# OneteamOnetarget

# Our profile:

## a purpose-driven company

Everyone and everything needs energy to grow and flourish. People can rely on us to make that energy flow. Day and night, we're there to ensure security of energy supply. And in the meantime, we're getting our infrastructure ready for the years to come. Today, we transport natural gas, tomorrow we'll also be transporting hydrogen and $CO_2$. That's how we keep people, society and the planet moving.

# Our purpose and strategy

## Shaping together a bright energy future

We are committed to continuing to build a greener energy future for the generations to come. People, industry and societies all need energy to thrive and progress. Fluxys Belgium accommodates this need: we put energy in motion through our infrastructure.

We move natural gas while paving the way for the transmission of hydrogen, biomethane or any other carbon-neutral energy carrier as well as $CO_2$, supporting carbon capture, reuse and storage.

### together

The energy ecosystem is complex and the demand for energy as a driver of human progress combined with a global need to make energy more sustainable is a challenge that requires everyone to get involved. Redesigning the energy system will not be easy, yet it can be done if we work **together**. Together refers to all our stakeholders: our employees, shareholders, industrial partners, customers, the general public and all actors in the energy system. At Fluxys, we truly believe that cooperation is the key to our success.

### bright

**Bright:** with optimism we dare to say that our infrastructure, with its capacity for green gases such as hydrogen and biomethane, will play a substantial role in the transition to a carbon-neutral energy future for everyone.

### future

The word **future** encapsulates a responsibility. With our unique assets as an infrastructure company, we owe it to ourselves to contribute to a greener energy future for the generations to come.

Regarder la vidéo sur notre raison d'être
[lien vers youtube purpose movie]

## Our strategy


Regarder la vidéo sur notre stratégie
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# Our context

## Market dynamics

In 2022, the European natural gas market felt the effects of the reduction in supplies of Russian gas through pipelines. A new balance between supply and demand was established during the year: on the one hand, imports of LNG (liquefied natural gas) rose sharply; on the other hand, demand for natural gas fell considerably, in particular as a result of the large increase in prices.

Fluxys' infrastructure played an important role in the new power configurations that were necessary to meet the demand for Russian pipeline gas, both for Germany and for Southern Europe.

## Climate policy and energy transition

In response to natural gas supply problems, Europe took steps in 2022 not only to improve security of supply in the short term, for example by imposing a gas storage level before winter, but also to speed up the energy transition. Multiple regulatory initiatives pertaining to the European Green Deal have been approved in the meantime, but the 'hydrogen and decarbonised gas market package' has not yet been finalised.

This package is expected to propose a legal and regulatory framework for the role carbon-neutral molecules like hydrogen, biomethane and synthetic methane can play alongside renewable electricity in the energy system of the future. The capture and reuse or storage of $CO_2$ would be acknowledged as part of the solution needed to achieve climate neutrality.

Several European countries, including Belgium, France, Germany and the Netherlands, have adopted or updated an ambitious hydrogen strategy, sometimes with specific targets for hydrogen production and/or support mechanisms to promote that production.

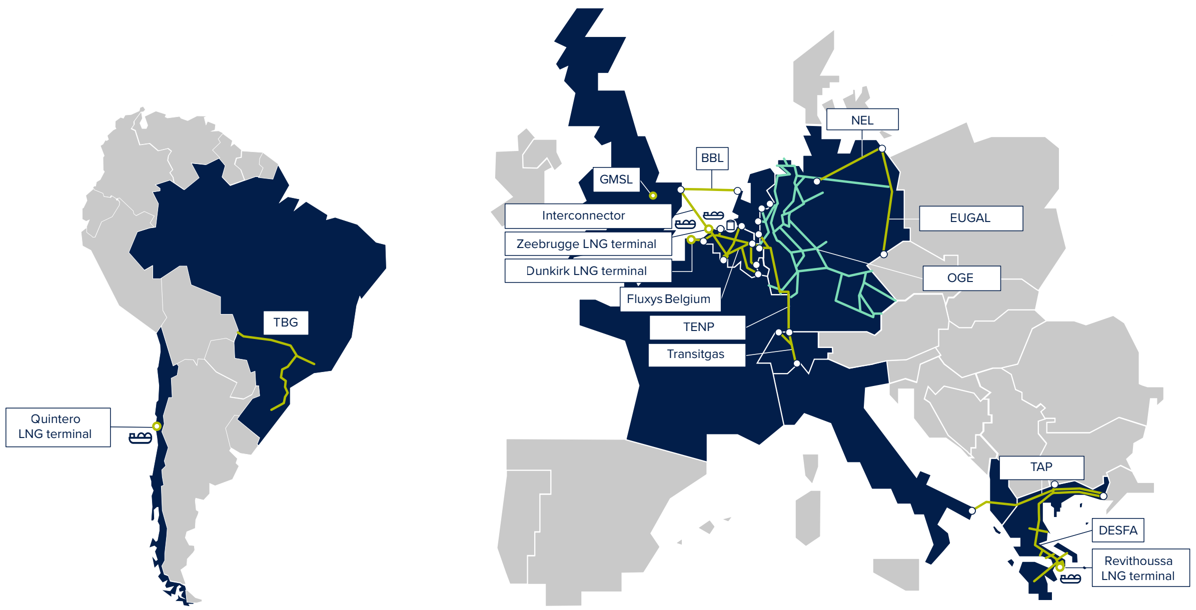
## Innovation

In order to shape the energy transition, innovative technologies will have to be rolled out as quickly as possible on a large scale and along various lines, both in terms of the production of renewable and low-carbon energy carriers and in terms of how these will be transported and stored.

For example, industry is fully committed to developing and expanding innovative technologies to produce hydrogen. This hydrogen can then be used directly or as a basic component for other derivative products, such as synthetic methane and synthetic methanol. These synthetic energy carriers can also be produced using the $CO_2$ captured from industry to establish innovative, circular production processes with a carbon-neutral or even negative footprint.

