

Regulated information

Brussels, 31 October 2018

HALF-YEARLY FINANCIAL REPORT OF THE INFRAx-GROUP¹ AS PER 30 JUNE 2018²

HIGHLIGHTS

- Eandis System Operator cvba and Infrax cvba realise their announced merger. On 1 July 2018 **Fluvius System Operator cvba** starts as the integrated multi-utility operator for the whole of Flanders. Fluvius System Operator is from that day on the licensed operating company for 11 distribution system operators (DSOs) for gas and/or electricity and 3 other intermunicipal utilities in Flanders.
- Infrax's bondholders approve a number of amendments to the terms and conditions of the outstanding bonds at the occasion of the merger with Eandis System Operator.
- The rating agency Fitch has changed the outlook on Infrax's **A rating** from stable to negative.
- Both of the subsidiaries in which Eandis participated alongside Infrax, **Warmte@Vlaanderen cvba** and **Fluvius cvba**, have been dissolved and put into liquidation. Their activities will now be continued within Fluvius System Operator.
- **4 Walloon municipalities** have switched from PBE to the Walloon operator Ores. The municipality **Sint-Pieters-Leeuw** has opted for Riobra.
- An amendment to the Flemish Energy Decree entrusts the DSOs (and thus their operating company Innfrax/Fluvius) – under strict conditions – with the role of **data manager**.
- The roll-out of the **digital meter** is ready for launching.
- Eandis/Fluvius has worked out an offer for **fibre-to-the-home (FTTH)**.
- Eandis is introducing a number of **innovative projects**, often in collaboration with other parties, aimed primarily at the energy transition.

¹ The Infrax-group comprises Infrax cvba and its subsidiaries, joint ventures and associated companies, Atrias cvba, Warmte@Vlaanderen cvba and Fluvius cvba.

² All comparisons are with the figures reported as per 30 June 2017, unless stated otherwise.

- The **Antwerp Court of Appeal** has rejected Proximus's claim against the contractual agreements of Interkabel and Telenet dating back to 2008.
- A 1 % decrease in the number of employees, compared to the year-end 2017 figure, has been recorded.
- **No profit or loss**, since all costs are fully passed on to the DSOs based on the 'transfer at cost' principle.

MANAGEMENT REPORT

Infrax merges with Eandis System Operator and becomes Fluvius

The merger announced between Infrax and its Flemish peer Eandis System Operator is now a fact. First, the Boards of Directors of both companies had already approved this merger and, on 28 June 2018, the Extraordinary Shareholders' Assemblies of both Eandis System Operator and Infrax approved this integration. The merged entity, **Fluvius System Operator cvba**, kicks off on 1 July 2018. However, the commercial names Infrax and Eandis will still remain visible in the streets until early 2019; the name 'Fluvius' will then be used to the end consumers as well. For more information on Fluvius, visit the website www.fluvius.be



The realization of this merger is the result of long and intensive **preparations**. The first exploratory discussions between Infrax and Eandis date back to May 2017. Both companies then decided to collaborate more closely on a few topics. A first concrete result was the establishment of two joint subsidiaries, in which each partner participated for 50%. First, there was Warmte@Vlaanderen which was established with the aim to develop projects for district heating. And then there was Fluvius, through which the founders wanted to bring about a joint and coordinated approach to the digital metering roll-out in Flanders. Step by step, the idea grew that a more intense collaboration and integration of both operating companies could contribute to substantial financial and operational gains. Once a consultant had mapped out and budgeted these gains, the merger proposal was launched.

From a legal perspective, the merger was realized through a **merger by absorption** in which Eandis System Operator absorbs Infrax, with an immediate change of name of Eandis System Operator into Fluvius System Operator.

Fluvius System Operator will be responsible for the distribution management of electricity and gas in all 308 Flemish cities and municipalities. But Infrax's sewerage and cable activities are taken over by Fluvius System Operator as well. In 84 municipalities Fluvius will manage the sewerage system, in 91 municipalities it will manage the cable distribution network. So, Fluvius clearly positions itself as a **multi-utility company**.

At the start of Fluvius some clear objectives have been laid down. Thanks to **integration and cost-saving programmes** an annual cost saving of 110 million EUR can be realized. This represents 15% of the operational costs incurred by Fluvius. This will benefit the end consumers in the form of a lower distribution grid fee for electricity and gas, estimated at a decrease of the end bill for energy of 36 euro per year for an average household.

On 26 June 2018, the Flemish energy regulator VREG – after careful investigations – formally allowed³ 11 DSOs (being Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, PBE, Infrax-West, IVEG and Inter-energa) to make use of the operating company Fluvius System Operator cvba's services. This permission is valid until the end of their appointment as DSO, i.e. 25 September 2026.

The merger of Infrax and Eandis created a situation for Infrax in which one of the conditions at which the company had issued two EMTN bonds in 2013 and 2014 of 250 million EUR each, was no longer valid (*'event of default'*). Both of these bonds had not yet reached their date of maturity. Therefore bondholders were asked to approve a number of amendments to the bonds' terms and conditions. Infrax received this approval at a General Bondholders' Meeting on 2 May 2018. At the occasion of this Bondholders' Meeting, a participation fee was paid out to the participating bondholders.

Infrax has a rating with the international rating agency **Fitch**. Fitch had lowered the **outlook on Infrax's rating** from stable to negative on 30 October 2017. (*'rating watch negative'*), while maintaining the rating itself at A. This situation has not changed over the first semester of 2018.

Four Walloon municipalities⁴ switch from PBE to the Walloon operator ORES. This switch happens in the broader framework of redrawing the operating areas. For reasons of efficiency and different regulatory systems in the Flemish and Walloon Regions, it was advisable for these Walloon municipalities to join a Walloon operator.

The municipality of **Sint-Pieters-Leeuw** (province of Flemish-Brabant) has opted for Riobra for managing its municipal sewerage network. Infrax is now responsible for sewerage management in 84 municipalities.

In the run-up to the merger into Fluvius, Infrax and Eandis decided to eliminate their **two joint subsidiaries**. Both Warmte@Vlaanderen cvba and Fluvius cvba have been dissolved and put into liquidation in the course of the first semester of 2018. The activities of both entities are now being organised within Fluvius.

The **digital meter** will gradually be introduced in Flanders starting in 2019. It will replace the traditional mechanical meters for electricity and gas. The preparations for this roll-out have already been executed in a joint effort by Eandis and Infrax. In the autumn of 2018 a last test project will be set up in the province of Flemish-Brabant in order to test the planned approach of the roll-out. The roll-out itself kicks off with some dedicated target groups, such as new and renovated houses, new owners of solar panels who need a meter replacement, and consumers with a budget meter. The digital consumption meter will enable the consumer to access a number of benefits (such as remote meter reading and services, and thanks to two usage ports in the digital meter also 'smart'

³ Document BESL-2018-21, which can be consulted on www.vreg.be

⁴ These are: Chastre, Incourt, Perwez and Villers-la-Ville.

commercial applications). The complete set-up is an essential element in the energy transition. Infrax/Fluvius is making all possible efforts to keep the societal costs for the introduction of the digital meter at a minimum and to safeguard the consumers' privacy.



digital meter

The Flemish Government also decided that – in the framework of the digital meter introduction – the DSOs through their operating company will act as **data manager**. The data manager will be responsible for meter reading (digital or analogue) and collecting and processing the data from these meters. The appointment as data manager is subject to a number of strict conditions (e.g. relating to privacy) and is limited in time. These measures will be integrated in an amendment to the Flemish Energy Decree.

The roll-out of a **fibre-to-the-home (FTTH) grid** is a very important project for the Flemish society. The Flemish authorities want to realise such a superfast grid so as to be able to allow access to innovative and future-oriented services. Eandis and Infrax have jointly worked out and proposed such an offer. The basic idea of this offer is to have one single open network, rolled out by Fluvius, covering at least 80% of Flanders with a point-to-point 1 GB access. In this way the Flemish people can have maximum access to this new-style network. The plans of Infrax/Eandis are being proposed to all parties concerned and discussed with them.

In May 2018, the Flemish energy market was confronted with the bankruptcy of the energy supplier **Belpower**. Almost 6.000 end consumers lost their supplier. Infrax has acted – through its DSOs and in consultation with the regulator VREG – as supplier of last resort and they have temporarily supplied energy to the stricken end consumers.

Infrax is one of the partners in '**Flexhub**'. All Belgian distribution operators and Elia have worked together to create an IT system ('data hub') for flexibility⁵ on the electricity market. This system makes it possible to quickly calculate how much flexibility a large consumer or consumer group has supplied in a given period. Flexhub thus plays a vital role in the transition of the energy market.

