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## **INFRAX**

### Aggregated interim Financial Statements on 30 June 2015

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## 1 Information on the company

On 7 July 2006, three public mission entrusted companies (“*opdrachthoudende verenigingen*”) - Infrac Limburg, Iveg and Infrac West - established the joint operating company known as Infrac cvba. Afterwards we also saw the accession thereto of the Provinciale Brabantse Energiemaatschappij (PBE) with effect from 1 July 2010 and of Riobra with effect from July 1, 2011. In the name and on behalf of its shareholders, Infrac performs the following tasks, among others:

- In general the supply of management and other services and the provision of the know-how to its shareholders;
- The preparation and the implementation of the decisions of the governing bodies of its shareholders;
- All operational tasks within the framework of the operation, maintenance, and the development of the grids and installations;
- The provision of all services to the distribution grid users within the framework of the activities of its shareholders at technical, administrative and commercial level;
- The promotion of cooperation between the shareholders;
- The creative development of new products and services.

So Infrac cvba has five partners: Infrac Limburg, Infrac West, Iveg, PBE and Riobra.

The company is, within the framework of the policies as set out by its partners, responsible for the operation, maintenance and development of the grids in the disciplines of electricity, natural gas, cable TV, communications and sewerage.

## 2 Summary of significant accounting policies and valuation rules

In the paragraphs below, a summary of the accounting policies and valuation rules (determined by the board of directors of the different DSOs<sup>1</sup>) under Belgian GAAP is given. These are applied by the different DSOs.

Infrac operates in a regulated environment and hence the rules provided for by the federal regulator CREG are applied. As from 1 July 2014 the regional regulators, being VREG (for the Flemish region) and CWaPE (for the Walloon region), retrieved the competence to determine distribution grid tariffs. The CWaPE has indicated for the Walloon region to continue the previous regime, and hence the existing accounting rules, for the years 2015, 2016 and 2017. As of 2015 the VREG foresees a new tariff rate methodology for electricity and gas for the DSOs based on a revenue-cap regime instead of the cost plus regime used in the past. This implies adjustments in some accounting policies as will be explained further below.

### 2.1 Principles of aggregation

The aggregated half year results comprise the following DSOs :

Infrac, Infrac Limburg, Inter-Energa, Inter-aqua, Infrac West, Inter-media, Iveg, Riobra and PBE. The aggregated accounts of Infrac consist of the sum of the annual statutory accounts, prepared in accordance with Belgian GAAP, of all DSOs.

The term aggregation is used instead of consolidation. This implies adding the individual annual accounts, prepared in accordance with Belgian GAAP, of all DSOs and eliminating the intragroup transactions (turnover, charges, dividends) and positions (participations, receivables, liabilities).

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<sup>1</sup> Distribution System Operator

The aggregated interim financial statements for the six months ended 30 June 2015 have not been audited. The year-end figures 2014 have been extracted from the individual audited financial statements of each DSO.

The unaudited half year results of the various DSOs have/will be approved by the Board of Directors of all DSOs.

According to Belgian GAAP Infracore is not obliged to prepare annual cash flow statements. The table containing this cash-flow information for the financial years 2015 (6 month period) and 2014 (12 month period) is based on the (un)audited financial data of the different DSOs of the said years and is, in relation to the method of calculation, based on the formulas as used by the FIRST software (software used to file statutory accounts in Belgium).

## 2.2 General valuation rules

### 1. Formation expenses

Costs incurred prior to starting trading and various costs relating to fixed assets under construction are recorded at their acquisition value and amortised over up to five years.

### 2. Intangible fixed assets

Intangible fixed assets include the cost of software licences, research and development costs, concessions, patents and costs of making the inventory and modelling of sewerage networks and are valued at acquisition value.

The cost of software licences are amortized on a straight-line basis over a period of 5 (10) years, the cost of making the inventory and modelling of sewerage networks are amortized on a straight-line basis over a period of 10 (5) years.

The VREG applies a depreciation rate of 20% (5 years) on research and development, concessions, patents, licences, knowhow, trademarks and other intellectual rights, and a rate of 0% on advance payments. The VREG has indicated that it will not allow depreciations on goodwill and formation expenses.

The CWaPE applies a depreciation rate of 20% (5 years) on software in 2015 and 2016.

New depreciation rates may be set by the VREG and/or the CWaPE from 2017 onwards.

### 3. Property, plant and equipment

As provided for in the Royal Decree of 30 January 2001 implementing the Belgian Companies Code, property, plant and equipment, including additional costs as the case may be, are recorded at their acquisition or contribution value, except fixed assets the company produces itself, which are valued at production costs, established in accordance with Article 37 of the Royal Decree of 30 January 2001 implementing the Companies Code.

#### Revaluation

It should be noted that further to the Flemish Community (Department of Domestic Affairs) circular BA 2003/02 of 25 April 2003, the boards of directors of the different DSOs have decided to cease re-valuing property, plant and equipment annually as of the financial year 2003. Re-valuations that were made in the past, were retained in the annual accounts and will continue to be depreciated using the depreciation methods which were used in the past.

#### Valuation of the RAB, for the distribution grids for electricity and natural gas

RAB stands for 'regulated asset base' ("gereguleerd actief"). It is the basis for calculating the fair beneficiary margin ("billijke winsmarge"). The RAB value consists of the initial calculated economic reconstruction value ("netto economische reconstruciewaarde") of the regulated property, plant and equipment (iRAB or initial RAB value),

approved by the regulator, increased with the annual investments and decreased with the annual amount of depreciation and disposals and taking into account the need for net working capital. The economic reconstruction value of the regulated fixed assets is based on a detailed technical inventory of all network components.

The RAB value is calculated each year as follows:

- Plus
  - New investments
- Less
  - contributions paid by customers;
  - investments grants
  - depreciation
  - sales and disposals
    - disposal of assets at their historical acquisition value added with
    - 2% annual depreciation of the revaluation surplus (approximately equal to the average annual disinvestment).

### 3.1 Depreciation

Depreciation is based on the acquisition value less contributions by customers.

Revaluation surpluses on the regulated assets are depreciated at 2% p.a. in accordance with CREG, VREG and CWaPE rules.

Depreciation is applied on a straight line basis using the percentages specified below.

Depreciation is calculated pro rata temporis from the date when the assets concerned are put into service.

No depreciation is applied to fixed assets under construction (work in progress) or land.

Depreciation tariffs on transmission grids (36kV/70kV) are applied in accordance with CREG rules as laid down in the Royal Decree on long-term tariffs of 8 June 2007:

- 2% (50 years) on electricity transmission cables and lines with a tension 36kV, 70kV;
- 3% (33 years) on industrial buildings, posts, cabins, stations and equipment 36kV, 70kV;
- 20% (5 years) on other equipment and furniture;
- 20% (5 years) on vehicles and IT.

Depreciation rates on distribution grids are applied in accordance with the rules set out in the Royal Decrees of 2 september 2008 for the distribution grid tariffs 2013-2014:

- 2% (50 years) on administrative buildings;
- 2% (50 years) on electricity distribution cables and lines and natural gas distribution pipelines and sewerage installations;
- 3% (33 years) on industrial buildings, posts, cabins, stations, connections and electricity and natural gas distribution metering equipment;
- 3% (33 years) on headends, supertrunk grids and cable TV distribution fibre optic cables;
- 5% (20 years) on distribution grids (primary and secondary grids) and cable TV-lines and cable TV-connections;
- 10% (10 years) on remote read and budget meters, CHP installations, telecoms transmission and fibre optic cables, CAB, remote control and dispatching equipment, lab equipment, tools and furniture, electronic cable TV equipment and other property, plant and equipment;
- 5% (20 years) on public lighting;
- 6.66% (15 years) for electronic and mechanical equipment of pumping stations, tank and drain equipment (sewerage);
- 20% (5 years) on vehicles; and

- 33% (3 years) on administrative equipment (IT and office equipment).

