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INFRAX

Financial report on the aggregated financial statements 31 December 2015

Infrax cvba, network company for natural gas, electricity, cable TV and sewerage

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Infrax is the operating company for the network companies Infrax Limburg, Infrax West, Inter-aqua, Inter-Energa, Inter-media, Iveg, PBE and Riobra.

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1. Management report

1.1 Strategy

The Board of Directors has approved an update of the vision and strategy of Infrax. Infrax wants to be the leading utility company in Flanders, where customers can easily turn for all of their comfort needs. With the expertise of its employees, Infrax wishes to expand infrastructure and services for its municipalities.

The realisation of this vision is founded on four pillars: 1° growth in scope and services offered, 2° focus on the customer in all of our business processes, 3° employees and 4° municipalities. In an innovative way, Infrax wants to support municipalities and cities in their striving for stability and attractiveness for their population and companies.

1.2 The municipality of Voeren joins Infrax for electricity

On 25 June 2015, the municipality Voeren decided to transfer the management of its electricity network to Infrax on 1 January 2016. Until the end of 2015 Ores was still the distribution system operator for electricity in Voeren. Ores is mainly active in Wallonia. With the addition of Voeren, all Limburg municipalities are now connected to Infrax for electricity.

1.3 New network rates for electricity and natural gas starting with 2015

At the end of December 2014, the VREG approved the network rates for 2015, at which time they were adjusted to the higher cost level. The network rates that had been applied in the period 2010-2014 did not foresee the enormous success of solar panels (including the extent of the obligatory buyout of the certificates) whereby the network operators piled up large deficits and had to take out loans to finance them.

Therefore the network rates for electricity have also risen sharply in 2015. The rate increase ensures that no additional deficits will be built up as a consequence of green power certificates, but does not solve the problem of the recovery of deficits since 2010.

On the other hand, since 2015 a significant decrease of the network rates for natural gas could be carried out.

For all of Infrax, the permitted income in 2015 for electricity distribution in Flanders amounted to 428 million euro (this is an increase of 84 million euro compared with 2013), and for natural gas distribution, 66.5 million euro (a decrease of 21 million euro). Furthermore, in determining the rates for electricity, a significant decrease in the amounts of transported kWh was taken into account.

Because of this, the network rates for electricity at Infrax increased by an average of 41 % in 2015. The network rates for natural gas at Infrax decreased in 2015 by an average of 17 %. For each distribution system operator the increase or decrease is different.

1.4 Prosumer rate

Since 1 July 2015 a new rate is in force for customers with solar panels connected to a reversible electricity meter: the prosumer rate. Thanks to this rate, that comes to approximately 78 euro/kW, the owners of solar panels also contribute to the use of the electricity network.

Someone who produces electricity himself actually makes double use of the electricity network: to place electricity on it when his own usage is lower than what the solar panels are producing or to draw electricity from it when his own production is not sufficient, for example in the evening or at night.

1.5 Corporation tax

Since 1 January 2015, the intercommunal utility companies are no longer automatically exempt from corporation tax.

Riobra and Inter-Aqua – exclusively active in sewerage system management – have adjusted their articles of association and will no longer be paying dividends to their associates. As a consequence, the regulatory commission has decided to exempt both companies from corporation tax and to subject them to the tax on legal persons.

The other Infrax DSO¹s are subject to corporation tax since 1 January 2015.

In 2015 the Infrax group bore a tax burden of 32 million euro. Of this, 24 million euro was recuperated via an increase of the distribution network rates for electricity and natural gas. The pricing methodology of the VREG provides for a fair net remuneration of the shareholders.

As a consequence of the corporation tax, the VREG has increased the permitted electricity income for 2015 to 443.5 million euro (+15.4 million or +4 %) and the natural gas income for 2015 to 74.8 million euro (+8.3 million or +13 %). The rate increase went into force on 1 August 2015.

1.6 Recovery balances

The Court of Appeals of Brussels, at the request of Infrax, passed a judgement on 30 June 2015 about the question as to which of the two regulators (the federal CREG or the regional VREG) must formally set the balances in the period 2010-2014. In its judgement the Court established that it was up to the VREG to pronounce on the balances – also on the ones built up between 2010 and 2014.

As a consequence, the VREG, after a round of consultations, decided to recuperate the balances from 2010-2014 over a period of 5 years, beginning with 2016. Earlier the VREG had already decided to process the balances of 2008-2009, that were already formally approved by the CREG, in the rates of 2015 and 2016.

The table below shows the status of the balances as of 31 December 2015 for the regulated activity, electricity, as they were also included in the annual reports of 2015 of the Infrax distribution network companies concerned (- deficit and booked as a claim, + surplus and booked as a debt).

¹ Distribution System Operator

Balances for electricity distribution		
Balances of non-manageable costs per 31/12/2014	(1)	-303.600.537
Recovery of 2008/2009 balances in 2015	(2)	+10.261.313
Balances of exogenous costs and volume differences in 2015	(3)	+52.392.189
Balances of federal contribution to the end of 2014	(4)	- 8.186.890
TOTAL	(5)	-249.133.925

(-: deficit, will raise rates in the following pricing period; +: surplus, will lower rates in the following pricing period)

Comment: under the CWAPE, only 10 % of the 2008/2009 balances could be included in 2015.

The surplus of exogenous costs in 2015 is mainly a consequence of the abolishment of the ceiling on the solidarization of the green power certificates and the combined heat and power certificates in 2014 and 2015.

The table below shows the surplus as of 31/12/2015 for the regulated activity, natural gas, as it was included in the annual reports of 2015 of the Infrax distribution network companies concerned (- deficit and booked as a claim, + surplus and booked as a debt).

Balances for natural gas distribution		
Balances of non-manageable costs per 31/12/2014	(1)	49.028.805
Return of 50% of balances 2008/2009 in 2015	(2)	-10.659.297
Balances of exogenous costs and volume differences in 2015	(3)	-4.150.997
Total	(5)	34.218.511

(-: deficit, will raise rates in the following pricing period; +: surplus, will lower rates in the following pricing period)

These tables must be treated with the necessary reservation since the VREG has not yet definitely confirmed these amounts. The complete recovery is therefore only certain on the final confirmation of the regulator.

1.7 Valuation of green power certificates (GPC) and combined heat and power certificates (CHPC)

For green power there was a surplus of certificates in Flanders again in 2015 and only a limited portion of the certificates could be sold by the network operators. We saw a reduction in the stock of combined heat and power certificates in 2015.

At the end of 2015 the stock of green power certificates, and combined heat and power certificates represented 253.2 million euro, or an increase of 43.1 million euro. The banked and non-banked GPCs are valued at 93 euro and 88 euro per item respectively. For the CHPCs this is 27 and 20 euro respectively. The stock of certificates is included in the annual financial statements of the network operators under deferred charges and accrued income.

Stock	31/12/2015		31/12/2014		Increase	
	Numero	Value	Number	Value	Number	Value
GPC	2.690.126	239.062.278	2.127.470	189.548.550	+562.656	+49.513.728
CHPC	663.800	14.094.601	985.346	20.539.045	-321.546	-6.444.444
Total	3.353.926	253.156.879	3.112.816	210.087.595	+241.110	+43.069.284

In its decision of 10 January 2014, the Flemish government determined that all network operators must immobilise (bank) 1.5 million certificates during a number of years, in other words, not to offer them on the market in order to restore supply and demand. The banking for Infrax relates to 466,238 GPCs and 118,875 CHPCs. The Flemish government guarantees the banked certificates (at 93 euro per banked GP certificate and at 27 euro per banked CHP certificate or in total 46.6 million euro) and has reimbursed the financing costs for 2015. For the non-banked certificates there might be a risk that they cannot be sold on the market in the future for a price of 88 euro and 20 euro respectively, which could cause an additional deficit in the exogenous costs of the network operators. The stock value of the non-banked certificates amounts to ca. 206.6 million euro.

1.8 New network rates for electricity and natural gas in 2016

On 23 October 2015 the VREG announced the permitted income for 2016. For electricity distribution that is, taking into account the decree on various provisions with regard to energy, 448,566,781 euro.

This budget takes into account:

- the recovery over 5 years of the historical deficits from the period 2010-2014. In 2016 this will enable Infrax to recuperate 70,567,480 euro from the past.
- the abolishment of the gratis kWh starting with 2016
- the abolishment of the ceiling on the solidarization of green power certificates and combined heat and power certificates.

As a consequence, at Infrax the network rates for electricity will increase by an average of 1.15 % on 1 January 2016.

The permitted income for natural gas will be 71,121,212 euro. This includes a return of 16,201,339 euro on balances from the past. For natural gas the rates decrease by an average of 4.86 %.

1.9 Increased contribution to Energy Fund starting on 1 March 2016

The contribution to the Energy Fund was already introduced by the decree of 19 December 2014. The contributions, calculated per utility connection point, serve to finance the operational costs of the VREG and the costs of subsidies for green power projects.

In order to tackle the problem of the historical stocks of unsold certificates fundamentally, the Flemish Government has increased the contribution to the Energy Fund to a considerable degree starting on 1 March 2016. The new contribution is dependent on the consumption bracket and will produce in total 492 million euro on an annual basis. This ought to be sufficient to eliminate the surplus of certificates in Flanders by 2021.

