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INFRAX

Financial report on the aggregated financial statements 30 June 2016

Content

1.	Information on the company	4
2.	Summary of the most important accounting policies and valuation rules	4
2.1	Principles of aggregation	4
2.2	General valuation rules	5
3	Financial statements	10
3.1	Aggregated income statement	10
3.2	Aggregated balance sheet	11
3.3	Aggregated statement of changes in equity	12
3.4	Aggregated cashflow statement	13
4	Notes to the aggregated financial statements	14
4.1	Operating income	14
4.1.1	Turnover	14
4.1.2	Regulatory transfers	15
4.1.3	Other operating income	16
4.2	Operating charges	16
4.2.1	Trade goods and raw materials	16
4.2.2	Services and other goods	17
4.2.3	Remuneration, social security and pensions	17
4.2.4	Amortization and depreciation of non-current assets	18
4.2.5	Impairment stocks, work in progress and trade receivables	18
4.2.6	Provisions for liabilities and charges	18
4.2.7	Other operating charges	19
4.3	Financial income	20
4.3.1	Income from financial fixed assets	20
4.3.2	Income from current assets	20
4.3.3	Other financial income	20
4.4	Financial charges	21
4.4.1	Debt charges	21
4.4.2	Other financial charges	21
4.5	Extraordinary income	21
4.5.1	Reversal of amortization and depreciation of non-current assets	21
4.5.2	Other extraordinary income	22
4.6	Extraordinary charges	22
4.6.1	Capital losses on the disposal/retirement of fixed assets	22
4.6.2	Other extraordinary charges	22
4.7	Withdrawal from/ transfer to deferred taxes	23
4.8	Taxes	23
4.9	Formation expenses	23
4.10	Intangible fixed assets	24
4.11	Property, plant and equipment	24
4.12	Financial fixed assets	25
4.13	Stocks and work in progress	26
4.14	Trade and other receivables	27

4.15	Current investments, cash and cash equivalents	28
4.16	Deferred charges and accrued income	28
4.17	Capital	29
4.18	Provisions and deferred taxes	31
4.19	Non-current liabilities	32
4.19.1	EMTN - Euro Medium Term Note	32
4.20	Current liabilities	33
4.21	Accruals and deferred income	33

1. Information on the company

On 7 July 2006 Infrax cvba has been established and acts as the joint operating company of Infrax Limburg, Infrax West, Iveg, PBE and Riobra.

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.

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.

2. Summary of the most important accounting policies and valuation rules

In the paragraphs below, a summary of the accounting policies and valuation rules is given. These have been determined by the board of directors of the different DSOs¹ under Belgian GAAP.

For regulated activities the guidelines of the regulator VREG are applied. On 1 July 2014 the authority to set rates for electricity and gas was transferred from the federal regulator CREG 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.

2.1 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).

¹ Distribution System Operator

The information relative to the accounting years ending on 30 June 2016 and 31 December 2015 is drawn on the one hand from the individual unaudited half year 2016 figures and on the other hand from the annual accounts for 2015 of each DSO.

The unaudited half year figures of the various DSOs have been/will be approved by the members of the Boards of Directors of all 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 2016 and 2015 is based on the unaudited half year figures 2016 versus the audited annual figures for 2015 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).

2.2 General valuation rules

1. Formation expenses

Costs incurred prior to starting trading and various costs relating to fixed assets under construction are recorded at their acquisition value and 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 years, the costs for making the inventory and the modelling of sewer networks are depreciated linearly over a period of 10 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 on March 22, 2004 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. 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.

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.

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 30 June 2016 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 30 June 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, the granted capital subsidies are booked at the time of receipt.

