OneteamOnetarget

Our performance in terms of financial resilience and digitalisation

We move quickly, even when the market is weathering a storm. Ready for our clients, ready to bring energy wherever it's needed. With our digital transformation boosting our agility to deliver on the green transition, today and tomorrow. That's how we work, day after day, on future-proof value.

Our performance in terms of financial resilience and digitalisation

Our focus in 2022

- Offering our customers as much capacity as possible in the interests of security of supply
- Controlling our operating costs and efficiency efforts to achieve regulatory targets for optimal fair shareholder compensation
- Driven digitalisation to increase the agility of our organisation, strengthen the foundations in our energy transition acceleration path, improve services for our customers and develop new opportunities

€480.3 million
Prosperity contribution
(2021: €438.9 million)

€1.40
Proposed gross dividend per share*
(2021: €1.38)

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

Financial resilience

Policy

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 revenues from the sale of our services. Maximising sales of capacity also means supporting the competitiveness of our tariffs, which we also underpin by keeping operating costs under control and retaining a healthy financial structure. Our financing policy enables us to finance investments on attractive terms.

Our activities contribute hugely to the prosperity of society, the economy, our employees and our shareholders. Our activities also substantially help the energy transition forward. This is how we future-proof our contribution to prosperity.

Risks and measures

Risk	Measures
The risk that market events or developments will impact Fluxys Belgium's revenues and/or assets	• Market monitoring 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 • Warranties from suppliers and customers

As much capacity as possible to maximise security of supply

Throughout 2022, our sales team left no stone unturned to offer customers as much capacity as possible in the interests of security of supply. After all, the geopolitical situation in Ukraine has profoundly changed the dynamics of gas markets and the direction of flows in Europe. Previously, supplies largely came from the east. To ensure security of supply, additional flows from the west are now needed to compensate for the lost volumes from the east.

Transmission: unprecedented volumes to the Netherlands and Germany

Together with the neighbouring transmission system operators, we found ways to maximise the capacity that was physically available for cross-border flows. Moreover, together with our customers we looked at how they could make optimal use of their package of services. The result was that they could carry unprecedented large volumes of natural gas to the Netherlands and Germany. Flows to Germany soared to 256 TWh (from 20 TWh in 2021) and those to the Netherlands increased to 145 TWh (from 68 TWh in 2021).

Additional unloading slots at the Zeebrugge LNG terminal

Together with the long-term customers at the Zeebrugge LNG terminal, we examined how the schedule for their shipping traffic could be adjusted so that more ships could dock there – and this worked, as this meant that the terminal managed to support security of supply.

Storage facility filled to maximum level

Thanks to the special flexibility offered by the new storage services, customers booked maximum capacity at the Loenhout storage facility for winter 2022-2023. They have also already booked 60% of the capacity for the subsequent years.

With its storage facilities filled to the maximum level, Belgium easily exceeded the requirements set by the European Union in 2022 for security of supply for winter 2022-2023, namely that storage facilities should be filled to at least 80% of full capacity by 1 November.

Tariff reduction

In line with the tariff methodology, Fluxys Belgium, in consultation with the market and the federal energy regulator CREG, reduced tariffs for transmission services by 10% from 1 July 2022 onwards. The tariff reduction had no impact on Fluxys Belgium's results.

The reduction corresponds to a total of €45 million being returned over the course of 2022 and 2023. This is in line with Fluxys Belgium and CREG's desire to support consumers against the backdrop of high natural gas prices.

Financial monitoring and guarantees

Fluxys Belgium systematically assesses its main counterparties' financial capacity and, in accordance with the regulatory framework, closely monitors its 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 on the basis of risk and award them a credit rating. Various internal assessments are carried out and are covered by a full cross-cutting 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 handled in accordance with the regulatory framework.

Fluxys Belgium's cash surpluses 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 these subsidiaries as well.

Financial situation: consolidated key financial data

Income statement (in thousands of €)	31.12.2022	31.12.2021
Operating revenue	912.559	573.191
EBITDA*	323.167	318.905
EBIT*	147.305	137.821
Net profit	83.728	75.521
Balance sheet (in thousands of €)	**31.12.2022**	**31.12.2021**
Investments in property, plant and equipment for the period	105.525	50.647
Total property, plant and equipment	1.855.375	1.902.037
Equity	643.617	639.674
Net financial debt*	493.800	846.046
Total consolidated balance sheet	3.406.570	2.634.514

Increase in consolidated turnover and net profit

Fluxys Belgium's infrastructure was used particularly intensively throughout the year by our customers to support security of supply in Germany and the Netherlands. The extra revenues from that additional capacity that was sold do not benefit the company's shareholders. As stipulated by regulatory provisions, these extra revenues are deposited in the buffer account provided for this purpose (the 'adjustment account'). The amounts in the adjustment account are reallocated under the supervision of the regulator, CREG.