The VREG will apply the following depreciation rates in 2015 and 2016:

- 0% on land;
- 3% (33 years) on industrial buildings;
- 2% (50 years) on administrative buildings;
- 2% (50 years) on electricity distribution cables and lines and natural gas distribution pipelines;
- 3% (33 years) on posts, cabins, stations, connections and electricity and natural gas distribution metering equipment;
- 6.67% (15 years) on re-used cabin equipment;
- 10% (10 years) on tools and furniture, telecoms transmission and fibre optic cables, CAB, remote control and dispatching equipment, lab equipment, remote read and budget meters, CHP installations, and other tangible fixed assets (also single operator);
- 20% (5 years) on vehicles;
- 33% (3 years) on administrative equipment (IT and office equipment); and
- 20% (5 years) on project smart metering, project clearing house and project smart grids.

The CWaPE will apply the following depreciation rates in 2015 and 2016 (cf. accounting rules applied by the CREG pursuant to rules set out in abolished Royal Decrees of 2 September 2008):

- 3% (33 years) on industrial buildings;
- 2% (50 years) on administrative buildings;
- 2% (50 years) on electricity distribution lines and natural gas distribution pipelines, and connection lines and cables;
- 3% (33 years) on posts, cabins, transformation stations and metering equipment;
- 10% (10 years) on telecoms transmission and fibre optic cables;
- 20% (5 years) on vehicles;
- 10% (10 years) on remote read and budget meters, CHP installations, CAB, remote control and dispatching equipment, lab equipment, tools and furniture, electronic cable TV equipment and other property, plant and equipment; and
- 33% (3 years) on administrative equipment (IT and office equipment).

New depreciation rates may be set by the VREG and/or the CWaPE from 2017 onwards.

### 3.2 Cost price components

The capitalised costs of contractors, labour and materials are increased by an allowance for indirect costs at a flat rate of 16.5 % for all disciplines. Except for sewerage, for which the flat rate is equal to 2.5%, with the exception of new connections, for which the flat rate of 16.5% is applied.

These indirect costs comprise that part of general administrative and operational costs that cannot be directly attributed to investment expenses.

## 4. Financial fixed assets

The financial fixed assets are recorded at acquisition value, and impaired if their value is reduced permanently.

## 5. Stocks - work in progress

The stocks in the warehouses are recorded on the balance sheet at their rolling average prices.

Work in progress is shown at cost price. Advance payments are recorded in the balance sheet under the section 46.

Rules to provide for obsolete stock are based on the rotation speed of the stock.  
The calculation is made as follows:

**Stock items not moved during the last 12 months:**

a provision of 33% of the value as recorded in the inventory of stocks.

**Stock items not moved during the last 24 months:**

a provision of 66% of the value as recorded in the inventory of stocks.

**Stock items not moved during the last 36 months:**

a provision of 100% of the value as recorded in the inventory of stocks.

6. Accounts receivable and accounts payable

The accounts receivable and payable are booked at their original value. On 30 June 2015 there were no receivables or payables in foreign currencies.

Outstanding receivables are derecognized after the end of the collection procedures.

Potential doubtful debtors are defined as:

- customers or debtors who have been made insolvent or sought protection from their creditors;
- debtors for whom delivery was suspended for non-payment;
- claims on customers who have moved and are unreachable.

Rules to provide for doubtful debtors are based on the balance sheet as at 30 June of the financial year.

These receivables are in Infrax's annual accounts (as it invoices for and on behalf of the Distribution System Operators), distinguishing between reduced rate customers (social customer) on the one hand and non-reduced rate customers (other customers) on the other, and calculating for each of these customer groups as follows:

**Reduced rate customers (Infrax acts as social provider)**

- For reduced rate customers with payment agreement, a provision is made of 50% of the total outstanding balance excluding VAT;
- For customers with collective debt settlement, a provision is made of 100% of the total outstanding balance excluding VAT;
- For all other receivables, a provision of 100% is made for those balances excluding VAT which are outstanding for more than half a year (180 days).

**Non-reduced rate customers - other customers**

The percentages used in calculating the provision on the other receivables are as follows::

- Outstanding balances excluding VAT due < 60 days: 0%;
- Outstanding balances excluding VAT due > 60 days and < 180 days: 20%;
- Outstanding balances excluding VAT due > 180 days and < 365 days: 40%;
- Outstanding balances excluding VAT due > 365 days and < 730 days: 60%;
- Outstanding balances excluding VAT due > 730 days: 80%.

7. Investment grants



Because of the uncertain nature of both receipt, date of receipt and the size of the investment grant, these are booked at time of receipt.

The amount of investment grants, for investment in sewage systems, received from various Authorities in the first 6 months of 2015, amounts to 12,181,323.95 euros

## 8. Financial instruments

For the full coverage of interest on some of its long term loans, the DSOs engaged an IRS (interest rate swap) to swap the floating interest rate EURIBOR to a fixed IRS-rate for the whole maturity of such long term loans. At 30 June 2015, an IRS was outstanding for the following long term loans:

- bank loan Infrac (2011-2031): 70 million EUR - -6.759.281,95 euro MTM value at 30 June 2015
- bank loan Infrac (2012-2015): 40 million EUR – -66.545,54 euro MTM value at 30 June 2015
- bank loan Infrac West (2012-2022): 30 million EUR – -591.682,72 euro MTM value at 30 June 2015
- bank loan Iveg (2012-2022): 10 million EUR – -197.227,85 euro MTM value at 30 June 2015
- bank loan PBE (2012-2022): 10 million EUR – -197.227,85 euro MTM value at 30 June 2015
- bank loan Inter-Energa (2012-2022): 40 million EUR - -887.501,04 euro MTM value at 30 June 2015
- bank loan Inter-aqua (2012-2022): 20 million.EUR – -443.750,52 euro MTM value at 30 June 2015
- bank loan Inter-aqua (2012-2022): 74 million.EUR – -6.226.245,34 euro MTM value at 30 June 2015

As these financial instruments are only used for interest rate hedging, the marked-to-market value (the “MTM Value”) has not been recorded in the accounting (in accordance with Belgian GAAP), but mentioned in the comments in the statutory annual accounts made up at the end of the year.

The MTM Value is subject to fluctuations in the interest markets. The negative value of the IRS-contracts is largely compensated by the low Euribor rates on which the loan-contracts are based.

## 9. Rating A with stable outlook

On October 16, 2014 the rating agency Fitch granted Infrac an A-flat-rating with stable outlook. Thanks to the strong link with the public shareholders and the Flemish government there was an uplift of 1 'notch': of A- to A. This qualitative rating on the one hand reflects the solid financial basis and, on the other hand, the confidence of stakeholders in the strategy of the group. The rating agency Fitch has confirmed this rating on October 8, 2015. A rating is an informed judgement on the creditworthiness of an issuer of bonds and is an important criterion that institutional investors use.

The main reason why Infrac asked for a rating is that upon the first issuance of bonds in 2013 it appeared that a rating has a significant impact on the interest rate.

A rating also gives more financing flexibility and strengthens the image of Infrac as a reliable financial partner. In addition, the VREG bases itself on companies with an A-rating to determine the 'allowed' financing costs.

