ORES

OPÉRATEUR DES RÉSEAUX GAZ & ÉLECTRICITÉ

Investor Presentation

September 2015

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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 service obligations.

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 45% 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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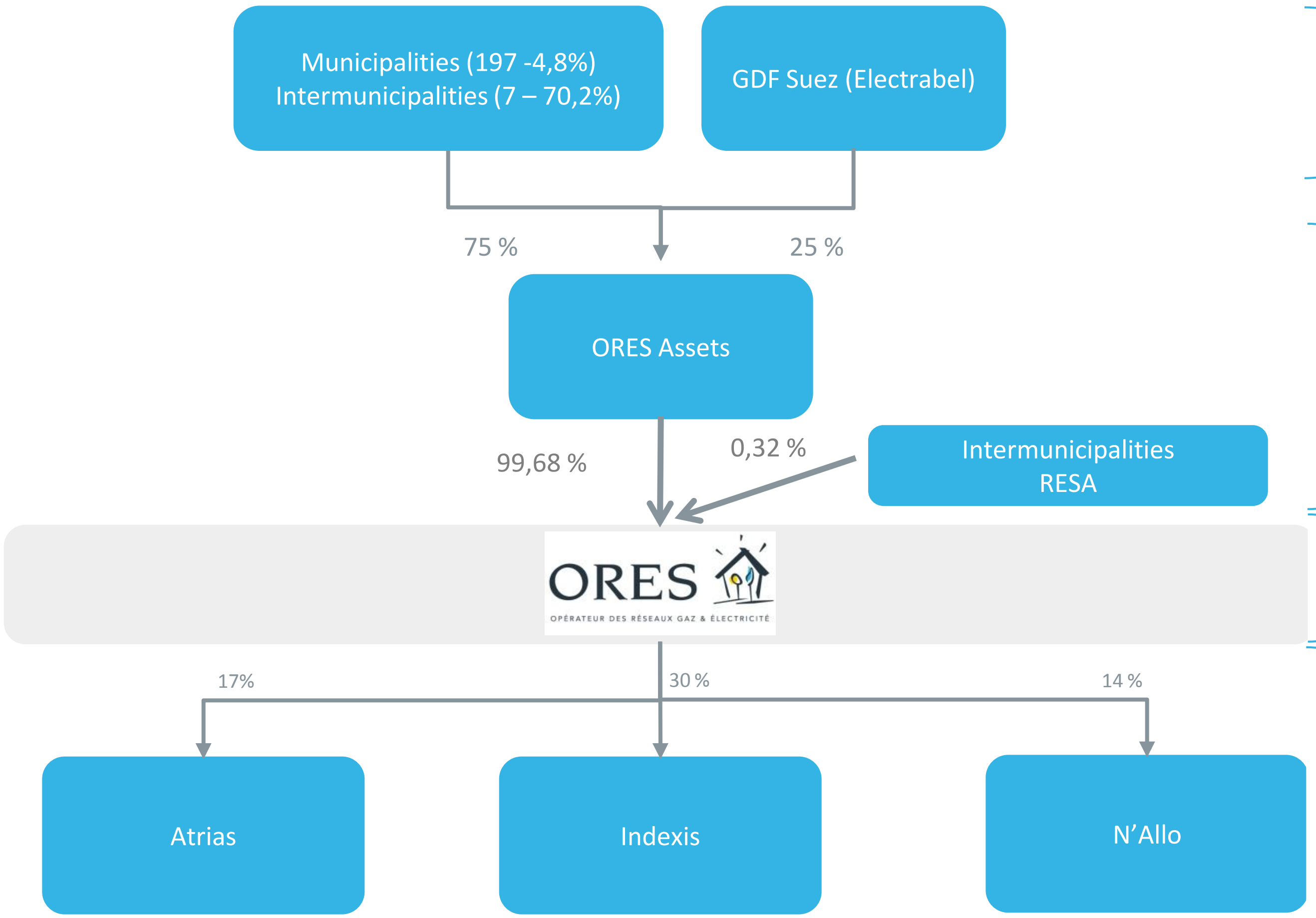
Shareholders' structure of ORES



Exit of Electrabel

- Electrabel has a put option for its residual stakes in ORES Assets which will be exercised on 31th December 2016