As part of the October budget consultations, the federal government decided to collect an exceptional solidarity contribution of €300 million from Fluxys Belgium. This contribution represents additional support for Belgium's population during the energy crisis.

The Fluxys Belgium group generated turnover of €912.6 million in 2022. This represents an increase of €339.4 million compared with 2021, when turnover stood at €573.2 million. The increase in regulated revenue is in line with tariff methodology and mainly stems from accounting for the exceptional solidarity contribution of €300 million.

Consolidated net profit rose from €75.5 million in 2021 to €83.7 million in 2022, an increase of €8.2 million. The rise in net profit is in line with the tariff proposal, in accordance with the tariff methodology for 2020-2023, and is therefore not due to the increase in sold capacity or in energy prices.

The 2020-2023 tariff methodology (set by the regulator, CREG) applies the principle that all reasonable costs including interest and fair remuneration are covered by regulated revenues. In addition, there are a number of incentives aimed at controlling costs and to direct and monitor some of the company's performance. By controlling its operating costs and making efficiency efforts, the Fluxys Belgium group succeeded in achieving the regulatory targets and incentives.

€105.5 million in investment

In 2022, investments in property, plant and equipment amounted to €105.5 million as opposed to €50.6 million in 2021. Of this amount, €67.7 million was dedicated to LNG infrastructure projects and €36.8 million to transmission 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.

In 2022, the added value generated by continuing operations amounted to €480,3 million, up €41,4 million on 2021.

* See glossary on page 54.

Outlook for 2023

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 (see page 38).

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 2023 (see section 'Our risk management' - 'Consequences of the war in Ukraine', page 37).

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 €141.7 million as at 31 December 2022, as opposed to €149.5 million the previous year. Net profit for the 2022 financial year totalled €32.1 million (€31.1 million in 2021).

Flux Re

FFlux Re (consolidated subsidiary – wholly owned by Fluxys Belgium) is a reinsurance company under Luxembourg law and was established in October 2007. Flux Re's statutory equity, before appropriation, fell from €12.7 million as at 31 December 2021 to €10.5 million as at 31 December 2022. Net profit for the 2022 financial year totalled €2.8 million (€2.3 million in 2021).

Balansys

Balansys (stake consolidated using the equity method – Fluxys Belgium holds a 50% stake). On 7 May 2015, as part of the integration of the Belgian and Luxembourg gas markets, 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 – 2022 results (according to Belgian standards): proposed allocation of profit

Fluxys Belgium's net profits totalled €84.0 million, compared with €71.7 million in 2021.

At the Annual General Meeting on 9 May 2023, Fluxys Belgium will propose a gross dividend of €1.40 per share.

Taking into account a profit of €79.3 million carried over from the previous financial year and a withdrawal of €28.2 million from the reserves, the Board of Directors will propose to the Annual General Meeting that the profits be allocated as follows:

- €98.4 million as a dividend payout;
- €93.1 million as profit to be carried forward.

If that profit allocation proposal is adopted, the total gross dividend for the 2022 financial year will be €1,40 per share. This amount will be payable from 17 May 2023 onwards.

Indicators

Contribution to prosperity (in millions of €)	2022	2021	2020	2019
Added value from continuing operations	480.3	438.9	427.1	423.2
Personnel	132.9	112.5	110.5	107.5
Shareholders (dividend)	97.0	96.3	91.3	88.5
Society (taxes)	37.2	36.9	37.2	48.2
Suppliers	174.7	155.6	149.3	143.4
Financial institutions (interest)	38.5	36.3	38.8	35.5

Financial ratios	2022	2021	2020	2019
Solvency Ratio of (i) net financial debt and (ii) the sum of equity and net financial debt	43%	57%	58%	58%
Interest coverage Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses	21.39	6.75	5.61	6.58
Net financial debt*/extended RAB* Ratio of (i) net financial debt and (ii) extended RAB	17%	28%	28%	29%
FFO*/net financial debt Ratio of (i) FFO and (ii) net financial debt	144%	25%	20%	22%
RCF*/net financial debt Ratio of (i) RCF and (ii) net financial debt	125%	13%	10%	12%

