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INFRAX

Financial report on the aggregated financial statements 31 December 2016

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1 Management report

1.1 Creation of Fluvius and extensive cooperation with Eandis

At the end of 2015, discussions were initiated with Eandis about possible cooperation and about the issue of the renewal of the mission-entrusted associations in 2019.

The discussions ultimately led to a 'memorandum of understanding' (MoU) which was approved by the Board of Directors on 7 July 2016. This MoU aims to establish the framework and general principles of a future cooperation and covers the following aspects:

- Foundation of a joint venture (subsidiary) owned 50/50, and a Board of Directors with joint membership. There was an immediate start to work on a first joint project, i.e. the preparation for the roll-out of smart meters. At the same time, a consultant was commissioned to explore options for cooperation in other areas.
- Exchange of territories: a proposal was devised for a limited exchange of territories in the context of operational efficiency and organisation of the territories in which both companies operate. The principle was used that all areas in which 2 Distribution System Operators (DSOs) operate would be transferred to Infrax. In total, this represents a limited growth for Infrax of approximately 75,000 EANs. Of course, municipal autonomy will be respected, and the municipalities concerned will have to agree to this.
- Continuity after 2019: it will be proposed to all municipalities in Flanders that they should stay with the existing distribution system operator after 9 November 2019.

On 27 December 2016, this subsidiary was founded under the name Fluvius.

1.2 Merger of distribution system operators (DSOs) and unicity of management

It was proposed that the partners in Infrax should consider during this legislature a merger of the Infrax DSOs, to take effect in 2019. The project for a possible merger is the consequence of the need to create 'unicity of management' (in other words, the consolidation of the personnel into a single company) and achieve greater efficiency.

During the discussions and after the collapse of the merger of the Eandis-DSOs, the City of Antwerp stated that it did not agree with a merger within Infrax of the assets. All the partners, on the other hand, do agree to consolidate all the personnel into a single company. The 'unicity of management' dossier is now in preparation, and will be proposed to the management bodies in the course of 2017.

1.3 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. With the addition of Voeren, all Limburg municipalities are now connected to Infrax for electricity.

1.4 Foundation of Warmte@Vlaanderen

On 18 May 2016, a heating company, Warmte@Vlaanderen, was set up in a 50/50 joint venture with Eandis. The heating company will be responsible for prospecting, designing, developing, building

and maintenance of thermal and geothermal facilities and infrastructure including production (only conventional heat), transport, distribution, supply, metering and invoicing of heat. The registered office of the company is in Antwerp.

The decision to cooperate with Eandis is based on the observation that installing heat networks requires very heavy investment with limited returns, and that pooling of strengths and know-how offers the best guarantees for carrying out these projects successfully.

It is intended to have all existing or awarded heat projects brought within the company.

Warmte@Vlaanderen is not yet operational. The reporting of this merger to the competition authority is in preparation.

1.5 Cost savings plan

In view of the changes in the tariff methodology in 2015 (transition from 'cost plus' to 'price cap' or 'permitted income'), McKinsey was asked to carry out an analysis of the future changes in Infrax's costs. It emerged that if policy remained constant, sizeable deficits would be created in permitted income, which would squeeze the dividends that could be paid out. In order to overcome this problem, a cost savings plan (approx. 14 million euro) was drawn up and approved by Board of Directors. The aim is to achieve the 'fair profit' calculated by the regulator by 2020 with the permitted income, in order to be able to pay out the agreed dividends to shareholders.

1.6 Net electricity and natural gas tariffs 2016

On 27 November 2015, the Energy Decree was amended, with the 'free kWh' being eliminated, together with the abolition of the ceiling on the solidarization of green power certificates and combined heat and power certificates.

On 7 October 2015, VREG decided that the 'regulatory assets or liabilities' (the so-called deficits or surpluses) of the period 2010-2014 could be recovered over a period of five years, starting in 2016.

Both decisions gave rise to adaptations of the permitted income for 2016.

The average network rates for electricity at Infrax increased by 1,15 % in 2016. The average network rates for natural gas at Infrax decreased in 2016 by 4,9 %.

For all of Infrax (excluding the municipality of Voeren), the permitted income in 2016 for electricity distribution in Flanders amounted to 448,6 million euro (this is an increase of 5,1 million euro compared with 2015), and for natural gas distribution, 71,1 million euro (a decrease of 3,6 million euro).

| Electricity | 2015 | 2016 |
|------------------------------|--------------------|--------------------|
| Budget of the year | 433.457.283 | 425.216.924 |
| Recovery historical balances | 10.011.448 | 70.567.480 |
| Impact decree | | -47.217.623 |
| Permitted income | 443.468.731 | 448.566.781 |

| Natural gas | 2015 | 2016 |
|------------------------------|-------------------|-------------------|
| Budget of the year | 85.415.351 | 87.322.551 |
| Recovery historical balances | -10.659.297 | -16.201.339 |
| Permitted income | 74.756.054 | 71.121.212 |

1.7 Regulatory balances at December 31, 2016

Until the end of 2014, the regulatory framework according to the cost-plus method of the CREG, has been applied. This provided for a distinction between 'manageable' and 'non-manageable' 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.

The VREG has 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.

As of 2015 the pricing methodology of the VREG, based on income related regulation ("price-cap"), is applied. The new method makes a distinction between exogenous and non-exogenous costs. According to the VREG, exogenous costs are costs on which the network operator can have no impact whatever. These costs are limitatively listed by the VREG.

The VREG established the guidelines regarding the balances accumulated as of 2015 in the pricing methodology 2017-2020. A distinction is made between the balances related to exogenous costs (actually incurred exogenous costs above or below the budget) and the balances related to volume differences (difference between actual sales volumes and the volumes estimated in the budget). The balances related to exogenous costs can be settled for 60% as of 2017. The balances related to volume differences electricity can be settled for 75% as of 2017 and balances related to volume differences natural gas can be settled for 40% as of 2017.

The table below shows the balances at December 31, 2016 for the regulated activity electricity, as it was included in the annual reports of 2016 of the Infrax distribution network companies concerned (- deficit and booked as a claim, + surplus and booked as a debt).

| Balances for electricity distribution | | |
|--|------------|---------------------|
| Balances of exogenous costs per 31/12/2015 | (1) | -252,772,488 |
| 50% recovery of 2008/2009 balances in 2016 | (2) | +10,194,590 |
| 20% recovery of 2010/2014 balances in 2016 | (3) | +58,345,436 |
| Balances of exogenous costs and volume differences in 2016 | (4) | +12,432,901 |
| Total | (5) | -171,799.561 |

(-: 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 2008/2013 balances could be included in 2016.

