

# # we make the move







#wemakethemove

# Prosperity

Looking ahead, we're being flexible as we move into the future. Our keystone: energy security for society. With our infrastructure we deliver continuity going forward towards a climate-neutral future. This is how we continue creating lasting prosperity. For the economy, for our employees, for our shareholders.





# Lifeline for society



## Our approach

Together with our customers and distribution system operators, we are a lifeline for society. We forge good neighbourly relations with everyone in the vicinity of our infrastructure, ensuring the safe and continuous flow of energy. A third of the energy needed by households and businesses in Belgium flows through our infrastructure. The strength of our infrastructure lies in its role as a hub. We are connected to all sources open to North-West Europe and we are well-connected to our neighbouring networks, meaning that we are also vital to the security of supply in neighbouring countries.

Our activities contribute hugely to the prosperity of society, the economy, our employees and our shareholders. Our revenue from our current activities is invested in the energy transition: this is how we future-proof our contribution to prosperity.

## Our focus in 2021



Keeping our essential services and work operational in complete safety during the second year of the pandemic



Providing support and assistance to victims of the floods in Wallonia



Striving to sell additional capacity and develop new services to make a future-proof contribution to prosperity



Rolling out our initiatives to transport the molecules needed for a carbon-neutral future and thus offering a solution to entrench economic activity and employment at local level in the long term (for more information, see the 'Planet' section on page 54)



Entrenching our business integrity in a new Code of Ethics



**We invest in a sustainable future for the generations to come and for Fluxys Belgium. Every step and every investment contributes to a carbon-neutral society.**

### 0

**Interruptions or reductions in capacity**

(2020: 0)

### 0

**Damage to infrastructure caused by third parties, resulting in a gas leak**

(2020: 0)

### 0

**Complaints of fraud, unethical behaviour or violations of human rights**

(2020: 0)

### € 438.9 m

**Creating prosperity**

(2020: €427.1 million)

### € 1.38

**Proposed gross dividend per share\***

(2020: €1.37)

### 0

**Number of legal proceedings concerning anti-competitive behaviour or failure to comply with competition law**

(2020: 0)

\* Subject to the decision of the Annual General Meeting convened to decide on the appropriation of the profit for the year.

# Safe and reliable infrastructure



## Policy approach

As a socially responsible operator, Fluxys Belgium is responsible for building safe infrastructure and ensuring its safe operation. Together with distribution system operators and the users of our infrastructure, we guarantee optimum continuity of gas flows to end users in Belgium and the wider Western European market for which we serve as a hub.

Our approach to safeguarding the integrity and reliability of our facilities is an integral part of our Health, Safety and Environment Policy, which we see as a responsibility and commitment for both the company and its employees.

- We ensure safe, reliable and sustainable operations for our stakeholders
- We actively manage risk through a Quality & Safety Management System
- We report incidents and learn from experience

## Related risks

### Risk

Industrial incidents and some cyber incidents can damage Fluxys Belgium's infrastructure, endanger people's safety, cause unavailability impacting service continuity, and result in financial loss.

### Measures

- Safety management system
- Preventive measures in the design, construction and operation of infrastructure
- Detection measures included in monitoring and inspection programmes for infrastructure and construction sites
- Reactive measures in connection with emergency planning
- The security of critical systems is monitored according to the European NIS Directive on cybersecurity. Programmes are also being rolled out to inform and train employees in cybersecurity, alongside a range of technical measures and tests to practise responding to cyber attacks

## LNG truck to heat hundreds of households

Nessonvaux, a district of Trooz located between Chaudfontaine and Pepinster, was cut off from the natural gas supply by flooding. Fluxys Belgium helped distribution system operator RESA temporarily supply Nessonvaux with LNG trucks able to heat nearly 500 households during the winter.

“We have acquired a lot of experience and contacts in the mobile LNG supply business, so this gave us the chance to help distribution system operator RESA keep Nessonvaux warm on cold winter days.”



## Supporting those impacted by flooding

The south of Belgium was badly hit by devastating floods in July. At operational level, we made every effort to assist the distribution system operators in securing their networks. We also deployed people and specialised equipment to carry out drone inspections and underwater checks and to detect gas leaks using infrared technology, for example. Meanwhile, our teams were also hard at work securing our own affected infrastructure and getting it ready to be put back into service.

## Pandemic: moving fast

For the second year in a row, the pandemic turned society upside down. Despite the widespread impact of the COVID virus, Fluxys Belgium ensured the continuity of its essential services to society while continuing to focus on safety and the continuity of the energy supply.

Whether in our offices, in the field or on our sites, we carefully complied with government recommendations to limit the number of infections. Throughout the year, we and our staff shifted gears as public health restrictions were eased or tightened.

Owing to the restrictions in place to limit the spread of COVID, all employees not needed on site in order to secure business continuity switched to telework, while the remaining employees adopted different shift patterns and separate work bubbles, with additional measures implemented for teams with critical functions.

## Solidarity

Wanting to respond quickly to those in need due to flooding, our employees established a solidarity initiative to collect and deliver essential foodstuffs. As a company, we also showed our solidarity and donated €100,000 to the Red Cross to help the victims.

## Infrastructure works on schedule

### Large-scale conversion on schedule

Following a number of small and medium-sized projects concerning the conversion of low-calorific natural gas (L-gas) to high-calorific natural gas (H-gas) rolled out from 2016 to 2020, in 2021 we teamed up with distribution system operators Sibelga, Fluvius and Ores to conduct a large-scale conversion for the first time, during which over 300,000 connections were converted. Despite the limitations imposed by COVID-related measures, the conversion was completed on time.

### Complete conversion brought forward by five years

Thanks to active cooperation between Fluxys Belgium and the distribution system operators Sibelga, Fluvius and Ores, the remaining schedule for the L/H conversion has been shortened. The entire market for low-calorific natural gas will be converted by 2024 instead of 2029.