On 30 June 2018, the Infrax entities as a whole employed **1.428 employees** or 1.360,25 full-time equivalents (FTE). Compared to year-end 2017 this corresponds to a decrease of 15 employees or 13,96 FTE (-1,0%). This decrease in the number of staff is in line with the decreasing trend which has been going on for a number of years.

⁵ Flexibility can be defined as modifying generation and/or consumption patterns in reaction to an external signal (such as a change in price or a change in the availability of renewable energy such as solar or wind power) to provide a service within the energy system.

The **safety results** for the running year⁶ were disappointing. The frequency rate stood at 8,02; this result is below the objective of 4,50. The target score for the severity rate was also not reached: the score of 0,36 is above the objective of 0,09. A positive element is that there have been no fluidum accidents⁷ with absence from work in the first six months of 2018.

Back in 2008 the pure cable TV intermunicipalities concluded an agreement with Telenet on the contribution to Telenet of their activity branch of digital/analogue cable customers and the cable TV products. At the same time, Telenet established a long-term leasehold on the cable network. Belgacom (now Proximus) introduced a claim against these arrangements with the Court of First Instance. This claim was rejected in a subsequent judgement of 6 April 2009, but Proximus lodged an appeal against this judgment with the Court of Appeal of Antwerp. On 18 December 2017 this Court ruled that **Proximus's claims** were unfounded.

There were no changes in the composition of the **corporate bodies** of Infracvba during the first semester of 2018.

RISK FACTORS

The fundamental risk factors as described in the Infracvba 2017 Annual Report and the 'Participation Solicitation Memorandum' drawn up at the occasion of the General Bondholders' Meeting of 2 May 2018 are still valid for the first half of 2018.

Additionally, the management and the Board of Directors draw the attention to the fact that the integration of both companies, Eandis System Operator and Infracvba, into Fluvius System Operator has not been finalised with the legal closing of the merger. The further integration of staff, business processes, IT systems and other items will take a considerable period of time and will also necessitate substantial investments. So there exists a risk that the operational and financial objectives stated earlier cannot be reached fully, timely or, in the worst case, cannot be reached at all. However, Infracvba/Fluvius has called upon all human and other resources needed to successfully implement this integration process and to effectively reach or exceed the stated objectives.

MAJOR EVENTS AFTER THE REPORTING DATE

In July 2018, the Flemish Government reached an agreement (*'memorandum of understanding'*) with the telecom operators Proximus and Telenet on the roll-out in Flanders of a **fibre-to-the-home (FTTH) grid**, which would offer access to superfast internet. If this agreement is implemented, this would mean that the FTTH offer worked out by Infracvba and Eandis together is no longer under consideration. The Board of Directors of Fluvius System Operator will now deliberate about the further evolution and Fluvius's position with regard to this activity.

⁶ Period from July 2017 until end of June 2018

⁷ A fluidum accident is an accident with our core products electricity or gas.

The energy regulator VREG launched **two consultation procedures** in July 2018. The first is about the -changes to the tariff methodology 2017-2020 regarding a savings incentive to the DSOs (the so-called X' factor) at the occasion of the merger of their operating companies. The second consultation is about the final establishment and allocation of the regulatory balances of the DSO tariffs dating back to the 2010-2014 period. On 28 August 2018, the VREG took decisions on the allocation of the historic balances of 2010 until 2014. The DSOs will register their reservations about these decisions and take all necessary actions to safeguard their rights.

OUTLOOK

Barring unforeseen economic or regulatory developments, Infrac/Fluvius expects that in the second half of 2018 there will be no substantial deviations from the defined financial and budgetary objectives. The company will continue to closely monitor all relevant financial, economic and regulatory developments.

Management expects to be able to continue to keep the Fluvius Economic Group's costs and its overall and company specific risks strictly under control.

We report that an agreement has been reached on the merger of the DSOs **IMEA** (from the Eandis Economic Group) and **Iveg** (from the Infrac Economic Group). Both entities have operations within the city of Antwerp and neighbouring municipalities. Also the intermunicipal company **Integan**, which is operational in the management of cable infrastructure and whose area of operations also includes the city of Antwerp and the wider Antwerp region, will be involved in this merger operation. This merger will – if the procedure can be finalised successfully and according to the planned timing – become effective as from 1 April 2019. This merger will be accompanied by the switch of several local authorities from one energy DSO to another.

REPORTING STATUS

Fluvius System Operator will for the first time report IFRS accounts for the year ending 31 December 2018; this report will cover all activities of the company since the merger on 1 July 2018.

The Fluvius Economic Group will also report on the whole of its activities for the year ending on 31 December 2018. In this report the financial results since 1 July 2018 will be included.

STATEMENT BY THE RESPONSIBLE PERSONS

The undersigned persons state that, to the best of their knowledge,

- *the condensed interim financial statements of Infrac cvba and its subsidiaries as of 30 June 2018 have been prepared in accordance with the Belgian Generally Accepted Accounting Principles (BE-GAAP), and give a true and fair view of the assets and*

liabilities, financial position and results of the whole of the companies included in the consolidation; and

- *the interim management report gives a fair overview of the information required to be included herein.*

Brussels, 31 October 2018,

Frank VANBRABANT, CEO

Chris BUYSE, CFO

PROFILE OF THE REPORTING ENTITY

Infrax cvba is the independent company that carries out operational tasks and public service obligations at cost price for the energy distribution system operators Infrax West, PBE, Iveg and Inter-energa, as well as for the intermunicipal companies Riobra, Inter-aqua and Inter-media.

Due to the principle of 'operating at cost price', the company's result shows no profit or loss.

As from 1 July 2018, the company has been merged with Eandis System Operator cvba. As from 1 July 2018 the name of the merged entity is Fluvius System Operator cvba.

ANNEX

Financial report on the aggregated financial statements (Belgian GAAP) to 30 June 2018.



Document number

Release date

INFRAX

Financial report on the aggregated financial statements to 30 June 2018

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1 Major events

1.1 Unity of management

In the autumn of 2016, it was proposed in the Boards of Directors of each of the Companies that once the initiative of merging all Infrac DSOs (Distribution System Operators) had been completed, there should be further work on bringing together all employees of entities for which Infrac cvba was responsible under a single entity, with a view to 'unity of management'.

The aim is that this operation should bring all statutory employees of Infrac DSOs under a single legal entity. This would adopt the model in which all assets (networks) including the operating rights to those assets would be transferred in full to INTER-ENERGA, INTER-MEDIA and INTER-AQUA, and the management of the rules on the legal situation of the statutory employees on behalf of the member local authorities, as a task in the municipal interest/public utility would remain with INFRA X LIMBURG. Those local authorities of other entities currently operating under the aegis of Infrac cvba, namely Infrac West, PBE and IVEG, which are not involved in this operation, will also transfer the management of the rules on the legal situation of their statutory employees to INFRA X LIMBURG/Fluvious OV at a later stage. Partly because the majority of the statutory employees are currently already employed within INFRA X LIMBURG, the legal entity INFRA X LIMBURG is being used as a vehicle in which unity of management will be achieved by means of common management of statutory employees. INFRA X LIMBURG is amending its corporate purpose and its name to Fluvious OV (Association with a mission).

The performance of a clearly-defined task in the municipal interest/of public utility by the local authorities is necessary because INFRA X LIMBURG/Fluvious OV has the form of legal entity of a mission-entrusted association and such an association must fulfil an objective of municipal interest (in this case, the management of the rules on the legal situation of their statutory employees), for which the rights have been brought in.

In order to allow the local authorities of the other entities that come under the aegis of Infrac cvba to join INFRA X LIMBURG/Fluvious OV, it is necessary to 'empty out' the current INFRA X LIMBURG. That means that certain components of the assets of INFRA X LIMBURG, with the exception of the rights to the management of the statutory employees of the mission-entrusted association INFRA X LIMBURG, by means of a partial split, will be transferred to INTER-ENERGA, INTER-MEDIA and INTER-AQUA. After the implementation of the partial split, each municipal member will only hold a capital stake in INFRA X LIMBURG/Fluvious OV based on its population. The local authorities of the other entities under the aegis of Infrac cvba will join INFRA X LIMBURG/Fluvious OV (on 1 April 2019) with a capital contribution based on the same criteria and weighting as for the other municipal members of INFRA X LIMBURG/Fluvious OV.