The table below shows the balances at December 31, 2016 for the regulated activity natural gas, as it was included in the annual reports of 2016 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 exogenous costs per 31/12/2015 | (1) | 34,218,511 |
| Return of 50 % of balances 2008/2009 in 2016 | (2) | -10,659,297 |
| Return of 20 % of balances 2010/2014 in 2016 | (3) | - 5,542,042 |
| Balances of exogenous costs and volume differences in 2016 | (4) | 5,400,829 |
| Total | (5) | 23,418,001 |

(-: 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 the balances 2010/2014 and these of 2016. The complete recovery is therefore only certain on the final confirmation of the regulator.

1.8 Stock of green power certificates (GPC) and combined heat and power certificates (CHPC).

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

The SGEI regulation, which is carried out via the Flemish Energy Agency (Vlaamse Energie Agentschap - VEA), is limited to GPCs for photovoltaic systems emanating from households and up to an amount of 15 million euro per DSO per year. This means that annually, Infrax can sell up to 60 (= 4 x 15) million euro of GPCs to VEA, which then takes them off the market and destroys them.

This regulation also provides that distribution system operators may trade eligible certificates among themselves.

The SGEI regulation replaces the 'banking' system. In other words, the guarantee from the Flemish Government for 466,238 GPCs at 93 euro per certificate and 118,875 CHPCs at 27 euro per certificate lapses.

In addition, we have determined that the regular sales through call for tenders on the market in 2016 have been successful for green power certificates. On the other hand, the combined heat and power certificates so to speak not get sold. At the end of 2016 the stock of green power certificates and the combined heat and power certificates represented 109,4 million euro for Infrax, or a decrease of 144,2 million euro. 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 | | 31/12/2016 | | Increase(+) / decrease(-) | |
|--------------|------------------|--------------------|------------------|--------------------|---------------------------|---------------------|
| | Number | Value | Number | Value | | |
| GPC | 2,694,659 | 239,461,182 | 927,136 | 81,699,923 | -1,767,523 | -157,761,259 |
| CHPC | 663,800 | 14,094,601 | 1,384,508 | 27,690,160 | +720,708 | +13,595,559 |
| Total | 3,358,459 | 253,555,783 | 2,311,644 | 109,390,083 | -1,046,815 | -144,165,700 |

1.9 VREG quality regulation

The Flemish Regulatory Authority for the Electricity and Natural Gas Market (VREG) has amended its tariff methodology in order to make the permitted income of a Distribution System Operator dependent in future on a quality factor q_i , determined based on the rating that the DSO earns for the quality of its service provision. In this regard, the following principles apply:

- the higher the quality of the service provision, the higher the permitted income and the higher the net tariff (and vice versa).
- Zero-sum principle: increase in the permitted income of a DSO is compensated by a fall in the permitted income of another DSO.

The following quality indicators will be measured:

- Power blackouts
- Complaints
- Late (re-)connections
- Customer satisfaction and involvement of stakeholders.

Already as from 2017, recording of quality is due to start according to the new VREG guidelines. In 2021, the q-factor will have an impact on the permitted income for the first time. The scale of the financial impact is limited for the time being. Infrax has already started work on the necessary implementation.

1.10 VREG reports on quality of electricity and natural gas service provision

Annually by 1 April, the distribution network operators provide a report about the quality of their service provision to VREG (according to the 'old' guidelines). VREG processes the results into one report for electricity and one report for natural gas. The reports give an indication of (the change in) the quality of the service provided by the distribution system operators. The quality of the service provision by Infrax DSOs is good. Overall, Infrax rates better than the average for Flanders.

1.11 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 2016, 85 municipalities, the province of Limburg and the province of West Flanders signed up for these services, which signifies a success rate of 93 % for the municipalities connected to the cable network.

1.12 Infra-Gis

Infra-GIS is a very comprehensive geo-information system which local authorities, among others, can use for spatial planning purposes. This application enables local authorities to make the right decisions about the public domain based on thorough geographical analyses. With Infra-GIS, Infrax makes its expertise, data, software and hardware available to local authorities.

More and more of them are getting to know this service, and signing a cooperation agreement with Infrax.

In 2016, 6 local authorities decided to sign up for this activity. By the end of 2016, 36 local authorities were making use of the service. They represent approximately 398,000 residents.

1.13 Project Roadrunner

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. In 2016, 16% of all materials that were not 1GHz compatible, (main line amplifiers, distribution amplifiers, splitters, connection boxes and connectors) have been replaced. By the end of 2017, 50% of the cable television network will be converted. The rollout will continue until the beginning of 2019.

The cost price of Roadrunner for all of Infrax is estimated at 61 million euro, being ca. €110/connecting point.

1.14 Public Wifi

In 2015, the Board of Directors agreed to offer the cable municipalities 'Infrax Wifi' as a new service, and the 6 pilot projects were launched: Genk, Hasselt, Neerpelt, Diest, Diksmuide and Torhout.

During the first half of 2016, the focus was on practical experience, potential applications and big data aspect of these 6 pilot projects. In view of the success, next all the preparations will be started for a large-scale launch by the end of 2017. 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.

1.15 Data center for local authorities

A number of local authorities approached Infrax about whether it could meet their demand for a datacenter. The reason for this is ever-increasing complexity, but the security aspect and the guarantee about where the data is located also play a role. After agreement by the Board of Directors, an economic feasibility study was launched.

Besides the above-mentioned benefits, it also emerged that it was financially attractive for the local authorities. Since the provision of a data center fits into Infrax's strategy, the Board of Directors also agreed that the project should be launched.

1.16 Status Knex and Green power information service

With the Knex project, Infrax has completely overhauled and digitized its connection process. The project has been completed, and since 14 November 2016, Infrax has also had a brand-new online application: 'My Infrax'.

Via this application, the only one of its kind in Europe, customers sitting at home can apply for a connection to electricity, natural gas, cable TV and sewerage, all in less than 20 minutes, as well as receiving a price quote and a tailor-made milestone plan for the works that need to be carried out, and they can even choose the date when the technicians will make the connections. The payment of the bill is the only thing that happens later.

This digital connection process has tremendous advantages for customers and for Infrax itself.

Also, as a Distribution System Operator, Infrax has also been operating since 23 November 2016 as a single point of contact for processing of green power certificates for solar panels via My Infrax.

1.17 Sewerage

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

In 2016 43,4 million euro were invested in the sewage system. This is 0.7 million more than in 2015.

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.

The Boards of Directors of Inter-aqua, Riobra, Infrax West and Iveg create municipal sewerage funds. The municipalities can finance the following activities 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 New tariff structure for the water purification levy from 2016 onward

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.