- 2021: further conversion of the Brussels-Capital Region
- 2023: total conversion of Antwerp
- 2023-2024: conversion of the other regions involved in Flanders and Wallonia

From this point onwards, L-gas from the Netherlands will only flow southwards through our network towards France, where conversion will probably continue until 2029.

### Other projects also on schedule

#### Work on the R4 in Ghent

Our pipelines need to be moved at seven locations to allow for the construction of the turbo roundabout on the R4 ring road in Ghent. Work started in November 2021 and will be largely completed by spring 2023.

#### New pipeline under the Ghent-Terneuzen canal

We laid a new pipeline under the Ghent-Terneuzen canal in Zelzate. This new pipeline will replace another in the vicinity laid in a canal tunnel owned by another company.



## L/H conversion: ensuring continuity of supply

The reduction in production at the Groningen gas field (which produces low-calorific natural gas, otherwise known as L-gas) has prompted the Netherlands to gradually phase out the export of L-gas from this field to Belgium, France and Germany between 2020 and 2030.

Belgium currently imports around 40 TWh of L-gas per year for domestic consumption. The Belgian network also acts as a corridor for conveying L-gas to France. Gas from Groningen accounts for almost 20% of the supply in Belgium as a whole and approximately 40% of natural gas consumed by households and SMEs.

As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switch from L-gas to high-calorific natural gas (H-gas) from other sources and so ensure the continuity of the natural gas supply.



## Comprehensive safety management system

Fluxys Belgium keeps an eye on public safety, the environment and the well-being of its employees during the design, construction, commissioning, operation, maintenance and dismantling of its facilities.

We work with a comprehensive safety management system in our transmission activities to provide for a safe and reliable transmission network, preserve its integrity and limit the consequences of any incidents. The Safety Management System is continuously updated to take account of the latest developments and is also subject to periodic internal and external audits.

The management system for storage and LNG activities is covered by the Seveso legislation. The Federal Public Service Employment, Labour and Social Dialogue conducts specific inspections at both Seveso sites in conjunction with the Flemish government's Environment Department.

## Smartphone app for foot patrols

Our patrollers patrol our pipelines every year, covering some 4,000 km. During patrols, they check the surroundings for potential risk factors. In 2021, patrollers switched to a user-friendly smartphone app developed in-house to record observations during patrols.

- Each beacon that a patroller passes is automatically loaded based on a GPS signal
- Speech-to-text technology to enter observations
- Easily supplement recorded observations with photos or videos



## Careful construction and dismantling

For any construction project, Fluxys Belgium only works with qualified and certified contractors. Moreover, the company's entities involved in construction projects are SCC-certified. SCC certification entails a checklist covering health, safety and the environment.

Before any facility is commissioned, a series of tests is carried out under the supervision of an approved inspection body. The condition of the pipes will then be regularly checked as part of an inspection programme. The pipes are also fitted with a cathodic protection system to prevent corrosion.

Any infrastructure that will cease to have a transmission function in the future is taken out of service in a safe way. In some cases, infrastructure is kept partly or fully underground, and technical precautions are taken to prevent any impact on the environment or on people.

## Control of gas flows 24/7

Fluxys Belgium's central dispatching office controls and monitors natural gas flows across the network 24 hours a day. Dispatchers continuously monitor parameters that may have a direct impact on gas flows and the smooth operation of infrastructure. Dispatching also plays a coordinating role in the event of a report of a gas smell, an incident or an accident.

## Emergency planning

With a view to limiting the impact of any incidents, Fluxys Belgium works with a crisis organisation and emergency plans and procedures with regard to its operational and ICT activities.

The members of the crisis organisation undergo specific training and we regularly organise internal emergency plan drills to ensure the organisation's responsiveness. Despite the measures in place in response to the coronavirus, drills were held in 2021, both in-house and with public emergency services.

## Detailed maintenance and inspection

Pipelines are patrolled in different ways (by car, by helicopter and on foot) and at different frequencies.

Patrols also monitor whether unannounced works are being carried out in the vicinity of our pipelines. In order to detect such works preventively, our main pipes are equipped with an acoustic detection system.

Maintenance programmes specific to each type of facility ensure that the infrastructure remains safe and reliable throughout its entire life cycle. All maintenance activities are carried out by competent internal or external staff. Where possible, pipelines are periodically inspected internally, and a special helicopter checks the gas network for leaks every year.



## Extra focus on ICT systems and cyber security

The availability of ICT systems and industrial control systems is vital to the safe and reliable operation of our infrastructure. These systems can malfunction for various reasons. With this in mind, technical and organisational measures have been put in place at Fluxys Belgium to gear the availability of IT systems to its needs.

### Back-up facilities

For several systems such as those used to manage natural gas flows on the network, back-up facilities are in place and can be activated as soon as a malfunction occurs, thus ensuring continued operation. These contingencies are periodically tested by means of disaster recovery plan drills.

### Cyber threats

Our ICT approach also pays special attention to ever-increasing cyber threats (attacks, malware, phishing, etc.). Technical measures are taken to form a barrier against the wide variety of cyber risks.

### External expertise

Various third parties, such as the Centre for Cybersecurity Belgium and software suppliers, help our ICT teams to identify and close new loopholes in the cybernet.

### Training and awareness-raising

Fluxys Belgium also focuses on training and awareness-raising. Last year, several exercises were organised to teach employees how to efficiently and effectively deal with phishing emails.

### Continuity

If something does go wrong, our ICT approach focuses on ensuring continuity of service. This is done with roadmaps that the ICT teams practice regularly.

Research and development

Applied research

Fluxys Belgium carries out applied research in-house, in cooperation with the academic world or with other companies of the Fluxys group. We also work with the Belgian gas association gas.be and other European companies under the umbrella of various national and international organisations, such as:

- Pipeline Operators Forum (POF),
- European Gas Research Group (GERG),
- European Committee for Standardization (CEN),
- European Pipeline Research Group (EPRG),
- International Organization for Standardization (ISO),
- EASEE-gas (European Association for the Streamlining of Energy Exchange – gas),
- MARCOGAZ, the Technical Association of the European Natural Gas Industry.