1.2 Merger of Eandis System Operator cvba with Infrac cvba

On 28 June 2018, the Extraordinary General Meetings of Shareholders in Eandis System Operator and Infrac approved the merger between the two distribution system operators. The Boards of Directors of both companies had previously given their approval to that plan and, meanwhile, the fourteen intermunicipal organisations that are shareholders in Infrac (Infrac West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra) or Eandis (Gaselwest, IMEA, Imewo, Intergem, Iveka,

Iverlek and Sibelgas) had given their agreement. The resolutions of the Boards of Directors set the merger date as 1 July 2018.

So as from 1 July 2018, the new utility company Fluvius System Operator came into being, and its activities will include the distribution system operation for natural gas and electricity for the whole of Flanders. The sewerage and cable distribution activities of the former Infrac will also form part of Fluvius System Operator. Fluvius will operate in all 308 Flemish municipalities supplying natural gas and electricity, and operate sewerage in 84 Flemish municipalities, manage the cable distribution network in 91 municipalities and the entire municipal public lighting system.

The multi-utility approach (several utilities within one company) will bring about financial and operational efficiency savings within Fluvius. The better utility companies' planning and approach is coordinated, the less disruption they will cause, and the less frequently they will have to dig up the roads.

The merger is the starting signal for an integration and cost-cutting drive that is intended to bring about a lower distribution system tariff for natural gas and electricity. The savings will be made by, among other things, avoiding duplication of investments, achieving economies of scale and natural wastage. The Flemish distribution system operators have received confirmation from the Flemish energy regulator (VREG) that Fluvius System Operator can deal with them as an operating company as defined by the Energy Decree.

The Group will report on these activities for the first time for the financial year ending on 31 December 2018, including the results from 1 July 2018.

2 Information about the company

Infrac cvba was founded on 7 July 2006 and is the common operating company of Infrac Limburg, Infrac West, Iveg, PBE and Riobra.

On behalf of and for the account of its shareholders, Infrac carries out tasks including the following:

- in general, the provision of management and other services and making available knowhow to its shareholders;
- preparation and implementation of the decisions of the management bodies of its shareholders;
- all operational tasks in the context of the operation, maintenance and development of the grids and systems;
- provision of all services to the distribution system users within the framework of the activities of its shareholders from the technical, administrative and commercial viewpoint;
- promotion of the cooperation between the shareholders;
- creative development of new products and services.

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

3 Summary of the main recording and valuation rules

In this chapter, the main recording and valuation rules are explained. These are established by the Boards of Directors of the various DSOs¹ in accordance with Belgian accounting rules (BE-GAAP).

For the regulated activities, the guidelines of the regulator VREG are applied. On 1 July 2014, the competence to set tariffs for electricity and gas was transferred from the federal regulator CREG to the regional regulator VREG (for Flanders) and CWaPE (for Wallonia). CWaPE indicated that it will continue to use the existing regulation for the Walloon region for the years 2015, 2016 and 2017, with the consequence that there are no changes in the accounting treatment. VREG has used a new tariff methodology since 2015 based on a price cap rather than a cost-plus system. This leads to a few changes in the accounting treatment as explained in more detail below.

3.1 Criteria for aggregation

The aggregated figures comprise the following DSOs:

Infrax, Infrax Limburg, Inter-energa, Inter-aqua, Infrax West, Inter-media, Iveg, Riobra and PBE. The Infrax aggregation consists of the addition of the annual financial statements of all DSOs, drawn up according to BE-GAAP.

Specifically, the term aggregation is used and not consolidation. This is because the financial statements, as drawn up in accordance with BE-GAAP, of the aforementioned entities are added together and reciprocal transactions (sales, costs, dividends) and positions (participating interests, receivables, liabilities) are eliminated.

The info with regard to the accounting periods ending on 30 June 2018 and 31 December 2017 are extracted on the one hand from the individual, unaudited half-year accounts for 2018, and on the other hand from the individual audited annual financial statements of each DSO for 2017.

The unaudited figures for the various DSOs were/are being approved by the Boards of Directors of all DSOs.

Since Infrax, in the context of its annual obligations under Belgian accounting law, is not obliged to produce a cash-flow statement, the cash-flow statements for the years 2018 and 2017 as shown in this report are based on the unaudited half-year figures for 2018 compared with the audited figures for 2017 of the individual DSOs and drawn up according to the calculation method as applied in the First software (software used to draw up Belgian annual financial statements).

3.2 General valuation rules

1. Formation expenses

The costs preceding operation and the various expenses relating to the fixed assets under construction, are valued at cost.

These expenses will be depreciated using the straight-line method over 5 years.

¹ Distribution System Operator

2. Intangible fixed assets

The intangible fixed assets heading comprises the costs of software licences, costs of research and development, concessions, patents and costs for the inventory and modelling of sewerage networks, and are valued at acquisition cost.

The costs of software licences will be depreciated using the straight-line method over 5 years, and the costs of producing the inventory and modelling of sewerage networks will be depreciated using the straight-line method over 10 years..

VREG uses a depreciation percentage of 20% (5 years) for research and development costs, concessions, patents, licences, knowhow, (trade) marks and similar rights and a percentage of 0% for advance payments. Depreciation on goodwill and formation expenses is not allowed.

3. Tangible fixed assets

As described in the Royal Decree of 30 January 2001 implementing the Companies Code, tangible fixed assets, including any additional acquisition costs, are recorded at acquisition or bringing-in value, except for self-produced assets which are valued at price of manufacture, as defined in Article 37 of the Royal Decree of 30 January 2001 implementing the Companies Code.

Revaluation

With regard to Circular BA 2003/02 of 25 April 2003 of the Flemish Community - Home Affairs Administration, the Boards of Directors of the various DSOs decided on 22 March 2004, with effect from the 2003 financial year, to abolish the annual revaluation of tangible fixed assets. The revaluations with regard to the past are contained in the annual financial statements and are then depreciated according to the depreciation percentages provided for by the regulators.

Valuation of the RAB for the electricity and gas distribution systems

RAB stands for 'regulated asset base'. It is the basis for calculating depreciation and the fair profit margin. The RAB value is the result of the initially calculated and the economic reconstruction value approved by the regulator of the tangible fixed assets (iRAB or initial RAB value) plus the annual investments, minus the annual depreciation and divestments. 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 annually as follows:

- Plus
 - new investments.
- Minus
 - the contributions of grid users;
 - investment grants;
 - the depreciation and write-downs realized;
 - divestments;
 - disposals of assets at their historic acquisition cost plus
 - the write-downs of the residual value of the assets at 2% per year (approximately equal to the observed average annual pace of divestments).

3.1 Depreciation

Depreciation is calculated on the acquisition or bringing-in value minus the contributions of the grid users.

The added value of the regulated assets is depreciated annually at 2% in accordance with the regulation of CREG, VREG and CWaPE.

Depreciation is applied using the straight-line method according to the percentages shown below.

Depreciation is calculated pro rata temporis from the date when the assets were taken into use. No depreciation is applied to the fixed assets under construction and land.

Depreciation on the transmission network (36kV/70kV) is applied in accordance with the CREG guidelines as incorporated into the Royal Decree on multi-annual tariffs (RD of 8 June 2007):

- 2 % (50 years) for the cables and 36 kV and 70 kV lines;
- 3 % (33 years) for the buildings, posts, cabins and stations + equipment of the 36 kV and 70 kV stations;
- 20% (5 years) on other equipment and fixtures and fittings;
- 20% (5 years) on vehicles and information technology.

The depreciation rates for the distribution grids are applied, as from 2015, in accordance with the VREG guidelines:

- 0% for land;
- 3% (33 years) for industrial buildings;
- 2% (50 years) for administrative buildings;
- 2% (50 years) for cables and lines for electricity distribution and pipes for gas distribution;
- 3% (33 years) for posts, cabins, stations, connections, measuring apparatus for electricity and natural gas distribution;
- 6.67% (15 years) for reused equipment of cabins;
- 10% (10 years) for remote-reading meters and budget meters, combined heat and power systems, teletransmission and optical fibres, CAB, remote control and dispatching equipment, tools and furniture, and other tangible fixed assets (also single operator);
- 20% (5 years) on vehicles;
- 33% (3 years) on administrative equipment (information technology and office);
- 20% (5 years) on smart meters project, clearing house project and smart meters project

CWaPE applies the following depreciation percentages in 2015 and 2016 and 2017 (in accordance with the accounting rules of CREG as contained in the Royal Decree, since repealed, of 2 September 2008):

- 3% (33 years) for industrial buildings;
- 2% (50 years) for administrative buildings;
- 2% (50 years) for cables and lines for electricity distribution and pipes for gas distribution;
- 3% (33 years) for posts, cabins, transformer stations and measuring apparatus;
- 10% (10 years) for teletransmission and optical fibres;
- 20% (5 years) on vehicles;
- 10% (10 years) for remote reading and budget meters, combined heat and power systems, CAB, remote control and dispatching equipment, lab equipment tools and furniture, electronic equipment for cable television and other tangible fixed assets;
- 33% (3 years) on administrative equipment (information technology and office).