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 euro per person domiciled. The rate is doubled ("comforttarief") for any usage above that.

The maximum tariffs 2016 are:

- | | |
|---------------------------------|--|
| - Standing charge per household | : 30 euro/year min. 5 euro per inhabitant (max. 5) |
| - basic tariff | : 1.3033 euro/m ³ |
| - comfort tariff | : 2.6066 euro/m ³ |

In all municipalities which are affiliated to Infrax for sewerage, the maximum permitted water purification levy applies. Only the municipalities of Essen and Lille, which are affiliated to Iveg, opted for a lower levy.

For individual treatment (IBA), the basic tariff is € 2.2342/m³ and the comfort tariff € 4.4684/m³.

1.19 Enforcement of sewerage regulations

Infrax is responsible for arranging inspection of private water drainage in the event of disconnections in the context of sewerage projects and new construction. Whether grants are obtained or not for sewerage projects is linked by the Flemish Environment Agency (VMM) to disconnection on private land. For inspections of new building, Infrax also has to report to the VMM (as the regulator).

Notwithstanding the tremendous work done by Infrax in the field of communication and advice to make sure that disconnections on private land and inspection of sewerage projects and new construction go properly, an enforcement framework appears necessary. In view of the various avenues explored, it is proposed that the partners in Infrax choose between two solutions:

- the introduction of a tax regulation;
- issuing environmental fines.

If the municipality does neither, it is proposed to charge the cost of financing the uncollected grant in order to maintain the solidarity within IGS.

1.20 Accession to Synductis

Synductis is a joint venture between various utility companies. By coordinating the infrastructure works of various utility companies, Synductis aims to reduce nuisance and provide faster, lower-cost service.

Infrax has joined Synductis for municipalities where we are only the sewerage system operator, and only with regard to the planning aspect.

1.21 Clean Power for Transport: roll-out of charging terminals for electric vehicles

In accordance with European Directive 2014/94/EU, all Member States must draw up a "Clean Power for Transport" action plan, aimed at promoting a breakthrough for electric vehicles. In that context, Flanders is due to install a number of publicly accessible charging terminals by December 2020. The Flemish Government approved a decision on 25 March 2016 with regard to the charging points based on the "Clean Power for Transport" concept document.

Main aspects of this decision:

- The roll-out of the charging points is a public service obligation for DSOs in Flanders.
- The DSO must draw up a local situation plan for the charging points in consultation with the municipality where the charging point is to be installed. By 2020, 2,500 charging terminals (= 5,000 charging points) are due to be installed in Flanders, 526 of those charging terminals to be installed by Infrax.
- The DSOs must issue calls for tender and award contracts for the installation, maintenance and commercial operation of the charging terminals. If desired, the municipalities may issue the calls for tenders themselves. It is important that contracts should be awarded on condition that costs do not exceed the revenues. If there are no candidates for the said contract award, then the DSO must undertake the installation and maintenance of the charging terminals itself and only award a contract for the commercial operation.
- The Flemish DSOs will set up a joint database with the data of the charging terminal operators. There is a reporting obligation for the existing and new semi-public charging terminals.
- An information point is due to be set up for the terminal-follows-car function.

Infrax and Eandis are also cooperating due to the economies of scale and cost savings.

1.22 Pooled purchasing of CNG vehicles

The main advantages of CNG cars are, of course, that they are environment-friendly and enjoy low fuel costs. The disadvantages are the number of public service stations that is rather limited at present, and the purchase price which is slightly higher than that of a conventional vehicle. The pooled purchasing of CNG vehicles arranged by Infrax enabled substantial discounts to be obtained on the list price. In addition, Infrax offers local authorities a grant of 2,000 euro when ordering a CNG vehicle (max. 3 grants per municipality). By installing a slow-fill system, the local authority can arrange refuelling at very low cost under its own control.

1.23 Joint procurement by municipalities

Infrax offers his municipalities the possibilities for 'joint procurement'. Infrax facilitates 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.

This cooperation agreement has now been signed by 74 local authorities and the province of Limburg, as well as a number of police and emergency service zones.

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

- Roadside weed control + monitoring (zero measurement)
- Electronic luncheon vouchers
- External service for health and safety at work ("EDPBW")
- Medical inspections
- CNG-vehicles
- Slow-fill-installations..

1.24 Pension funds: transition from Branch 21 to Branch 23

All Infrax DSOs have entered into a pension contract with Ethias for their statutory personnel. These funds were managed in Branch 21 - except at Infrax West where over 2/3rds of the funds are managed in Branch 23 by KBC and Candriam as fund managers. In Branch 21, there is an annual guarantee on the capital and the return. In Branch 23, no guarantee is given.

| 31/12/2015 | Infrax Limburg | Infrax West | Iveg | PBE | Total |
|------------------|----------------|-------------|------------|------------|-------------|
| Pension reserves | 207,930,617 | 171,423,844 | 31,937,401 | 30,210,242 | 441,502,104 |

With the new Insurance Supervision Act of 2016, the specific preferential right to the individual assets of the Branch 21 funds if the insurance company goes bankrupt have been abolished and replaced by a general preferential right, together with all ordinary and preferential creditors. This specific preferential right is maintained, however, per investment fund under Branch 23. In addition, there are a number of financial advantages that justify a switch to Branch 23.

The Board of Directors also agreed the switch from Branch 21 to Branch 23. Ethias was asked to ask a market consultation process for the appointment of three fund managers, according to a 'conservative' investment profile. The chosen fund managers were KBC Asset Management, Candriam and Bank Degroof Petercam. At the end of 2016, 44 million EUR had already been transferred to Branch 23. It is intended to transfer the rest during the first half of 2017.

1.25 Legal framework

In 2016 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. It is not that likely that this will still happen in view of the fact that the responsibility for tariffs now lies with the regions.

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. On May 17, 2016 the Infrax DSOs have submitted their last pleadings.

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, Lampiris withdrew from the case.

5. Proximus activering claim: On 28 June 2008, the bringing-in of the digital and analogue cable customers and the cable television products of Telenet was agreed, and a long-term lease was secured on the cable network for 38 years. This was actually implemented on 1 October 2008 by the recording of the notarial deeds. 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, now 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), Proximus 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 is asking for these agreements to be declared invalid and, based on an expert report that it commissioned, it is seeking compensation of 1.4 billion euro. The aforementioned contracts do contain, via an indemnity mechanism borne by Telenet, a limitation of liability for the cable companies. The Board of Directors has therefore decided to book a provision out of precautionary considerations in function of that contractual arrangement. 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.

1.26 Rating A with stable outlook

The rating agency Fitch confirmed the rating on December 13, 2016: 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.