Net financial debt (in millions of €)	2022	2021	2020	2019
Net financial debt	493.8	846.0	873.1	903.3
Breakdown				
Debt capital market	700.0	699.1	692.7	698.2
Bank loans	262.3	286.8	310.6	327.8
Related parties	210.3	233.6	257.0	263.3
75% of cash and other financial assets	-678.2	-373.5	-393.1	-386.0
Weighted average maturity as at 31 December	8.1	9.2	10.2	11.3

RAB and WACC	2022	2021	2020	2019
RAB* (in millions of €)				
Transmission	2,059.1	2,047.5	2,086.9	2,125.3
Storage	228.0	228.8	235.6	239.7
LNG terminalling	305.7	303.0	302.7	314.4
Other property, plant and equipment excluding RAB (in millions of €)	417.7	410.4	420.3	413.4
Extended RAB*	3,010.6	2,989.7	3,045.4	3,092.8
WACC* before tax (in %)				
Transmission	4.88	4.92	4.88	3.87
Storage	5.06	5.09	5.04	3.57
LNG terminalling	4.83	4.99	5.14	2.85

Glossary

EBIT: Earnings Before Interest and Taxes or operating profit/loss, plus income from equity affiliates 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 income from equity affiliates 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), 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. To show a more faithful picture of reality, the exceptional solidarity contribution of €300 million has been removed from the cash position when calculating the net financial debt. This is because that debt was recorded on 31 December while the payment was made in January 2023, significantly affecting the calculation.

Solvency: the ratio between net financial debt and the sum of equity and net financial debt, indicating the strength of the Fluxys Belgium group's financial structure.

Interest coverage: the ratio between FFO before interest expenses and interest expenses, representing the group's capacity to cover its interest expenses via its operating activities.

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

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

RCF/Net financial debt: ratio 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 equity affiliates and unconsolidated entities, minus net financial expenses and tax payables. This indicator reflects the cash generated by operating activities and therefore the group's capacity 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 and to make investments.

RAB: average 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 excluding 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 excluding the RAB.

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

Digitalisation

Policy

Fluxys Belgium is strengthening its position with its mix of extensive digitalisation and enthusiasm for new ideas, as part of a cross-cutting approach. With this approach, we are making our organisation more agile, consolidating the foundations of our drive to speed up the energy transition, improving services for our customers and developing new opportunities.

Risks and measures

Risk	Measures
Inability to maintain optimal customer service and improve internal operations due to lack of digital advancement	• Digital transformation programme • Innovation and strengthening ICT foundations

Digital transformation: acceleration and expansion

We are pursuing our work on rolling out large-scale digitalisation through the Digital Transformation programme, which aims to both accelerate and expand this process.

Digital Lounge

Is our innovation lab approach to quickly and flexibly developing digital solutions for our customers, employees and other stakeholders. We work, as the need arises, with ad hoc cross-cutting Digital Lounge teams on devising a learning process. Here, the design and priorities may change based on what we learn

In 2022, we came up with four digital solutions to enhance internal processes, the offering for our customers and the development of digital talent.

Digital Workplace

is our approach to creating a working environment that supports digital transformation, hybrid collaboration and connectivity between employees wherever possible. At the same time, our employees are consolidating their digital skills under the guidance of the Digital Coaches.

The survey we conducted among employees in 2022 revealed an overall feeling of contentment, with 80% of respondents giving satisfaction scores of 7 or more out of 10. In 2023, we will be shifting our focus to improving the digital dexterity of our employees so that they can make even better use of existing and emerging technological solutions.

Innovation and consolidation of our ICT foundations

The Digital Transformation programme focuses on both innovation and consolidating the ICT foundations of Fluxys Belgium.

Cloud:
deploying the Cloud architecture for business applications. The initial commercial modules have been developed, and we are continuing this approach for other applications where it has added value.

Smart Data Factory:
bringing together, for internal use, data from various systems along with the associated visualisation tools to provide a quicker and clearer insight into all the available data.