As from 2018, new depreciation percentages will be drawn up by VREG and/or CWaPE.

3.2 Cost price components

The capitalized costs of contractors, direct personnel costs and materials are increased by a flat-rate supplement for indirect costs. These indirect costs comprise the portion of the administrative overhead and operating costs that cannot be allocated to identified investment expenditure.

4. Financial fixed assets

They are recorded at their acquisition value.

In the event of a lasting reduction in value, a write-down is recorded.

5. Stocks - work in progress

The stocks in the warehouses are included on the balance sheet at moving average prices.

The work in progress is recorded at cost price. Advance payments are recorded in the balance sheet under heading 46.

Based on the stock rotation speed, provisions for write-downs are calculated.

The calculation is performed as follows:

Stock of items not moved during the past 12 months:

a provision is made of 33% of the value as recorded in the stock.

Stock of items not moved during the past 24 months:

a provision is made of 66% of the value as recorded in the stock.

Stock of items not moved during the past 36 months:

a provision is made of 100% of the value as recorded in the stock.

As from the 2016 financial year, no account is taken of the strategic spare parts in the calculation basis for the obsolete stock.

6. Receivables and debts

The receivables and debts are recorded at their original value. On 30 June 2018, there were neither receivables nor debts in foreign currency.

The complete write-off of outstanding customer invoices occurs after completion of the collection procedures.

The following debtors are considered as dubious:

- customers declared bankrupt or debtors who have applied for a creditors' voluntary arrangement;
- debtors whose deliveries have been suspended due to non-payment;
- receivables of customers who have moved home and are uncontactable.

The provision for dubious debtors is made based on the due date balance as of 30 June of the current financial year. The receivables are recorded in the accounts of Infrac (since Infrac bills on behalf and for the account of the various DSOs).

Here a distinction is made between, on the one hand, the dropped customers (social supplier) and on the other hand, the non-dropped customers (other customers).

The calculation is made for each of this group of customers:

Dropped customers (social supplier)

- for the receivables of dropped customers with a payment agreement, a provision is allowed of 50% of the total outstanding balance excluding VAT;
- for the receivables of customers with a collective debt settlement, a provision is allowed of 100% of the total outstanding balance excluding VAT;
- for the other receivables, a provision is made of 100% for the balances excluding VAT that have been outstanding for more than a half-year (180 days).

Non-dropped customers - other customers

For the calculation of the provision on the other receivables, the following percentages are applied:

- outstanding balance excluding VAT with due date < 60 days: 0%;
- outstanding balance excluding VAT with due date > 60 days and < 180 days: 20%;
- outstanding balance excluding VAT with due date > 180 days and < 365 days: 40%;
- outstanding balance excluding VAT with due date > 365 days and < 730 days: 60%;
- outstanding balance excluding VAT with due date > 730 days: 80%.

7. Capital grants received

Due to their uncertain character concerning receipt, date of receipt and size of the grant received the investment grants are posted on receipt.

The amount of investment grants received from various authorities for investment in sewerage works amounts to **14.8 million** euro in the first half of 2018.

8. Financial instruments

In order to hedge the interest rate risk of a number of long-term loans, the various DSOs make use of an IRS (Interest Rate Swap) where the variable EURIBOR interest rate is swapped against a fixed IRS interest rate for the complete term of the loan. Here is a summary of the interest rate swaps on 31 December 2017:

- Infracx loan (2011-2031): 70 million euro – real value on 31 December 2017 amounts to - 5,831,493.93 euro;
- Infracx West loan (2012-2022): 30 million euro – real value on 31 December 2017 amounts to - 355,399.92 euro;
- Iveg loan (2012-2022): 10 million euro – real value on 31 December 2017 amounts to - 118,467.90 euro;
- PBE loan (2012-2022): 10 million euro – real value on 31 December 2017 amounts to - 118,467.90 euro;
- Inter-energa loan (2012-2022): 40 million euro – real value on 31 December 2017 amounts to - 510,507.62 euro;
- Inter-Aqua loan (2012-2022): 20 million euro – real value on 31 December 2017 amounts to - 255,253.81 euro;
- Inter-Aqua loan (2016-2036): 58.6 million euro – real value on 31 December 2017 amounts to - 8,720,867.88 euro.

The real value (mark-to-market valuation) of the interest rate swaps is not included in the accounts (in accordance with Belgian accounting standards), but the real value is explained in the individual financial statements.

The real value (mark-to-market valuation) is subject to fluctuations in the interest rate market. The negative valuation of the interest rate swaps is fully compensated for the low EURIBOR interest rate as recorded in the loan contracts.

4 Financial statements

4.1 Aggregated income statement

(In Thousands of EUR)	Note	1 st sem 2018	1 st sem 2017
<u>OPERATING INCOME</u>		<u>396,874</u>	<u>450,115</u>
Turnover	5.1.1	328,195	359,559
Change in the stock of work in progress	5.1.3	2,481	1,717
Other operating income	5.1.3	62,535	84,594
Non-recurring operating income	5.1.4	3,663	4,245
<u>OPERATING CHARGES</u>		<u>336,656</u>	<u>379,584</u>
Trade goods and raw materials	5.2.1	10,026	10,102
Services and other goods	5.2.2	175,891	222,608
Remuneration, social security and pensions	5.2.3	72,470	70,637
Amortization and depreciation of non-current assets	5.2.4	55,185	56,806
Impairment stocks, work in progress and trade receivables	5.2.5	288	584
Provisions for liabilities and charges	5.2.6	793	2,545
Other operating charges	5.2.7	2,887	3,065
Non-recurring operating charges	5.2.8	19,116	13,236
<u>OPERATING PROFIT</u>		<u>60,218</u>	<u>70,531</u>
<u>FINANCIAL INCOME</u>		<u>19,884</u>	<u>16,671</u>
Income from financial fixed assets	5.3.1	7,863	6,939
Income from current assets	5.3.2	75	110
Other financial income	5.3.3	11,946	9,622
<u>FINANCIAL CHARGES</u>		<u>13,950</u>	<u>15,216</u>
Debt charges	5.4.1	13,933	15,198
Other financial charges	5.4.2	17	17
<u>PROFIT (LOSS) BEFORE TAX</u>		<u>66,152</u>	<u>71,987</u>
Transfer from deferred taxes	5.5	146	158
Transfer to deferred taxes		-	-
<u>TAXES</u>		<u>20,388</u>	<u>22,383</u>
Income taxes	5.6	20,388	22,408
Adjustment of income taxes and write-back of tax provisions	5.6	-	-25
<u>PROFIT (LOSS) OF THE PERIOD</u>		<u>45,910</u>	<u>49,761</u>
Transfer to untaxed reserves		-	-
<u>PROFIT (LOSS) FOR THE REPORTING PERIOD</u>		<u>45,910</u>	<u>49,761</u>

4.2 Aggregated balance sheet

(In Thousands of EUR)	Note	30/06/18	31/12/17
<u>Non-current assets</u>		<u>3,560,087</u>	<u>3,523,047</u>
Formation expenses		-	-
Intangible fixed assets	5.7	6,385	15,324
Property, plant and equipment	5.8	3,217,181	3,209,143
Financial fixed assets	5.9	112,404	105,769
Affiliated enterprises		11,547	11,547
Other enterprises linked by participating interests		19,942	13,442
Other financial assets		80,915	80,780
Long term receivables	5.11	224,117	192,811
<u>Current assets</u>		<u>508,889</u>	<u>547,763</u>
Stocks and work in progress	5.10	41,752	40,862
Amounts receivable within 1 year	5.11	181,675	178,655
Current investments	5.12	3	7,002
Cash and cash equivalents	5.12	23,082	55,536
Deferred charges and accrued income	5.13	262,377	265,708
TOTAL ASSETS		4,068,976	4,070,810