### 3 Interim financial statements

#### 3.1 Aggregated income statement

(In thousands of EUR)	Note	1st sem 2015	1st sem 2014
<b><u>OPERATING INCOME</u></b>		<b>452,806</b>	<b>374,752</b>
Turnover	4.1.1	374,030	342,523
Change in the stock of work in progress	4.1.3	- 1,600	706
Fixed assets produced	4.1.3	-	-
Other operating income	4.1.3	80,376	31,523
<b><u>OPERATING CHARGES</u></b>		<b>388,170</b>	<b>317,991</b>
Trade goods and raw materials	4.2.1	29,776	26,434
Services and other goods	4.2.2	225,680	162,478
Remuneration, social security and pensions	4.2.3	74,165	73,008
Amortization and depreciation of non-current assets	4.2.4	56,251	55,120
Impairment stocks, work in progress and trade receivables	4.2.5	975	2,518
Provisions for liabilities and charges	4.2.6	- 336	- 1,773
Other operating charges	4.2.7	1,659	207
<b><u>OPERATING PROFIT</u></b>		<b>64,636</b>	<b>56,761</b>
<b><u>FINANCIAL INCOME</u></b>		<b>12,272</b>	<b>12,713</b>
Income from financial fixed assets	4.3.1	3,469	4,361
Income from current assets	4.3.2	131	128
Other financial income	4.3.3	8,671	8,223
<b><u>FINANCIAL CHARGES</u></b>		<b>16,990</b>	<b>14,687</b>
Debt charges	4.4.1	16,955	14,652
Other financial charges	4.4.2	34	35
<b><u>EXTRAORDINARY INCOME</u></b>		<b>8,413</b>	<b>2,905</b>
Reversal of amortization and depreciation of non-current assets		-	3
Reversal of provisions for extraordinary liabilities and charges		-	-
Capital gains on derecognition/sale of fixed assets	4.5.2	116	34
Other extraordinary income	4.5.3	8,297	2,869
<b><u>EXTRAORDINARY CHARGES</u></b>		<b>13,322</b>	<b>13,680</b>
Capital losses on disposal/retirement of fixed assets	4.6.1	1,957	2,599
Other extraordinary charges	4.6.2	11,364	11,081
<b><u>PROFIT (LOSS) BEFORE TAX</u></b>		<b>55,009</b>	<b>44,012</b>
<b><u>TAXES</u></b>		<b>12,105</b>	<b>-</b>
Income tax expenses	4.7	12,105	-
<b><u>PROFIT (LOSS) FOR THE REPORTING PERIOD</u></b>		<b>42,904</b>	<b>44,012</b>

### 3.2 Aggregated balance sheet

(In thousands of EUR)	Note	30/06/15	31/12/14
<b><u>Non-current assets</u></b>		<b>3,362,961</b>	<b>3,346,166</b>
Formation expenses	4.8	400	595
Intangible fixed assets	4.9	24,243	25,965
Property, plant and equipment	4.10	3,069,849	3,072,371
Financial fixed assets	4.11	81,660	81,568
Affiliated enterprises		11,547	11,547
Other enterprises linked by participating interests		12,995	12,942
Other financial assets		57,149	57,079
Long term receivables	4.13	186,808	165,666
<b><u>Current assets</u></b>		<b>808,483</b>	<b>773,522</b>
Stocks and work in progress	4.12	36,919	36,561
Amounts receivable within 1 year	4.13	157,770	141,542
Current investments	4.14	156	141
Cash and cash equivalents	4.14	21,808	29,064
Deferred charges and accrued income	4.15	591,831	566,214
<b>TOTAL ASSETS</b>		<b>4,171,444</b>	<b>4,119,688</b>

(In thousands of EUR)	Note	30/06/15	31/12/14
<b><u>SHAREHOLDERS' EQUITY</u></b>	<b>4.16</b>	<b>2,697,240</b>	<b>2,632,290</b>
Capital		1,072,591	1,054,202
Share premium account		112,948	112,948
Revaluation surpluses		547,789	548,080
Reserves		754,700	761,269
Investment grants		166,308	155,790
Profit (loss) for the year ending 30 June 2015		42,904	
<b>Provisions for liabilities and charges</b>	<b>4.17</b>	<b>24,909</b>	<b>25,245</b>
<b><u>LIABILITIES</u></b>		<b>1,449,294</b>	<b>1,462,153</b>
<b><u>Non-current liabilities</u></b>	<b>4.18</b>	<b>1,020,003</b>	<b>992,512</b>
Financial debts		1,014,136	986,644
Other debts		5,867	5,867
<b><u>Current liabilities</u></b>	<b>4.19</b>	<b>281,098</b>	<b>347,192</b>
Current portion of long term payables		139,801	66,872
Financial debts		2,500	17,500
Trade payables		78,230	59,834
Advance payments on work in progress		6,125	9,510
Taxes, remuneration and social security		38,195	18,591
Other amounts payable		16,247	174,885
<b>Accruals and deferred income</b>	<b>4.20</b>	<b>148,193</b>	<b>122,449</b>
<b>TOTAL LIABILITIES</b>		<b>4,171,444</b>	<b>4,119,688</b>

### 3.3 Aggregated statement of changes in equity

(In thousands of EUR)	Share Capital	Share premium account	Revaluation surpluses	Reserves	Accumulated profits*	Investment grants**	Total
<b>Total on January 1, 2014</b>	<b>1,054,068</b>	<b>112,948</b>	<b>559,739</b>	<b>728,886</b>	<b>27,974</b>	<b>132,671</b>	<b>2,616,286</b>
Total income for the reporting period	135		-11,659		183,888	23,119	<b>195,483</b>
Addition/decrease reserves				21,537			<b>21,537</b>
Dividends paid					-	201,016	<b>-201,016</b>
<b>Total on December 31, 2014</b>	<b>1,054,203</b>	<b>112,948</b>	<b>548,080</b>	<b>750,423</b>	<b>10,846</b>	<b>155,790</b>	<b>2,632,290</b>
Total income for the reporting period	18,388		-291		42,904	10,518	<b>71,519</b>
Addition/decrease in reserves				-6,569			<b>-6,569</b>
Dividends payable							
<b>Total on June 30, 2015</b>	<b>1,072,591</b>	<b>112,948</b>	<b>547,789</b>	<b>743,854</b>	<b>53,750</b>	<b>166,308</b>	<b>2,697,240</b>

\* the sum of the accumulated profits and the reserves corresponds to the total reserves on the balance-sheet.

\*\* in the framework of the corporate taxes, part of the investment grants will be booked as deferred taxes.