1.27 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 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 2016 worth a total value of 211,6 million euro gross. This is 8,9 million euro more than in 2015.

| Investments per activity in millions of EUR | | | | | |
|---|-------------|----------|---------|---------------|--------|
| Electricity | Natural gas | Sewerage | CTV | Miscellaneous | Total |
| 82,1 | 36,2 | 43,4 | 38,2 | 11,6 | 211,6 |
| (-2,5) | (+0,2) | (+0,7) | (+14,4) | (-3,9) | (+8,9) |

(x): increase or decrease in comparison to 2015

1.29 Important events after the closure of the annual accounts for 2016

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 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.

3 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.

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 2016 and 2015 is drawn from the individual audited annual accounts 2016 and 2015 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 2016 and 2015 is based on the audited annual figures 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.

¹ Distribution System Operator

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 applies the following depreciation rates in 2015 and 2016 and 2017 (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 2018 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.

As of accounting year 2016, the strategic stock (spare parts) is not included in the obsolete stock. This change has an impact on the profit and loss accounts of approximately 600 k euro.

6. Accounts receivable and accounts payable

The accounts receivable and payable are booked at their original value. On 31 December 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 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, the granted capital subsidies are booked at the time of receipt.

The capital subsidies received from various Authorities for investments in sewer works amount to 16,1 million euros in accounting year 2016.

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 2016:

- Bank loan Infrax (2011-2031): 70 million euro – -7,975,121.56 euro MTM value on 31 December 2016;
- Bank loan Infrax West (2012-2022): 30 million euro – -682,320.66 euro MTM value on 31 December 2016;
- Bank loan Iveg (2012-2022): 10 million euro – -227,441.91 euro MTM value on 31 December 2016;
- Bank loan PBE (2012-2022): 10 million euro – -227,441.91 euro MTM value on 31 December 2016;
- Bank loan Inter-energa (2012-2022): 40 million euro - -972,526.87 euro MTM value on 31 December 2016;
- Bank loan Inter-aqua (2012-2022): 20 million euro – -486,263.44 euro MTM value on 31 December 2016;
- Bank loan Inter-aqua (2016-2036): 58,6 million euro – -10,544,416.54 euro MTM value on 31 December 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.

4 Financial statements

4.1 Aggregated income statement

| (In thousands of EUR) | Note | 31/12/2016 | 31/12/2015 |
|---|------------|-----------------------|-----------------------|
| <u>OPERATING INCOME</u> | | <u>977,745</u> | <u>900,446</u> |
| Turnover | 5.1.1 | 696,048 | 703,239 |
| Change in the stock of work in progress | 5.1.3 | 653 | -7,622 |
| Other operating income | 5.1.3 | 268,727 | 193,849 |
| Non-recurring operating income | 5.1.4 | 12,316 | 10,980 |
| <u>OPERATING CHARGES</u> | | <u>848,976</u> | <u>774,850</u> |
| Trade goods and raw materials | 5.2.1 | 19,064 | 57,173 |
| Services and other goods | 5.2.2 | 536,046 | 422,148 |
| Remuneration, social security and pensions | 5.2.3 | 145,926 | 149,081 |
| Amortization and depreciation of non-current assets | 5.2.4 | 112,600 | 111,938 |
| Impairment stocks, work in progress and trade receivables | 5.2.5 | 3,177 | 1,387 |
| Provisions for liabilities and charges | 5.2.6 | -114 | 593 |
| Other operating charges | 5.2.7 | 5,628 | 5,706 |
| Non-recurring operating charges | 5.2.8 | 26,650 | 26,824 |
| OPERATING PROFIT | | 128,769 | 125,596 |
| <u>FINANCIAL INCOME</u> | | <u>26,084</u> | <u>25,862</u> |
| Income from financial fixed assets | 5.3.1 | 7,362 | 6,933 |
| Income from current assets | 5.3.2 | 517 | 473 |
| Other financial income | 5.3.3 | 18,204 | 18,457 |
| <u>FINANCIAL CHARGES</u> | | <u>34,381</u> | <u>36,246</u> |
| Debt charges | 5.4.1 | 34,234 | 36,190 |
| Other financial charges | 5.4.2 | 147 | 55 |
| PROFIT (LOSS) BEFORE TAX | | 120,472 | 115,213 |
| Transfer from deferred taxes | 5.5 | 587 | 340 |
| Transfer to deferred taxes | 5.5 | -120 | -234 |
| <u>TAXES</u> | | <u>36,198</u> | <u>32,224</u> |
| Income taxes | 5.6 | 36,198 | 32,224 |
| PROFIT (LOSS) OF THE PERIOD | | 84,740 | 83,095 |
| Transfer to untaxed reserves | <u>5.7</u> | 233 | 454 |
| PROFIT (LOSS) FOR THE REPORTING PERIOD | | 84,508 | 82,641 |

4.2 Aggregated balance sheet

| (In thousands of EUR) | Note | 31/12/16 | 31/12/15 |
|---|------|-------------------------|-------------------------|
| <u>Non-current assets</u> | | <u>3,447,881</u> | <u>3,408,007</u> |
| Formation expenses | 5.8 | 5 | 205 |
| Intangible fixed assets | 5.9 | 23,330 | 25,572 |
| Property, plant and equipment | 5.10 | 3,137,635 | 3,096,450 |
| Financial fixed assets | 5.11 | 105,254 | 105,242 |
| Affiliated enterprises | | 11,547 | 11,547 |
| Other enterprises linked by participating interests | | 12,942 | 12,965 |
| Other financial assets | | 80,765 | 80,731 |
| Long term receivables | 5.13 | 181,658 | 180,538 |
| <u>Current assets</u> | | <u>687,207</u> | <u>854,432</u> |
| Stocks and work in progress | 5.12 | 35,198 | 31,857 |
| Amounts receivable within 1 year | 5.13 | 168,165 | 154,228 |
| Current investments | 5.14 | 12,011 | 37 |
| Cash and cash equivalents | 5.14 | 45,307 | 22,441 |
| Deferred charges and accrued income | 5.15 | 426,526 | 645,869 |
| TOTAL ASSETS | | 4,135,088 | 4,262,439 |