Optimising network operation

Research into network integrity

Together with universities and industrial partners, Fluxys Belgium carries out various research projects aimed at improving knowledge of pipeline integrity and the methods used to safeguard it.

Artificial intelligence and drones

We are researching and testing ways to conduct aerial observations of our network combined with artificial intelligence and object detection with a view to being able to more efficiently detect and monitor third-party works in the immediate vicinity of pipelines. As such, we are also working with various parties to look into the use of drones to inspect parts of our network.

Moreover, we are investigating the use of machine learning for the automatic processing of incoming notifications from third parties regarding work in the vicinity of our pipelines.

Internet of Things

Fluxys Belgium is exploring the potential of IoT technology to optimise the operational management and maintenance of its network. Among other things, we are paving the way for predictive maintenance of installations instead of maintenance at fixed times. In 2021, we began adopting the new approach for some components of our facilities.

The energy transition

Fluxys Belgium and parent company Fluxys are active in a wide range of initiatives to broaden their expertise in transporting hydrogen and other gases needed for a carbon-neutral future in various fields. These include both research projects with universities and industrial projects with partners in which research accounts for a substantial part of the cooperation.

For more information about research initiatives on energy transition, go to the ‘Planet’ section on page 64-67.

Keeping an eye on works in the vicinity of our infrastructure

Closely following up on reports of works

Serious pipeline incidents are often the result of damage caused by third parties. To avoid such damage, anyone planning or wanting to carry out work in the vicinity of natural gas transmission infrastructure is legally required to notify Fluxys Belgium in advance.

Fluxys Belgium then confirms whether or not any natural gas transmission infrastructure is located in the vicinity of the planned work. If this is the case, the applicant is sent all the relevant information and details of further procedures to be followed to carry out the work safely.

Our staff attend preparatory meetings on a daily basis with regard to sites where third parties plan to work in the vicinity of our infrastructure. During these meetings, they explain the measures that need to be taken and set the safety arrangements down on paper before any work can actually begin.

Damage can also occur when Fluxys Belgium commissions or repairs infrastructure. All incidents or near-incidents are investigated thoroughly and action is taken immediately to prevent such incidents from recurring.

Providing information and raising awareness

Fluxys Belgium runs a range of initiatives to provide information and raise awareness about how to work safely in the vicinity of its infrastructure. The initiatives focus on everyone involved in such works, such as architects, building managers, designers, contractors, owners and operators, municipalities, notaries and emergency services, etc.

- Regular reminders to all owners and operators of land where Fluxys infrastructure is located

- An information session for municipalities, as well as police forces and emergency services, at least once every legislative period
- Highlighting working safely in the vicinity of underground infrastructure in trade magazines and in various working groups and federations in which Fluxys Belgium is active
- Providing training for excavator operators and for coating steel pipes
- Launching webinars for industrial consumers with gas installations directly connected to our network in 2021



Indicators

Safe and reliable infrastructure	2021	2020	2019	2018
Reduction or interruption of firm transmission capacity	0	0	0	0
Reduction or interruption of interruptible transmission capacity	0	0	0	0
Damage to infrastructure caused by third parties, resulting in a gas leak or interruption of capacity	0	0	0	0



# Financial resilience



## Policy approach

Within the limits of the regulatory framework applicable to our activities, we respond to the expectations and needs of our customers in the best possible way to maximise income from the sale of our services. The highest possible sales of capacity also means support for the competitiveness of our tariffs, which we also underpin by keeping operating costs under control and by aiming in our financial structure for a ratio that is as close as possible to the regulatory optimum. Our financing policy enables us to finance investments on attractive terms.

## Related risks

### Risk

The risk that market events or developments will impact Fluxys Belgium's revenues and/or assets.

### Measures

- Monitoring the market by continuously adapting existing services and/or developing new services needed by the market at competitive prices
- Financial monitoring of counterparties by monitoring claims and analysing their credit, liquidity, solvency and reputation
- Insurance
- Warranties from suppliers and customers

## Sales

### Special efforts to sell transmission capacity

The harmonised European rules for the use of the networks mean that customers active in border-to-border transmission are concluding fewer long-term contracts. This is because when long-term contracts expire, the capacity that becomes available is sold by auction.

With the shift from long-term contracts to auctions, the challenge for our sales teams lies in making it as easy as possible for customers to book short-term capacity that generates additional sales for us.

### Capacity for increased demand for imports in Germany and the Netherlands

Shifts in import flows to Europe in late 2021 meant that there was high demand in both Germany and the Netherlands for supplies from Belgium, a trend that continued into spring 2022 owing to geopolitical developments. Customers could flexibly buy short-term capacity from our network to meet the import needs of neighbouring countries, once again cementing our network's role as an energy hub for North-West Europe.

### Commercial proposals for power plants

In 2021, our teams continued their efforts on projects for new power plants. We devised a sales proposal for connecting power plants to the network for various project promoters and made further preparations. Which connection projects will be implemented depends on which power plants will be built.



## Additional regasification capacity fully sold

In early 2021, the LNG terminal successfully completed the open season for additional regasification capacity. The offered capacity of approximately 10.5 GWh/h was fully booked. The additional capacity will be offered in two phases:

- Phase 1: a total of approx. 8.2 GWh/h from early 2024 onwards;
- Phase 2: the total capacity of approx. 10.5 GWh/h from early 2026 onwards.

In light of the capacity booked, the final investment decision was taken to build the necessary additional infrastructure at the terminal. Three additional regasifiers with seawater are being built (see page 75).

## More traffic at Zeebrugge LNG Terminal Shipping traffic continues to rise

Shipping traffic at the LNG terminal in Zeebrugge reached new heights in 2021. 181 ships docked at the terminal, breaking the previous record of 172 in 2020. May 2021 was the busiest month for marine traffic at the terminal, with 26 ships docking there.

