ECONOMIC GROUP EANDIS

Condensed Consolidated Interim Financial Statements - IFRS

30 June 2015

Content

Interim Financial Statements

Report of the Auditor

INTERIM FINANCIAL STATEMENTS

Condensed consolidated statement of profit and loss

(In thousands of EUR)	Notes	30 June 2015	30 June 2014
Operating revenue		**1.313.807**	**1.411.422**
Revenue	1	1.144.327	1.108.466
Other operating income		26.759	23.017
Own construction, capitalized		142.721	279.939
Operating expenses		**-1.015.910**	**-1.200.849**
Cost of trade goods	2	-466.107	-452.953
Cost for services and other consumables	3	-218.718	-314.470
Employee benefit expenses	4	-203.263	-216.605
Depreciation, amortization, impairments and changes in provisions	5	-163.411	-159.563
Other operational expenses		-32.845	-23.955
Regulated transfers	6	68.434	-33.303
Result from operations		**297.897**	**210.573**
Finance income	7	19.827	1.079
Finance costs	8	-93.415	-124.317
Profit before tax		**224.309**	**87.335**
Income tax expenses	9	-81.462	-2.811
Profit for the period		**142.847**	**84.524**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2015	30 June 2014
Profit for the period		**142.847**	**84.524**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long term employee benefits	16	62.980	-20.805
Deferred tax gains (losses)	9	-14.592	0
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**48.388**	**-20.805**
Total comprehensive income for the period		**191.235**	**63.719**

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2015	31 December 2014
Non-current assets		**7.863.356**	**7.854.706**
Intangible assets	10	102.425	106.559
Property, plant and equipment	11	7.758.530	7.745.624
Investments in an associate		11	5
Other investments	12	1.073	1.092
Long term receivables		1.317	1.426
Current assets		**1.579.920**	**2.306.126**
Inventories		44.054	34.199
Trade and other receivables	13	1.524.412	2.263.014
Cash and cash equivalents		11.454	8.913
TOTAL ASSETS		**9.443.276**	**10.160.832**
EQUITY		**2.010.029**	**2.608.370**
Total equity attributable to owners of the parent		**2.008.950**	**2.607.291**
Capital	14	1.288.688	2.056.752
Reserves		699.267	679.802
Other components of equity	9	-651.117	-699.505
Retained earnings		672.112	570.241
Non-controlling interest		**1.079**	**1.079**
LIABILITIES		**7.433.247**	**7.552.462**
Non-current liabilities		**6.287.546**	**6.463.752**
Interest bearing loans and borrowings	15	5.418.671	5.533.554
Employee benefit liability	16	347.292	425.074
Derivative financial instruments	17	151.560	169.839
Provisions	18	20.111	20.476
Other non-current liabilities		2.285	2.285
Deferred tax liability	9	347.627	312.524
Current liabilities		**1.145.701**	**1.088.710**
Interest bearing loans and borrowings	15	378.593	516.126
Trade payables and other current liabilities	19	704.984	569.464
Current tax liabilities	20	62.124	3.120
TOTAL EQUITY AND LIABILITIES		**9.443.276**	**10.160.832**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2014	**1.924.415**	**520.437**	**-153.643**	**687.087**	**2.978.296**	**1.079**	**2.979.375**
Total comprehensive income for the period	0	0	-20.805	84.524	**63.719**	0	**63.719**
Addition/decrease reserves	0	20.074	0	-20.074	**0**	0	**0**
Dividends paid	0	0	0	-32.453	**-32.453**	0	**-32.453**
Balance at 30 June 2014	**1.924.415**	**540.511**	**-174.448**	**719.084**	**3.009.562**	**1.079**	**3.010.641**
Balance at 1 January 2015	**2.056.752**	**679.802**	**-699.505**	**570.241**	**2.607.290**	**1.079**	**2.608.369**
Total comprehensive income for the period	0	0	48.388	142.847	**191.235**	0	**191.235**
Share capital decrease	-885.798	0	0	0	**-885.798**	0	**-885.798**
Share capital increase	117.734	0	0	0	**117.734**	0	**117.734**
Addition/decrease reserves	0	19.465	0	-19.465	**0**	0	**0**
Dividends paid	0	0	0	-21.511	**-21.511**	0	**-21.511**
Balance at 30 June 2015	**1.288.688**	**699.267**	**-651.117**	**672.112**	**2.008.950**	**1.079**	**2.010.029**