| (In thousands of EUR) | Note | 31/12/16 | 31/12/15 |
|---|-------------|-------------------------|-------------------------|
| <u>SHAREHOLDERS' EQUITY</u> | 5.16 | <u>2,752,906</u> | <u>2,701,036</u> |
| Capital | | 1,081,360 | 1,080,505 |
| Share premium account | | 115,589 | 114,583 |
| Revaluation surpluses | | 523,084 | 534,948 |
| Reserves | | 859,667 | 808,699 |
| Investment grants | | 173,206 | 162,302 |
| Provisions for liabilities and charges | 5.17 | 21,280 | 21,367 |
| Deferred taxes | 5.17 | 12,182 | 11,495 |
| <u>LIABILITIES</u> | | <u>1,348,720</u> | <u>1,528,541</u> |
| <u>Non-current liabilities</u> | 5.18 | <u>881,708</u> | <u>976,618</u> |
| Financial debts | | 873,790 | 970,751 |
| Other debts | | 7,918 | 5,867 |
| <u>Current liabilities</u> | 5.19 | <u>299,395</u> | <u>384,512</u> |
| Current portion of long term payables | | 75,290 | 74,602 |
| Financial debts | | 25,250 | 139,750 |
| Trade payables | | 69,904 | 67,465 |
| Advance payments on work in progress | | 1,636 | 1,687 |
| Taxes, remuneration and social security | | 79,701 | 60,625 |
| Other amounts payable | | 47,613 | 40,384 |
| Accruals and deferred income | 5.20 | 167,617 | 167,411 |
| TOTAL LIABILITIES | | 4,135,088 | 4,262,439 |

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 1 January 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 31 December 2015 | 1,080,505 | 114,582 | 534,948 | 767,714 | 40,985 | 162,302 | 2,701,036 |
| Total income for the reporting period | 855 | 1,006 | -11,864 | | 84,508 | 10,904 | 85,409 |
| Addition/decrease in reserves | | | | 15,006 | | | 15,006 |
| Dividends payable | | | | | -48,546 | | -48,546 |
| Total on 31 December 2016 | 1,081,360 | 115,588 | 523,084 | 782,720 | 76,947 | 173,206 | 2,752,906 |

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

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

4.4 Aggregated cashflow statement

| (In thousands of EUR) | | Notes | 31/12/2016 | 31/12/2015 |
|--|--|-------------|-----------------|------------------|
| Operating Activities composed of | Profit for the reporting period | | 84. 508 | 82. 641 |
| | Depreciation/amortization of non-current assets | 5.2.4 | 112. 600 | 111. 938 |
| | Impairment current assets (Recognition +; Reversal -) | 5.2.5 | 3 177 | 1. 387 |
| | Changes in provisions (Recognition +; Reversal -) | 5.2.6 | -114 | . 593 |
| | Dividends received | 5.3.1 | -7. 362 | -6. 933 |
| | Extraordinary (reversal) depreciation | 5.1.4 | -151 | . 0 |
| | Gains/losses on disposal/retirement/sale of fixed assets | 5.1.4/5.2.8 | 4. 098 | 3. 715 |
| | Reversal of provision for liabilities and charges | | 0 | . 0 |
| | Movement in investment grants | 5.3.3 | -4. 228 | -3. 459 |
| | Cashflow from operating activities | | 192. 528 | 189. 883 |
| | Changes in trade and other payables | 5.19 | 2. 439 | 7. 630 |
| | Changes in payables for tax, remuneration and social charges | 5.19 | 19. 077 | 42 034 |
| | Changes in advance payments | 5.19 | -. 50 | -7. 823 |
| | Changes in accrued liabilities | 5.20 | . 206 | 44. 962 |
| | Changes in operating liabilities | | 21. 672 | 86. 803 |
| | Changes in receivables > 1 year | 5.13 | -1. 119 | -14. 872 |
| | Change in stocks | 5.12 | -3 341 | 4. 704 |
| | Changes in trade and other receivables | 5.13 | -13. 938 | -12 685 |
| | Impairment current assets (Recognition +; Reversal -) | 5.2.5 | -3 177 | -1. 387 |
| | Changes in deferred charges and accrued income | 5.15 | 219. 343 | -79. 655 |
| | Changes in operating assets | | 197. 768 | -103. 895 |
| | Changes in provisions and deferred taxes | 5.17 | 715 | 7 023 |
| OPERATING CASHFLOW AFTER TAX | | | 412.682 | 179.814 |
| Investing Activities in | Formation expenses | | 0 | 0 |
| | Intangible fixed assets | 5.9 | -5.178 | -6.447 |
| | Property, plant and equipment | 5.10 | -146.015 | -128.786 |
| | Financial fixed assets | 5.11 | -11 | -23 675 |
| | Proceeds from financial fixed assets | 5.3.1 | 7.362 | 6.933 |
| Losses and gains on disposal/retirement/sale of fixed assets | | 5.1.4/5.2.8 | -4.098 | -3.715 |
| INVESTMENT CASHFLOW | | | -147.940 | -155.690 |
| FREE CASHFLOW BEFORE FINANCING | | | 264.742 | 24.124 |
| Financing activities in | Changes in equity | 5.16 | 51.870 | 68.746 |
| | Result of the accounting period | 4.3 | -84.508 | -82.641 |
| | Profit distribution | 4.3 | 48 546 | 48.504 |
| | Change in investment grants | 5.3.3 | 4.228 | 3.459 |
| | Equity | | 20.136 | 38.068 |
| | Changes in financial debts > 1 year | 5.18 | -96.961 | -15.893 |
| | Changes in financial debts < 1 year | 5.19 | -114.500 | 122.250 |
| | Changes in amounts payable < 1 year | 5.19 | .689 | 7.730 |
| | Financial debts | | -210.772 | 114.086 |
| | Changes in other payables < 1 year | 5.19 | 7.229 | -134.501 |
| | Changes in other payables > 1 year | 5.18 | 2 051 | .0 |
| | Profit distribution of the accounting period | 4.3 | -48 546 | -48.504 |
| | Other payables | | -39.266 | -183.005 |
| FINANCING CASHFLOW | | | -229.903 | -30.851 |
| TOTAL CASHFLOW | | | 34.840 | -6.727 |
| | Cash inflow | | 440.181 | 442.796 |
| | Cash outflow | | -405.341 | -449.523 |
| Movement in cash and cash equivalents | | | 34.840 | -6.727 |

5 Notes to the aggregated financial statements

5.1 Operating income

5.1.1 Turnover

| (In thousands of EUR) | | 2016 | 2015 |
|----------------------------------|---------------------------|----------------|----------------|
| Electricity | Distribution | 415,481 | 414,589 |
| | Injection | 2,919 | 2,922 |
| | Transportation costs Elia | 118,989 | 124,341 |
| | Network contribution | 30,414 | 15,002 |
| | Other | -67,790 | -55,385 |
| Total electricity | | 500,013 | 501,469 |
| 70KV/36KV | Revenues | 11,669 | 14,482 |
| | | | |
| Total 70KV/36KV | | 11,669 | 14,482 |
| Natural gas | Distribution | 77,265 | 71,105 |
| | Other | 15,490 | 20,328 |
| Total natural gas | | 92,755 | 91,433 |
| Sewerage CTV Other | Sewerage fees | 71,409 | 71,833 |
| | Fees | 10,930 | 10,605 |
| | Other sales | 9,272 | 13,417 |
| TOTAL | | 696,048 | 703,239 |

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 natural 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) | 2016 | 2015 |
|-----------------------|----------------|----------------|
| Addition of transfers | -18,481 | -50,594 |
| Recovery of transfers | -51,971 | -398 |
| TOTAL | -70,452 | -50,992 |

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 corporate income tax, property tax), certain pension contributions and pre-financing costs for the stock of green power certificates and combined heat and power certificates and the regulatory balances. 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 a lower net cost of the green power certificates and combined heat and power certificates), 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 pre-financing 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.