The number of large vessels that docked for transshipment was lower while significantly more small ships came to load LNG. Though there was a drop in the number of large ships arriving at the terminal for unloading operations, for the first time several small ships came to the quay to unload.

### Truck loading sees strong growth

In November, the LNG terminal welcomed its 20,000<sup>th</sup> tanker truck. LNG truck loading has experienced particularly strong growth over past three years due to the sharp increase in demand for LNG as a low-carbon fuel for ships and trucks. 2021 was a record year, with the number of loading operations doubling to 6,635. This is the largest rise in seven years.

Given current volumes of traffic, the existing truck loading stations are gradually approaching their maximum capacity. Moreover, there is considerable market interest in booking even more loading slots in the future. Therefore, four additional truck loading stations are being built at the terminal. They are scheduled to be commercially available in 2023.

## Innovative bio-LNG service launched

To provide HGVs and ships with comprehensive decarbonisation options, we have launched an innovative bio-LNG service at Zeebrugge terminal. Fluxys teams have developed a way for terminal users to convert biomethane into bio-LNG and in 2021 around a hundred trucks and two bunker vessels were loaded with bio-LNG (more information about our initiatives on small-scale LNG as a part of the energy transition can be found in the 'Planet' section on page 70).

In consultation with the market and the federal energy regulator CREG, over the course of the year we have developed a regulated service package for bio-LNG. CREG approved the regulatory documents and tariffs at the end of the year. The service range is attracting considerable interest, with 60% of the bio-LNG capacity for 2022 being sold in the first subscription window.

### Storage: strong sales in a volatile market

In all, 60% of capacity at the Loenhout storage site is booked under long-term contracts until April 2022 (2021-2022 storage year). The challenge for Fluxys Belgium is to sell the remaining capacity in a context of high volatility in price differentials between summer and winter gas on gas trading platforms. In periods of high price differentials, physical storage capacity is an opportunity for customers and Fluxys Belgium is making the most of it. As such, we were able to sell the remaining capacity for the storage year 2021-2022 in spring 2021.

## New market model with unprecedented flexibility

Storage activities in Europe have been under pressure for a number of years now due to a high level of volatility in price differentials between summer and winter on gas trading platforms. Against this backdrop, new market models involving a support mechanism have been developed in neighbouring countries, competing directly with sales of storage capacity at Loenhout.

In this context, Fluxys Belgium teamed up with CREG and the Federal Public Service Economy, SMEs, Self-employed and Energy to devise a new market model which would enable the future-proof continued use of storage infrastructure as a key asset for the Belgian energy system after the expiry of the long-term contracts in April 2022.

The new model was launched at the end of 2021. It offers customers 100% fixed capacity in a revamped and optimised range of services. They can also choose an option that allows them to optimise their cycle of injection and send-out days. They can also book this option by season or quarter according to their needs.

### Tariff reduction

In line with the tariff methodology, Fluxys Belgium, in consultation with the market and CREG, lowered its tariffs for storage services by 30% on 1 July. The tariff reduction has no impact on Fluxys Belgium's results.



## Financial monitoring and guarantees

Fluxys Belgium systematically assesses its major counterparties’ financial capacity and closely monitors receivables. Our policy regarding counterparty risks requires our major customers and suppliers to undergo a financial analysis (liquidity, solvency, profitability, reputation and risks) in advance and subsequently on a regular basis.

Fluxys Belgium uses internal and external information sources to this end, such as official analyses performed by specialist rating agencies. These rating agencies assess entities in relation to risk and award them a credit rating. Several in-house analyses are taking place. These are covered in a thorough cross-sectional review by Sales, Finance and Legal.

Fluxys Belgium also asks most of its customers and certain categories of suppliers to provide a financial guarantee, thereby reducing the group’s exposure to credit risk both in terms of default and concentration of customers. The potential negative impact of parties that remain in default is processed in accordance with the regulatory framework.

Cash surpluses belonging to Fluxys Belgium are deposited with parent company Fluxys within the framework of cash pooling agreements. Fluxys invests these surpluses in various ways, namely:

- in prominent financial institutions;
- in the form of financial instruments issued by companies with a high credit rating;
- in financial instruments issued by companies in which a creditworthy authority is the majority shareholder or which are underwritten by a creditworthy EU Member State;
- in loans to Fluxys subsidiaries at market conditions. By monitoring its subsidiaries, Fluxys reduces and manages counterparty risks for the subsidiaries as well.

## Insurance

Fluxys Belgium assesses the likelihood of the main risks connected with its activities and estimates the potential financial impact thereof. Depending on the possibilities and the market conditions, the group mainly covers these risks via the insurance market. In some cases, risks are partially reinsured by Flux Re, a wholly-owned subsidiary of Fluxys Belgium, or are partially self-retained, for example by applying appropriate deductibles. FluxRe reinsures general and environmental liability, property risks, material damage risks and financial risks (not life or health risks).

The fact that Flux Re is fully consolidated in the group’s accounts means that the cost of damages covered by the group’s reinsurance policy are booked to the consolidated result. Flux Re also reinsures certain risks facing other companies in the Fluxys group. Where appropriate, compensation paid in the event of damages involving these parties will impact the Fluxys Belgium group’s IFRS consolidated result.

The comprehensive cover is in line with European best practices in the field and includes the different areas in which risks may materialise:

- protection of facilities against various types of material damage; in specific cases, facilities also have additional cover for loss of earnings as a result of unavailability due to damage;
- protection against third-party liability by means of comprehensive, multi-level cover;
- staff programme: mandatory insurance cover (occupational accidents) and staff healthcare programme;
- protection of the vehicle fleet by means of appropriate insurance.

## Supply chain

### Policy approach

In its procurement policy, Fluxys Belgium seeks to strike the best balance between safety, reliability and cost. As a rule, we open up contracts and ensure that contractors are treated equally. Transparency is the cornerstone of our communication with current and potential suppliers. To this end, our website has a dedicated section with information on our procurement policy and standard contractual documents.

