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# **INFRAX GROUP**

## Aggregated Financial Statements for the year ended on 31 December 2014

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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.

### 1.1 New CEO of Infrac CVBA

With effect from July 1, 2014, the Board of Directors of Infrac appointed Mr Frank Vanbrabant as CEO of Infrac, succeeding Paul De Fauw, who has reached the age of retirement. Mr Frank Vanbrabant previously held the post of Director of Operations and Customer Service.

### 1.2 New General Manager of Infrac West

With effect from March 1, 2015, the Board of Directors of Infrac appointed Mr Tom Ceuppens as General Manager of Infrac West, succeeding Paul De Fauw. Mr Tom Ceuppens takes up within Infrac the position of Director of Customer Service and Purchase & Logistics.

## 2 Summary of significant accounting policies and valuation rules

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

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<sup>1</sup> Distribution System Operator

For the activities regulated by the CREG, the rules provided for in the abolished Royal Decrees of 2 September 2008 are applied. The distribution grid tariffs from 2015 onwards will be set by the regional regulators. The CWaPE has indicated for the Walloon region to continue the previous regime, and hence the existing accounting rules, for the years 2015 and 2016. From 2017 onwards, the CWaPE may impose different accounting rules. The VREG for its part will apply a “revenue-cap” regime instead of a corrected “cost-plus” regime. This presumably implies different accounting rules from those set out in the abolished Royal Decrees of 2 September 2008.

## **2.1 Principles of aggregation**

The aggregated financial statements include all DSOs of the Infrax group. These are unaudited aggregated figures, which means that this is an aggregation of the audited individual financial statements for the years ended 31 December 2014, 2013 of each DSO and adjusted for a number of eliminations and adjustments.

The aggregated figures cannot be considered as consolidated figures of the Infrax group for the following reasons, among others:

- i. Accounting treatments and valuation rules are not identical in each of the entities of the Infrax Group (see below).
- ii. Although elimination of the material intragroup transactions are considered, not all intragroup transactions are eliminated.

The term aggregation is thus used for (i) adding the individual audited financial statements of each member of the Infrax Group, and (ii) eliminating the material intragroup transactions.

The information for the financial years ended 31 December 2014, 2013 has been extracted from the audited financial statements of the members of the Infrax group for the years ended 31 December 2014, 2013. These audited statements have all been prepared in accordance with Belgian GAAP. The audited figures of the various DSOs have already been presented to the members of the various Boards of Directors but must still be approved by the General Meeting of the various DSOs.

Since Belgian GAAP do not require cash flow statements and since the annual audited financial statements of the members of the Infrax group thus do not include such statements, an overview of sources and application of funds has been prepared. The table containing this cash-flow information for the financial years 2014, 2013 is based on the 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**

### **2.2.1 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.

## 2.2.2 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 will apply 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. The CWaPE will apply 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.

## 2.2.3 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.

### 2.2.3.1 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.

### 2.2.3.2 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 winstmarge"). According to the abolished Royal Decrees of 2 September 2008, upon which the current tariffs and deprecation rules are still based, the RAB value is composed of the sum of the net economic reconstruction value ("netto economische reconstructiewaarde") of the regulated property, plant and equipment (iRAB or initial RAB value increased with the surplus value) and the need for net working capital of the Distribution System Operators. The economic reconstruction value of the regulated fixed assets is based on a detailed technical inventory of all network components, valued in accordance with current reference prices to construct a new distribution grid and taken into account the age profile of the distribution grid.

The RAB value is calculated each year taken into account the flows in the value of the distribution grid and the need for working capital. The economic reconstruction value evolves with the following flows:

- Plus
  - o new investments.
- Less
  - o contributions paid by customers;
  - o investments grants;
  - o depreciation;
  - o 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).

By decision(s) of the CREG of 16 December 2010, the new RAB values were set at:

RAB as at 1.1.2011	Inter-Energa	Infrax West	Iveg	PBE
Transmission 70kV	65,549,104			
Electricity	564,999,685	176,544,941	92,023,968	153,756,231
Gas	399,976,878	81, 869,722	73,425,136	

The calculation was established and documented by KPMG.

The VREG will allow each DSO to use its own valuation method. The valuation method must however be adequately explained in the annual statement of account.

Any change in the valuation method must furthermore be notified to the VREG in advance.

The CWaPE makes a distinction in its draft transitory tariff methodology between the “actif régulé primaire” (primary RAB) and the “actif régulé secondaire” (secondary RAB). Investments made before 1 January 2014 will be inserted in the primary RAB; investments made after 1 January 2014 will be inserted in the secondary RAB. Both the primary and the secondary RAB will be calculated pursuant to the abolished Royal Decrees of 2 September 2008, although the different parameters will be updated.