1.10 Construction of a heating network at Antwerp Nieuw Zuid launched

The city of Antwerp has decided to install a heating network in the development of "Nieuw Zuid," the new district behind the Antwerp Palace of Justice. For this it has granted a concession to the consortium "Warmte@Zuid" with as members Infrax, Waterlink, Indaver and Dalkia. In this consortium Infrax has been appointed as project leader. Iveg will become owner of the installations and is completely responsible for the financing.

Once the entire district has been developed, the heating network at Nieuw Zuid will consist of about five kilometres of heating lines and will thus provide more than 5000 residents with heat. This makes it one of the largest new developments in the area of heating networks in Flanders. At the end of 2015 phase 1 (ca. 1/3 of the site) was completely finished and the first residents could be connected to the heating network.

1.11 Infrax is helping to build a steam network in the Waasland harbour

Ecluse cvba has as its purpose, the construction of an industrial heating network in the Waasland harbour (harbour on the left bank at Antwerp). It will transport steam that is released from the combustion installation of Indaver/Sleco to surrounding companies. Annually this installation processes thermally more than 1 million tons of household and comparable company refuse that cannot be recycled.

This project will result in as much CO₂ savings as 50 windmills and is supported by the Flemish Government by a grant for important strategic ecology support (10 million euro).

Infrax is participating in this project and is to be the operator. The final go/no go will be decided in June/July 2016.

1.12 Heating network in Harelbeke

In this project the waste heat of the household refuse incinerator of IMOG in Harelbeke will be employed usefully. In 2016 the works will be started in which Infrax will install a heating network of 2.6 km along the Leie. The capacity of the heat extraction amounts to 6 MW, later expandable to 18 MW. The investments are estimated at 4.2 million euro. This project can benefit from Flemish subsidies for green heating projects for an amount of 569,000 euro.

For the extraction of the heat from IMOG, there will be collaboration with Eandis, that is installing a heating network itself at Kuurne.

1.13 Establishment of a Heating Company Flanders

Both Infrax and Eandis have the ambition to develop heating networks in Flanders. Since the installation of heating networks has a limited profitability, to prevent needless competition in the area, a principle agreement to work together has been made. To this end a heating company Flanders will be established. The establishment of the heating company is planned for the first semester of 2016.

1.14 Infra-X-net

The agreement with Telenet provides that the cable infrastructure will remain the property of the DSOs and that Infrax may provide certain services on this infrastructure to the cable municipalities.

In this context Infrax provides the following services to the municipalities via the cable network:

- Infra-LAN-net: this is the connecting of different buildings of the municipalities/OCMW to one computer network of their own;
- Infra-TEL-net: this is the connecting of telephony and telephone exchanges of buildings to the main building of the municipality. That main building will then be connected over the cable network with the Infrax shared telephony operator;
- Infra-INTER-net: the provision of broadband access to the internet via the cable network for the various buildings.

This new service is enjoying great commercial success: at the end of 2015, 82 municipalities and the province of Limburg signed up for these services, which signifies a success rate of 85 % for the municipalities connected to the cable network.

1.15 Roadrunner Project

Roadrunner is the name of the project for the expansion of the current bandwidth of 606/862 MHz to 1 GHz. This expansion is necessary because of the continually greater demand for data volume, speed, interactive services, HQ video, etc. To continue to meet this demand, the cable television network must be expanded continually. All equipment and materials that are not 1GHz compatible, (main line amplifiers, distribution amplifiers, splitters, connection boxes and connectors) must be replaced.

The cost price of Roadrunner for all of Infrax is estimated at 46 million euro, being ca. €80/customer. The rollout will continue until 2018.

1.16 Public Wi-Fi

The Board of Directors gave its agreement for Public Wi-Fi to be offered as a new service to the cable municipalities of Infrax.

Six test projects were set up: Hasselt, Genk, Neerpelt, Diest, Diksmuide and Torhout where temporary networks are being installed, one Wi-Fi zone per municipality. The intention is to gain practical experience in preparation for a rollout to interested municipalities. The public Wi-Fi's are connected to the glass fibre network of Infrax that connects municipal buildings with each other and with Infrax. The participating municipalities make a one-time investment in the hardware (access points, antennas, etc.), the civil electricity and network works, and the installation cost, whether or not financed from available funds of the DSO. The test projects are running smoothly and are having great success.

1.17 Sewerage

Infrax provides sewerage services in 83 municipalities. This makes Infrax the largest sewerage operator in Flanders.

In 2015 43 million euro were invested in the sewage system. This is 9 million less than in 2014. This drop is due to the reduced investment in road works by the municipalities and points to the budgetary constraints that many municipalities are struggling with.

In order to achieve the European objectives in the field of improving water quality, considerable financial resources are necessary for investment in and management of sewerage. Infrax sees various possibilities for ensuring a balanced financing:

- an increase in the municipal purification contribution on the drinking water bill;
- the introduction of a capacity component in the municipal purification contribution;
- an increase in the investment grants from the Flemish region for expansion investments, replacement and maintenance of the existing system;
- the introduction of an avoidable contribution for the accelerated drainage of rainwater;
- a sufficient annual increase in the Municipal Fund so that the municipalities are in a position to finance the balance from their general funds.

In her 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, Infrax 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 following activities can be financed through these sewerage funds:

1. investment grants for investments without the intervention of the Flemish Region;
2. (additional) grants for works in the private domain;
3. road construction combined with sewerage- and possibly road repairs.

The creation of a sewerage fund will also provide a major impetus for additional investment in sewerage infrastructure.

1.18 Adaptation of investment rules for sewerage systems

Infrax has a proposal ready for the revision of its investment rules. Infrax wants to create space for necessary investments by an increase of the contribution of Infrax. The contribution will be related to the priority of the investments for Infrax (not a priority, a moderate priority or a high priority) and will also be dependent on the type of purpose (ecological (expansion/optimisation) or functional (replacement/flooding)).

The increased flat rate for road repair is comparable with the intervention of Aquafin.

These interventions will be applicable retroactively for all projects tendered after 1 January 2015. If this should lead to a decrease, then the confirmed engagements will be honoured.

1.19 Increase in water purification levy as of 1 January 2015

The Flemish Government decided at the end of 2014 to increase the supra-municipal water purification levy from 0,96 euro/m³ to 1,2088 euro/m³, or an increase of 26 %.

The municipal water purification levy is established by decree at a maximum of 1.4 x the supra-municipal rate. As a consequence, the maximum municipal water purification levy has also experienced an increase of 26 % and because of this has risen to 1.6923 euro/m³.

Most of the Boards of Directors decided to apply this maximum rate in 2015 as well. The available budget increased because of this in 2015 by 15 million euro.

1.20 KLIP offered to municipalities (sewerage system database)

Starting on 1 January 2016 the location data of the piping is to be supplied in digital form to the Agency for Geographical Information in Flanders (AGIV). As a consequence, a digital sewerage system database is needed.

Infrax has decided to offer non-sewerage system associates the following services:

- inventory and composition of the database (according to Infrax estimates)
- actual maintenance of the database (processing when built, planning)
- automatic exchange of information with the KLIP server

1.21 New rate structure for water starting with 2016

The Flemish Government reached an agreement on 12 June 2015 about a new uniform rate structure for drinking water and the water purification levy starting on 1 January 2016. In application of the coalition agreement, the free 15 m³ per person domiciled is abolished.

A fixed component with a family correction is being introduced. For the usage two rates are applied: a basic rate for usage limited to 30 m³ per residential unit and increased by 30 m³ per person domiciled. The rate is doubled for any usage above that.

1.22 Publi-T Capital increase

The Infrax DSOs have subscribed to the capital increase of Publi-T, the reference shareholder of ELIA. On the one hand, Publi-T wants to anticipate an expected capital increase of Elia, on the other hand, this makes it possible for a number of bank loans to be repaid. For the Infrax-DSOs this capital increase means an investment of ca. 23 million euro.

1.23 Joint procurement by municipalities

At the request of a number of municipalities, Infrax has decided to offer the municipalities possibilities for 'joint procurement'. Infrax will facilitate the full procurement process and put its expertise, in the form of a central contracting department, at the disposal of the municipalities. By economies of scale,

this cooperation, in addition to administrative simplification, should lead to financial savings by the municipalities.

The organisation, the working methods, the tasks and responsibilities have been described in a cooperation agreement to be concluded between Infrax and the municipalities.

In the meantime, the following joint procurement programmes for the municipalities have been initiated:

- Roadside weed control + monitoring (zero measurement)
- Electronic luncheon vouchers
- Payment terminals
- External service for health and safety at work (“EDPBW”)
- Medical inspections
- CNG-vehicles
- mobile telephony.