The above information is disclosed in the notes 'Equity' and in regard to ‘Other comprehensive income’ are the movements disclosed in the notes ‘Income tax expenses’ and 'Employee benefit liabilities'.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2015	30 June 2014
Profit for the period		142.847	84.524
Amortization of intangible assets		22.289	22.426
Depreciation on property, plant and equipment		145.166	144.032
Change in provisions (Reversal -; Recognition +)	18	-366	-768
Impairment current assets (Reversal -; Recognition +)		-3.678	-6.127
Gains or losses on realization receivables		6.387	3.954
Net finance costs		91.867	86.035
Change in fair value of derivative financial instruments	17	-18.279	37.389
Gains or losses on sale of property, plant and equipment		25.409	18.033
Movement in government grants		0	-186
Income tax expense	9	81.462	2.811
Operating cash flow before change in working capital and provisions for employee benefits		**493.104**	**392.123**
Change in inventories		-9.855	-1.004
Change in trade and other receivables		736.628	49.283
Change in trade payables and other current liabilities		102.810	47.019
Change in employee benefits		-14.802	-8.279
Net operating cash flow		**814.781**	**87.019**
Interest paid		-59.949	-41.743
Interest received		397	259
Financial discount on debts		398	411
Income tax paid		-1.948	-2.358
Net cash flow from operating activities		**1.246.783**	**435.711**
Proceeds from sale of property, plant and equipment		387	393
Purchase of intangible assets	10	-18.155	-20.974
Purchase of property, plant and equipment	11	-183.869	-233.067
Proceeds from sale of other investments		140	0
Net investments in long term receivables		2	-14
Net cash flow used in investing activities		**-201.495**	**-253.662**
Proceeds from issue of shares	14	117.734	0
Repayment of share capital	14	-885.798	0
Repayment of borrowings		-413.285	-109.714
Proceeds from bonds/borrowings		0	613.926
Change in current liabilities	15	159.680	-226.317
Dividends paid	14	-21.078	-32.453
Net cash flow from/used in financing activities		**-1.042.747**	**245.442**
Net increase/decrease in cash		**2.541**	**427.491**
Cash and cash equivalents at the beginning of period		**8.913**	**5.036**
Cash and cash equivalents - at end of period		11.454	262.527
Short term deposits - at end of period		0	170.000
Total as per statement of financial position - at the end of the period		**11.454**	**432.527**

Selected explanatory notes

Corporate information

The consolidated financial statements of the Economic Group Eandis comprise – beside the accounts of the 7 Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the subsidiaries being the operating company Eandis cvba, and its subsidiaries De Stroomlijn cvba, Indexis cvba, Atrias cvba and SYNDUCTIS cvba. The aggregated accounts taken together form the 'Economic Group'.
The DSOs are being managed centrally by their operating company Eandis.

The statutory aim of the DSOs is the distribution system operation as understood by the Flemish Energy Decree and their execution resolutions, as well as carrying out each peripheral activity, such as public lighting.
The main activities are subject to the regulation by the Flemish regulator of Electricity and Gas (VREG). For more information, see chapter 'Operating in a regulated environment'.
The Group can also carry out other activities such as energy services to local authorities (ESLA). At the request of the local public authorities (municipalities, cities, …) Eandis offers support at cost price aiming at planning and implementing efficient measures and projects for energy saving and energy efficiency.
During 2014, the development, construction and operation of district heating grids and the delivery of heat was added to the portfolio of services.

The companies IMEA, Imewo, Intergem, Iveka and Iverlek are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001). On 1 January 2015, the legal status of the company Gaselwest was converted to a mission charged association to comply as much as possible with the articles of association of the other Flemish DSOs (Decree of 25 April 2014 – on cross-border intermunicipal companies).

Electrabel, the private partner of the DSOs, has sold all its shares in the DSOs on 29 December 2014. All of these shares were purchased by the DSOs' public shareholders.

As from 2015 onwards, the DSOs are no longer subject to legal entity tax but to corporate income tax. This change has an impact on the shareholders' equity and profit as deferred taxes are being recognized as from 2014.

All companies of the Group are registered in Belgium.

In October 2011 the rating agency Moody's Investors Service ('Moody's') granted Eandis an 'A1' credit rating (negative outlook) which was confirmed on 2 December 2014. The rating allows Eandis to issue bonds in the international financial markets.

Eandis cvba was active in 234 cities and municipalities and employed, together with its subsidiaries, on average 4.645 persons during 2014.

These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been audited.

Significant accounting policies

1. Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

They do not contain all the necessary information for a full set of financial statements, and should therefore be read in conjunction with the financial statements of the Group for the year ended on 31 December 2014.

2. Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2014 except for the new standards or interpretations in force since 1 January 2015.

The new standards and interpretations applicable from 1 January 2015 do not affect the condensed consolidated interim financial statements of the Group. Those standards and interpretations applicable for the accounting year beginning on 1 January 2015 were the following:

- Annual improvements to IFRSs 2011-2013 Cycle *(issued on 12 December 2013)*, effective as from 1 January 2015

- Annual improvements to IFRSs 2010-2012 Cycle *(issued on 12 December 2013)*, effective as from 1 February 2015

- Amendments to IAS 19: *Defined Benefit Plans: - Employee Contributions (issued on 21 November 2013),* effective as from 1 February 2015

The Group chose not to early adopt standards, interpretations or amendments that were published but were not yet effective.
The Group will apply the new standards and interpretations applicable to its financial statements as soon as they become effective.