The molecules for a carbon-neutral future will of course have to be transported and stored, so Fluxys is working hard to make this possible as part of an approach that involves innovatively repurposing existing infrastructure and building new infrastructure as tools for the energy transition.

# Where we operate




## Transmission

**24,000** km

of gas pipelines in operation

## Terminalling

**380** TWh/year

of LNG regasification capacity, with terminals in Belgium, France, Greece and Chile

## Storage

**7,610** GWh

of underground gas-storage capacity in Belgium

# Our services for speeding up the energy transition

## Natural gas & biomethane services

- We will transport natural gas for as long as necessary
- We provide open-access infrastructure connected to as many sources as possible to support security of supply
- In this way we help society make the transition to carbon-neutral energy and raw materials. We are already able to transport large volumes of carbon-neutral biomethane.

Transmission

Storage

Terminalling

**The connection to various sources and neighbouring markets, the flexibility of the service offering and the availability of the sales team all make the difference in these turbulent times and this difficult market situation.**

## Hydrogen services

- We get low-carbon hydrogen to customers in the form of energy and raw material
- We provide open-access infrastructure connected to as many sources as possible to support security of supply
- In this way we help decarbonise industry, power generation and the transport sector.

Transmission

Terminalling

**With low-carbon hydrogen we can get our company's emissions to net zero.**

## $CO_2$ services

- We transport $CO_2$ to sites where it can be reused or exported to permanent storage
- We provide open-access infrastructure that offers as many takeaway options as possible
- In this way we help decarbonise industry that engages in carbon capture.

Transmission

Terminalling

**We're pleased to be working with Fluxys on $CO_2$ transmission. It means we can now speed up deployment of our carbon capture technology and move towards net-zero emissions.**

**Our ambition: By 2030, offer the capacity to transport 30 TWh of hydrogen and 30 million tonnes of $CO_2$**

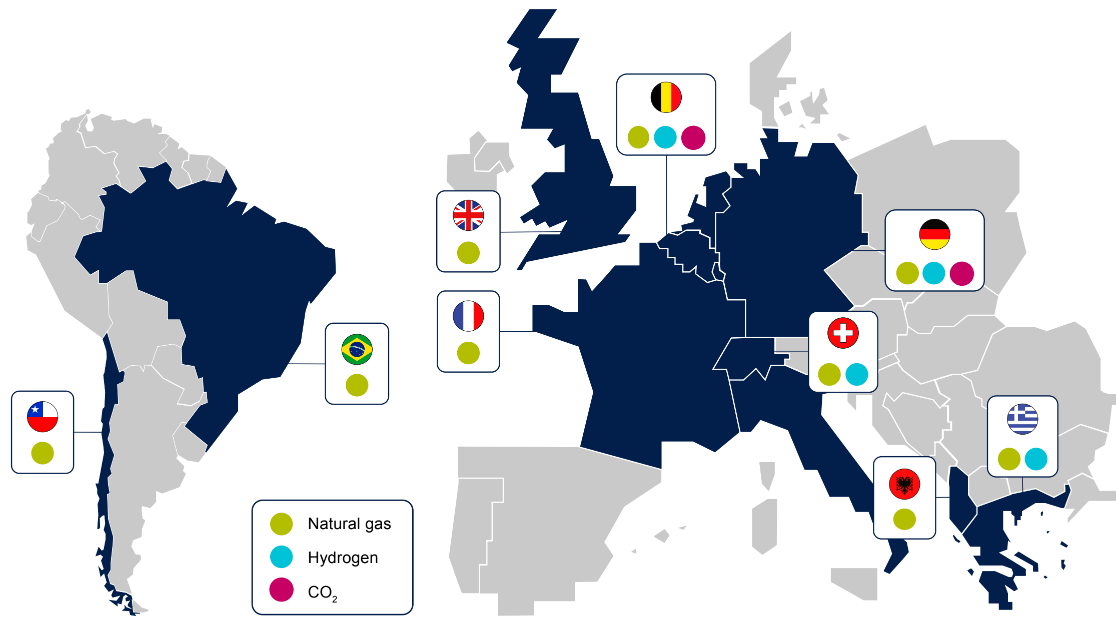
For commercial reasons, the customers quoted here preferred to remain anonymous.

# How we are developing our infrastructure into the multi-molecule systems to decarbonise

Thanks to our infrastructure, we are building a bridge to the future. We currently transmit natural gas which, as a low-emission fossil energy source, offers security of supply in the transition to a carbon-neutral society.

Where the market is ready to make the green transition, Fluxys is also ready to go. Ready for the transition to a hybrid energy future in which carbon-neutral molecules, renewable electricity and the capture and reuse or storage of $CO_2$ complement each other optimally.

This energy transition is different in every country and every continent. The approach and pace depend to a large extent on various factors, including the specific climate, economic and industrial characteristics of each area.



# Our people and organisation

Our results and success are based on the commitment and talents of our employees. However, we need to future-proof our organisation and employees against the backdrop of a changing industry. With a view to meeting this challenge, we are committed to strategies that allow employees to adapt to the new way of working and make our transformation a success.

We are evolving into an open, self-learning community of interconnected teams with a common, shared goal: to successfully implement our strategy of being the essential infrastructure partner in speeding up the energy transition. All teams work together to transform future challenges into new opportunities.

## Continuous advancement of development and training policy

Our development and training policy focuses on active learning to ensure that employees have the knowledge and skills they require. The training on offer is constantly evolving to keep pace with the company's needs and includes a varied mix of learning/training resources. Fluxys applies the bottom-up principle: employees are expected to take charge of their own development and career, with the support of their managers.