### 3.4 Aggregated cash flow statement

(In thousands of EUR)		Toelichting	30/06/2015	31/12/2014
Operating	Profit for the reporting period		42,904	183,888
Activities	Depreciation/amortization of non-current assets	4.2.4	56,252	110,082
composed of	Impairment current assets (Recognition +; Reversal - )	4.2.5	975	5,443
	Changes in provisions (Recognition +; Reversal - )	4.2.6	-336	-5,360
	Dividends received	4.3.1	-3,469	-7,015
	Extraordinary (reversal) depreciation		0	-1,475
	Gains/losses on disposal/retirement/sale of fixed assets	4.5.2/4.6.1	1,841	4,598
	Reversal of provision for liabilities and charges		0	-98,288
	Movement in investment grants	4.3.3	-1,742	-3,516
	<b>Cashflow from operating activities</b>		<b>96,424</b>	<b>188,356</b>
	Changes in trade and other payables	4.19	18,396	-8,196
	Changes in payables for tax, remuneration and social charges	4.19	19,605	-214
	Changes in advance payments	4.19	-3,385	3,483
	Changes in accrued liabilities	4.20	25,744	1,122
	<b>Changes in operating liabilities</b>		<b>60,360</b>	<b>-3,805</b>
	Changes in receivables > 1 year	4.13	-21,142	-16,535
	Change in stocks	4.12	-358	3,708
	Changes in trade and other receivables	4.13	-16,227	-71
	Impairment current assets (Recognition +; Reversal - )	4.2.5	-975	-5,443
	Changes in deferred charges and accrued income	4.15	-25,617	-143,591
	<b>Changes in operating assets</b>		<b>64,320</b>	<b>-161,931</b>
	<b>Changes in provisions and deferred taxes</b>		<b>0</b>	<b>0</b>
	<b>OPERATING CASHFLOW AFTER TAX</b>		<b>92,465</b>	<b>22,621</b>
Investing	Formation expenses		0	0
Activities	Intangible fixed assets	4.9	-1,632	-3,286
in	Property, plant and equipment	4.10	-50,179	-143,018
	Financial fixed assets	4.11	-93	-189
	Proceeds from financial fixed assets	4.3.1	3,469	7,015
	Losses and gains on disposal/retirement/sale of fixed assets	4.5.2/4.6.1	-1,841	-4,598
	<b>INVESTMENT CASHFLOW</b>		<b>-50,276</b>	<b>-144,076</b>
	<b>FREE CASHFLOW BEFORE FINANCING</b>		<b>42,188</b>	<b>-121,455</b>
Financing	Changes in equity	4.16	64,950	16,004
activities	Result of the accounting period		-42,904	-183,888
in	Profit distribution		0	201,016
	Change in investment grants	4.3.3	1,742	3,516
	<b>Equity</b>		<b>23,788</b>	<b>36,648</b>
	Changes in financial debts > 1 year	4.18	27,491	182,977
	Changes in financial debts < 1 year	4.19	-15,000	-33,250
	Changes in amounts payable < 1 year	4.19	72,929	21,825
	<b>Financial debts</b>		<b>85,420</b>	<b>171,552</b>
	Changes in other payables < 1 year	4.19	-158,638	125,756
	Changes in other payables > 1 year		0	-4,092
	Profit distribution of the accounting period		0	-201,016
	<b>Other payables</b>		<b>-158,638</b>	<b>-79,353</b>
	<b>FINANCING CASHFLOW</b>		<b>-49,430</b>	<b>128,848</b>
	<b>TOTAL CASHFLOW</b>		<b>-7,241</b>	<b>7,392</b>
	Cash inflow		269,461	403,571
	Cash outflow		-276,703	-396,179
	<b>Movement in cash and cash equivalents</b>		<b>-7,241</b>	<b>7,392</b>

3.5

## 4 Notes to the aggregated financial statements

### 4.1 Operating Income

#### 4.1.1 Turnover

(In thousands of EUR)		1st sem 2015	1st sem 2014
<b>Electricity</b>	Distribution	206,107	148,956
	Injection	1,476	946
	Transportation costs, Elia	71,150	59,639
	Others	3,788	44,436
<b>Total electricity</b>		<b>282,521</b>	<b>253,977</b>
<b>70KV/ 36KV</b>	Revenues	8,864	8,918
	<b>Total 70KV/36KV</b>	<b>8,864</b>	<b>8,918</b>
<b>Gas</b>	Distribution	39,671	40,436
	Others	6,393	4,539
<b>Total gas</b>		<b>46,064</b>	<b>44,975</b>
<b>Sewerage</b>	Sewage charges	30,712	28,404
	<b>CTV</b>	Fees	5,413
<b>Others</b>	Other sales	456	1,211
<b>TOTAL</b>		<b>374,030</b>	<b>342,523</b>

Infrax achieved most of its revenue from the remunerations of the distribution and transport of electricity and gas through its distribution grids.

These revenues must be evaluated together with the regulatory transfers (see further).

The other sales in electricity and gas on the one hand include the supply of energy to persons who, because of payment difficulties, cannot find a supplier of energy on the market and, on the other hand, the adjustments in the turnover as a result of the regulatory assets and liabilities.

The income from the sewerage business includes the remuneration received from the drinking water companies for our sewage-services.

The income from the cable television distribution business consists mainly of the Telenet fees received via Interkabel Vlaanderen. This concerns the payments for the conversion of the cable network into an interactive telecommunications network on the basis of the previous agreements of 1996 - namely, an annuity payment and 'clientele fee'. The income from the cable television distribution business also includes the proceeds with respect to Infra-X-net and Infra-GIS.

The other sales concern various charges to third parties.

#### 4.1.2 Regulatory transfers

(In thousands of EUR)	1st sem 2015	1st sem 2014
Addition of transfers	1,413	91
Recovery of transfers	-1,934	-2,500
<b>TOTAL</b>	<b>-521</b>	<b>-2,409</b>

The regulatory framework according to the (now abolished) Royal Decree of 2008 on multi-year tariff methodology applies until the end of 2014. This Royal Decree provided for a distinction between 'manageable' and 'non-manageable' costs. Non-manageable costs are broadly defined here, and also include for example the depreciation and financing costs. The difference between the estimated and the actual incurred non-manageable costs is considered as a liability or receivable towards the customer and is therefore settled via the tariffs for a following regulatory period. The difference between the estimated and actual volumes of transported energy is also settled via the tariffs for a following regulatory period. These differences result in an increase or a decrease in the future tariffs. This receivable/liability is booked as an accrued income ('regulatory assets') /deferred income ('regulatory liabilities') in the balance sheet and increases/decreases the turnover for the year.

The revenues in the table above relate to additional turnover booked in respect of eliminating the difference between the estimated and the actual incurred non-manageable costs on the one hand and, on the other hand, the estimated and actual sales volumes.

In implementing its new tasks; on 30 September 2014 the VREG has determined a new tariff rate methodology based on a revenue-cap regime.

The new methodology consists of 2 budgets: an exogenous and a non-exogenous budget. Exogenous costs are costs which cannot be controlled by the DSO. These costs consist of (limited list): premiums granted for rational use of energy, costs related to 'Green Power Certificates ("GPC")' and Combined Heat and Power production ("CHP") certificates, costs related to 100 kWh free of charge, transportation costs, duties, taxes (with the exception of corporate taxes) and costs related to certain pension contributions. The exogenous costs are being charged "pass-through" towards the customers. All other charges (operating costs, depreciations, financing costs, ...) are non-exogenous. As of now the VREG will determine the non-exogenous budget. This income related to the non-exogenous cost is determined on the basis of the evolution of the historical non-exogenous sector costs which, according to a linear regression technique, will determine the future income.

The capital remuneration for the years 2015 and 2016 is determined as follows: equity – amount limited to 45% of the Regulated Asset Base (RAB) – will be remunerated at 5.7%. Capital borrowed – determined at 55% of the RAB – and the net working capital are remunerated at 4.1%. The costs related to prefinancing the unsold GPC and CHP and the regulatory balances for exogenous costs (the recording of the exogenous costs at their actual value will give rise to differences between the rated and accounting costs) are remunerated at an interest rate equal to the legal interest rate applied in civil and trade affairs, being 2.5% in 2015 and 2.25% in 2016.

Based on this new tariff rate methodology, on 18 December 2014 the VREG has approved the distribution network rates for electricity and gas for 2015. As of 1 January 2015 the distribution network rates will cover the costs again.

The VREG has also decided to recuperate the regulatory assets/liabilities from the period 2008-2009 in the distribution network rates of 2015 and 2016. The regulatory assets/liabilities from the period 2010-2014 will be processed as of 2016 over a period of 5 years.

The allowed income 2015 for Infrac, for electricity distribution, amounts to 428 million euros (this implies an increase of 84 million euros as to 2013) and 66.5 million euros for the distribution of gas (decrease of 21 million). Besides, in determining the distribution network rates for electricity, the reduction in the amount of transported kWh is taken into account.