A new accounting system was introduced as from 1 January 2015. To adhere to new structures (being future proof), changes were made to the reporting model. Certain transactions are now recorded in Eandis cvba such as the introduction of the 'VAT unit' and the application of customized allocations. These changes have an impact on certain items of the balance sheet and shifts on line items of the profit and loss account.
Valuation rules were also refined such as the insertion of a section fixed assets under construction (as part of the property, plant and equipment), but also to be consistent with the Belgian tax rules as a result of the application of the Belgian corporate income tax starting from 2015. The impact of this adjustment is disclosed in the notes 'Amortization, depreciation, impairment and changes in provisions.

3. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses.

The actual results could differ from these estimates.

In preparing these condensed consolidated interim financial statements, evaluation by management on the application of the accounting policies of the company as well as the sources of uncertainty used, are the same as those applied to the consolidated financial statements for the year ended 31 December 2014.

Comments to the financial statements

1. **Operating revenue**

Revenue increases from 1.108.466 k EUR in June 2014 to 1.144.327 k EUR in June 2015.
From 1 January 2015, the new tariff methodology of the VREG has been applied implying an increase in revenue (see note ‘Operating in a regulated environment’).
The own construction capitalized decreases from 279.939 k EUR on 30 June 2014 to 142.721 k EUR on 30 June 2015 due the adoption of allocations as from 2015 onwards. This decline also impacted the cost category (see note ‘Cost for services and other consumables’).

2. **Cost of trade goods**

The cost of trade goods increases by 13.154 k EUR compared to June 2014 up to 466.107 k EUR.
This increase mainly concerns the cost for transportation and the cost of green energy certificates and cogeneration certificates partially compensated for by a decreased purchase of costs related to the purchase of commodities.

3. **Cost for services and other consumables**

The cost for services and other goods amounts to 218.718 k EUR, a decrease of 95.752 k EUR compared to June 2014.
This decrease is due to the adoption of allocations as from 2015 (see note 'Own construction capitalized’) and the decrease of the consultancy costs partly offset by the increase in the cost for the rational use of energy with 9.396 k EUR to 37.498 k euro in June 2015.
The cost related to the contribution ‘100 kWh free of charge’ amount to 52.002 k EUR in June 2015 remaining almost unchanged compared to June 2014.

4. **Employee benefit expenses**

For the first half of 2015, the employee benefit expenses amount to 203.263 k EUR, a decrease of 13.342 k EUR compared to June 2014. This decrease is due to the decrease in the pension contributions and the slight decrease in all other items.

5. **Amortization, depreciation, impairment and changes in provisions**

The amortization of intangible assets and the depreciation of property, plant and equipment increases by 3.848 k EUR to 163.411 k EUR in June 2015 as the result of additional investments during the period.
From 2015 onwards, the distribution system operators are subject to corporate income tax and the depreciation will apply the Belgian fiscal rule to calculate it "pro rata temporis" during the year in which an asset is taken in service. The impact of this measure means a lower cost of 2.649 k EUR (1.154 k EUR as amortization of intangible assets and 1.496 k EUR as depreciation of property, plant and equipment).
The construction in progress for the property, plant and equipment is included under the heading "assets under construction" and is not depreciated. The impact on 30 June 2015 is estimated at 889 k euro less depreciation.

6. **Regulated transfers**

Since 2011 the Group has been reporting the additions, recoveries and regularisation for transfers in this separate section as ‘Operating expenses’, where previously they were reported as ‘Revenue'.

The Group believes that the balance between actual income and expenses and the budgeted income and expenses is not part of revenue, since the recovery through tariffs will occur in a subsequent period.

The additional transfers are reported as one single amount, since there are no agreements with the regulator about the settlement of these transfers with regard to the previous tariff period (recuperation).

The amounts of the regulatory assets/liabilities, built up over 2008 and 2009, will be recovered during the period 2015-2016. At the end of June 2015, an amount of 26.863 k euro had already been recovered.

Additional regulatory balances are recorded for the period up to the end of June 2015 (see note work in a regulated environment) amounting to 95.297 k EUR.

7. **Financial income**

The financial income increases from 1.079 k EUR in June 2014 to 19.827 k EUR in June 2015.

At the end of June 2015, an amount of 18.279 k EUR was included due to the fair value adjustment of the derivative financial instruments. At the end of June 2014 a loss of 37.389 k euro was recorded (see note ‘Financial costs’).

The other financial income contains mainly financial discounts received from suppliers and income received or to be received from banks.

8. **Financial costs**

The financial costs decrease with 30.902 k EUR from 124.317 k EUR in the period up to June 2014 to 93.415 k EUR in June 2015.

This decrease is due to the recording of a negative fair value adjustment for the derivative financial instruments. As the interest rate changed in the first half of 2015, a positive result was now processed in the financial income.

Further interest charges were recorded on defined benefit obligations, as well as the costs of debt and various bank charges.

