accrued costs – Bond Loans interests, from €2,696 k in 2022 to €14,605 k in 2023, essentially refers to interest on bond loans. The increase is related to the interest rates increase of the new loans in 2023 (Note 15).

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 or liabilities that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

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

The companies that are part of the Floene Group for over 1 year and whose participation percentage is 75% or more, and as long as such participation gives more than 50% of the voting right, they are taxed in accordance with the special regime for the taxation of groups of companies (“RETGS”), with the tax result of this group of entities being calculated at the level of Floene Energias, S.A. (until 2021 it was calculated at the level of Galp Energia SGPS, S.A.). The average tax rate applied to Group companies was 25%.

As at 31 December 2023 and 2022, the income tax payable is as follows:

	Unit: € k	
	Assets/(Liabilities)	
	2023	2022
	4,921	(3,557)
State and other public entities	4,921	(3,471)
Galp Energia, SGPS, S.A.	-	(86)

The balance corresponds to the amount calculated resulting from the estimated income tax for the period, deducted from withholding taxes and payments on account.

As of 31 December 2023 and 31 December 2022, the amount of income tax is as follows:

	2023			2022		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income tax	5,551	2,748	8,299	10,473	203	10,676
Corporate income tax	5,551	2,748	8,299	10,473	203	10,676

Unit: € k

The effective income tax rate, as at 31 December 2023 and 2022, is as follows:

	2023	2022
Effective income tax rate	27.12%	25.43%
Income tax rate	25.00%	25.00%
Tax rate differences	1.55%	1.28%
(Excess)/insufficiency of estimated income tax	(0.38%)	(2.29%)
Autonomous taxation	1.21%	0.81%
Other increases and deductions	(0.26%)	0.63%

As at 31 December 2023 and 31 December 2022, the deferred tax assets and liabilities movements is as follows:

	1 January 2023	Impact on the statement of income	Impact on equity	Other changes	31 December 2023
Deferred taxes – Assets:	14,364	(2,917)	(31)	-	11,416
Adjustments to tangible and intangible assets	9	6	-	-	15
Retirement benefits and other benefits	9,225	756	(31)	-	9,951
Tariff deviation	3,063	(2,995)	-	-	68
Non-deductible provisions and impairment losses	2,066	(684)	-	-	1,383
Deferred taxes – Liabilities:	(18,755)	169	-	(2)	(18,588)
Adjustments to tangible and intangible assets – fair value	(9,489)	382	-	-	(9,106)
Tariff Deviation	(8,442)	(37)	-	-	(8,479)
Others	(824)	(176)	-	(2)	(1,003)

Unit: € k

For comparative information, please refer to the financial statements for the year ended 31 December 2022.

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.

Other retirement benefits

Along with the plans mentioned above, Group provided additional benefits related to healthcare, life insurance and a minimum defined-benefit plan (for 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 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.

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

	2023	2022
Liabilities at the end of the year	(44,441)	(47,130)
Net liabilities	(44,441)	(47,130)
Post-employment obligations:	(63,949)	(66,083)
Past services covered by the pension fund	(21,237)	(22,091)
Liabilities related with other benefits	(42,712)	(43,992)
Fund Assets	19,508	18,953

Post-employment obligations

Unit: € k

	2023	2022
Past service liability at the end of the current year:	63,949	66,083
Past service liability at the end of the previous year	66,083	83,967
Current service cost	1,049	1,339
Interest cost	2,222	779
Actuarial (gains)/losses	(451)	(15,001)
Payment of benefits made by the fund	(1,515)	(1,431)
Payment of benefits made by the Group	(3,557)	(3,456)
Curtailements	118	3,085
Other adjustments	1	(3,198)

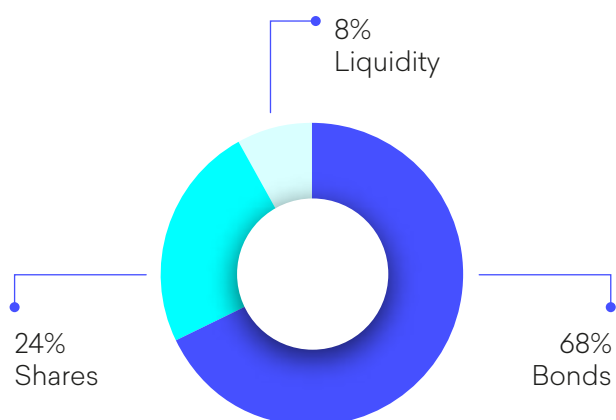
The average maturity of the liabilities under the defined-benefit plans is 7.2 years (8.8 years in 2022).

Fund assets

Unit: € k

	2023	2022
Assets at the end of the current year:	19,508	18,953
Assets at the end of the previous year	18,953	21,597
Net interest	682	219
Associate contributions	651	1,104
Payment of benefits	(1,515)	(1,431)
Financial gains/(losses)	736	(2,536)

Assets type 2023



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

Post-employment benefit expenses

		Unit: € k	
	Notes	2023	2022
Current service cost		1,049	1,339
Net interest		1,540	560
Net cost for the year before special events		2,588	1,899
Curtailments impact – terminations by mutual agreement		(1)	-
Curtailments impact – pre-retirements and early retirements		118	3,085
Other adjustments		-	(3,198)
Net cost for the year of defined-benefit plan expenses		2,705	1,786
Defined contribution		451	403
Net cost for the year of defined-contribution plan expenses		451	403
Total	27	3,158	2,189

In 2022, the Curtailments impact – pre-retirements and early retirements, in the amount of €3,085 k, essentially includes estimates and post-employment costs of termination processes (implemented and/or ongoing pre-retirements and early retirements).

Remeasurements

		Unit: € k	
	Notes	2023	2022
		1,156	10,310
Gains and losses recognised through other comprehensive income		1,187	12,449
(Loss)/gains from actuarial experience		(819)	(2,026)
(Loss)/gains from changes in actuarial assumptions		1,270	17,027
Financial gain/(loss)		736	(2,536)
Other gains/(losses)		-	(17)
Income tax related to actuarial gains and losses	17	(31)	(2,138)

Assumptions

	Retirement benefits		Other benefits	
	2023	2022	2023	2022
Rate of return on assets	4.00%	3.75%	-	-
Discount rate	4.00%	3.75%	4.00%	3.75%
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	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

Stress analysis

Stress analysis of the discount rate

	Discount rate 4.00%	Δ -0.25%
	Unit: € k	
Total	63,949	1,396
Retirement benefits	46,959	947
Other benefits	16,990	449

Stress analysis of the growth rate of health insurance costs

Unit: € k

	0% in the first year and 3% in the following	Δ +1.00% from 2nd year onwards	Δ -1.00% from 2nd year onwards
Past services	15,467	(1,847)	1,850

19. Provisions**Accounting policy**

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

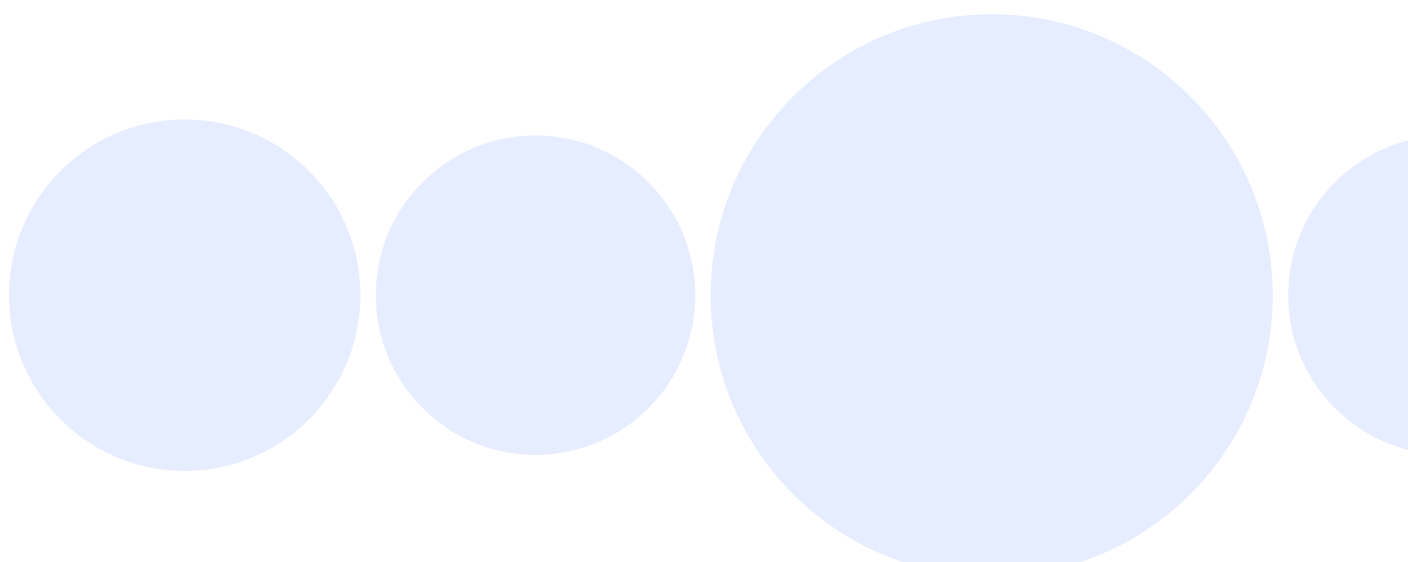
The Group calculates its estimates evolution based on the most likely outcome. Disputes for which no reliable estimate can be made are disclosed as contingent liabilities.

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

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

Accounting estimates and judgements**Provisions by contingencies**

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



During the years ended 31 December 2023 and 2022, Provisions caption presented the following movements:

	Unit: € k			
	2023			2022
	CESE I	Other provisions	Total	Total
At the beginning of the year	76,640	4,429	81,069	69,256
Increases	12,411	194	12,605	12,076
Decreases	(7,136)	(466)	(7,602)	-
Utilisation	(2,012)	-	(2,012)	(261)
At the end of the year	79,903	4,157	84,060	81,069

For comparative information, please refer to the financial statements for the year ended 31 December 2022.

The net increases for the year ended 31 December 2023 have the following decomposition:

	Unit: € k		
	Operational costs (Note 26)	CESE I	Total
2023	(272)	5,275	5,003
CESE I	-	5,275	5,275
Other provisions	(272)	-	(272)

For comparative information, please refer to the financial statements for the year ended 31 December 2022.

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.

The utilisation amount of €2,012 k is related to payments made by Paxgás – Sociedade Distribuidora de Gás Natural de Beja, S.A. relating to the CESE of 2014 and 2017, in the total amount of €129 k (including default interest), and by Setgás – Sociedade de Distribuição de Gás Natural, SA regarding the CESE of 2015, in the amount of €1,883 k, after unfavourable final decisions of the Constitutional Court in 2023. Payments were financed via ancillary capital contributions from shareholders (Note 23).

On 31 December 2023, the caption of CESE provisions in the amount of €79,903 k corresponds to the total liability, excluding the years for which there was an unfavourable court decision, that the Group continues to contest. The increase recognised in 2023, in the amount of €12,411 k, relates to the CESE of 2023 and default interest.

The decrease occurred in 2023, in the amount of €7,136 k, is due to: i) the reversal of the 2018 CESE provision and respective default interest, in a total amount of €6,669 k, resulting from Court Decision No. 101/2023, of 16 March and summary decision No. 201/2023, of 28 March, both by the Constitutional Court regarding the CESE of 2018, favourable to LisboaGás and PaxGás, respectively, declaring the tribute as unconstitutional, and the Jurisdictional Appeal (Court Decision) – Process No. 478/21.9 BEALM, of 4 May 2023, by the Southern Central Administrative Court regarding CESE, favourable to SetGás and also referring to 2018; and ii) the adjustment of provisions relating to past years, that were paid in 2021 after unfavourable court decisions, in the amount of €467 k.

Other provisions

The caption Other provisions essentially refers to the provision made (€3,379 k) for the total debts issued by the Administration of the Port of Lisbon for the occupation of the Cabo Ruivo land claimed by LisboaGás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. Part of the increase in 2023, in the amount of €194 k, under this caption concerns to the reinforcement of this provision.

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	2023	2022
Financial assets by category:		156,196	154,382
Financial assets at fair value through other comprehensive income	13	3	3
Financial assets at amortised cost	12	102,112	91,341
- less deferred costs, subsoil occupation levies and receivable amounts from the State	12	(25,423)	(24,484)
Cash and cash equivalents	14	79,505	87,523

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

Unit: € k

	Notes	2023	2022
Financial liabilities by category:		734,163	728,891
Financial liabilities not measured at fair value	7, 15 and 16	925,946	931,069
- less deferred income and payable amounts to the State	16	(191,782)	(202,179)

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. As at 31 December 2023 and 2022, there were no financial investments with 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

	31 December 2023		31 December 2022	
	Risk exposure	Impact on consolidated statement of income	Risk exposure	Impact on consolidated statement of income
Financial debt with variable interest rate	254,167	(1,288)	75,208	(376)

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 were not fully used but are available to it. The available short-term credit lines that have not been used, amount to €20 million, as at 31 December 2023, and €620 million, as at 31 December 2022 (of which €600 million was intended to ensure debt refinancing during 2023). Floene has immediate access to Cash and cash equivalents, amounting to €80 million, as at 31 December 2023, and €88 million, as at 31 December 2022. The total of these combined amounts is €100 million, as at 31 December 2023, and €708 million, as at 31 December 2022.

Regarding the maturity of the Group's financial liabilities, Floene will limit the concentration of debt maturity dates, in order to mitigate the risks associated with the refinancing of significant amounts of debt during a specific period (Note 15).

Credit risk and counterparty credit risk

Credit risk results from the potential non-payment by one of the parties of their contractual obligations, thus depending on the risk level of the counterparty. 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.

Additionally, counterparty credit risk exists in monetary investments and hedging instruments. The policy of counterparty credit risk management must ensure that all treasury counterparties involved in achieving the Group's objectives have adequate credit quality. Furthermore, for each type of treasury transaction, counterparties must comply with minimum rating requirements, as well as maximum exposure limits per counterparty.

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 Group' 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 2023, amounting to €259,581 k (2022: €254,378 k), and the net financial debt, corresponding to the difference between total Financial debt and Cash and cash equivalents at the end of the year, amounting to €591,835 k (2022: €585,856 k) (Notes 14 and 15). During 2023, the EMTN 2016 financing was repaid (total of €600,000 k) and the back-stop facility line (unused line) was cancelled, being formalized the Syndicate Bond Loan (€180,000 k) and the EMTN 2023 (€420,000 k) (Note 15).

Shareholder structure and Dividends

Shareholder structure

During 2023, 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 2023, by deliberation at the Shareholders' General Meeting, the Company reinforced the legal reserve in €186 k. The total amount of legal reserve is €13,223 k.

Ancillary capital contributions

The Ancillary capital contributions was reinforced by €2,072 k during the 2023 financial year, for a global amount of €21,588 k, paid on 28 December 2023, with a view to strengthening the Group’s capital structure and 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 contributions regime as to their enforceability and delivery obligation, and were made in accordance with the following distribution among shareholders:

- Allianz Infrastructure Luxembourg II, S.à r.l.: €9,825 k (2022: €8,882 k);
- Allianz European Infrastructure Acquisition Holding, S.à r.l.: €6,369 k (2022: €5,758 k);
- Meet Europe Natural Gas, Lda.: €4,857 k (2022: €4,391 k); and
- Petrogal, S.A.: €538 k (2022: €486 k).

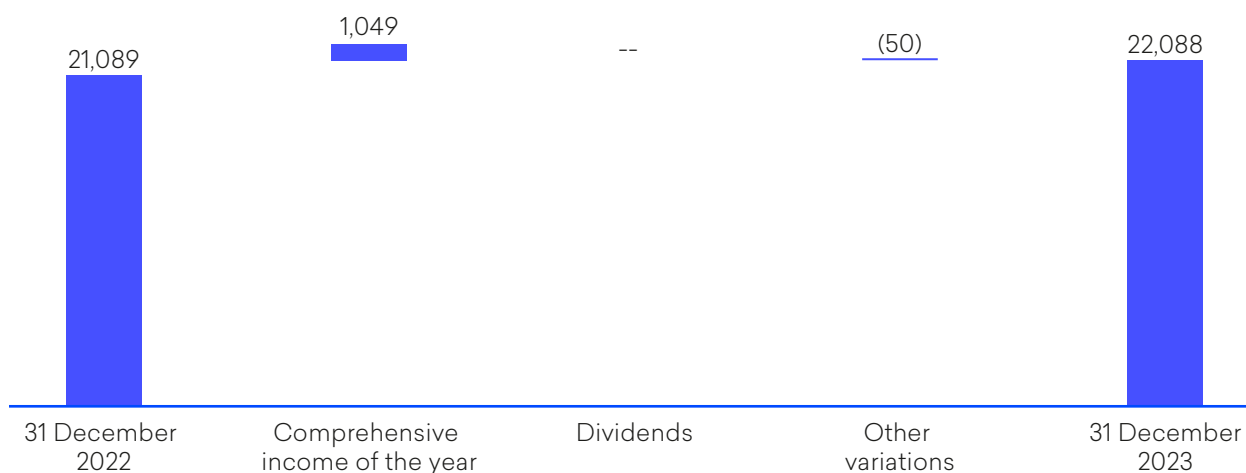
In accordance with current legislation, ancillary capital contributions can only be distributed to shareholders as long as the equity, after its repayment, is not less than the sum of capital and undistributed reserves.

Dividends

In accordance with the Shareholders’ General Meeting decision on 24 October 2023, dividends in the amount of €15,000 k were attributed to the Company’s shareholders, regarding to the retained earnings distribution, which were paid on 9 November 2023.

24. Non-controlling interests

As at 31 December 2023, 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 for the Gas Distribution Activity is calculated in accordance with the applicable regulatory parameters and published by ERSE, at the beginning of each regulatory period and the year 2023 corresponds to the fourth year of the 5th regulatory period, which runs from 1 January 2020 to 31 December 2023, and results from the sum of the following parts:

- (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 the (net) 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 defined by the regulator, updated by the GDP deflator and market evolution (number of active customers and energy demand); and,
- (iii) adjustments to allowed revenue that correspond to the difference between the revenue actually recovered and the allowed revenue calculated by ERSE, relating to calendar year n-2.

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 defined by the regulator, updated by the GDP deflator and market evolution (number of active customers in the regulated market);
- (ii) additional income established in the commercialisation license;
- (iii) difference between average payment and collection periods; and
- (iv) adjustments to allowed revenue that correspond to the difference between the income actually recovered and the allowed revenue calculated by ERSE, relating to calendar year n-2.

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 and 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 Activity of each Distribution Network Operator; 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, until September 2023.

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 2023 the applied tariffs and prices corresponds to the gas year of 2022-2023 (period from 1 January and 30 September) and the gas year of 2023-2024 (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 transfers and compensations mechanism, 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).

The values of transfers and compensations are in accordance with the values published for the same tariff application period mentioned above.

In 2023, 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. All tariff deviations recognized by the Group were, in accordance with the foreseen mechanisms, incorporated into the calculation of the respective tariffs.

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

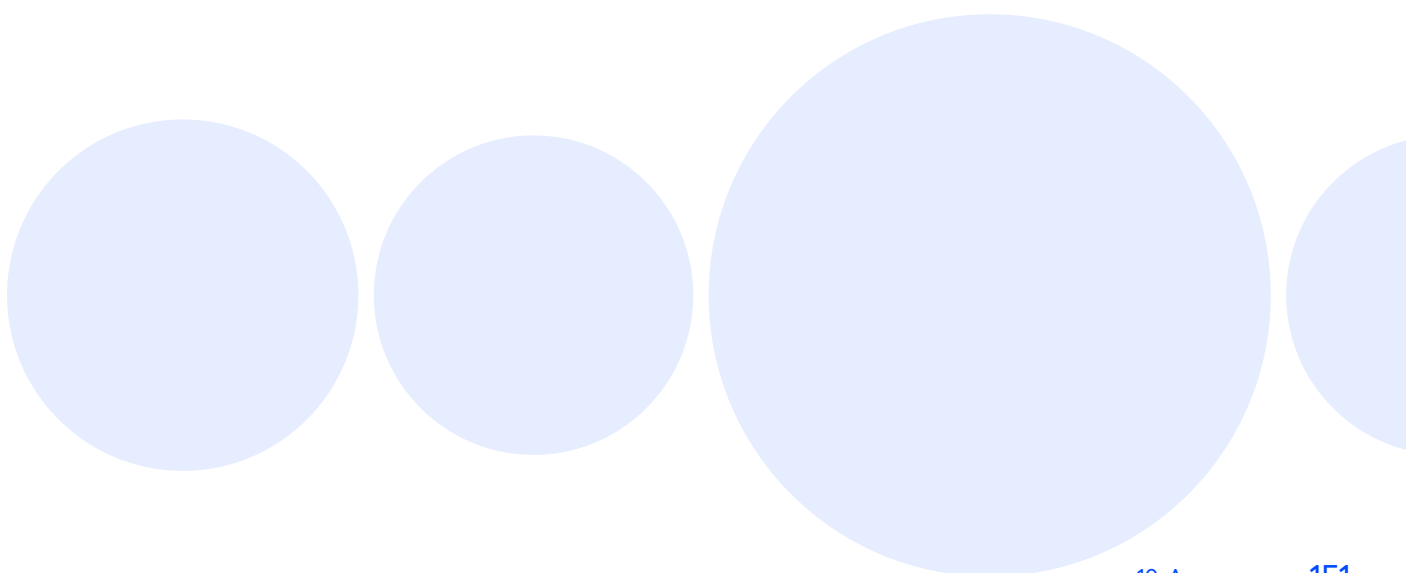
Under Other receivables and Other payables are recorded costs and income of the current year and which receipt and payment will only occur in future years, as well as receipts and payments that have already occurred, but which relate to future years and will be imputed, in the corresponding amounts,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

Estimates and accounting judgments

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

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

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



The Group's operating income for the years ended 31 December 2023 and 2022, is as follows:

		Unit: € k	
	Notes	2023	2022
		217,568	206,986
Sales:		6,188	3,842
Goods		6,188	3,842
Services rendered:		161,127	155,515
URD tariff		151,378	146,899
URT tariff		5,525	4,520
UGS tariff		2,249	2,829
OLMC tariff		176	221
ORT transfer to company - Social tariff		(400)	(278)
ORT and ORD transfer		4,778	5,088
MP Discount		(4,741)	(5,303)
"Sobreproveito" transfer		743	426
Connections/reconnections		997	841
Other		421	272
Other operating income:		43,613	47,499
Profits under IFRIC 12	6 and 26	34,115	37,969
Investment subsidies	8	8,635	8,648
Other		863	881
Financial income	28	6,640	130

Regarding the concession contracts under IFRIC 12, the construction of the concession assets is sub-contracted 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.