### 2.2.3.3 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 rules and the provisional 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;
- 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);
- 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;
- 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.

#### 2.2.3.4 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 5% (except for Riobra).

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

#### 2.2.4 Financial fixed assets

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

#### 2.2.5 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.

## 2.2.6 Accounts receivable and accounts payable

The accounts receivable and payable are booked at their original value. On 31 December 2014 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 31 December 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 VA.
- 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%.

## 2.2.7 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.

Investment grants for investment in sewage systems received from various Authorities:

27,056,723.69 euros in financial year 2014.

## 2.2.8 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 31 December 2014, an IRS was outstanding for the following long term loans:

- bank loan Infrac (2011-2031): 70 million EUR - (8.951.835,66) euro MTM value at 31 December 2014;
- bank loan Infrac (2012-2015): 40 million EUR – (128.937,84) euro MTM value at 31 December 2014;
- bank loan Infrac West (2012-2022): 30 million EUR – (840.088,83) euro MTM value at 31 December 2014;
- bank loan Iveg (2012-2022): 10 million EUR – (280.030,55) euro MTM value at 31 December 2014;
- bank loan PBE (2012-2022): 10 million EUR – (280.030,55) euro MTM value at 31 December 2014;
- bank loan Inter-energa (2012-2022): 40 million EUR - (1.225.468,96) euro MTM value at 31 December 2014;
- bank loan Inter-aqua (2012-2022): 20 million. EUR – (612.734,48) euro MTM value at 31 December 2014;

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 annual accounts in accordance with Belgian GAAP, but mentioned in the comments on the annual accounts.

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

For further information on the MTM Value of these instruments, please see the comments in the individual annual accounts of the different DSOs in this respect.

### 2.2.9 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.

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 Aggregated income statement

(In thousands of EUR)	Note	31/12/14	31/12/13
<b><u>OPERATING INCOME</u></b>		<b><u>831,164</u></b>	<b><u>758,058</u></b>
Turnover	7.1.1	707,602	688,097
Change in the stock of work in progress	7.1.3	865	2,761
Fixed assets produced	7.1.3	1,384	-
Other operating income	7.1.3	121,313	67,199
<b><u>OPERATING CHARGES</u></b>		<b><u>695,081</u></b>	<b><u>634,517</u></b>
Trade goods and raw materials	7.2.1	52,566	59,226
Services and other goods	7.2.2	382,992	323,569
Remuneration, social security and pensions	7.2.3	146,146	144,308
Amortization and depreciation of non-current assets	7.2.4	110,082	107,037
Impairment stocks, work in progress and trade receivables	7.2.5	5,443	6,010
Provisions for liabilities and charges	7.2.6	- 5,360	- 5,949
Other operating charges	7.2.7	3,213	315
<b><u>OPERATING PROFIT</u></b>		<b><u>136,083</u></b>	<b><u>123,542</u></b>
<b><u>FINANCIAL INCOME</u></b>		<b><u>24,128</u></b>	<b><u>23,358</u></b>
Income from financial fixed assets	7.3.1	7,015	6,334
Income from current assets	7.3.2	324	345
Other financial income	7.3.3	16,790	16,679
<b><u>FINANCIAL CHARGES</u></b>		<b><u>56,022</u></b>	<b><u>26,109</u></b>
Debt charges	7.4.1	32,732	25,541
Other financial charges	7.4.2	23,290	569
<b><u>EXTRAORDINARY INCOME</u></b>		<b><u>111,423</u></b>	<b><u>12,769</u></b>
Reversal of amortization and depreciation of non-current assets	7.5.1	1,475	- 528
Reversal of provisions for extraordinary liabilities and charges	7.5.2	98,288	-
Capital gains on derecognition/sale of fixed assets	7.5.3	349	2,322
Other extraordinary income	7.5.4	11,310	10,975
<b><u>EXTRAORDINARY CHARGES</u></b>		<b><u>31,720</u></b>	<b><u>26,131</u></b>
Capital losses on disposal/retirement of fixed assets	7.6.1	4,947	3,546
Other extraordinary charges	7.6.2	26,773	22,585
<b><u>PROFIT (LOSS) BEFORE TAX</u></b>		<b><u>183,892</u></b>	<b><u>107,429</u></b>
<b><u>TAXES</u></b>		<b><u>4</u></b>	<b><u>0</u></b>
Income tax expenses	7.7	4	0
<b><u>PROFIT (LOSS) FOR THE REPORTING PERIOD</u></b>		<b><u>183,888</u></b>	<b><u>107,428</u></b>