This implies an increase in the distribution network rates for electricity of Infrac with an average of 41% (expressed in euro/kWh) in 2015. For the production-installations connected to a “reversing meter” (prosumer), a network contribution is foreseen of approximately 80 euros/kW (different for each DSO) to compensate for the used energy. The distribution network rates for gas of Infrac decrease with with an average of 17% in 2015. The decrease or increase is different for each DSO.

#### 4.1.3 Other operating income

(In thousands of EUR)	1st sem 2015	1st sem 2014
Change in the stock of work in progress	-1,600	706
Fixed assets produced	-	-
Other operating income	80,376	31,523
<b>TOTAL</b>	<b>78,776</b>	<b>32,229</b>

The other operating income mainly concerns the Telenet opex retribution received (10,378 K euro), the sale of 'Green Power Certificates (“GPC”) and Combined Heat and Power production (“CHP”) certificates (52,632 K euro), the revenue received in the framework of the annual solidarisation of GPC and CHP certificates (12,167 K euro).

## 4.2 Operating charges

#### 4.2.1 Trade goods and raw materials

(In thousands of EUR)	1st sem 2015	1st sem 2014
Purchase of energy	22,110	18,914
Purchase of grid losses	7,666	7,519
<b>TOTAL</b>	<b>29,776</b>	<b>26,433</b>

The purchase of energy concern the purchases of electricity and gas for the reduced rate customers and the yearly 100 kWh free of charge.

The purchase of grid losses are paid by Infrac towards the energy suppliers for electricity.



#### 4.2.2 Services and other goods

(In thousands of EUR)	1st sem 2015	1st sem 2014
Contractors' costs for construction and maintenance of grids	59,878	69,397
Fees including use of installations	1,698	1,179
Advertisements, information, documentation, etc.	1,020	1,153
Public service obligation	139,432	90,733
Contracts and management costs	1,486	2,805
Consultancy and other services	6,266	3,647
Staff of third parties	4,852	4,782
Transportation fee for Elia	66,398	56,344
Others	43,230	43,445
Transfer to fixed assets	-98,580	-111,007
<b>TOTAL</b>	<b>225,680</b>	<b>162,478</b>

Services and other goods increased by 63,201 K euro compared with 2014.

This increase is mainly the result of the increase in the transportation costs paid towards Elia and the costs relating to public service obligations.

The latter includes the costs for rational use of energy and costs related to GPC and CHP certificates. The increase compared to the first six months in 2014 has to do with an increased sale of GPC and CHP in the first six months of 2015.

#### 4.2.3 Remuneration, social security and pensions

(In thousands of EUR)	1st sem 2015	1st sem 2014
Salaries	52,057	50,928
Employers' contributions to social insurance	17,196	18,213
Charges for pension schemes and supplementary insurance	18	500
Other personnel costs	4,894	3,367
<b>TOTAL</b>	<b>74,165</b>	<b>73,008</b>

The personnel costs amount to 74,165 K euro in the first 6 months of 2015, an increase of 1.6% compared to the first 6 months in 2014. The average number of active members of staff came to 1,475.75 FTE's in the first half year of 2015 compared to 1,489.12 FTE's in the first half year of 2014.

#### 4.2.4 Amortization and depreciation of non-current assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Amortization and depreciation of non-current assets	56,251	55,120
<b>TOTAL</b>	<b>56,251</b>	<b>55,120</b>

The amortization of intangible fixed assets decreased by 348 K euro mainly as a result of totally amortized assets in the smart meters project.

The depreciation on property, plant and equipment increased by 1,479 K euro.

#### 4.2.5 Impairment stocks, work in progress and trade receivables

(In thousands of EUR)	1st sem 2015	1st sem 2014
Impairment stocks	-	372
Impairment trade receivables < 1year	975	2,146
<b>TOTAL</b>	<b>975</b>	<b>2,518</b>

In the first 6 months of 2015 no additional provision for obsolete stock has been booked.

Impairment trade receivable relate to definitively irrecoverable receivables. The amount of 975 K euro is withdrawn from the provision for doubtful debtors - see further.

The big drop in the provision compared to 2014 has mainly to do with catching up on the final write-off of definitively irrecoverable receivables in the first 6 months of 2014.

#### 4.2.6 Provisions for liabilities and charges

(In thousands of EUR)	1st sem 2015	1st sem 2014
Provision for length of service premium	-120	-150
Provision for major repairs	-	-250
Provision for doubtful debtors	153	-1,73
Others	-369	-
<b>TOTAL</b>	<b>-336</b>	<b>-1,773</b>

The provision for length of service premium concerns, on the one hand, the creation of the provision (annual fixed amount) and, on the other hand, reversal of the provision for the length of service premium actually paid out in 2015. The first 6 months of 2015 shows a credit balance, since in the first half year of 2015 more bonuses were paid out than provided for. The actual premiums paid out are also part of the total remuneration cost. The structure of the provision with an annual fixed amount and the reversal of the provision with the amount of the premiums actually paid out, is to spread out in time the total costs of the length of service bonuses, on the basis of the existing workforce.

The reversal of the provision for major repairs in 2014 concerned the provision for maintenance of sewerage for an amount of 250 K euro.

The provision for doubtful debtors amounting to 153 K euro concerns:

- the reversal for the amount of the write-off of the definitively irrecoverable receivables, -975 K euro in the first half year of 2015 (see above). This is a decrease of 1,152 k euro compared to the first 6 months of 2014 (see above);
- additional provision for doubtful debtors in the first 6 months of 2015 for an amount of 1,127 K euro. This is an increase of 372 K euro compared to the first 6 months in 2014.

The other provisions -369 K euro relate to:

- provision (creation and reversal) for holidays not taken up, totalling -290 K euro, this provision has not been booked in June 2014;
- the use of the energy fund for various energy projects (79) K euro.

#### 4.2.7 Other operating charges

(In thousands of EUR)	1st sem 2015	1st sem 2014
Various taxes	249	207
Sewerage fund	1,410	-
<b>TOTAL</b>	<b>1,659</b>	<b>207</b>

The various taxes section mainly covers the "Redevance de voiries" , the Fairness tax, corporate tax and property tax. In his circular of April 2014 minister Joke Schauvliege stated that the municipal sewage revenues may only be used for (new) investment and maintenance expenditure on sewerage. The term 'investments' is also taken to mean the restoration of the superstructure or the construction of a new superstructure.

The Boards of Directors of Inter-aqua, Riobra, Infrac West and Iveg are meeting that demand and will therefore no longer pay dividends from the sewerage business.

Any profits will be reserved and kept available in sewerage funds. The creation of a sewerage fund there will also provide a major impetus for additional investment in sewage infrastructure.

In the first 6 months of 2015, Inter-aqua has already created a sewerage fund amounting to 1,410 K euro. In 2014 this fund has been booked during the 2nd half of the year.

### 4.3 Financial income

#### 4.3.1 Income from financial fixed assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Income from financial fixed assets	3.469	4.361
<b>TOTAL</b>	<b>3.469</b>	<b>4.361</b>

The income from financial fixed assets concerns the dividends received from various participations in other companies, including Interkabel Flanders and Publi-T.

#### 4.3.2 Income from current assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Income from current assets	131	128
<b>TOTAL</b>	<b>131</b>	<b>128</b>

The income from current assets concerns interest on various outstanding receivables and investment earnings.

#### 4.3.3 Other financial income

(In thousands of EUR)	1st sem 2015	1st sem 2014
Investment grants	1,742	1,438
Other various financial revenues	6,929	6,785
<b>TOTAL</b>	<b>8,671</b>	<b>8,223</b>

The other financial income concern, on the one hand, the depreciation on the investment grants and, on the other hand, the income from the long term lease payments paid by Telenet.