1.24 Legal framework

In 2015 the Infrax-DSOs were involved in the following procedures:

1. Boonen e.a./Electrabel: In this case more than 1,600 parties were claiming before the Justice of the Peace in Deurne (a provisional reimbursement for) the repayment of the distribution fees paid since 2009, as well as a ban on charging distribution fees in the future on the basis of article 49 (sic) of the Law of December 15, 2009 (which, among other things, enacts two Royal Decrees on tariffs). Their claim was based on a judgement by the Constitutional Court on May 31, 2011 which annuls the legal enactment of certain articles from the tariff regulations, which according to the claimants would remove any basis for charging distribution fees. Their claim was directed against Electrabel, and was subsequently extended by the claimants to Electrabel Customer Solutions. Electrabel has served a third-party notice upon almost all Belgian operators. Both the Belgian State and the CREG were involved in the case. In his judgement of January 31, 2014 the Justice of the Peace stated that he had no jurisdiction on the matter and referred the case to the Court of Appeal in Brussels. No evolution has been noted since.
2. Booms en Asman/CREG: In April 2011 the CREG had adjusted the distribution tariffs of Inter-energa and Iveg. Those decisions were challenged by two natural persons at the Brussels Court of Appeal. In June 2012 the Court considered that the tariff adjustment was justified, but that the CREG based this on an incorrect legal provision. The Court pointed out, however, that it would be advisable that the consequences of the decisions of the CREG temporarily remain in force until the latter could take new decisions. Nevertheless, the Court found, that the Electricity Act did not empower it to order that the consequences of an illegal decision by the CREG remain in force temporarily, while the Council of State does have such powers. The Court of Appeal therefore asked the Constitutional Court whether this is discriminatory or not. In its judgement of July 9, 2013 the Constitutional Court considered that it is not contrary to the constitutional principle of equality.

Meanwhile, the CREG had instituted a provision in cassation against the judgement of the Court of Appeal. This provision is currently pending. The Court of Cassation has fully rejected the cassation appeal in his judgement of November 23, 2015. The case can be heard again before the Court of Appeal in Brussels.

3. Zonstraal/VREG: On 1 July 2014, the pricing authority with regard to distribution network rates for electricity and gas was transferred from the federal level to the Regions. Implementing its new pricing authority, the Flemish energy regulator, VREG, adopted a pricing methodology for the regulatory period of 2015-2016 on 30 September 2014. Zonstraal, a sector association for solar energy, together with two natural persons (who indicated that they are owners of solar panels) have initiated an appeal for the suspension and annulment of this pricing methodology at the Court of Appeals at Brussels. Because the VREG, however, was of the opinion that only the Council of State was authorised to take cognisance of appeals against decisions of the VREG, the requesting parties then initiated an appeal (for the suspension and annulment) of this same pricing methodology at the Council of State. The four distribution system operators of the Infrax group Iveg, Infrax West, Inter-energa and the PBE (the “Infrax-DSOs”) joined the procedure before the Council of State in support of the VREG.

The Court has in (the motivation of) an interlocutory judgment indicated that it is competent, but it has suspended dealing with the case awaiting a final pronouncement of the Council of State in order to avoid contradictory pronouncements.

By a judgement of 1 October 2015 the Council of State rejected the request for suspension because of a lack of urgency, without pronouncing on its competence. Then the requesting parties asked that the legal proceedings be continued. The VREG and the Infrax DSOs submitted their pleadings on 11 January and 22 January 2016 respectively. The following step is that the requesting parties can submit a pleading of reply.

4. Lampiris/VREG: In this case Lampiris has initiated a series of appeals at the Council of State for the annulment of the decisions of the VREG of December 2014 for the approval of the rates of the Flemish distribution system operators (including the Infrax DSOs). These procedures are directed against *individual rate decisions* of the VREG (see no. 3 above). The Infrax DSOs have joined in the procedures that relate to the approval decisions relating to their electricity and gas rates.

In the case related to Inter-energa (natural gas) an Auditor’s report was lodged on 30 September 2015. The Auditor states that from a pragmatic viewpoint, the preferable option is to submit a report in only one of the cases and to wait for a judgement on that case before submitting a report on the other cases. In the report of 30 November 2015, the Auditor states that the Council of State has no judicial authority to take cognisance of disputes concerning rate decisions, and decided on the rejection of the appeal of Lampiris.

On 17 February 2016 the term expires for Inter-energa to submit a final pleading.

5. Proximus activating claim: In response to the acquisition of the cable television customers and the establishment of a long-term lease to the cable network by Telenet, Belgacom, nu Proximus, has initiated a claim at the Court of First Instance for the annulment of the contracts and for obtaining remuneration for damages. At first instance, this claim was rejected (verdict of 6/4/2009). Hereupon Proximus has initiated a higher appeal at the Court of Appeals at Antwerp. But the case has been assigned to the cause list.

In response to a judgement of the Council of State in this case (dd. 26 May 2014), Belgacom has submitted a Statement in Support of Claim accompanied by a report of Frontier Economics. Proximus demands in its statement that the complete documents related to the agreement between Telenet, Interkabel and the cable companies be made available. At the same time it demands that these agreements be declared void and that the various cable companies be condemned to a provisional remuneration for damages. The Board of Directors is persuaded that

the risks and associated uncertainties, taking into account all known current elements, have been sufficiently provided for in Interkabel and/or the annual accounts of the DSos concerned.

1.25 Rating A with stable outlook

The rating agency Fitch confirmed the rating on October 8, 2015: a flat A-rating with a stable outlook. Thanks to the strong link with the public shareholders and the Flemish government there was an uplift of 1 'notch': from 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 credit worthiness of an issuer of bonds and is an important criterion that institutional investors use. A rating also gives more financing flexibility and strengthens the image of Infrax as a reliable financial partner. In addition, the VREG bases itself on companies with an A-rating to determine the 'allowed' financing costs.

1.26 Revision of lines of credit

Infrax has renewed its existing lines of credit. For this a European call for tenders was issued for credit lines for a value of 200 million euro and this was done with public notification via the negotiation procedure.

The tender was awarded to Belfius Bank and KBC Bank, each for 100 million euro. The Infrax DSos stand surety pro rata their capital in Infrax.

1.27 Financial instruments

Infrax makes use of financial instruments such as referred to in Article 96, 8° of the Companies Code. To cover its long-term loans, an interest rate swap (IRS) on a loan of 70 million euro was concluded in 2011 with a duration of 20 years till 2031.

1.28 Investments

The Infrax group made investments in 2015 worth a total value of 202,6 million euro gross. This is 16,2 million euro less than in 2014.

Investments per activity in millions of EUR					
Electricity	Natural gas	Sewerage	CTV	Miscellaneous	Total
84,6	36,0	42,7	23,8	15,5	202,6
(+2,1)	(-5,0)	(-8,6)	(-8,4)	(+3,7)	(-16,2)

(x): increase or decrease in comparison to 2014

1.29 Important events after the closure of the annual accounts for 2015

There are no important events after the closure of the annual accounts to be mentioned that might have an impact on the accounts.

2 Information on the company

On 7 July 2006, three Mandated Associations (“Opdrachthoudende Verenigingen”) - Infrax Limburg, Iveg and Infrax West - established the joint operating company known as Infrax cvba. Afterwards we also saw the addition of the Provinciale Brabantse Energiemaatschappij (PBE) as of 1 July 2010 and of Riobra as of 1 July 2011. In the name of and for the account of its shareholders, Infrax performs the following tasks, among others:

- In general the provision of management and other services and making know-how available to its shareholders;
- The preparation for and the implementation of the decisions of the governing bodies of its shareholders;
- All operational tasks within the framework of the operation, maintenance, and development of the networks and installations;
- The provision of all services to users of the distribution networks within the framework of the activities of its shareholders in the technical, administrative and commercial area;
- The promotion of cooperation among the shareholders;
- The creative development of new products and services.

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

Within the framework of the policies set out by its partners, the company is responsible for the operation, maintenance and development of the networks in activities related to electricity, natural gas, cable TV, communications and sewer systems.

3 Summary of the most important accounting policies and valuation rules

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

For regulated activities the guidelines of the federal regulator CREG are applied. On 1 July 2014 the authority to set rates for electricity and gas was transferred to the regional regulators, being VREG (for the Flemish region) and CWaPE (for the Walloon region). The CWaPE has indicated that it will maintain the existing regulations for the Walloon region for the years 2015, 2016 and 2017, which means that there are no changes in accounting procedures. As of 2015 the VREG uses a new rate-setting method for electricity and gas for the DSOs, based on a revenue-cap system instead of the cost-plus system used in the past. This results in a few adjustments in accounting procedures as will be explained further below.

3.1 Principles of aggregation

The aggregated annual figures include the following DSOs:

Infrax, Infrax Limburg, Inter-Energa, Inter-aqua, Infrax West, Inter-media, Iveg, Riobra and PBE. The Infrax aggregation consists of the aggregation of the annual financial statements, prepared in accordance with Belgian GAAP, of all the DSOs.

The term aggregation is used instead of consolidation. This means that the individual annual accounts of the above-mentioned entities, prepared in accordance with Belgian GAAP, are added up, which eliminates the intragroup transactions (sales, costs, dividends) and positions (participations, receivables, liabilities).

The information relative to the accounting years ending on 31 December 2015 and 2014 is drawn from the individual audited annual accounts for 2015 and 2014 of each DSO.

The audited annual 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 Infrax is not obligated by Belgian accounting legislation to draw up annual cash-flow statements, the cash-flow summary included in this report for the financial years 2015 and 2014 is based on the audited annual figures for 2015 and 2014 of the individual DSOs, and is drawn up according to the formulas used by the FIRST software (software used to file statutory accounts in Belgium).

3.2 General valuation rules

1. Formation expenses

Costs incurred prior to starting trading and various costs relating to fixed assets under construction are recorded at their acquisition value and are depreciated linearly over 5 years.

2. Intangible fixed assets

Intangible fixed assets include the cost of software licences, research and development costs, concessions, patents and costs of making the inventory and the modelling of sewer networks and are valued at acquisition value. The costs for software licences are depreciated linearly over a period of 5 (10) years, the costs for making the inventory and the modelling of sewer networks are depreciated linearly over a period of 10 (5) years.