## 4 Aggregated balance sheet

(In thousands of EUR)	Note	31/12/14	31/12/13
<b><u>NON-CURRENT ASSETS</u></b>		<b><u>3,180,499</u></b>	<b><u>3,142,613</u></b>
Formation expenses	7.8	595	1,072
Intangible fixed assets	7.9	25,965	29,889
Property, plant and equipment	7.10	3,072,371	3,030,273
Financial fixed assets	7.11	81,568	81,379
Affiliated enterprises		11,547	11,547
Other enterprises linked by participating interests		12,942	12,942
Other financial assets		57,079	56,890
<b><u>CURRENT ASSETS</u></b>		<b><u>939,188</u></b>	<b><u>775,307</u></b>
Long term receivables	7.13	165,666	149,131
Stocks and work in progress	7.12	36,561	40,269
Amounts receivable within 1 year	7.13	141,542	141,472
Current investments	7.14	141	134
Cash and cash equivalents	7.14	29,064	21,678
Deferred charges and accrued income	7.15	566,214	422,623
<b>TOTAL ASSETS</b>		<b><u>4,119,688</u></b>	<b><u>3,917,921</u></b>

(In thousands of EUR)	Note	31/12/14	31/12/13
<b><u>SHAREHOLDERS' EQUITY</u></b>	<b>7.16</b>	<b><u>2,632,290</u></b>	<b><u>2,616,286</u></b>
Capital		1,054,202	1,054,068
Share premium account		112,948	112,948
Revaluation surpluses		548,080	559,739
Reserves		761,269	756,860
Investment grants		155,790	132,671
<b>Provisions for liabilities and charges</b>	<b>7.17</b>	<b>25,245</b>	<b>128,893</b>
<b><u>LIABILITIES</u></b>		<b><u>1,462,153</u></b>	<b><u>1,172,741</u></b>
<b>Non-current liabilities</b>	<b>7.18</b>	<b>992,512</b>	<b>813,627</b>
Financial debts		986,644	803,667
Other debts		5,867	9,960
<b>Current liabilities</b>	<b>7.19</b>	<b>469,641</b>	<b>237,787</b>
Current portion of long term payables		66,872	45,047
Financial debts	7.19	17,500	50,750
Trade payables		59,834	68,030
Advance payments on work in progress		9,510	6,026
Taxes, remuneration and social security		18,591	18,805
Other amounts payable		174,885	49,129
Accruals and deferred income	7.20	122,449	121,327
<b>TOTAL LIABILITIES</b>		<b><u>4,119,688</u></b>	<b><u>3,917,921</u></b>

## 5 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, 2013</b>	<b>1,046,749</b>	<b>112,948</b>	<b>576,460</b>	<b>715,554</b>	<b>-</b>	<b>106,736</b>	<b>2,558,448</b>
Total income for the reporting period	7,319		-16,721		107,428	25,935	<b>123,961</b>
Addition/decrease reserves				13,332			<b>13,332</b>
Dividends paid					-79,454		<b>-79,454</b>
<b>Total on December 31, 2013</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 in reserves				21,537			<b>21,537</b>
Dividends payable					-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>