The capital subsidies received from various Authorities in the first 6 months of 2016 for investments in sewer works amount to 8,8 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 30 Juni 2016:

- Bank loan Infrac (2011-2031): 70 million euro – -9,904,897.98 euro MTM value on 30 June 2016;
- bank loan Infrac West (2012-2022): 30 million euro – -923,951.32 euro MTM value on 30 June 2016;
- bank loan Iveg (2012-2022): 10 million euro – -307,985.94 euro MTM value on 30 June 2016;
- bank loan PBE (2012-2022): 10 million euro – -307,985.94 euro MTM value on 30 June 2016;
- bank loan Inter-Energa (2012-2022): 40 million euro - -1,302,669.96 euro MTM value on 30 June 2016;
- bank loan Inter-aqua (2012-2022): 20 million euro – -651,334.98 euro MTM value on 30 June 2016;
- bank loan Inter-aqua (2013-2036): 59 million euro – -11,370,941.78 euro MTM value on 30 June 2016.

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 fully compensated by the low Euribor rates on which the loan contracts are based.

9. 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 Infrac as a reliable financial partner. In addition, the VREG bases itself on companies with an A-rating to determine the 'allowed' financing costs.

3 Financial statements

3.1 Aggregated income statement

(In thousands of EUR)	Note	1st sem 2016	1st sem 2015
<u>OPERATING INCOME</u>		<u>524,468</u>	<u>452,806</u>
Turnover	4.1.1	340,091	374,030
Change in the stock of work in progress	4.1.3	525	- 1,600
Fixed assets produced	4.1.3	-	-
Other operating income	4.1.3	183,852	80,376
<u>OPERATING CHARGES</u>		<u>452,239</u>	<u>388,170</u>
Trade goods and raw materials	4.2.1	10,724	29,776
Services and other goods	4.2.2	307,976	225,680
Remuneration, social security and pensions	4.2.3	71,592	74,165
Amortization and depreciation of non-current assets	4.2.4	56,497	56,251
Impairment stocks, work in progress and trade receivables	4.2.5	2,777	975
Provisions for liabilities and charges	4.2.6	- 159	- 336
Other operating charges	4.2.7	2,832	1,659
<u>OPERATING PROFIT</u>		<u>72,229</u>	<u>64,636</u>
<u>FINANCIAL INCOME</u>		<u>16,594</u>	<u>12,272</u>
Income from financial fixed assets	4.3.1	6,919	3,469
Income from current assets	4.3.2	104	131
Other financial income	4.3.3	9,570	8,671
<u>FINANCIAL CHARGES</u>		<u>17,169</u>	<u>16,990</u>
Debt charges	4.4.1	17,033	16,955
Other financial charges	4.4.2	135	34
<u>EXTRAORDINARY INCOME</u>		<u>7,306</u>	<u>8,413</u>
Reversal of amortization and depreciation of non-current assets		-	-
Reversal of provisions for extraordinary liabilities and charges		-	-
Capital gains on derecognition/sale of fixed assets	4.5.1	16	116
Other extraordinary income	4.5.2	7,290	8,297
<u>EXTRAORDINARY CHARGES</u>		<u>13,450</u>	<u>13,322</u>
Capital losses on disposal/retirement of fixed assets	4.6.1	2,645	1,957
Other extraordinary charges	4.6.2	10,805	11,364
<u>PROFIT (LOSS) BEFORE TAX</u>		<u>65,510</u>	<u>55,009</u>
Transfer from deferred taxes	4.7	421	-
Transfer to deferred taxes		-	-
<u>TAXES</u>		<u>17,492</u>	<u>12,105</u>
Income taxes	4.8	17,492	12,105
<u>PROFIT (LOSS) OF THE PERIOD</u>		<u>48,439</u>	<u>42,904</u>
Transfer to untaxed reserves		-	-
<u>PROFIT (LOSS) FOR THE REPORTING PERIOD</u>		<u>48,439</u>	<u>42,904</u>

3.2 Aggregated balance sheet

(In thousands of EUR)	Note	30/06/16	31/12/15
<u>Non-current assets</u>		<u>3,418,351</u>	<u>3,408,007</u>
Formation expenses	4.9	49	205
Intangible fixed assets	4.10	24,419	25,572
Property, plant and equipment	4.11	3,098,923	3,096,450
Financial fixed assets	4.12	105,265	105,242
Affiliated enterprises		11,547	11,547
Other enterprises linked by participating interests		12,965	12,965
Other financial assets		80,754	80,731
Long term receivables	4.14	189,694	180,538
<u>Current assets</u>		<u>779,389</u>	<u>854,432</u>
Stocks and work in progress	4.13	34,036	31,857
Amounts receivable within 1 year	4.14	162,844	154,228
Current investments	4.15	13,289	37
Cash and cash equivalents	4.15	73,718	22,441
Deferred charges and accrued income	4.16	495,502	645,869
TOTAL ASSETS		4,197,740	4,262,439