9. **Income tax expenses**

Based on the Programme Act of 19 December 2014, the DSOs are subject to the corporate income tax of 33,99 % as from accounting year 2015 and are not subject to legal entity tax anymore (on the part of the dividend paid related to the gas activity to the private partner).

Since this law was ratified in 2014, deferred taxes for temporary differences were calculated between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes, in accordance with the application of IAS12 income tax.

(In thousands of EUR)	**30 June 2015**	**30 June 2014**
Tax expenses on current year result - paid	-1.646	-2.039
Tax expenses on current year result - provision	-59.305	-772
Deferred tax gains (losses)	-20.511	0
Total tax gains (losses)	**-81.462**	**-2.811**

The deferred taxes are a result of the following items and trigger the following movements on the balance sheet, the income statement and equity in June 2015:

(In thousands of EUR)	Balance sheet 30 June 2015	Movements via P&L	Movements via OCI
Property, plant & equipment	-565.642		6.815
Derivative financial instruments	46.246	-11.333	
Employee benefit liabilities	172.429	-9.054	-21.407
Provisions, rehabilitation	1.652	-124	
Provisions, other	-2.311	0	
Net deferred tax asset/(liability)	**-347.627**		
Deferred tax benefit/(expense)		**-20.511**	**-14.592**

The main temporary differences relate to the revaluation of fixed assets and the provisions for pensions and other post-employment benefits. A deferred tax liability was recorded of 565.642 k EUR (572.457 k EUR in December 2014) related to the revaluation of fixed assets since, according to the Belgian tax law, the costs are not deductible. Concerning the pension provision, the costs will be deductible according to the Belgian tax law, and therefore a deferred tax asset was recorded of 172.429 k EUR (202.889 k EUR in December 2014).

10. **Intangible assets**

The intangible assets decrease from 106.559 k EUR at the end of December 2014 to 102.425 k EUR at the end of June 2015.

The additions relate to investments for the ‘smart projects’ and clearing house (i.e. entity reporting to the regulators and energy suppliers on meter readings). During the first half of 2015, the additions amounted to 18.155 k EUR and to 20.974 k EUR during the first half of 2014.

11. **Property, plant and equipment**

Property, plant and equipment increased by 12.906 k EUR to reach 7.758.530 k EUR by the end of June 2015.

The acquisitions during the first six months of 2015 amount to 183.869 k EUR compared to 233.067 k EUR during the first six months of 2014. This decrease is the result of lower investments for the low voltage networks and low pressure networks (22.307 k EUR and 16.503 k EUR respectively).

12. **Other investments**

The other investments decrease from 1.092 k EUR at the end of December 2014 to 1.073 k EUR. at 30 June 2015.

A sales agreement was signed on 11 November 2014, whereby Eandis cvba agreed to sell its 10 k EUR shares in KIC InnoEnergy by 31 December 2014 at the latest, but effective on 14 February 2015. The sales price amounts to 137 k EUR and the related profit was recorded as a financial income (127 k EUR).

The participation of Eandis in Synductis was no longer included under this heading, since the share of the sector 'Telecom' was transferred to Proximus when the latter subscribed to shares of Synductis.

The share capital participation of Eandis in Synductis drops from 50 % to 33 % and is now reported as ‘Investments in an associate’ for an amount of 6 k EUR.

13. **Trade and other receivables**

Trade and other receivables decrease with 738.602 k EUR to 1.524.412 k EUR.
The decrease is mainly due to the settlement of the receivable of 910.624 k EUR which was paid by Eandis on 29 December 2014 in the name and on behalf of the public authorities (municipalities and cities) in the framework of the reimbursement of the shares of the DSOs owned by Electrabel.
The amounts depreciated on trade receivables are 73.469 k EUR in June 2015 compared to 77.147 k EUR in June 2014 (according to the accounting policies as described in the IFRS report of December 2014).
The other receivables include the green energy certificates (GEC) and cogeneration certificates (CGC) for an amount of 497.898 k EUR (444.477 k EUR in December 2014). Due to the application of the ‘banking principle’, being the temporary immobilization of the surplus certificates with a guarantee by the Flemish Region for a certain number of certificates to be sold at an agreed price, and the permanent purchase of certificates this item is increasing further. On the other hand, the certificates are offered for sale at quarterly intervals on the market.
During the first half of 2015, 202.550 GEC and 2.200.000 CGC were sold. The total income amounted to 61.910 k EUR. The GEC were sold at an average price of 88,32 EUR (certificates valued at 88,00 EUR) and the CGC at an average price of 20,00 euro (measured at 20,00 EUR).
The result from the sale has been included in the post 'Cost of trade goods’.
The item ‘Solidarity receivables related to GEC’ increases further from 31.548 k EUR at the end of 2014 to 47.322 k EUR at end June 2015.
The ‘Transfers tariff’ also increases from 452.986 k EUR at the end of 2014 to 521.420 k EUR at the end of June 2015 (see chapter ‘Working in a regulated environment’).