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

## 6 Aggregated cash flow statement

(In thousands of EUR)		Note	31/12/2014	31/12/2013
Operating activities composed of	Profit for the reporting period		183,888	107 428
	Depreciation/amortization of non-current assets	7.2.4	110,082	107 037
	Impairment current assets (Recognition +; Reversal - )	7.2.5	5,443	6 010
	Changes in provisions (Recognition +; Reversal - )	7.2.6	-5,360	-5 949
	Dividends received	7.3.1	-7,015	-6 334
	Extraordinary (reversal) depreciation	7.5.1	-1,475	528
	Gains/losses on disposal/retirement/sale of fixed assets	7.5.3/7.6.1	4,598	1 224
	Reversal of provision for liabilities and charges	7.5.2	-98,288	0
	Movement in investment grants	7.3.3	-3,516	-2 741
	<b>Cashflow from operating activities</b>		<b>188,356</b>	<b>207 203</b>
	Changes in trade and other payables	7.19	-8,196	-13 823
	Changes in payables for tax, remuneration and social charges	7.19	-214	2 419
	Changes in advance payments	7.19	3,483	4 747
	Changes in accrued liabilities	7.20	1,122	6 728
	<b>Changes in operating liabilities</b>		<b>-3,805</b>	<b>70</b>
	Changes in receivables > 1 year	7.13	-16,535	-5 062
	Change in stocks	7.12	3,708	-246
	Changes in trade and other receivables	7.13	-71	16 139
	Impairment current assets (Recognition +; Reversal - )	7.2.5	-5,443	-6 010
	Changes in deferred charges and accrued income	7.15	-143,591	-142 469
<b>Changes in operating assets</b>		<b>-161,931</b>	<b>-137 648</b>	
<b>Changes in provisions and deferred taxes</b>		<b>0</b>	<b>760</b>	
<b>OPERATING CASHFLOW AFTER TAX</b>			<b>22,621</b>	<b>70 385</b>
Investing activities in	Formation expenses	7.8	0	0
	Intangible fixed assets	7.9	-3,286	-9 382
	Property, plant and equipment	7.10	-143,018	-176 785
	Financial fixed assets	7.11	-189	-2 451
	Proceeds from financial fixed assets	7.3.1	7,015	6 334
	Losses and gains on disposal/retirement/sale of fixed assets	7.5.3/7.6.1	-4,598	-1 224
<b>INVESTMENT CASHFLOW</b>			<b>-144,076</b>	<b>-183 507</b>
<b>FREE CASHFLOW BEFORE FINANCING</b>			<b>-121,455</b>	<b>-113 122</b>
Financing activities in	Changes in equity	7.16	16,004	57 839
	Result of the accounting period		-183,888	-107 428
	Profit distribution		201,016	82 519
	Change in investment grants	7.3.3	3,516	2 741
	<b>Equity</b>		<b>36,648</b>	<b>35 670</b>
	Changes in financial debts > 1 year	7.18	182,977	205 051
	Changes in financial debts < 1 year	7.19	-33,250	-156
	Changes in amounts payable < 1 year	7.19	21,825	-32 250
	<b>Financial debts</b>		<b>171,552</b>	<b>172 645</b>
	Changes in other payables < 1 year	7.19	125,756	-2 480
	Changes in other payables > 1 year	7.18	-4,092	-4 756
Profit distribution of the accounting period		-201,016	-82 519	
<b>Other payables</b>		<b>-79,353</b>	<b>-89 755</b>	
<b>FINANCING CASHFLOW</b>			<b>128,848</b>	<b>118 561</b>
<b>TOTAL CASHFLOW</b>			<b>7,392</b>	<b>5 439</b>
	Cash inflow		403,571	422 683
	Cash outflow		-396,179	-417 244
<b>Movement in cash and cash equivalents</b>			<b>7,392</b>	<b>5 439</b>

## 7 Notes to the aggregated financial statements

### 7.1 Operating Income

#### 7.1.1 Turnover

(In thousands of EUR)		2014	2013
<b>Electricity</b>	Distribution	303,446	319,996
	Injection	1,878	1,767
	Transportation costs, Elia	143,807	95,761
	Others	79,761	95,066
<b>Total electricity</b>		<b>528,892</b>	<b>512,590</b>
<b>70KV/ 36KV</b>	Revenues	14,963	15,123
	<b>Total 70KV/36KV</b>	<b>14,963</b>	<b>15,123</b>
<b>Gas</b>	Distribution	75,142	89,724
	Others	17,596	-3,034
<b>Total gas</b>		<b>92,738</b>	<b>86,690</b>
<b>Sewerage</b>	Sewage charges	58,510	59,705
<b>CTV</b>	Fees	10,096	10,922
<b>Others</b>	Other sales	2,402	3,066
<b>TOTAL</b>		<b>707,602</b>	<b>688,097</b>

The group 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.

### 7.1.2 Regulatory transfers

(In thousands of EUR)	2014	2013
Addition of transfers	82,431	76,642
Recovery of transfers	-2,500	-2,500
<b>TOTAL</b>	<b>79,931</b>	<b>74,142</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.

### 7.1.3 Other operating income

(In thousands of EUR)	2014	2013
Change in the stock of work in progress	865	2,761
Fixed assets produced	1,384	-
Other operating income	121,313	67,199
<b>TOTAL</b>	<b>123,562</b>	<b>69,961</b>

The other operating income mainly concerns the Telenet opex retribution received (20,678 K euro), the sale of 'Green Power Certificates ("GPC")' and Combined Heat and Power production ("CHP") certificates (52,862 K euro), the revenue received in the framework of the annual solidarisation of GPC and CHP certificates (24,630 K euro) and the recuperations with respect to premiums paid out for rational use of energy (15,400 K euro).

## 7.2 Operating charges

### 7.2.1 Trade goods and raw materials

(In thousands of EUR)	2014	2013
Purchase of energy	37,536	42,417
Purchase of grid losses	15,030	16,809
<b>TOTAL</b>	<b>52,566</b>	<b>59,226</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.