(In thousands of EUR)	Note	30/06/16	31/12/15
<u>SHAREHOLDERS' EQUITY</u>	4.17	<u>2,757,031</u>	<u>2,701,036</u>
Capital		1,081,119	1,080,505
Share premium account		115,589	114,583
Revaluation surpluses		534,948	534,948
Reserves		808,699	808,699
Investment grants		168,238	162,302
Profit (loss) for the year ending 30 June 2016		48,439	
Provisions for liabilities and charges	4.18	21,208	21,367
Deferred taxes	4.18	11,712	11,495
<u>LIABILITIES</u>		<u>1,407,789</u>	<u>1,528,541</u>
<u>Non-current liabilities</u>	4.19	<u>947,324</u>	<u>976,618</u>
Financial debts		941,456	970,751
Other debts		5,867	5,867
<u>Current liabilities</u>	4.20	<u>261,559</u>	<u>384,512</u>
Current portion of long term payables		70,808	74,602
Financial debts		34,500	139,750
Trade payables		64,445	67,465
Advance payments on work in progress		1,780	1,687
Taxes, remuneration and social security		70,815	60,625
Other amounts payable		19,211	40,384
Accruals and deferred income	4.21	198,906	167,411
TOTAL LIABILITIES		4,197,740	4,262,439

3.3 Aggregated statement of changes in equity

(In thousands of EUR)	Share Capital	Share premium account	Revaluation surpluses	Reserves	Accumulated profits*	Investment grants	Total
Total on January 1, 2015	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 reserves				17,291			17,291
Dividends paid					-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
Total income for the reporting period	614	1,006			48,439	5,936	55,995
Addition/decrease in reserves							
Dividends payable							
Total on June 30, 2016	1,081,119	115,588	534,948	767,714	89,424	168,238	2,757,032

* the sum of the accumulated profits and the reserves corresponds to the total reserves + result of the first 6 months of 2016 on the balance-sheet.

3.4 Aggregated cashflow statement

(In thousands of EUR)		Note	30/06/206	30/06/2015
Operating Activities composed of	Profit for the reporting period		48,439	42,904
	Depreciation/amortization of non-current assets	4.2.4	56,497	56,252
	Impairment current assets (Recognition +; Reversal -)	4.2.5	2,777	975
	Changes in provisions (Recognition +; Reversal -)	4.2.6	-159	-336
	Dividends received	4.3.1	-6,919	-3,469
	Extraordinary (reversal) depreciation		0	0
	Gains/losses on disposal/retirement/sale of fixed assets	4.5.2/4.6.1	-4,645	1,841
	Reversal of provision for liabilities and charges		0	0
	Movement in investment grants	4.3.3	-2,247	-1,742
	Cashflow from operating activities		93,743	96,424
	Changes in trade and other payables	4.2.0	-3,02	18,396
	Changes in payables for tax, remuneration and social charges	4.2.0	10,19	19,605
	Changes in advance payments	4.2.0	94	-3,385
	Changes in accrued liabilities	4.2.1	31,495	25,744
	Changes in operating liabilities		38,759	60,36
	Changes in receivables > 1 year	4.1.4	-9,156	-21,142
	Change in stocks	4.1.3	-2,179	-358
	Changes in trade and other receivables	4.1.4	-8,617	-16,227
	Impairment current assets (Recognition +; Reversal -)	4.2.5	-2,777	-975
	Changes in deferred charges and accrued income	4.1.6	150,367	-25,617
	Changes in operating assets		127,638	-64,32
	Changes in provisions and deferred taxes		217	0
OPERATING CASHFLOW AFTER TAX			260,357	92,465
Investing Activities in	Formation expenses		0	0
	Intangible fixed assets	4.1.0	-2,576	-1,632
	Property, plant and equipment	4.1.1	-55,085	-50,179
	Financial fixed assets	4.1.2	-22	-93
	Proceeds from financial fixed assets	4.3.1	6,919	3,469
	Losses and gains on disposal/retirement/sale of fixed assets	4.5.2/4.6.1	4,645	-1,841
INVESTMENT CASHFLOW			-46,119	-50,276
FREE CASHFLOW BEFORE FINANCING			214,238	42,188
Financing activities in	Changes in equity	4.1.7	55,995	64,95
	Result of the accounting period		-48,44	-42,904
	Profit distribution		0	0
	Change in investment grants	4.3.3	2,247	1,742
	Equity		9,803	23,788
	Changes in financial debts > 1 year	4.1.9	-29,295	27,491
	Changes in financial debts < 1 year	4.2.0	-105,25	-15
	Changes in amounts payable < 1 year	4.2.0	-3,793	72,929
	Financial debts		-138,338	85,42
	Changes in other payables < 1 year	4.2.0	-21,173	-158,638
	Changes in other payables > 1 year		0	0
	Profit distribution of the accounting period		0	0
	Other payables		-21,173	-158,638
FINANCING CASHFLOW			-149,709	-49,43
TOTAL CASHFLOW			64,53	-7,241
	Cash inflow		11,103	269,461
	Cash outflow		53,427	-276,703
Movement in cash and cash equivalents			64,53	-7,241