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

The CWaPE applies a depreciation rate of 20% (5 years) for software in 2015 and 2016. New depreciation rates may be set by the VREG and/or the CWaPE from 2017 onwards.

3. Property, plant and equipment

As prescribed in the Royal Decree of 30 January 2001 implementing the Belgian Companies Code, tangible assets, including any additional acquisition costs, are recorded at their acquisition or contribution value, except fixed assets the company produces itself, which are valued at production cost, established in accordance with Article 37 of the Royal Decree of 30 January 2001 implementing the Companies Code.

Revaluation

It should be noted that further to the Flemish Community (Department of Domestic Affairs) circular BA 2003/02 of 25 April 2003, the boards of directors of the different DSOs have decided to cease re-valuing tangible assets 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 provided by the regulators.

Valuation of the RAB for the distribution networks for electricity and natural gas

RAB stands for 'regulated asset base'. It is the basis for calculating depreciations and the fair profit margin. The RAB value consists of the initially calculated and regulator-approved economic reconstruction value of the regulated tangible assets (iRAB or initial RAB value), increased by the annual investments and decreased by the annual depreciations and disposals, and taking into account the need for working capital. The economic reconstruction value of the regulated tangible assets is based on a detailed technical inventory of all network components. The RAB value is calculated each year as follows:

- Plus
 - New investments.
- Less
 - contributions by network users;
 - subsidies;
 - depreciations and reductions of value;
 - disposals
 - disposal of assets at their historical acquisition value plus
 - 2% annual depreciation of the revaluation surplus (approximately equal to the average annual disinvestment).

3.1 Depreciation

Depreciations are based on the acquisition or contribution value, less contributions by network users.

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

Depreciations are applied on a linear basis using the percentages specified below.

Depreciations are 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 to land.

Depreciations of the transmission network (36kV/70kV) are applied in accordance with the CREG guidelines as laid down in the Royal Decree on long-term rates (Royal Decree of 8 June 2007):

- 2 % (50 years) for electricity transmission cables and lines of 36kV and 70kV;
- 3% (33 years) for industrial buildings, posts, cabins, stations, plus equipment in the 36kV and 70kV stations;
- 20% (5 years) for other equipment and furniture;
- 20% (5 years) for vehicles and IT equipment.

Depreciation rates for distribution networks are applied in accordance with the guidelines of the CREG as included in the Royal Decree on multiple-year rates (Royal Decree of 2 September 2008) applicable for the rates until 2014:

- 2% (50 years) for administrative buildings
- 2% (50 years) for electricity distribution cables and lines and for pipelines for natural gas and sewage;
- 3% (33 years) for industrial buildings, posts, cabins, stations, connections and metering equipment for electricity and natural gas distribution;
- 3% (33 years) for head ends, super grids and cable TV distribution fibre optic cables;
- 5% (20 years) for distribution grids (primary and secondary grids) and cable TV-lines and cable TV-connections;

- 10% (10 years) for remote read and budget meters, CHP installations, teletransmission and fibre optic cables, CAB, telecontrol and dispatching equipment, lab equipment, tools and furniture, electronic cable TV equipment and other tangible assets;
- 2 % (50 years) for public lighting networks ;
- 6,67% (15 years) for electronic and mechanical equipment of pumping stations, basins and sewer networks (not for Riobra);
- 20% (5 years) for vehicles;
- 33% (3 years) for administrative equipment (IT and office equipment).

The VREG will apply the following depreciation rates as of 2015:

- 0% for land;
- 3% (33 years) for industrial buildings;
- 2% (50 years) for administrative buildings;
- 2% (50 years) for electricity distribution cables and lines and for natural gas distribution pipelines;
- 3% (33 years) for posts, cabins, stations, connections and metering equipment for electricity and natural gas distribution;
- 6,67% (15 years) for re-used cabin equipment;
- 10% (10 years) for remote read and budget meters, CHP installations, teletransmission and fibre optic cables, CAB, telecontrol and dispatching equipment, tools and furniture, and other tangible assets (also single operator);
- 20% (5 years) for vehicles;
- 33% (3 years) for administrative equipment (IT and office equipment);
- 20% (5 years) for project smart metering, project clearing house and project smart grids.

The CWaPE will apply the following depreciation rates in 2015 and 2016 (according to the accounting regulations of the CREG as included in the Royal Decree of 2 September 2008 that has in the meantime been abolished):

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

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

3.2 Cost price components

The capitalised costs of contractors, direct personnel costs and materials are increased by an allowance for indirect costs at a flat rate of 16.5 %. For sewer projects, however, this is 2.5% except for new connections, for which the flat rate of 16.5% is also applied.

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

4. Financial fixed assets

The financial fixed assets are recorded at acquisition value. A devaluation is carried out if their value is reduced permanently.

5. Stocks - works in progress

The stocks in the warehouses are included in 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 section 46.

The devaluation of stock is calculated on the basis of the rotation speed of the stock. The calculation is made as follows:

Stock items not moved during the last 12 months:

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

Stock items not moved during the last 24 months:

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

Stock items not moved during the last 36 months:

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

6. Accounts receivable and accounts payable

The accounts receivable and payable are booked at their original value. On 31 December 2015 there were no receivables or payables in foreign currencies.

Outstanding receivables are completely written off after the end of the collection procedures.

The following debtors are viewed as doubtful:

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

Rules to provide for doubtful debtors are based on the past-due balance as of 31 December of the current financial year. These receivables are in Infrax's annual accounts (as it invoices for and on behalf of the Distribution System Operators). For this a distinction is made between reduced rate customers (social customers) and non-reduced rate customers (other customers). Calculations for each of these groups of customer are made as follows:

Reduced rate customers (Infrax acts as a social provider)

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

Non-reduced rate customers - other customers

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

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

Outstanding balances excluding VAT due > 730 days: 80%.

7. Capital subsidies received

Because of the uncertain nature of both the receipt, the date of receipt and the size of the subsidy, capital subsidies are booked at the time of receipt.

The capital subsidies received from various Authorities in 2015 for investments in sewer works amount to 19,9 million euros.

8. Financial instruments

To cover interest risks on some of their long term loans, various DSOs make use of an IRS (interest rate swap) in which the floating EURIBOR interest rate is exchanged for a fixed IRS-rate for the whole duration of the loan. Here is a summary of the interest exchanges in force on 31 December 2015:

- Bank loan Infrac (2011-2031): 70 million euro – -7.320.857,63 euro MTM value on 31 December 2015
- bank loan Infrac West (2012-2022): 30 million euro – -713.199,54 euro MTM value on 31 December 2015
- bank loan Iveg (2012-2022): 10 million euro – -237.734,05 euro MTM value on 31 December 2015
- bank loan PBE (2012-2022): 10 million euro – -237.734,05 euro MTM value on 31 December 2015
- bank loan Inter-Energa (2012-2022): 40 million euro - -1.037.509,93 euro MTM value on 31 December 2015
- bank loan Inter-aqua (2012-2022): 20 million euro – -518.754,96 euro MTM value on 31 December 2015
- bank loan Inter-aqua (2007-2036): 74 million euro – -7.448.431,76 euro MTM value on 31 December 2015

As these financial instruments are only used for interest rate hedging, the mark-to-market value (the “MTM value”) has not been included in the accounting (in accordance with Belgian accountancy norms), but is explained in the comments in the statutory annual accounts made up at the end of the year.

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

4 Financial statements

4.1 Aggregated income statement

(In thousands of EUR)	Note	31/12/2015	31/12/2014
<u>OPERATING INCOME</u>		<u>889.466</u>	<u>831.164</u>
Turnover	5.1.1	703.239	707.602
Change in the stock of work in progress	5.1.3	-7.622	865
Fixed assets produced	5.1.3	-	1.384
Other operating income	5.1.3	193.849	121.313
<u>OPERATING CHARGES</u>		<u>748.026</u>	<u>695.081</u>
Trade goods and raw materials	5.2.1	57.173	52.566
Services and other goods	5.2.2	422.148	382.992
Remuneration, social security and pensions	5.2.3	149.081	146.146
Amortization and depreciation of non-current assets	5.2.4	111.938	110.082
Impairment stocks, work in progress and trade receivables	5.2.5	1.387	5.443
Provisions for liabilities and charges	5.2.6	593	-5.360
Other operating charges	5.2.7	5.706	3.213
<u>OPERATING PROFIT</u>		<u>141.440</u>	<u>136.083</u>
<u>FINANCIAL INCOME</u>		<u>25.862</u>	<u>24.128</u>
Income from financial fixed assets	5.3.1	6.933	7.015
Income from current assets	5.3.2	473	324
Other financial income	5.3.3	18.457	16.790
<u>FINANCIAL CHARGES</u>		<u>36.246</u>	<u>56.022</u>
Debt charges	5.4.1	36.190	32.732
Other financial charges	5.4.2	55	23.290
<u>EXTRAORDINARY INCOME</u>		<u>10.980</u>	<u>111.423</u>
Reversal of amortization and depreciation of non-current assets		-	1.475
Reversal of provisions for extraordinary liabilities and charges		-	98.288
Capital gains on derecognition/sale of fixed assets	5.5.1	873	349
Other extraordinary income	5.5.2	10.107	11.310
<u>EXTRAORDINARY CHARGES</u>		<u>26.824</u>	<u>31.720</u>
Capital losses on disposal/retirement of fixed assets	5.6.1	4.588	4.947
Other extraordinary charges	5.6.2	22.236	26.773
<u>PROFIT (LOSS) BEFORE TAX</u>		<u>115.213</u>	<u>183.892</u>
Transfer from deferred taxes	<u>5.7</u>	340	-
Transfer to deferred taxes	<u>5.7</u>	-234	-
<u>Income taxes</u>		<u>32.224</u>	<u>4</u>
Income taxes	5.8	32.224	4
<u>PROFIT (LOSS) OF THE PERIOD</u>		<u>83.095</u>	<u>183.888</u>
Transfer to untaxed reserves	<u>5.9</u>	454	-
<u>PROFIT (LOSS) FOR THE REPORTING PERIOD</u>		<u>82.641</u>	<u>183.888</u>