### 7.2.2 Services and other goods

(In thousands of EUR)	2014	2013
Contractors' costs for construction and maintenance of grids	140,769	156,409
Fees including use of installations	3,224	2,088
Advertisements, information, documentation, etc.	2,058	1,938
Public service obligation	216,777	206,425
Contracts and management costs	5,168	3,255
Consultancy and other services	8,673	7,956
Staff of third parties	10,305	8,448
Transportation fee for Elia	128,627	92,146
Others	84,214	92,800
Transfer to fixed assets	-216,824	-247,896
<b>TOTAL</b>	<b>382,992</b>	<b>323,569</b>

Services and other goods increased by 59,423 K euro compared with 2013.

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.

### 7.2.3 Remuneration, social security and pensions

(In thousands of EUR)	2014	2013
Salaries	102,387	103,082
Employers' contributions to social insurance	34,623	33,272
Charges for pension schemes and supplementary insurance	82	531
Other personnel costs	9,054	7,423
<b>TOTAL</b>	<b>146,146</b>	<b>144,308</b>

The personnel costs amounted to 146,146 K euro in 2014, an increase of 1.3% compared to 2013. The average number of members of staff came to 1,506.25 FTE's in 2014.

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

(In thousands of EUR)	2014	2013
Amortization and depreciation of non-current assets	110,082	107,037
<b>TOTAL</b>	<b>110,082</b>	<b>107,037</b>

The amortization of intangible fixed assets increased by 667 K euro mainly as a result of the investments in the smart meters project. The depreciation on property, plant and equipment increased by 2,377 K euro.

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

(In thousands of EUR)	2014	2013
Impairment stocks	181	1,566
Impairment trade receivables < 1year	5,261	4,444
<b>TOTAL</b>	<b>5,443</b>	<b>6,010</b>

In 2013 Infracore for the first time booked a provision for obsolete stock, which amounted to 1,566 K euro. This means that the impact on the profit and loss accounts in 2013 is equal to the amount of the provision booked. In 2014, the provision for obsolete stock was 1,747 but the 2013 provision was also reversed, which means that the net impact in the profit and loss accounts amounts to only 181 K euro.

Impairment trade receivable relate to definitively irrecoverable receivables. The amount of 4,933 K euro is withdrawn from the provision for doubtful debtors - see further.

## 7.2.6 Provisions for liabilities and charges

(In thousands of EUR)	2014	2013
Provision for length of service premium	-28	54
Provision for major repairs	-870	-1,104
Provision for pending disputes	-	-32
Provision for doubtful debtors	-2,653	-4,867
Others	-1,809	-
<b>TOTAL</b>	<b>-5,360</b>	<b>-5,949</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 2014. 2014 shows a credit balance, since this year more bonuses were paid out than provided for each year. 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 concerned on the one hand the use of 420 K euro for the construction of the new offices in our buildings in Lubbeek. On the other hand, there is a reversal of the provision for maintenance of sewerage for an amount of 450 K euro.

The provision for doubtful debtors amounting to (2.653) K euro concerns:

- the reversal for the amount of the write-off of the definitively irrecoverable receivables, (4,933) K euro in 2014 (see above);
- additional provision for doubtful debtors 2014 for an amount of 2,280 K euro.

The other provisions (1,809 K euro) relate to:

- provision (creation and reversal) for holidays not taken up, totalling 731 K euro;
- the use of the energy fund for various energy projects (1,078 K euro).

## 7.2.7 Other operating charges

(In thousands of EUR)	2014	2013
Various taxes	393	315
Sewerage fund	2,820	-
<b>TOTAL</b>	<b>3,213</b>	<b>315</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 2014, Inter-aqua has already created a sewerage fund amounting to 2,820 K euro.

### 7.3 Financial income

#### 7.3.1 Income from financial fixed assets

(In thousands of EUR)	2014	2013
Income from financial fixed assets	7,015	6,334
<b>TOTAL</b>	<b>7,015</b>	<b>6,334</b>

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

#### 7.3.2 Income from current assets

(In thousands of EUR)	2014	2013
Income from current assets	324	345
<b>TOTAL</b>	<b>324</b>	<b>345</b>

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

### 7.3.3 Other financial income

(In thousands of EUR)	2014	2013
Investment grants	3,516	2,741
Other various financial revenues	13,274	13,938
<b>TOTAL</b>	<b>16,790</b>	<b>16,679</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, Infrax receives a fair beneficiary margin (6.25 %) on the value of the cable network that has been leased to Telenet until 2046.