## Alignment of competency development with business strategy

Through our performance management, development paths and an annual talent review, we aim to align the competencies of our employees with what the company needs to grow, innovate and successfully deploy its strategy for the energy transition. In the same vein, we encourage internal job mobility and prioritise in-house candidates when seeking to fill vacancies or new positions. The international development of Fluxys also provides opportunities for further career development.

### Annual performance-management cycle

Through the performance-management cycle, constructive consultations take place each year at the various levels within the company so that we can translate the corporate goals into personal goals. In the course of the year, these goals are the subject of regular dialogue between employees and their managers. A culture of open feedback is the foundation underlying this dialogue, which is formally supplemented by performance reviews and assessment interviews.

### Workforce planning: the annual talent review

Based on its corporate goals, Fluxys uses an annual talent review to assess its future staffing needs so that we can see in our workforce planning which competencies are required now and in the future.

### Involvement in business strategy

As an attractive employer, Fluxys sets great store by ensuring that employees are familiar with the business context and the challenges that the company faces, as this fosters personal commitment to the company's vision, strategy and goals. Fluxys Belgium makes special efforts, using a variety of means, to give members of staff a better understanding of what changes are going on in the energy sector, how the company is adjusting its goals and strategy to address these developments, and what these goals mean for each individual staff member.

## A future-oriented approach to recruitment

We want what we offer as an employer to be meaningful to employees in exchange for their drive, expertise and competencies. Our purpose shows what we stand for as a company in order to find the right match for future employees.

To ensure the effective onboarding of new colleagues, we launched a shorter recruitment process and an innovative integration programme in 2022, including a new onboarding app and Meet & Greet sessions to promote involvement and interaction as much as possible.

## Encouraging diversity

Fluxys encourages diversity without using positive discrimination quotas. Our personnel policy is based on the competencies of individuals. Openness to other realities, other people's ideas and individual differences is a basic requirement expected of every employee.

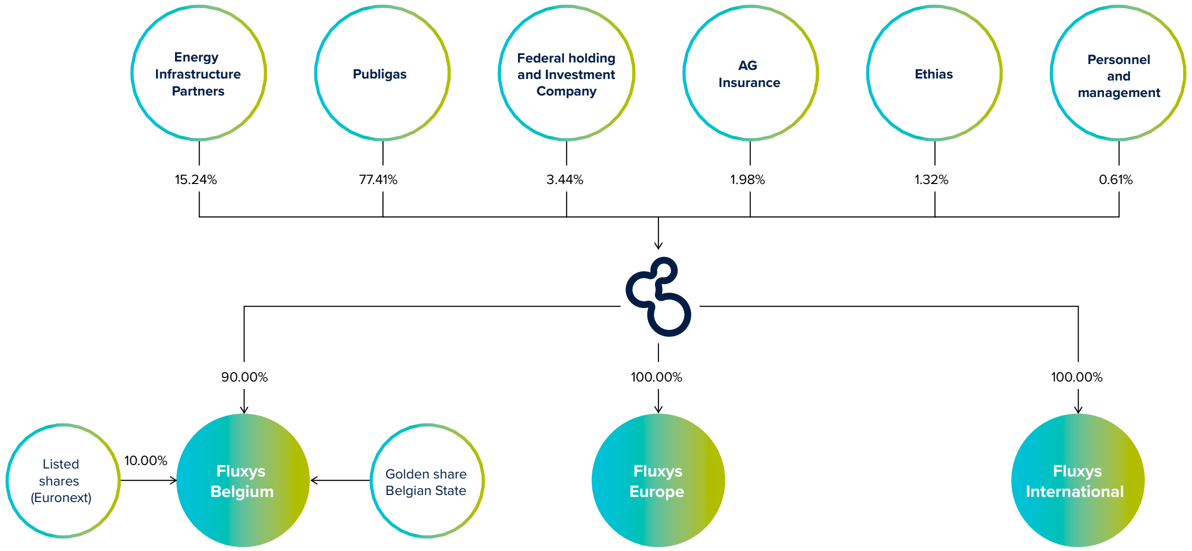
Fluxys uses its Employer Branding communications to target diverse, complementary profiles so that candidates from different backgrounds, views or preferences feel welcome.

## Constructive social dialogue

Good industrial relations are vital for company cohesion and business development, which is why Fluxys pursues transparent and constructive social dialogue with all employees and social partners.