The increase in Financial income is related to financial investments made during 2023 in a context of higher interest rates combined with greater invested amounts resulting from the refinancing process that took place in 2023 (Note 15).

26. Costs and expenses

Costs and expenses for the years ended 31 December 2023 and 2022 are as follows:

	Notes	2023	2022
		186,969	165,011
Total costs and expenses:		4,525	2,566
Goods		4,554	2,555
Decrease in inventories	11	(29)	12
Exchange differences		-	(1)
Supplies and external services:		42,483	40,979
Specialised works		1,538	1,558
Subcontracts - network use		8,510	8,246
IT Services		7,159	6,369
Administrative and financial services		3,850	3,488
Maintenance and repairs		3,911	3,590
Rental costs		1,016	1,194
Technical assistance maintenance		2,869	3,035
Commercial Service/Marketing		495	678
Call center/Contact center		1,690	1,428
Electricity, fuel and water		978	1,053
Insurance		3,826	3,876
Readings		1,752	1,779
Connections/reconnections		864	784
Cleaning and security		459	405
Travel and accommodation		583	512
Gas meters and infrastructure charges		887	847
Communications		773	739
Personnel assigned from other companies		27	61
Billing and collection		228	81
General services		573	436
Other		494	820
Staff costs	27	25,602	22,477
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	5, 6 and 7	49,446	48,570
Provisions	19	(272)	597
Impairment losses of accounts receivable	12	1,148	87
Other operating costs:		34,547	38,481
Costs under IFRIC 12	6 and 25	34,115	37,969
Donations		18	4
Other taxes		98	232
Other		317	276
Financial expenses	28	29,490	11,254

The increase in Financial Costs arises from the new loans in 2023 with higher interest rates than the loans that was repaid during the year (Note 15).

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 Group's activities, directly or indirectly, including any director, whether executive or non-executive. According to the interpretation of this standard by Floene, the only people who meet all these characteristics are the members of the Board of Directors.

Staff costs for the years ended 31 December 2023 and 2022, are as follows:

	Notes	2023	2022
		Unit: € k	
Staff costs recognized in the year:		25,602	22,477
Staff costs capitalisation		(2,019)	(1,777)
Total costs:		27,621	24,253
Board of Directors remuneration		1,046	813
Staff remuneration		17,824	15,561
Social charges		3,992	3,740
Retirement benefits – pension and insurance	18	3,158	2,189
Other insurance		1,033	1,391
Other charges		568	560
Board of Directors remuneration:		1,046	813
Salaries and bonuses		1,046	813

During the years ended 31 December 2023 and 2022, the average number of employees at Floene Group service was 411 and 398, respectively.

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 2023 and 2022, are as follows:

		Unit: € k	
	Notes	2023	2022
		(22,850)	(11,125)
Financial income:		6,640	130
Interest on bank deposits		5,650	130
Other financial income		990	-
Financial expenses:		(29,490)	(11,254)
Interest on bank loans, overdrafts and others		(24,894)	(8,974)
Interest on lease liabilities	7	(328)	(348)
Charges relating to loans		(2,955)	(1,555)
Foreign exchange gains/(losses)		(1)	-
Other financial costs		(1,312)	(377)

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 remote, the contingent assets and liabilities are disclosed in the notes to the accounts.

Contingent Liabilities

Many municipalities demand payments (liquidations and executions) concerning Subsoil Occupation Levies (“TOS”) with existing gas pipelines, from the concessionaire companies of the distribution and commercialisation of natural gas, in the amount of €573 k. The Group does not agree with the municipalities and refuses to pay what they demand. Because of that they have actions in the Tax Administrative Court, having the suspension of execution request deferred, and the and the execution is suspended until the final decision is handed down. For that reason, guarantees were established.

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

Given the fact that eventual levies to be paid to municipalities until 31 December 2023 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 2023, 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	2023
Amount to be recovered - Subsoil occupation levies	12	22,119
Paid amount (includes additional costs)		247,125
Interest		5,819
Amount billed to clients		(230,825)

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 2023 and 31 December 2022, the liabilities for provided guarantees are as follows:

	Unit: € k	
	2023	2022
Provided guarantees:	14,282	13,845
Portuguese State, for the duties and obligations arising from the Concession Agreement	8,628	8,812
Municipalities, relating to Subsoil Occupation Levies	3,471	1,160
Directorate-General of Energy and Geology (DGEG)	1,576	3,054
IP-Infraestruturas de Portugal, S.A.	299	318
Tax Authority (AT – “Autoridade Tributária”)	19	300
Others	287	201

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 2023, the Financial Autonomy ratio presented by the Companies that comprise the Group varies between 44.27% and 129.33%.

30. Related parties

Accounting policy

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

- (a)** A person or a close member of that person’s family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (b)** An entity is related to a reporting entity if any of the following conditions applies: (i) the entity and the reporting entity are members of the same group (which means that each parent and subsidiaries are related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity, and the other entity is an associate of the third entity; (v) the entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); and (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group has had the following material balances and transactions with related parties, for the years ended 31 December 2023 and 2022:

Assets

	Unit: € k	
	2023	2022
	Current	Current
Assets:	4,066	3,085
Galp Group (a)	4,066	3,085

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

Liabilities

	Unit: € k	
	2023	2022
	Current	Current
Liabilities:	(6,658)	(4,300)
Galp Group (a)	(6,658)	(4,300)

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

Transactions

	Unit: € k	
	2023	2022
	Operating (costs)/ income	Operating (costs)/ income
Transactions:	43,153	47,726
Galp Group (a)	43,153	47,726

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

Transactions with Galp Group companies are mainly due to corporate services rendered and IT services, provided by those companies to the Floene Group, the sale of gas by Galp Group companies to the Floene Group, and the services rendered relating to the use of the Floene Group distribution networks by Galp Group companies.

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:

Company and country	Percentage of shares owned 2023	Percentage of shares owned 2022
Parent-Company		
Floene Energias, S.A., Portugal	-	-
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%

32. Subsequent events

On 8 March 2024, the Company entered into a Commercial Paper Program, in the amount of €79,000 k, aimed to strength its financial position. The Commercial Paper Program has a term of 4 years (counting from the first issuance date) and bears a variable interest rate, indexed to Euribor and a contractual spread. On 24 April 2024, the Company completed the early repayment of the Bond Loan in the amount of €70,000 k, which would mature on 1 August 2024 (Note 15), through Cash and cash equivalents.

On 19 March 2024, Setgás was notified of Court Decision No. 197/2024 handed down by the 1st Section of the Constitutional Court, regarding the CESE of 2019, with a non-definitive decision in favour of the Company, which financial impact amounts to approximately €1,500 k.

There were no additional subsequent events after 31 December 2023 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 24 April 2024. However, they are still subject to approval by the Shareholders' General Meeting, in accordance with the commercial law applicable in Portugal. The Board of Directors believes that these financial statements truly and appropriately reflect the Group's operations, its financial performance and cash flows.

34. Translation note

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

The Board of Directors

Diogo António Rodrigues da Silveira

President

Gabriel Nuno Charrua de Sousa

Member

Roxana Tataru

Member

Satoshi Kanomata

Member

Karl Klaus Liebel

Member

Pedro Álvaro de Brito Gomes Doutel

Member

Ippei Kojima

Member

Carlos Miguel Faria da Silva

Member

Nuno Luís Mendes Holbech Bastos

Member

The Certified Accountant

Ana Maria Serafim de Brito Mousinho

Annex III b) – Financial Statements – Individual

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Statement of Financial Position

Statement of financial position as at 31 December 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

	Notes	2023	2022
Assets			
Non-current assets:			
Tangible assets	4	42	14
Intangible assets	5	11,117	4,928
Right-of-use of assets	6	4,550	4,863
Financial investments in subsidiaries	9	640,422	640,422
Deferred tax assets	16	139	96
Other receivables	11	38	32
Other financial assets	12	127,246	127,246
Total Non-current assets:		783,555	777,601
Current assets:			
Trade receivables	11	6,591	8,672
Other receivables	11	9,247	6,936
Current income tax receivable	16	5,375	11,938
Cash and cash equivalents	13	74,555	76,779
Total current assets:		95,768	104,325
Total assets:		879,323	881,926

(Amounts stated in thousand Euros - € k)

	Notes	2023	2022
Equity and Liabilities			
Equity:			
Share capital	22	89,529	89,529
Ancillary capital contributions	22	21,588	19,516
Reserves	22	13,614	13,428
Retained earnings		14,535	26,118
Total Equity:		139,266	148,591
Liabilities:			
Non-current liabilities:			
Financial debt	14	596,771	68,171
Lease liabilities	6	4,277	4,579
Other payables	15	220	79
Post-employment and other employee benefits liabilities	17	749	680
Total non-current liabilities:		602,017	73,509
Current liabilities:			
Financial Debt	14	70,379	600,000
Lease liabilities	6	436	422
Trade payables	15	6,775	3,876
Other payables	15	57,853	51,801
Current income tax payable	16	2,598	3,726
Total current liabilities:		138,040	659,826
Total liabilities:		740,057	733,334
Total equity and liabilities:		879,323	881,926

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

Statement of Income and Other Comprehensive Income

Statement of income and other comprehensive income for the years ended 31 December 2023 and 31 December 2022

		(Amounts stated in thousand Euros - € k)	
	Notes	2023	2022
Services rendered	23	24,932	22,879
Other operating income	23	220	132
Financial income	26	16,749	6,47
Results related to financial investments in subsidiaries	9 and 23	14,996	7,493
Total revenue and income:		56,898	36,977
Supplies and external services	24	(10,862)	(10,868)
Staff costs	24 and 25	(13,127)	(11,038)
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	4, 5, 6 and 24	(1,160)	(1,189)
Other operating costs	24	(104)	(76)
Financial expenses	24 and 26	(30,665)	(10,827)
Total costs and expenses:		(55,919)	(33,998)
Earnings before taxes and other contributions:		979	2,980
Income taxes	16	2,600	738
Net income for the year		3,579	3,718
Basic and diluted earnings per share (in Euros)		0.04	0.04
Net income for the year		3,579	3,718
Items which will not be recycled in the future through net income:			
Remeasurements – pensions fund	17	31	(136)
Income taxes related to actuarial gains and losses	16 and 17	(7)	31
Total comprehensive income for the year		3,603	3,612

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 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

	Notes	Share capital	Ancillary capital contributions	Reserves	Retained earnings – re-measurements	Retained earnings – other	Net income of the year	Total
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
Net income application		-	-	957	-	18,180	(19,137)	-
Dividends distribution		-	-	-	-	(15,000)	-	(15,000)
Balance as at 31 December 2022		89,529	19,516	13,428	(188)	22,588	3,718	148,591
Balance as at 1 January 2023		89,529	19,516	13,428	(188)	22,588	3,718	148,591
Net income for the year		-	-	-	-	-	3,579	3,579
Other gains and losses recognised in equity	17	-	-	-	24	-	-	24
Comprehensive income for the year		-	-	-	24	-	3,579	3,603
Constitution of ancillary capital contributions	22	-	2,072	-	-	-	-	2,072
Net income application	22	-	-	186	-	3,532	(3,718)	-
Dividends distribution	22	-	-	-	-	(15,000)	-	(15,000)
Balance as at 31 December 2023		89,529	21,588	13,614	(163)	11,120	3,579	139,266

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 2023 and 31 December 2022

(Amounts stated in thousand Euros - € k)

	Notes	2023	2022
Operating activities:			
Cash received from customers		37,759	24,835
Cash payments to suppliers		(22,331)	(11,123)
Payments relating to employees		(9,906)	(9,838)
Payments/receipts relating to income taxes		7,993	(6,644)
Other (payments)/receipts relating to the operational activity		(5,150)	(4,441)
Dividends receipts	9 and 23	14,996	7,493
Cash Flow from operating activities (1)		23,361	282
Investing activities:			
Cash receipts related to:			
Investment Subsidies		217	-
Interests and similar income		18,928	2,865
Loans granted		-	13,670
Cash payments related to:			
Tangible and Intangible assets		(4,127)	(2,003)
Cash Flow from investing activities (2)		15,018	14,532
Financing activities:			
Cash receipts related to:			
Loans obtained	14	600,000	-
Loans obtained – related parties		3,606	36,302
Ancillary capital contributions	22	2,072	-
Cash payments related to:			
Loan Notes	14	(600,000)	-
Loans obtained		(11,980)	
Interests on loans obtained		(12,751)	(8,676)
Interests and similar costs		(6,085)	(2,593)
Leases	6	(390)	(363)
Lease interests	6	(73)	(77)
Dividends paid	22	(15,000)	(15,000)
Cash Flow from financing activities (3)		(40,602)	9,593
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(2,223)	24,408
Effect of exchange rate change on cash and cash equivalents		(1)	-
Cash and cash equivalents at the beginning of the year	13	76,779	52,372
Cash and cash equivalents at the end of the year	13	74,555	76,779

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 2023

1. Corporate Information

Floene Energias, S.A., (“Floene” or “Company”) was established on 2 December 2009 under the company name Galp Gás Natural Distribuição, SGPS, S.A., being its corporate business’ 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, 1600-209 Lisbon.

Due to the current situation resulting from the geopolitical conflict between Russia and Ukraine, Floene Management continues to 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 Floene (or “Group”), constituted by Floene Energias, S.A. and its subsidiaries. Up to the date of approval of the accounts, the geopolitical conflict between Russia and Ukraine had not had significant impacts on the activity.

2. Significant accounting policies, judgments, and estimates

The material information of the accounting policies adopted by the Company to prepare the financial statements is explained below. During the year ended 31 December 2023, no material misstatements related to previous years were recognised.

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 2023. 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 Reporting 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 (Unit: € 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 is 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 of 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

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. To calculate 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. Impacts resulting from the application of new standards or changes to IFRS standards

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 2023 are summarized in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 12 International taxation reform – Pillar Two model rules (issued on 23 May 2023)	09/11/2023	Immediately and 01/01/2023 for annual reporting periods	2023	No relevant impact
Amendments to IFRS 17 Insurance Contracts – 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 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 relevant impact
Amendments to IAS 1 Presentation of Financial Statements IFRS Practice Statement 2: Policy Disclosure (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 Accounting Estimates and Errors (issued on 12 February 2021)	03/03/2022	01/01/2023	2023	No relevant impact
IFRS 17 Insurance contracts (issued on 18 May 2017), including amendments to IFRS 17	23/11/2021	01/01/2023	2023	Not applicable

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 2023 with accounting application in subsequent years are summarized in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement	IAS Standards
Amendments to IAS 1 Classification of liabilities as non-current and current and non-current liabilities with covenants (issued on 31 October 2022)	20/12/2023	01/01/2024	2024	No predictable impact
Amendments to IFRS 16 Lease liabilities in sale and leaseback transactions (issued on 22 September 2022)	21/11/2023	01/01/2024	2024	No significant predictable impact

Standards and interpretations not yet published by the European Union

The IFRS standards (new and amended) that become effective on or after 1 January 2024 and not yet endorsed by the EU are summarized in the table below:

IAS Standards	Publication date in OJEU	Accounting application date	Enforcement year	Observations
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements (issued on 25 May 2023)		01/01/2024	2024	No predictable impact
Amendments to IAS 21 Effects of changes in exchange rates: Lack of interchangeability (issued on 15 August 2023)		01/01/2025	2025	No accounting impacts

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 amount 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.

		Unit: € k	
		2023	2022
	Office Equipment	Total	Total
As at 31 December			
Acquisition cost	53	53	14
Accumulated depreciation	(12)	(12)	-
Net amount	42	42	14
Opening balance	14	14	-
Additions	40	40	14
Depreciations and impairment	(12)	(12)	-
Closing balance	42	42	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.

Amortisation

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.

The average annual amortisation rates used can be summarized as follows:

	2023	2022
Industrial property and other rights	24.00%	28.00%

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 Board of Directors' 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			
			2023	2022
	Industrial property and other rights	Intangible assets under construction	Total	Total
As at 31 December				
Acquisition cost	5,068	9,618	14,687	7,763
Accumulated amortisation	(3,569)	-	(3,569)	(2,835)
Net amount	1,499	9,618	11,117	4,928
Opening balance	1,373	3,556	4,928	2,519
Additions	-	6,963	6,963	3,221
Amortisations and impairments losses	(734)	-	(734)	(798)
Transfers	861	(886)	(25)	-
Other adjustments	-	(14)	(14)	(14)
Closing balance	1,499	9,618	11,117	4,928

The amount of €6 963 k essentially refers to projects to develop IT systems for Floene Group companies and related to the new brand.

6. Right-of-use of assets and lease liabilities

Accounting policy

Recognition

The Company 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 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			
			2023	2022
	Buildings	Vehicles	Total	Total
As at 31 December				
Acquisition cost	5,909	356	6,265	6,243
Accumulated amortisation	(1,570)	(144)	(1,714)	(1,380)
Net amount	4,339	212	4,550	4,863
Opening balance as at 1 January	4,649	214	4,863	4,991
Additions	-	102	102	257
Amortisations	(310)	(105)	(415)	(391)
Other adjustments	-	-	-	7
Closing balance as at 31 December	4,339	212	4,550	4,863

Lease liabilities are as follows:

	31 December 2023	31 December 2022
Maturity analysis – contractual undiscounted cash flow:	5,204	5,562
Less than one year	439	425
One to five years	1,560	1,576
More than five years	3,205	3,561
Lease liabilities in the statement of financial position:	4,713	5,001
Current	436	422
Non-current	4,277	4,579

The amounts recognised in profit or loss are as follows:

		Unit: € k	
	Notes	2023	2022
		819	918
Interest on leases	26	73	77
Expenses related to short-term, low-value and variable-payment leases	24	746	841

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

	Unit: € k	
	2023	2022
Financing activities:	(463)	(440)
Payments related to leases	(390)	(363)
Payments related to lease interest	(73)	(77)

7. Government grants and other grants

Accounting policy

Government subsidies are recognised according to their fair value when there is certainty that they will be received and that the Company will comply with the conditions required for their granting. Investment subsidies for financing tangible and intangible assets are recorded as deferred income under the caption Other payables in liabilities, and recognised in the statement of income, as operating income for the period, in proportion to the respective depreciation/amortisation of the subsidized assets.

The details of the subsidies are as follows:

		Unit: € k	
	Notes	2023	2022
Programs		297	80
Green Pipeline		297	80
Accumulated value recognised as income		(62)	(1)
Amount to be recognised	15	236	79

During the year €62 k (2022: €1 k) was recognised in income for the year.

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:

Company	Country	Percentage of capital held	
		2023	2022
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 gas distribution and commercialisation business.

	Subsidiaries financial information - 2023			
	Total assets	Total liabilities	Equity	Net income
	1,237,220	505,534	731,686	29,569
Beiragás - Companhia de Gás das Beiras, S.A.	80,829	32,114	48,715	2,007
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	13,334	3,690	9,644	(431)
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	35,637	9,821	25,817	847
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	517,452	314,229	203,223	9,925
Lusitaniagás - Companhia de Gás do Centro, S.A.	294,936	74,392	220,544	7,959
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	19,291	4,814	14,476	97
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	6,075	823	5,252	193
Setgás - Sociedade de Distribuição de Gás Natural, S.A.	167,394	44,346	123,048	5,903
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	102,272	21,304	80,969	3,069

For comparative information, refer to the financial statements for the year ended 31 December 2022.