(In Thousands of EUR)	Note	30/06/18	31/12/17
<u>SHAREHOLDERS' EQUITY</u>	4.3	<u>2,850,246</u>	<u>2,811,994</u>
Capital	5.14	1,134,243	1,081,666
Share premium account		115,589	115,589
Revaluation surpluses		502,794	509,599
Reserves	5.14	843,545	908,384
Investment grants		208,165	196,756
Result for the financial year to 30/06/2017		45,910	
Provisions for liabilities and charges	5.15	24,382	23,648
Deferred taxes	5.15	11,580	10,355
<u>LIABILITIES</u>		<u>1,182,768</u>	<u>1,224,813</u>
<u>Non-current liabilities</u>	5.16	<u>776,895</u>	<u>800,684</u>
Financial debts		776,874	800,663
Other debts		21	21
<u>Current liabilities</u>	5.17	<u>225,841</u>	<u>272,839</u>
Current portion of long term payables		66,886	74,333
Financial debts		-	25,000
Trade payables		83,611	69,431
Advance payments on work in progress		2,562	5,193
Taxes, remuneration and social security		38,652	46,177
Other amounts payable		34,130	52,705
Accruals and deferred income	5.18	180,032	151,290
TOTAL LIABILITIES		4,068,976	4,070,810

4.3 Aggregated statement of changes in equity

(In Thousands of EUR)	Share Capital	Share premium accounts	Revaluation surpluses	Reserves	Accumulated profits*	Investment grants	Total
Total on 1 Januari 2017	1,081,360	115,589	523,084	779,770	79,897	173,206	2,752,906
Total income for the reporting period	306		-13,485		82,399	23,550	92,770
Addition/decrease reserves				12,644			12,644
Dividends payable					-46,326		-46,326
Total on 31 December 2017	1,081,666	115,589	509,599	792,414	115,970	196,756	2,811,994
Total income for the reporting period	52,577		-6,805		45,910	11,409	
Addition/decrease reserves				-64,839			
Dividends payable							
Total on 30 June 2018	1,134,243	115,589	502,794	727,575	161,880	208,165	2,850,246

* the sum of the accumulated profits and the reserves corresponds to the total reserves + result of the first 6 months 2018 on the balance-sheet.

4.4 Aggregated cashflow statement

(In thousands of EUR)		Notes	30/06/2017	30/06/2016
Operating Activities composed of	Profit for the reporting period	4.3	45,910	49,761
	Depreciation/amortization of non-current assets	5.2.4	55,184	56,806
	Impairment current assets (Recognition +; Reversal -)	5.2.5	288	584
	Changes in provisions (Recognition +; Reversal -)	5.2.6	793	2,545
	Dividends received	5.3.1	-7,863	-6,939
	Extraordinary (reversal) depreciation		0	0
	Gains/losses on disposal/retirement/sale of fixed assets	5.1.4/5.2.8	7,672	1,759
	Reversal of provision for liabilities and charges		0	0
	Movement in investment grants	5.3.3	-2,000	-1,846
	Cashflow from operating activities		99,985	102,670
	Changes in trade and other payables	5.17	14,180	2,552
	Changes in payables for tax, remuneration and social charges	5.17	-7,525	-17,799
	Changes in advance payments	5.17	-2,630	-231
	Changes in accrued liabilities	5.18	28,742	5,853
	Changes in operating liabilities		32,767	-9,626
	Changes in receivables > 1 year	5.11	-31,307	-17,357
	Change in stocks	5.10	-890	-2,298
	Changes in trade and other receivables	5.11	-3,020	3,716
	Impairment current assets (Recognition +; Reversal -)	5.2.5	-288	-584
	Changes in deferred charges and accrued income	5.13	3,331	42,206
Changes in operating assets		-32,173	25,682	
Changes in provisions and deferred taxes	5.15/5.2.6	1,165	1,179	
<u>OPERATING CASHFLOW AFTER TAX</u>			101,744	119,906
Investing Activities in	Formation expenses		0	0
	Intangible fixed assets	5.7	7,698	-4,206
	Property, plant and equipment	5.8	-61,981	-69,156
	Financial fixed assets	5.9	-6,635	-3
	Proceeds from financial fixed assets	5.3.1	7,863	6,939
	Losses and gains on disposal/retirement/sale of fixed assets	5.1.4/5.2.8	-7,672	-1,759
<u>INVESTMENT CASHFLOW</u>			-60,728	-68,185
<u>FREE CASHFLOW BEFORE FINANCING</u>			41,016	51,721
Financing activities in	Changes in equity	4.3	38,251	60,505
	Result of the accounting period	4.3	-45,910	-49,761
	Profit distribution		0	0
	Change in investment grants	5.3.3	2,000	1,846
	Equity		-5,659	12,590
	Changes in financial debts > 1 year	5.16	-23,789	-31,868
	Changes in financial debts < 1 year	5.17	-25,000	0
	Changes in amounts payable < 1 year	5.17	-7,447	-1,233
	Financial debts		-56,236	-33,101
	Changes in other payables < 1 year	5.17	-18,576	-24,187
	Changes in other payables > 1 year	5.16	0	0
Profit distribution of the accounting period	3.3	0	0	
Other payables		-18,576	-24,187	
<u>FINANCING CASHFLOW</u>			-80,470	-44,697
<u>TOTAL CASHFLOW</u>			-39,454	7,023
	Cash inflow		103,948	139,434
	Cash outflow		-143,402	-132,411
<u>Movement in cash and cash equivalents</u>			-39,454	7,023

5 Notes to the aggregated financial statements

5.1 Operating income

5.1.1 Turnover

(In Thousands of EUR)		1 st sem 2018	1 st sem 2017
Electricity + 70KV/36KV	Distribution	193,775	192,760
	Injection	1,545	1,368
	Transportation costs Elia	57,069	60,203
	Network contribution	17,282	15,496
	Revenues 70KV/36KV	6,023	6,036
	Other	-40,925	-7,351
Total electricity + 70KV/36KV		234,769	268,512
Natural gas	Distribution	52,625	50,552
	Other	-3,409	-1,991
Total gas		49,216	48,561
Sewerage	Sewerage fees	34,946	34,857
CTV	Fees	5,682	5,624
Other	Other sales	3,582	2,005
TOTAL		328,195	359,559

Infrac obtained the majority of its income from the fee for the transport of electricity and gas via its distribution grids.

This income has to be evaluated together with the regulatory transfers (see below).

The other sales for electricity and gas comprise on the one hand supplies of energy to persons who cannot find an energy supplier on the market due to payment difficulties, and on the other hand changes in turnover due to the regulatory assets and liabilities (see note 4.1.2. Regulatory transfers).

The income from the sewerage activity includes the charges for the municipal sanitation charge by the drinking water companies.

The income from the cable television distribution activity consists mainly of the fees received from Telenet via Interkabel Vlaanderen. This concerns the fees for the conversion of the cable network into an interactive telecommunications network based on the previous agreements of 1996, namely an annuity fee and 'clientèle fee'.

The income from the cable television distribution activity also includes the income related to Infra-X-net and Infra-GIS.

The other sales relate to various charges to third parties.

5.1.2 Regulatory transfers

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Addition to transfers	-33,640	-1,688
Recovery of transfers	-16,490	-13,377
TOTAL	-50,130	-15,066

In execution of its new tasks, on 30 September 2014 VREG approved a new tariff methodology based on price capping.

The new method provides for 2 budgets: an exogenous and an endogenous (non-exogenous) budget. Exogenous costs are costs on which the distribution system operator has no impact whatever. These costs are listed exhaustively and consist of: Rational Energy Use grants, green power and heat and power certificates, free kWh, transmission charges, levies, taxes (except corporate tax, property tax), certain pension allocations and prefinancing costs for the stock of green power and heat and power certificate and regulatory balances. The exogenous costs are charged 'pass-through' to customers. All other costs (operating costs, depreciation, financing costs, ...) are 'endogenous'. Henceforth VREG determines the endogenous budget itself. It bases its calculations on the past and projects the sector trend of the past into the future.

As you can see above, for 2018 a surplus was generated on the total exogenous budget (this was mainly the result of a surplus in the exogenous costs of the electricity activity in 2018), which reduced the turnover.

VREG established the fee for the equity and debt capital for 2018 as follows: equity - limited in amount to 40% of the Regulated Asset Base (RAB) - is paid at 5.34% after tax. The debt capital - calculated at 60% of RAB - and the net working capital is remunerated at 3.03%. The prefinancing of the unsold GPCs and HPCs is remunerated at the rate of interest equal to 1.6% for 2018. The prefinancing of the regulatory deficits (the balances from 2015 onward) on the exogenous costs (the charging of the exogenous costs at their real value would give rise to differences between the tariffs and the book cost) is remunerated at the rate of interest equal to 1.2% for 2018. The prefinancing of the regulatory deficits (the balances before 2015) is remunerated at the rate of interest equal 2% for 2018.