5.1.3 Other operating income

| (In thousands of EUR) | 2016 | 2015 |
|---|----------------|----------------|
| Change in the stock of work in progress | 653 | -7,622 |
| Other operating income | 268,727 | 193,849 |
| TOTAL | 269,380 | 186,227 |

The other operating income mainly concerns the Telenet operating retribution received (22,607 k euro), the sale of green power certificates and combined heat and power certificates (183,388 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 (54,144 k euro). The increase with respect to 2015 can be mainly explained by the increased sale of green power certificates, and the combined heat and power certificates.

5.1.4 Non-recurring operating income

| (In thousands of EUR) | 2016 | 2015 |
|---|---------------|---------------|
| Capital gains on derecognition/sale of fixed assets | 650 | 873 |
| Extraordinary income related to receivables | 119 | 137 |
| Other extraordinary income | 11,547 | 9,970 |
| TOTAL | 12,316 | 10,980 |

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). Another portion of the gains relate to recuperations of precious materials when scrapping products. In 2016 an additional gain was realised related to the sale of the building in Harelbeke for the amount of van 353 k euro.

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 9,315 k euro.

5.2 Operating charges

5.2.1 Trade goods and raw materials

| (In thousands of EUR) | 2016 | 2015 |
|-------------------------|---------------|---------------|
| Purchase of energy | 3,658 | 42,039 |
| Purchase of grid losses | 15,406 | 15,134 |
| TOTAL | 19,064 | 57,173 |

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.

5.2.2 Services and other goods

| (In thousands of EUR) | 2016 | 2015 |
|--|----------------|----------------|
| Contractors' costs for construction and maintenance of grids | 135,335 | 119,590 |
| Fees including use of installations | 8,031 | 4,169 |
| Advertisements, information, documentation, etc. | 2,257 | 2,121 |
| Public service obligations | 373,592 | 264,755 |
| Contracts and management costs | 3,874 | 3,954 |
| Consultancy and other services | 5,696 | 7,655 |
| Staff of third parties | 15,976 | 17,404 |
| Transportation fee for Elia | 119,117 | 115,589 |
| Other | 83,714 | 88,930 |
| Transfer to fixed assets | -211,546 | -202,019 |
| TOTAL | 536,046 | 422,148 |

Services and other goods increased by 113,898 k euro compared with 2015.

This increase is mainly the result of an increase in the costs related to public service obligations for an amount of 109 k euro.

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 2015 has to do with the stock decrease of green power certificates and combined heat and power certificates in 2016.

5.2.3 Remuneration, social security and pensions

| (In thousands of EUR) | 2016 | 2015 |
|---|----------------|----------------|
| Salaries | 102,147 | 106,300 |
| Employers' contributions to social insurance | 34,065 | 33,573 |
| Other personnel costs (among others charges for pension schemes and supplementary insurance, meal vouchers,...) | 9,714 | 9,208 |
| TOTAL | 145,926 | 149,081 |

The personnel costs amounted to 145,926 k euro in 2016, a decrease of 2,1% in relation to 2015. The average number of active members of staff was 1,444.59 FTEs in 2016 compared with 1,474.46 FTEs in 2015.

5.2.4 Amortization and depreciation of non-current assets

| (In thousands of EUR) | 2016 | 2015 |
|---|----------------|----------------|
| Amortization and depreciation of non-current assets | 112,600 | 111,938 |
| TOTAL | 112,600 | 111,938 |

The amortization of intangible fixed assets increased by 578 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 increased by 275 k euro. The depreciations on the formation expenses decreased by 191 k euro.

5.2.5 Impairment stocks, work in progress and trade receivables

| (In thousands of EUR) | 2016 | 2015 |
|---|--------------|--------------|
| Impairment of stocks | 1,143 | 67 |
| Impairment of trade receivables < 1year | 2,034 | 1,320 |
| TOTAL | 3,177 | 1,387 |

In 2016 the provision for impairment of stocks amounted to 2,957 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 1,143 k euro. The impairment of trade receivables concerns the write-offs of definitely irrecoverable receivables.

5.2.6 Provisions for liabilities and charges

| (In thousands of EUR) | 2016 | 2015 |
|---|-------------|------------|
| Provision for length of service premium | - | -14 |
| Provision for doubtful debtors | 43 | 669 |
| Others | -157 | -62 |
| TOTAL | -114 | 593 |

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.

As of 2016, the write-offs of definitely irrecoverable receivables are no longer withdrawn from the provision for doubtful debtors. At year end 2016 an additional provision for doubtful debtors for an amount of 43 k euro is booked.

The other provisions in 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.

In 2016 the other provisions amount to 157 k euro and relate to the formation and reversal of the Public Lighting fund.

5.2.7 Other operating charges

| (In thousands of EUR) | 2016 | 2015 |
|-----------------------|--------------|--------------|
| Various taxes | 332 | 410 |
| Sewerage fund | 5,296 | 5,296 |
| TOTAL | 5,628 | 5,706 |

Various taxes include mainly the roads fee, 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 2016 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.

5.2.8 Non-recurring operating charges

| (In thousands of EUR) | 2016 | 2015 |
|---|---------------|---------------|
| Capital losses on the disposal/retirement of fixed assets | 4,749 | 4,588 |
| Other extraordinary charges | 21,901 | 22,236 |
| TOTAL | 26,650 | 26,824 |

The capital losses booked in both 2016 and 2015 mainly concern decommissioned assets for a value of 3,802 k euro in 2016 and 4,536 k euro in 2015.

The other extraordinary charges relate mainly to pension contributions for an amount of 21,258 k euro to guarantee pension obligations for the statutory staff.