## 7.4 Financial charges

### 7.4.1 Debt charges

(In thousands of EUR)	2014	2013
Leasing debts	694	889
Interest charges from long and short-term loans	32,038	24,652
<b>TOTAL</b>	<b>32,732</b>	<b>25,541</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 for an amount of 11,438 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.

### 7.4.2 Other financial charges

(In thousands of EUR)	2014	2013
Bank costs	48	22
Other various financial charges	23,242	547
<b>TOTAL</b>	<b>23,290</b>	<b>569</b>

The other various financial charges include mainly the costs relating to the realisation of a hedging contract. That cost amounted to 23,201 K euro.

## 7.5 Extraordinary income

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

(In thousands of EUR)	2014	2013
Reversal of amortization and depreciation of non-current assets	1,475	528
<b>TOTAL</b>	<b>1,475</b>	<b>528</b>

The reversal of amortization and depreciation relates mainly to the correction of the economic reconstruction value of the Infrac West 36 KV transmission grid .

### 7.5.2 Reversal of provisions for extraordinary liabilities and charges

(In thousands of EUR)	2014	2013
Reversal of provisions for extraordinary liabilities and charges	98,288	-
<b>TOTAL</b>	<b>98,288</b>	<b>-</b>

The reversal of provisions relates primarily to:

- reversal of provisions accrued in the past regarding deficits in the non-manageable costs for the amount of 59,081 K euro.

Until 2012, provisions were made to compensate for the regulatory assets. With regard to the Flemish coalition agreement for 2014-2019, which states that the deficits in non-manageable costs from the past must be eliminated in the short term and with regard to the decision of the VREG to offset the balances from 2008 and 2009 in the tariffs for 2015 and 2016, it can reasonably be assumed that these provisions have become irrelevant.

- The reversal of the provisions accrued in the past for the delta real opex cable television versus opex-retribution Telenet amounting to 37,699 K euro.

The provision created in the past for the delta real opex cable television versus opex-retribution Telenet, as contractually agreed for the period 2008-2014, will be entirely reversed in 2014. From October 2014, the fee will be determined partly on the basis of evolutions in the operating costs of Telenet and partly on evolutions in the salary costs on the basis of the Agoria index.

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

(In thousands of EUR)	2014	2013
Realisation of capital gains on derecognition/sale of fixed assets	349	2,322
<b>TOTAL</b>	<b>349</b>	<b>2,322</b>

The largest part of the capital gains relates to recall of articles in stock. This revenue is neutralized by the same amount in the operating charges (Trade goods and raw materials). In 2013 additional capital gains were realized with respect to:

- the sale of the office building in Bruges to the value of 673 K euro;
- the sale of the office building in Kampenhout for 140 k euro;
- the sale of the Beringen building for 145 k euro.

### 7.5.4 Other extraordinary income

(In thousands of EUR)	2014	2013
Extraordinary income related to receivables	131	234
Other extraordinary income	11,179	10,741
<b>TOTAL</b>	<b>11,310</b>	<b>10,975</b>

The extraordinary income relates 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 2,924 k euro, the adjustment of the outstanding Sibelgas payable in the context of the takeover of Steenokkerzeel and the settlement regarding the investments charged to Telenet for the period 2008-2013.

## 7.6 Extraordinary charges

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

(In thousands of EUR)	2014	2013
Capital losses on disposal/retirement of fixed assets	4,947	3,546
<b>TOTAL</b>	<b>4,947</b>	<b>3,546</b>



The booked capital loss in 2014 relates mainly to the decommissioned assets, valued at 4,811 k euro.

The rest of the balance relates primarily to derecognizing the Brussels office building for an amount of 126 k euro and the transfer of intangible fixed assets to the result for an amount of 321 k euro.

#### 7.6.2 Other extraordinary charges

(In thousands of EUR)	2014	2013
Other extraordinary charges	26,773	22,585
<b>TOTAL</b>	<b>26,773</b>	<b>22,585</b>

The other extraordinary charges relate mainly to the pension contributions for the amount of 21,994 k euro, to guarantee the pension obligations of the statutory staff.

The other exceptional charges also concern the settlement regarding the investments charged to Telenet for the period 2008-2013 for the amount of 3,907 k euro.

#### 7.7 Taxes

(In thousands of EUR)	2014	2013
Taxes	4	0
<b>TOTAL</b>	<b>4</b>	<b>0</b>

The 2014 taxes relate mainly to withholding tax.