Under the 2008 agreement with Telenet, Infrac receives a fair beneficiary margin (6.25 %) on the value of the cable network that has been leased to Telenet until 2046.

### 4.4 Financial charges

#### 4.4.1 Debt charges

(In thousands of EUR)	1st sem 2015	1st sem 2014
Leasing debts	318	368
Interest charges from long and short-term loans	16,637	14,284
<b>TOTAL</b>	<b>16,955</b>	<b>14,652</b>

The interest charges from long and short-term loans concern mainly the financial costs related to bank loans. On the other hand, the costs relating to the issuance of bonds (EMTN programme) are also included in the section "Interest charges from long and short-term loans" for an amount of 8,057 K euro. These costs relate to both the interest charges and the costs relating to the issuance of bonds at a discount and the other financial costs related to the issuance of bonds in 2013 and in 2014.

#### 4.4.2 Other financial charges

(In thousands of EUR)	1st sem 2015	1st sem 2014
Bank costs	7	10
Other various financial charges	27	25
<b>TOTAL</b>	<b>34</b>	<b>35</b>

The other various financial charges include mainly the costs relating to delay interests.

#### 4.5 Extraordinary income

##### 4.5.1 Reversal of amortization and depreciation of non-current assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Reversal of amortization and depreciation of non-current assets	0	3
<b>TOTAL</b>	<b>0</b>	<b>3</b>

The reversal of amortization and depreciation in the first half year of 2014 relates to the reversal of depreciation expenses of a vehicle for a minor amount.

##### 4.5.2 Capital gains on derecognition/sale of fixed assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Realisation of capital gains on derecognition/sale of fixed assets	116	34
<b>TOTAL</b>	<b>116</b>	<b>34</b>

In the first half year of 2015 this revenue relates to different capital gains.

##### 4.5.3 Other extraordinary income

(In thousands of EUR)	1st sem 2015	1st sem 2014
Extraordinary income related to receivables	79	73
Other extraordinary income	8,218	2,795
<b>TOTAL</b>	<b>8,297</b>	<b>2,869</b>

The extraordinary income related to receivables concern payments which are received for which the outstanding receivable was already written off since it was no longer considered recoverable in the past.

The other extraordinary income relate to the financial reconciliation for an amount of 7,406 K euro. Furthermore, the other extraordinary income relates to recall of articles in stock. This revenue is neutralized by the same amount in the operating charges (Trade goods and raw materials).

## 4.6 Extraordinary charges

### 4.6.1 Capital losses on disposal/retirement of fixed assets

(In thousands of EUR)	1st sem 2015	1st sem 2014
Capital losses on disposal/retirement of fixed assets	1,957	2,599
<b>TOTAL</b>	<b>1,957</b>	<b>2,599</b>

The booked capital loss in 2015 and 2014 relates mainly to the decommissioned assets, valued at 1.960 k euro in 2015 and 2.592 k euro in 2014.

### 4.6.2 Other extraordinary charges

(In thousands of EUR)	1st sem 2015	1st sem 2014
Other extraordinary charges	11,364	11,081
<b>TOTAL</b>	<b>11,364</b>	<b>11,081</b>

The other extraordinary charges relate mainly to the pension contributions for the amount of 10,793 k euro, to guarantee the pension obligations of the statutory staff.

## 4.7 Taxes

(In thousands of EUR)	1st sem 2015	1st sem 2014
Taxes	12,105	-
<b>TOTAL</b>	<b>12,105</b>	<b>-</b>

The taxes in the first half year of 2015 mainly relate to corporate taxes. As the participants of Infrax are subject to corporate taxes since 2015, this explains the rise in the tax expense.

#### 4.8 Formation expenses

(In thousands of EUR)	30/06/2015	31/12/2014
Formation expenses	400	595
<b>TOTAL</b>	<b>400</b>	<b>595</b>

The decrease in the formation expenses is due to the depreciation of the restructuring costs.

#### 4.9 Intangible fixed assets

2015 (In thousands of EUR)	Franchises, patents, licenses, trade marks
Cost at January 1, 2015	78,420
Acquisitions	1,750
Other	-118
<b>Cost at June 30, 2015</b>	<b>80,052</b>
Amortization on and impairment at January 1, 2015	52,455
Amortization	3,354
Other	-
<b>Amortization and impairment at June 30, 2015</b>	<b>55,809</b>
<b>Net book value on June 30, 2015</b>	<b>24,243</b>

The investments for projects such as smart meters and grids, Meta-PV, Linear, Resilient, I-move and clearing house are booked as intangible fixed assets.

Intangible Fixed Assets also include the software licensing costs and costs for the inventory and modelling of sewerage networks.

#### 4.10 Property, plant and equipment

2015 (In thousands of EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Other*
Cost at January 1, 2015	148,564	4,882,926	105,129	233,351
Acquisitions	719	34,859	1,434	35,550
Sales and disposals	189	8,416	-394	-29,721
<b>Cost at June 30, 2015</b>	<b>149,472</b>	<b>4,926,201</b>	<b>106,169</b>	<b>239,180</b>
Depreciation and impairment at January 1, 2015	63,769	2,127,899	94,537	11,395
Depreciation	1,250	48,347	1,812	1,292
Sales and disposals	-	1,153	-280	-
<b>Depreciation and impairment at June 30, 2015</b>	<b>65,019</b>	<b>2,177,399</b>	<b>96,069</b>	<b>12,687</b>
<b>Net book value on June 30, 2015</b>	<b>84,453</b>	<b>2,748,802</b>	<b>10,100</b>	<b>226,493</b>

\* Leasing and similar rights, other property, plant and equipment and assets under construction and advance payments.

The acquisitions in the heading "Plant, machinery and equipment" mainly relate to investments in the distribution grids for electricity, gas, sewerage and cable TV.

The net book value includes such things as the contributions paid by customers with respect to certain assets (contributions paid by third parties) and corresponds to the actual value of the distribution grids of Infrac.

#### 4.11 Financial fixed assets

(In thousands of EUR)	30/06/2015	31/12/2014
<b>Affiliated enterprises</b>	<b>11,547</b>	<b>11,547</b>
1. Participating interests	11,547	11,547
2. Amounts receivable	-	-
<b>Other enterprises linked by participating interests</b>	<b>12,965</b>	<b>12,942</b>
1. Participating interests	12,965	12,942
2. Amounts receivable	-	-
<b>Other financial assets</b>	<b>57,149</b>	<b>57,079</b>
1. Shares	56,821	56,821
2. Amounts receivable and cash guarantees	328	258
<b>TOTAL</b>	<b>81.660</b>	<b>81,568</b>



The participation in **affiliated enterprises** concerns the 99.98% holding of the Provinciale Brabantse Energiemaatschappij in Intergas. Intergas is the Intermunicipal cooperative for gas distribution in Flemish Brabant and is also a participant in Inter-Energa. Since mid-2003, Intergas has been transformed from an operating company (gas) into a participating company.

The operating activities were transferred to the grid operator Inter-Energa. In addition to the financial monitoring of its assets, Intergas acts as the reference shareholder of Inter-Energa and represents the interests of its 16 Flemish-Brabant municipalities.

The enterprises with which there are **participating interests** are Interkabel (12,939 k euro), Inter-regies (3 k euro) and Ecluse (23 k euro).

Interkabel Vlaanderen consists of the mission entrusted companies, namely Infrac West, PBE, Inter-media and Integan, which represents a third of the Flemish cable market.

In addition to the major telecom-section, Interkabel also remains active in the implementation of projects in the field of cable TV. Thus, the headends of the cable companies are linked together with fibre optic. This backbone ring transports the signals of a number of TV and radio stations. In addition, Interkabel coordinates the investments of the mission entrusted companies in Telenet.