4.2 Aggregated balance sheet

(In thousands of EUR)	Note	31/12/15	31/12/14
<u>Non-current assets</u>		<u>3.408.007</u>	<u>3.346.166</u>
Formation expenses	5.10	205	595
Intangible fixed assets	5.11	25.572	25.965
Property, plant and equipment	5.12	3.096.450	3.072.371
Financial fixed assets	5.13	105.242	81.568
Affiliated enterprises		11.547	11.547
Other enterprises linked by participating interests		12.965	12.942
Other financial assets		80.731	57.079
Long term receivables	5.15	180.538	165.666
<u>Current assets</u>		<u>854.432</u>	<u>773.522</u>
Stocks and work in progress	5.14	31.857	36.561
Amounts receivable within 1 year	5.15	154.228	141.542
Current investments	5.16	37	141
Cash and cash equivalents	5.16	22.441	29.064
Deferred charges and accrued income	5.17	645.869	566.214
TOTAL ASSETS		4.262.439	4.119.688

(In thousands of EUR)	Toelichting	31/12/15	31/12/14
<u>SHAREHOLDERS' EQUITY</u>	5.18	<u>2.701.036</u>	<u>2.632.290</u>
Capital		1.080.505	1.054.202
Share premium account		114.583	112.948
Revaluation surpluses		534.948	548.080
Reserves		808.699	761.269
Investment grants		162.302	155.790
Provisions for liabilities and charges	5.19	21.367	25.245
Deferred taxes	5.19	11.495	0
<u>LIABILITIES</u>		<u>1.528.541</u>	<u>1.462.153</u>
<u>Non-current liabilities</u>	5.20	<u>976.618</u>	<u>992.512</u>
Financial debts		970.751	986.644
Other debts		5.867	5.867
<u>Current liabilities</u>	5.21	<u>384.512</u>	<u>347.192</u>
Current portion of long term payables		74.602	66.872
Financial debts		139.750	17.500
Trade payables		67.465	59.834
Advance payments on work in progress		1.687	9.510
Taxes, remuneration and social security		60.625	18.591
Other amounts payable		40.384	174.885
Accruals and deferred income	5.22	167.411	122.449
TOTAL LIABILITIES		4.262.439	4.119.688

4.3 Aggregated statement of changes in equity

(In thousands of EUR)	Share Capital	Share premium account	Revaluation surpluses	Reserves	Accumulated profits*	Investment grants**	Total
Total on January 1, 2014	1.054.068	112.948	559.739	728.886	27.974	132.671	2.616.286
Total income for the reporting period	135		-11.659		183.888	23.119	195.483
Addition/decrease reserves				21.537			21.537
Dividends paid					-201.016		-201.016
Total on December 31, 2014	1.054.203	112.948	548.080	750.423	10.846	155.790	2.632.290
Total income for the reporting period	26.302	1.634	-13.132		82.641	6.512	103.957
Addition/decrease in reserves				17.291			17.291
Dividends payable					-52.502		-52.502
Total on December 31, 2015	1.080.505	114.582	534.948	767.714	40.985	162.302	2.701.036

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

** in the framework of the corporate taxes, part of the investment grants is booked as deferred taxes.

4.4 Aggregated cashflow statement

(In thousands of EUR)		Note	31/12/2015	31/12/2014
Operating activities composed of	Profit for the reporting period		82.641	183.888
	Depreciation/amortization of non-current assets	5.2.4	111.938	110.082
	Impairment current assets (Recognition +; Reversal -)	5.2.5	1.387	5.443
	Changes in provisions (Recognition +; Reversal -)	5.2.6	593	-5.360
	Dividends received	5.3.1	-6.933	-7.015
	Extraordinary (reversal) depreciation		-	-1.475
	Gains/losses on disposal/retirement/sale of fixed assets	5.5.1/5.6.1	3.715	4.598
	Reversal of provision for liabilities and charges		-	-98.288
	Movement in investment grants	5.3.3	-3.459	-3.516
	Cashflow from operating activities		189.883	188.356
	Changes in trade and other payables	5.21	7.630	-8.196
	Changes in payables for tax, remuneration and social charges	5.21	42.034	-214
	Changes in advance payments	5.21	-7.823	3.483
	Changes in accrued liabilities	5.22	44.962	1.122
	Changes in operating liabilities		86.803	-3.805
	Changes in receivables > 1 year	5.15	-14.872	-16.535
	Change in stocks	5.14	4.704	3.708
	Changes in trade and other receivables	5.15	-12.685	-71
	Impairment current assets (Recognition +; Reversal -)	5.2.5	-1.387	-5.443
	Changes in deferred charges and accrued income	5.17	-79.655	-143.591
	Changes in operating assets		-103.895	-161.931
	Changes in provisions and deferred taxes		7.023	-
<u>OPERATING CASHFLOW AFTER TAX</u>			179.814	22.621
Investing-activities in	Formation expenses		-	-
	Intangible fixed assets	5.11	-6.447	-3.286
	Property, plant and equipment	5.12	-128.786	-143.018
	Financial fixed assets	5.13	-23.675	-189
	Proceeds from financial fixed assets	5.3.1	6.933	7.015
	Losses and gains on disposal/retirement/sale of fixed assets	5.5.1/5.6.1	-3.715	-4.598
<u>INVESTMENT CASHFLOW</u>			-155.690	-144.076
<u>FREE CASHFLOW BEFORE FINANCING</u>			24.124	-121.455
Financing-activities in	Changes in equity	5.18	68.746	16.004
	Result of the accounting period		-82.641	-183.888
	Profit distribution		48.504	201.016
	Change in investment grants	5.3.3	3.459	3.516
	Equity		38.068	36.648
	Changes in financial debts > 1 year	5.20	-15.893	182.977
	Changes in financial debts < 1 year	5.21	122.250	-33.250
	Changes in amounts payable < 1 year	5.21	7.730	21.825
	Financial debts		114.086	171.552
	Changes in other payables < 1 year	5.21	-134.501	125.756
	Changes in other payables > 1 year		-	-4.092
	Profit distribution of the accounting period		-48.504	-201.016
	Other payables		-183.005	-79.353
<u>FINANCING CASHFLOW</u>			-30.851	128.848
<u>TOTAL CASHFLOW</u>			-6.727	7.392
	Cash inflow		442.796	403.571
	Cash outflow		-449.523	-396.179
<u>Movement in cash and cash equivalents</u>			-6.727	7.392

5 Notes to the aggregated financial statements

5.1 Operating income

5.1.1 Turnover

(In thousands of EUR)		2015	2014
Electricity	Distribution	414,589	303,446
	Injection	2,922	1,878
	Transportation costs Elia	124,341	143,807
	Network contribution	15,002	
	Others	-55,385	79,761
Total electricity		501,469	528,892
70KV/36KV	Revenues	14,482	14,963
Total 70KV/36KV		14,482	14,963
Gas	Distribution	71,105	75,142
	Other	20,328	17,596
Total gas		91,433	92,738
Sewerage	Sewerage fees	71,833	58,510
CTV	Fees	10,605	10,096
Other	Other sales	13,417	2,402
TOTAL		703,239	707,602

Infrax achieved the major part of its revenues from remuneration for the transport of electricity and gas via its distribution grids.

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

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

The revenues from the sewerage activity include the remuneration received by the drinking water companies from the municipal water purification levy.

The revenues from the cable television distribution activity consist mainly of the Telenet fees received via Interkabel Flanders. 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 a 'clientele fee'.

The revenues from the cable television distribution activity also include the proceeds related to Infra-X-net and Infra-GIS.

The other sales concern various charges to third parties.

5.1.2 Regulatory transfers

(In thousands of EUR)	2015	2014
Addition of transfers	-50,594	82,431
Recovery of transfers	-398	-2,500
TOTAL	-50,992	79,931

The regulatory framework according to the (now abolished) Royal Decree of 2008 on multi-year tariff methodology is applied 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 actually incurred non-manageable costs is considered as a claim ('regulatory assets') or debt ('regulatory liabilities') and is therefore settled in a following pricing period. The difference between the actual sales volumes and the volumes estimated in the budget are also settled in a following pricing period. These differences result either in an increase or in a decrease of the future rates. 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 (relative to 2014) in the section "Regulatory transfers" concern the additional turnover booking allowed to get rid of the difference between, on the one hand, the estimated and the actually incurred non-manageable costs and, on the other hand, the estimated and actual sales volumes.

Implementing its new tasks, the VREG approved a new pricing methodology on 30 September 2014 based on income related regulation.

