ORES

OPÉRATEUR DES RÉSEAUX GAZ & ÉLECTRICITÉ

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Investor Presentation

2014

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The term ORES refers either to ORES s.c.r.l. (parent company) or to ORES Assets, the Walloon mixed Distribution System Operator (DSO), ORES and its subsidiaries Indexis and Atrias.

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1. Executive Summary

Key investment considerations

- **Strategic importance to the Walloon Region**
  - ORES/ORES Assets cover about 76% of the municipalities in Wallonia
  - ORES ensures energy distribution to more than 1,4 mio homes and small businesses in Wallonia on a daily basis
- **Legal monopolistic business**
  - ORES has a legally based regional monopoly for electricity and gas distribution to residential customers and small and medium size companies including public servicesobligations.
- **Regulated business and predictable cash flow generation**
  - Lower business risk – ORES is not involved in the competitive generation and trading
  - Activities performed by ORES are regulated
- **Strong balance sheet structure**
  - Relatively strong balance sheet structure
  - Low financial leverage (RAB is financed with 50% of equity while the regulator recommends 33%)
- **Efficient operating structure**
  - Merger of the 8 mixed DSO by creation of ORES Assets in 2013, operating as a single mixed DSO in Wallonia

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2. Company and business overview

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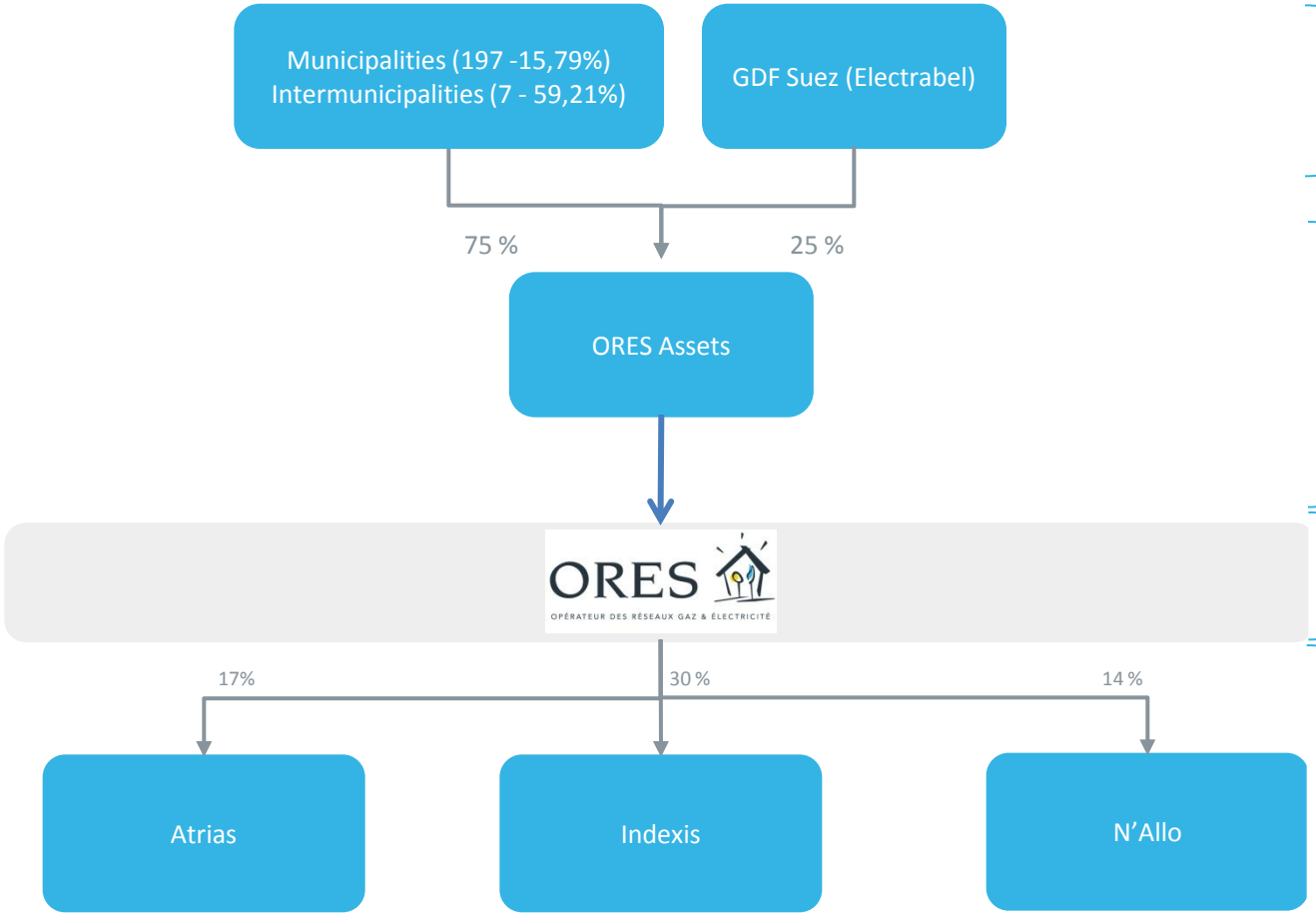
Shareholders' structure of ORES



Potential exit of Electrabel

- Electrabel has a put option for its residual stakes in ORES Assets that can be exercised from January 1, 2019 to June 30, 2019

Distribution System Operator (DSO)

- Legal monopolistic position for the area covered by its network
- Legal status of company of public law
- Owner of the assets
- No employees
- No non-regulated activities
- The expiry date of the mandate for ORES Assets is in 2025

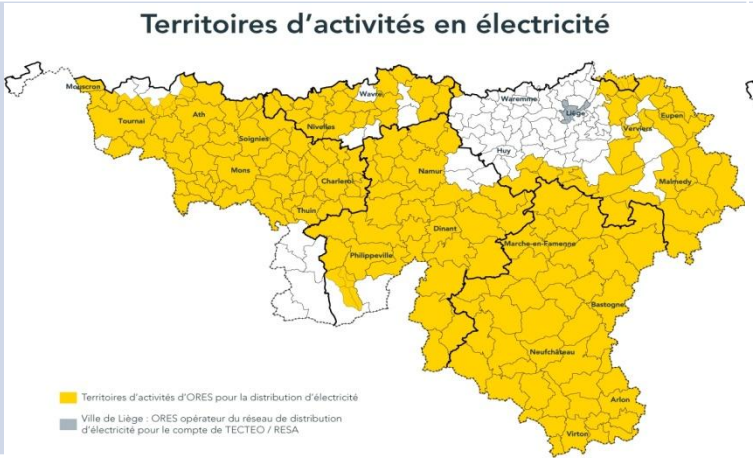
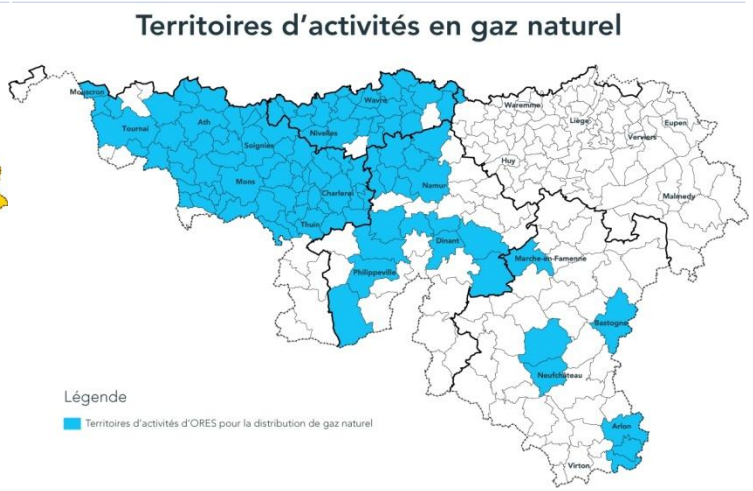
Operational Management

- No assets
- Sole employer of the Group
- All operations at cost price except for products and services

Subsidiaries

- Atrias : federal clearing house for the improvement and simplification of data exchange
- Indexis : service provider, on behalf of DSOs grouped in Eandis and ORES, for processing and exchanging data between different market players in the energy market
- N'Allo : support customer service, sales strategy and marketing of its customers

ORES in a nutshell

2013 figures	ELECTRICITY	NATURAL GAS
Network length (km)	50.756	9.003
Distributed energy (MWh)	11.780.040	13.932.346
Access points	1.439.481	530.585
RAB (€)	2.194.307.041	997.097.592
Geographical presence		

Missions of ORES/ORES Assets

Operating distribution grids	Take care of the day-to-day operation of the electricity and natural gas distribution grids as well as the municipal public lighting network
Connection work	(1) Establish new connections to the networks that ORES operates (2) Adapt existing networks, as well as fitting and reinforcing meters
Meter reading and consumption data management	Read meters of over 1.4 million clients and manage this information under conditions of strict confidentiality
Public service obligations	(1) Provide energy supplies for protected clients wishing to receive their power from their grid operator (2) Match budget meters at the request of energy suppliers for clients whose energy bills are outstanding (3) Take care of operating and maintaining public lighting in the municipalities and promoting the energy efficiency of the lighting facilities (4) Qualiwatt and tomorrow progressive tariff
Management of access register	Keep technical data on more than 1,9 million connections up to date in the 'access register' which contains the administrative details of customers and their energy suppliers
New Products & Services	With unbundled accounting. For example electric vehicle charging stations, CNG installation…