# Our structure and governance

## Our shareholders

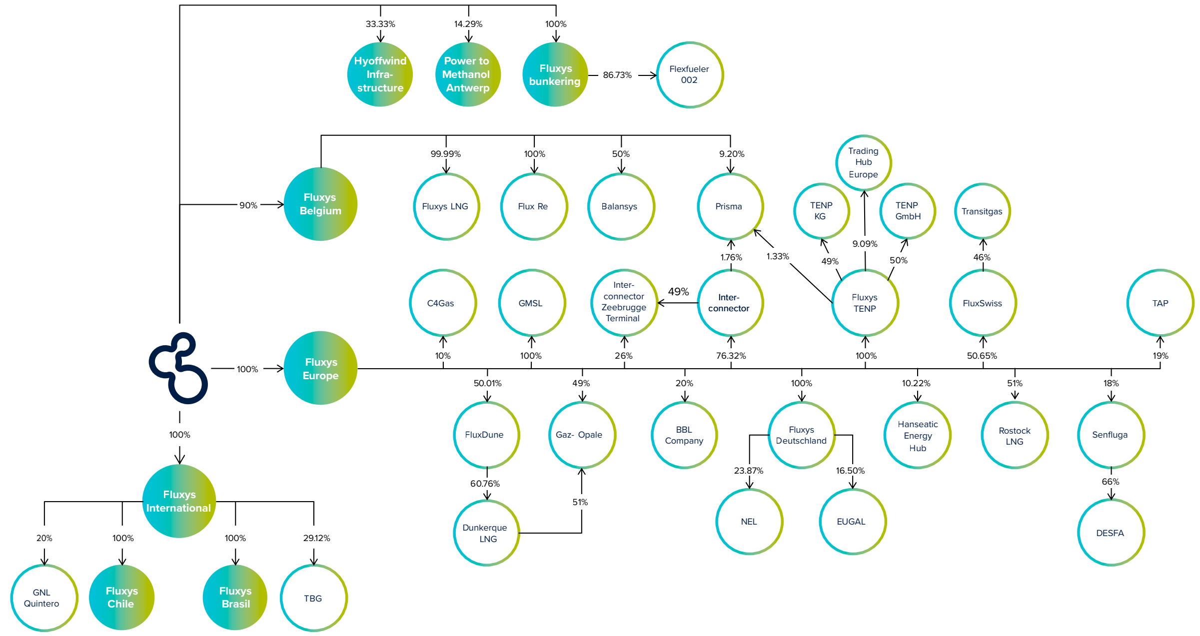



Our shareholders as at 29 March 2023

On 21 February 2023, CDPQ relinquished its entire stake in **Fluxys**, meaning that its shareholder structure at the time of writing is as follows.

- **Publigas** manages the interests of Belgian municipalities in Fluxys.
- **Energy Infrastructure Partners (EIP)** is a Switzerland-based asset manager focusing on long-term investments in high-quality large-scale renewable energy projects and in system-critical energy infrastructure.
- **AG Insurance** is a Belgian insurance company that is part of the international insurance group Ageas.
- **Ethias** is a Belgian insurance group whose shareholders are the Belgian Federal State, the Walloon Region, the Flemish Region and the cooperative society EthiasCo.
- The **Federal Holding and Investment Company** is a federal Belgian holding company set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.
- Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

## Our structure




Simplified structure of the Fluxys group as at 29 March 2023

## Our governance

### Our approach to sustainability

Our purpose **Shaping together a bright energy future** reflects our ambition to be an all-encompassing value creator. What this means in practice is becoming clearer year by year. Moreover, the creation of sustainable value by Fluxys as an essential infrastructure company in the energy transition was the subject of even greater focus in 2022.

Thus, the strategic ambition to speed up the energy transition was anchored more firmly in the business model. During a transitional phase, our triple ambition is to support society with its energy needs, develop a multi-gas infrastructure with cross-border links, and explore new green energy chains.

Our subsidiary Fluxys Belgium reports its approach to sustainable value creation in line with Global Reporting Initiative Standards and makes an initial move toward ESG reporting in its 2022 integrated annual report.

### Legal aspects

Fluxys is subject to Belgian legislation and as such applies the Corporate Governance Principles in terms of how the company works, including the appropriate handling of potential conflicts of interest, and the establishment and functioning of the Audit Committee and the Appointment and Remuneration Committee.

### Ethical Code

Furthermore, Fluxys has established an Ethical Code, describing the principles of integrity, ethics and general conduct that are applicable to all Fluxys employees.

### Changes in the composition of the Board of Directors in 2022

At the Annual General Meeting held on 10 May 2022, the directorships of Pascal De Buck, François Fontaine, Andries Gryffroy and Daniël Termont were renewed for a period of six years, until the end of the 2028 Annual General Meeting. Claude Grégoire's directorship was renewed for a period of one year, until the end of the 2023 Annual General Meeting.

Abdellah Achaoui, who had been co-opted by the Board of Directors on 26 January 2022, was permanently appointed as a director by the same Annual General Meeting, and his directorship was also renewed for a period of six years, until the end of the 2028 Annual General Meeting.

Patrick Côté, who had been co-opted by the Board of Directors on 23 September 2020, was also permanently appointed as a director by the same Annual General Meeting for a term that will expire at the end of the 2023 Annual General Meeting. However, Patrick resigned his directorship effective 21 February 2023.

Finally, the Annual General Meeting appointed Gianni Infanti and Koen Van den Heuvel as directors, replacing Renaud Moens and Jos Ansoms respectively, for a six-year term that will expire at the end of the 2028 Annual General Meeting.

Roland Dörig and Tim Marahrens were, after consultation of the Appointment and Remuneration Committee, co-opted by the Board of Directors on 21 February 2023 to replace Patrick Côté and André Boulanger respectively, following their resignation on that same day, for a term expiring at the end of the 2028 Annual General Meeting. A decision on their permanent appointment will be made at the next General Meeting.

## Auditor

The Annual General Meeting decided, based on a proposal by the Board of Directors and advice from the Audit Committee, to renew the mandate of EY Bedrijfsrevisoren BV, represented by Wim Van Gasse BV, permanently represented by Wim Van Gasse, for a period of three years.

Its mandate will expire at the end of the 2025 Annual General Meeting and will be subject to an indexed fee of €121,397/year.

In 2022, EY received remuneration totalling €567,340 for its work as the Fluxys NV/SA group's auditor.

EY also performed other tasks worth a total of €66,037.

# Composition of the corporate bodies as at 29 March 2023

## Board of Directors

- Daniël Termont, Chairman of the Board of Directors
- Claude Grégoire, Vice-Chairman of the Board of Directors
- Pascal De Buck, Managing Director and CEO
- Abdellah Achaoui
- Roland Dörig
- François Fontaine
- Andries Gryffroy
- Gianni Infanti
- Ludo Kelchtermans
- Tim Marahrens
- Josly Piette
- Koen Van den Heuvel

Nicolas Daubies, Dpt. Director Group General Counsel & Company Secretary, acts as secretary to the Board of Directors.

## Audit Committee

- Gianni Infanti, Chairman of the Audit Committee
- Ludo Kelchtermans
- Tim Marahrens
- Pascal De Buck, Managing Director and CEO (invited in an advisory capacity)

Nicolas Daubies, Dpt. Director Group General Counsel & Company Secretary, acts as secretary to the Audit Committee.