	Financial investments		Earnings related with financial investments	
	Acquisition cost	Net amount	Dividends	Total
Financial investments in subsidiaries	640,422	640,422	14,996	14,996
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	297	297
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	25,766	25,766	649	649
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	157,205	157,205	7,965	7,965
Lusitaniagás - Companhia de Gás do Centro, S.A.	175,258	175,258	1,458	1,458
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	14,073	14,073	180	180
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	4,995	4,995	121	121
Setgás - Sociedade de Distribuição de Gás Natural, S.A.	143,273	143,273	2,250	2,250
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	89,570	89,570	2,076	2,076

For comparative information, refer to the financial statements for the year ended 31 December 2022.

From the analysis carried out by Directors' on the risk of impairment, it was considered that there are no relevant impairment indicators as at 31 December 2023.

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 2023 and 2022 is detailed as follows:

	Notes	2023 Current	2022 Current
		6,591	8,672
Trade receivables – related parties	28	6,591	8,672
Impairment of trade receivables		-	-
Ageing schedule of trade receivables:		6,591	8,672
Not yet due		1,876	5,132
Overdue up to 180 days		1,394	1,507
Overdue between 181 days and 365 days		438	683
Overdue over 365 days		2,883	1,351

Unit: € k

The outstanding balances entirely correspond to balances with its subsidiaries, which the Company intends to be settled during 2024.

Trade receivables balances overdue over 365 days do not present a risk of uncollectibility, as they are amounts relating to subsidiary companies.

As mentioned in the policies above, customer receivables are grouped based on shared credit risk characteristics and days past due.

For the Company, the credit risk level of accounts receivable is as follows:

Type	Risk exposure
Not yet due	Low
Overdue up to 180 days	Medium
Overdue between 181 days and 365 days	High
Overdue over 365 days	Very High

Other receivables

As at 31 December 2023 and 2022, Other receivables are detailed as follows:

Unit: € k

	Notes	2023		2022	
		Current	Non-current	Current	Non-current
		9,247	38	6,936	32
State and other public entities		806	-	46	-
Other debtors:		808	-	293	-
Receivables from suppliers		160	-	37	-
Advanced payments to suppliers		617	-	223	-
Personnel		-	-	1	-
Other		30	-	33	-
Related parties	28	31	-	17	-
Assets resulting from contracts:		5,496	-	5,910	-
Services rendered but not invoiced		1	-	-	-
Interests to be received	28	504	-	3,811	-
Others	28	4,991	-	2,099	-
Deferred charges:		2,107	38	669	32
Other deferred charges		2,107	38	669	32

The amount of €504 k refers to interest to be received by the subsidiary LisboaGás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A., being included in Note 28 as Accruals and deferrals.

The amount of €4 991 k, recorded in Assets resulting from contracts – others, refers mainly to management services provided to Group companies in 2023 (€4 877 k), to be invoiced in January 2024. This amount is included in Note 28 as Accruals and deferrals.

The amount of €2 107 k recorded in Other deferred charges, refers essentially to financial charges related to the Commercial Paper Program referred to in Note 30, to be recognized throughout the useful life of the loan.

12. Other financial assets

Other financial assets as at 31 December 2023 and 2022 is detailed as follows:

		Unit: € k	
		2023	2022
Note		Non-current	
		127,246	127,246
Financial assets not measured at fair value - Loans	28	127,246	127,246

The recognised loans 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 Directors understands that loans classified as non-current will not be repaid in the next year, which is the reason for such classification.

13. Cash and cash equivalents

Accounting policy

The amounts included in cash and cash equivalents correspond to cash values, bank deposits, term deposits and other cash investments with maturities less than three 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 2023 and 2022 the caption Cash and cash equivalents is detailed as follows:

		Unit: € k	
		2023	2022
		74,555	76,779
Cash and cash equivalents		74,555	76,779

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 mainly loan interests and, eventually, commission expenses for structuring loans.

Financial debt as at 31 December 2023 and 31 December 2022 is as follows:

Unit: € k

	2023		2022	
	Current	Non-current	Current	Non-current
	70,379	596,771	600,000	68,171
Bond loans and notes:	70,379	596,771	600,000	68,171
Origination Fees	379	(3,229)	-	(1,829)
Bond loan	70,000	-	-	70,000
Notes – EMTN 2016	-	-	600,000	-
Notes – EMTN 2023 and Syndicate Bond Loan	-	600,000	-	-

Description of the main loans

EMTN 2016

On 25 August 2016, the Company established an EMTN Program (“Euro 1 000 000 000 Euro Medium Term Note Programme”). On 19 September 2016 issued notes in the amount of €600 000 k, maturing on 19 September 2023 with a coupon of 1.375%, admitted to trading on the regulated London Stock Exchange. In this transaction, JP Morgan, BofA, Merrill Lynch and Banco Santander Totta acted as Joint-Bookrunners.

At the beginning of March 2023, the Company began the EMTN 2016 refinancing process, having completed a partial repurchase operation through a Liability Management Exercises (“LME”) in the amount of €180 000 k, financed via Syndicate Bond Loan. On 19 September 2023, the Company reimbursed the remaining amount of €420 000 k through the issuing of EMTN 2023.

Bond Loan

On 1 August 2019, the Company issued bonds to the amount of €70 000 k, with a 6-month Euribor interest rate plus spread with a maturity date of 1 August 2024. The Company completed the early repayment of the entire Bond Loan on 24 April 2024, through Cash and cash equivalents.

Back-stop facility

On 8 September 2022, the Company contracted a credit line in bond format, through a banking syndicate, with an underwriting commitment in the total amount of €600 000 k, intended to finance the reimbursement of EMTN 2016, and which could be used until 25 September 2023. This line was partially cancelled in March 2023 in the amount of €180 000 k, due to the partial repurchase operation of EMTN 2016 via Syndicate Bond Loan, and fully cancelled in July 2023, after issuance of a bond loan worth €420 000 k (see EMTN 2023).

Syndicate Bond Loan

On 26 February 2023, the Company formalized a Syndicate Bond Loan, with an amount of up to €300 000 k. On 7 March 2023, the Syndicate Bond Loan was used to finance the partial repurchase of EMTN 2016 through an LME, in the total amount of €180 000 k, with a maturity of 3 years and a variable interest rate indexed to the Euribor Rate plus a contractual spread. The remaining amount was cancelled at the same date.

EMTN 2023

On 3 July 2023, the Company concluded the EMTN 2016 refinancing process, with the issuance of a 5-year bond loan, in the amount of €420 000 k, admitted to trading on the Euronext Dublin regulated market, with maturity on 3 July 2028 and coupon of 4.875%. The issuance was made under an EMTN Program in accordance with the Prospectus published on 16 June 2023 (“Notes 2023”). Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander Totta, S.A., BNP Paribas and Mizuho Securities Europe GmbH acted as Joint-Bookrunners in this transaction. On 31 December 2023, the market value of the 2023 Notes corresponds to €435 964 k.

For the purposes of the Transparency Directive and Market Abuse Regulation, and following the latest securities issuance, Floene became subject to the supervision of the CBI (Central Bank of Ireland) and to provide and disclose relevant information in accordance with the reporting and transparency obligations applicable to Ireland.

Under the loans in force on 31 December 2023, financial ratios (“Financial Covenants”) are no longer applied.

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 2023 and 2022, Trade payables and Other payables, current and non-current, are detailed as follows:

		Unit: € k			
		2023		2022	
	Notes	Current	Non-current	Current	Non-current
Trade payables:		6,775	-	3,876	-
Trade payables - current accounts		761	-	1,109	-
Trade payables - pending invoices		903	-	1,026	-
Trade payables - related parties	28	5,110	-	1,741	-
Other payables:		57,853	220	51,801	79
State and other public entities:		223	-	202	-
Other taxes		223	-	202	-
Other creditors:		755	-	611	-
Tangible and intangible assets suppliers		724	-	483	-
Personnel		31	-	18	-
Other		-	-	110	-
Related parties:		35,619	-	42,324	-
Loans	28	35,619	-	42,324	-
Accrued costs:		20,114	-	7,689	-
Supplies and external services		1,905	-	2,150	-
Staff remunerations to be paid		3,613	-	2,862	-
Accrued interest		14,595	-	2,687	-
Other accrued costs		1	-	(10)	-
Deferred income:		1,143	220	975	79
Investment grants	7	16	220	-	79
Others		1,127	-	975	-

The Related parties - loans, in the amount of €35 619 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.

The item Supplies and external services in the amount of €1 905 k includes €1 294 k relating to increased costs with related parties (Note 28).

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 evaluated 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 2023 and 2022 is as follows:

Unit: € k

	Notes	Assets		Liabilities	
		2023	2022	2023	2022
		5,375	11,938	2,598	3,726
Group companies:	28	-	11,938	2,598	-
Income tax receivable/payable		-	11,938	2,598	-
State and other public entities:		5,375	-	-	3,726
Income tax receivable/payable		5,375	-	-	3,726

As at 31 December 2023, the open balance with 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 and payments on account.

Income taxes for the year ended 31 December 2023 and 2022 is as follows:

Unit: € k

	2023			2022		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Income tax for the period:	(2,550)	(50)	(2,600)	(791)	53	(738)
Current income tax	(2,680)	(50)	(2,730)	(727)	53	(674)
Insufficiency/(excess) of estimated income tax	130	-	130	(64)	-	(64)

The effective income tax rate reconciliation as at 31 December 2023 and 2022 is as follows:

	Unit: € k					
	2023	Rate	Income tax	2022	Rate	Income tax
Earnings before taxes:	979	21.00%	206	2 980	21.00%	626
Income tax adjustments:						
Insufficiency/(excess) of estimated income tax		13.32%	130		(2.16%)	(64)
Autonomous taxation		24.88%	244		7.06%	210
Received dividends		(321.69%)	(3,149)		(52.81%)	(1,573)
Other increases and deductions		(3.06%)	(30)		2.14%	64
Income tax and effective income tax rate		(265.55%)	(2,600)		(24.77%)	(738)

For comparative information, refer to the financial statements for the year ended 31 December 2022.

During the year ended 31 December 2023, the movements in deferred tax assets and liabilities at a rate of 22.5% is as follows:

	Unit: € k			
	As at 31 December 2022	Impact on the statement of income	Impact on Equity	As at 31 December 2023
Deferred taxes assets:	96	50	(7)	139
Post-employment and other employee benefits	96	50	(7)	139

For comparative information, refer to the financial statements for the year ended 31 December 2022.

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	
	2023	2022
Liabilities:	(749)	(680)
Retirement benefits	(129)	(254)
Other benefits:	(620)	(427)
Minimum benefit defined-contribution plan	(620)	(427)

Post-employment liabilities

	Unit: € k	
	2023	2022
Past service liability at the end of the current year:	749	680
Past service liability at the end of the previous year	680	526
Current service cost	207	74
Interest cost	7	2
Actuarial (gain)/loss	(31)	136
Payment of benefits made by the Company	(131)	(103)
Cuts	-	363
Other adjustments	16	(318)

The average maturity of liabilities for defined-contribution plan is 10 years in 2023 (2022: 11.1 years).

Post-employment benefit expenses

		Unit: € k	
	Notes	2023	2022
Current service cost		207	74
Interest cost		7	2
Net cost for the year before special events:		214	76
Cuts impact - early retirements		-	363
Other adjustments		16	(318)
Net cost for the year of defined-benefit plan expenses:		230	121
Defined contribution		108	93
Net cost for the year defined-contribution plan expenses		108	93
Total	25	338	214

Remeasurements

		Unit: € k	
	Notes	2023	2022
		24	(106)
Gains and losses recognised through comprehensive income:		31	(136)
(Loss)/Gains from actuarial experience		23	(210)
(Loss)/Gains from changes in actuarial assumptions		9	74
Taxes related to actuarial gains and losses	16	(7)	31

Assumptions

	Other benefits	
	2023	2022
Discount rate	4.00%	3.75%
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	Projected Unit Credit	Projected Unit Credit

Stress analysis

Stress analysis of the discount rate

	Discount Rate	
	4.00%	Δ -0.25%
	749	9
Retirement benefits	129	-
Other benefits	620	9

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;
- 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	2023	2022
Financial assets by category:		214,109	218,695
Financial assets not measured at fair value	11 and 12	143,122	142,885
- less deferred costs, advanced payments to suppliers and receivable amounts from the State	11	(3,568)	(970)
Cash and cash equivalents	13	74,555	76,779

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

		Unit: € k	
	Notes	2023	2022
Financial liabilities by category:		735,125	727,672
Financial liabilities not measured at fair value	6, 14 and 15	736,711	728,928
- less deferred income and payable amounts to the State	15	(1,586)	(1,256)

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 did not change in 2023. The share capital remains at €89 529 141 divided into 89 529 141 shares with a nominal value of one Euro each. Share capital is fully subscribed and paid up by the following shareholders:

Shareholders	2023		2022	
	%	No. of shares	%	No. of shares
	100.00	89,529,141	100.00	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

Unit: € k

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 2023 and 2022 Legal reserves is detailed as follows:

	2023		2022	
		13,614		13,428
Legal reserves		13,614		13,428

Unit: € k

During the year ended 31 December 2023 the Company reinforced the legal reserve in the amount of €186 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”).

Additionally, during the year ended 31 December 2023 the Company’s shareholders, in proportion to their shares, made additional ancillary capital contributions in the amount of €2 072 k, subject to the supplementary capital regime, also provided for the payment in 2023 of Floene Group’s obligations related to CESE. As at 31 December 2023 the Ancillary capital contributions amounts €21 588 k.

Dividends

In accordance with the unanimous written corporate resolution from 24 October 2023, dividends in the amount of €15 000 k were distributed to the Company's shareholders. These dividends were paid on 9 November 2023.

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 2023 and 2022 the revenue and income is detailed as follows:

		Unit: € k	
	Notes	2023	2022
Total revenue and income:		56,897	36,977
Services rendered		24,932	22,879
Other operating income:		220	132
Supplementary gains		148	131
Other		72	1
Results related to financial investments in subsidiaries	9	14,996	7,493
Financial income	26	16,749	6,474

Services rendered includes the amounts of €24 286 k and €22 099 k, in 2023 and 2022, respectively, which relate to management services provided to Group companies. These amounts are included in Operating income in Note 28.

24. Costs and expenses

Costs and expenses for the years ended 31 December 2023 and 2022 is as follows:

	Notes	2023	2022
Unit: € k			
Total costs:		55,918	33,998
Total costs and expenses:		10,862	10,868
Supplies and external services:		4,096	3,559
Other specialised services		381	344
Travel and accommodation	6	746	841
Rental costs		216	211
Fuel		149	135
Insurance		3,662	3,273
IT services		447	384
Communications		215	306
Legal services		950	1,815
Staff costs	25	13,127	11,038
Amortisation, depreciation and impairment losses on tangible and intangible assets and rights-of-use	4, 5 and 6	1,160	1,189
Other operating costs:		104	76
Other taxes		3	-
Other costs		101	76
Financial expenses	26	30,665	10,827

From the amount of €10 862 k recorded as supplies and external services, €6 037 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 2023 and 2022 is as follows:

	Notes	2023	2022
		Unit: € k	
Staff costs recognised during the year:	24	13,127	11,038
Staff costs capitalisation		(670)	(457)
Total costs:		13,797	11,495
Board of Directors remuneration		1,020	777
Staff remuneration		4,524	2,661
Social charges		985	767
Assigned staff	28	6,240	6,663
Retirement benefits - pensions and insurance	17	338	214
Other insurance		241	157
Other costs		449	256
Board of Directors remuneration:		1,020	777
Salaries		949	928
Bonuses		60	(162)
Allowances		12	11

The amount of € 6,240 k recorded as assigned staff includes a cost of € 6,600 k related to personnel assigned by other Group companies to Floene and an income of € 360 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 2023 and 31 December 2022, the average number of employees working for the Company, including assigned staff, was 152 and 146 respectively.

26. Financial income and expenses

Accounting policy

Financial income and expenses include interest on external loans, related party loans and leases. 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 2023 and 2022 is as follows:

	Notes	2023	2022
		(13,916)	(4,353)
Financial income:		16,749	6,474
Interest on bank deposits		5,155	19
Interest and other income with related parties	28	10,604	6,454
Other financial income		990	-
Financial expenses:		(30,665)	(10,827)
Interest on bank loans, bonds, overdrafts and others		(24,658)	(8,871)
Lease interests	6	(4)	(3)
Lease interests - Related parties	6 and 28	(69)	(74)
Other interest and charges incurred - Related parties	28	(1,819)	(82)
Liquid exchange gains/(losses)		(1)	-
Cost with Bond loan issuance		(2,831)	-
Other financial costs		(1,284)	(1,797)

Unit: € k

At 31 December 2023 the interest on bank deposits amounts € 5,155 k, referring to interest arising from investments in term deposits.

In the year ending 31 December 2023 the Interest on bank loans, bonds, overdrafts, and others amounts of € 24,658 k, essentially referring to interest arising from the new loans in 2023 (Note 14).

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 2023 the Company presents the following balances and transactions with related parties:

Assets

	Unit: € k					
	Total	Current				Non-current
		Trade receivables (Note 11)	Other receivables (Note 11)	Accruals and deferrals (Note 11)	Loans granted (Note 12)	
Assets:	139,249	6,591	31	5,381	127,246	
Entities from Floene Group	139,224	6,566	31	5,381	127,246	
Entities from Galp Group	25	25	-	-	-	

For comparative information, refer to the financial statements for the year ended 31 December 2022.

Liabilities

	Unit: € k				
	Total	Current			
		Trade payables (Note 15)	Loans obtained (Note 15)	Current taxes (Note 16)	Accruals and deferrals
Liabilities:	44,621	5,110	35,619	2,598	1,294
Entities from Floene Group	38,616	399	35,619	2,598	-
Entities from Galp Group	6,005	4,712	-	-	1,294

For comparative information, refer to the financial statements for the year ended 31 December 2022.

Transactions

	Unit: € k			
	Operating costs (Notes 24 and 25)	Operating income (Note 23)	Financial costs (Note 26)	Financial income (Note 26)
	Transactions:	(12,558)	24,418	(1,888)
Entities from Floene Group	(6,240)	24,389	(1,819)	10,604
Entities from Galp Group	(6,318)	29	(69)	-

For comparative information, refer to the financial statements for the year ended 31 December 2022.

From the amount of €6 318 k, €6 037 k refer to services provided by Galp Energia, S.A. (Note 24).

29. Information of Environmental Matters

Not applicable.

30. Subsequent Events

On 8 March 2024, the Company entered into a Commercial Paper Program in the amount of €79 000 k, aimed to strength its financial position. The Commercial Paper Program has a term of 4 years (counting from the first issuance date) and bears a variable interest rate, indexed to Euribor and a contracted spread. On 24 April 2024, the Company completed the early repayment of the Bond Loan in the amount of €70 000 k, which would mature on 1 August 2024 (Note 14), through Cash and cash equivalents.

No additional subsequent events occurred after 31 December 2023, that had a material impact on the accompanying financial statements.

31. Approval of the financial statements

The financial statements were approved by the Board of Directors on 24 April 2024. However, they are still subject to approval by the Shareholders' General Meeting, in accordance with the commercial law applicable in Portugal.

32. Translation note

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

The Board of Directors

Diogo António Rodrigues da Silveira

President

Gabriel Nuno Charrua de Sousa

Member

Roxana Tataru

Member

Satoshi Kanomata

Member

Karl Klaus Liebel

Member

Pedro Álvaro de Brito Gomes Doutel

Member

Ippei Kojima

Member

Carlos Miguel Faria da Silva

Member

Nuno Luís Mendes Holbech Bastos

Member

The Certified Accountant

Ana Maria Serafim de Brito Mousinho

Annex IV – Report and opinion of the Audit Board

Dear Shareholders,

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”), this body hereby presents its report on the supervisory activity performed during the financial year of 2023 and give an opinion on the Management Report, the individual and consolidated Financial Statements and other elements of accountability, presented by the Board of Directors, in relation to the year ending December 31, 2023.

1. Annual report on supervisory action

Within the scope of the powers assigned to it as the Company's supervisory body, the Audit Board monitored the Company's management and results during the 2023 period, in particular regarding:

- compliance with and control of the policies and strategies defined by the Board of Directors;
- compliance with legal, regulatory and statutory provisions;
- the adequacy of adopted accounting policies, criteria and practices and the process of preparing financial information;
- the effectiveness of internal control systems.

As it is not a Public Interest Entity, under the terms of Article 3 of Law No. 148/2015 of September 9, given that Floene is an issuer on a regulated market, but outside Portugal, the Audit Board is nevertheless bound by the following duties, in accordance with Law (EU) 537/2014 and the IESBA Code:

- inform the management body of the results of the Statutory Audit (individual) and explain how it contributed to the integrity of the process of preparing and disclosing financial information, as well as the role that the Audit Board played in that process;;

- monitor the process of preparing and disclosing individual financial information and make recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the internal control and risk management systems with regard to the process of preparing and disclosing financial information, without violating its independence;
- monitoring the annual Statutory Audit (individual), namely its execution, taking into account any findings and conclusions of the Portuguese Securities Market Commission (CMVM), as the competent authority for auditing supervision;
- verify and monitor the independence of the Statutory Auditor and the Statutory Audit Firm in accordance with the law, including Article 6 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014, and in particular verify the suitability and approve the provision of other services, if applicable, in addition to auditing services, in accordance with Article 5 of said regulation; and
- selecting the Statutory Auditors or Statutory Audit Firms to propose to the General Meeting for election and justifiably recommend the preference for one of them, pursuant to Article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014.