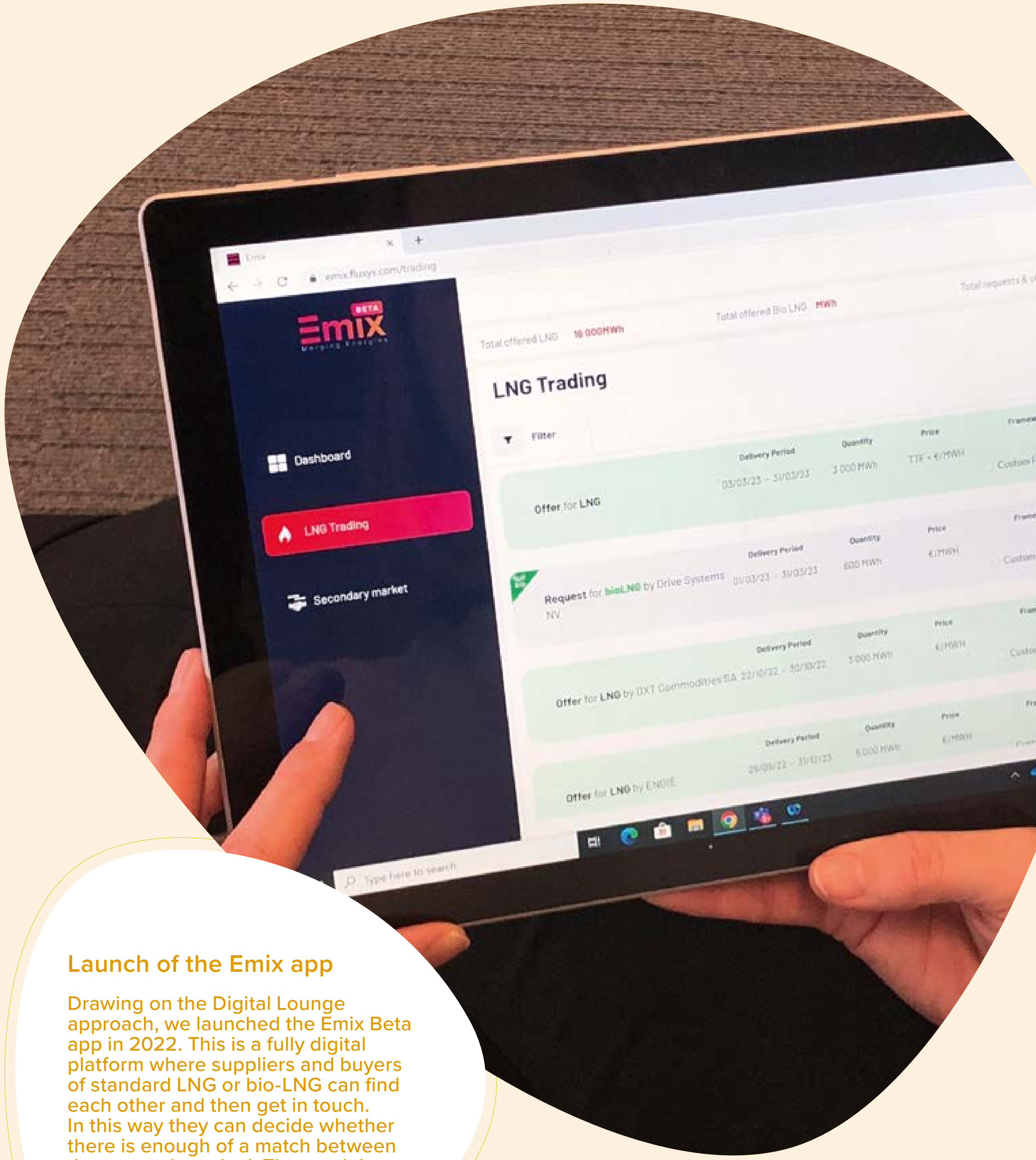
Internet of Things (IoT):
using IoT capabilities to optimise the operational management and maintenance of the pipeline network.

GSmart:
various new modules for our in-house system for gas transport, used by various infrastructure companies.

SAP:
preparing for the migration to a new SAP environment for all Enterprise Resource Planning. This will be rolled out in 2023. At the same time, the tools for our technical staff in the field will be upgraded.

Digital Twin:
developing a digital twin of our transmission system which could, for example, simulate the flow of new gases through the network.

Cybersecurity:
see the Extra focus on ICT systems and cyber security section (page 102).



Launch of the Emix app

Drawing on the Digital Lounge approach, we launched the Emix Beta app in 2022. This is a fully digital platform where suppliers and buyers of standard LNG or bio-LNG can find each other and then get in touch. In this way they can decide whether there is enough of a match between them to make a deal. The result is a transparent, user-friendly and time-saving solution for our customers!