#### 7.8 Formation expenses

(In thousands of EUR)	2014	2013
Formation expenses	595	1,072
<b>TOTAL</b>	<b>595</b>	<b>1,072</b>

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

## 7.9 Intangible fixed assets

2014 (In thousands of EUR)	Franchises, patents, licenses, trade marks
Cost at January 1, 2014	76,075
Acquisitions	5,549
Other	-3,204
<b>Cost at December 31, 2014</b>	<b>78,420</b>
Amortization on and impairment at January 1, 2014	46,186
Amortization	7,210
Other	-941
<b>Amortization and impairment at December 31, 2014</b>	<b>52,455</b>
<b>Net book value on 31 December 2014</b>	<b>25,965</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.

## 7.10 Property, plant and equipment

2014 (In thousands of EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Other*
Cost at January 1, 2014	145,892	4,671,014	102,474	318,788
Acquisitions	3,001	227,786	3,129	100,353
Sales and disposals	-329	-15,874	-474	-185,790
<b>Cost at December 31, 2014</b>	<b>148,564</b>	<b>4,882,926</b>	<b>105,129</b>	<b>233,351</b>
Depreciation and impairment at January 1, 2014	61,296	2,046,561	90,766	9,271
Depreciation	2,541	92,017	4,253	2,774
Sales and disposals	-68	-10,679	-482	-650
<b>Depreciation and impairment at 31 December 2014</b>	<b>63,769</b>	<b>2,127,899</b>	<b>94,537</b>	<b>11,395</b>
<b>Net book value on 31 December 2014</b>	<b>84,795</b>	<b>2,755,027</b>	<b>10,592</b>	<b>221,956</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.

## 7.11 Financial fixed assets

(In thousands of EUR)	2014	2013
<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>12,942</b>	<b>12,942</b>
1. Participating interests	12,942	12,942
2. Amounts receivable	-	-
<b>Other financial assets</b>	<b>57,079</b>	<b>56,890</b>
1. Shares	56,821	56,821
2. Amounts receivable and cash guarantees	258	69
<b>TOTAL</b>	<b>81,568</b>	<b>81,379</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 and Inter-regies.

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.

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 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 Albertlaan 37, Brussels. The new offices were in use on September 1, 2014.

## 7.12 Stocks and work in progress

(In thousands of EUR)	2014	2013
Raw materials and consumables	28,400	32,829
Impairment of stocks	-1,747	-1,566
Projects in progress	9,908	9,006
<b>TOTAL</b>	<b>36,561</b>	<b>40,269</b>

In 2014, an additional impairment loss of 181 k euro was booked.

The projects in progress relate to the current Escoco 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.

### 7.13 Trade and other receivables

(In thousands of EUR)	2014	2013
Receivables outstanding more than one year	165,666	149,131
Amounts receivable within one year	141,542	141,472
<b>TOTAL</b>	<b>307,208</b>	<b>290,603</b>

Receivables outstanding more than one year mainly concern the receivables towards Telenet (161,585 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)	2014	2013
Trade receivables from distribution grid activities	50,172	55,090
Trade receivables social customers	7,517	10,188
Other trade receivables	58,108	56,880
Other receivables	25,745	19,313
<b>TOTAL</b>	<b>141,542</b>	<b>141,471</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 2015 from Telenet in implementation of the long-term lease agreement.

#### 7.14 Current investments, cash and cash equivalents

(In thousands of EUR)	2014	2013
Current investments	141	134
Cash and cash equivalents	29,064	21,678
<b>TOTAL</b>	<b>29,205</b>	<b>21,812</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.

#### 7.15 Deferred charges and accrued income

(In thousands of EUR)	2014	2013
Regulatory differences on non-manageable costs and volumes	327,078	245,620
Stock of GPC and CHP + solidarisation	234,421	164,272
Miscellaneous	4,715	12,731
<b>TOTAL</b>	<b>566,214</b>	<b>422,623</b>

The details of the regulatory differences at the end of 2014 are as follows:

(In thousands of EUR)	2014	2007 - 2013
Electricity	71,678	237,775
Natural gas	12,188	2,536
70 KV	-	2,900
<b>TOTAL</b>	<b>83,866</b>	<b>243,211</b>

The unexpected increase in PV installations has led to important shortages in the non-manageable 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 2014, 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.

On the amounts relating to the years 2010 to 2014 decisions must still be taken with regard to the offset in future tariffs.

It should however be mentioned that, as a result of the abolition of the Royal Decree on multi-year tariffs in early 2012, the legislative framework has become unclear and thus also the manner and timing of the offset in the tariffs of the operating differences for the period 2010-2014.