Key considerations

Strategic importance to the Walloon Region	• ORES and DSO provide number of Public Service Obligations (65 757 €k in 2013) : social PSO, public lighting, … and more recent Qualiwatt for photovoltaïc
Legal monopolistic business	• DSO has a legally based regional monopoly for electricity and gas distribution to residential customers and small and medium size companies • Lower business risk – DSO is not involved in the competitive generation, trading and sales activities except for some marginal products and services
Regulated business and predictable cash flow generation	• Activities performed by ORES are regulated • Predictable revenue of DSOs is priced on a cost plus basis, determined in a legal framework • Current regulatory tariffs were prolonged for 2 years (2013-2014) by decision of the regulator (CREG)
Strong balance sheet structure	• Relatively strong balance sheet structure • Low financial leverage (RAB is financed 50% of equity while the regulator recommends 33%)
ORES acts as a single entity for ORES Assets in Wallonia	• Efficient operating structure
Efficient operating structure	• Aiming at being a company for people and involved in the future of the Walloon Region

Some 2013 highlights…

(1/2)

- Merger of the 8 mixed DSOs → creation of ORES Assets
- Splitting DSO Intermosane 1 (city of Liège) and 2 and merger Intermosane 1 within Tecteo-Resa
- 2.271 FTE on 31 December 2013 (2.313 FTE in 2012)
- 2013 net investments on distribution network : 120 €m for electricity and 71 €m for gas
- Annually recapitalization of ORES Assets for 10.5 €m (in cash)
- Management in 2013 of more than 25.000 new files about renewable electricity power photovoltaic (40.000 in 2012)

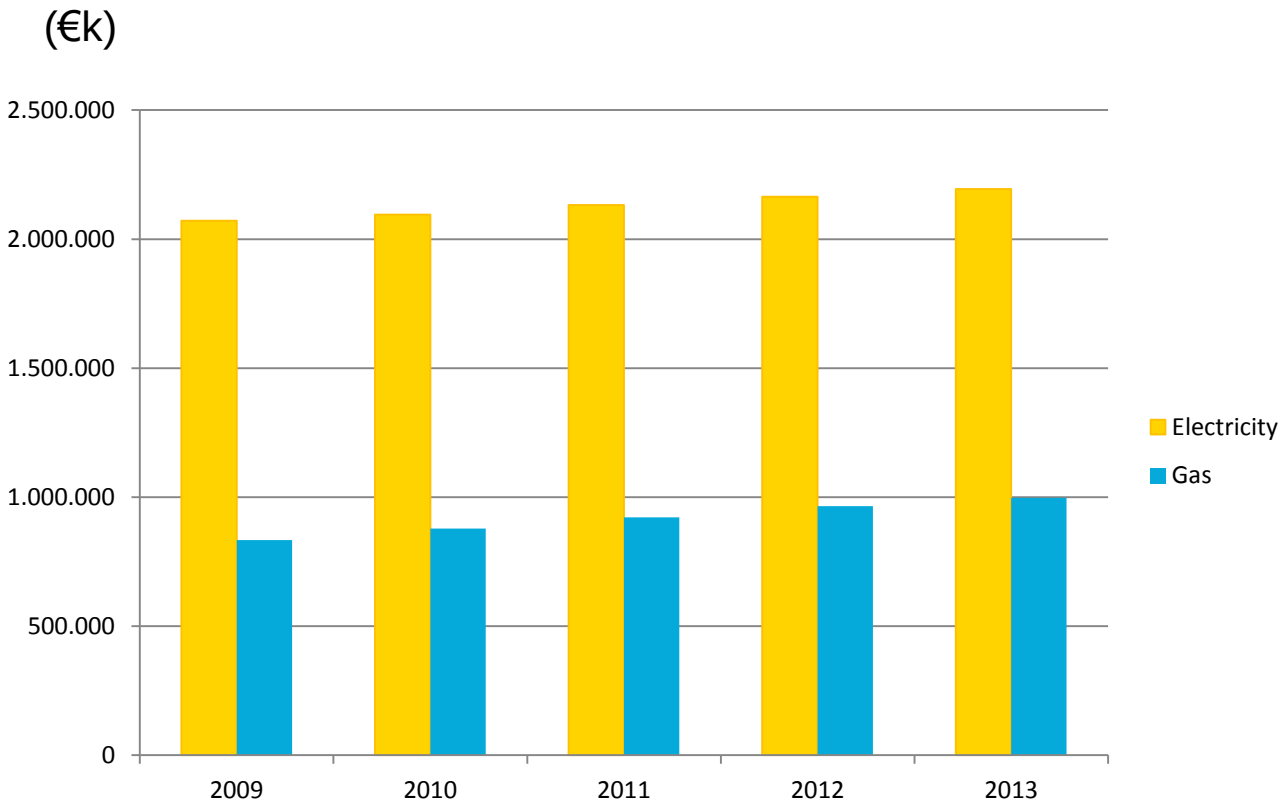
Some 2013 highlights…

(2/2)

- Tomorrow's distribution network: smart grids and smart meters (pilot projects, studies, GAD, flexibility, etc)
- Discussions with the Governement about new public service obligations: finalisation of a progressive tariff, Qualiwatt (new subsidy mechanism for individual photovoltaic power), banking of green power certificates and tax exemption for industrials

  → low financial impacts on ORES Assets (less than 5 €m in 2014)
- 'ORES vision 2020' project: brainstorming on new potential activities (charging electric vehicles station, CNG installation, etc).

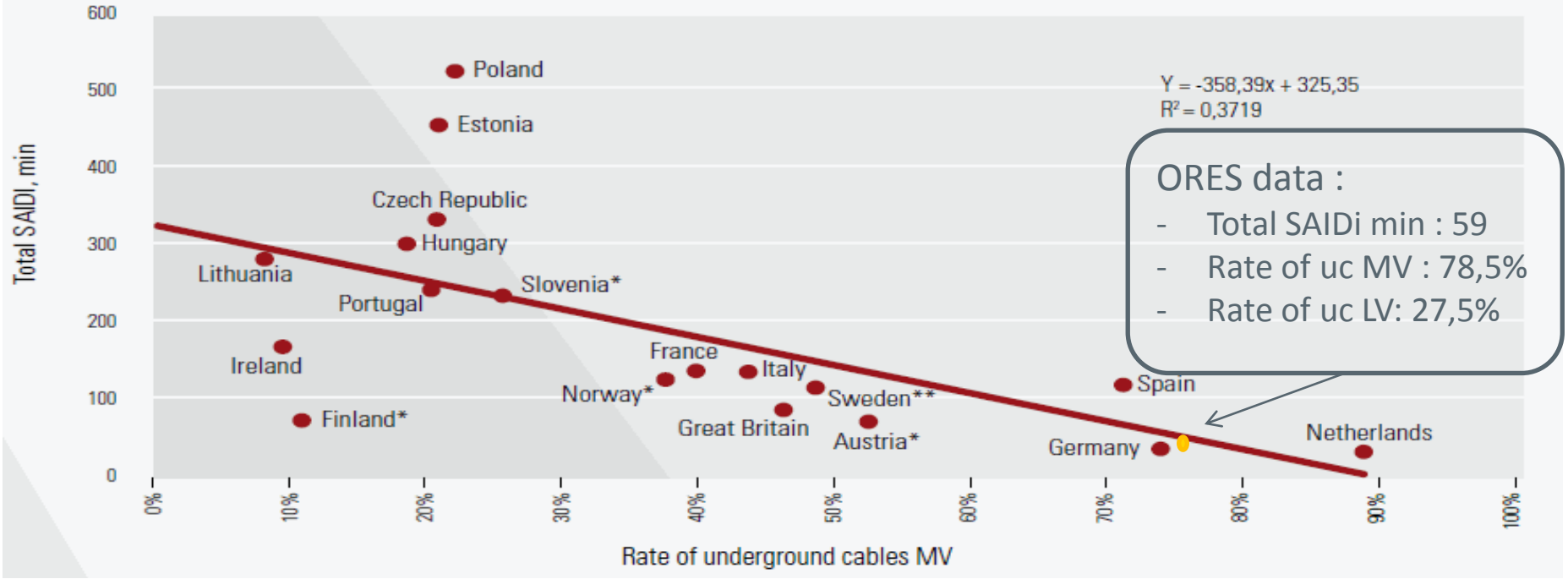
RAB* in constant evolution…



* Regulated Asset Base

A network of quality…

Statistical correlation between the percentage of underground cables in MV networks and "total SAIDI" (unplanned SAIDI including exceptional events plus planned SAIDI) averaged over 3 years, in Europe