VREG also decided to recover the deficits and surpluses incurred in the period 2010-2014 as from 2016 over a five-year period. The deficits and surpluses incurred in the year 2015-2016 are being recovered/charged as from 2018.

For Infrac as a whole, the allowed income in 2018 in Flanders for distribution of electricity is 428.9 million euro and 87.0 million euro for distribution of natural gas.

5.1.3 Other operating income

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Change in the stock of work in progress	2,481	1,717
Other operating income	62,535	84,594
TOTAL	65,016	86,311

The other operating income concerns mainly the operating fee received from Telenet (9,724 k euro), sales of green power and heat and power certificates (13,323 k euro), the income received within the framework of the annual solidarity exercise in relation to the green power and heat and power certificates (29,558 k euro).

5.1.4 Non-recurrent operating income

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Capital gains on disposal of fixed assets	487	197
Extraordinary income related to receivables	97	80
Other extraordinary income	3,079	3,968
TOTAL	3,663	4,245

The surplus relates mainly to the return of articles to stock. This income is neutralised by an identical amount in the operating costs (Trade goods, raw materials and auxiliary materials). On the other hand, the increased value results to an extent from income obtained from sales of company vehicles.

The exceptional income on receivables concerns payments received where the outstanding receivable was already written-off having been considered no longer collectible in the past.

The other extraordinary income mainly relates to the financial reconciliation (settlement of actual transported volumes of electricity and gas via FERESO) for an amount of 2,449 k euro.

5.2 Operating charges

5.2.1 Trade goods and raw materials

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Purchase of energy	2,851	2,935
Purchase of grid losses	7,175	7,167
TOTAL	10,026	10,102

The energy purchases concern the purchase of electricity and gas for the social-tariff customers. The purchases of grid losses concern the payments by Infracx to energy suppliers for the grid losses of electricity.

5.2.2 Services and other goods

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Contractors' costs for construction and maintenance of grids	103,834	72,817
Fees including use of installations	6,569	3,607
Advertisements, information, documentation, etc.	1,181	1,238
Public service obligations	97,284	149,531
Contracts and management costs	1,364	1,467
Consultancy and other services	1,564	1,988
Staff of third parties	5,467	6,691
Transportation fee for Elia	58,709	61,258
Other	49,254	44,063
Transfer to fixed assets	-149,335	-120,052
TOTAL	175,891	222,608

The costs in relation to services and other goods fell by 46,717 k euro compared with 2017. This fall is mainly the consequence of a fall in the costs relating to the public service obligation. The costs relating to the public service obligation comprise the costs for rational energy use and the costs relating to green power and heat and power certificates. The fall in comparison with the first six months of 2017 is mainly due to the increase in the stock of green power and heat and power certificates in the first half of 2018.

5.2.3 Remuneration, social security and pensions

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Salaries	50,877	49,634
Employers' contributions to social insurance	16,509	16,289
Other personnel costs (among others charges for pension schemes and supplementary insurance, meal vouchers,.....)	5,084	4,714
TOTAL	72,470	70,637

Personnel costs were 72,470 k euro in the first half of 2018, a rise of 2.6% compared with the first half of 2017. The average number of active employees is 1,366.20 full-time equivalents in the first half of the year 2018 compared with 1,392.93 FTEs in the first half of 2017.

5.2.4 Depreciation and write-downs on formation expenses, intangible and tangible fixed assets

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Amortization and depreciation of non-current assets	55,185	56,806
TOTAL	55,185	56,806

Depreciation on the intangible fixed assets fell by 1,621 k euro. As a result of the planned merger with Eandis, a number of projects within Infrac relating to Atrias were shut down at the end of 2017, which results in a fall of the depreciation in the first half of 2018.

5.2.5 Amounts written off on stocks, work in progress and trade receivables

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Impairment of stocks	94	- 87
Impairment of trade receivables < 1year	194	671
TOTAL	288	584

In the first 6 months of 2018, the provision for write-downs on stocks was 2,860 k euro and at the same time, 2017's provision was written back for an amount of 2,766 k euro, which means that the net impact in the profit and loss account is 94 k euro. The write-downs on trade receivables concern the write-offs of definitively bad debts.

The large fall compared with 2017 is due to a change in the collection procedure during the second half of 2017.

5.2.6 Provisions for liabilities and charges

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Provision for doubtful debtors	793	2,545
TOTAL	793	2,545

The provision for uncollectable receivables fell by 1,752 k euro compared with the first half of 2017. On the other hand, the outstanding receivables for new connections were included in the calculation of dubious debtors from the beginning of 2017, because since the end of 2016, we have not been allowed to bill them in advance (previously, any request for a new connection was billed in advance). This change in the calculation caused a one-off increase in the provision for dubious debtors in 2017.

5.2.7 Other operating charges

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Various taxes	239	417
Sewerage fund	2,648	2,648
TOTAL	2,887	3,065

The miscellaneous taxes item comprises mainly the property tax for the office building in Brussels. In her circular of April 2014, the Minister of the Environment stated that municipal sewerage income could only be used for (new) investment and maintenance expenditure on sewerage. Investments are deemed to include the repair of the superstructure or the laying of a new superstructure. The Boards of Directors of Inter-aqua, Riobra, Infrac West and Iveg have acceded to this request and will therefore no longer pay any dividends from the sewerage activity. Any profits will be reserved and kept available in sewerage funds. The setting-up of a sewerage fund will also provide a significant boost for additional investment in sewerage infrastructure. In the first 6 months of 2018, Inter-aqua and Riobra set up a sewerage fund for an amount of 1,410 k euro for Inter-aqua and 1,238 k euro for Riobra.

5.2.8 Non-recurring charges

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Capital losses on the disposal/retirement of fixed assets	8,159	1,956
Other extraordinary charges	10,957	11,280
TOTAL	19,116	13,236

The reduction in value recorded in 2018 concerns on the one hand assets demolished. Following on from the planned merger with Eandis, a number of projects with regard to Atrias within Infrac were stopped and then completely written-off. This explains the increase compared with the first 6 months of 2017.

The other extraordinary charges relate mainly to the allocation for pensions for an amount of 7,550 k euro, to guarantee the pension obligations for the statutory personnel.

5.3 Financial income

5.3.1 Income from financial fixed assets

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Income from financial fixed assets	7,863	6,939
TOTAL	7,863	6,939

The income from financial fixed assets concerns the dividends received from various participating interests in other companies including Interkabel Vlaanderen and Publi-T.

5.3.2 Income from current assets

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Income from current assets	75	110
TOTAL	75	110

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

5.3.3 Other financial income

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Investment grants and interest subsidies	2,000	1,847
Other various financial revenues	9,946	7,775
TOTAL	11,946	9,622

The other financial income relates mainly to the depreciation on the capital and interest grants and the Telenet annual lease payment.

Under the 2008 contract with Telenet, Infrax receives a fair profit payment (6.25%) on the value of the cable network that is given to Telenet under a long-term lease until 2046.

5.4 Financial charges

5.4.1 Cost of debt

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Leasing debts	259	299
Interest charges from long and short-term loans		14,899
TOTAL	13,933	15,198

The interest charges on long and short-term financing relates mainly to the financial charges on bank loans. On the other hand, charges relating to the bond loans are also included in the heading 'Interest charges from long and short-term financing' for an amount of 8,057 k euro.

These charges relate to the interest charges and the expenses for the issue below par (discount) and the other financial expenses relating to the bond loans of 2013 and 2014.

5.4.2 Other financial charges

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Bank costs	11	8
Other various financial charges		9
TOTAL	17	17

The other miscellaneous financial charges mainly comprise interest on overdue payment.

5.5 Transfer to and from deferred taxes

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Withdrawal from deferred taxes	146	158
TOTAL	146	158

Since 1 January 2015, mission-entrusted associations are no longer automatically exempted from corporate tax.

All Infrac DSOs, except those that only carry out sewerage activities (Riobra and Inter-aqua) have therefore been liable to corporate tax since 1 January 2015.

The withdrawal from deferred taxation in 2018 concerns the portion of deferred taxes relating to depreciation on investment grants.

5.6 Taxes

(In Thousands of EUR)	1 st sem 2018	1 st sem 2017
Taxes	20,388	22,408
Adjustment of income taxes and write-back of taks provisions		-25
TOTAL	20,388	22,383

The taxes for 2018 mainly relate to corporate tax.