The new method provides for two budgets: an exogenous and an endogenous (non-exogenous) budget. Exogenous costs are costs on which the network operator can have no impact whatever. These costs are limitatively listed and consist of: REG premiums, green power certificates and combined heat and power certificates, free kWh, transmission costs, levies, taxes (except for corporation tax) and certain pension contributions. The exogenous costs are passed on to the customers. All other costs (operating costs, depreciation, financing costs, etc.) are 'endogenous'. From now on the VREG itself determines the endogenous budget. For this it relies on the past and extends the sector trend of the past into the future.

As you can see at the top, for 2015 a surplus is realised on the total exogenous budget (the surplus in 2015 was mainly attributable to the correction in the formula for calculating the solidarization for 2015 and 2014), whereby the turnover has decreased.

The VREG has established the remuneration for equity and loan capital for 2015 and 2016 as follows: the shareholders' equity – limited in amount to 45 % of the Regulated Asset Base (RAB) - is reimbursed at 5.7 % after taxes. The loan capital - calculated at 55 % of RAB - and the net working capital are reimbursed at 4.1 %. The prefinancing of the unsold GPC and CHPC and the regulatory deficits on the exogenous costs (passing on the exogenous costs at actual value will occasion differences between the rates and the accounting cost) will be reimbursed at an interest rate equal to the legal interest rate in civil and commercial matters, being 2.5 % for 2015 and 2.25% for 2016.

On the basis of this new pricing methodology, the VREG approved the network rates for electricity and natural gas for 2015 on 18 December 2014. Since 1 January 2015, the network rates cover costs again.

The VREG has also decided to settle the deficits and the surpluses accumulated in the period 2008-2009 in the rates of 2015 and 2016. The deficits and surpluses accumulated in the period 2010-2014 will be recuperated over a period of 5 years starting with 2016.

For all of Infrax the permitted income in 2015 in Flanders for electricity distribution amounts to 428 million euro and for natural gas distribution, 66.5 million euro. In determining the rates for electricity, a significant decrease in the amounts of transported kWh is also taken into account.

Because of this, the network rates for electricity at Infrax increased by an average of 41 % in 2015 (expressed in euro/kWh). For the production installations connected to a 'reversible meter' ('prosumers') a network contribution of ca. 78 euro/kW (different for each DSO) is provided as remuneration for the decreased energy and is applicable starting on 1 July 2015. The network rates for natural gas at Infrax decreased in 2015 by an average of 17 %. For each distribution system operator the increase or decrease is different.

As a consequence of the corporation tax, the VREG has increased the permitted electricity income for 2015 to 443.5 million euro (+15.4 million or +4 %) and the natural gas income for 2015 to 74.8 million euro (+8.3 million or +13 %). The rate increase went into force on 1 August 2015.

5.1.3 Other operating income

(In thousands of EUR)	2015	2014
Change in the stock of work in progress	-7,622	865
Fixed assets produced	-	1,384
Other operating income	193,849	121,313
TOTAL	186,227	123,562

The other operating income mainly concerns the Telenet operating retribution received (20,832 k euro), the sale of green power certificates and combined heat and power certificates (78,244 k euro), the revenues received in the framework of the yearly solidarity exercise related to green power certificates, and the combined heat and power certificates (83,763 k euro). These last revenues relating to solidarization have to do with the calculations for 2015 and at the same time the correction of the formula without ceiling for 2014. As a consequence this also explains the rise in relation to 2014.

5.2 Operating charges

5.2.1 Trade goods and raw materials

(In thousands of EUR)	2015	2014
Purchase of energy	42,039	37,536
Purchase of grid losses	15,134	15,030
TOTAL	57,173	52,566

Purchase of energy concerns the purchases of electricity and gas for social customers and the remuneration paid for the free 100 kWh of electricity.

The purchase of grid losses is the payments Infrac makes to the energy suppliers for electricity grid losses.

5.2.2 Services and other goods

(In thousands of EUR)	2015	2014
Contractors' costs for construction and maintenance of grids	119,590	140,769
Fees including use of installations	4,169	3,224
Advertisements, information, documentation, etc.	2,121	2,058
Public service obligations	264,755	216,777
Contracts and management costs	3,954	5,168
Consultancy and other services	7,655	8,673
Staff of third parties	17,404	10,305
Transportation fee for Elia	115,589	128,627
Others	88,930	84,214
Transfer to fixed assets	-202,019	-216,824
TOTAL	422,148	382,992

Services and other goods increased by 39,156 k euro compared with 2014.

This increase is mainly the result of, on the one hand, a 48 k euro increase of costs related to public service obligations and, on the other hand, a decrease of 13 k euro paid to reimburse Elia for transportation costs.

The costs related to public service obligations include the costs for rational use of energy and the costs related to green power certificates, and combined heat and power certificates. The increase with respect to 2014 has to do with both increased purchases and the stock movement of green power certificates, and combined heat and power certificates in 2015.

5.2.3 Remuneration, social security and pensions

(In thousands of EUR)	2015	2014
Salaries	106,300	102,387
Employers' contributions to social insurance	33,573	34,623
Charges for pension schemes and supplementary insurance	71	82
Other personnel costs	9,137	9,054
TOTAL	149,081	146,146

The personnel costs amounted to 149,081 k euro in 2015, an increase of 2.0% in relation to 2014. The average number of active members of staff was 1,474.46 FTEs in 2015 compared with 1,506.25 FTEs in 2014.

5.2.4 Amortization and depreciation of non-current assets

(In thousands of EUR)	2015	2014
Amortization and depreciation of non-current assets	111,938	110,082
TOTAL	111,938	110,082

The amortization of intangible fixed assets decreased by 455 k euro mainly as a consequence of completely depreciated assets in the smart meter project.

The depreciations on the property, plant and equipment increased by 2,311 k euro.

5.2.5 Impairment stocks, work in progress and trade receivables

(In thousands of EUR)	2015	2014
Impairment of stocks	67	181
Impairment of trade receivables < 1 year	1,320	5,261
TOTAL	1,387	5,443

In 2015 the provision for impairment of stocks amounted to 1,814 k euro and at the same time the provision for 2014 was reversed for an amount of 1,747 k euro, which means that the net impact in the profit and loss accounts amounts to only 67 k euro. The impairment of trade receivables concerns the write-offs of definitely irrecoverable receivables. A portion of the amount of the write-off, amounting to 1,318 k euro, is withdrawn from the provision for doubtful debtors, see below. The large decrease in relation to 2014 has to do with a catch-up manoeuvre concerning the final write-off of irrecoverable receivables during 2014.

5.2.6 Provisions for liabilities and charges

(In thousands of EUR)	2015	2014
Provision for length of service premium	-14	-28
Provision for major repairs	-	-870
Provision for doubtful debtors	669	-2,653
Others	-62	-1,809
TOTAL	593	-5,360

The provision for the length of service premium concerns, on the one hand, the formation of the provision (a fixed amount annually) and, on the other hand, reversal of the provision for the length of service premiums actually paid out in 2015. In 2015 the balance shows a credit amount because in 2015 more premiums were paid out than is provided for each year. The premiums actually paid out are also part of the total cost related to salaries. The formation of the provision by a yearly fixed amount and the reversal of the provision by the amount of the premiums actually paid out, is to spread the total cost of the length of service premiums out in time, on the basis of the existing workforce.

The reversal of the provision for major repairs in 2014 for an amount of 870 k euro 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 from the built-up provision for maintenance of sewerage systems in the amount of 450 k euro.

The provision for doubtful debtors in the amount of 669 k euro relates to:

- the reversal for the amount of the write-off of the definitely irrecoverable receivables for an amount of -1,318 k euro in 2015 (see above). This is a decrease of 3,615 k euro compared with 2014 (see above);
- an additional provision for doubtful debtors 2015 for an amount of 1,987 k euro. This is a decrease of 293 k euro compared with last year.

The other provisions -62 k euro relate to:

- the formation and reversal of the Public Lighting fund.

5.2.7 Other operating charges

(In thousands of EUR)	2015	2014
Various taxes	410	393
Sewerage fund	5,296	2,820
TOTAL	5,706	3,213

Various taxes include mainly the Roads fee, Fairness tax, Corporation tax and Property tax.

In her circular letter of April 2014, Minister Joke Schauvliege stated that the municipal sanitation income may only be used for (new) investment and maintenance expenses relative to sewerage

systems. By investments is also understood 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 complying with that demand and from now on will no longer pay any dividends from the sewerage activity.

Any profits will be reserved and kept available in sewerage funds. The formation of a sewerage fund will also provide a major impetus for additional investments in sewerage infrastructure.

In 2015 Inter-aqua and Riobra formed a sewerage fund in the amount of 2,820 k euro for Inter-aqua and 2,476 k euro for Riobra. In 2015 a sewerage fund has been formed for the first time by Riobra.

5.3 Financial income

5.3.1 Income from financial fixed assets

(In thousands of EUR)	2015	2014
Income from financial fixed assets	6,933	7,015
TOTAL	6,933	7,015

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

5.3.2 Income from current assets

(In thousands of EUR)	2015	2014
Income from current assets	473	324
TOTAL	473	324

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

5.3.3 Other financial income

(In thousands of EUR)	2015	2014
Investment grants and interest subsidies	3,459	3,516
Other various financial revenues	14,998	13,274
TOTAL	18,457	16,790

The other financial income concerns, on the one hand, depreciation on the investment grants and interest subsidies and, on the other hand, the long term lease payments made 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.