4 Notes to the aggregated financial statements

4.1 Operating income

4.1.1 Turnover

(In thousands of EUR)		1 st sem 2016	1 st sem 2015
Electricity	Distribution	213,845	206,107
	Injection	1,419	1,476
	Transportation costs Elia	67,729	71,150
	Network contribution	14,984	-
	Others	-51,002	3,788
Total electricity		246,975	282,521
70KV/36KV	Revenues	6,000	8,864
	Total 70KV/36KV	6,000	8,864
Gas	Distribution	42,755	39,671
	Other	3,571	6,393
Total gas		46,326	46,064
Sewerage CTV Other	Sewerage fees	34,249	30,712
	Fees	5,425	5,413
	Other sales	1,117	456
TOTAL		340,091	374,030

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 (see note 4.1.2 Regulatory transfers). On the one hand, the decrease compared to the first 6 months in 2015 can be explained by the recuperation of the deficits from the past as of 2016 and on the other hand by the surplus that is realised on the total budget in the first six months of 2016.

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. The increase in the first 6 months of 2016 has mainly to do with the increased invoicing of new connections.

4.1.2 Regulatory transfers

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Addition of transfers	22,057	1,413
Recovery of transfers	25,667	-1,934
TOTAL	47,724	-521

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 2016 a surplus is realised on the total exogenous budget (the surplus in 2016 was mainly attributable to the large sales of green power certificates and combined heat and power certificates in the first half year of 2016), 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 2016 in Flanders for electricity distribution amounts to 451 million euro and for natural gas distribution 71,1 million euro.

4.1.3 Other operating income

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Change in the stock of work in progress	525	-1,600
Fixed assets produced	-	-
Other operating income	183,852	80,376
TOTAL	184,377	78,776

The other operating income mainly concerns the Telenet operating retribution received (10,158 k euro), the sale of green power certificates and combined heat and power certificates (141,944 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 (26,882 k euro).

4.2 Operating charges

4.2.1 Trade goods and raw materials

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Purchase of energy	2,860	22,110
Purchase of grid losses	7,864	7,666
TOTAL	10,724	29,776

Purchase of energy concerns the purchases of electricity and gas for social customers. The purchase of energy decreased compared with 2015 which is the result of the abolishment of the remuneration paid for the free 100 kWh of electricity.

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

4.2.2 Services and other goods

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Contractors' costs for construction and maintenance of grids	61,613	59,878
Fees including use of installations	2,192	1,698
Advertisements, information, documentation, etc.	1,262	1,020
Public service obligations	230,772	139,432
Contracts and management costs	1,508	1,486
Consultancy and other services	3,100	6,266
Staff of third parties	4,461	4,852
Transportation fee for Elia	61,222	66,398
Others	43,885	43,230
Transfer to fixed assets	-102,039	-98,580
TOTAL	307,976	225,680

Services and other goods increased by 82,296 k euro compared with 2015.