### Supplier developments

Almost 85% of Fluxys Belgium’s suppliers are Belgian companies. In 2021, we signed contracts with 346 new suppliers - over 200 more than in 2020. In most cases, they replaced existing suppliers as a result of contracts being opened up. Other new suppliers were taken on because, for example, we started purchasing new types of goods and services, and one supplier’s business was taken over by another.

### Sustainable procurement

In 2021, Fluxys Belgium continued to gather information on its suppliers’ environmental, health and safety practices. The primary focus is on the suppliers that have the greatest impact in terms of greenhouse gas emissions. Among these suppliers, we select those from whom a substantial order has been placed. They receive a questionnaire about the management of their greenhouse gas emissions and their certification regarding environmental impact, health and safety.

Fluxys Belgium wants environmental impact, health, safety and additional sustainability aspects to be taken into account more explicitly when selecting contractors and/or awarding contracts.

## Financial situation: consolidated key financial data

Income statement (in thousands of €)	31.12.2021	31.12.2020 (revised)
Operating revenue	573,191	560,590
EBITDA*	318,905	313,623
EBIT*	137,821	133,482
Net profit	75,521	73,237
Balance sheet (in thousands of €)	31.12.2021	31.12.2020 (revised)
Investments in property, plant and equipment for the period	50,647	42,255
Total property, plant and equipment	1,902,037	2,011,209
Equity	639,674	639,038
Net financial debt*	846,046	873,111
Total consolidated balance sheet	2,634,514	2,730,039

### Increase in consolidated turnover and net profit

The Fluxys Belgium group generated turnover of €573.2 million in 2021. This represents an increase of €12.6 million compared with 2020, when turnover stood at €560.6 million. Consolidated net profit rose from €73.2 million in 2020 to €75.5 million in 2021, an increase of €2.3 million. The increase in regulated turnover and net profit is mainly due to the development of

the components to be covered by the regulated tariffs. This change is in line with the tariff proposal and complies with the tariff methodology for 2020-2023 and is therefore not due to the rise in energy prices. After all, as an energy infrastructure company we do not earn any revenue from trading the molecules we transport.

\* See glossary on page 102-103.



## Efficiency efforts in line with regulated tariff model

In June 2018, CREG, the federal regulator, set out a new tariff methodology for the transmission and storage of natural gas and LNG terminalling for the period 2020-2023. The new methodology is based on existing principles that have been honed and supplemented.

The principle whereby tariffs cover all reasonable costs (including interest and fair remuneration) continues to apply. Alongside incentives to control costs, a limited package of new incentives was introduced to monitor and manage some aspects of company performance. The company share of savings has been adjusted, thus limiting potential gains.

By managing its operating costs and continuing its efficiency drive, the Fluxys Belgium group achieved these regulatory objectives and benefitted from incentives.

## €50.6 million in investment

In 2021, investments in property, plant and equipment amounted to €50.6 million compared to €42.3 million in 2020. Of this amount, €32.6 million was dedicated to transmission projects and €17.4 million to LNG infrastructure projects.

## Creating greater prosperity

Fluxys Belgium creates prosperity by contributing to the economic growth of the society and environment in which it operates. This contribution is measured as added value that the company generates and distributes among its stakeholders.

The added value generated by continuing company activities in 2021 amounted to €438.9 million, up €11.8 million on 2020.

## Outlook for 2022

Under the 2020-2023 tariff methodology, the net profit from Belgian regulated activities is determined based on various regulatory parameters, including equity invested, financial structure and incentives. More information about the 2020-2023 tariff methodology can be found in the 'Legal and regulatory framework' section on page 48.

Based on the information available at the time of this report, it is extremely difficult to anticipate the economic impact of the war in Ukraine. In light of the current understanding of the situation, the essential nature of the company's activities and its regulatory framework, at present we do not anticipate the war and the current resulting measures and market developments having any significant negative impact on the consolidated result of the Fluxys Belgium group in 2022.

## Subsidiary activities and statutory profits

### Fluxys LNG

Fluxys LNG (a consolidated subsidiary in which Fluxys Belgium holds a 99.9% stake and Flux Re a 0.01% stake) is the owner and operator of the Zeebrugge LNG terminal and sells terminalling capacity and associated services. Fluxys LNG's equity totalled €149.5 million as at 31 December 2021, compared to €156.9 million the previous year. Net profit for the 2021 financial year totalled €31.1 million (€29.1 million in 2020).

### Flux Re

Flux Re (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law and was established in October 2007. Flux Re's statutory equity, before appropriation, fell from €15.4 million as at 31 December 2020 to €12.7 million as at 31 December 2021. Net profit for the 2021 financial year totalled €2.3 million (€5.2 million in 2020).

### Balansys

Balansys (stake consolidated using the equity method – Fluxys Belgium holds a 50% stake). As part of the integration of the Belgian and Luxembourg gas markets, on 7 May 2015 Fluxys Belgium and the Luxembourg transmission system operator Creos Luxembourg set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake. Balansys is in charge of the commercial balancing activities of the integrated Belgian-Luxembourg gas market.

## Fluxys Belgium – 2021 results (according to Belgian standards): proposed allocation of profit

Fluxys Belgium's net profits totalled €71.7 million, compared with €70.8 million in 2020.

At the Annual General Meeting on 10 May 2022, Fluxys Belgium will propose a gross dividend of €1.38 per share.

Taking into account a profit of €66.8 million carried over from the previous financial year and a withdrawal of €37.7 million from the reserves, the Board of Directors will propose to the Annual General Meeting that the profits be allocated as follows:

- €97.0 million as a dividend payout and
- €79.2 million as profit to be carried forward.

If that profit allocation proposal is adopted, the total gross dividend for the 2021 financial year will be €1.38 per share. This amount will be payable from 18 May 2022 onwards.