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

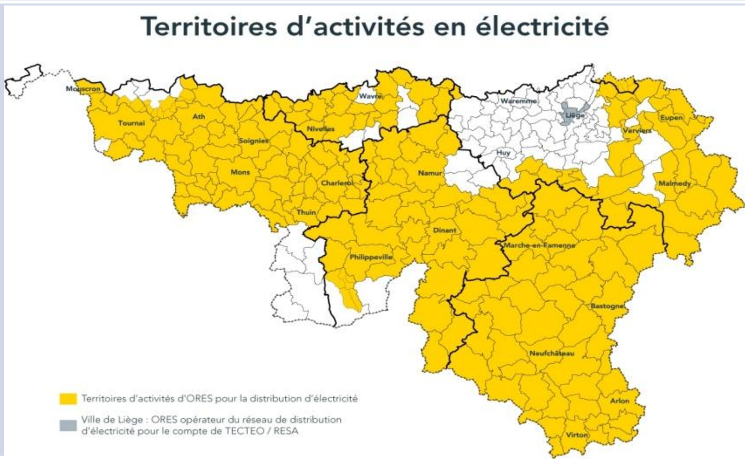
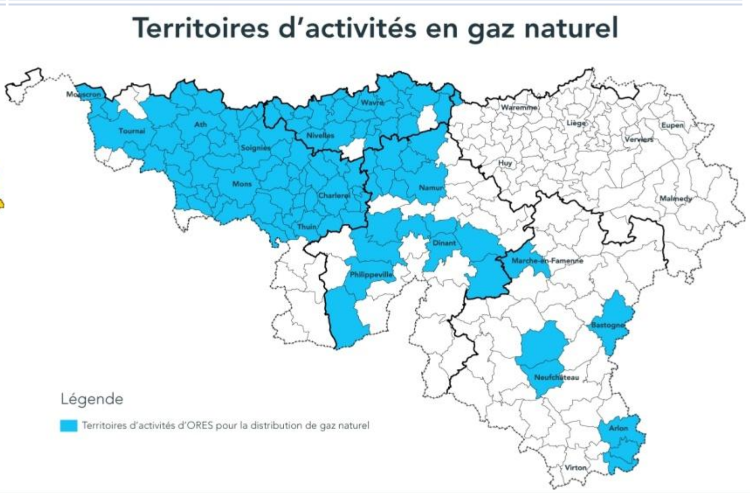
Operational Management

- 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

2014 figures	ELECTRICITY	NATURAL GAS
Network length (km)	49.390	9.225
Distributed energy (MWh)	11.094.320	11.759.621
Access points	1.466.942	534.225
RAB (€)	2.207.644.880	1.017.294.851
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 1.8 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
Management of access register	Keep technical data on more than 2 million connections up to date in the 'access register' which contains the administrative details of customers and their energy suppliers

Key considerations

Strategic importance to the Walloon Region	• ORES and DSO provide number of public services obligations : social PSO, public lighting,… and more recently 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 (since 01.07.2014 regional framework applicable as of 01.01.2015) • New tariffs for 2015-2016 have been approved by CWAPE and are used since 01.03.2015
Strong balance sheet structure	• Relatively strong balance sheet structure • Low financial leverage (RAB is financed with 45% 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 2014 highlights…

- 2.267 FTE on 31 December 2014 (2.271 FTE in 2013)
- 2014 net investments on distribution network : 134 M€ for electricity and 80 M€ for gas
- Annual recapitalization of ORES Assets for 15,9 M€ (in cash)
  (42,2 M€ in 2014)
- Finalization of a “déclaration de politique régionale 2014-2019” by the new government in accordance with the objectives of ORES
- 01/07/2014 : transfer of tariffs competences from the CREG to the CWaPE