Inter-regies is the umbrella association of the public electricity, gas and cable distribution sector, established on October 22, 1955 in Brussels, initially under the name "Interpublic". Inter-regies represents Belgian companies active in:

- The management of the electricity distribution grids;
- The management of the gas distribution grids;
- Cable TV.

ECLUSE is a transportation company of heat with Indaver, SLECO, Iveg/Infrac, FINEG and Maatschappij Linkerscheldeover as shareholders. The company has as objective to transport heat, in the form of steam, out of the incinerator of Indaver/Sleco at Doel towards a number of companies in Waasland Port. This project is still under examination and a final decision on the realization is expected by the end of 2015.

The other financial assets mainly concern shares in Publi-T (56,354 k euro).

Publi-T has the purpose of managing the share of the Belgian local authorities in Elia, the national transmission grid operator, as well as the regional administrator of some distribution grids. Publi-T, as strategic shareholder constantly monitors the interests of the municipal sector in this market segment.

The increase in the financial fixed assets can be explained by the additional payment for the rental guarantee of the new Zenith office building in Brussels. Increasing activities meant that the available space in the head office at Koningstraat 55 had become too small. After a comparative search it was decided to move both the administrative and the registered office of Infrac cvba to the Zenith building, Koning Albert II-laan 37, Brussels. The new offices were in use on September 1, 2014.

#### 4.12 Stocks and work in progress

(In thousands of EUR)	30/06/2015	31/12/2014
Raw materials and consumables	30,358	28,400
Impairment of stocks	-1,747	-1,747
Projects in progress	8,308	9,908
<b>TOTAL</b>	<b>36,919</b>	<b>36,561</b>

In the first 6 months of 2015 no additional impairment loss has been booked.

The projects in progress relate to the current Esco projects and the projects with regard to public lighting for the municipalities.

Energy Service Company (ESCO) offers a complete package of energy services to promote the energy efficiency of municipal buildings.

#### 4.13 Trade and other receivables

(In thousands of EUR)	30/06/2015	31/12/2014
Receivables outstanding more than one year	186,808	165,666
Amounts receivable within one year	157,770	141,542
<b>TOTAL</b>	<b>344,578</b>	<b>307,208</b>

Receivables outstanding more than one year mainly concern the receivables towards Telenet (182,755 k euro) in the context of the long-term lease agreement concluded in 2008 under which the full bandwidth (excluding bandwidth reserved for Infra-X-net) of the cable network was leased exclusively to Telenet up to the year 2046. Infracore retains the "bare" ownership of the cable network; Telenet has obtained the usufruct on the cable network. The lease fee is a recurring annual fee on the initial value of the cable network at the start of the agreement on the one hand and, on the other hand, a fee for the annual additional investments in the cable network. This long-term lease agreement is an "expansion lease" - i.e., it increases annually with the amounts of the investments made.

These investments are paid back by Telenet over a period of 15 years plus the fair beneficiary margin of 6.25 %.

The amounts receivable within one year consist of:

(In thousands of EUR)	30/06/2015	31/12/2014
Trade receivables from distribution grid activities	53,842	50,172
Trade receivables social customers	7,032	7,517
Other trade receivables	70,771	58,108
Other receivables	26,125	25,745
<b>TOTAL</b>	<b>157,770</b>	<b>141,542</b>

The other trade receivables consist mainly of receivables with respect to work carried out and services provided, and costs passed on to third parties.

The other receivables relate mainly to the funds to be received in in the next 12 months from Telenet in implementation of the long-term lease agreement.

#### 4.14 Current investments, cash and cash equivalents

(In thousands of EUR)	30/06/2015	31/12/2014
Current investments	156	141
Cash and cash equivalents	21,808	29,064
<b>TOTAL</b>	<b>21,964</b>	<b>29,205</b>

The total of cash and cash equivalents include bank balances, cash accounts and investments in funds which can immediately be converted into cash. All funds are expressed in euro.

#### 4.15 Deferred charges and accrued income

(In thousands of EUR)	30/06/2015	31/12/2014
Regulatory differences on non-manageable costs and volumes	325,284	327,078
Stock of GPC and CHP + solidarisation	257,378	234,421
Miscellaneous	9,169	4,715
<b>TOTAL</b>	<b>591,831</b>	<b>566,214</b>

The details of the regulatory differences at June 30 2015 are as follows:

(In thousands of EUR)	30/06/2015	31/12/2014
Electricity	5,746	304,396
Natural gas	-	1,451
70 KV	-	691
<b>TOTAL</b>	<b>5,746</b>	<b>319,538</b>

The unexpected increase in PV installations has led to important shortages in the exogenous budget for the electricity business.

Under the buying-up commitment the grid operators must buy more Green Power Certificates than provided for when the budgets were being drawn up that were the basis of the tariffs applied in 2015, the result being an increase in the operating deficits for electricity.

For natural gas - where we do not have to deal with rising public service obligations - there are, however, some quite significant surpluses - see further.

The operating differences for the years 2008 and 2009 are deficits to be offset against the tariffs for 2015 and 2016. The regulatory assets/liabilities from the period 2010-2014 will be recuperated over a period of 5 years starting as of 2016.

#### Stock of Green Power Certificates + solidarisation

In 2015 there was once again a surplus of Green Power Certificates and Combined Heat and Power Production certificates in Flanders, such that only a limited proportion of the certificates could be sold by the grid operators.

At the end of June 2015, the stock of GPC and CHP certificates represented 215,8 million euros for Infrac. The GPC were valued at 93 euros per banked certificate and at 88 euros for the non- banked certificates . For the CHP that was respectively 27 and 20 euros.

By its decision of 10 January 2014, the Flemish government stipulated that the grid operators must immobilise (“bank”) 2,1 million certificates for a number of years, i.e. not offer them on the market in order to rectify supply and demand.

The banking for Infrac involves 466,238 GPC and 118,875 CHPC.

The Flemish government guarantees the banked certificates (93 euros per banked GPC and 27 euros per banked CHP certificate), for in total 46,6 million euros for Infrac and has budgeted maximum 2,5 million euros for compensating the financing costs in 2015..

For the non-banked certificates there is possibly a risk that they will not be able to be sold on the market in the future at the price of 88 euros or 20 euros respectively, which could mean an additional deficit in the non-manageable costs of the grid operators. The stock value of the non-banked certificates at June 30, 2015 is approximately 169,3 million euros for Infrac.

## 4.16 Capital

The various components of the share capital, together with the changes between 01 January 2015 and 30 June 2015 are shown in the "Aggregated statement of changes in equity".

The share capital amounted to 1,072,591 k euro at the end of June 2015 and increased by 18,388 k euro compared with year end 2014. The issued capital amounts to 1,072,674 k euro and the uncalled capital amounts to -83 k euro. The table below gives an overview of the number of shares per activity in the capital (in units) of each DNB at the end of June 2015.

	Electricity	Gas	Sewerage	CTV	Public lighting
Number of shares					
Inter-aqua			15,131,659		
Inter-Energa	3,342,239	601,416			886,318
Inter-media				758,704	
Infrac Limburg	880,928		152,943	54,392	
Infrac West	3,109,612	480,000	5,501,149	529,575	
Iveg	15,216	7,109	10,929		4.354
Riobra			5,348,324		
PBE	4,926			852	

The table below gives an overview of the capital in euros per activity in the capital (in units) of each DNB at the end of June 2015.