To this end, the Audit Board carried out the following actions during the period in question:

- analysed the internal rules in force and their updates;
- monitored the review of the Company's organizational structure, as well as the functioning of its main organic units;
- monitored the development of initiatives and projects relevant to the Company's activity;
- analysed the information obtained from the main areas responsible for preparing and disclosing financial information;
- participated in the meeting with the Board of Directors on matters related to the duties of the Audit Board, in which the Financial Statements and the evolution of the Company's activity were assessed;

- met, when necessary, with the managers of the Departments, for information and clarification on specific aspects of the Company's management;
- analysed, if applicable, requests for prior approval of non-audit services made by the Statutory Auditor and ensured compliance with the independence rules that must guide the provision of these services;
- analysed the confirmation of independence prepared by the Statutory Auditor under Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014;
- met, when necessary, with the Statutory Audit PWC-Pricewaterhousecoopers & Asociados SROC S.A. (PWC) to be informed of the main conclusions and recommendations made by them in the performance of their duties.

In carrying out the above tasks, the Audit Board held thirteen meetings from May 2023 to April 2024. As part of its interaction with members of the management bodies, it met on several occasions with:

- the Chairman of the Board of Directors,
- the Chairman of the Executive Committee,
- the Executive Director responsible for finance and IT,
- the heads of the following departments:
 - Internal Audit,
 - Commercial,
 - Strategy and Energy Transition,
 - Finance,
 - Asset Management,
 - Transformation Management (under TSA, a service contract with Galp Energia, S.A.),
 - Investor Relations, Risk, Social, Environmental and Governance Responsibility,
 - Information Systems,
- PWC.

Through these meetings, the Audit Board monitored, in particular:

- the company's financial situation and the Floene Group's risk management system;
- the main legal cases regarding the energy sector, with a possible impact on the Group's financial statements, essentially those relating to the extraordinary contribution on the energy sector (CESE);
- the activities of the Floene Group's internal audit department, with special emphasis on compliance with its annual audit plan, reporting findings and monitoring action plans to resolve them;
- PWC's activities regarding aspects related to the planning of the work, interim reporting and conclusions and final reporting of the audit, including details of the most significant risks identified and the methodology applied to address these risks and the recommendations relating to situations reported within the scope of Internal Control that deserve Management's attention.

In addition, it monitored the application of the Code of Ethics and Conduct through the Ethics and Conduct Committee (ECC), which it appointed.

It has also actively participated in internal committees:

- Management,
- Risk & Internal Control,
- Transformation, Innovation & IT,

giving regular attention to the information systems transition process and to the progress of the stages set out in the TSA.

The Audit Board also examined, under the terms of Article 452 of the Commercial Companies Code:

- the individual and consolidated statement of financial position, the individual and consolidated statement of income and other comprehensive income, the individual and consolidated statement of changes in equity, the individual and consolidated statement of cash flows and the notes to the individual and consolidated financial statements for the period ended December 31, 2023;
- the management report of the Board of Directors for 2023;
- the individual and consolidated Statutory Auditors' Certificates prepared by the Statutory Auditor, issued without reservations, with reference to the audit report for the period ending December 31, 2023.

2. Opinion on the report, accounts and proposal presented by the board of Directors

In view of the above, the Audit Board is of the opinion that:

- the individual and consolidated Financial Statements and the Management Report are in accordance with the applicable accounting, legal and statutory provisions and give a true and fair view of the financial position and results of the Company;
- the Management Report accurately describes the evolution of the Company's business and is in line with the accounts for the period;

the Board of Auditors therefore recommends its approval at the Annual General Shareholders' Meeting, as well as the proposal for the allocation of individual net income contained in the aforementioned Management Report.

Finally, the Audit Board would like to express its thanks and appreciation to the Board of Directors, the Company's departments and the Statutory Auditor for their cooperation and availability.

Lisbon, April 26, 2024

The Audit Board

Pedro Fontes Falcão

Chairman

José Carlos Carvalho Brites

Member

João Albino Cordeiro Augusto

Member



Annex V a) - Statutory Audit Report - Consolidated



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, 2023 (which shows total assets of Euro 1,332,616 thousand and total equity of Euro 259,581 thousand including a consolidated net income for the year of Euro 17,025 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 notes to the consolidated financial statements, including material accounting policy information.

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, 2023, 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.

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 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

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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, 2023, Intangible assets amounts to Euro 1,120,442 thousand (Euro 1,127,729 thousand as at December 31, 2022) 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, 2023, the Group presents tariff deviations, assets and liabilities, respectively in the amounts of Euro 46,998 thousand and Euro 2,716 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
<p>Litigation and tax contingencies</p> <p>Disclosures related to litigation and tax contingencies are presented in notes 17, 19, 29 and 32 of the consolidated financial statements.</p> <p>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, 2023 the provisions recognized in the consolidated financial statements amounted to Euro 84,060 thousand (2022: Euro 81,069 thousand).</p> <p>The relevance of this matter in our audit is related with the complexity and level of judgment inherent to the tax matters, as well as the unpredictability associated with the respective outcome.</p>	<p>The audit procedures performed included, among others:</p> <ul style="list-style-type: none"> - obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by the outcome probability; - understanding tax and legal contingency processes; - obtaining and analyzing the replies to the confirmation letters sent to external lawyers; - inquiry of the management and of the tax and legal Directors of the Group over the estimates and judgments considered. <p>We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.</p>

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' report in accordance with the applicable law and regulations;

- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

April 26, 2024

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



Annex V b) - Statutory Audit Report - Individual



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, 2023 (which shows total assets of Euro 879,323 thousand and total shareholders' equity of Euro 139,266 thousand including a net profit of Euro 3,579 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 notes to the financial statements, including material accounting policy information.

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, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

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, 2023, 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

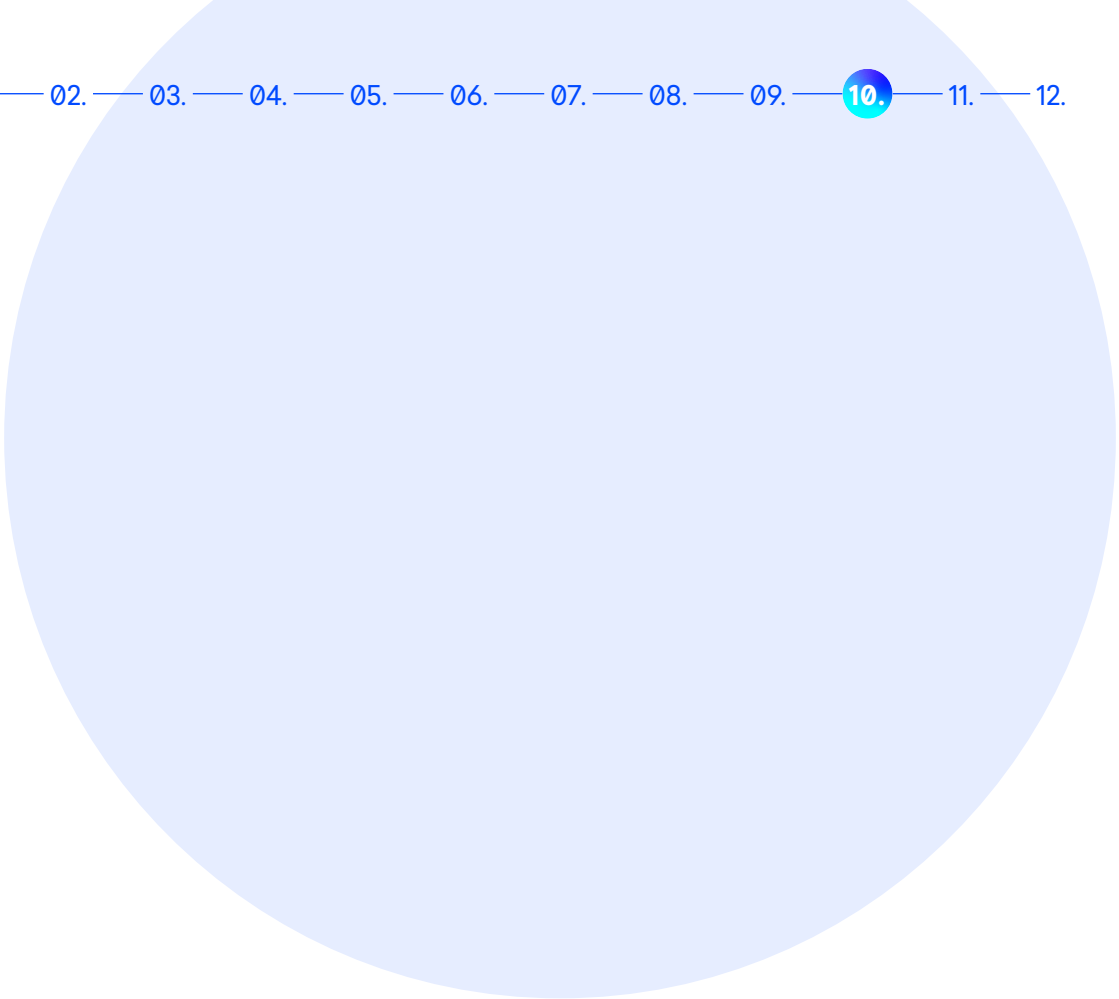
Directors' report

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 26, 2024

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



Annex VI – Independent report about sustainability information



Independent Limited Assurance Report

(Free translation from the original in Portuguese. In the event of discrepancies, the Portuguese language version prevails)

To the Board of Directors

Introduction

We were engaged by the Board of Directors of Floene Energias, S.A. (“Floene” or “Company”) to perform a limited assurance engagement on the indicators identified below in section “Responsibilities of the auditor” that are part of the sustainability information included in the Annual Report, for the period ended December 31, 2023, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to prepare the indicators identified below in section “Responsibilities of the auditor”, included in the Annual Report, in accordance with the sustainability reporting guidelines “Global Reporting Initiative” and with the instructions and criteria disclosed in the Annual Report, as well as to maintain an appropriate system of internal control that enables the adequate preparation of the mentioned information.

Responsibilities of the auditor

Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Our work was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance engagements other than audits or reviews of historical financial information”, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and we have fulfilled other technical standards and recommendations issued by the Institute of Statutory Auditors. These standards require that we plan and perform our work to obtain limited assurance about whether the sustainability indicators identified in the Annex “GRI Table” of the Annual Report, are free from material misstatements.

For this purpose the above mentioned work included:

- a) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
- b) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
- c) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information analysed, through calculations and validation of reported data;
- d) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

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 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

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

- e) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
- f) Comparison of financial and economic data included in the sustainability information with the data audited by PricewaterhouseCoopers & Associados, SROC, Lda, in the scope of the audit of Floene's consolidated financial statements for the year ended December 31, 2023; and
- g) Verification that the sustainability information included in the Annual Report complies with the requirements of GRI Standards.

The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality management and independence

We apply the International Standard on Quality Management 1 (ISQM1), which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and of the ethics code of the Institute of Statutory Auditors.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Indicators identified above in section "Responsibilities of the auditor", included in the Sustainability Report, for the period ended December 31, 2023, were not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Annual Report and that Floene has not applied, in the sustainability information included in the Annual Report, the GRI Standards guidelines.

Restriction on use

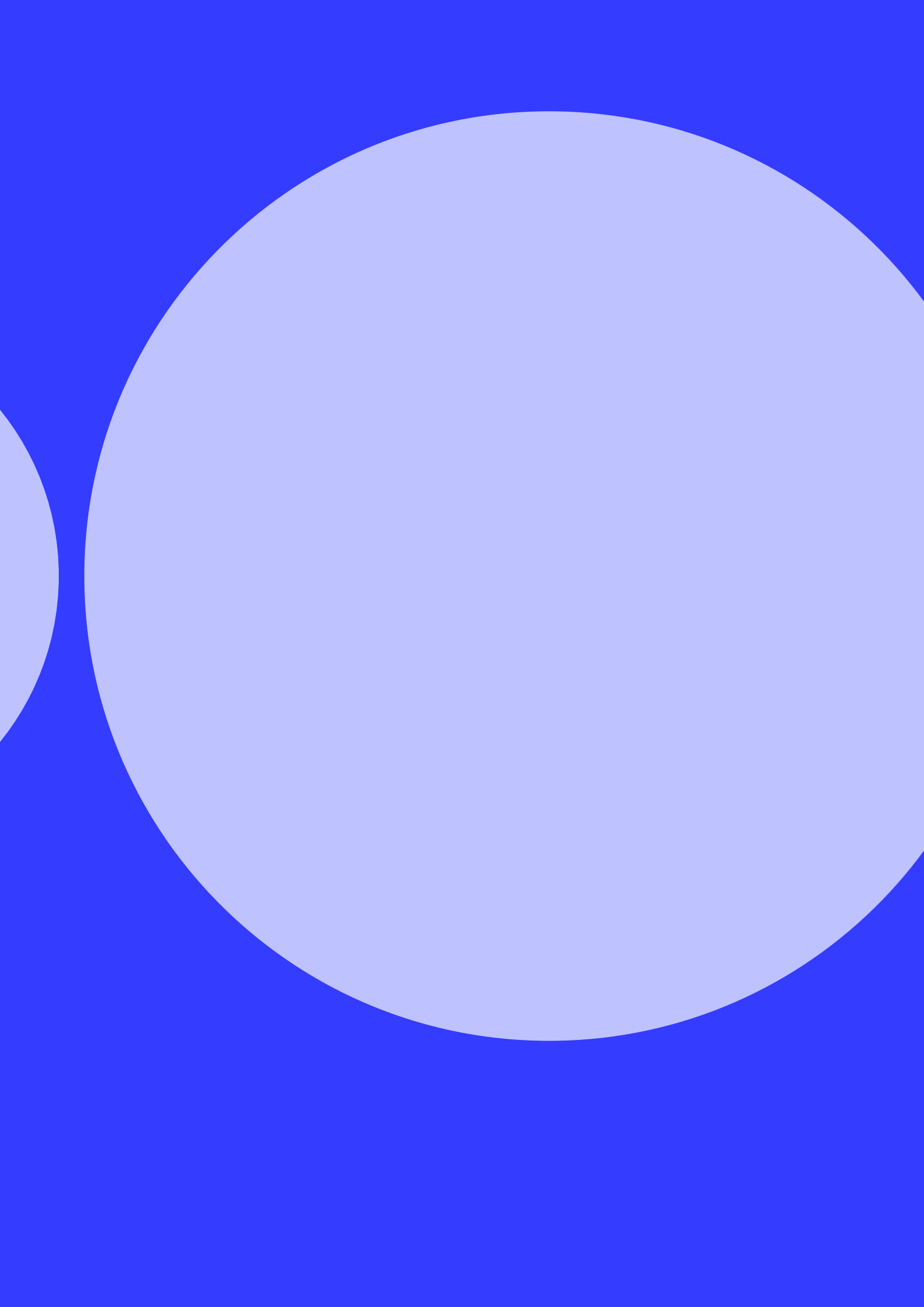
This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating its annual sustainability performance in the Annual Report and should not be used for any other purpose. We will not assume any responsibility to third parties other than Floene by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report.

April 24, 2024

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Signed on the original

António Joaquim Brochado Correia, ROC no. 1076
Registered with the Portuguese Securities Market Commission under no. 20160688



11.

GRI Standards

11.

GRI Standards

This document is an annex to Floene’s 2023 Management and Accounts Report. It identifies the GRI Standards and indicators that are being addressed, with references to their respective contents in the Report (or other external resources), and provides a detailed response in the table itself, whenever applicable.

Usage Statement	Floene has reported in accordance with the GRI Standards for the period from January 1, 2023 to December 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	GRI 11 Oil and Gas Sector 2021

Global standards

GRI 2: General disclosures	Location
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Regarding the standard published in 2021

The organisation and its reporting practices

2-1 Organisational details

Legal name of the organisation: FLOENE ENERGIAS S.A.
 Nature of the organisation: Public limited company
 Headquarters: Rua Tomás da Fonseca, Torre C, 6th Floor, 1600-209 Lisboa
 Country of operation: Portugal

2-2 Entities included in the organisation's Sustainability report	Page 14-15
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The Floene Group is the largest gas distribution operator in Portugal, through the direct management and participation in nine Regional Gas Distribution Operators (ORD), present in 106 municipalities from north to south of Portugal. Accordingly, this sustainability report includes the entity Floene Energias S.A. Group, which includes nine DSO (subsidiaries): Duriensegás, Beiragás, Lusitaniagás, Tagusgás, Lisboa-gás, Setgás, Dianagás, Paxgás and Medigás.

2-3 Reporting period, frequency and contact point	Page 90-91
---	----------------------------

The sustainability report is integrated into Floene's 2023 Management Report and Accounts and refers to activities carried out during the period between 01/01/2023 and 31/12/2023. Whenever possible, the indicators are presented with a history of up to 3 years. Floene's Management and Accounts Report is published annually.

For more information about the report or the themes addressed in it, please contact the Investor Relations, Risk and ESG Management Department at ir@floene.pt and ESG@floene.pt (for information on ESG) and/or by phone at +351 217 242 500.

GRI 2: General disclosers	Location
The organisation and its reporting practices	
2-4 Restatements of information	
Any reformulations to any information presented in previous reports are referred to throughout the report, whenever applicable.	
2-5 External assurance	Page 222-223
This report has been subject to independent external verification of non-financial information, prepared on the basis of International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". The verification was carried out by PwC Portugal (PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda).	
Activities and employees	
2-6 Activities, value chain and other business relationships	
Chapter 2.1. Our activity	Page 14-15
Chapter 5.3.3. Sustainable supply chain management	Page 60-61
The Floene Energias, S.A. (Floene) group is the largest operator of the gas distribution network in Portugal, through the direct management and participation of nine Regional Gas Distribution Operators (DSO), present in 106 municipalities from north to south of the country. The distribution activity is a regulated activity in the gas value chain in Portugal, exercised by the distribution network operators, with each DSO operating in an exclusive geographical area based on a Concession or Licence agreement.	
Distribution activity – Distribution ensures the flow of natural gas from the high-pressure transport network (HP), in the medium-pressure (MP: between 20 and 4 bar) and low-pressure (BP: below 4 bar) networks, up to the consumption facilities (delivery points). These networks are also called interconnected networks, as opposed to other local distribution networks, which are supplied by liquefied natural gas (LNG) tanks delivered by tanker truck.	
Last Resort Commercialisation Retailer (LRS) activity – The DSO with gas supply to less than 100,000 customers (Beiragás, Duriensegás, Dianagás, Tagusgás, Paxgás and Medigás) also engage in gas commercialisation, exercised as a LRS aspect, with accounting unbundling obligation.	

GRI 2: General disclosures				Location
Activities and employees				
2-7 Employees				
Number of employees by gender (and type of contract)	Gender	2021	2022	2023
Number of permanent employees (permanent contract)	Male	267	264	271
	Female	124	126	126
	Other	-	-	-
	Subtotal	391	392	397
Number of temporary employees (fixed-term or uncertain term)	Male	3	1	5
	Female	-	1	5
	Other	-	-	-
	Subtotal	3	2	10
Number of employees without fixed hours (non-guaranteed hours employee)	Male	-	-	-
	Female	-	-	-
	Other	-	-	-
	Subtotal	-	-	-
Number of full-time employees	Male	270	267	276
	Female	124	127	131
	Other	-	-	-
	Subtotal	394	394	407
Number of part-time employees	Male	-	-	-
	Female	-	-	-
	Other	-	-	-
	Subtotal	-	-	-
Total (number of employees by gender)	Male	270	267	276
	Female	124	127	131
	Other	-	-	-
	Subtotal	394	394	407

NOTE 1: The count was made at the end of the reporting period.

The FTE (Full-Time Equivalent) criterion was used for counting employees. Trainees and Governing bodies were not considered for the calculation of the number of employees.

NOTE 2: Corrections were made to the headcounts of the previous years due to a change in criteria.

GRI 2: General disclosers**Location****Activities and employees****2-8 Workers who are not employees**

As of December 31st, 2023, Floene had 801 non-employee workers whose work is controlled by the organisation. These include contractors (with a direct contractual relationship with the organisation) and subcontractors (with an indirect contractual relationship with the organisation, through contractors). The work carried out by these workers includes mainly constructions, inspections, safety and environmental coordination, occupational health services, and administrative service providers (a variety of services such as accounting, human resources management, legal services, management consultancy, among others) and maintenance.

2-9 Governance structure and composition

Chapter 4.2. Corporate governance model

[Page 26-27](#)

Chapter 5.1. Our commitment to sustainability

[Page 38-42](#)

The global management of ESG issues is under the responsibility of the Investor Relations, Risk and ESG Management Department. This department reports to the Chief Executive Officer and has the responsibility, among other things, to promote the Company's sustainability, best corporate management practices and information disclosure, through an integrated approach to environmental, social and governance performance management, focussed on protecting and creating sustainable value for all stakeholders.