14. **Total equity**

Equity amounts to 2.008.950 k EUR, a decrease of 598.341 k EUR in comparison to December 2014.
This decrease is due to the reduction of the share capital with 768.064 k EUR and the payment of the dividend balance related to the result of 2014 for an amount of 21.511 k EUR offset by recording of the realized profit for the period for an amount of 142.847 k EUR and an unrealized profit of 48.388 k EUR.
The various components of equity and the movements are reflected in the 'Statement of changes in equity’.

Movements in the share capital:
On January 2, 2015 the share capital of the DSOs was reduced by 885.797.564, 22 EUR in the framework of the further processing of the exit of Electrabel on 29 December 2014. At the same time the shares F and E" and also the shares/profit certificates E were converted to shares A and C.
On 9 January 2015, certain municipalities of the DSO Gaselwest, Imewo, Intergem, Iveka and Iverlek subscribed to a capital increase for a total amount of 61.589.310,01 EUR. This capital increase was organized to optimize the capital structure (fair remuneration) of the shareholders. The proposal of the capital increase represented a total of 236,3 million EUR but was not subscribed for 174,7 million.
Therefore, in the second quarter of 2015 there was a re-opening to the enrollment period of the capital increase, with the same terms as the initial capital increase. A subscription for a total amount of 29.146.555,36 EUR was realized in this second round.
In April 2015 a capital increase was subscribed for an amount of 26.998.441,32 EUR for the DSO Sibelgas.

The share capital per DSO on 30 June 2015 was as follows:

DSO	Shares A and C Number	Shares A and C Capital (in €)	Profit certificates C Number	Profit certificates C Capital (in €)	Shares E Number	Shares E Capital (in €)	Total Number	Total Capital (in €)
Gaselwest	23.353.096	268.073.159,55	119	0,00	125.842	4.477.250,42	**23.479.057**	**272.550.409,97**
IMEA	11.758.019	96.597.543,48	12	0,00	1.092.956	29.473.156,59	**12.850.987**	**126.070.700,07**
Imewo	21.661.488	257.867.873,74	87	0,00	0	0,00	**21.661.575**	**257.867.873,74**
Intergem	11.178.550	97.961.020,49	48	0,00	0	0,00	**11.178.598**	**97.961.020,49**
Iveka	18.247.764	193.956.579,27	93	0,00	156.725	5.273.910,66	**18.404.582**	**199.230.489,93**
Iverlek	28.835.936	242.201.255,68	103	0,00	440.383	11.882.639,83	**29.276.422**	**254.083.895,51**
Sibelgas	3.264.382	80.924.041,47	0	0,00	0	0,00	**3.264.382**	**80.924.041,47**
Total	**118.299.235**	**1.237.581.473,68**	**462**	**0,00**	**1.815.906**	**51.106.957,50**	**120.115.603**	**1.288.688.431,18**

The dividend balance for 2014 amounted to 21.511 k EUR (433 k EUR was paid on 1 July, 2015 to the shareholders of Sibelgas):

DSO	30 June 2014
Gaselwest	5.213
IMEA	1.557
Imewo	5.467
Intergem	1.638
Iveka	3.230
Iverlek	3.973
Sibelgas	433
Total	**21.511**

Detail of other comprehensive income:

(In thousands of EUR)	30 June 2015	31 December 2014
Related to employee benefit liability	-129.487	-192.467
Related to deferred tax liability	-521.630	-507.038
Total other comprehensive income	**-651.117**	**-699.505**

15. Interest bearing loans and borrowings, current and non-current

The long term and short term loans decrease with 252.417 k EUR to 5.797.263 k EUR in comparison to 31 December 2014. This decrease is mainly the result of the repayment of the current portion of long term loans.

(In thousands of EUR)	30 June 2015	31 December 2014
Long term loans	**5.418.671**	**5.533.554**
Current portion of long term loans	218.913	516.126
Short term loans	159.680	0
Short term loans	**378.593**	**516.126**
Total	**5.797.263**	**6.049.680**

Long term loans

This item contains bank loans and the bonds and private placements issued since 2010.
Eandis issued the bond loans - carried out in the framework of the EUR 5 billion EMTN programme – and obtained in this context an 'A1' rating from Moody's. The outlook was changed in December 2014 from stable to negative since additional debt funding was required to finance the exit of the private partner Electrabel, shareholder of 21 % of the DSOs.

The bonds are listed on the regulated market of the Luxembourg Stock Exchange and the issuances since November 2012 on the regulated market of Euronext and Alternext Brussels.

All outstanding loans are denominated in euro.
Derivative contracts were concluded for the loans with a variable interest rate to swap the variable interest rate to a fixed rate. Also forward interest rate swaps were subscribed to in order to fix the interest rate before the start of the loan.

For the bonds issued by Eandis, each of the DSOs is guarantor on a several but non-joint basis but limited to its proportional share in the capital of Eandis.

Distribution system operators use these funds primarily to fund their ongoing investments in the networks for electricity and gas, for refinancing purposes and to pay the exit fee of Electrabel as part of its withdrawal from the capital of the DSOs.