This increase is mainly the result of an increase in the costs related to public service obligations. 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 the first 6 months of 2015 has mainly to do with a stock decrease of green power certificates, and combined heat and power certificates as a result of the sales of certificates.

4.2.3 Remuneration, social security and pensions

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Salaries	49,459	52,057
Employers' contributions to social insurance	17,211	17,196
Charges for pension schemes and supplementary insurance	1,602	18
Other personnel costs	3,321	4,894
TOTAL	71,592	74,165

The personnel costs amounted to 71,592 k euro in the first half year of 2016, a decrease of 3.5% in relation to the first 6 months of 2015. The average number of active members of staff was 1,462.42 FTEs in the first half year of 2016 compared with 1,475.75 FTEs in the first half year of 2015.

4.2.4 Amortization and depreciation of non-current assets

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Amortization and depreciation of non-current assets	56,497	56,251
TOTAL	56,497	56,251

The amortization of intangible fixed assets increased by 334 k euro mainly as a consequence of the increased amortizations in the Atrias project, being the future clearing-house.

The depreciations on the property, plant and equipment decreased by 89 k euro.

4.2.5 Impairment stocks, work in progress and trade receivables

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Impairment of stocks	1,030	-
Impairment of trade receivables < 1year	1,747	975
TOTAL	2,777	975

In the first 6 months of 2015, no provision for impairment of stocks has been booked. In the first 6 months of 2016 the provision for impairment of stocks amounted to 2,844 k euro and at the same time the provision for 2015 was reversed for an amount of 1,814 k euro, which means that the net impact in the profit and loss accounts amounts to 1,031 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 1,747 k euro, is withdrawn from the provision for doubtful debtors, see below. The large increase in relation to 2015 has to do with a catch-up manoeuvre concerning the final write-off of irrecoverable receivables during the first 6 months of 2016.

4.2.6 Provisions for liabilities and charges

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Provision for length of service premium	-	-120
Provision for doubtful debtors	-159	153
Others	-	-369
TOTAL	-159	-336

Until the end of 2015, the provision for the length of service premium has been booked as "Provisions for liabilities and charges", as of 2016 this provision will be booked together with the costs related to "Remuneration, social security and pensions". This provision for 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 the relevant year. In 2015 the balance showed a credit amount because in 2015 more premiums were paid out than was 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 provision for doubtful debtors in the amount of -159 k euro relates to:

- the reversal for the amount of the write-off of the definitely irrecoverable receivables for an amount of -1,747 k euro in the first half year of 2016 (see above). This is an increase of 772 k euro compared with the first 6 months of 2015 (see above);
- an additional provision for doubtful debtors 2016 for an amount of 1,588 k euro. This is an increase of 461 k euro compared with the first 6 months of last year.

The other provisions in the first 6 month of 2015 mainly related to the provision (formation and reversal) for unused holidays. As of 2016 this provision will be included in the costs related to salaries.

4.2.7 Other operating charges

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Various taxes	184	249
Sewerage fund	2,648	1,410
TOTAL	2,832	1,659

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

In her circular letter of April 2014, the Minister of Environment 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 the first 6 months of 2016 Inter-aqua and Riobra formed a sewerage fund in the amount of 1,410 k euro for Inter-aqua and 1,238 k euro for Riobra. In the first half year of 2015 a sewerage fund has been formed only by Inter-aqua.

4.3 Financial income

4.3.1 Income from financial fixed assets

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Income from financial fixed assets	6,919	3,469
TOTAL	6,919	3,469

The Income from financial fixed assets concerns the dividends received from various participating interests in other companies including Interkabel Flanders and Publi-T. The increase in the first 6 months of 2016 compared with the first half year of 2015 has to do with the fact that in 2015 the dividends received from Publi-T were taken into account for only 50%.

4.3.2 Income from current assets

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Income from current assets	104	131
TOTAL	104	131

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

4.3.3 Other financial income

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Investment grants and interest subsidies	2,247	1,742
Other various financial revenues	7,323	6,929
TOTAL	9,570	8,671

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.