2-10 Nomination and selection of the highest governance body

The Board of Directors is composed of a fixed number of 6 to 12 directors elected by the General Assembly. The General Assembly will elect the Chairman of the Board - the highest-ranking governance body - who will be replaced by whom he or she indicates in his or her absence or impediment.

The criteria used in their nomination consists notably of the stakeholders' perspective, independence, and relevant competencies for Floene's impacts.

2-11 Chair of the highest governance body

The Chairman of the Board of Directors is the highest governance body. For more information on this indicator see the chapters:

4.1. Shareholder structure

[Page 24-25](#)

4.2. Corporate governance model

[Page 26-27](#)

GRI 2: General disclosures

Activities and employees

2-12 Role of the highest governance body in overseeing management of impacts

Chapter 4.2. Corporate governance model	Page 26-27
Chapter 4.4. Internal control and risk management systems	Page 28-31
Chapter 5.1. Our commitment to sustainability	Page 38-42

The current management of the company is exercised by the Executive Committee under the delegation of powers conferred by the Board of Directors, which supervises and monitors management through its non-executive members. The Audit Board is responsible for overseeing the effectiveness of risk management systems, internal control and internal audit, and proposing necessary adjustments, as well as assessing their operation and internal procedures annually, and commenting on work plans and resources allocated to internal control and supervision services. The Board of Directors is responsible for approving the internal control policy and defining the strategy and supervision of risk management. This body is also responsible for ensuring that the company's strategy is aligned with the level of risk it is willing to assume, monitoring and controlling the performance of the functions delegated to the Executive Committee. The Executive Committee is responsible for monitoring risk management with a focus on the main risks to which Floene is exposed, including strategic, operational, financial, and regulatory risks. The Chief Executive Officer (CEO) plays a key role in supervising the management of impacts. The Board of Directors meets twice per quarter. The Chairman of the Board of Directors meets weekly with the members of the Executive Committee and is present in various internal committees, including ESG & Stakeholders, Risk Management, among others. Floene is intensifying its risk analysis and management procedures, as well as internal control, considering its specific area of activity and the legislative and regulatory framework in which it operates.

2-13 Delegation of responsibility for managing impacts

Chapter 4. Our Governance	Page 24-35
Chapter 5.1. Our commitment to sustainability	Page 38-42

2-14 Role of the highest governance body in sustainability reporting

The BoD, the highest governance body, is responsible for reviewing and approving the sustainability report (including the list of material topics) annually. The BoD also closely monitors environmental issues at quarterly meetings, and interacts 3 to 4 times a year on matters related to the decarbonisation and energy transition plan.

2-15 Conflicts of interest

Chapter 4.3. Ethics and transparency	Page 28
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Our Code of Ethics and Conduct is a guide for the actions of our people and business partners and is intended to materialize in principles of conduct our purpose, mission, and values, as well as to guide and orient daily actions so that each behaviour or action of each code recipient can fit into Floene's corporate culture. In this sense, and as mentioned in this document, we commit to developing and implementing internal standards aimed at preventing conflicts of interest, as well as making efforts to ensure that contracts in which we participate include mechanisms to prevent conflicts of interest. For more information about this indicator, please refer to the above-mentioned chapter, as well as the Code of Ethics and Conduct, available on the Floene [website](#).

GRI 2: General disclosures	Location
Activities and employees	
2-16 Communication of critical concerns	
Chapter 4.3. Ethics and transparency	Page 28
Chapter 4.4. Internal control and risk management systems	Page 28-31
<p>The daily management of the company is carried out by the Executive Committee under the terms of the delegation of powers conferred by the Board of Directors. which supervises and monitors management through its non-executive members. This body provides updates and monitors activities in accordance with what is mentioned in 2-12.</p>	
2-17 Collective knowledge of the highest governance body	
Chapter 4.2. Corporate governance model	Page 26-27
Chapter 5.1. Our commitment to sustainability	Page 38-42
<p>The Chairman of the Board of Directors attends to various internal committee, namely ESG & Stakeholders, Management and others, where the various initiatives Floene has in this area are discussed. For more information on this indicator, see the chapters above.</p>	
<p>It's also worth mentioning that in 2022, the first executive training - ARC Leader - was launched, aimed at heads of area. The main objectives of this training were to strengthen various management skills, keep up with major leadership trends and best practices, and, above all, enhance the interactivity and proximity of this group of leaders.</p>	
2-18 Evaluation of the performance of the highest governance body	
Chapter 10 Annexes - Annex I, Point E, "Annual amount of remuneration received, both in aggregate and individually, by the members of the management, supervisory and general meeting Board of Directors of the Company in 2023".	Page 96-98
<p>The Chairman's performance is carried out by the shareholders, and the preparation of the Remuneration Policy for the members of the Board of Directors is scheduled for 2024, where, among other things, the performance evaluation criteria will be reflected. However, the General Meeting annually reviews the members of the management and supervisory bodies of the Company, in accordance with Article 455 of the Commercial Companies Code.</p>	
2-19 Remuneration policies	
A remuneration policy for the members of the Board of Directors is planned for 2024. The remuneration of the Corporate Bodies is available in this Annual Report 2023, Annex I, Point E, "Annual amount of remuneration received, both in aggregate and individually, by the members of the management, supervisory and general meeting Board of Directors of the Company in 2023".	Page 96-98
2-20 Process to determine remuneration	
Chapter 10 Annexes - Annex I, Point E, "Annual amount of remuneration received, both in aggregate and individually, by the members of the management, supervisory and general meeting Board of Directors of the Company in 2023".	Page 96-98
<p>There is a set of KPI (Key Performance Indicators) defined annually for the variable component.</p>	

GRI 2: General disclosures
Location
Activities and employees
2-21 Annual total compensation ratio

The ratio between the CEO's annual total compensation and the total average annual compensation of all employees (excluding Governing Bodies and trainees) is 5.6.

The ratio between the percentage increase in the CEO's total compensation and the average percentage increase in the total annual compensation of all employees (excluding Governing Bodies and trainees) is 0.74.

Note: Only the fixed remuneration is being taken into account in the "annual compensation".

Strategy, policy and practices
2-22 Statement on sustainable development strategy

Chapter 1.1. Overview - Message to Stakeholders

[Page 6-8](#)

2-23 Policy commitments

Chapter 4.3. Ethics and transparency

[Page 28](#)

Chapter 5.3.3. Sustainable supply chain management

[Page 60-61](#)

Floene governs its activity according to several intergovernmental instruments, namely the United Nations Human Rights principles, which serve as guidance for commitments outlined in a set of documents such as the Human Rights Policy, Corporate Social Responsibility Policy, Code of Ethics and Conduct, Quality Policy, Health, Safety, Environment and Major Accident Prevention Policy, Data Protection Policy and Standards, among others. As a leading gas distribution company in Portugal, Floene identifies, beyond its business activities, the need to contribute to a more economically and socially developed society. Its purpose is to promote sustainable communities, meaning to grow and create value sustainably, contributing to the common good of communities with the energies of the future, and is committed to always adopt the best market practices, in collaboration with the most relevant stakeholders and throughout the entire value chain.

Floene explicitly and irrefutably defends the respect for Human Rights and the application of the Precautionary Principle, believing that the defence of Human Rights is an essential condition for maintaining a sustainable society. Therefore, it conducts its activities with careful consideration for the recognition and safeguarding of human dignity, freedom, and equality, as well as the protection of labor and trade union rights, health and safety in the workplace, and the environment. It commits to respecting, promoting, and enforcing Human Rights among stakeholders and adopting measures to prevent its actions from, directly or indirectly, causing abuses or violations of internationally recognized Human Rights.

All policies have been and are approved by the Board of Directors, internally communicated, and applied to all employees of Floene Group, being publicly available on the company's website (<https://floene.pt/en/about-floene/#politicas>).

GRI 2: General disclosers**Location****Strategy, policy and practices****2-24 Embedding policy commitments**

Chapter 4.3. Ethics and transparency

[Page 28](#)

Chapter 5.3.3. Sustainable supply chain management

[Page 60-61](#)

Aware of its impact, Floene seeks to create sustainable value and share it with its stakeholders. The Group plays an important role in the national economy and affects the lives of thousands of people. It is, therefore, increasingly evident that the way Floene manages its relationship with the community, natural resources, and the risks associated with its activities impacts economic performance. In order to align with the trends of the energy transition, Floene has been moving towards implementing various initiatives, assuming its responsibility in the value chain. Such initiatives can be found in the chapters above.

2-25 Processes to remediate negative impacts

Chapter 4.3. Ethics and transparency

[Page 28](#)

Chapter 4.4. Internal control and risk management systems

[Page 28-31](#)

Chapter 5.4.4. Customer satisfaction

[Page 69-70](#)

Floene has established a procedure for Reporting of Irregularities with the aim of enabling any stakeholder to report to the Audit Board, through the Ethics and Conduct Committee, any irregularities or breaches of the Code of Ethics and Conduct. For this purpose, there is also an Internal Control Manual, regarding which the Board of Directors, the Executive Committee, the Audit Board, and the Internal Audit play crucial roles in monitoring, supervising, overseeing, and evaluating it.

Floene also has a Risk and Internal Control Committee, a risk management area, and those responsible for action plans, that materialize the management of risks and opportunities identified in the Company. The Risk and Internal Control Committee has the following responsibilities:

- Monitor matters related to Floene's risk management and internal control model;
- Review risk resolution options and identify those responsible for mitigation actions;
- Monitor compliance with policies and the effectiveness of the mitigation plans outlined.

To monitor the effectiveness of complaint mechanisms and other remediation processes, working groups are implemented where these issues are addressed, and satisfaction surveys are periodically conducted.

GRI 2: General disclosures**Location****Strategy, policy and practices****2-26 Mechanisms for seeking advice and raising questions**

Chapter 4.3. Ethics and transparency

[Page 28](#)

At Floene, there are mechanisms for ethical advice policy implementation. Employees become aware of these mechanisms through policy disclosure and training. Floene supports, encourages and defends the reporting of irregularities, as established in the Code of Ethics and Conduct, by training employees on this subject. It commits to reporting, using the ethics channel (ComunicaÉtica), which aims to prevent and/or repress irregularities within Floene, in areas and within the scope permitted by the laws in force at any given time.

Floene's Ethics and Conduct Committee, appointed by Floene's Audit Board, is the governing body responsible for ensuring the proper functioning and application of the Code of Ethics and Conduct, controlling the interpretation and execution of the Code, and monitoring and treating situations reported under the Irregularities Reporting Procedure, as defined in internal regulations.

2-27 Compliance with laws and regulations

A fine of € 17,500 was recorded as a result of non-compliance with the law and regulations in the reporting period. This fine follows an inspection carried out by the regulator to check the continuity of service aspects of Lisboagás DSO.

This inspection also included the sweep day held in 2021, which consists of validating all the aspects published on the operators' websites.

DSO Lisboagás was thus condemned for:

- Failure to publish and send ERSE on its website the RQS for 2020 (2 fines);
- Failure to send ERSE the RQS for the 2019 calendar year (1 fine);
- Failure to submit annual network renewal reports for 2019 and 2020 (2 fines).

Note: Floene considers a non-compliance to be significant when the amount of the fine exceeds € 5,000.

GRI 2: General disclosures	Location
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Strategy, policy and practices
2-28 Membership associations

Chapter 4.5. Involvement with the community/stakeholders

[Page 31-35](#)

Among the most relevant business associations and advocacy groups, we highlight:

Entity Name	Sees participation as strategic	Has functions as Social Bodies	Participates in projects or committees
Eurogas	Yes	Yes	Yes
GD4S (Gas Distributors for Sustainability)	Yes	Yes	Yes
Marcogaz	Yes	No	Yes
BCSD Portugal	Yes	No	Yes
Ready4H2	Yes	Yes	Yes
AP2H2 (Associação Portuguesa para a Promoção do Hidrogénio)	Yes	No	Yes
APE (Associação Portuguesa de Energia)	Yes	No	Yes
IGU (International Gas Union)	Yes	No	Yes
APEG (Associação Portuguesa de Empresas de Gás)	Yes	Yes	Yes
European Clean Hydrogen Alliance	Yes	No	Yes
EBA (European Biogas Association)	Yes	No	Yes
BIP (Biomethane Industrial Partnership)	Yes	No	Yes

Floene's lobbying activities in the European Union (EU) aim to promote or defend the company's interests by its representatives before European institutions, with the aim of directly or indirectly influencing proposals or decisions that may have an effect on the EU's climate and energy framework and, more specifically, on the company's activities. We are committed to acting transparently and responsibly.

Floene is registered in the European Transparency Register under the number 205215521290-52 and, as such, follows the rules of the EU Transparency Register Code of Conduct in its relations with EU institutions. Floene has exhaustively listed its participating associations in the Register. In addition to respecting the EU Transparency Register Code of Conduct, Floene also follows its own Code of Ethics and Conduct, available on the Floene website (floene.pt/en/).

GRI 2: General disclosures
Location
Stakeholder engagement
2-29 Approach to stakeholder engagement

Chapter 4.5. Involvement with the community/stakeholders

[Page 31-35](#)
2-30 Collective bargaining agreements

	2021	2022	2023
Total number of employees covered by collective bargaining agreements	140	120	120
Number of employees	394	394	407
Percentage of employees covered by collective bargaining agreements	36%	30%	29%

NOTE 1: The count was carried out at the end of the reporting period. The FTE (Full-Time Equivalent) criterion was used for counting employees. Trainees/interns and governing bodies were not considered for the employee count.

NOTE 2: Corrections were made to the headcounts for previous years due to a change in criteria.

NOTE 3: As indicated in the employment contract between the employee and any company within the Floene group, the employment relationship is governed by the law and internal rules applicable at Floene. It is noteworthy that there are working conditions that, being mandatory rights and duties, cannot be changed by the will of the parties, regardless of the existence of collective labor regulation instruments (IRCT) which includes the collective labor agreement (ACT), governed by law, namely by the Labor Code. In conclusion:

1. Working conditions are regulated in the employment contract signed by the employee and the employer/company within the Floene group;
2. If the worker is not covered by the IRCT/ACT, what is omitted in the employment contract is governed by the Law (for example, the Labor Code regarding rules of mandatory nature or minimum guarantee) and internal rules, with the latter prevailing if more favorable;
3. If the worker is covered by the IRCT/ACT, what is omitted in the employment contract is governed by the Law (for example, the Labor Code regarding issues of mandatory nature), what the IRCT provides, and the applicable internal rules, with the latter prevailing if more favorable.

GRI 3: Material topics**Location**

Regarding the standard published in 2021

Material topics content**3-1 Process to determine material topics**

The materiality analysis process is detailed in the Floene 2022 Report and Accounts, in Chapter 3.3. Our Approach to Sustainability
Chapter 5.1. Our Commitment to sustainability

Page 23-24

[Page 38-42](#)

To identify and assess the most relevant sustainability themes and trends for our stakeholders and business, we conducted a materiality exercise in 2022, which continues into 2023.

This exercise was based, first, on a benchmarking study, which considered our national and international peers, and subsequently, on consultation with our stakeholders through surveys, focus groups, and interviews, to identify the most relevant sustainability topics. These methodologies involved the participation of employees from all departments of the Company, to obtain a representative and diversified view.

The materiality analysis, based on the concept of dual materiality, aimed to: (1) assess the significance of our impacts on the economy, environment, and people, including human rights, as a result of our activities or business relations (impact materiality); (2) the financial, operational, and reputational relevance of material topics for the Company (financial materiality).

Starting from an analysis of 19 sustainability topics, it was possible to identify a total of ten material topics for Floene and its stakeholders. These are identified in the GRI 3-3 Material Topics Management indicator and are present in the contents of the chapters and subchapters of this report.

This process was essential for defining the sustainability positioning and defining Floene's Sustainability Roadmap, ensuring alignment between the strategic objectives of the gas/renewable gases distribution operation and the expectations and needs of stakeholders.

3-2 List of material topics

The list of material topics defined through the materiality definition process is described in the Floene 2023 Annual Report in chapter 5.1. Our commitment to sustainability.

[Page 38-42](#)

GRI 3: Material topics
Location
Material topics content
3-3 Material topics management

Material Topics	Chapter¹	Specific Standards and Indicators	Reference number of the GRI sector-specific standard
Quality service, safe and efficient supply	5.4. Our prosperity	GRI 306: Waste 2020 306-3 GRI 416: Consumer Health and Safety 2016 416-2 GRI 417: Marketing and Labelling 2016 417-3	11.8. Asset integrity and Process Safety Accident Management
Energy efficiency and climate change	5.3. Our Planet	GRI 302: Energy 2016 302-1 GRI 302: Energy 2016 302-2 GRI 302: Energy 2016 302-3 GRI 305: Emissions 2016 305-1 GRI 305: Emissions 2016 305-2 GRI 305: Emissions 2016 305-3 GRI 305: Emissions 2016 305-4 GRI 305: Emissions 2016 305-5 GRI 305: Emissions 2016 305-6 GRI 305: Emissions 2016 305-7 GRI 406: Non-Discrimination 2016 406-1	11.1. GHG Emissions
Innovation, adaptation and resilience	5.4. Our prosperity	GRI 201: Economic Performance 2016 201-2	11.2. Adaptation, Resilience and Climate Transition
Economic performance and financial sustainability	5.4. Our prosperity	GRI 201: Economic Performance 2016 201-1 GRI 201: Economic Performance 2016 201-4 GRI 203: Indirect Economic Impacts 2016 203-1 GRI 203: Indirect Economic Impacts 2016 203-2 GRI 204: Purchasing Practices 2016 204-1	11.14. Economic Impacts

GRI 3: Material topics

Material topics content

3-3 Management of material topics

Material topics	Chapter¹	Specific Standards and Indicators	GRI Sector Standard Ref No.
Involvement with the local community/ stakeholders	4. Our Governance	GRI 202: Market Presence 2016 202-2 GRI 413: Local Communities 2016 413-1 GRI 413: Local Communities 2016 413-2	11.15. Local Communities
Sustainable supply chain management	5.3. Our planet	GRI 308: Environmental Assessment of Suppliers 2016 308-1 GRI 308: Environmental Assessment of Suppliers 2016 308-2 GRI 414: Social Assessment of Suppliers 2016 414-1 GRI 414: Social Assessment of Suppliers 2016 414-2	11.12. Forced Labour and Modern Slavery
Regulatory compliance	4. Our Governance	GRI 204: Purchasing Practices 2016 204-1 GRI 207: Tax 2019 207-1 GRI 207: Tax 2019 207-2 GRI 207: Tax 2019 207-3 GRI 207: Tax 2019 207-4 GRI 415: Public Policies 2016 415-1	
Safety, well-being and developing our people	5.2. Our people	GRI 202: Market Presence 2016 202-1 GRI 401: Employment 2016 401-1 GRI 401: Employment 2016 401-2 GRI 401: Employment 2016 401-3 GRI 402: Labour Relations 2016 402-1 GRI 403: Occupational Health and Safety 2018 403-1 GRI 403: Occupational Health and Safety 2018 403-2 GRI 403: Occupational Health and Safety 2018 403-3 GRI 403: Occupational Health and Safety 2018 403-4 GRI 403: Occupational Health and Safety 2018 403-5 GRI 403: Occupational Health and Safety 2018 403-6 GRI 403: Occupational Health and Safety 2018 403-7 GRI 403: Occupational Health and Safety 2018 403-8 GRI 403: Occupational Health and Safety 2018 403-9 GRI 403: Occupational Health and Safety 2018 403-10 GRI 404: Training and Education 2016 404-1 GRI 404: Training and Education 2016 404-2 GRI 404: Training and Education 2016 404-3 GRI 405: Diversity and Equal Opportunities 2016 405-1 GRI 405: Diversity and Equal Opportunities 2016 405-2 GRI 406: Non-Discrimination 2016 406-1 GRI 414: Social Assessment of Suppliers 2016 414-1 GRI 414: Social Assessment of Suppliers 2016 414-2	11.9. Occupational Health and Safety 11.10. Employment Practices
Ethics and Transparency	4. Our Governance	GRI 205: Anti-corruption 2016 205-1 GRI 205: Anti-corruption 2016 205-2 GRI 205: Anti-corruption 2016 205-3 GRI 206: Unfair Competition 2016 206-1 GRI 407: Freedom of Association and Collective Bargaining 2016 407-1 GRI 418: Customer Privacy 2016 418-1	11.21. Payments to Governments 11.22. Public Policies
Customer satisfaction	5.4. Our prosperity	There are no GRI Thematic Standards associated with this Material Topic.	

NOTE 1: Each material topic presents, in the respective sub-chapters, information on its relevance to the Group and our stakeholders, as well as the approach followed – including defined policies and commitments – reflecting the Group's management approach.

NOTE 2: Floene has a channel for reporting irregularities, called "ComunicaÉtica", which is transversally applicable to various material topics. For more information on this topic, please refer to the Floene 2023 Annual Report, in chapter [4.3. Ethics and transparency](#).