No loans were issued during the first half of 2015.

In the framework of the EUR 5 billion EMTN programme an amount of 2.660.500 k EUR or 53,21% has already been issued (unchanged since December 2014).

Loans, current

This item contains the current portion of long term loans and the bank loans on short term.

During the first half of 2015 a bullet loan of 300.000 k EUR was refunded and the short term portion of the long term loan was transferred to short term.

The Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate % *
Commercial paper		522.000	0	522.000	
Fixed advances		200.000	0	200.000	
Fixed loans		100.000	0	100.000	
Total at 31 December 2014		**822.000**	**0**	**822.000**	
Commercial paper	31/07/2015 & 30/09/2015	522.000	101.800	420.200	0,14%
Fixed advances		200.000	0	200.000	
Fixed loans/Bank overdraft	Daily	200.000	57.880	142.120	0,60%
Fixed loans		100.000	0	100.000	
Total at 30 June 2015		**1.022.000**	**159.680**	**862.320**	

*The average interest rate of the used amounts at the end of the period

The fair value of the loans is disclosed in the note 'Financial instruments: risks and fair value '.

16. **Employee benefit liabilities**

The employee benefit liabilities decrease from 425.074 k EUR with 77.782 k EUR to 347.292 k EUR. This decrease is mainly explained by the change in the assumptions: an increase of the discount rate, a further decrease of the inflation rate and the inclusion of the profit on investments of the pension plans.
The total impact (gain) is split as follows: in the income statement a net amount of 14.802 k EUR and in OCI an amount of 62.980 k EUR.

17. **Derivative financial instruments**

The fair value of the derivative financial instruments amounts to 151.560 k EUR, a decrease of 18.279 k EUR compared to the end of 2014 as a result of the increase of the interest rates.

18. **Provisions**

These provisions decrease from 20.476 k EUR at the end of 2014 to 20.111 k EUR at the end of June 2015. This slight decrease is the result of the use of provisions for the rehabilitation of various contaminated gas factory grounds.

(In thousands of EUR)	Rehabilitation	Other	Total
Total as at 31 December 2014	19.880	596	20.476
Used	-365	0	-365
Total as at 30 June 2015	**19.515**	**596**	**20.111**

19. **Trade payables and other current liabilities**

The trade payables and other current liabilities increase with 135.520 k EUR to 704.984 k EUR at the end of June 2015.
This increase is mainly due to an increase in the outstanding trade payables with an amount of 56.442 k EUR, the increase of the provision concerning the solidarity costs related to the green power certificates with 30.856 k EUR, an increase of VAT payable with an amount of 17.495 k EUR and the other current liabilities for an amount of 42.103 k EUR.
The item 'other current liabilities' primarily contains provisions for interest payable on mainly the bond loans, the provisions for personnel costs and the employee benefit expenses, the increase of the VAT payable partly offset by a decrease in a debt to a shareholder.

20. **Current tax liabilities**

The current tax liabilities increase with 59.004 k EUR to 62.124 k EUR.
This item represents the outstanding taxes payable with respect to previous fiscal years and the estimated tax liability of the current financial year for the different companies of the Group.
Up to 2014 the outstanding legal entity tax was included for the DSOs. As from 2015 a provision for corporate tax payable by the DSOs is included amounting to 55.925 k EUR at 30 June 2015.

21. **Financial instruments: risks and fair value**

Risks

Potential risks are managed by Eandis in a systematic way via the 'integral risk management' methodology.

More detailed information about the risks of the Group and its shareholders is included in the IFRS consolidated financial statements of 31 December 2014 and the prospectus of 25 November 2014 concerning the guaranteed Euro Medium Term Note programme. These documents can be consulted on the Eandis website www.eandis.be.

Fair value

The fair value of financial assets and liabilities is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties that are independent in an arm's length transaction and not in a forced sale or liquidation sale.

(In thousands of EUR)	Level 1	Level 2
Other investments	1.208	0
Green energy- and cogeneration certificates (GEC & CGC)	497.898	0
Trade and other receivables excludind GEC and CGC	1.026.514	0
Cash and cash equivalents	11.454	0
Total	**1.537.074**	**0**
Loans on short term	159.680	
Bond loans	3.765.106	0
Loans on long term (included short term part)	2.244.031	0
Derivative financial instruments	0	151.560
Total	**6.168.817**	**151.560**

Fair value hierarchy
The fair value of all financial instruments, except the derivative financial instruments, is disclosed at level 1. This means that the valuation is based on quoted prices in an active market.
The derivative financial instruments are classified as level 2. The fair value of these instruments is based on other input than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

The fair value of the quoted bonds, issued for a total amount of 2.980,5 million EUR, varies according to the market interest rate. The fair value at 30 June 2015 amounts to 3.325,1 million EUR and differs from the amount that will be reimbursed and the carrying value. The fair value was obtained based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other).

There were no transfers between the levels during the period.