Indicators

Contribution to prosperity (in millions of €)	2021	2020 (revised)	2019	2018
Added value from continuing operations	438.9	427.1	423.2	404.8
Personnel	112.5	110.5	107.5	107.9
Shareholders (dividend)	96.3	91.3	88.5	86.4
Society (taxes)	38.2	37.2	48.2	44.7
Suppliers	155.6	149.3	143.4	124.9
Financial institutions (interest)	36.3	38.8	35.5	40.9
Financial strength of Fluxys Belgium: financial ratios	2021	2020 (revised)	2019	2018
Solvency Ratio of (i) net financial debt and (ii) the sum of equity and net financial debt	57%	58%	58%	56%
Interest coverage Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses	6.75	5.61	6.58	7.09
Net financial debt*/extended RAB* Ratio of (i) net financial debt and (ii) extended RAB	28%	28%	29%	28%
FFO*/net financial debt Ratio of (i) FFO and (ii) net financial debt	25%	20%	22%	28%
RCF*/net financial debt Ratio of (i) RCF and (ii) net financial debt	13%	10%	12%	18%

Glossary

**EBIT:** Earnings Before Interest and Taxes or operating profit/loss, plus earnings from associates and joint ventures and dividends received from unconsolidated entities. EBIT is used as a reference to monitor the operational performance of the group over time.

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortisation or operating profit/loss, before depreciation, amortisation, impairment and provisions, plus earnings from associates and joint ventures and dividends received from unconsolidated entities. EBITDA is used as a reference to monitor the operational performance of the group over time, without taking non-cash costs into account.

**Net financial debt:** interest-bearing liabilities (including lease debts), less regulatory assets, cash linked to early refinancing transactions and 75% of the balance of cash, cash equivalents and short- and long-term cash investments (the remaining 25% is considered a buffer reserve for operational purposes (working capital) and

is therefore deemed unavailable for investments). This indicator gives an idea of the amount of interest-bearing liabilities that would remain if all available cash were used to repay loans.

**Solvency:** The ratio between net financial debt and the sum of equity and net financial debt indicates the strength of the Fluxys Belgium group’s financial structure.

**Interest coverage:** The ratio between FFO before interest expenses and interest expenses represents the group’s capacity to cover its interest expenses via its operating activities.

**Net financial debt/Extended RAB:** This ratio expresses the share of the extended RAB financed by external debt.

**FFO/Net financial debt:** This ratio is used to determine the group’s capacity to pay off its debts based on cash generated by its operating activities.

Net financial debt (in millions of €)	2021	2020 (revised)	2019	2018
Net financial debt	846.0	873.1	903.3	881.9
Breakdown				
Debt capital market	699.1	692.7	698.2	697.8
Bank loans	286.8	310.6	327.8	309.8
Related parties	233.6	257.0	263.3	263.3
75% of cash and other financial assets	-373.5	-393.1	-386.0	-388.9
Weighted average maturity as at 31 December	9.2	10.2	11.3	12.4
RAB and WACC	2021	2020 (revised)	2019	2018
RAB* (in millions of €)				
Transmission	2.047.5	2.086.9	2.125.3	2.194.2
Storage	228.8	235.6	239.7	246.1
LNG terminalling	303.0	302.7	314.4	324.6
Property, plant and equipment outside RAB (in millions of €)	410.4	420.3	413.4	376.6
Extended RAB*	2.989.7	3.045.4	3.092.8	3.141.5
WACC* before tax (in %)				
Transmission	4.92	4.88	3.87	4.04
Storage	5.09	5.04	3.57	3.71
LNG terminalling	4.99	5.14	2.85	3.40

**RCF/Net financial debt:** This ratio is used to determine the group’s capacity to pay off its debts based on cash generated by its operating activities after payment of dividends.

**FFO:** Funds from Operations or profit/loss from continuing operations, excluding changes in regulatory assets and liabilities, before depreciation, amortisation, impairment and provisions, plus dividends received from associates and joint ventures and unconsolidated entities, minus net financial expenses and tax payables. This indicator reflects the cash generated by operating activities and therefore the group’s ability to repay its debts, make investments and pay dividends to investors.

**RCF:** Retained Cash-Flow or FFO, less dividends paid. This indicator reflects the cash generated by operating activities, but after payment of dividends, and thus reflects the group’s net capacity to repay its debts, as well as to make investments.

**RAB:** Average Regulated Asset Base or average value of the regulated asset base for the year. The RAB is a regulatory concept that corresponds to the basis of regulated assets on which the regulatory return is allocated, as regulated by CREG.