5.7 Intangible fixed assets

30/06/2018 (In Thousands of EUR)	Concessions, patents, licences, brand
Acquisition value on 1 January 2018	97,075
Acquisitions	1,978
Other	-46,527
Acquisition value on 30 June 2018	52,526
Accumulated depreciation on 1 January 2018	81,751
Amortization	1,241
Other	
Accumulated amortization and impairment on 30 June 2018	46,141
Net book value on 30 June 2018	6,385

The investments for projects including smart meters and grids are recorded as intangible fixed assets. Following on from the planned merger with Eandis, a number of projects with regard to Atrias within Infrac were stopped and then completely written-off.

Moreover, the intangible fixed assets item also includes the costs of software licences and costs for the inventory and modelling of sewerage networks.

5.8 Tangible fixed assets

30/06/2018 (In thousands of EUR)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Other *	TOTAL
Acquisition value on 1 January 2018	152,371	5,252,534	112,334	296,009	5,813,248
Acquisitions	227	19,105	854	57,171	77,357
Sales and disposals	-7,393	-11,717	-31,298	-37,305	-87,713
Acquisition value on 30 June 2018	145,205	5,259,922	81,890	315,875	5,802,892
Depreciations	1,124	50,549	1,653	618	53,944
Sales and disposals	-6,643	-34,399	-31,295	-	-72,337
Accumulated depreciation and impairments on 30 June 2018	63,919	2,432,023	71,792	17,977	2,585,711
Net book value on 30 June 2018	81,286	2,827,899	10,098	297,898	3,217,181

* Leasing and similar rights, other tangible fixed assets and fixed assets under construction and advance payments.

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

The net book value comprises, inter alia, the contributions paid by customers in relation to certain assets (third party payments) and corresponds to the real value of Infrax's grids.

5.9 Financial fixed assets

(In duizenden EUR)	30/06/2018	31/12/2017
Affiliated enterprises	11,547	11,547
1. Participating interests	11,547	11,547
2. Amounts receivable	-	-
Other enterprises linked by participating interests	19,942	13,442
1. Participating interests	19,942	13,442
2. Amounts receivable	-	-
Other financial assets	80,915	80,780
1. Shares	80,402	80,421
2. Amounts receivable and cash guarantees	513	359
TOTAL	112,404	105,769

The participating interest in **associated companies** concerns the 99.98% stake held by the Provinciale Brabantse Energiemaatschappij in Intergas. Intergas is the inter-municipal joint venture for gas distribution in Flemish Brabant, and is a participant in Inter-energa. Since mid-2003, Intergas has been converted from an operating company (gas) to an investment company.

The operating activities were transferred to distribution system operator Inter-energa. Besides the financial monitoring of its assets, Intergas acts as a reference shareholder of Inter-energa and in that way, upholds the interests of its 16 local authorities in Flemish Brabant.

The companies in which a **stake is held** are Interkabel (12,939 k euro), Inter-regies (3 k euro) and S-Lim (7,000 k euro). Interkabel Vlaanderen consists of mission-entrusted associations, namely Infrac West, PBE, Inter-media and Integan, which provides service to one-third of the Flemish cable market.

Besides the important telecom arm, Interkabel also carries out cable television projects. So the cable companies' receiving stations are interconnected with fibre optic cable. This backbone ring carries the signals of a number of TV and radio stations. Interkabel also coordinates the investments of the associations in Telenet.

Inter-regies is the umbrella association of the public electricity, natural gas and cable distribution sector, set up on 22 October 1955 in Brussels, originally under the name 'Interpublic'. Inter-regies represents Belgian companies operating in:

- management of the electricity distribution systems
- management of the natural gas distribution systems
- cable television

S-Lim cvba (Smart Region Limburg) was founded on 7 August 2017 by Nuhmeris and Inter-media with the mission of making Limburg a better and more attractive society through the deployment of technology and innovation. S-Lim supports the affiliated local authorities in converting concrete administrative and social needs into technological and software applications.

The **other financial fixed assets** concern mainly shares in Publi-T (79,926 k euro)

Publi-T has as its mission the management of the Belgian local authorities' share in Elia, the national manager of the electricity transmission system, as well as the regional manager of some distribution systems. As a strategic shareholder, Publi-T constantly watches over the interests of the municipal sector in this market segment.

5.10 Stocks and work in progress

(in thousands of EUR)	30/06/2018	31/12/2017
Raw materials and consumables	37,882	39,379
Impairment of stocks	-2,860	-2,766
Projects in progress	6,730	4,249
TOTAL	41,752	40,862

In the first 6 months of 2018, a provision was allocated for write-downs on stocks amounting to 2,860 k euro, and at the same time, the 2016 provision was written back for an amount of 2,766 k euro, which means that the net impact is (94) k euro.

The projects in progress concern the ongoing Esco projects, the projects relating to public lighting for the local authorities and the projects in progress for the autonomous municipal company Etiz. The autonomous municipal company Etiz has not had any activities of its own since 2012, but is still the owner of the electricity grid in Izegem. Etiz's operational activities were taken over by Infrac.

Energie service company (ESCO) offers a total package of energy services to promote energy-efficiency of municipal buildings.

5.11 Trade debtors and other receivables

(in thousands of EUR)	30/06/2018	31/12/2017
Receivables outstanding more than one year	224,117	192,811
Amounts receivable within one year	181,675	178,655
TOTAL	405,792	371,466

The receivables in more than one year concern mainly the receivables from Telenet (219,967 k euro) in the context of the long-term lease signed in 2008 where the whole bandwidth (excluding bandwidth reserved for Infra-X-net) of the cable network was granted exclusively to Telenet under a long-term lease until the year 2046. Infrac retains the 'bare' ownership of the cable network; Telenet has obtained the usufruct of the cable network.

The long-term lease payment is an annual recurring payment on firstly the initial value of the cable network at the start of the contract and secondly a payment for the annual additional investment in the cable network. This long-term lease is a 'growing lease', i.e. it is increased annually by the investments.

These investments are repaid by Telenet over a period of 15 years, plus a fair profit margin of 6.25%.

The detail of the receivables within one year is as follows:

(in thousands of EUR)	30/06/2018	31/12/2017
Trade receivables from distribution grid activities	68,170	71,514
Trade receivables as a supplier of social services	10,268	9,247
Other trade receivables	56,994	63,153
Other receivables	46,243	34,741
TOTAL	181,675	178,655

The other trade receivables consist mainly of receivables relating to works carried out and services provided and invoiced costs relating to third parties.

The other receivables mainly relate to the repayments to be received in the next twelve months from Telenet under the long-term lease.

5.12 Cash investments and cash at bank and in hand

(in thousands of EUR)	30/06/2018	31/12/2017
Current investments	3	7,002
Cash and cash equivalents	23,082	55,536
TOTAL	23,085	62,538

The total cash and cash equivalents consist of short-term bank balances, cash and investments in funds that can be immediately converted into cash. All funds are expressed in euro.

5.13 Deferred charges and accrued income

(in thousands of EUR)	30/06/2018	31/12/2017
Regulatory assets (regulatory transfers)	161,516	196,060
Stock of GPC and CHPC + solidarization	81,245	66,073
Miscellaneous	19,616	3,575
TOTAL	262,377	265,708

The detail of the operating differences at 30 June 2018 is as follows:

(in thousands of EUR)	2018	2007 – 2017	Total
Electricity (including Voeren)	390	329,639	330,029
Recovery balances electricity 2010-2016 (including transportation network)	-32,103	-145,678	-177,781
Natural gas	-77	19,414	19,337
Recovery balances natural gas 2010-2016	-2,398	-8,362	-10,760
Transportation network	-356	1,047	691
TOTAL	-34,544	196,060	161,516

We see a fall in the regulatory assets in 2018 which is mainly the consequence of the recovery of the balances from the past (2010-2016).

The amounts concerning the balances from the years 2010 to 2014 inclusive will be recovered over a 5-year period from 2016 onward. As from 2017, the balances for 2015 will be recovered and the balances for 2016 will be recovered as from 2018.

Stock of green power certificates + solidarity

The stock of green power and heat and power certificates increased in the first 6 months of 2018. At the end of June of 2018, the stock of green power and heat and power certificates represented 52.6 million euro for Infrax compared with 8.6 million euro at the end of 2017, which is a increase of 44.0 million euro.

The GPCs are valued at 88 euro each and the HPCs at 20 euro each.

The Flemish Government approved the introduction of a SGEI ('service of general economic interest') payment for the distribution system operators for performing their public service obligation for buying and selling GPCs and HPCs.

With the SGEI scheme, which is implemented via the Flemish Energy Agency (FEA), certificates are bought and taken out of the market. In this way, it is intended to bring supply and demand back into balance. For Flanders as a whole, a maximum budget of 130,000,048 euro was allocated for all GPCs and HPCs in 2018.