22. **Important events during the reporting period**

On 1 January 2015, the Management Committee was amended following the retirement of Mr. Frank Demeyer and Mr. Luc Desomer. Mr. Werner Verlinden was appointed as a member of the Management Committee, responsible for HR and Organisational Management. Mr. Desomer was replaced by two Senior Managers: Mrs. Isabel Van Cutsem, responsible for Communication, and Mr. Wouter Blomme, responsible for Public Affairs and Events.

Renewal of the permission for the operating company
By decision of 24 February 2015 the Flemish energy regulator VREG granted permission to the Distribution System Operators Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas to call on the services of Eandis cvba as operating company for electricity. This permission is valid from 5 September 2014 onwards and stands for a period of twelve years.

On 16 January 2015 an extraordinary general shareholders’ meeting approved an amendment to the articles of association of Synductis and the inclusion of a seventh sector "Coordination" (with shares "B"), changed the provisions of the capital and the composition and functioning of the Board of Directors. This amendment was confirmed by a notary deed on 21 January 2015.

On 14 January 2015 the Board of Directors of Eandis took notice of the decision of Belgacom SA under public law (acting under the name Proximus) to participate in Synductis. Consequently, Eandis transferred its Synductis shares for the 'telecom' activity to this new Synductis-associate. The extraordinary general shareholders' meeting of 16 January 2015 took the necessary decisions to allow Belgacom/Proximus in the company Synductis. The relevant notarized ratification followed on 21 January 2015.

On 3 February 2015 the Flemish energy regulator VREG appointed the 7 Flemish distribution system operators as electricity grid operators. This recognition remains valid for a period of 12 years as from 5 September 2014 onwards (for the distribution of gas, the period will be extended later in 2015).

On 26 March 2015 Eandis introduced 22 environmental friendly natural gas vehicles for its meter readers. This fits into the strategy to reduce the emission of harmful substances, by greening its own fleet of commercial vehicles.

Since the operational start of Atrias was delayed and presumably will only start as from 1 January 2018, Indexis must continue to support the DSOs and its operating companies. Taking into account the internal developments within Indexis and the company's remaining mission in an extended time perspective, it was decided to integrate Indexis within Eandis through a merger by absorption in December 2015 but with effect from 1 January 2016.

Eandis, as operating company for the distribution system operators, focuses on the development of different strategic objectives where different transactions in 2015 will be carried out or are foreseen:

- the merger of the DSOs by changing the articles of association
- the attraction of a private partner as change in the articles of association of the merged DSO
- the step in of new partners in Synductis

Eandis also decided to

- to participate in the Smart City project ' SHARED ' by the city of Ghent where 350 residential units on the site "Groene Briel" are being renovated and the conversion of two brown fields is achieved by the construction of 500 houses NZE (nearly zero emission) on the site "Tondelier" and 400 residential units on the site "Oude dokken/Schipperskaai"
- to participate in the Mobimix-project that will start in July 2015. With its project partners, Mobimex aims at more sustainable mobility by a limited number of companies and local authorities in the region East-Flanders and be a guide in the field of sustainable mobility. The purpose of Eandis is to reemphasize its role as facilitator for local authorities and businesses, to communicate about the learning points and to convey a positive image of Eandis as a sustainable company and as a pioneer in the field of sustainable mobility
- to take part in the Board of Directors of Energik, a non-profit organization that deals with the promotion of technology for the rational use of energy, sustainable energy and environmental management.

23. Subsequent events

There were no events after the reporting date that may have a significant impact on these interim consolidated financial statements of the Group of 30 June 2015.

Operating in a regulated environment

The Group operates in a regulated environment and hence revenue is based on tariff rates that were approved by the regulator.

As a result of the sixth State reform the VREG – Flemish Regulator of the electricity and gas markets - has as from 1 July 2014, retrieved the competence of the federal regulator CREG, to determine the tariff methodology for the Flemish region.

Consequent to the transfer of authority, it was decided to prolong the tariffs that were in effect in the year 2012 into the following years 2013 and 2014.

On 30 September 2014 the VREG determined a new tariff rate methodology for electricity and gas for the DSOs active in the Flemish region for the regulatory period 2015-2016. They considered that the hybrid model used in the past for tariff methodology no longer could be continued under the same form as there were too many limitations and drawbacks.

In building the new tariff method the following elements were taken into account: promoting efficient operations, information asymmetry, stability, transparency, administrative efficiency and avoiding rate volatility. This method should be an incentive for the DSOs to work in a cost-efficient and sustainable manner.

The allowed income will be determined as follows:
The income related to the exogenous costs is tailored to the exogenous costs.
The income for the non-exogenous costs follows a stimulating revenue regulation to support efficient operations.
The remaining costs are borne by the distribution system operator.

The capital remuneration is referred to by the VREG as the total of the average regulated assets at a stipulated cost of capital (4,8 %) and the accepted net operating capital at a determined level.