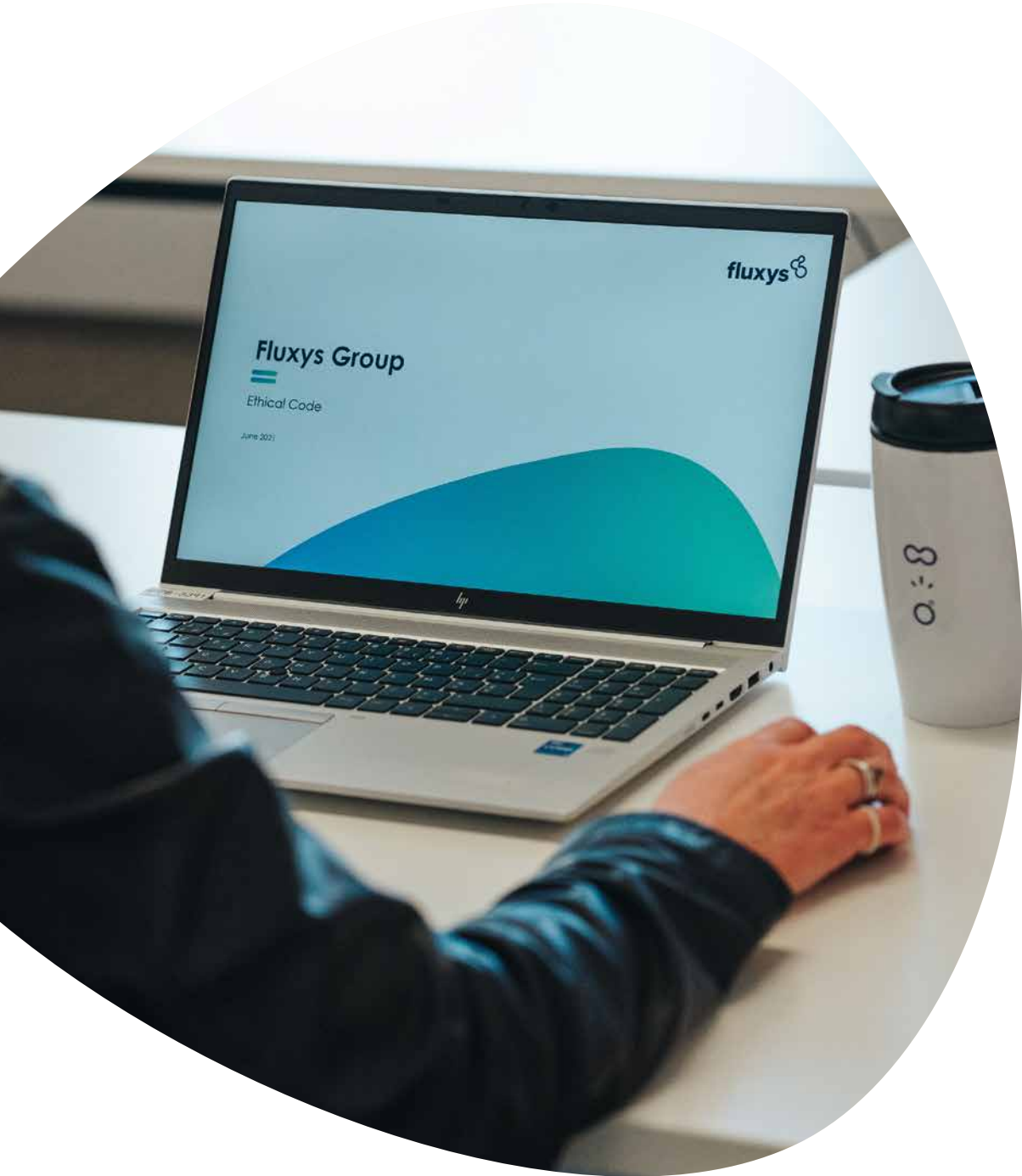
**Other investments in property, plant and equipment outside the RAB:** The average of the cumulative investments in the Zeebrugge LNG terminal expansions and in the non-regulated activities.

**Extended RAB:** Total RAB and other investments in plant, property and equipment outside RAB.

**WACC:** Weighted Average Cost of Capital, reflects the return allowed by the regulation on the RAB..



# Efforts to combat corruption



## Policy approach

Fluxys Belgium’s anti-corruption policy is set out in the company’s Code of Ethics. In 2021, a new Code of Ethics came into force, which, among other things, expanded options for reporting unethical behaviour.

## Related risks

### Risk

Corruption having a negative impact on the company’s business reputation and/or financial results.

### Measures

- Fluxys staff are subject to the Code of Ethics, company regulations, collective bargaining agreements and specific procedures
- Suppliers are subject to the purchasing terms and conditions with specific provisions on corruption
- Control process to ensure that customers, suppliers, agents, consultants, etc. adhere to anti-bribery rules
- Specific internal checks followed up at least every two years by internal audit

## New Code of Ethics

The new Code of Ethics came into force in 2021 and was widely disseminated in-house. The Code covers a wide range of areas: a safe and respectful working environment, responsible interactions with business partners, human rights, anti-bribery and general principles on how the company competes. The Code also expects customers, suppliers and other partners to comply with equivalent standards. As part of the new Code of Ethics, anti-corruption workshops were organised for staff in 2021.

## Wider scope for reporting unethical behaviour

Our employees can contact their manager or the Ethics & Compliance Team for advice on problematic situations or to report a (potential) breach of the ethics rules.

Employees, customers, suppliers and partners can also email [ethics@fluxys.com](mailto:ethics@fluxys.com) to report a (potential) violation in a strictly confidential manner.

As per the new Code of Ethics and the relevant European directive, the formal procedures for whistleblowing and protecting whistleblowers were further elaborated in 2021. These procedures will be rolled out in 2022.

## Focus on ethical behaviour in the supply chain

Fluxys Belgium’s general purchasing terms and conditions for suppliers impose various anti-corruption obligations on contractors, including:

- being prohibited from engaging in or accepting practices such as private or public corruption;
- being required to demonstrate integrity to their employees.

## Indicators

Efforts to combat corruption Anti-corrup <sup>tie</sup>	2021	2020	2019	2018
Complaints of fraud or reports of unethical behaviour	0	0	0	0
Number of legal proceedings concerning anti-competitive behaviour or failure to comply with competition law	0	0	0	0

# Human rights



## Policy approach

Fluxys Belgium operates in Belgium and therefore the policy approach to human rights violations is embedded in the company’s policy on business ethics, safety, health and well-being at work, and diversity. Our approach also focuses on the supply chain.

## Related risks

### Risk

Violation of human rights having a negative impact on the company’s business reputation and/or financial results.

### Measures

- Staff: provisions in the Code of Ethics, company regulations, collective bargaining agreements and specific procedures
- Suppliers: human rights provisions included in the purchasing terms and conditions

## Approach incorporated in other domains

Given the Belgian scope of our activities, our initiatives on respecting human rights are mainly contained in our policy approach in two other domains.

In the ‘Health, safety and well-being at work’ domain, the following human rights are addressed:

- The right to decent work and well-being;
- The right to rest and free time;
- Protection of the work-life balance;
- The right to protection from risks at work, including stress, violence, bullying and harassment;
- Freedom of assembly and association.

Numerous training courses on these topics were offered to employees in 2021 (see page 116-117, 23).

The right to equal opportunities and the prohibition of discrimination fall within the ‘Diversity’ domain (see page 127-128).