## Appointment and Remuneration Committee

- Ludo Kelchtermans, Chairman of the Appointment and Remuneration Committee
- Roland Dörig
- Gianni Infanti
- Koen Van den Heuvel
- Pascal De Buck, Managing Director and CEO (invited in an advisory capacity)

Anne Vander Schueren, HR Director, acts as secretary to the Appointment and Remuneration Committee.

## Management Team

The Management Team is responsible for the day-to-day and operational management of the company. The Management Team also makes investment proposals to the Board of Directors within the framework of the company strategy.

- Pascal De Buck, Managing Director and CEO
- Arno Büx, Chief Commercial Officer
- Christian Leclercq, Chief Financial Officer
- Peter Verhaeghe, Chief Technical Officer

Nicolas Daubies, Dpt. Director Group General Counsel & Company Secretary, acts as secretary to the Management Team.

The Management Team is assisted by an Extended Management Team composed as follows:

- Nicolas Daubies, Dpt. Director Group General Counsel & Company Secretary
- Ben De Waele, Director Affiliates
- Raphaël De Winter, Director New Energy Solutions
- Anne Vander Schueren, Director Human Resources
- Leen Vanhamme, Director Transformation & Sustainability

**From left to right:**
**Ben De Waele, Arno Büx, Leen Vanhamme,**
**Peter Verhaeghe, Pascal De Buck**
**Anne Vander Schueren, Nicolas Daubies,**
**Erik Vennekens, Raphaël De Winter, Christian Leclercq**

# Our risk management

## Enterprise Risk Management

Fluxys' enterprise risk management (ERM) system identifies the risks that could have a short, medium and long-term impact on the company, people and the environment.

The risk management system is based on ISO 31000. Risk management is integrated into the company's strategy, business decisions and activities. The risk management system looks at the impact that risks can have from various angles: we not only assess the impact of risks on Fluxys' value creation, operational performance and reputation – we also consider the impact on people and the environment. Risk assessments are done in the short, medium and long term, which also makes it possible to carefully manage the risks associated with climate change.

## Process actors

All subsidiaries in which Fluxys is a controlling shareholder identify, analyse and evaluate their risks and indicate how the risks are managed. The management of these subsidiaries maps the main risks, controls and mitigating measures. The Audit Committee examines all key risks, controls and mitigating measures every year.

The Risk Department systematically coordinates and supports the company-wide risk process. This approach is approved by the Audit Committee. The biggest risks are monitored on a quarterly basis.

## Internal control process

The *three lines of defence* model is the internal control model used to manage our risks and carry out controls in subsidiaries in which Fluxys is the controlling shareholder.

| First line | Second line | Third line |
|---|---|---|
| • The first line of de-fence: the depart-ments themselves,<br>• which are responsi-ble for their risks and ensure effective controls and measures. | • The second line of defence: the Risk and Compliance teams as well as, in certain cases, the Finance, Health, Safety and Environ-ment, and ICT Secu-rity departments.<br>• They guide those in the first line in risk management, com-pliance with regula-tions, guidelines and internal rules, budget monitoring and the security of staff, facil-ities, ICT systems and information. | • The independent third line of de-fence: Internal Au-dit, which is respon-sible for monitoring business processes.<br>• Internal Audit per-forms risk-based audits to monitor the effectiveness and efficiency of the internal control system and pro-cesses. The de-partment also per-forms compliance audits to ensure that guidelines and processes are con-sistently applied. |

## Overview of the major risk areas

| Market and regulatory risks | Measures |
|---|---|
| • Any change in the regulatory framework may have a significant impact on Fluxys' activities, profit and financial position<br>• Drop in demand for natural gas in Europe in the long term due to the energy transition: the risk that part of Fluxys' infrastructure can no longer be used and/or investment is needed to make it future-proof | • Investment programme with projects to achieve decarbonisation goals while gradually reconfiguring the existing network as part of a carbon-neutral energy system<br>• Monitoring the market by continuously adapting existing services and/or developing new services needed by the market at competitive prices<br>• Digital technology allows existing business models and processes to be optimised or renewed in order to process larger volumes of short-term bookings as automatically as possible<br>• Investments outside Europe in regions seeing sustained growth in natural gas demand and in infrastructure or projects supporting the energy transition |

| Geopolitical risks | Measures |
|---|---|
| Fluxys' assets are predominantly located in Europe. Geopolitical events may af-fect the European market. | Geopolitical developments are closely monitored and if they have an impact on supply flows to Europe, alternative sce-narios are devised to ensure that our infrastructure best meets supply needs |

| Industrial risks | Measures |
|---|---|
| • Industrial incidents and some cyber incidents can damage Fluxys infrastructure, endanger people's safety, cause unavailability impacting service continuity, and result in financial loss<br>• Carbon emissions may have a financial impact | • The Fluxys subsidiaries responsible for operating the infrastructure take pre-ventive, detective and reactive measures to ensure the safe and reli-able operation of the infrastructure and manage the associated risks<br>• The security of the critical systems is monitored according to the Europe-an NIS Directive on cyber security in all operational entities. Programmes are also being rolled out to raise em-ployees' awareness and train them in cyber security, alongside a range of technical measures and tests to practise responding to cyber attacks.<br>• Aim to make our own activities cli-mate-neutral by 2035 |

| Project risks | Measures |
|---|---|
| Project delays, budget overruns and risks related to acquisition and implementa-tion projects | • Risk assessment and monitoring<br>• Strict monitoring of the progress of projects, audits conducted by third parties |

| Financial risks | Measures |
|---|---|
| • Counterparty risk (concentration risk and credit rating)<br>• Changing conditions on the capital markets (liquidity risk)<br>• Exchange rate and interest rate risks | • Financial monitoring of counterparties by monitoring their claims and analysing their credit rating, liquidity, solvency and reputation<br>• Insurance<br>• Warranties from suppliers and customers<br>• Fluxys' policy to maintain its privileged access to capital through appropriate and confirmed credit lines, a strong network of banks and investors, and solid financial parameters for the company's credit position that make Fluxys a reliable counterparty for banks<br>• Covering and monitoring of exchange rate and interest rate risks |