	Electricity	Gas	Sewerage	CTV	Public lighting
Capital in euros					
Inter-aqua			378,291,475		
Inter-Energa	82,854,105	70,918,229			21,971,823
Inter-media				18,808,272	
Infrac Limburg	21,835,667		3,823,575	1,347,895	
Infrac West	77,740,300	12,000,000	137,528,725	13,239,375	
Iveg	38,040,000	17,772,500	27,322,500		
Riobra			135,838,649		10,885,000
PBE	63,142			11,227	

In the first half year of 2015 there has been a capital increase in Inveg amounting to 10,855 k euro by creating additional shares in response to the contribution of the public lighting (poles and fixtures).

The share premium account remained unchanged in the first 6 months of 2015.

The revaluation surpluses fell by 291 k euro.

The revaluation surpluses relate on the one hand to historic capital gains and to the RAB (regulated Asset Base) capital gains. The RAB value represents the value of the capital invested in the distribution grids for electricity and gas. The initial surplus value on the regulated assets are the subject of an annual evaluation and are depreciated at 2% per year according to the guidelines of the CREG. Every 4 years the depreciation on the RAB surplus will be tested

against the actual value with respect to the depreciated assets and the necessary corrections will, if necessary, be made to the currently used percentage of 2%.

The revaluation surplus is transferred annually to an unavailable reserve account in proportion to the depreciation amounts on the revalued portion of the installations booked against the profit and loss account.

The overview of the reserves is as follows:

(In thousands of EUR)	Legal reserves	Reserves not available	Untaxed reserves	Available reserves
<b>Total on January 1, 2014</b>	<b>48,369</b>	<b>363,352</b>	<b>-</b>	<b>345,139</b>
Endowment/decrease in reserves	3,106	18,508	327,935	-345,139
<b>Total on December 31, 2014</b>	<b>51,475</b>	<b>381,860</b>	<b>327,935</b>	<b>0</b>
Endowment/decrease in reserves	6,569	-	-	-
<b>Total on June 30, 2015</b>	<b>44,906</b>	<b>381,860</b>	<b>327,935</b>	<b>0</b>

A legal reserve is created in relation to a profit to be allocated, amounting to 5% up to a maximum of 10% of the fixed portion of the capital as determined by the articles of association.

The decrease in the legal reserve in the first 6 months of 2015 has to do with an adjustment in the valuation of the shares of Intergas in Inter-Energa.

Since 2008 amounts have been recorded as reserves not available equal to the depreciation of the (RAB-surplus) revaluation surplus in accordance with the settlement with the Creg.

With regard to the provisions of Article 26 of the programme law of December 19, 2014, the amount of 327,935 k euro was allocated to the untaxed reserves as a protective measure.

#### 4.17 Provisions

(In thousands of EUR)	30/06/2015	31/12/2014
Telenet - Belgacom provision	14,090	14,090
Provision for doubtful debtors	6,322	6,169
Provision for social liabilities	3,770	4,061
Others	727	925
<b>TOTAL</b>	<b>24,909</b>	<b>25,245</b>

The Telenet -Belgacom provision concerns a procedure set by Belgacom against Telenet and various cable companies, including Infrax, in the context of the transfer of the full television customer base of Infrax (and other cable operators united in Interkabel) to Telenet in 2008. Belgacom is provisionally claiming, among other things, the annulment and damages of 1 million euro.

The provision for doubtful debtors increased by 153 k euro in the first year half of 2015. For a calculation of the provision, we refer to the accounting policies.

The provision for social liabilities concerns the holidays not taken up in the first half year of 2015.

The other provisions mainly concern provisions for length of service bonuses, pensions and maintenance.

#### 4.18 Non-current liabilities

(In thousands of EUR)	30/06/2015	31/12/2014
Financial debts	932,678	986,644
Other debts	87,325	5,867
<b>TOTAL</b>	<b>1,020,003</b>	<b>992,512</b>

The financial debts consist of:

- leasing debts for an amount of 6,019 k euro;
- long term EMTN-bonds outstanding (see note below this detail) amounting to 498,437 k euro
- bank loans with a balance of 509,680 k euro.

The other debts amounting to 5,867 k euro - these relate on the one hand to the takeover of the Sibelgas grids of Kampenhout and Steenokkerzeel. Secondly, the other debts include a subordinated loan of 81,458 k euro towards the shareholders for the dividends granted for the period 2016 – 2019.

##### 4.18.1 EMTN - Euro Medium Term Note

With a view to financing the investment expenditure in electricity, TV distribution, natural gas and sewerage networks and the financing of the working capital, Infrax cvba started an EMTN programme in 2013 for the issue of bonds for a total amount of 500,000,000 spread over 4 years.

This program is part of a diversification of financing sources, in addition to the existing conventional financing through bank loans, short-term credit lines and issuing commercial papers.

The programme, approved by the FSMA on October 1, 2013, is fully guaranteed by the partners of Infrax cvba.

In 2013, the first issue took place amounting to 250 million EUR with a nominal interest rate of 3.75% and a duration of 10 years.

After obtaining the rating in October 2014, Infrac released the second issue of bonds. The updated prospectus was approved by the FSMA on October 22, 2014. The issue was very successful now as well. 250 million EUR in bonds were issued for a duration of 15 years at a nominal interest rate of 2.625 %.

Because of the rating there was more international interest than during the first issue in 2013.

In addition to this EMTN programme Infrac also has a commercial paper programme of up to 200 million EUR - see amounts payable within 1 year.

#### 4.19 Current liabilities

(In thousands of EUR)	30/06/2015	31/12/2014
Current portion of long term payables	139,801	66,872
Financial debts	2,500	17,500
Trade payables	78,230	59,834
Advance payments on work in progress	6,125	9,510
Taxes, remuneration and social security	38,195	18,591
Other amounts payable	16,247	174,885
<b>TOTAL</b>	<b>281,098</b>	<b>347,192</b>

The decrease in debts at a maximum of one year has mainly to do with a decrease in the section "Other amounts payable". The other amounts payable 2014 relate mainly to the allocated dividends for an amount of 156,623 k euro. During the processing of the result in 2014, dividends were already allocated which will be paid out in the period 2015 - 2019. These serve to guarantee the dividend expectations of the municipal shareholders so that these municipal shareholders can be offered certainty with respect to future cash flows (2015-2019).

In the first half year of 2015, the dividends granted for the period 2016-2019 have been booked as a subordinated loan, see above. Consequently, this explains the increase in the section Current portion of long term payables in the first 6 months of 2015, as shown in the table above.

The heading "Financial Debt" relates to the commercial papers which expire in 2015.

For a summary of the section "Current portion of long term payables" we refer to the explanatory notes on Non-current liabilities - Financial + Other debts on top.

The balance of financial debts at a maximum of one year concerns the current portion of the debt to financial institutions that have to be repaid within the year. Furthermore increase the other current liabilities due to the current portion of the subordinated loan towards the shareholders.

The section relating to "Trade payables" increased with 18,396 k euro.

The section "Advance payments on work in progress" relate to the invoiced advances in connection with works to be carried out by Esco.



Debts relating to “Taxes, remuneration and social security” charges increased with 19.604 k euro mainly due to the fact that the participants of Infrac are subject to corporate tax as of 2015. Consequently, a provision for corporate tax is booked in the first 6 months of 2015.

#### 4.20 Accruals and deferred income

(In thousands of EUR)	30/06/2015	31/12/2014
Operating differences (regulatory transfers)	69,853	71,126
Turnover - energy in the meters	16,163	27,862
Miscellaneous	62,177	23,461
<b>TOTAL</b>	<b>148.193</b>	<b>122,449</b>

Operating differences contains the surpluses, mainly gas, which will be offset in the future tariffs.

The heading turnover - energy in the meters relates to the demarcation of the turnover in the context of the energy supplied but not yet invoiced to the customers offset with the advances received.

The Miscellaneous balance concerns primarily the amounts still to be settled with respect to the public service obligation 100 kWh free of charge and charges still to be paid .