5.3 Financial income

5.3.1 Income from financial fixed assets

| (In thousands of EUR) | 2016 | 2015 |
|------------------------------------|--------------|--------------|
| Income from financial fixed assets | 7,362 | 6,933 |
| TOTAL | 7,362 | 6,933 |

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) | 2016 | 2015 |
|----------------------------|------------|------------|
| Income from current assets | 517 | 473 |
| TOTAL | 517 | 473 |

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

5.3.3 Other financial income

| (In thousands of EUR) | 2016 | 2015 |
|--|---------------|---------------|
| Investment grants and interest subsidies | 4,228 | 3,459 |
| Other various financial revenues | 13,976 | 14,998 |
| TOTAL | 18,204 | 18,457 |

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) | 2016 | 2015 |
|---|---------------|---------------|
| Leasing debts | 694 | 680 |
| Interest charges from long and short-term loans | 33,540 | 35,510 |
| TOTAL | 34,234 | 36,190 |

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 (disagio) 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) | 2016 | 2015 |
|---------------------------------|------------|-----------|
| Bank costs | 13 | 20 |
| Other various financial charges | 134 | 35 |
| TOTAL | 147 | 55 |

The other various financial charges mainly include interest on arrears.

5.5 Withdrawal from/ transfer to deferred taxes

| (In thousands of EUR) | 2016 | 2015 |
|--------------------------------|------------|------------|
| Withdrawal from deferred taxes | 587 | 340 |
| Transfer to deferred taxes | -120 | -234 |
| TOTAL | 467 | 106 |

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

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

The withdrawal from deferred taxes in 2016 concerns the portion of deferred taxes related to depreciations on investment grants.

The transfer to deferred taxes in 2016 concerns the taxation on the sale of the building in Harelbeke.

5.6 Taxes

| (In thousands of EUR) | 2016 | 2015 |
|-----------------------|---------------|---------------|
| Taxes | 36,198 | 32,224 |
| TOTAL | 36,198 | 32,224 |

The taxes of 2016 relate mainly to the provision corporate income tax.

5.7 Withdrawal from/ transfer to untaxed reserves

| (In thousands of EUR) | 2016 | 2015 |
|------------------------------|------------|------------|
| Transfer to untaxed reserves | 233 | 454 |
| TOTAL | 233 | 454 |

The transfer to untaxed reserves concerns the taxation on the sale of the building in Harelbeke and is booked as an untaxed reserve in equity.

5.8 Formation expenses

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|-----------------------|------------|------------|
| Formation expenses | 5 | 205 |
| TOTAL | 5 | 205 |

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

5.9 Intangible fixed assets

| 2016 (In thousands of EUR) | Concessions, patents, licences, brand |
|--|--|
| Acquisition value on 1 January 2016 | 84,859 |
| Acquisitions | 6,408 |
| Other | -1,795 |
| Acquisition value on 31 December 2016 | 89,472 |
| Accumulated depreciation on 1 January 2016 | 59,287 |
| Amortization | 7,419 |
| Other | -564 |
| Accumulated amortization and impairment on 31 December 2016 | 66,142 |
| Net book value on 31 December 2016 | 23,330 |

The investments for such things as smart meters and grid, Linear, Resilient, I-move and clearing house (Atrias) 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.

5.10 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 | 2,040 | 165,899 | 1,651 | 11,737 | 181,327 |
| Sales and disposals | -388 | -14,751 | -1,586 | -21,466 | -38,191 |
| Acquisition value on 31 December 2016 | 150,749 | 5,152,464 | 107,894 | 228,487 | 5,639,594 |
| Accumulated depreciation and impairments on 1 January 2016 | 65,233 | 2,223,319 | 97,437 | 14,018 | 2,400,007 |
| Depreciations | 2,275 | 97,662 | 3,086 | 1,958 | 104,981 |
| Sales and disposals | -287 | -1,165 | -1,577 | - | -3,029 |
| Accumulated depreciation and impairments on 31 December 2016 | 67,221 | 2,319,816 | 98,946 | 15,976 | 2,501,959 |
| Net book value on 31 December 2016 | 83,528 | 2,832,648 | 8,948 | 212,511 | 3,137,635 |

* 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, natural 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.

5.11 Financial fixed assets

| (In thousands of EUR) | 31/12/2016 | 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 | 12,942 | 12,965 |
| 1. Participating interests | 12,942 | 12,965 |
| 2. Amounts receivable | - | - |
| Other financial assets | 80,765 | 80,731 |
| 1. Shares | 80,421 | 80,402 |
| 2. Amounts receivable and cash guarantees | 344 | 329 |
| TOTAL | 105,254 | 105,242 |

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) and Inter-regies (3 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

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 shares of Infrax in *warmte@vlaanderen* and *Fluvius* represent every time 9 k euro, which also explains the increase in the other financial assets.

5.12 Stocks and work in progress

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 35,216 | 31,385 |
| Impairment of stocks | -2,957 | -1,814 |
| Projects in progress | 2,939 | 2,286 |
| TOTAL | 35,198 | 31,857 |

In 2016 the provision for impairment of stocks amounted to 2,957 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 1,143 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.

5.13 Trade and other receivables

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|--|----------------|----------------|
| Receivables outstanding more than one year | 181,658 | 180,538 |
| Amounts receivable within one year | 168,165 | 154,228 |
| TOTAL | 349,823 | 334,766 |

The long-term receivables concern mainly the claims on Telenet (177,765 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) | 31/12/2016 | 31/12/2015 |
|---|----------------|----------------|
| Trade receivables from distribution grid activities | 69,964 | 57,979 |
| Trade receivables as a supplier of social services | 7,817 | 7,430 |
| Other trade receivables | 63,551 | 60,258 |
| Other receivables | 26,833 | 28,561 |
| TOTAL | 168,165 | 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

5.14 Current investments, cash and cash equivalents

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|---------------------------|---------------|---------------|
| Current investments | 12,011 | 37 |
| Cash and cash equivalents | 45,307 | 22,441 |
| TOTAL | 57,318 | 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.

5.15 Deferred charges and accrued income

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|--|----------------|----------------|
| Regulatory assets (regulatory transfers) | 257,417 | 328,839 |
| Stock of GPC and CHPC + solidarization | 164,056 | 307,987 |
| Miscellaneous | 5,053 | 9,043 |
| TOTAL | 426,526 | 645,869 |

The details of the regulatory assets on 31 december 2016 are as follows:

| (In thousands of EUR) | 2016 | 2007 – 2015 | TOTAL |
|--|----------------|----------------|----------------|
| Electricity (inclusive Voeren) | 3,092 | 322,291 | 325,383 |
| Recovery balances electricity 2008-2014 (inclusive transportation network) | -71,244 | -12,474 | -83,718 |
| Natural gas | | 18,873 | 18,873 |
| Recovery balances gas 2008-2014 | -3,270 | -542 | -3,812 |
| Transportation network | - | 691 | 691 |
| TOTAL | -71,422 | 328,839 | 257,417 |

We notice a decrease in the regulatory assets in 2016 that is mainly a consequence of the recuperation of the deficits electricity and natural gas 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

The stock of certificates has decreased largely in 2016 following the selling of both green power certificates and the combined heat and power certificates for an amount of 183,4 million euro. At the end of 2016 the stock of green power certificates and the combined heat and power certificates represent 109,4 million euro, or a decrease of 144,2 million euro.