| Corruption risks | Measures |
|---|---|
| Corruption having a negative impact on the company's business reputation and/or financial results | • Fluxys staff are subject to the group's Ethical Code, company regulations, collective bargaining agreements and specific procedures<br>• Suppliers are subject to the terms and conditions of purchase with specific provisions on corruption<br>• Monitoring process to ensure that customers, suppliers, agents, consultants, etc. comply with anti-corruption and anti-bribery regulations<br>• Specific internal checks followed up at least every two years by Internal Audit |

| Human rights violations risks | Measures |
|---|---|
| Violation of human rights having a negative impact on the company's business reputation and/or financial results | • Staff: provisions in our Ethical Code, work regulations, collective bargaining agreements and specific procedures<br>• Suppliers: human rights provisions included in the terms and conditions of purchase |

| Human capital risks | Measures |
|---|---|
| The inability to attract, retain and future-proof talent in a changing landscape | • Continuous advancement of devel-opment and training policy<br>• Alignment of competency develop-ment with business strategy<br>• Workforce planning to map out future needs<br>• A future-oriented approach to re-cruitment |

| Risks due to lack of diversity | Measures |
|---|---|
| A lack of diversity in the workforce can lead to a business organisation that lacks the necessary skills, talents and experience. | • Equal opportunities policies that en-courage diversity by promoting fair-ness, merit, personal development, work-life balance and shared respon-sibility |

## Impact of the war in Ukraine

Since the outbreak of war in Ukraine, various sanctions have been imposed against Russia and Belarus, as well as against Russian and Belarussian companies. In this context, Fluxys Group is not active on the Russian market and has no investments in Russian companies. Fluxys Group therefore sees no indications of impairment losses.

In its activities, Fluxys Group conducts business with Russian companies in accordance with European and national gas regulations and operates in full compliance with the sanctions regime.

Fluxys LNG and Fluxys Deutschland are the Group companies with the largest exposure to Russian gas flows under long-term contracts. For Fluxys LNG there have been no changes to regular flows or payments so far.

At Fluxys Deutschland, the current long-term contracts were terminated on 1 January 2023 and the capacity thus released made available to the market. This may lead to a temporary reduction in Fluxys Deutschland's economic contribution, but the regulatory framework is such that the company's permitted revenues are maintained over time.

Based on the current situation Fluxys' net profit generally is subject to very limited decreases in sold capacity because the vast majority of the Group's activities are regulated. Depending on how the war develops and on the duration and scope of the sanctions, Fluxys Group may temporarily face adverse consequences on cash income if customers default on payments for booked capacity.

# Key financial data for 2022

## Key financial data for 2022 (consolidated)

| Income statement (in thousands of €) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Operating revenue | 1,739,777 | 1,136,297 |
| EBITDA* | 989,145 | 809,533 |
| EBIT* | 497,009 | 394,558 |
| Net profit | 349,358 | 247,094 |

| Balance sheet (in thousands of €) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Investments in property, plant and equipment for the period | 158,456 | 100,886 |
| Total property, plant and equipment | 5,036,033 | 5,213,095 |
| Equity | 3,881,970 | 3,607,949 |
| Net financial debt* | 1,597,819 | 2,320,786 |
| Total consolidated balance sheet | 9,367,942 | 8,042,330 |

| Financial ratios | 2022 | 2021 |
|---|---|---|
| Solvency:<br>Ratio of (i) net financial debt* and (ii) the sum of equity and net financial debt* | 29% | 39% |
| Interest coverage:<br>Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses | 21.0 | 10.2 |
| Net financial debt*/extended RAB*:<br>Ratio of (i) net financial debt and (ii) extended RAB | 26% | 37% |
| FFO*/net financial debt*:<br>Ratio of (i) FFO and (ii) net financial debt | 85% | 26% |
| RCF*/net financial debt*:<br>Ratio of (i) RCF and (ii) net financial debt | 73% | 17% |

| Indicators | 31.12.2022 | 31.12.2021 |
|---|---|---|
| RAB* (in millions of €) | 6,230.6 | 6,343.1 |
| - Transmission | 2,941.1 | 2,925.9 |
| - Storage | 228.0 | 228.8 |
| - LNG terminalling (in Belgium) | 305.7 | 303.0 |
| Property, plant and equipment outside RAB* (in millions of €) | 2,755.7 | 2,885.3 |

* See glossary on page 211

# Fluxys NV/SA – 2022 results (consolidated)

## Consolidation scope

Some noteworthy changes in the consolidation scope and shareholdings in the 2022 financial year are summarised below:

- Acquisition of a minority interest (20%) in GNL Quintero (via a 25% interest in Condor Energy Holdings III, which indirectly holds an 80% interest in GNL Quintero). GNL Quintero is consolidated using the equity method, with an impact on the Group result as of the second half of 2022.
- Creation of Fluxys Chile (100%), which is exploring further development opportunities in Chile with no significant impact on the consolidated accounts.
- The interest in HEH via Fluxys Germany Holding GmbH decreased by 1.13% with no significant impact on the consolidated accounts.
- The interest in Boostheat was sold to HBR Investment Group.

## Operating revenue

The Fluxys Group's operating revenue, including movements of regulatory assets and liabilities, rose sharply: €1,739.8 million in 2022 compared to €1,136.3 million in 2021.

This increase is mainly due to the development of the gas transmission business: UK (up €67.2 million), Belgium (up €325.9 million), Germany (up €54.7 million) and Switzerland (up €57.2 million).