4.4 Financial charges

4.4.1 Debt charges

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Leasing debts	357	318
Interest charges from long and short-term loans	16,676	16,637
TOTAL	17,033	16,955

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 8,057 k euro.

These costs relate to both the interest charges and the costs relating to the issuance of bonds at a discount and the other financial costs related to the issuance of bonds in 2013 and 2014.

4.4.2 Other financial charges

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Bank costs	7	7
Other various financial charges	35	128
TOTAL	135	34

The other various financial charges mainly include interest on arrears.

4.5 Extraordinary income

4.5.1 Reversal of amortization and depreciation of non-current assets

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Reversal of amortization and depreciation of non-current assets	16	116
TOTAL	16	116

One 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). Another portion of the gains relate to recuperations of precious materials when scrapping products.

4.5.2 Other extraordinary income

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Extraordinary income related to receivables	59	79
Other extraordinary income	7,231	8,218
TOTAL	7.290	8.297

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 (settlement of real transported volumes electricity and gas through FERESO) for an amount of 7,031 k euro.

4.6 Extraordinary charges

4.6.1 Capital losses on the disposal/retirement of fixed assets

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Capital losses on the disposal/retirement of fixed assets	2,645	1,957
TOTAL	2,645	1,957

The capital losses booked in both the first 6 months of 2016 and 2015 mainly concern decommissioned assets.

4.6.2 Other extraordinary charges

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Other extraordinary charges	10,805	11,364
TOTAL	10,805	11,364

The other extraordinary charges relate mainly to pension contributions for an amount of 10,742 k euro to guarantee pension obligations for the statutory staff.

4.7 Withdrawal from/ transfer to deferred taxes

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Withdrawal from deferred taxes	421	-
Transfer to deferred taxes	-	-
TOTAL	421	-

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 2016 concerns the portion of deferred taxes related to depreciations on investment grants.

4.8 Taxes

(In thousands of EUR)	1 st sem 2016	1 st sem 2015
Taxes	17,492	12,105
TOTAL	17,492	12,105

The taxes of the first 6 months of 2016 relate mainly to the provision corporation tax.

4.9 Formation expenses

(In thousands of EUR)	30/06/2016	31/12/2015
Formation expenses	49	205
TOTAL	49	205

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

4.10 Intangible fixed assets

2016 (In duizenden EUR)	Concessies, octrooien, licenties, merk
Acquisition value on 1 January 2016	84,859
Acquisitions	3,485
Other	-1,171
Acquisition value on 30 June 2016	87,173
Accumulated depreciation on 1 January 2016	59,287
Amortization	3,728
Other	-261
Accumulated amortization and impairment on 30 June 2016	62,754
Net book value on 30 juni 2016	24,419

The investments for such things as clearing house (Atrias) and smart meters and grid projects are booked as intangible fixed assets.

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

4.11 Property, plant and equipment

2016 (In thousands of EUR)	Land and buildings	Plant machinery and equipment	Furniture and vehicles	Other *	Total
Acquisition value on 1 January 2016	149,097	5,001,316	107,829	238,216	5,496,458
Acquisitions	377	62,161	460	9,928	7,926
Sales and disposals	-5	-4,526	-445	-16,095	-21,071
Acquisition value on 30 June 2016	149,469	5,058,951	107,844	232,049	5,548,313
Accumulated depreciation and impairments on 1 January 2016	65,233	2,223,319	97,437	14,018	2,400,007
Depreciations	1,141	48,763	1,616	1,093	52,613
Sales and disposals	-	-2,786	-444	-	-3,230
Accumulated depreciation and impairments on 30 June 2016	66,374	2,269,296	98,609	15,111	2,449,390
Net book value on 30 June 2016	83,095	2,789,655	9,235	216,938	3,098,923

* 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.

4.12 Financial fixed assets

(In thousands of EUR)	30/06/2016	31/12/2015
Affiliated enterprises	11,547	11,547
1. Participating interests	11,547	11,547
2. Amounts receivable	-	-
Other enterprises linked by participating interests	12,965	12,965
1. Participating interests	12,965	12,965
2. Amounts receivable	-	-
Other financial assets	80,754	80,731
1. Shares	80,412	80,402
2. Amounts receivable and cash guarantees	342	329
TOTAL	105,265	105,243

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 in September 2016.