The recording of the exogenous costs at their actual value will give rise to differences between the rates and accounting costs. These balances should be booked on specific accounts and are named 'regulatory balance' in contrast to the differences from previous tariff methodologies that are named 'regulatory assets/liabilities'.
There are two regulatory balances allowed: a regulatory balance for exogenous costs and a regulatory balance for the volume differences regarding the revenue for non-exogenous costs.

Regulatory assets/liabilities of the past
The CREG has fixed the amounts of the regulatory assets/liabilities from the financial years 2008 and 2009. These may be recuperated in accordance with the amounts that were agreed upon by the CREG.
The regulated assets and liabilities from the period 2010-2014 are not yet processed in the operating period 2015-2016 as there is still uncertainty about the amounts and their allocation.

Budget 2015-2016
The eligible income for the period 2015-2016 is made up of a portion related to the allowed income for exogenous costs and a portion for non-exogenous costs. There is a budget proposal submitted by the DSOs based on a reporting model.

The income related to the non-exogenous cost is determined on the basis of the evolution of the non-exogenous sector costs for a historical period of four years (2010-2013) which, according to a linear regression technique will determine the future income. Inflation is taken into account by discounting the costs to their current value. Also an annual adjustment for inflation is taken into account, based on the consumer price index (CPI) of August.

The data and information provided by the DSO in the reporting model regarding prior financial years, need to be controlled by the Auditor who needs to submit an 'assurance report' to the VREG.

On 18 December 2014, the VREG approved the tariffs for the DSOs for 2015.

Eandis has asked for an adjustment on the proposed tariffs, because the federal contribution (decrease) and the Elia-tariff (increase) were changed after the submission. The VREG changed the tariffs accordingly as from March 1, 2015.

There was also a request for an adjustment to the tariffs following the transition from the legal entity tax to the corporate income tax of the DSOs. The adjustment of the rates will start from 1 August 2015 onwards.
The amount not yet recovered of corporate income tax for the tax year 2015 will be settled in 2016 on top of the corporation tax for the tax year 2016.

On 30 June 2015 the Court of Appeal in Brussels ruled that the VREG is responsible to determine the accumulated (and not yet charged income) regulated assets for the period 2010-2014. The Flemish distribution system operators therefore asked the VREG on 17 July 2015 for an additional adjustment of their distribution network rates. They are asking to recharge some of the balances as soon as 2015
Meanwhile, the VREG adjusted its pricing methodology. The VREG will possibly allow to recover the assets as from January 2016, over a period of a minimum of three years (each year 1/3 of the amount to be recovered).

Overview of the assets of the settlement mechanism per period

(In thousands of EUR)	**30 June 2015**	**31 December 2014**
Recoverable in 2015-2016	80.589	0
Transfer 2008	29.655	0
Transfer 2009	50.934	0
Recoverable in later years	440.831	452.986
Transfer 2008	282	39.822
Transfer 2009	-120	67.792
Transfer 2010	-12.686	-12.686
Transfer 2011	87.347	87.347
Transfer 2012	182.702	182.702
Transfer 2013	-13.986	-13.986
Transfer 2014	101.995	101.995
Transfer 2015	95.297	0
Total amount recoverable	**521.420**	**452.986**
of which reported as Current assets	521.420	452.986
Total net amount recoverable	**521.420**	**452.986**

Reconciliation of the settlement mechanism.

(In thousands of EUR)	30 June 2015	31 December 2014
Regulatory assets at 1 January	**452.986**	**350.991**
Additional transfers from 2014	0	101.995
Additional balances from 2015	95.297	0
Total additional transfers	**95.297**	**101.995**
Recovered transfers from 2008	-9.885	0
Recovered transfers from 2009	-16.978	0
Total recovered transfers	**-26.863**	**0**
Total movements	**68.434**	**101.995**
of which - movement through the income statement	68.434	101.995
Regulatory assets at the end of the reporting period	**521.420**	**452.986**

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Report of the statutory auditor to the shareholders of the Flemish Distribution System Operators on the review of the interim condensed consolidated IAS 34 reporting as of 30 June 2015 and for the six month period then ended for the Economic Group Eandis[1]

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Economic Group Eandis (the "Company") as at 30 June 2015 and the related interim condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated statement of financial position total of € 9.443.276 thousand and a consolidated profit for the 6 month period then ended of € 142.847 thousand. Management is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the Economic Group Eandis as at 30 June 2015, and of its financial performance and its cash flows for the 6 month period in accordance with IAS 34.

[1] The Economic Group Eandis consists of 7 Flemish Distribution Net Owners (DNOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas who have a joint control over Eandis CVBA and its subsidiaries (De Stroomlijn CVBA, Indexis CVBA, Atrias CVBA and Synductis CVBA).

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Emphasis of matter

Without qualifying our opinion, we would like to draw the attention to the note "Operating in a regulated environment" of the interim condensed consolidated IAS 34 reporting, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the final balances resulting from the tariff settlement mechanisms which still are to be approved by the responsible authorities.

Ghent, 19 August 2015
Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor

represented by

Paul Eelen
Partner*
* Acting on behalf of a BVBA

160033