The GPC and HPC are valued at 88 euro and 20 euro apiece respectively.

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

The SGEI regulation, which is carried out via the Flemish Energy Agency (Vlaamse Energie Agentschap - VEA), is limited to GPCs for photovoltaic systems emanating from households and up to an amount of 15 million euro per DSO per year. This means that annually, Infrax can sell up to 60 (= 4 x 15) million euro of GPCs to VEA, which then takes them off the market and destroys them.

This regulation also provides that distribution system operators may trade eligible certificates among themselves.

The SGEI regulation replaces the 'banking' system. In other words, the guarantee from the Flemish Government for 466,238 GPCs at 93 euro per certificate and 118,875 CHPCs at 27 euro per certificate lapses.

5.16 Capital

The various components of the shareholders' equity and the movements from 1 January 2016 to 31 December 2016 were displayed in the "Aggregated statement of changes in equity".

The share capital amounted to 1,081,360 k euro at the end of 2016 and has increased by 855 k euro relative to the end of the year 2015. The posted capital amounts to 1,081,843 k euro and the uncalled capital amounts to - 483 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 December 2016.

| | Electricity | Natural gas | Sewerage | CTV | Public lighting |
|-----------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Capital in euro | | | | | |
| Inter-aqua | | | 378,291,475 | | |
| Inter-energa | 83,216,634 | 70,918,229 | | | 22,165,929 |
| Inter-media | | | | 18,780,854 | |
| Infrax Limburg | 21,839,733 | | 3,823,575 | 1,347,895 | |
| Infrax West | 77,963,175 | 12,000,000 | 137,528,725 | 13,247,450 | |
| Iveg | 38,040,000 | 17,772,500 | 30,610,000 | | 10,885,000 |
| Riobra | | | 142,855,647 | | |
| PBE | 70,061 | | | 2.806 | |
| TOTAL | 221,129,603 | 100,690,729 | 693,109,422 | 33,379,005 | 33,050,929 |

In 2016 a capital increase (sewerage activity) was carried out by Iveg in the amount of 200 k euro.

In 2016 a capital increase was carried out by Inter-energa and Infrax 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 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.

In 2016 a capital increase was also carried out by Infrax West in the amount of 40 k euro following the rerouting of the nets.

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 decreased by 11,864 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 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 | 2,139 | 11,824 | 233 | 36,772 | 50,968 |
| TOTAL on 31 December 2016 | 50,539 | 406,625 | 687 | 401,817 | 859,668 |

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.

5.17 Provisions and deferred taxes

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|----------------------------------|---------------|---------------|
| Provision for Telenet - Proximus | 14,090 | 14,090 |
| Provision for doubtful debtors | 6,801 | 6,836 |
| Deferred taxes | 12,182 | 11,495 |
| Other | 389 | 441 |
| TOTAL | 33,462 | 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 for the amount of 1,4 billion euro. 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 35 k euro in 2016. For a calculation of the provision, see the valuation rules.

The other provisions include provisions for life insurance.

5.18 Non-current liabilities

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|-----------------------|----------------|----------------|
| Financial debts | 873,790 | 970,751 |
| Other debts | 7,918 | 5,867 |
| TOTAL | 881,708 | 976,618 |

The financial debts consist of:

- leasing debts for an amount of 3,021 k euro;

- long term EMTN bonds (see explanation at the bottom of this detail) in the amount of 498,701 k euro;
- subordinated loan to associates for an amount of 40,685 for the dividends still to be paid out in the years 2017-2019;
- bank loans with a balance of 331,383 k euro.

The other debts relate mainly to the acquisition of the grids of Kampenhout and Steenokkerzeel from Sibelgas in the amount of 7,897 k euro.

5.18.1 EMTN - Euro Medium Term Note

With a view to financing investment expenditures in electricity, cable 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 has a commercial paper programme of up to 200 million euro - see amounts payable within 1 year, and a credit line up to 200 million euro at Dexia bank and KBC bank.

5.19 Current liabilities

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|---|----------------|----------------|
| Current portion of long term payables | 75,290 | 74,602 |
| Financial debts | 25,250 | 139,750 |
| Trade payables | 69,904 | 67,465 |
| Advance payments on work in progress | 1,636 | 1,687 |
| Taxes, remuneration and social security | 79,702 | 60,625 |
| Other amounts payable | 47,613 | 40,384 |
| TOTAL | 299,395 | 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 114,500 k euro in 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. These are MTN notes (Medium Term Notes) with an original maturity of 5 years.

The trade payables have increased by 2,439 k euro.

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

The taxes, remuneration and social security have increased by 19,077 k euro in 2016 mainly because of the liability booked relative to corporate income tax.

The other debts have increased by 7,229 k euro in 2016. These debts relate mainly to the allocated dividends for an amount of 16,762 k euro and the sewerage fund for the amount of 12,793 k euro.

5.20 Accruals and deferred income

| (In thousands of EUR) | 31/12/2016 | 31/12/2015 |
|--|----------------|----------------|
| Operating differences (regulatory transfers) | 109,164 | 114,170 |
| Turnover-energy in the meters | 32,765 | 17,932 |
| Miscellaneous | 25,688 | 35,309 |
| TOTAL | 167,617 | 167,411 |

The details of the regulatory liabilities on 31 December 2016 are as follows:

| (In thousands of EUR) | 2016 | 2007 – 2015 | Total |
|--|---------------|----------------|----------------|
| Electricity (inclusive Voeren) | 11,887 | 62,896 | 74,783 |
| Return balances electricity 2008-2014 (inclusive transportation network) | -3,470 | -2,213 | -5,683 |
| Natural gas | 5,401 | 63,750 | 69,151 |
| Return balances natural gas 2008-2014 | -19,471 | -11,201 | -30,672 |
| Transportation network | 647 | 938 | 1,585 |
| TOTAL | -5,006 | 114,170 | 109,164 |

Operating differences consist of the surpluses natural gas and electricity, see also 5.15, that will be settled in the future rates. The decrease is mainly due to the return of the surpluses 2008-2014.

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 balances of federal contribution and financial charges still to be paid.