5.4 Financial charges

5.4.1 Debt charges

(In thousands of EUR)	2015	2014
Leasing debts	680	694
Interest charges from long and short-term loans	35,510	32,038
TOTAL	36,190	32,732

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 are also included in the section "Interest charges from long and short-term loans" for an amount of 16,113 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 2014.

5.4.2 Other financial charges

(In thousands of EUR)	2015	2014
Bank costs	20	48
Other various financial charges	35	23,242
TOTAL	55	23,290

The other various financial charges mainly include interest on arrears. The large decrease in the other various financial charges compared with 2014 is explained by the costs related to the realisation of a hedging contract in 2014. That cost amounted to 23,201 k euro

5.5 Extraordinary income

5.5.1 Reversal of amortization and depreciation of non-current assets

(In thousands of EUR)	2015	2014
Reversal of amortization and depreciation of non-current assets	873	349
TOTAL	873	349

A major portion of the gains relate to the withdrawal of articles in stock. This revenue is neutralised by an equal amount in the operating charges (Trade goods and raw materials). In 2015 additional gains were realised related to:

- the sale of the Vijversdijk building in Bruges for a value of 400 k euro;
- the sale of the PBE Kampenhout office building for 288 k euro;
- decommission/sale of various fixed assets for an amount of 47 k euro.

5.5.2 Other extraordinary income

(In thousands of EUR)	2015	2014
Extraordinary income related to receivables	137	131
Other extraordinary income	9,970	179
TOTAL	10,107	11,310

The extraordinary income on receivables concerns payments received for which the outstanding receivable had already been written off in the past because it was considered to be no longer collectable.

The other extraordinary income relates mainly to financial reconciliation for an amount of 8,116 k euro.

5.6 Extraordinary charges

5.6.1 Capital losses on the disposal/retirement of fixed assets

(In thousands of EUR)	2015	2014
Capital losses on the disposal/retirement of fixed assets	4,588	4,947
TOTAL	4,588	4,947

The capital losses booked in both 2015 and 2014 mainly concern decommissioned assets for a value of 4,536 k euro in 2015 and 4,811 k euro in 2014.

5.6.2 Other extraordinary charges

(In thousands of EUR)	2015	2014
Other extraordinary charges	22,236	26,773
TOTAL	22,236	26,773

The other extraordinary charges relate mainly to pension contributions for an amount of 21,246 k euro to guarantee pension obligations for the statutory staff.

5.7 Withdrawal from/ transfer to deferred taxes

(In thousands of EUR)	2015	2014
Withdrawal from deferred taxes	340	-
Transfer to deferred taxes	-234	-
TOTAL	106	-

Since 1 January 2015, public mission associations are no longer automatically exempt from corporation tax.

All Infrax-DSOs, with the exception of those that exclusively carry out sewerage management (Riobra and Inter-aqua) are therefore subject to corporation tax since 1 January 2015.

The withdrawal from deferred taxes in 2015 concerns the portion of deferred taxes related to depreciations on investment grants.

The transfer to deferred taxes in 2015 concerns spread taxation on the sale of two buildings.

5.8 Taxes

(In thousands of EUR)	2015	2014
Taxes	32,224	4
TOTAL	32,224	4

The taxes of 2015 relate mainly to the corporation tax. Since the participants in Infrax, with the exception of Inter-aqua and Riobra, are subject to corporation tax since 2015, this explains the increase in 2015 in comparison with 2014.

5.9 Withdrawal from and/or transfer to untaxed reserves

(In thousands of EUR)	2015	2014
Transfer to untaxed reserves	454	-
TOTAL	454	-

The transfer to untaxed reserves concerns spread taxation on the sale of two buildings and is included as an untaxed reserve in the shareholders' equity.

5.10 Formation expenses

(In thousands of EUR)	31/12/2015	31/12/2014
Formation expenses	205	595
TOTAL	205	595

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

5.11 Intangible fixed assets

2015 (In thousands of EUR)	Concessions, patents, licences, marks
Acquisition value on 1 January 2015	78,420
Acquisitions	6,439
Other	-
Acquisition value on 31 December 2015	84,859
Accumulated depreciation on 1 January 2015	52,455
Amortization	6,832
Other	-
Accumulated amortization and impairment on 31 December 2015	59,287
Net book value on 31 December 2015	25,572

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

Intangible fixed assets also include software licensing costs and costs for the inventory and modelling of sewerage networks.

5.12 Property, plant and equipment

2015 (In thousands of EUR)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Other *	Total
Acquisition value on 1 January 2015	148,564	4,882,926	105,129	233,351	5,369,970
Acquisitions	1,917	144,618	3,404	4,865	154,804
Sales and disposals	-1,384	-26,228	-704		-28,316
Acquisition value on 31 December 2015	149,097	5,001,316	107,829	238,216	5,496,458
Accumulated depreciation and impairments on 1 January 2015	63,769	2,127,899	94,537	11,395	2,297,600
Depreciations	2,337	116,690	3,490	2,623	125,140
Sales and disposals	-873	-21,270	-590	-	-22,733
Accumulated depreciation and impairments on 31 December 2015	65,233	2,223,319	97,437	14,018	2,400,007
Net book value on 31 December 2015	83,864	2,777,997	10,392	224,198	3,096,451

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

The acquisitions under the heading "Plant, machinery and equipment" relate mainly 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 Infrax.

5.13 Financial fixed assets

(In thousands of EUR)	31/12/2015	31/12/2014
Affiliated enterprises	11,547	11,547
1. Participating interests	11,547	11,547
2. Amounts receivable	-	-
Other enterprises linked by participating interests	12,965	12,942
1. Participating interests	12,965	12,942
2. Amounts receivable	-	-
Other financial assets	80,731	57,079
1. Shares	80,402	56,821
2. Amounts receivable and cash guarantees	329	258
TOTAL	105,243	81,568

The participation in **affiliated enterprises** concerns the 99,98% holding of the *Provinciale Brabantse Energiemaatschappij* in Intergas. Intergas is the Intermunicipal cooperative for gas distribution in

Flemish Brabant and is also a participant in *Inter-energa*. Since mid-2003, Intergas has been transformed from an operating company (gas) into a participating company.

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

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

Interkabel Flanders consists of the mission entrusted associations, namely Infrax 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 natural gas distribution grids
- cable television

Ecluse is a heat transfer company with Indaver, SLECO, Iveg/Infrax, FINEG and Maatschappij Linkerscheldeover as shareholders. The company has as its goal, the transportation of heat in the form of steam from the combustion furnace of Indaver/Sleco at Doel to a number of companies in the Waasland harbour. This project is in the study phase and a final decision about its realisation is expected at the end of 2015.

The **Other financial assets** mainly concern Publi-T shares (79,926 k euro).

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

The increase in the financial fixed assets can be explained mainly by the purchases of additional shares in response to a capital increase by Publi-T.

5.14 Stocks and work in progress

(In thousands of EUR)	31/12/2015	31/12/2014
Raw materials and consumables	31,385	28,400
Impairment of stocks	-1,814	-1,747
Projects in progress	2,286	9,908
TOTAL	31,857	36,561

In 2015 the provision for impairment of stocks amounted to 1,814 k euro and at the same time the provision for 2014 was reversed for an amount of 1,747 k euro, which means that the net impact in the profit and loss accounts amounts to 67 k euro.

The projects in progress relate to the current ESCO projects and the projects with regard to public lighting for the municipalities. The decrease in relation to 2014 has to do mainly with the addition of the public lighting of several municipalities within the DSO Iveg.

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

5.15 Trade and other receivables

(In thousands of EUR)	31/12/2015	31/12/2014
Receivables outstanding more than one year	180,538	165,666
Amounts receivable within one year	154,228	141,542
TOTAL	334,766	307,208

The long-term receivables concern mainly the claims on Telenet (176,670 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. Infrax 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 by the amounts of the investments made.

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

The amounts receivable within one year consist of:

(In thousands of EUR)	31/12/2015	31/12/2014
Trade receivables from distribution grid activities	57,979	50,172
Trade receivables as a supplier of social services	7,430	7,517
Other trade receivables	60,258	58,108
Other receivables	28,561	25,745
TOTAL	154,228	141,542

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 repayments to be received in the following 12 months from Telenet in implementation of the long-term lease agreement.

5.16 Current investments, cash and cash equivalents

(In thousands of EUR)	31/12/2015	31/12/2014
Current investments	37	141
Cash and cash equivalents	22,441	29,064
TOTAL	22,478	29,205

The total liquid assets include bank balances, cash accounts and investments in funds that can be converted immediately into cash. All funds are expressed in euro.

5.17 Deferred charges and accrued income

(In thousands of EUR)	31/12/2015	31/12/2014
Regulatory differences on non-manageable costs and volumes	328,839	327,078
Stock of GPC and CHPC + solidarization	307,987	234,421
Miscellaneous	9,043	4,715
TOTAL	645,869	566,214

The details of the regulatory differences on 31 December 2015 are as follows:

(In thousands of EUR)	2015	2007 - 2014	Total
Electricity	4,585	309,519	314,104
Recovery balances electricity 2008/2009 in 2015	-12,474		-12,474
Balances of federal contribution to the end of 2014	8,187		8,187
Natural gas	4,151	14,722	18,873
Recovery balances gas 2008/2009 in 2015	-542		-542
70 KV	-	691	691
TOTAL	3,907	324,932	328,839

We notice a slight increase in the electricity operating differences in 2015 that is mainly a consequence of the abolishment of the ceiling on the solidarization of the green power certificates and the combined heat and power certificates in 2014 and 2015. Because of this, virtually all of the DSOs showed a surplus in exogenous costs in 2015 with the exception of Iveg.