Topics in the oil and gas sector (GRI 11) that were not considered material

Topic	Justification
11.3. Atmospheric Emissions	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.4. Biodiversity	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.5. Waste	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.6. Water and Effluents	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.7. Closure and Rehabilitation	Not applicable. Floene's activity does not involve situations where the closure and rehabilitation of oil and gas fields may occur.
11.11. Non-discrimination and Equal Opportunities	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.13. Freedom of Association and Collective Bargaining	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.16. Land and Natural Resources Rights	Not applicable. In the geography where Floene is present and in its activity, there are no situations of land and natural resources dispute.
11.17. Indigenous Rights	Not applicable. In the geography where Floene is present, there are no situations of potential violation of indigenous communities' rights.
11.18. Conflict and Security	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.19. Unfair Competition	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.
11.20. Anti-corruption	Based on the relevance threshold defined and the evaluation carried out, the topic was not considered material.

Specific standards

GRI 200: Economic performance			
GRI 201: Economic performance	Location		
Regarding the standard published in 2016			
201-1 Direct economic value generated and distributed			
	EUR		
	2021	2022	2023
I) Direct Economic Value Generated	144,547,112.9	149,438,921.5	155,072,600.7
Revenue	144,547,113	149,438,922	155,072,601
II) Direct Economic Value Distributed (Operating costs)	74,878,497	74,541,573	94,191,047
Operating costs	30,347,534	31,216,315	34,226,107
Salaries and benefits of employee	23,963,791	23,995,413	25,292,672
Payments to providers of capital	10,305,430	11,269,036	29,489,009
Taxes	10,261,741	8,060,808	5,168,918
Investments in the community	-	-	14,341
III) Cumulative Economic Value (I-II)	69,668,616.2	74,897,349.0	60,881,553.9

NOTE: Operating costs: Includes training and personal protective equipment and excludes fleet and pass-through;

Salaries and benefits of employee: Excludes training and includes fleet costs;

Payments to providers of capital: Financing interest, from financials' side;

Taxes: Does not include deferred taxes;

Revenue: Total income, excluding recognition of investment subsidies, IFRIC and excluding pass-through items.

GRI 200: Economic performance

GRI 201: Economic performance

Location

201-2 Financial implications, risks and opportunities due to climate change

This information can be found in the Floene 2023 Annual Report, throughout the chapters:

4.4. Internal control and risk management systems	Page 28-31
5.1. Our commitment to sustainability	Page 38-42
5.3.1. Our position in the energy transition	Page 52-56

Additionally, it should be noted that, according to Floene's risk matrix, the company is exposed to risks and opportunities arising from climate change that could potentially cause significant changes in operations, revenues, and/or expenses. Internally, there is a standard that describes the methodology for managing risk in Floene's business processes, in line with the Risk Management Policy. We analyze and monitor our risk matrix, which is evaluated considering the probability of occurrence and the impact of the risk/opportunity. This is assessed considering the following aspects: Financial, Business Continuity, Quality, HSE (Health, Safety, and Environment), Human Capital, Reputation, Environment, and Compliance. For this particular indicator, in 2023, only the impact of the risk was quantified, with the Financial aspect estimating a high impact level (4, on a scale of 1 to 5). It is worth noting that the probability of this risk is considered medium/low. In terms of costs related to ongoing mitigation actions, their assessment is not systematized.

Floene's risk matrix is periodically monitored and reviewed, and it is also subject to analysis by the Risk and Internal Control Management Committee. It is reviewed and submitted for approval by the Board of Directors annually.

201-4 Financial assistance received from government

Floene received a total of € 284,388.02 in financial assistance from the Environmental Fund and the PRR for the projects "The Natural Energy of Hydrogen" and "H₂ Green Valley," respectively.

- "The Natural Energy of Hydrogen" aims at injecting and distributing green hydrogen into the natural gas network in the Seixal area, thus contributing to the decarbonization process of the energy sector.
 - "H₂ Green Valley" is a consortium made up of 6 co-promoters. This project, located in Sines, focuses on the development of infrastructure for transmission, compression, and distribution of hydrogen. It envisages the development of an H₂ pipeline connecting large producers and consumers of hydrogen and a system for injecting and blending natural gas and H₂ for injection into the transport network. As part of the H₂GVillage project, within the H₂ Green Valley, the Sines gas distribution network will be connected to the hydrogen pipeline and adapted to distribute 100% H₂ in the future. This project, which has been in planning since 2022, received PRR support in 2023, and its start is scheduled for 2024.
-

GRI 200: Economic performance**GRI 202: Market presence****Location**

Regarding the standard published in 2016

202-1 Ratio of standard entry level wage by gender compared to local minimum wage

EUR

		2021	2022	2023
National Minimum Wage	Men	665.0	705.0	760.0
	Women	665.0	705.0	760.0
Minimum Wage Practised by the Organisation (lowest wage practiced)	Men	972.0	998.4	1 045.3
	Women	830.0	840.8	880.3
Ratio between the organisation's minimum wage and the local minimum wage	Men	1.5	1.4	1.4
	Women	1.2	1.2	1.2

202-2 Proportion of senior Management hired from the local Community

		2021	2022	2023
Total number of top management members in important operational units	Men	51	40	41
	Women	15	12	18
Total number of top management members in important operational units hired from the local community	Men	50	39	38
	Women	15	12	18
Percentage of top management members in important operational units hired from the local community	Men	98%	98%	93%
	Women	100%	100%	100%

NOTE 1: The organisation adopts the following definitions:

"Top management" - Executive Committee, Heads of Area and Managers;

"Local" - For this type of indicator (referring to top management) local is synonymous with "national" (Portugal);

"Important operational units" - All existing directions of Floene.

NOTE 2: Data referring to full-time employees.

GRI 200: Economic performance

GRI 203: Indirect economic impacts

Location

Regarding the standard published in 2016

203-1 Infrastructure investments and services supported

The subject of investments in infrastructure and services provided is covered in the Floene 2023 Annual Report, Chapter 5.4.2. "Operational and financial performance".

[Page 62-65](#)

For the calculation of this indicator, the following investments were taken into account, amounting to € 30,017 million: i) Business Development; ii) Other Infrastructures; and, iii) Other Investments, namely, counter renewal due to legal requirement and Special Projects: Green Pipeline (H₂).

203-2 Significant indirect economic impacts

Chapter 5.4. Our prosperity

[Page 61-75](#)

During the reporting period, although no new impacts beyond those already reported in the 2022 report were identified, continuous positive economic impacts resulting from the availability of the gas distribution network in the communities where Floene operates are observed. This fact is due not only to the fact that natural gas, of all fossil fuels, has the least negative environmental impacts, but also because it is cheaper and plays an important role in the local economy. Additionally, being a relatively new distribution network prepared to receive renewable gases, it allows these to reach end consumers more easily. In this way, Floene contributes to the sustainability agenda within national policies.

Information regarding this topic can be found in greater detail in the chapter above.

GRI 204: Procurement practices

Location

Regarding the standard published in 2016

204-1 Proportion of spending on local suppliers

In 2023, Floene had a total cost of € 34,226,107.00 with suppliers, 97% of which related to purchases from local (national) suppliers.

NOTE: External Supplies and Services (ESS) were considered, including training costs, and excluding pass-through costs for transmission tariffs (UGS+URT) and investment in the community.

GRI 205: Anti-corruption

Location

Regarding the standard published in 2016

205-1 Operations assessed for risks related to corruption

No corruption risk assessments were carried out during the reporting period. However, Floene's Code of Ethics and Conduct was revised and disclosed given the changes that have taken place, particularly in the organisational structure.

GRI 200: Economic performance

GRI 205: Anti-corruption

Location

205-2 Communication and training about anti-corruption policies and procedures

Category of employees	Total No. of employees	Anti-corruption training	
		No. of employees	%
Administration (Executive Committee)	4	0	0%
Heads of Area	12	0	0%
Managers	43	3	7%
Specialists	157	14	9%
Technical Contributors	192	21	11%
Operational & Administrative Contributors	3	0	0%
Trainees	5	5	100%

NOTE: The information shown in the table only concerns Floene employees. Whenever policy communication is conducted, it is done through publication on the [intranet](#) for all Floene employees (including Administration - Executive Committee and trainees/interns). Regarding stakeholders, they have access via the official Floene website (floene.pt/en/), and in the case of Service Providers/Suppliers, both policies and the Floene Code of Ethics and Conduct are integral parts of the contract.

In 2023, training sessions were conducted for all new employees on this topic as part of their onboarding process, in addition to specific training on Floene's Code of Ethics and Conduct and the "Code of Conduct" of the DSO.

This was also a year of revision to Floene's Code of Ethics and Conduct, which was published and shared (internally and externally) in the last quarter. With its dissemination, a series of webinars addressing structural topics on Ethics was also planned for 2024. Each webinar, dedicated to a different theme, will be led by a Floene representative, and will feature the participation of an external guest, emphasizing knowledge sharing and clarification of any questions that may arise.

205-3 Confirmed incidents of corruption and actions taken

No confirmed incidents of corruption were recorded during the reporting period.

GRI 200: Economic performance

GRI 206: Anti-competitive behavior

Location

Regarding the standard published in 2016

206-1 Legal actions due to anti-competitive behaviour, anti-trust, and monopoly practice

During the reporting period of this Report, Floene was not associated with any legal actions due to anticompetitive behavior, unfair competition, or monopolistic practices.

However, there is a pending action - Contravention ERSE 17/2021, the process is pending final decision by the regulator. This contravention arose from a complaint filed by a commercial company about third parties and the non-exclusivity of service providers.

GRI 207: Tax

Location

Regarding the standard published in 2019

207-1 Approach to tax

Although not formalized in any public document, Floene has a tax strategy, reviewed, and approved annually by the Board of Directors and the Executive Committee. However, the publication of the Tax Policy is planned for 2024.

To ensure regulatory compliance with its tax strategy, Floene observes tax requirements and disclosure of tax information according to applicable laws and regulations, adopting appropriate measures for this purpose.

Regarding related party transactions, Floene Group Companies prepare a transfer pricing documentation process adopted by international practices, which includes all documentation regarding the policy adopted in determining transfer prices and maintains elements capable of proving their market

207-2 Tax governance, control, and risk management

Chapter 4.4. Internal control and risk management systems

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The Audit Board is responsible for ensuring compliance in tax matters, monitoring, in particular, accounting policies, valuation criteria, the effectiveness of the risk management and internal control system, and the process of preparation and disclosure of financial information. Annually, the Audit Board prepares a report on its supervisory activities and issues an opinion on the report, accounts, and proposals presented by the Administration. In addition to this Council, external auditors/Certified Public Accountants and internal auditors also play a crucial role in this regard.

GRI 200: Economic performance**GRI 207: Tax****Location****207-3 Stakeholder engagement and management of concerns related to tax**

Regarding taxation issues, it can be mentioned that Floene follows a stance of compliance and ethics by adhering to all current tax regulations, with full willingness to collaborate with tax authorities in inspections or any other applicable interaction process. Thus, tax compliance is a guarantor of its actions. The Group listens to and analyses the contributions/concerns of stakeholders, safeguarding communications that aim to clarify any existing doubts, without, however, altering the principles, rigor, compliance, and transparency of operations from a tax point of view.

207-4 Country-by-country reporting

Since all companies in the Floene Group are residents in Portugal, only Portuguese jurisdiction applies.

More information can be found in the 2023 Annual Report:

- Chapter 2.1. Our activity;
- Annex III a) - Financial Statements - Consolidated

[Page 14-15](#)

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GRI 300: Environmental performance

GRI 302: Energy

Location

Regarding the standard published in 2016

302-1 Energy consumption within the organisation

Unit: GJ

	2021	2022	2023
Non-renewable fuels	16,495.0	18,058.9	19,442.1
Natural Gas	1,873.9	1,913.6	2,107.0
Diesel	13,564.4	14,425.1	13,745.7
Gasoline	616.7	1,289.0	3,311.2
LPG	440.2	431.2	278.2
Renewable fuels			
Purchased electricity	2,650.5	2,954.2	2,682.5
Electricity sold			
Total	19,145.6	21,013.0	22,124.6

For this purpose, the following energy consumption sources within the organisation were considered: electricity consumption, natural gas consumption and fleet fuel consumption (diesel, gasoline, and LPG). It should be noted that as of 2022 the electricity purchased is certified as 100% renewable energy.

The sources of conversion factors used were as follows: DGEG, 2020 - Conversion from GWh to GJ; APA NIR, 2020 - Conversion from litres of fuel to GJ.

302-2 Energy consumption outside the organisation

To identify energy consumption outside the organisation, Floene used the upstream and downstream categories and activities of the "GHG Protocol – Scope 3". In this first analysis, Category 4 – Upstream transport and distribution was considered, and more categories are expected to be considered next year.

Energy consumption associated with upstream transport and distribution (GJ): 4,667.

The sources of conversion factors used were as follows: APA NIR, 2020 - conversion of litres of fuel to GJ; IPCC, AR5 - consumption of litres per km.

302-3 Energy intensity

Unit: GJ

	2021	2022	2023
Energy intensity	0.00029	0.00035	0.00039

NOTE: For this purpose, the metric selected to calculate the ratio is the energy distributed in GJ. The following types of energy were included in the ratio:

- Consumption: electricity, natural gas, vehicle fuel;
- Distribution: natural gas.

GRI 300: Environmental performance**GRI 305: Emissions****Location**

Regarding the standard published in 2016

305-1 Direct (Scope 1) GHG emissions

Chapter 5.3.2. Our carbon footprint

[Page 57-60](#)

Direct (scope 1) GHG emissions: 23,470 tCO₂eq

At the end of 2023, a correction was made to the value of network fugitive emissions for the base year, 2020, due to a detected inconsistency, which consequently altered the value of total emissions for the base year 2020.

For the calculation of Natural Gas (network losses - fugitive emissions), the Sedigas methodolog, used by several companies in the sector was used (*Metodología para la cuantificación de las emisiones de metano en los sistemas de distribución de gas Fecha: 29 de junio de 2020*).

The following sources were used as a reference for emission factors: Emission factors from the APA's National Inventory Report and the Global Warming Potentials from the IPCC - Fifth Assessment Report (AR5).

305-2 Indirect (Scope 2) GHG emissions

Chapter 5.3.2. Our carbon footprint

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Indirect (scope 2) GHG emissions: 0 tCO₂eq.

For the location-based calculation, the APA emission factors were considered, since our activity is in Portugal. For the market-base calculation, the factor of our supplier was taken into account.

It should be noted that in 2022, the market-based factor became 0, since the electricity purchased was 100% renewable.

GRI 300: Environmental performance

GRI 305: Emissions

Location

305-3 Other indirect (Scope 3) GHG emissions

Chapter 5.3.2. Our carbon footprint

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Indirect (scope 3) GHG emissions: 7,513 tCO₂eq

Floene calculated and disclosed its scope 3 emissions for the first time in 2023, regarding to 2022, and 7 of the 15 available categories were included.

In this second interaction, for the year 2023, some improvements were made to the calculation formula, namely through interaction with the value chain, allowing specific emission factors to be obtained for elements where economic emission factors had been used, such as for milling (included in category 2), the addition of construction waste, where only office waste had been accounted for (category 5), among others. Therefore, the same improvements were made to the 2022 calculation, allowing for a better comparison between the two years.

The methodology followed was that of the Greenhouse Gas Protocol, using the Global Warming Potentials calculated in the Fourth Assessment Report (AR4) and emission factors from various sources, such as: IPCC; DEFRA 2022; Quantis.

305-4 GHG emissions intensity

Units	2021	2022	2023
tCO ₂ eq/GWh (scope 1+2)	0.8	0.9	1.5
tCO ₂ eq/km of network (scope 1+2)	1.1	1.1	1.7
tCO ₂ eq/GWh (scope 1+2+3)	-	1.4	2.0
tCO ₂ eq/km of network (scope 1+2+3)	-	1.7	2.2

The greenhouse gas emission energy intensity was calculated using two metrics considered relevant: volume of gas distributed (GWh) and kilometres of distribution network (km).

GRI 300: Environmental performance

GRI 305: Emissions

Location

305-5 Reduction of GHG emissions

Chapter 5.3.2. Our carbon footprint

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A short-term decarbonisation plan (2022-2025) has been defined, with the aim of reducing emissions by 25% by 2025 (compared to the base year of 2020). This plan includes several operational initiatives, such as:

- purchase of electricity certified as 100% from renewable sources – 100% completed;
- replacing the fleet with hybrid vehicles - In progress;
- replacement of the existing steel network with polythene and reduction of network leaks – 56% completed of the established network renewal plan;
- reduction in the number of third party damages in our existing network - ongoing, with a 22% average reduction.

305-6 Emissions of ozone-depleting substances (ODS)

Not applicable

305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

Information not available.

GRI 306: Effluents and waste

Location

Regarding the standard published in 2020

306-3 Waste generated

Construction works waste

	2021	2022	2023
Total waste generation (t)	n.a.	66,154	61,363
Directed for recovery (t)	n.a.	22,484	31,753
Re-use and incorporation into construction work (t)	n.a.	43,670	29,609
Percentage of waste recovered	n.a.	100%	100%
Percentage of re-use and incorporation on site	n.a.	66.01%	48.25%
By category:			
Hazardous waste (total) (t)	n.a.	0.32	0.27
Non-hazardous waste (total) (t)	n.a.	66,154	61,362

GRI 300: Environmental performance
GRI 306: Effluents and waste
Location
306-3 Waste generated
Administrative waste

	2021	2022	2023
Total waste generation (t)	172.10	120.06	150.34
Directed for recovery (t)	172.08	112.92	144.24
Directed for disposal (t)	0.02	7.15	6.11
Percentage of waste recovered	99.99%	94.05%	95.94%
By category:			
Hazardous waste (total) (t)	5.04	0.69	0.16
Directed for recovery (t)	5.04	0.17	0.06
Directed for disposal (t)	0.00	0.52	0.10
Non-hazardous waste (total) (t)	167.06	119.37	150.18
Directed for recovery (t)	167.04	112.75	144.17
Directed for disposal (t)	0.02	6.63	6.01

Total waste generated

	2021	2022	2023
Total waste generation (t)	n.a.	66,274	61,513
Directed for recovery, reuse and incorporation on site (t)	n.a.	66,267	61,507
Directed for disposal (t)	n.a.	7.15	6.11
Percentage of waste recovered	n.a.	99.99%	99.99%
By category:			
Hazardous waste (total) (t)	n.a.	1.01	0.43
Directed for recovery, reuse and incorporation on site (t)	n.a.	0.49	0.33
Directed for disposal (t)	0.00	0.52	0.10
Non-hazardous waste (total) (t)	n.a.	66,273	61,513
Directed for recovery, reuse and incorporation on site (t)	n.a.	66,267	61,507
Directed for disposal (t)	n.a.	6.63	6.01

NOTE 1: Historical construction work waste only included in this indicator from 2022 onwards.

NOTE 2: Construction work waste is all recovered or reused and incorporated into the work, it is not sent to disposal.

GRI 300: Environmental performance**GRI 308: Supplier environmental assessment****Location**

Regarding the standard published in 2016

308-1 New suppliers that were screened using environmental criteria

Chapter 5.3.3. Sustainable supply chain management

[Page 60–61](#)

Regarding the sustainable management of the supply chain, it is noted that the partnership between Floene and service providers is based on compliance with commercial and technical conditions, as well as commitments expressed in the following documents: Code of Ethics and Conduct; Codes of Conduct; Health, Safety, and Environment Policy and Prevention of Serious Accidents; Quality Policy; Human Rights Policy, as well as compliance with current legislation. We also subscribe to the principles of the BCSD charter.

Therefore, there is supply chain risk management, based on a methodology that involves the selection, qualification, and performance evaluation of service providers. GDPR and cybersecurity risks are managed through the One Trust platform, interconnected, and automated with the procurement management platform, for bidding processes containing such risks, as well as action plans to mitigate them. Compliance assessments and due diligence are conducted before engaging suppliers to identify potential red flags, such as corruption and money laundering.

This model, which combines financial and non-financial information available in the market to be provided by our partners, results in broader monitoring of various risk areas in our supply chain, including ESG, cybersecurity, and GDPR.

New suppliers

	2021	2022	2023
No. of new tier 1 suppliers	n.a.	n.a.	19
No. of new tier 1 suppliers subjected to due diligence processes for environmental impacts	n.a.	n.a.	17
Percentage of new tier 1 suppliers that were subjected to due diligence processes for environmental impacts	n.a.	n.a.	89%

Suppliers by type

Type of supplier	Number of suppliers by type		
	2021	2022	2023
Tier 1	n.a.	65	78
Non-tier 1	n.a.	0	0
Critical tier 1	n.a.	19	21

NOTE 1: Tier 1 - Tier 1 services present a greater inherent cyber risk.

NOTE 2: Although last year this table reported the percentage of suppliers assessed in the last 3 years, the figures reported corresponded to the number of suppliers by type, so the corrected table is presented here.