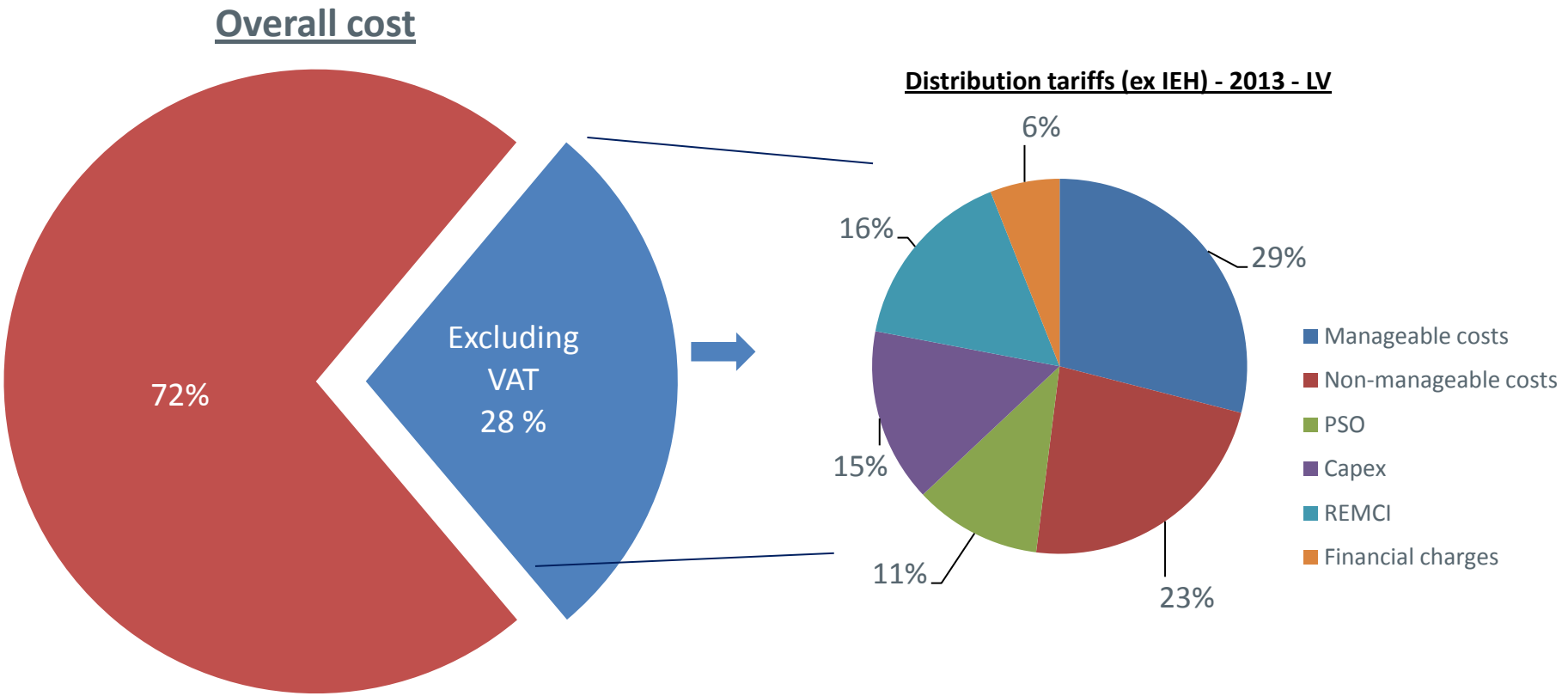


Saidi = average duration of energy disruption of an average final consumer in the supply area of the DSO during a given period

Graphic extracted from : 5th CEER benchmarking report on thee quality of electricity supply 2011

What's behind tariffs ?

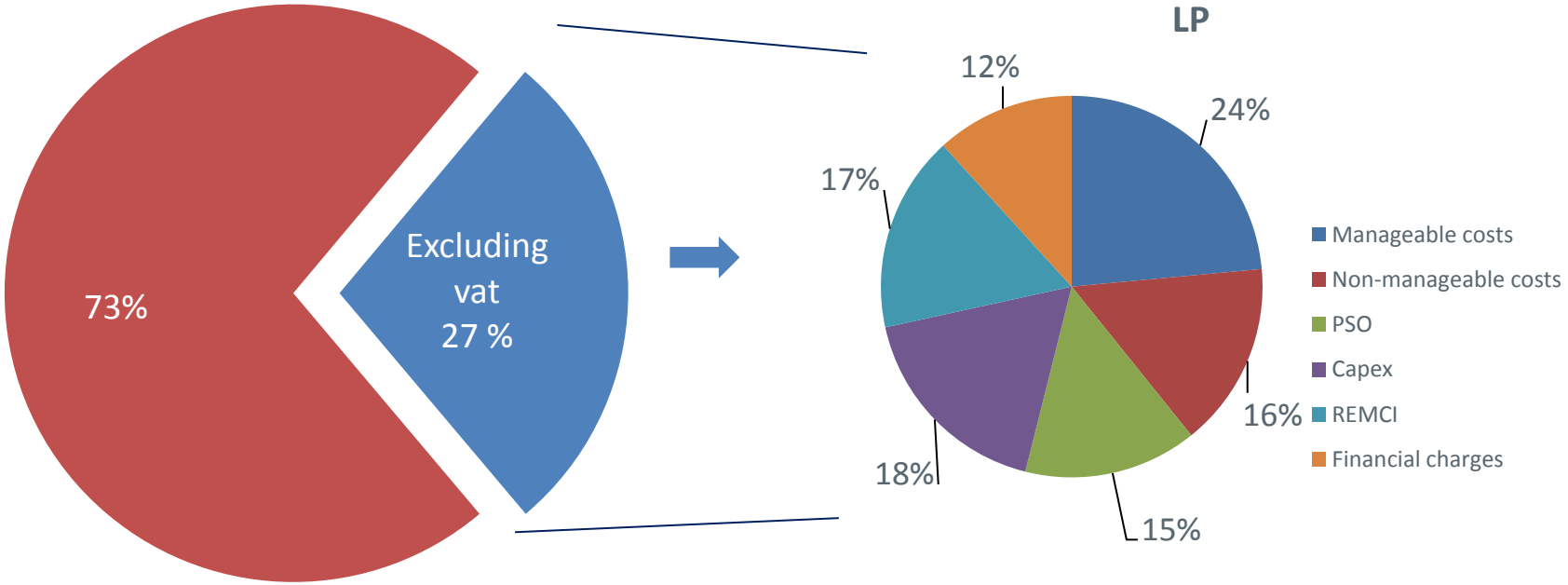
Distribution tariffs – Electricity



What's behind tariffs ?

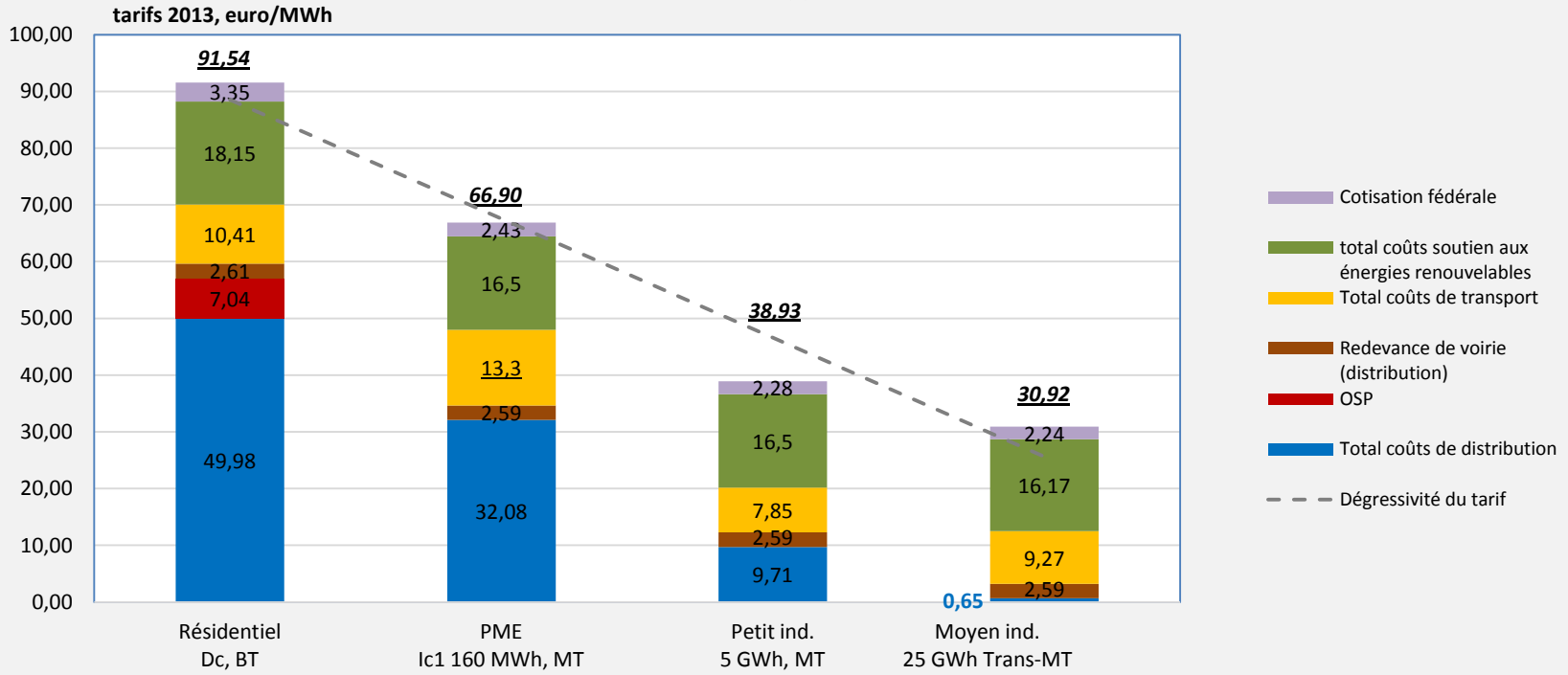
Distribution tariffs – Gas

Overall cost



What's behind tariffs ?