The **Other financial assets** mainly concern Publi-T shares (79,926 k euro) and the shares warmte@vlaanderen (9 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.

For the development of heat networks in Flanders, Eandis and Infrax have founded the new heating company warmte@vlaanderen in 2016. The goal is to combine the strengths of both partners in order to maximize the potential of this energy-efficient, sustainable technology.

Today, both energy distribution companies already work together on several levels.

Economies of scale and unified working methods will lower costs and will benefit the public service.

The heating company will provide for the entire process starting from production, distribution to delivery of heat, next to the building and maintaining the installations.

The increase in the financial fixed assets can be explained mainly by the additional shares in response to the set-up of warmte@vlaanderen..

4.13 Stocks and work in progress

(In thousands of EUR)	30/06/2016	31/12/2015
Raw materials and consumables	34,069	31,385
Impairment of stocks	-2,844	-1,814
Projects in progress	2,811	2,286
TOTAL	34,036	31.857

In the first 6 months of 2016 the provision for impairment of stocks amounted to 2,844 k euro and at the same time the provision for 2015 was reversed for an amount of 1,814 k euro, which means that the net impact in the profit and loss accounts amounts to 1,030 k euro.

The projects in progress relate to the current ESCO projects, the projects with regard to public lighting for the municipalities and the projects in progress for the autonomous municipal company Etiz. Since 2012, the autonomous municipal company Etiz does no longer pursue any activity, but is still owner of the electricity grid in Izegem. The operational activities of Etiz have been taken over by Infrax.

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

4.14 Trade and other receivables

(In thousands of EUR)	30/06/2016	31/12/2015
Receivables outstanding more than one year	189,694	180,538
Amounts receivable within one year	162,844	154,228
TOTAL	352,538	334,766

The long-term receivables concern mainly the claims on Telenet (185,751 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)	30/06/2016	31/12/2015
Trade receivables from distribution grid activities	63,517	57,979
Trade receivables as a supplier of social services	6,860	7,430
Other trade receivables	62,494	60,258
Other receivables	29,973	28,561
TOTAL	162,844	154,228

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.

4.15 Current investments, cash and cash equivalents

(In thousands of EUR)	30/06/2016	31/12/2015
Current investments	13,289	37
Cash and cash equivalents	73,718	22,441
TOTAL	87,007	22,478

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

4.16 Deferred charges and accrued income

(In thousands of EUR)	30/06/2016	31/12/2015
Regulatory assets (regulatory transfers)	294,544	328,839
Stock of GPC and CHPC + solidarization	159,590	307,987
Miscellaneous	41,368	9,043
TOTAL	495,502	645,869

The details of the regulatory assets on 30 June 2016 are as follows:

(In thousands of EUR)	2016	2007 - 2015	Total
Electricity (inclusive Voeren)	2,776	322,291	325,067
Recovery balances electricity 2008-2014 (inclusive transportation network)	-35,436	-12,474	-47,910
Natural gas		18,873	18,873
Recovery balances gas 2008-2014	-1,635	-542	-2,177
Transportation network		691	691
TOTAL	-34,295	328,839	294,544

We notice a decrease in the regulatory assets in the first 6 months of 2016 that is mainly a consequence of the recuperation of the deficits from the past (2008-2014) as of 2016.

The regulatory assets for the years 2008 and 2009 are deficits 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

Because of the sales of both green power certificates and the combined heat and power certificates, the stock of certificates has decreased largely in the first half year of 2016. At the end of June 2016 the stock of green power certificates and the combined heat and power certificates represent 159,1 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 until July 1 2016, 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 2016 has provided a total budget of maximum 662 k 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 30 June 2016 amounts to approximately 112,5 million euro for Infrax.

4.17 Capital

The various components of the shareholders' equity and the movements from 31 December 2015 to 30 June 2016 were displayed in the "Aggregated statement of changes in equity".