Turnover consists of:

- €900.3 million from transmission, storage and terminalling and associated activities in Belgium, or 51.8% of total operating revenue, and;
- €839.4 million from activities outside Belgium, or 48.2% of total operating revenue.

## EBIT

Fluxys Group generated EBIT of €497.0 million in 2022, up €102.4 million on 2021 (€394.6 million). This increase is mainly due to the larger contribution of the International segment as a result of sales.

## Net profit

Fluxys Group's net profit increased to €349.4 million in 2022 compared to €247.1 million in 2021, an increase of €102.3 million.

Fluxys' share in the net profit was €263.3 million in 2022, compared to €194.3 million in 2021, an increase of €69.0 million.

This reflects the change in EBIT.

## Investments in infrastructure projects

In 2022, Fluxys Group continued to invest in infrastructure in its three core businesses (transmission, storage and LNG terminalling). Investment in Belgium (€105.5 million) mainly pertained to the maintenance of facilities and partly to the increase in the regasification capacity, while material investments outside Belgium (€53.0 million) pertained mainly to facilities in Germany, as well as BBL and Interconnector.

## Financial participations

The acquisition of a minority interest in GNL Quintero was Fluxys Group's main investment in 2022.

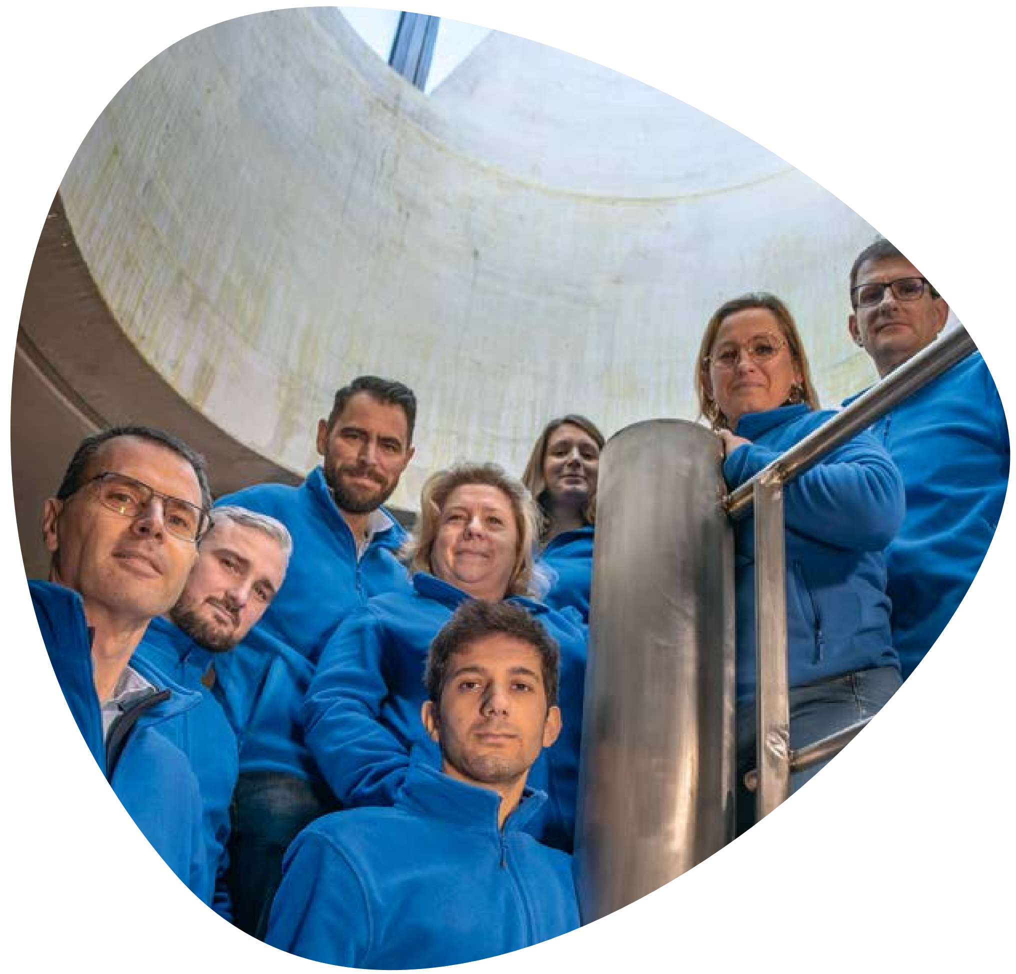
# Fluxys NV – 2022 results (under Belgian accounting standards)

Fluxys' net profit amounted to €151,270,000, compared to €149,724.000 the previous year. The company's profit primarily consists of dividends paid out by Fluxys Belgium and Fluxys Europe.

If the proposed profit appropriation is approved by the Annual General Meeting, the total gross dividend will be €143,653k for financial year 2022, an increase of 3.2% compared to 2021.

# Outlook for 2023

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 in certain countries, it is currently difficult to estimate what the impact the war, the measures taken and any ensuing market developments will have on Fluxys Group's consolidated results in 2023. (see 'Our risk management – Impact of the war in Ukraine, p. 29).



# Legal and regulatory framework

## Europe

Since 3 March 2011, the European natural gas market has been regulated by the EU's third energy package:

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Third Gas Directive);
- Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (Second Gas Regulation);
- Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (the ACER Regulation).

In late 2021, the European Commission published its Proposal for a Directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen, as well as its Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen. These legislative texts are expected to be finalised and adopted by the end of 2023. It is expected that with this there will be introduced a regulated framework for the European markets in renewable gas and hydrogen, along the lines of the existing framework for natural gas.

## New EU regulations adopted in 2022 against the backdrop of the European energy crisis that hit in the course of the year

Against the backdrop of the gas market in 2022, a number of legislative texts were adopted at European Union level to ensure security of supply for the EU and its Member States:

- Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage; in this connection, it is worth pointing that in late 2022, Fluxys Belgium was certified as a storage facility operator in accordance with Article 2 of that Regulation;
- Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders.
- Council Regulation (EU) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices.