Distribution and transport tariffs – Electricity



source: ORES sur base des grilles tarifaires des gestionnaires de réseau -2013
profil de consommation : résidentiel Dc, 3500 kWh/an (1600 kWh Hp et 1900 kWh Hc) , PME Ic1 160 MWh (135 MWh le jour et 25 MWh la nuit), Petit Ind. 5 GWh (2.5 GWh le jour et 2.5 GWh la nuit) , client industriel Moyen 25 GWh (13.5 GWh le jour et 11.5 GWh la nuit)

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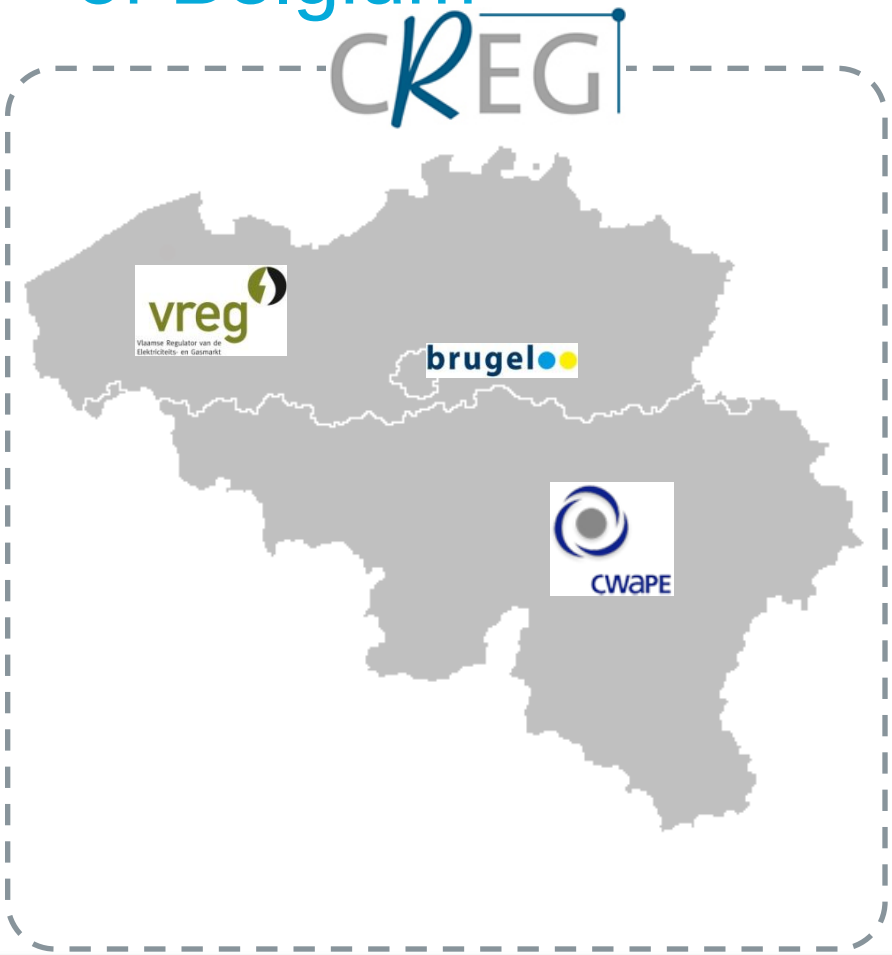
3. Regulatory framework

The energy regulation, same as the institutional landscape of Belgium

- Energy distribution is a regional competence, except for the tariff competence which is still federal competence today in Belgium …however, based on the latest institutional agreements (end of 2011) and the special law of 6 January 2014, the regionalisation of the tariff competence will be effective in July 2014
- The federal regulator (CREG) is competent for tariff setting (definition of tariff methodology, tariff approval and controle ex-ante and ex-post)
- The regional regulator in Walloon Region (CWaPE - Commission Wallone Pour l'Energie) is in charge of technical regulations, local distribution of electricity and natural gas, execution of social public service obligations, approval of investments program, and soon (01/07/14) for tariff setting



Evolution of the regulatory framework…

Before 2012

- Total network income is guaranteed for a regulatory period of 4 years that is adequate to cover the tasks set by law and allows for a reasonable profit margin in return for the capital invested in the network
- The income from each year of the regulatory period is divided into “manageable costs” and “non-manageable costs”:
- Manageable costs : a factor for productivity and efficiency improvements is applied. In addition, the network operator is offered an incentive that increases profits by means of the balance of the manageable costs
- Non-manageable costs : differences relating to non-manageable costs (ex: financial charges) and to volumes of transported energy are considered as a global liability or receivable towards the customers

2012

- 3rd Energy Package (European Directive) transposed in Belgian law (federal –still in project in Wallonia (transposed in 2014))

2013-2014

- Decision to prolong the tariffs in 2013/2014
- A decree give, from 01.07.2014, the competence to the CWaPE for the approval of the regulatory balance since 2010 … and for the allocation forward in the tariffs of the regulatory balance since 2008

As from 2015

- Transitional period 2015-2016 with a new methodology but without substantial change : ensure continuity of the regulatory framework set up at federal level - after consultation document, a ‘note préparatoire’ is approved on 06.02.14
- Next period (5 years) 2017-2021 : evolution of the regulatory framework is unclear

Tariff 2015-2016 – Key features

- **Tariffs must aim at**
  - Being non-discriminatory and transparent
  - Being fixed relative to costs and enabling the network operator to cover its costs incurred in the framework of its regulated activities, incl. financial charges
  - Including a fair beneficiary margin for the remuneration of the capital invested in the network with a view to ensure its optimal development

- **3 objectives of the tariff methodology for 2015-2016 (note that there's no definitive methodology before July 2014):**
  - Curb tariff budget envelope
  - Ensure developement of grids
  - Establish a stable regulatory framework

- **Cost oriented mechanism**

- **Formula**

$$\frac{\text{Operational costs} + \text{Depreciation \& Amortization} + \text{Financial charges} + \text{Taxes paid} + \text{Return On Invested Capital}}{\text{Estimated booked capacity}} = \text{Tariff}$$

Tariff 2015-2016 – Key features

- **Differentiation between primary regulatory asset base (investments before 2014) and secondary regulatory asset base (investments from 2014)**
  - Net working capital no longer included in RAB
  - Global ROI unchanged
- **Manageable costs 2015-2016 = indexed actuals 2012**
  - Special envelope for clearing house and smart grid
- **Application of Grid fee on gross withdrawn energy**
  - To take prosumers into account

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4. Financials

Summary financials 2013 (actuals)

Economic Group ORES/DSO (IFRS)

In €m

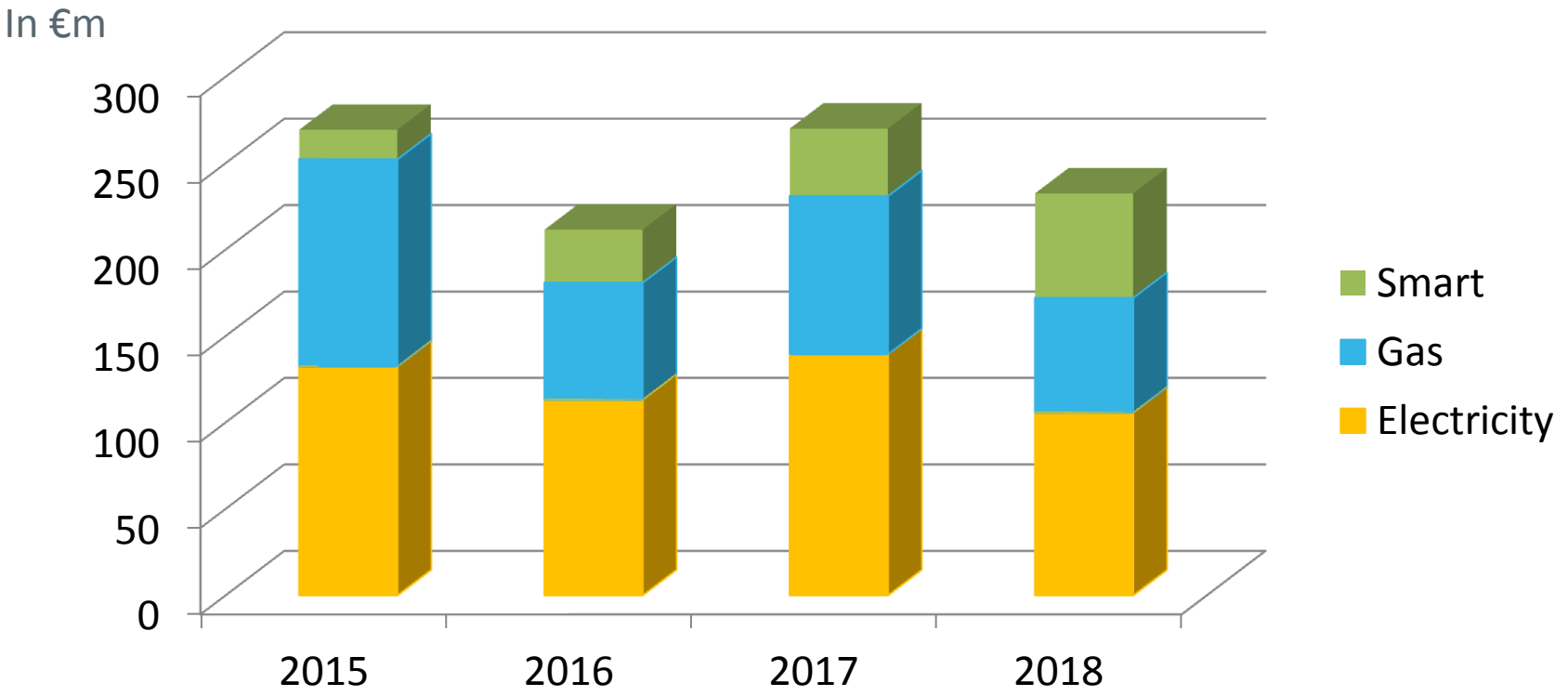
Income statement	2013	2012	Balance sheet	2013	2012
Total operating income (Turnover and other operating income including rate rgulated balances)	1.107	959	Total Current Assets	504	580
			incl. CASH	209	285
EBITDA	387	398	Total Non Current Assets	3.365	3.254
EBIT	258	275	**Total Assets** (excluding rate regulated balances)	**3.869**	**3.834**
Financial Result	-70	-75	**Total Assets**	**3.956**	**4.072**
Net Profit	183	199	Financial debt	1.937	2.046
Global Income Profit Result	270	135	Total Shareholders' Equity	1.582	1.438
			Total Liabilities & Equity (excluding rate regulated balances)	**3.938**	**3.968**
			Total Liabilities & Equity	**3.956**	**4.072**