GRI 300: Environmental performance

GRI 308: Supplier environmental assessment

Location

308-1 New suppliers that were screened using environmental criteria

Results of sustainability risk assessment

Sustainability Risk (no. of Floene tier 1 suppliers)	2021	2022	2023
With a high economic sustainability risk	n.a.	0	0
With a high environmental sustainability risk	n.a.	0	0
With a high social sustainability risk	n.a.	5	0

Results of CSR risk assessment

Risk level Corporate Social Responsibility (CSR) Assessment Questionnaires	No. of Floene suppliers with billing in 2021		No. of Floene suppliers with billing in 2022		No. of Floene suppliers with billing in 2023	
	Tier 1	Critical	Tier 1	Critical	Tier 1	Critical
A+ Above-average rating	n.a.	n.a.	34	15	36	16
A Average rating	n.a.	n.a.	10	3	16	3
B Below-average rating	n.a.	n.a.	5	1	9	2

Certifications

International Standard	2021	2022	2023
ISO 9001	n.a.	92	96
ISO 14001	n.a.	47	47
OHSAS 18001 /ISO 45001	n.a.	46	43
Other certifications	n.a.	25	29

Supplier audits

	2021	2022	2023
No. of supplier audits	n.a.	12	10
No. of tier 1 supplier audits	n.a.	3	8
Critical suppliers audited (tier 1 and non-tier 1)	n.a.	0	0

In addition to risk management practices and monitoring of certifications in the supply chain, we conduct audits of suppliers or potential suppliers in the following areas:

- Financial;
- Technical;
- Corporate Social Responsibility;
- Health and Safety;
- Environment;
- Business Continuity;
- SLA contract.

308-2 Negative environmental impacts in the supply chain and actions taken

No tier 1 suppliers (critical or non-critical) with a high environmental sustainability risk were identified.

GRI 400: Social performance**GRI 401: Employment****Location**

Regarding the standard published in 2016

401-1 New employee hires and employee turnover**Total number of employees at the end of the reporting period, by location, gender and age group**

	Gender	2021			2022			2023		
		<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
		Region National	Men	7	117	146	12	118	141	13
	Women	3	76	45	10	76	47	8	73	52
Total employees (by age group)		10	193	191	22	194	188	21	190	201
Total employees (by gender)	Men	270			271			279		
	Women	124			133			133		
Total employees (National)		394			404			412		

NOTE: Includes trainees and fixed-term contracts, but excludes board members. Employees of all Floene Group companies are taken into account. Corrections have been made to the headcounts for previous years due to a change in criteria.

GRI 400: Social performance

GRI 401: Employment

Location

Regarding the standard published in 2016

401-1 New employee hires and employee turnover

Total number of employees who entered or left during the reporting period

2021

	Gender	Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
		National	Men	3	7	2	1
	Women	1	3	1	0	2	3
Total entries and exits (by age group)		4	10	3	1	2	5
Total entries and exits (by gender)		Men			3		
		Women			5		
Total entries and exits (national)		17			8		

2022

	Gender	Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
		National	Men	8	13	0	2
	Women	7	8	1	1	0	7
Total entries and exits (by age group)		15	21	1	3	1	27
Total entries and exits (by gender)		Men			23		
		Women			8		
Total entries and exits (national)		37			31		

2023

	Gender	Entries			Exits		
		<30	30-50	>50	<30	30-50	>50
		National	Men	7	17	0	3
	Women	3	6	0	3	2	4
Total entries and exits (by age group)		10	23	0	6	9	10
Total entries and exits (by gender)		Men			16		
		Women			9		
Total entries and exits (national)		33			25		

NOTE: Includes trainees and fixed-term contracts, but excludes board members. Employees of all Floene Group companies are taken into account. Corrections have been made to the headcounts for previous years due to a change in criteria.

GRI 400: Social performance**GRI 401: Employment****Location****401-1 New employee hires and employee turnover****Employee retention and turnover rate for the reporting period (%)**

		2021					
	Gender	Entries (%)			Exits (%)		
		<30	30-50	>50	<30	30-50	>50
National	Men	0.8	1.8	0.5	0.3	0.0	0.5
	Women	0.3	0.8	0.3	0.0	0.5	0.8
Rate of entries and exits (by age group)		1.0	2.5	0.8	0.3	0.5	1.3
Entry and exit rates (by gender)	Men	3.0			0.8		
	Women	1.3			1.3		
Entry and exit rates (national)		4.3			2.0		
Retention rate		98					
Turnover rate		2.1					
		2022					
	Gender	Entries (%)			Exits (%)		
		<30	30-50	>50	<30	30-50	>50
National	Men	2.0	3.2	0.0	0.5	0.2	5.0
	Women	1.7	2.0	0.2	0.2	0.0	1.7
Rate of entries and exits (by age group)		3.7	5.2	0.2	0.7	0.2	6.7
Entry and exit rates (by gender)	Men	5.2			5.7		
	Women	4.0			2.0		
Entry and exit rates (national)		9.2			7.7		
Retention rate		92					
Turnover rate		7.8					
		2023					
	Gender	Entries (%)			Exits (%)		
		<30	30-50	>50	<30	30-50	>50
National	Men	1.7	4.1	0.0	0.7	1.7	1.5
	Women	0.7	1.5	0.0	0.7	0.5	1.0
Rate of entries and exits (by age group)		2.4	5.6	0.0	1.5	2.2	2.4
Entry and exit rates (by gender)	Men	5.8			3.9		
	Women	2.2			2.2		
Entry and exit rates (national)		8.0			6.1		
Retention rate		94					
Turnover rate		6.1					

NOTE 1: Retention rate = ((employees who stayed in the company during the period) / (total employees at the end of the period))*100

NOTE 2: Includes trainees and fixed-term contracts, but excludes board members. Employees of all Floene Group companies are considered. Corrections have been made to the headcounts for previous years due to a change in criteria.

GRI 400: Social performance

GRI 401: Employment

Location

401-2 Benefits granted to full-time employees that are not provided to temporary or part-time employees

The benefits listed apply to all Floene employees (permanent and temporary), except for the Pension Fund, which is not applicable to Tagusgás employees:

- Pension Fund (only for employees with open-ended contract);
- Life insurance;
- Personal Accident Insurance;
- Travel Insurance;
- Health insurance.

401-3 Parental leave

According to the criteria in force, all Floene employees are entitled, by law, to parental leave. In this sense, the number of workers who used this right during the reporting period is detailed below:

	Gender	2021	2022	2023
Nr. of employees that started parental leave during the reporting period	Men	2	1	1
	Women	0	2	2
	Total	2	3	3
Nr. of employees that returned to work after parental leave during the reporting period	Men	2	1	1
	Women	0	1	1
	Total	2	2	2
Nr. of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Men	1	2	1
	Women	1	0	2
	Total	2	2	3
Rate of Return	Men	100%	100%	100%
	Women	-	50%	50%
	Total	100%	67%	67%
Retention rate (12 months)	Men	100%	100%	100%
	Women	50%	-	100%
		67%	100%	100%

GRI 400: Social performance**GRI 402: Labour/management relations****Location**

Regarding the standard published in 2016

402-1 Minimum notice periods regarding operational changes

Floene respects all deadlines set forth in applicable legislation as well as internal regulations, ensuring the existence of an adequate adaptation period for different relevant operational changes. Only Lisboagás company has a Collective Bargaining Agreement, in which the notification period and provisions for consultation and negotiation are specified therein.

GRI 403: Occupational health and safety**Location**

Regarding the standard published in 2018

403-1 Occupational health and safety management system

Chapter 4.4. Internal control and risk management systems

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Chapter 5.2.1. Safety and well-being

[Page 43-47](#)

In 2023, Floene renewed the certification of its Occupational Health and Safety Management System, which it has implemented and maintained. Considering that people represent our most important asset, ensuring safe and healthy workplaces is fundamental for Floene to prevent accidents and occupational illnesses for its own workers and the workers of service providers representing Floene.

Although Portugal has comprehensive legislation on occupational health and safety, it constitutes a minimum set of mandatory compliance requirements. Floene has always strived to go beyond legal requirements in terms of Occupational Health and Safety (OHS), environment, and quality, both due to its business area and the activities it carries out. However, the effectiveness of any legislation depends not only on its scope but also on its application, compliance, and continuous efforts to adapt to emerging challenges.

ISO 45001 provides a framework for organizations to systematically manage health and safety at work, leading to improved performance, reduced risks, and a healthier and safer workplace. It is designed to be compatible with other ISO management system standards, such as ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). This allows Floene to have an integrated system for greater efficiency and effectiveness.

GRI 400: Social performance

GRI 403: Occupational health and safety

Location

403-1 Occupational health and safety management system

Floene's OHSMS covers both internal and external workers:

- All workers who have an employment relationship with the organisation, according to national legislation;
- All workers who are not employees, but whose work and/or workplace are controlled by the organisation;
- All workers who are not employees and whose work and/or workplace are not controlled by the organisation, but the organisation's operations, products or services are directly linked to significant impacts on the occupational health and safety of these workers through their business relationships.

The OHSMS covers all activities within the scope of certification, including the management of construction, maintenance, operation, and use of Gas Distribution Networks, which include renewable origin gases and low-carbon gases.

Included in the OHSMS certification are all administrative workplaces and facilities of the natural gas distribution system managed and maintained by Floene (RMS, AGU, etc.) and primary and secondary networks.

403-2 Hazard identification, risk assessment and incident investigation

Chapter 5.2.1. Safety and well-being

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Chapter 4.3. Ethics and Transparency

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Floene has a documented procedure in its OHSMS for identifying hazards, assessing, and controlling risks. It covers normal, abnormal, and reasonably foreseeable emergency situations. This information is documented as hazard and risk assessment matrices for OHS.

GRI 400: Social performance**GRI 403: Occupational health and safety****Location****403-2 Hazard identification, risk assessment and incident investigation**

The process includes the following stages:

1. Develop/review the identification of OHS hazards, risk assessment, and control:
 - a) The HSE department, together with process owners and/or employees, conduct a survey of OHS hazards by type of activity, involving routine and occasional activities, and all individuals (service providers and visitors) who have access to Floene's workplaces.
 - b) This survey may be reviewed and updated whenever necessary, such as in the face of new circumstances, for example: introduction of new technologies, occurrence of incidents, non-conformities or hazardous situations, provision of new services, changes in legal requirements, or others.
2. Plan its implementation – After the previous step, a proposal for actions is developed, considering the risk control hierarchy, where responsibilities and deadlines for action implementation are established.

The assessment and control of OHS risks are carried out by professionals qualified as Senior Safety Technicians (level VI) in collaboration with experts in the execution of activities, ensuring the quality of the process and its output, identification of risk prevention and mitigation measures.

New tasks, hazards, and risks identified can be reported by any employee, either through the hierarchy or directly contacting HSE via email, phone, or holding meetings.

Floene also has proactive safety and environmental prevention mechanisms in place, such as facility visits, Safety Talks, observation of unsafe situations or acts, near misses, employee participation, and periodic consultation, among others.

Mechanisms for communication and worker participation have been defined to allow reporting of risk situations, and Life Saving Rules have been adopted, which must always be followed. Any situation that jeopardizes the safety and health of workers during their activities must be stopped by the worker themselves or by whoever identifies the situation. Under no circumstances should management subject workers to unsuitable working conditions.

Employees are protected against potential reprisals regarding the identification/reporting of situations mentioned in the previous paragraphs by the Floene Group's Code of Ethics and Conduct, with the ComunicaÉtica serving as the channel for reporting any well-founded suspicion of retaliation, in the form of threats, intimidation, exclusion, humiliation, or acts of bad faith, available at floene.pt/en/whistleblowing.

GRI 400: Social performance

GRI 403: Occupational health and safety

Location

403-2 Hazard identification, risk assessment and incident investigation

Floene also has a documented procedure in the OHSMS that describes how to report and investigate both safety and environmental incidents. It consists of 7 steps, namely:

1. Emergency response;
2. Reporting/communication;
3. Classification according to actual severity, divided into 4 classes, from class 0 to class 4, where:
 - a. **Class 0:** near miss, damage by third parties or presence of carbon monoxide;
 - b. **Class 1:** injury requiring first aid;
 - c. **Class 2:** injury requiring medical treatment or work restriction;
 - d. **Class 3:** injury requiring medical leave;
 - e. **Class 4:** permanent disability or death;
4. Investigation;
5. Analysis;
6. Disclosure;
7. Definition and implementation of actions.

The investigation of incidents is initiated by the appointed investigation manager. The responsibility for investigating incidents lies with the area that has operational or management control over the facility or activity.

The level of investigation and the minimum competencies of the team responsible for conducting the investigation are determined based on the actual severity of the accident, according to the criteria defined in the documented procedure.

In accidents involving own employees, the need for the participation of an occupational health physician in the investigation team is assessed.

Investigation of class 3 or 4 accidents is coordinated by a member of the HSE structure, and whenever necessary, the investigation may involve experts and other external entities.

Floene defines the preferred methodology for accident investigation as the "5 Whys" approach, and for creating the list of immediate causes and root causes, the CLC (Comprehensive List of Causes) methodology is used, the guidelines of which Floene has documented in a supporting instruction to the incident reporting and investigation procedure.

GRI 400: Social performance**GRI 403: Occupational health and safety****Location****403-2 Hazard identification, risk assessment and incident investigation**

After determining the root causes, the investigation team defines corrective and improvement actions to prevent similar accidents from occurring.

Following an accident, and whenever applicable, the need to review the respective risk analysis is assessed according to the documented procedure existing in the OHSMS.

403-3 Occupational health services

Chapter 5.2.1. Safety and well-being

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The functions of occupational health and safety services are the following:

- a)** Define and promote the implementation of Safety, Health, Environment, and Major Accident Prevention policies at Floene and its service providers, aiming to minimize environmental impact and reduce risks to employees, customers, third parties, assets, and the surrounding community.
- b)** Define and apply the methodology to identify, assess, and manage the risks and impacts inherent in activities, to prevent accidents and environmental damage.
- c)** Ensure and disseminate the identification of legal requirements regarding Safety and Environment.
- d)** Propose the establishment of standards, practices, and procedures to ensure the safety of people, facilities, and the environment, in alignment with risk and impact assessment and applicable legislation.
- e)** Propose the definition of Goals and Objectives and implement programs and actions, acting proactively and anticipating the organization's needs, ensuring their monitoring and disclosure.
- f)** Define and propose the necessary processes to systematically investigate Incidents and Non-conformities, determining their causes and correction, disseminating their findings, in order to prevent the occurrence of similar incidents.
- g)** Ensure the adequacy of Emergency Plans for Facilities and Activities, as well as promote and/or collaborate in conducting drills, to contribute to the ongoing adequacy and operability of response and communication procedures in the event of an accident.
- h)** Collaborate in identifying training needs in the field of Safety and Environment, aiming to ensure that employees have the necessary training and skills for their roles. Define and/or deliver specific training actions.

GRI 400: Social performance

GRI 403: Occupational health and safety
Location
403-3 Occupational health services

- i) Promote the dissemination of knowledge and information related to Safety and Environment issues, including risks, impacts, mitigation measures, as well as indicators, trends, and benchmarks, to contribute to strengthening the Safety and Environment culture.
- j) Ensure the conduct of internal audits and inspections of operational activities and facilities, as well as service providers and contractors, to assess whether pre-established provisions are implemented and suitable for achieving the company's objectives.
- k) Coordinate the execution of audits for the Major Accident Prevention Management System and ensure the planning, management, and certification of the Integrated Environment, Quality, and Safety System concerning Environmental and Safety aspects, as a fundamental requirement for the execution of regulated activity.
- l) Contribute to the review of AQS Management Systems in terms of Safety and Environment to ensure permanent conformity, suitability, and effectiveness in their various aspects, promoting continuous improvement.
- m) Ensure representation and communication with national bodies and authorities in the field of Safety and Environment, safeguarding the interests of the Organization.

Floene ensures the quality of these services through its own human resources, qualified as Senior Safety Technicians (level IV), complemented by external resources in occupational safety with similar qualifications.

At Lisboagás, regarding occupational health and safety matters, contact with workers is made through worker representatives.

Throughout the Floene Group, first and third-party audits are conducted.

In addition, occupational health services are provided by the internal service at a medical post located at Floene's headquarters, or considering the geographical dispersion of the companies, provided locally at each company within the Floene Group.

At Lisboagás, as far as OHS matters are concerned, contact with workers is made through the workers' representatives.

The confidentiality of workers' health data is a crucial issue to protect privacy and individual rights. Organizations dealing with workers' health information as part of occupational health management programs or health-related benefits adopt rigorous measures to ensure the confidentiality of this data.

GRI 400: Social performance**GRI 403: Occupational health and safety****Location****403-4 Employee involvement in participation, consultation and communication on health and safety at work**

Chapter 5.2.1. Safety and well-being

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As required by law, two formal written consultations are held annually with all employees on OHS and work equipment.

In addition to these written consultation mechanisms, there are other means of consulting, involving and informing interested parties:

- a)** Participation and consultation in the process of identifying, evaluating and treating hazards and risks;
- b)** Participation and consultation in the selection process for personal protective equipment;
- c)** Internal communication via the intranet of the results of occupational health and safety studies, e.g., indoor air quality, legionella, radon, illuminance;
- d)** External communications via floene.pt/en/;
- e)** Any employee can be contacted at any time by email or telephone;
- f)** Meetings with employee representatives on OHS issues;
- g)** Specific meetings with areas to deal with security issues;
- h)** Introduction of consultative and participatory approaches in OHS audits and verifications, allowing workers the opportunity to air any concerns;
- i)** Annual surveys to understand workers' concerns and attitudes towards OHS;
- j)** Introduction of consultative and participatory approaches to safety talks.

After the decision has been taken, and whenever it is considered relevant, feedback must be given to the employees on the decision taken and, if the opinions and/or proposals are not adopted in the decision, they must be the subject of a reasoned decision and information given to the employees or their representatives. The main results and status of the actions resulting from consultation and participation are also publicised/communicated at the annual OHS consultation for all employees. In this context, there are also OHS meetings with the workers' representatives, as well as a meeting of the Workers' Committee with Management (Lisboagás).

GRI 400: Social performance**GRI 403: Occupational health and safety****Location****403-5 Employees training on occupational health and safety**

Chapter 5.2.1. Safety and well-being

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Every year, HSE department defines the OSH training activities to be carried out, which are included in Floene's annual training plan. At the same time, training is given to all new employees, both when they are welcomed and during their integration (Induction HSE).

HSE training for employees includes other topics:

- a)** Assessment of hazards and risks by activity, as well as the measures to be implemented to mitigate or reduce the risk to an acceptable level;
- b)** Prevention of serious accidents. emergency plans, firefighting and the ATEX directive for employees whose jobs may expose them to risks arising from classified areas;
- c)** Self-protection measures;
- d)** Work permits;
- e)** Incident communication and reporting;
- f)** First aid for workers working in emergency teams;
- g)** Personal protective equipment;
- h)** Task safety analysis;
- i)** Change management;
- j)** Safety data sheets;
- k)** QHSE management systems;
- l)** Legal issues not previously identified.

Regarding OHS training for non-proprietary workers, Floene establishes in a contractual clause that training must be given quarterly by the executing organisation and verifies compliance with this. In addition, the OHS provides safety inductions before work begins in establishments covered by the ATEX directive.

OHS training needs are identified by the following means:

- a)** Performance management, in which management and employees can identify actions, including OHS actions;
- b)** Consultation with employees;
- c)** Training and competences matrix for the roles;
- d)** Audit results;
- e)** Risk Assessment;
- f)** Legislation;
- g)** Internal procedures.

These trainings are offered free of charge and during working hours.

GRI 400: Social performance**GRI 403: Occupational health and safety****Location****403-6 Promotion of employees health**

Chapter 5.2.1. Safety and well-being

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In order to facilitate employees' access to medical services and healthcare, there is an occupational health service for all Floene employees. In addition, all employees have access to a personal health insurance (including family members) with a wide range of curative medical services.

At Floene's headquarters, there is a medical center exclusively for employees, family members, and retirees, with a variety of general medical and various specialty consultations. In addition to health insurance, Floene provides free administration of the flu vaccine in the workplace.

403-7 Preventing and mitigating occupational health and safety impacts directly linked to business relationships

Chapter 5.2.1. Safety and well-being

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Floene has a documented procedure in the OHSMS for identifying hazards, evaluating and controlling risks.

It involves normal and abnormal conditions and reasonably foreseeable emergency situations. This information is documented as OHS hazard and risk assessment matrices. The OHS hazard assessment is carried out by type of activity, involving routine and occasional activities and all people (service providers and visitors) who have access to Floene's workplaces.

At the same time, Floene has mechanisms for selecting and evaluating suppliers to guarantee compliance with legal requirements in the OHS field, as well as establishing contractual OHS clauses with business partners and verifying compliance.

403-8 Employees covered by the occupational health and safety management system

Chapter 5.2.1. Safety and well-being

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The organisation has an Occupational Health and Safety Management System certified and audited by an external entity, which covers all employees and other workers whose work is controlled by the organisation.