## Focus on human rights in the supply chain

Fluxys Belgium’s general purchasing terms and conditions for suppliers impose various human rights obligations on contractors, including:

- the obligation to insure personnel against occupational accidents
- the obligation to comply with the legal obligations regarding safety and well-being at work, the granting of a minimum wage to employees, the payment of wages, obligations regarding the environment and its protection
- the ban on employing foreign workers who reside illegally in Belgium

## Data protection and privacy

The responsible, secure handling of data is vitally important to the company and its employees and everyone has a role to play in this regard. As such, Fluxys Belgium has developed guidelines on data protection, including the requirements of the EU’s General Data Protection Regulation (GDPR) and general privacy regulations.

Fluxys Belgium has also issued guidelines for staff on the use of social media with a view to achieving a balance between every employee’s freedom of speech and right to privacy on the one hand and the company’s mission on the other.

## Indicators

	2021	2020	2019	2018
Complaints of violations of human rights	0	0	0	0
Number of training courses on human rights completed				
Number of training hours completed	459	554	*	*
Share in the total number of training hours completed	1.9%	2.4%	*	*

\* Not registered



# Good neighbourly relations



## Policy approach

At Fluxys Belgium, we provide almost a third of the energy consumed by households and businesses in Belgium. We do this with infrastructure in almost 400 towns, cities and municipalities, so it is only natural that we want to establish good neighbourly relations.

Through open dialogue, we want to establish good relations with all those affected by the construction and operation of our facilities. The company also ensures that the construction and operation of its infrastructure cause as little disruption as possible.

## Open dialogue with residents

### Personal point of contact

Owners and operators of land have a designated point of contact at Fluxys Belgium, right from a project's preliminary phase through to the restoration of a site following construction or operation works. This allows them to consult with someone familiar with their concerns and the features of their land from the outset. These points of contact are part of a specific team that has the special task of understanding the interests of landowners and operators and defending them in relations with Fluxys Belgium.

### New infrastructure: securing consensus with our neighbours

#### Transparent communication from the project phase onwards

In the case of new infrastructure projects, from the planning phase onwards Fluxys Belgium aims to transparently provide information to and communicate with the relevant authorities, municipal bodies, local residents and other parties involved. In 2021, we once again visited many municipal and other authorities in connection with our plans to construct new facilities.

#### Information sessions

As regards permit applications for major infrastructure projects, Fluxys Belgium suggests to municipalities that an information session be held for local residents before the permit procedures get under way. This gives residents the chance to discuss the project and its impact with us and enables us to take on board any feedback at the start of the project.

In the public consultation stage too, we contact municipalities to suggest organising an information session so that local residents can again ask any questions they might have about the project.

## Agreements concerning agriculture, horticulture, forest management and hunting

Fluxys Belgium builds the vast majority of its facilities (pipelines and surface stations) in areas used for agriculture, horticulture or forest management. Good neighbourly relations are crucial between Fluxys Belgium and the owners and operators of land where we have facilities, or land located in the vicinity of our facilities.

With this in mind, we have signed agreements with the country's three largest agricultural organisations and with Hubertus (the Flemish hunting association), Landelijk Vlaanderen, and Nature, Terres et Forêts. These agreements set out the compensation due to those in the agriculture, horticulture or forest-management industries who experience disruption or are temporarily unable to use their land during the construction of a facility. If problems occur after work is complete, we deal with any such reported issues on a case-by-case basis.

## Working with sheltered workshops

A number of Fluxys Belgium regional operating centres have been working with sheltered workshops for several years now. In 2021, this was extended to all operating centres. These are given straightforward, repetitive tasks such as mowing around markings along roads and watercourses.

## Team-building events: commitment to charity

Fluxys Belgium encourages its employees to organise social, sports or nature-related team-building events with the twin objectives of boosting team spirit and contributing to the community in a broad sense. In 2021, due to COVID restrictions, only a limited number of team-building events could take place.

# Go Digital



## Digital transformation gets off to a powerful start

Fluxys Belgium stepped up its digital approach with its Digital Transformation programme in 2021. The programme aims to secure the wide-ranging and accelerated rollout of digital solutions to strengthen the company's clout, whether regarding our agility, our journey to transport new energy carriers, our services to our customers or our internal processes.

### Digital lounge

The first lever of the transformation is the Digital Lounge, an innovation lab approach to quickly and agilely devise digital solutions for our employees, customers and stakeholders. Examples include using artificial intelligence to improve our operations, developing an app to enhance the interface with our customers and deploying virtual reality to train our teams. The Digital Lounge is a learning process and priorities can change based on what we learn.

One of the Digital Lounge teams is developing a digital marketplace for small-scale bio-LNG aiming to guarantee maximum simplicity and ease of use for buyers and sellers.



**digital transformation.**

## Digital workplace

The second lever is the Digital Workplace. By 2021, we rolled out the tools for hybrid working to make online working and meetings as convenient as possible. The new hardware provides optimum support for the digital transformation. At the same time, our employees are shoring up their digital skills under the guidance of the Digital Coaches.

Lastly, the digital transformation is based on various ICT projects launched in recent years:

**Available capacity:** This display tool on our website shows customers in real-time where which capacity is available. The tool first became available for entry and exit capacity. LNG capacity and the schedule for loading LNG tankers will follow in 2021. In 2022, we will launch the same real-time information on the website for storage capacity at Loenhout.

**GSmart:** Our in-house system for gas transportation used by various gas infrastructure companies.

**Smart Data Factory:** This tool orders huge volumes of data, alongside data models and visualisation tools.

**Cloud architecture:** The architecture for Cloud applications allows us to deploy this technology in a uniform and secure way.

**Internet of Things:** Paves the way for predictive maintenance of installations, instead of maintenance at fixed times. This should optimise operational management and maintenance of the pipeline network.

**Digital Twin:** We are investigating the possibility of developing a digital twin of our transmission system that could, for example, simulate the flow of new molecules through the network.



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shaping together  
a bright energy  
future