2014 Indicative funding needs

In €m / 2014

	Electricity	Gas
Gross investments	171	82
Net investments (-)	123	78
(after "interventions clients")		
Depreciations (+)	90	40
Funding needs (=)	33	38
Total	(+) 71	(+)
Refinancing existing debt	+ 109	
Unconsumed budget 2013	- 34	
Financing needs	= 146	
Cash available	> 146	
Total financing needs	= 0	

Indicative long term funding needs

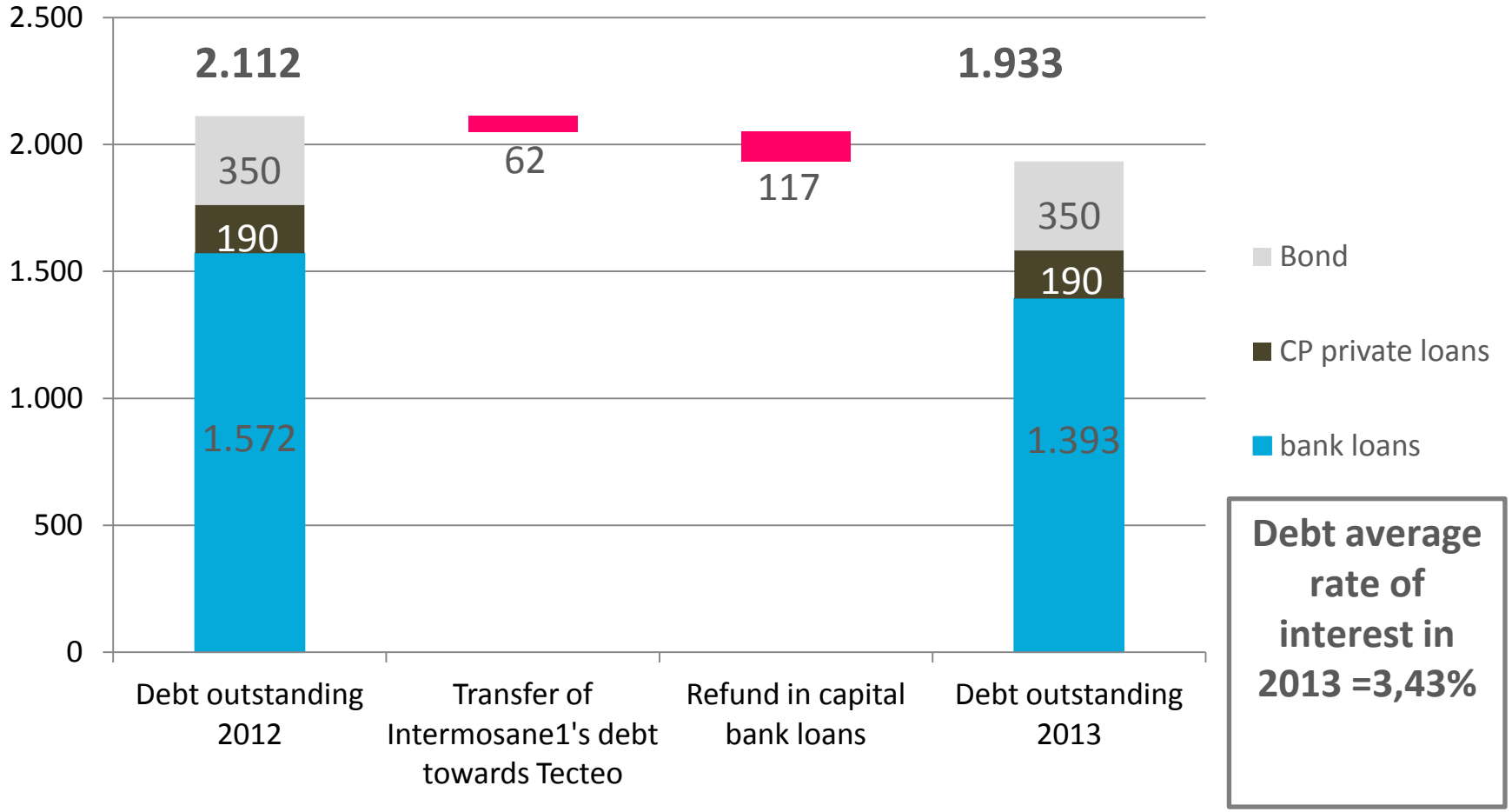


- Above mentioned figures are showing total indicative financing needs for new investments : CAPEX (including "smart") > Depreciation + refinancing of existing debt
- Above mentioned indicative investment program has not been yet approved by the CWaPE and by the board of directors
- Financing sources: Bank loans, Bond and Medium Term Notes

Debt management

(1/2)

Evolution of the debt

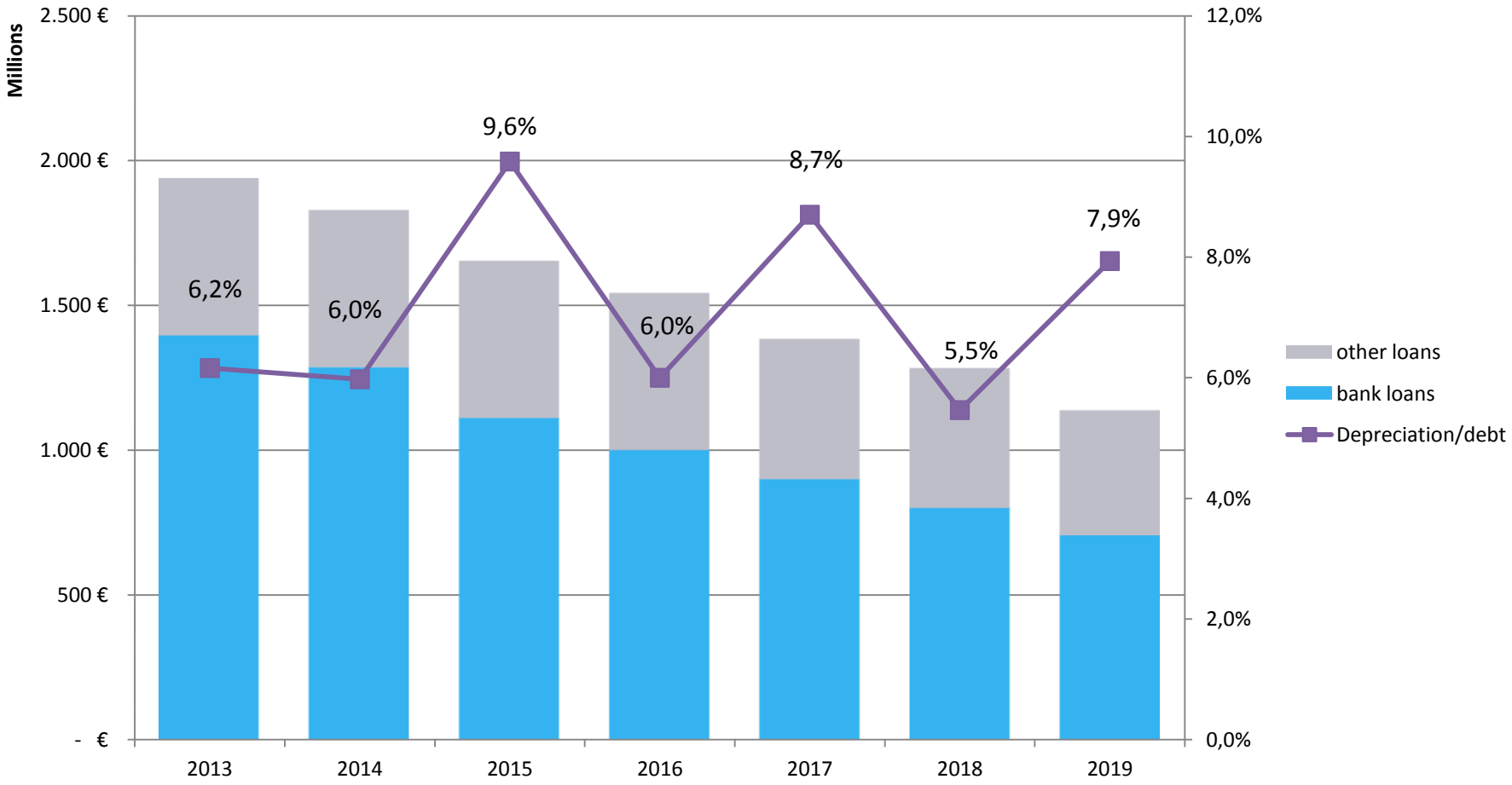


Debt average rate of interest in 2013 =3,43%

Debt management

(2/2)