#### Stock of Green Power Certificates + solidarisation

In 2014 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 2014, the stock of GPC and CHP certificates represented 210,1 million euros for the Infrac Group. 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") 1.5 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), or in total 46.6 million euros and has compensated the financing costs for 2014..

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 is approximately 163.5 million euros.

## **7.16 Capital**

The various components of the share capital, together with the changes between 01 January 2013 and 31 December 2014 are shown in the "Aggregated statement of changes in equity".

The share capital amounted to 1,054,202 k euro at the end of 2014 and increased slightly by 135 k euro compared with 2013. The issued capital amounts to 1,054,286 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 2014.

	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		
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 2014.

	Electricity	Gas	Sewerage	CTV	Public lighting
Capital in euros					
Inter-aqua			378,291,475		
Inter-energa	82,854,105	65,796,361			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		
PBE	63,142			11,227	

In 2014, there was a capital increase in Infrac West amounting to 135 k euro by creating additional shares in response to installing grids underground.

The share premium account remained unchanged in 2014.

The revaluation surpluses fell by 11,659 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, 2013</b>	<b>45,583</b>	<b>343,802</b>		<b>326,169</b>
Endowment/decrease in reserves	2,786	19,550		18,970
<b>Total on December 31, 2013</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>

A legal reserve was 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.

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.

In 2014, an amount of 17,204 k euro was withdrawn from the available reserves to make it possible to pay out the promised dividends.

## 7.17 Provisions

(In thousands of EUR)	2014	2013
Telenet - Belgacom provision	14,090	14,090
Opex Telenet	-	37,699
Creg provision (regulatory asset)	-	59,081
Provision for doubtful debtors	6,169	8,823
Provision for social liabilities	4,061	4,790
Others	925	4,410
<b>TOTAL</b>	<b>25,245</b>	<b>128,893</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 euro.

The provision created in the past for the delta between the actual operating costs versus the opex-retribution Telenet, as contractually agreed for the period 2008-2014, will be entirely withdrawn in 2014. From October 2014, the fee will be determined partly on the basis of evolutions in the operating costs of Telenet and partly on evolutions in the salary costs on the basis of the Agoria index.

Until 2012, the regulatory asset provisions were created as compensation. With regard to the Flemish coalition agreement for 2014-2019, which says that the balances from the past must be eliminated in the short term and with regard to the decision of the VREG to offset the balances from 2008 and 2009 in the tariffs for 2015 and 2016, it can reasonably be assumed that these provisions have become irrelevant. The provisions created in the past to compensate for the regulatory assets amount to 57.7 million euros for electricity and 1.3 million euros for natural gas and will be withdrawn in the financial year 2014.

The provision for doubtful debtors fell in 2014 by 2,654 k euro. The main reason is the reduction in old outstanding receivables. For a calculation of the provision, we refer to the accounting policies. The provision for social liabilities concerns the holidays not taken up in 2014.

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

## 7.18 Non-current liabilities

(In thousands of EUR)	2014	2013
Financial debts	986,644	803,667
Other debts	5,867	9,960
<b>TOTAL</b>	<b>992,512</b>	<b>813,627</b>

The financial debts consist of:

- leasing debts for an amount of 5,146 k euro;
- long term EMTN-bonds outstanding (see note below this detail) amounting to 498,349 k euro
- bank loans with a balance of 483,149 k euro.

The other debts amounting to 5,867 k euro - these relate to the takeover of the Sibelgas grids of Kampenhout and Steenokkerzeel.

#### 7.18.1 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, Infrac 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 Infrac 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.

### 7.19 Current liabilities

(In thousands of EUR)	2014	2013
Current portion of long term payables	66,872	45,047
Financial debts	17,500	50,750
Trade payables	59,834	68,030
Advance payments on work in progress	9,510	6,026
Taxes, remuneration and social security	18,591	18,805
Other amounts payable	174,885	49,129
<b>TOTAL</b>	<b>347,192</b>	<b>237,787</b>

The increase in debts at a maximum of one year has mainly to do with an increase in the other amounts payable.

The other payables relate mainly to the allocated dividends for an amount of 156,623 k euro in 2014.

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).

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

For a summary of the current portion of long term liabilities we refer to the explanatory notes on 'Long term payables - Financial 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.

The section relating to trade payables remained virtually unchanged in 2014.

The 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 fell slightly.

## 7.20 Accruals and deferred income

(In thousands of EUR)	2014	2013
Operating differences (regulatory transfers)	71,126	70,450
Turnover - energy in the meters	27,862	20,255
Miscellaneous	23,461	30,622
<b>TOTAL</b>	<b>122,449</b>	<b>121,327</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 .