For natural gas, however, there are rather significant surpluses - see further.

The operating differences for the years 2008 and 2009 are deficits to be settled in the rates for 2015 and 2016.

The amounts relative to the years 2010 to 2014 will be recuperated over a period of 5 years starting with 2016.

Stock of green power certificates + solidarization

Both for green power and for heat and power that was once again a surplus in Flanders in 2015 of certificates and only a limited portion of the certificates could be sold by the network operators. At the end of December 2015 the stock of green power certificates and the combined heat and power certificates represent 253.2 million euro for Infrax. The banked and non-banked GPC are valued at 93 euro and 88 euro apiece respectively. For the HPC this is 27 and 20 euro respectively.

In its decision of 10 January 2014, the Flemish government has stipulated that all network operators must immobilise (bank) 1.5 million certificates during a number of years, in other words, not to offer them to the market in order to restore supply and demand.

The banking for Infrax has to do with 466,238 GPCs and 118,875 HPCs.

The Flemish government guarantees the banked certificates (93 euro per banked GPC and 27 euro per banked CHP certificate) for a total amount of 46.6 million euro for Infrax and for 2015 has provided a total budget of maximum 2.5 million euro for the reimbursement of the financing costs.

For the non-banked certificates there is a possible a risk that they cannot be sold on the market in the future for the price of 88 euro and 20 euro respectively, which can result in an additional deficit on the exogenous costs of the network operators. The stock value of the non-banked certificates on 31 December 2015 amounts to approximately 206.6 million euro for Infrax.

5.18 Capital

The various components of the shareholders' equity and the movements from 1 January 2015 to 31 December 2015 were displayed in the "Aggregated statement of changes in equity".

The share capital amounted to 1.080.505 k euro at the end of 2015 and has increased by 26.302 k euro relative to the end of the year 2014. The posted capital amounts to 1,081,188 k euro and the uncalled capital amounts to -683 k euro. The table below gives an overview of the number of shares per activity in the capital (in units) of each DSO at the end of December 2015.

	Electricity	Gas	Sewerage	CTV	Public lighting
Number of shares					
Inter-aqua			15,131,659		
Inter-Energa	3,342,239	2,185,502			886,318
Inter-media				758,704	
Infrax Limburg	880,928		152,943	54,392	
Infrax West	3,116,990	480,000	5,501,149	529,836	
Iveg	15,216	7,109	12,404		4,354
Riobra			5,762,632		
PBE	4,926			852	

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

	Electricity	Gas	Sewerage	CTV	Public lighting
Capital in euro					
Inter-aqua			378,291,475		
Inter-Energa	82,854,105	70,918,229			21,971,823
Inter-media				18,780,854	
Infrax Limburg	21,835,667		3,823,575	1,347,895	
Infrax West	77,924,750	12,000,000	137,528,725	13,245,900	
Iveg	38,040,000	17,772,500	30,410,000		10,885,000
Riobra			142,855,647		
PBE	15,786			2,806	

In 2015 a capital increase was carried out by Iveg in the amount of 13,972 k euro by creating shares in response to the introduction of the public lighting poles and fixtures.

In 2015 a capital increase was also carried out by Riobra in the amount of 5,113 k euro in response to the introduction of the sewerage networks of Rotselaar.

The Share premium accounts have increased by 1,635 k euro in relation to last year in response to the introduction of the sewerage networks of Rotselaar into Riobra.

The Revaluation surpluses have decreased by 13,132 k euro.

The Revaluation surpluses relate on the one hand to historical capital gains and to the RAB 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 yearly evaluation and depreciated at 2% per year. Every four years the depreciation on the RAB surplus will be tested against the actual value with respect to the depreciated assets and if necessary the corrections will be made to the currently used percentage of 2%.

The revaluation surplus is transferred annually to an unavailable reserve account in proportion to the booked depreciations 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	Unavailable reserves	Untaxed reserves	Available reserves	Total
Total on 1 January 2014	48,369	363,352	-	345,139	756,860
Endowment/decrease in reserves	3,106	18,508	327,935	-345,139	4,410
Total on 31 December 2014	51,475	381,860	327,935	0	761,270
Endowment/decrease in reserves	-3,075	12,941	-327,481	365,045	47,430
Total on 31 December 2015	48,400	394,801	454	365,045	808,700

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

The decrease of the legal reserve in 2015 relates mainly to an adjustment in the valuation of the shares of Intergas in Inter-Energa.

Since 2008 amounts have been recorded as unavailable reserves equal to the depreciation of the (RAB surplus) revaluation surplus in accordance with the settlement with the CREG.

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

In response to adaptations made to the programme bill in 2015, these untaxed reserves are included again as available reserves in 2015.

5.19 Provisions and deferred taxes

(In thousands of EUR)	31/12/2015	31/12/2014
Provision for Telenet - Belgacom	14,090	14,090
Provision for doubtful debtors	6,836	6,169
Provision for social liabilities	-	4,061
Differed taxes	11,495	-
Other	441	925
TOTAL	32,862	25,245

The provision for Telenet – Proximus:

In response to the acquisition of the cable television customers and the establishment of a long-term lease on the cable network by Telenet, Belgacom, today Proximus, has initiated a claim at the Court of First Instance for the annulment of the contracts and to obtain a remuneration for damages. At first instance, this claim was rejected (verdict of 6/4/2009). To this Proximus has initiated a higher appeal at the Court of Appeals at Antwerp. But the case has been assigned to the cause list. In response to a judgement of the Council of State in this case (dd. 26 May 2014), Belgacom has submitted a Statement in Support of Claim accompanied by a report of Frontier Economics. Proximus demands in its statement that the complete documents related to the agreement between Telenet, Interkabel and the cable companies be made available. At the same time it demands that these agreements be declared void and that the various cable companies be condemned to a provisional remuneration for damages. The Board of Directors is persuaded that the risks and associated uncertainties, taking into account all known current elements, have been sufficiently provided for in Interkabel and/or the annual accounts of the DNBs concerned.

The provision for doubtful debtors has increased by 667 k euro in 2015. For a calculation of the provision, see the valuation rules.

The provision for social liabilities concerns the unused holidays in 2014. Since 2015 this provision is included in the current liabilities in the section “Taxes, remuneration and social security”, see below.

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

5.20 Non-current liabilities

(In thousands of EUR)	31/12/2015	31/12/2014
Financial debts	970,751	986,644
Other debts	5,867	5,867
TOTAL	976,618	992,512

The financial debts consist of:

- leasing debts for an amount of 4,568 k euro;
- long term EMTN bonds (see explanation at the bottom of this detail) in the amount of 498,525 k euro;
- subordinated loan to associates for an amount of 68,884 for the dividends still to be paid out in the years 2017-2019;
- bank loans with a balance of 398,774 k euro.

The other debts relate mainly to the acquisition of the grids of Kampenhout and Steenokkerzeel from Sibelgas in the amount of 5,847 k euro.

5.20.1 EMTN - Euro Medium Term Note

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

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

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

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

After obtaining the rating in October 2014, Infrax released the second issue of bonds. The updated prospectus was approved by the FSMA on 22 October 2014. The issue was very successful now as well. 250 million euro in bonds was 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 Infrax also has a commercial paper programme of up to 200 million euro - see amounts payable within 1 year.

5.21 Current liabilities

(In thousands of EUR)	31/12/2015	31/12/2014
Current portion of long term payables	74,602	66,872
Financial debts	139,750	17,500
Trade payables	67,465	59,834
Advance payments on work in progress	1,687	9,510
Taxes, remuneration and social security	60,625	18,591
Other amounts payable	40,384	174,885
TOTAL	384,512	347,192

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

The financial debts increase by an amount of 122,250 k euro. The balance of financial debts of maximum one year relate to the debts to financial institutions relative to commercial paper that is to be settled within a year.

The trade payables have increased by 7,630 k euro.

The advance payments on work in progress concern the invoiced advances in connection with sewerage works to be carried out.

The taxes, remuneration and social security have increased by 42,034 k euro mainly because of the debt booked relative to corporation tax to be paid.

The other debts have decreased by 134,501 k euro in 2015. In 2014 these debts related mainly to the allocated dividends for an amount of 156,623 k euro.

During the processing of the result in 2014, dividends were already allocated which will be paid out in the period 2015 - 2019.

These serve to guarantee the dividend expectations of the municipal shareholders so that these municipal shareholders can be offered certainty with respect to future cash flows (2015-2019).

In the first semester of 2015 the dividends relating to the years 2016-2019 were booked as a subordinated loan, see above (financial non-current liabilities). This partially explains the increase in the section "Current portion of long term payables in 2015," as shown in the table above.

5.22 Accruals and deferred income

(In thousands of EUR)	31/12/2015	31/12/2014
Operating differences (regulatory transfers)	114,170	71,126
Turnover-energy in the meters	17,932	27,862
Miscellaneous	35,309	23,461
TOTAL	167,411	122,449

Operating differences are the surpluses, mainly gas, and the electricity balances for 2015, see also 5.17, that will be settled in the future rates.

The heading "Turnover-energy in the meters" relates to the amount of turnover represented by the energy supplied and registered on the meters, but not yet invoiced to the customers, offset with the advances received.

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