Debt maturity profile



Debt average duration : 6 years 9 months

Funding sources (01 january 2014)

CP Programs	• Total size programs : 250 €m • 1) currently medium term outstanding : 189 €m • 2)currently short term outstanding : 0 € • Project : new CP Program : 500 €m
Undrawn Credit Lines	• Total size facilities : 100 €m • Currently outstanding : 0 €
Private Placement (9y - issued in 2012)	• Initial amount : 350 €m • Remaining in cash : 160 €m

Financial policies and strategy

DSO financial policies	• Dividend payout ratio is about 90% in B-Gaap • Funds are borrowed by ORES on behalf of DSO • ORES Assets guarantees the debt
Funding currency	• External funding in € only
Risk management policies	• Interest rate swap and cap agreements are used for hedging purposes only
Rating /EMTN	• Proposal, by the management to the board of directors, to provide a rating for the economic group ORES at the end of 2014 and to finalize an EMTN program of 4 Mia €

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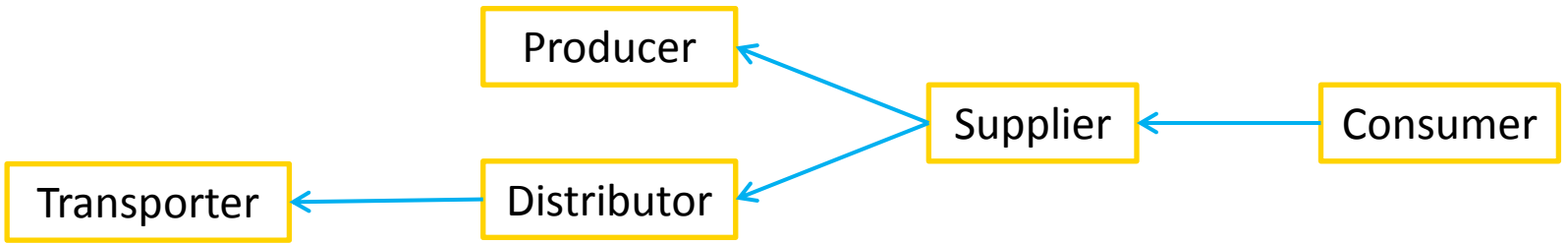
5. Risk Management

A limited commercial risk…

Customers of the DSO ↔ financial flows in 2013

- **30 suppliers (grid fee) : 970 €m (more than 97% of turnover)**
- **Consumers (intervention for connection) : 56 €m = turnover in IFRS**
- **Social consumers (for consumption of energy) : 19 €m**
- **Varia (Tecteo, etc)**

From poducers to consumer – payment flows

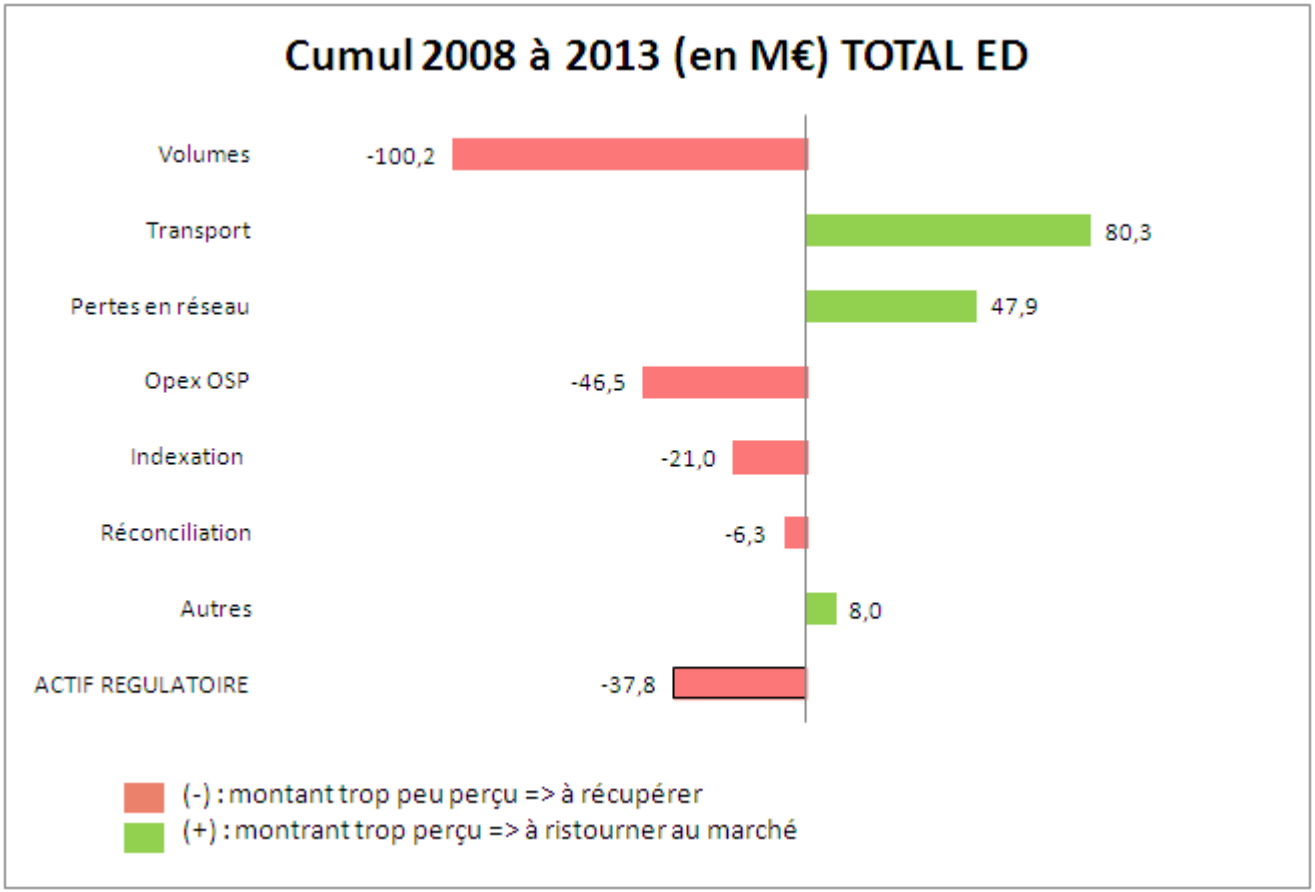


A predictable regulatory risk …

- Finalization of the new methodology 2015-2016
- Further discussion on a new methodology for 2017 ?
- Acceptance of the prosumers in the methodology
- Allocation of the actual regulatory balance for the next regulatory periods