One of the aims of these various EU regulations is to optimise the use of natural gas infrastructure with a view to contributing to the security of the natural gas supply. Fluxys Group supports this objective and has made the appropriate adjustments to the regulated contracts in order to transpose the various measures provided for by these regulations.

# Setting natural gas tariffs

## General information

On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) No. 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff design structure for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs. This code was implemented for the first time for the current tariff period (2020-2023 in Belgium) and will be implemented again for setting tariffs for the next regulatory period (2024-2027 in Belgium).

Within Fluxys Group, there are entities that are regulated (Fluxys Belgium, Fluxys LNG, Fluxys Deutschland & Fluxys TENP, DESFA), entities that are exempted from regulation for a certain period (Dunkerque LNG, TAP), entities operating under a merchant model (Interconnector, BBL Company) and, lastly, entities that are not regulated (FluxSwiss, GMSL et GNL Quintero). TBG in Brazil operates under a regulated system inspired by the EU model.

## Principles

### Revenue principle for transmission/storage activities in regulated entities within the EU

Transmission is a regulated tariff activity within the EU. Gas storage and terminalling activities are also regulated in Belgium. Under the main principle of regulation, revenue must be sufficient to cover the eligible costs and allow shareholders to obtain a fair return (depending on the allocated regulated equity and, usually, the government bond return). In this context, revenue must be fixed, taking into account the following:

- Operating charges (including charges for new investments);
- Authorised depreciation (including depreciation for new investments);
- Cost of debt (including costs for new investments); and
- Fair margin for shareholders (including margin for new investments).

### Explanatory note on regulated revenue

Regulation provides for regulatory periods of fixed duration (e.g. four years in Belgium and Greece, and five years in Germany). Before the regulatory period begins, the transmission system operator (TSO) submits a budget for the regulatory period or a reference year is selected (covering operational expenses, authorised depreciation, cost of debt and fair margin).

Annual capacity sales (Q) are estimated too. The unit tariff (T) is then calculated by dividing the sum of the budgeted revenues, taking into account any use or appropriation of the adjustment account and any 'inter-TSO compensation' (in Germany only), by the sum of estimated capacity sales for the period. The resulting tariff must be applied to all contracts with customers over the agreed period (single tariff for each regulated service). If the demand for capacity exceeds the available capacity (congestion), then auction premiums are generated on top of the tariff. Those premiums are placed in a specific regularisation account in accordance with the network code for tariffs to support investments and tariffs in the future.

The actual figures for a year may differ from the budgeted amounts for the tariff calculation. A settlement is therefore made each year, whereby the actual figures are compared with the authorised figures and certain differences are transferred to/from the adjustment account (the mechanism and timing for using the adjustment account is different in the applicable regulations in each country).

For instance, if the revenue invoiced to customers (cash revenue), which is calculated as actual volume sold x applied tariff, is higher than the authorised regulated revenue (sum of the actual costs to be covered minus the aforementioned components), the surplus must be transferred from profit and loss and credited to the adjustment account (as regulatory debt). A surplus may arise for several reasons, such as (non-exhaustive list):

- Lower operational costs (in Belgium and Greece);
- Items based on the quantity of gas actually transported;
- Capacity sales.

Conversely, if the revenue invoiced to customers (cash revenue) is lower than the sum of the actual costs to be covered, the shortfall is booked to debit in the adjustment account (as regulatory receivables) in IFRS.

As a result, the profit and loss will only show the regulated authorised revenue (invoice (cash) revenue plus/minus adjustment account movements).

Some regulators draw a distinction between manageable operational expenses and non-manageable operational expenses. Manageable operational expenses are those expenses that may be managed by the company, whereas non-manageable expenses are beyond the company's control.

As an incentive, part or all of the difference between the budgeted amount and the actual amount of the manageable operational expenses can be allocated to the margin and the other part appropriated to the adjustment account.

In addition, the Fluxys group buys and sells a commodity (gas) for balancing purposes. Balancing means buying or selling gas to ensure that the system remains within safe operating limits. This activity is fully regulated.

### Revenue principle for terminalling activities in regulated entities within the EU

Regulation is applied to terminalling activities in the same way as to transmission/storage activities. However, some investments may be remunerated via an IRR (Internal Rate of Return) model, as is the case in Belgium.

Differences between authorised and actual figures are handled using a similar approach to the approach outlined for transmission/storage activities. All operational expenses of the terminalling activity are considered to be non-manageable costs in Belgium.

# Exempted entities and regulation for interconnectors

In some countries, the regulator provides, under certain conditions, an exemption from regulation for a fixed period. These exemptions stimulate new investments in transmission/storage/terminalling infrastructure by allowing long-term contracts to be concluded with interested shippers. This was the case for TAP, Dunkerque LNG and BBL Company VOF until November 2022, and was also the case for Interconnector until September 2018. However, after the exempted period, regulation is applicable as previously described.

Entities like Interconnector and BBL Company VOF are subject to a specific form of regulation for interconnectors, such as a merchant model. This model requires compliance with all the general principles of a regulated market, but gives the entities some degree of commercial flexibility, including with regard to the revenue generated. For instance, Interconnector's net profit is capped. If the net profit exceeds the cap, the surplus is recorded as a regulatory debt to the market. The cap is set for a specific period and may be reviewed by the regulator if the entities can prove that it does not allow them to cover operational expenses, depreciation and a fair margin for their shareholders.

# Non-regulated revenue

The natural gas market in Switzerland is not currently regulated. Consequently, FluxSwiss's revenue from capacity provision for gas transmission is not subject to EU regulation.

Alongside capacity provision services, Fluxys Group also provides additional services, such as operational support via GMSL. These services are not regulated and their prices depend on the contracts and the market environment.