The share capital amounted to 1,081,119 k euro at the end of June 2016 and has increased by 614 k euro relative to the end of the year 2015. The posted capital amounts to 1,081,802 k euro and the uncalled capital amounts to - 683 k euro.

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 June 2016.

	Electricity	Gas	Sewerage	CTV	Public lighting
Capital in euro					
Inter-aqua			378,291,475		
Inter-Energa	83,216,213	70,918,229			22,165,929
Inter-media				18,780,854	
Infrax Limburg	21,839,311		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	70,061			2,806	
TOTAL	221,090,335	100,690,729	692,909,422	33,377,455	33,050,929

In the first 6 months of 2016 a capital increase was carried out by Inter-Energa and Infrac Limburg in the amount of 560 k euro in response to the accession of the municipality of Voeren and the introduction of the public lighting poles and fixtures of the municipality Voeren.

In the first 6 months of 2016 a capital increase was also carried out by PBE in the amount of 54 k euro in response to the creation of new shares for the municipalities.

The Share premium accounts have increased by 1,006 k euro in relation to last year in response to the accession of the municipality of Voeren.

The Revaluation surpluses have remained the same.

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 at year end 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 2015	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
Endowment/decrease in reserves	-	-	-	-	-
Total on 30 June 2016	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.

4.18 Provisions and deferred taxes

(In thousands of EUR)	30/06/2016	31/12/2015
Provision for Telenet - Belgacom	14,090	14,090
Provision for doubtful debtors	6,598	6,836
Differed taxes	11,712	11,495
Other	520	441
TOTAL	32,920	32,862

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 decreased by 238 k euro in the first 6 months of 2016. For a calculation of the provision, see the valuation rules.

The other provisions concern mainly provisions for pensions and maintenance.

4.19 Non-current liabilities

(In thousands of EUR)	30/06/2016	31/12/2015
Financial debts	941,456	970,751
Other debts	5,867	5,867
TOTAL	947,324	976,618

The financial debts consist of:

- leasing debts for an amount of 4,668 k euro;
- long term EMTN bonds (see explanation at the bottom of this detail) in the amount of 498,613 k euro;
- subordinated loan to associates for an amount of 53,259 for the dividends still to be paid out in the years 2017-2019;
- bank loans with a balance of 384,916 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.

4.19.1 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.

4.20 Current liabilities

(In thousands of EUR)	30/06/2016	31/12/2015
Current portion of long term payables	70,808	74,602
Financial debts	34,500	139,750
Trade payables	64,445	67,465
Advance payments on work in progress	1,780	1,687
Taxes, remuneration and social security	70,815	60,625
Other amounts payable	19,211	40,384
TOTAL	261,559	384,512

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 decrease by an amount of 102,250 k euro in the first 6 months of 2016. 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 decreased by 3,020 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 10,190 k euro in the first half year of 2016 mainly because of the provision booked relative to corporation tax 2016 expected to be paid.

The other debts have decreased by 21,173 k euro in the first 6 months of 2016. At the end of 2015 these debts related mainly to the allocated dividends for an amount of 17,264 k euro which have been paid out in the first half year of 2016.

4.21 Accruals and deferred income

(In thousands of EUR)	30/06/2016	31/12/2015
Regulatory liabilities (regulatory transfers)	123,563	114,170
Turnover-energy in the meters	27,601	17,932
Miscellaneous	47,742	35,309
TOTAL	198,906	167,411

The details of the regulatory liabilities on 30 June 2016 are as follows:

(In thousands of EUR)	2016	2007 - 2015	Total
Electricity	13,883	62,896	76,779
Recovery balances electricity 2008-2014	-1,080	-2,213	-3,293
Natural gas	7,263	63,750	71,013
Recovery balances gas 2008-2014	-9,735	-11,201	-20,936
Transportation network	-938	938	0
TOTAL	9,393	114,170	123,563

The regulatory liabilities are on the one hand the surpluses gas and electricity from the past and the balances for the first 6 months in 2016 for the amount of 138 million euro, see also 5.17, that will be settled in the future rates. On the other hand this also relates to the recuperation of the balances from the past for an amount of 15 million euro.

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 charges still to be paid.