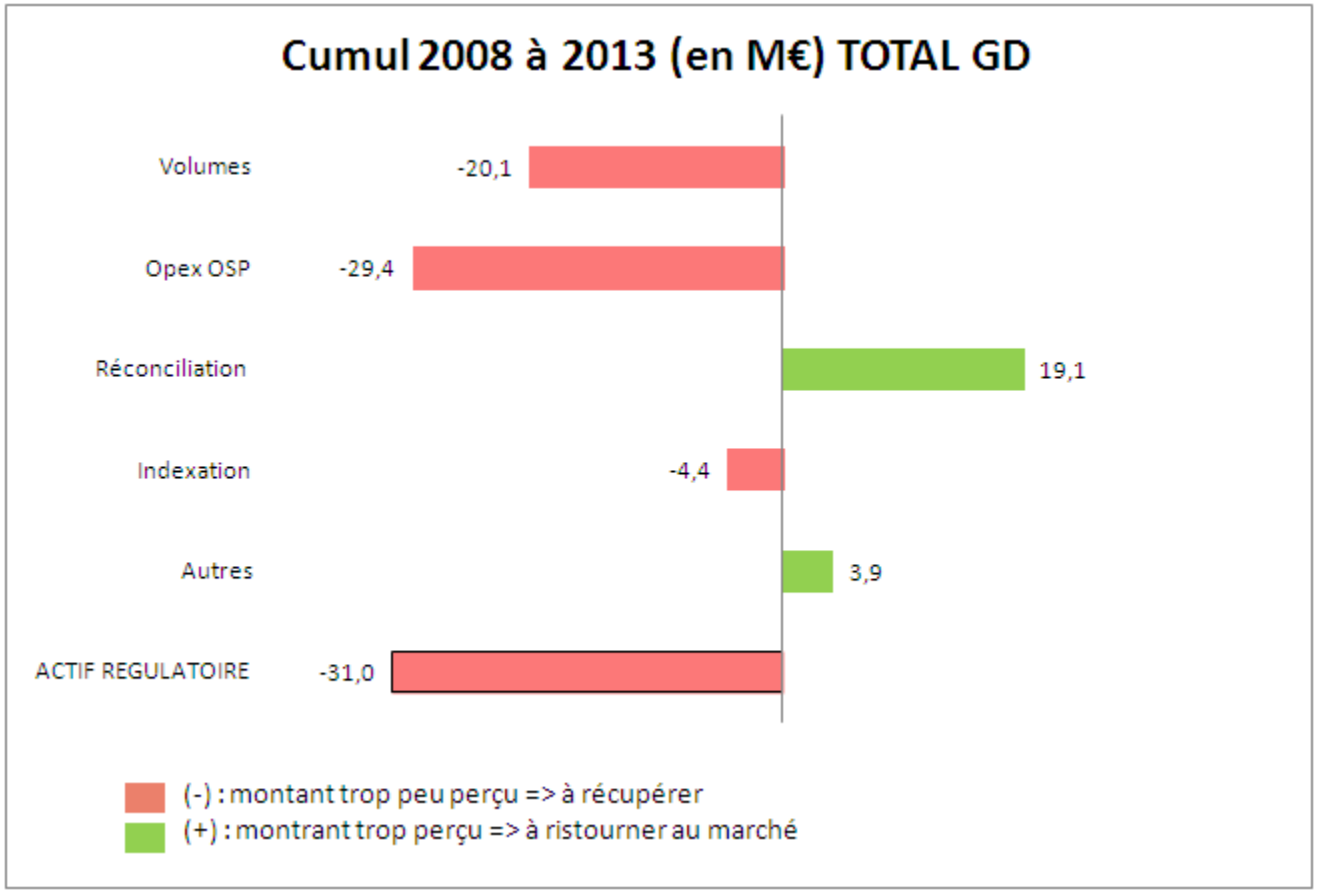
Electricity

Cumulated regulatory balance



Gas

Cumulated regulatory balance



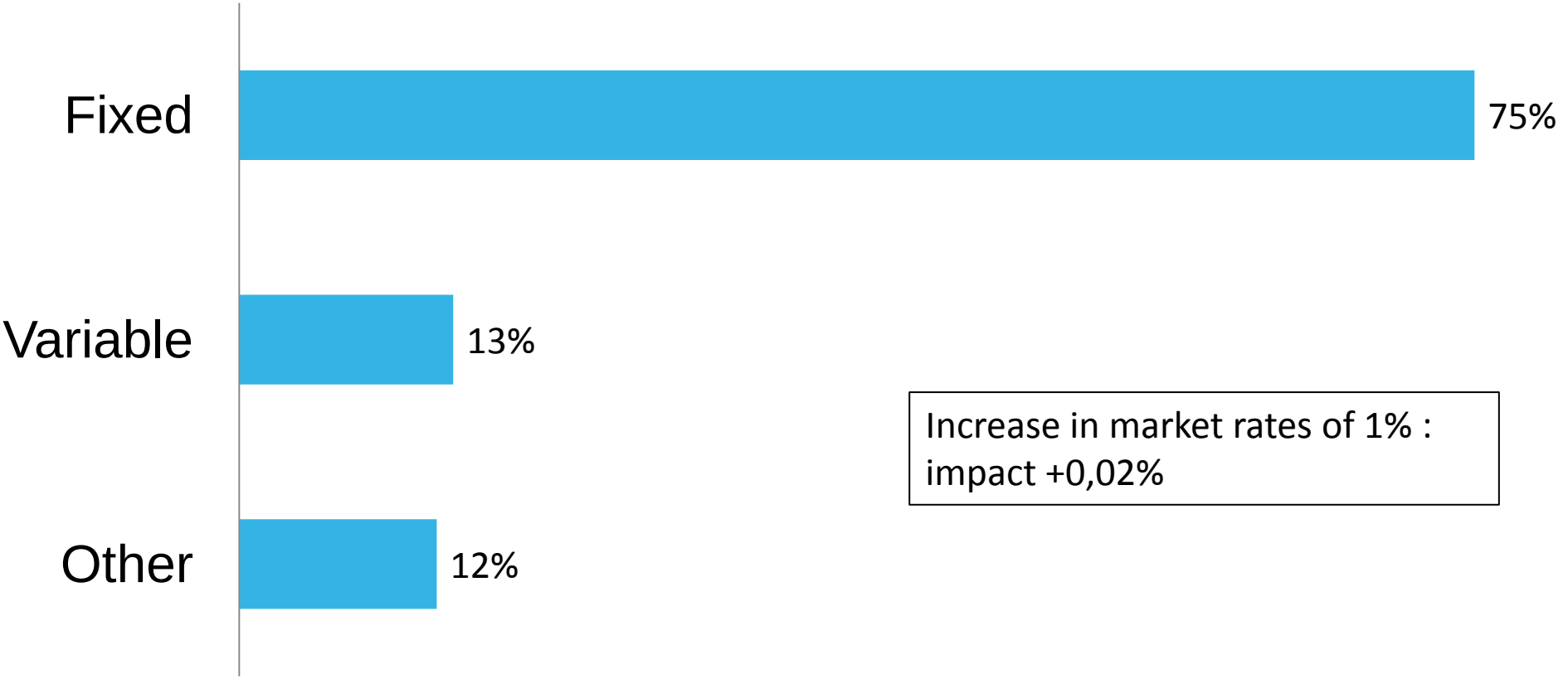
A possible equity risk … New opportunities ?

- Put of Electrabel : possible exit in 2019 ?
- Capacity of the municipalities to continue investing in electricity and gas grid

→ New shareholders with the public majority support ?

A possible interest rate risk…

2013 debt profile



Increase in market rates of 1% : impact +0,02%

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6. Challenges

Main challenges for ORES

- Maintain high network reliability with high penetration of renewables
  By 2020, renewable energy should account for 40% of the electric demand

- Need for increased capital expenditure
  - ✓ to connect renewables
  - ✓ to allow an active distribution system management
    (deal with increased volatility of flows)
  - ✓ to invest in SMART

- Keep energy affordable (<>increased capital expenditures and decreasing volumes) and avoid discriminations between users

- Internal challenge: vision 2020 project - focus on corporate culture

Key success factors

- Need for a stable and predictable energy policy

- Need for regulatory arrangements that :
  - ✓ incentivise active demand management options
  - ✓ promote innovation
  - ✓ integrate a premium on regulated WACC to attract new investors

- Need for transparent tariffs to facilitate acceptance and comprehension (indentify clearly the different costs components, taxes and public service obligations)

- Tariffs should be cost-causal, non discriminatory and progressively replace ‘exclusively volumetric tariffs’, by adding a capacity charge