GRI 400: Social performance
GRI 403: Occupational health and safety
Location
403-9 Work-related accidents

Chapter 5.2.1. Safety and well-being

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Data regarding Employees

		2021	2022	2023
Total number of	fatalities resulting from accidents work-related	0	0	0
	serious accidents at work ¹ (excluding fatalities)	0	0	0
	compulsorily notifiable accidents at work ²	1	5	4
	hours worked	624,819	650,437	704,425
Index of	fatalities resulting from accidents work-related	0.00	0.00	0.00
	serious accidents work-related (excluding fatalities)	0.00	0.00	0.00
	compulsorily notifiable accidents work-related	1.60	7.69	5.68

GRI 400: Social performance

GRI 403: Occupational health and safety

Location

403-9 Work-related accidents

Data on workers who are not employees but whose work is controlled by the company

		2021	2022	2023
Total number of	fatalities resulting from accidents work-related	0	0	0
	serious accidents at work ¹ (excluding fatalities)	0	0	0
	compulsorily notifiable accidents at work ²	4	3	3
	hours worked	836,943	1,292,510	1,216,035
Index of	fatalities resulting from accidents work-related	0.00	0.00	0.00
	serious accidents work-related (excluding fatalities)	0.00	0.00	0.00
	compulsorily notifiable accidents work-related	4.78	2.32	2.47

Analysing the history of accidents, it is verified that falls on the same level (slips and trips) are the main occupational hazards that can cause serious injuries. These risks have been properly identified using the Hazard Identification and Risk Assessment Methodology, and Floene has included in its Prevention and Safety Plan all the actions taken or underway to eliminate these hazards and minimise the risks, using the risk control hierarchy.

There were no serious accidents during the reporting period.

NOTE 1: According to the GRI criteria, serious accidents work-related are injuries from which the worker will not recover, or is expected to recover fully, within a maximum period of 6 months to the health condition prior to the accident.

NOTE 2: According to the GRI criteria, it includes all accidents that result in one of the following possibilities: fatalities, accidents with sick leave, accidents that result in loss or reduction of ability to work or transfer to another job, accidents that lead to medical treatment beyond first aid, loss of consciousness, serious injury diagnosed by a doctor or other qualified health professional (C2+C3+C4). It can also be referred to as TRI (Total Recordable Incidents).

GRI 400: Social performance
GRI 403: Occupational health and safety
Location
403-10 Occupational diseases

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	2021	2022	2023
Number of fatalities resulting from occupational diseases	0	0	0
Number of reported occupational disease cases	0	0	0
Number of confirmed occupational disease cases	0	0	0

NOTE: It does not include information on occupational diseases of workers who are not employees, only fatalities.

During its activities, Floene recognises various hazards related to occupational diseases (for more information, see chapter [4.4. Internal control and risk management systems](#)), which are not significant and which are duly controlled through the Occupational Health Services and its risk assessment and workplace visits. These risks have been duly identified using the Hazard Identification and Risk Assessment Methodology, and Floene includes in its Health Prevention Plan all the actions taken or underway to eliminate these hazards and minimise the risks, using the risk control hierarchy.

No occupational diseases were identified during the reporting period.

GRI 400: Social performance							
GRI 404: Training and education							Location
Regarding the standard published in 2016							
404-1 Average hours of training per year per employee							
Total number of training hours by functional category and gender							
	Gender	2022			2023		
		<30	30-50	>50	<30	30-50	>50
Administration (Executive Committee)	Men	0	0	97	0	0	74
	Women	0	0	0	0	0	0
	Subtotal	0	0	97	0	0	74
Heads of Area	Men	0	339	441	0	178	171
	Women	0	189	0	0	42	46
	Subtotal	0	528	441	0	220	217
Managers	Men	0	215	426	0	600	1,271
	Women	0	287	108	0	662	401
	Subtotal	0	501	535	0	1,262	1,671
Specialists	Men	132	761	1,764	227	1,534	2,552
	Women	122	646	374	236	1,655	847
	Subtotal	254	1,408	2,138	464	3,188	3,399
Technical Contributors	Men	334	1,411	1,088	81	2,088	1,028
	Women	12	124	56	22	441	249
		346	1,536	1,145	103	2,529	1,277
Operational & Support Contributors	Men	0	0	0	0	0	0
	Women	0	0	22	0	0	5
	Subtotal	0	0	22	0	0	5
Trainees	Men	80	0	0	168	0	0
	Women	123	0	0	42	50	0
	Subtotal	203	0	0	210	50	0
Total	Men	546	2,727	3,817	476	4,400	5,096
	Women	256	1,246	560	300	2,851	1,548
	Total	803	3,972	4,377	776	7,251	6,644

GRI 400: Social performance

GRI 404: Training and education

Location

404-1 Average hours of training per year per employee

In 2021, it was not possible to count average annual training hours by gender and position. However, Floene has ascertained the following:

	2021	2022	2023
Training hours	3,685	9,152	14,670
Employees	398	408	416
Training hours/employee	9.3	22.4	35.3

NOTE 1: The count was carried out at the end of the reporting period.

Trainees, as well as the Board of Directors (Executive Committee), were considered when calculating the number of employees.

NOTE 2: Corrections have been made to the headcounts for previous years due to a change in criteria.

404-2 Programmes for skills development and end-of-career management

Chapter 5.2.3. Training

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Regarding the development of skills, a number of tailor-made training programmes were developed in a variety of areas, such as the technical skills development programme on Production, Storage and Safety in Operations with H₂ (target population = 110 employees); the Hydrogen technical programme (target population = 30 employees); the Effective Communication skills development programme (target population = 20 employees); and the technical skills development programme – Confined spaces and working at heights (target population = 30 employees). In addition to the in-house development programmes, Floene also provided a Postgraduate Diploma in Tax Management and paid for gas technician certification courses for new employees hired as Gas Infrastructure Technicians.

Regarding end-of-career management, it is worth noting that Floene provided compensation higher than the amount established by law for all agreements that ceased by mutual agreement and ensured assistance in the transition to retirement through specialised psychological support.

GRI 400: Social performance**GRI 404: Training and education****Location****404-3 Percentage of employees receiving regular performance and career development reviews**

The data for 2021 was not filled in as Floene's organisational structure had not been established at the time.

Total number of employees eligible for performance evaluation, by professional category and gender

	Gender	2021	2022	2023
Heads of Area	Men	n.a.	7	9
	Women	n.a.	0	2
	Subtotal	n.a.	7	11
Managers	Men	n.a.	27	22
	Women	n.a.	17	15
	Subtotal	n.a.	44	37
Specialists	Men	n.a.	89	92
	Women	n.a.	48	56
	Subtotal	n.a.	137	148
Technical Contributors	Men	n.a.	142	130
	Women	n.a.	56	47
	Subtotal	n.a.	198	177
Operational & Support Contributors	Men	n.a.	0	0
	Women	n.a.	2	2
	Subtotal	n.a.	2	2
Total	Men	n.a.	265	253
	Women	n.a.	123	122
	Total	n.a.	388	375

NOTE 1: The evaluation of employees in year N relates to their performance in year N-1.

NOTE 2: Employees identified as eligible for evaluation in year N are those who were employed by the organisation at the end of year N-1 and who meet the eligibility criteria defined by the organisation (e.g., employees who joined the organisation in the last quarter of year N-1 should not be considered). Neither trainees nor Governing Bodies were considered.

GRI 400: Social performance
GRI 404: Training and education
Location
404-3 Percentage of employees receiving regular performance and career development reviews
Total number of employees who received a performance and career development review

	Gender	2021	2022	2023
Heads of Area	Men	n.a.	7	9
	Women	n.a.	0	2
	Subtotal	n.a.	7	11
Managers	Men	n.a.	27	22
	Women	n.a.	17	14
	Subtotal	n.a.	44	36
Specialists	Men	n.a.	89	91
	Women	n.a.	48	53
	Subtotal	n.a.	137	144
Technical Contributors	Men	n.a.	142	128
	Women	n.a.	56	44
	Subtotal	n.a.	198	172
Operational & Support Contributors	Men	n.a.	0	0
	Women	n.a.	2	2
	Subtotal	n.a.	2	2
Total	Men	n.a.	265	250
	Women	n.a.	123	115
	Total	n.a.	388	365

NOTE 1: The evaluation of employees in year N relates to their performance in year N-1.

NOTE 2: Not all eligible employees will have been effectively appraised or their appraisal completed. Employees may have left in the meantime, taken parental leave, among other things, which may have implications for carrying out or completing the assessment processes.

GRI 400: Social performance

GRI 404: Training and education

Location

404 -3 Percentage of employees who regularly receive performance and career development reviews

Percentage of employees who regularly receive performance and career development reviews

	Gender	2021	2022	2023
Heads of Area	Men	n.a.	100%	100%
	Women	n.a.	-	100%
	Subtotal	n.a.	100%	100%
Managers	Men	n.a.	100%	100%
	Women	n.a.	100%	93%
	Subtotal	n.a.	100%	97%
Specialists	Men	n.a.	100%	99%
	Women	n.a.	100%	95%
	Subtotal	n.a.	100%	97%
Technical Contributors	Men	n.a.	100%	99%
	Women	n.a.	100%	94%
	Subtotal	n.a.	100%	97%
Operational & Support Contributors	Men	n.a.	-	-
	Women	n.a.	100%	100%
	Subtotal	n.a.	100%	100%
Total	Men	n.a.	100%	99%
	Women	n.a.	100%	94%
	Total	n.a.	100%	97%

GRI 400: Social performance
GRI 405: Diversity and equal opportunities
Location

Regarding the standard published in 2016

405-1 Diversity of governance bodies and employees

	Gender	2021			2022			2023		
		<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Administration (Executive Committee)	Men	0	0	4	0	0	4	0	1	3
	Women	0	0	0	0	0	0	0	0	0
	Subtotal	0	0	4	0	0	4	0	1	3
Heads of Area	Men	0	6	2	0	4	4	0	5	4
	Women	0	2	0	0	2	0	0	2	1
	Subtotal	0	8	2	0	6	4	0	7	5
Managers	Men	0	12	14	0	11	15	0	9	19
	Women	0	7	3	0	10	4	0	10	5
	Subtotal	0	19	17	0	21	19	0	19	24
Specialists	Men	4	27	30	4	28	29	5	35	54
	Women	2	23	10	2	25	13	7	32	24
	Subtotal	6	50	40	6	53	42	12	67	78
Technical Contributors	Men	3	72	100	4	75	93	5	68	72
	Women	1	44	28	2	39	26	0	28	19
	Subtotal	4	116	128	6	114	119	5	96	91
Operational & Support Contributors	Men	0	0	0	0	0	0	0	0	0
	Women	0	0	4	0	0	4	0	0	3
	Subtotal	0	0	4	0	0	4	0	0	3
Trainees	Men	0	0	0	4	0	0	3	0	0
	Women	0	0	0	6	0	0	1	1	0
	Subtotal	0	0	0	10	0	0	4	1	0
Total	Men	7	117	150	12	118	145	13	118	152
	Women	3	76	45	10	76	47	8	73	52
	Total	10	193	195	22	194	192	21	191	204

NOTE 1: Includes trainees/interns, unpaid leave and Administration (Executive Committee).

NOTE 2: Corrections have been made to the headcounts for previous years due to a change in criteria.

GRI 400: Social performance**GRI 405: Diversity and equal opportunities****Location****405- Ratio of basic salary remuneration of women to men**

Category	Women Average salary received	Men Average salary received	Ratio
Administration (Executive Committee)	-	10,696.00	-
Heads of Area	7,476.00	7,062.00	1.06
Managers	4,184.00	4,492.00	0.91
Specialist	2,211.00	2,414.00	0.91
Technical Contributors	1,465.00	1,532.00	0.96
Operationnal & Support Contributors	2,616.00	-	-
Trainees	1,300.00	1,300.00	1.00

GRI 406: Non-discrimination**Location**

Regarding the standard published in 2016

406-1 Incidents of discrimination and corrective actions taken

No incidents of discrimination, whether based on race, color, gender, religion, political opinion, national or social origin, or other forms of discrimination, were recorded during the reporting period.

GRI 407: Freedom of association and collective bargaining**Location**

Regarding the standard published in 2016

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

Information not available.

GRI 413: Local communities**Location**

Regarding the standard published in 2016

413-1 Operations with local community engagement, impact assessments and development programmes

Chapter 4.5. Involvement with the community/stakeholders

[Page 31-35](#)**413-2 Operations with significant potential or actual negative impacts on local communities**

Information not available.

GRI 400: Social performance

GRI 414: Social assessment of suppliers

Location

Regarding the standard published in 2016

414-1 New suppliers that were screened using social criteria

More detailed information on the new suppliers screened using social criteria can be found in Indicator 308-1. [Page 253-254](#)

New suppliers

	2021	2022	2023
Nr. of new tier 1 suppliers	n.a.	n.a.	19
Nr. of new tier 1 suppliers that have undertaken due diligence processes for social impacts	n.a.	n.a.	13
Percentage of new tier 1 suppliers that have undertaken due diligence processes for social impacts	n.a.	n.a.	68%

414-2 Negative social impacts in the supply chain and actions taken

No tier 1 suppliers (critical or non-critical) where a high level of social sustainability risk were identified.

GRI 415: Public policies

Location

Regarding the standard published in 2016

415-1 Political contributions

Floene did not make any contributions, monetary or in-kind, to political organisations during the reporting period.

GRI 416: Consumer health and safety

Location

Regarding the standard published in 2016

416-1 Assessment of the health and safety impacts of product and service categories

Chapter 5.4.3. Quality service, safe and efficient supply [Page 65-69](#)

When assessing the impact on health and safety and considering Floene's core business (operating gas distribution networks in Portugal), all the services inherent in its maintenance are considered to be significant. Carrying out preventive maintenance of the infrastructure is one of the main measures to mitigate impacts on consumer health and safety. Consultation of the chapter mentioned before provides more information that complements this indicator.

GRI 400: Social performance

GRI 416: Consumer health and safety

Location

416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

There were no non-compliances with regulations that resulted in fines or warnings from the competent regulatory authority. Similarly, there were no non-compliances with regulations and voluntary codes.

GRI 417: Marketing and labelling

Location

Regarding the standard published in 2016

417-3 Incidents of non-compliance concerning marketing communications

There were no cases of non-compliance related to marketing communication during the reporting period.

GRI 418: Customer privacy

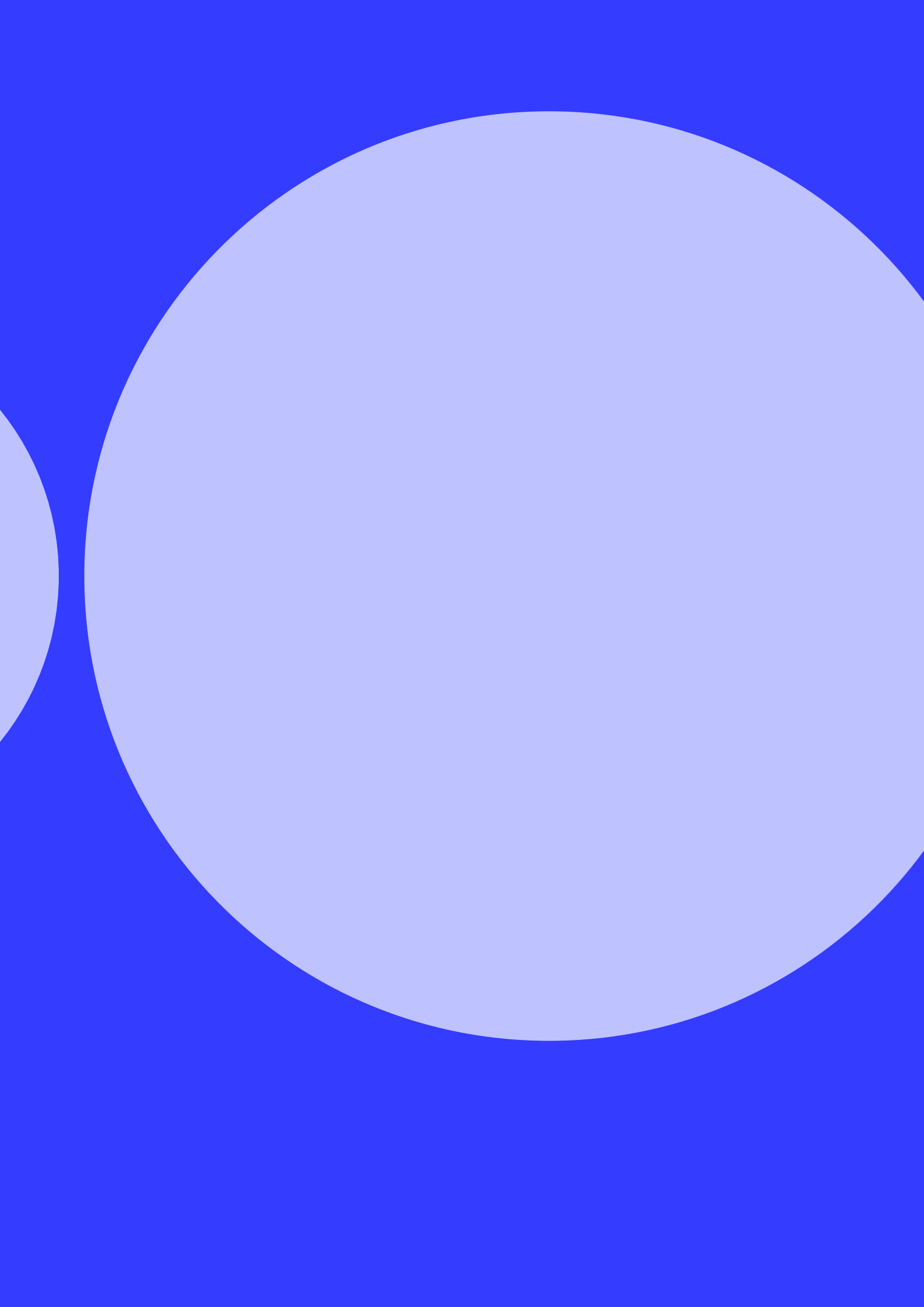
Location

Regarding the standard published in 2016

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

There were no substantiated complaints regarding customer data violation or loss.





12.

Glossary

12.

Glossary

Financial Glossary

ACRONYMS

ADG

Gas Distribution Activity
(*Atividade de Distribuição de Gás*)

CAPEX

Capital Expenditure (investment in acquiring and/or improving tangible and intangible assets)

CESE

Extraordinary Contribution to the Energy Sector

CMVM

Portuguese Securities Market Commission
(*Comissão do Mercado de Valores Mobiliários*)

CSC

Company Code
(*Código das Sociedades Comerciais*)

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)

EMTN

Euro Medium Term Notes

FCA

Financial Conduct Authority

FEDER

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

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)

PBY

Portuguese Bond Yields

RAB

Regulatory Asset Base

RoR

Rate of Return

SIC

Standing Interpretation Committee

S&P

Standard & Poor's – financial rating agency

SPPI

Solely Payments of Principal and Interest

SRTCG (RETGS)

Special Regime for Taxation of Corporate Groups

TOS

Underground Taxes

WACC

Weighted Average Cost of Capital

Technical Glossary

ACRONYMS

AA1000

Stakeholders Engagement Standards

AGU

Autonomous Gas Units

APA

Portuguese Environmental Agency
(Agência Portuguesa do Ambiente)

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)

ATEX

Explosive Atmospheres

BCSD

Business Council for Sustainable Development
Portugal

BIP

Biomethane Industrial Partnership

CIP

Portuguese Business Confederation
(Confederação Empresarial de Portugal)

COSO

Internal Control Integrated Framework

DEFRA

Department for Environment,
Food and Rural Affairs

DGEG

General Directorate of Energy and Geology
(Direção Geral de Energia e Geologia)

EBA

European Biogas Association

ERSE

Energy Services Regulatory Authority
(Entidade Reguladora dos Serviços Energéticos)

FBR

Fire Brigade Regiment

FTE

Full-Time Equivalent

GD4S

Gas Distributors for Sustainability

GHG Protocol

Greenhouse Gas Protocol

GRI

Global Reporting Initiative

IGU

Internacional Gas Union

IPCC AR5

Fifth Assessment Report (AR5) of the
Intergovernmental Panel on Climate Change
(IPCC)

ISAE

International Standard on Assurance Engagements

ISQ

Interface and Technology Centre

ITIL

Information Technology Infrastructure Library

LDAR

Leak Detection and Repair

MRV

Monitoring, Reporting and Verification

LRS

Last Resort Commercialisation Retailer

NA

Network Accesses

NIR

National Inventory Report

ODS

Ozone-Depleting Substances

PDIRD-G 2022

Five-Year Indicative Development and Investment Plan for Gas Distribution Networks for the period 2023-2027

PPEC

Promotion Plan for Efficiency in Consumption

PRS

Pressure Regulation Control Station

QHSSE

Quality, Health, Safety, Security and Environment

RAIE

Regulation on Misappropriation of Energy

Ready4H2

Ready for Hydrogen Initiative

RMS

Reduction and Measuring Stations

RPA

Automation of Robotic Processes

RQS

Service Quality Regulation for the Electricity and Natural Gas Sectors

SMI/EMI

Station of Measurement and Integration

TRI

Total Recordable Incidents



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