5.14 Shareholders' equity

The various components of the equity and the movements from 1 January 2018 to 30 June 2018 were shown in the 'Aggregated statement of changes in equity'.

The share capital amounts to 1,134,243 k euro at the end of June 2018, which was an increase of 53 k euro compared with at the end of 2017. The subscribed capital is 1,134,320 k euro and the uncalled capital is -77 k euro.

The table below gives a summary of the capital in euro per activity in the capital (in units) of each DSO at the end of June 2018

	Electricity	Natural gas	Sewerage	CTV	Public lighting
Capital in euro					
Inter-aqua			382,115,050		
Inter-energa	97,262,226	110,801,178			22,165,929
Inter-media				28,978,345	
Infrax Limburg	22,485				
Infrax West	78,062,300	12,000,000	137,528,725	13,252,500	
Iveg	38,040,000	17,772,675	31,012,500		10,885,000
Riobra			154,281,210		
PBE	60,627			2,707	
TOTAL	213,447,638	140,573,853	704,937,485	42,233,552	33,050,929

In 2018, an amount of 200 k euro in uncalled capital was paid up into Iveg. In the first half of 2018, the Walloon municipalities exited PBE, which resulted in a capital reduction amounting to 8 k euro. At the same time, the municipality of Sint-Pieters-Leeuw joined Riobra, which led to an increase in the capital of an amount of 11,541 k euro.

The movements in the capital of Infrac Limburg, Inter-energa, Inter-aqua and Inter-media happened in the context of the 'emptying' of Infrac Limburg. For more detail, I refer to **Chapter 1 Major events**.

The revaluation surpluses fell by 7 k euro which is the result of the Walloon municipalities leaving. The revaluation surpluses relate, on the one hand, to historic surpluses and to the RAB surpluses. The RAB value represents the value of the capital invested in the electricity and gas distribution grids.

The initial capital gains on the regulated assets are the subject of an annual evaluation and are taken out of service at 2% per year. Every 4 years, the depreciation of the RAB capital gain will be reviewed in the light of the actual capital gain of the assets taken out of service, and if necessary, the corrections required will be carried out at the currently used percentage of 2%.

The revaluation surplus is transferred annually at the year-end to a reserve account not available for distribution, in proportion to the depreciation recorded in the profit and loss account on the revalued part of the systems.

The summary of the reserves is as follows:

(in thousands of EUR)	Legal reserves	Unavailable reserves	Untaxed reserves	Available reserves	TOTAL
TOTAL on 1 January 2017	50,539	406,625	687	401,817	859,668
Endowment/decrease in reserves	-605	13,381	142	35,798	48,716
TOTAL on 31 December 2017	49,934	420,006	829	437,615	908,384
Endowment/decrease in reserves	8,284	-66,648		-6,474	-64,838
TOTAL on 30 June 2017	58,217	353,358	829	431,141	843,545

A legal reserve is created in the event of a profit for appropriation, amounting to 5% and a maximum of 10% of the fixed component of the capital as defined by the articles of association.

Since 2008, amounts have been recorded as non-available reserves for an amount equal to the depreciation of the (RAB capital gain) revaluation surplus in accordance with the settlement with CREG.

The reductions in the (un)available reserves are mainly due to the 'emptying out' of Infrac Limburg. For more detail, see **Chapter 1 Major events**.

5.15 Provisions and deferred taxation

(in thousands of EUR)	30/06/2018	31/12/2017
Provision for Telenet - Proximus	14,090	14,090
Provision for doubtful debtors	9,866	9,248
Deferred taxes	11,580	10,355
Other	426	310
TOTAL	35,962	34,003

The provision for Telenet v. Proximus:

With reference to the take-over of the cable television customers and the granting of a long-term lease on the cable network by Telenet, Belgacom, now Proximus, filed an application with the Court of First Instance to annul the contracts and seeking compensation. This claim was dismissed in First Instance (judgement of 6 April 2009). Proximus then lodged an appeal with the Antwerp Court of Appeal.

The Proximus claim sought the handing-over of all the documents with regard to the agreement between Telenet, Interkabel and the cable companies. At the same time, it asked for these agreements to be declared invalid and, based on an expert report that it commissioned, it sought compensation of 1.4 billion euro.

The aforementioned contracts do contain, via an indemnity mechanism borne by Telenet, a limitation of liability for the cable companies. The Board of Directors therefore decided on grounds of prudence to set aside a provision that relates to that contractual settlement. The Board of Directors is convinced that the risks and the attendant uncertainties, taking account of all factors known at present, are the subject of adequate provisions in Interkabel and/or the annual accounts of the DSOs concerned. The so-called Telenet agreements provide that any compensation above 20 million euro will be payable by Telenet.

In a judgement of 18 December 2017, the Court of Appeal entirely dismissed Proximus's claim. Proximus can still make an appeal in cassation.

The other provisions concern, inter alia, a provision for life insurance.

5.16 Accounts payable after more than one year

(in thousands of EUR)	30/06/2018	31/12/2017
Financial debts	776,874	800,663
Other debts	21	21
TOTAL	776,895	800,684

The financial debts consist of:

- leasing debts amounting to 3,917 k euro;
- bond loan - EMTN (see note at the bottom of this detail section) amounting to 498,965 k euro;
- bank loans with a balance of 273,992 k euro.

5.16.1 EMTN - Euro Medium Term Note

With a view to financing investment spending in electricity, TV distribution, natural gas and sewerage networks and the financing of the working capital, Infrac cvba started up an EMTN programme in 2013, for the issue of bonds for a total of 500,000,000 euro spread over 4 years. This programme is part of a diversification of financing sources, besides the existing conventional financing via bank loans, short-term credit lines and issue of treasury certificates.

The programme, approved by the FSMA on 1 October 2013, was completely underwritten by the partners in Infrac cvba.

A first issue took place in 2013, for an amount of 250 million euro with nominal interest of 3.75% and a 10-year term.

After obtaining the rating in October 2014, Infrac carried out a second bond issue. The updated prospectus was approved by the FSMA on 22 October 2014. This time too, the issue was a great success. The bond issue was for 250 million euro for a 15-year term at a nominal interest rate of 2.625%.

Due to the rating, there was more foreign interest than during the first issue in 2013.

Besides the EMTN programme, Infrac also has a programme of treasury certificates (commercial paper) of a maximum of 200 million euro, see amounts payable within one year, and a credit line of a maximum of 200 million euro at Belfius Bank and KBC Bank.

5.17 Accounts payable within one year

(in thousands of EUR)	30/06/2018	31/12/2017
Current portion of long term payables	66,886	74,333
Financial debts	-	25,000
Trade payables	83,611	69,431
Advance payments on work in progress	2,562	5,193
Taxes, remuneration and social security	38,652	46,177
Other current liabilities	34,130	52,705
TOTAL	225,841	272,839

For a summary of the heading 'Amounts payable > 1 year falling due within one year' please refer to the note on Amounts payable after more than one year - Financial and other debts above.

Trade debts increased by 14,180 k euro.

The prepayments received against orders concern mainly the advance payments invoiced in connection with works to be carried out and new connections.

The debts relating to taxes, salaries and social security fell by 7,525 k euro compared with the year end 2017, mainly due to a reduction in the tax liabilities recorded.

Other debts fell by 18,575 k euro in the first half of 2018. At the end of 2017, these debts mainly related to the dividends paid out for an amount of 14,688 k euro during the first half of 2017. In addition, advances on the 2018 dividend were already paid out in the first half of 2017.

5.18 Accrued charges and deferred income

(in thousands of EUR)	30/06/2018	31/12/2017
Operating differences (regulatory transfers)	92,922	78,315
Turnover-energy in the meters	41,747	43,248
Miscellaneous	45,363	29,727
TOTAL	180,032	151,290

The detail of the operating differences as of 30 June 2018 is as follows:

(in thousands of EUR)	2018	2007 - 2017	Total
Electricity (including Voeren)	23,495	80,336	103,831
Return balances electricity 2010-2016 (including transportation network)	-12,915	-37,169	-50,084
Natural gas	9,168	72,504	81,672
Return balances natural gas 2010-2016	-5,631	-38,941	-44,572
Transportation network	490	1,585	2,075
TOTAL	14,607	78,315	92,922

The operating differences concern the surpluses for gas and electricity, see also 4.14, which will be offset in future tariffs. The fall is mainly attributable to the return of the surpluses from 2010-2016.

The turnover - energy heading in the meters relates to the separation of the sales in the context of energy supplied but not yet invoiced to customers offset against advance payments received.

The miscellaneous balance mainly relates to the balances of the federal contribution and the financial charges yet to be paid.