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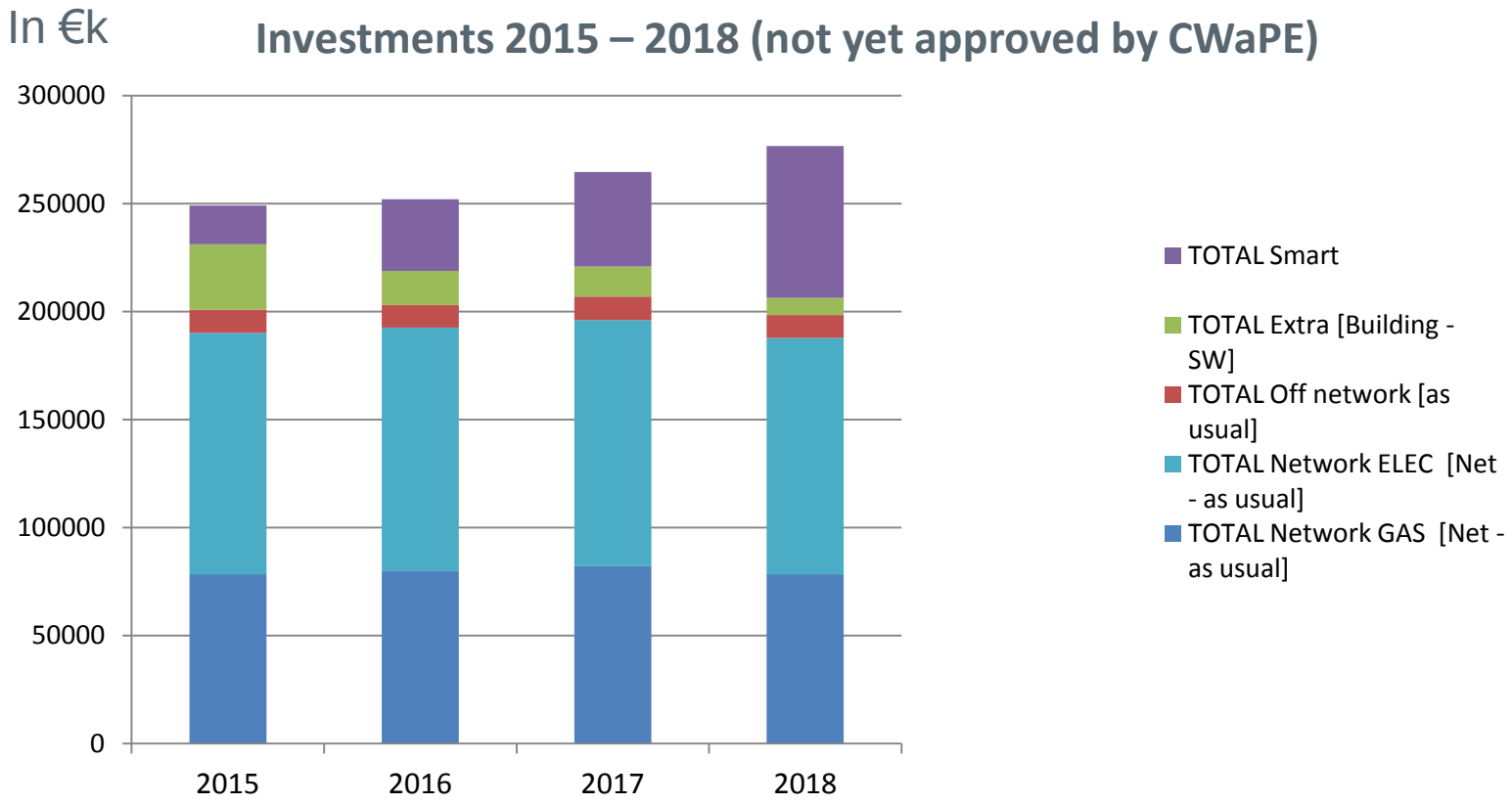
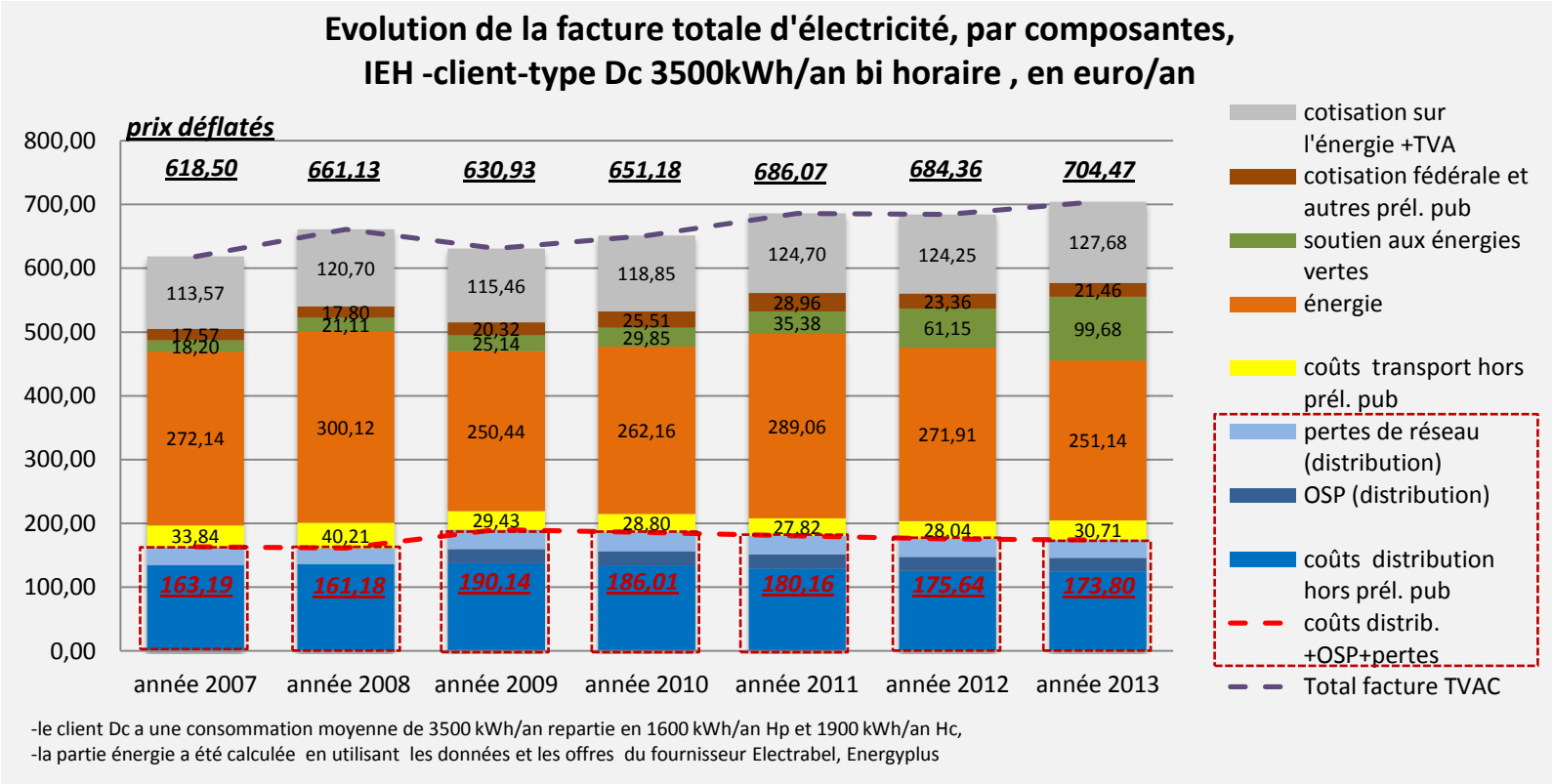
6. Appendix

Capex Electricity and Gas



What's behind tariffs ?

Evolution of components of the tariff for residentials – Electricity (1/2)



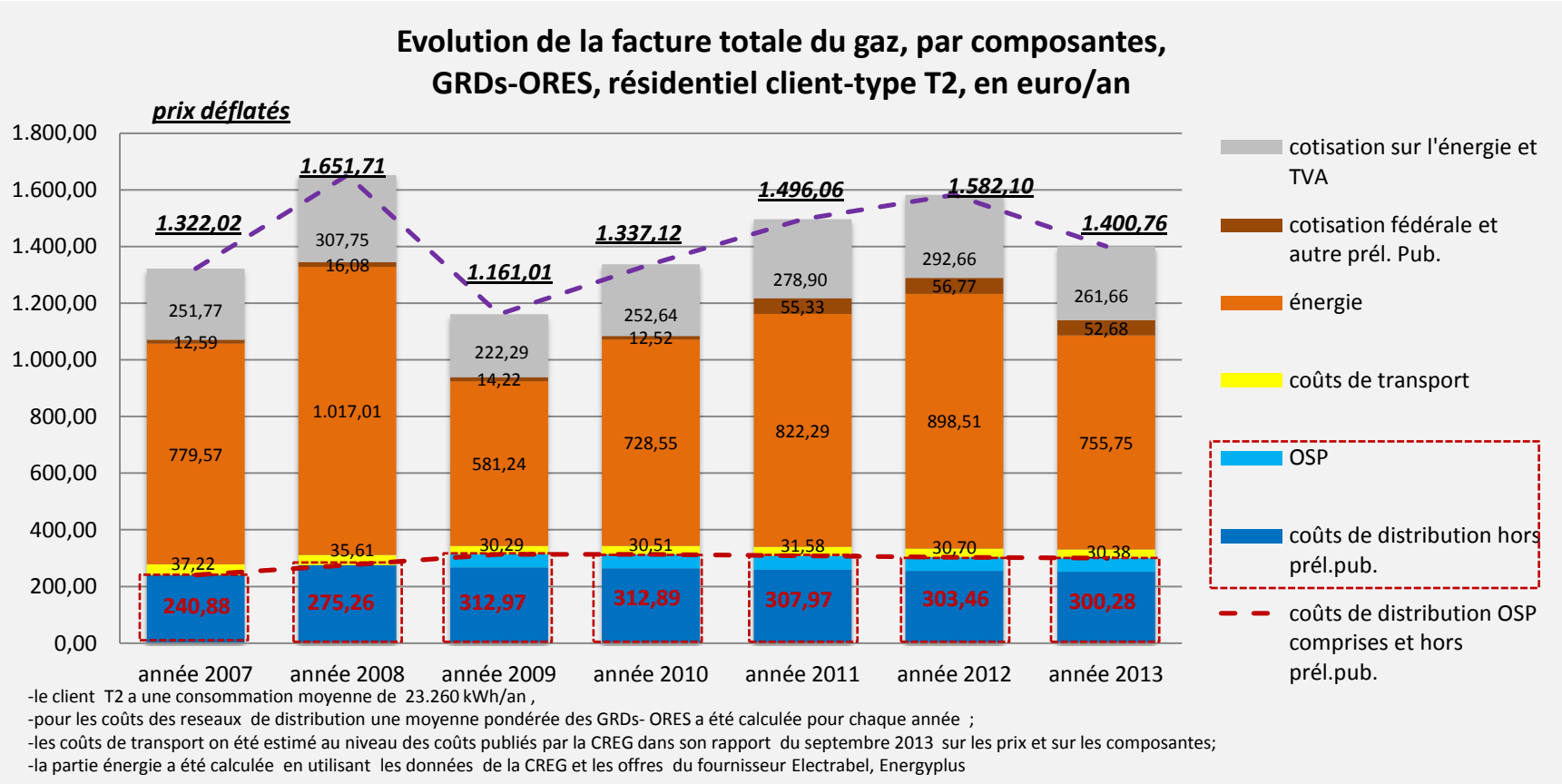
-le client Dc a une consommation moyenne de 3500 kWh/an repartie en 1600 kWh/an Hp et 1900 kWh/an Hc,
-la partie énergie a été calculée en utilisant les données et les offres du fournisseur Electrabel, Energyplus

Support for green energy causes the increase of the energy bill

What's behind tariffs ?

Evolution of components of the tariff for residentials – Gas

(2/2)



-le client T2 a une consommation moyenne de 23.260 kWh/an ,
-pour les coûts des reseaux de distribution une moyenne pondérée des GRDs- ORES a été calculée pour chaque année ;
-les coûts de transport on été estimé au niveau des coûts publiés par la CREG dans son rapport du septembre 2013 sur les prix et sur les composantes;
-la partie énergie a été calculée en utilisant les données de la CREG et les offres du fournisseur Electrabel, Energyplus

Energy component highly determines bill's evolution