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Some 2014 highlights…

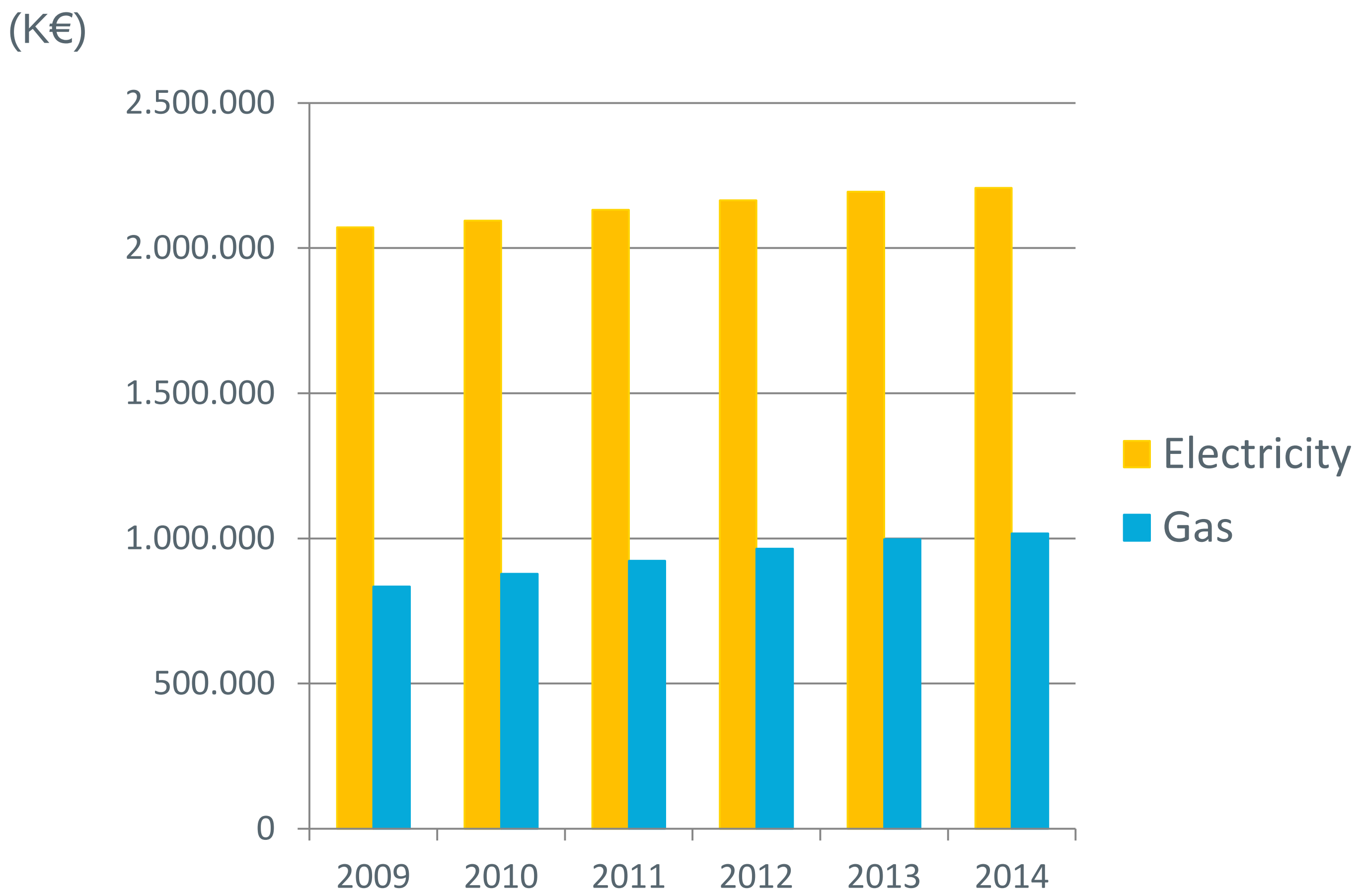
- Finalization of a new regulatory methodology for new tariffs by the CWaPE, the new regional regulator. New tariffs for 2015-2016 has been approved by CWaPE in february 2015

- Changing the composition of ORES Board (no representatives of Electrabel anymore)

- Electrabel decides to anticipate the exercise period of its put option (initially to be exerciced in 2019). Electrabel will now exercice its put option on 31 December 2016 and will sell its entire participation in ORES ASSETS to the other shareholders of ORES Assets (municipalities and intermunicipalities) at such date.

- Change of tax regime for ORES Asse from tax year 2015 onwards (tax on legal entities regime => corporate tax regime). The impact of this increase in the tax rate will be passed on to the tariffs.

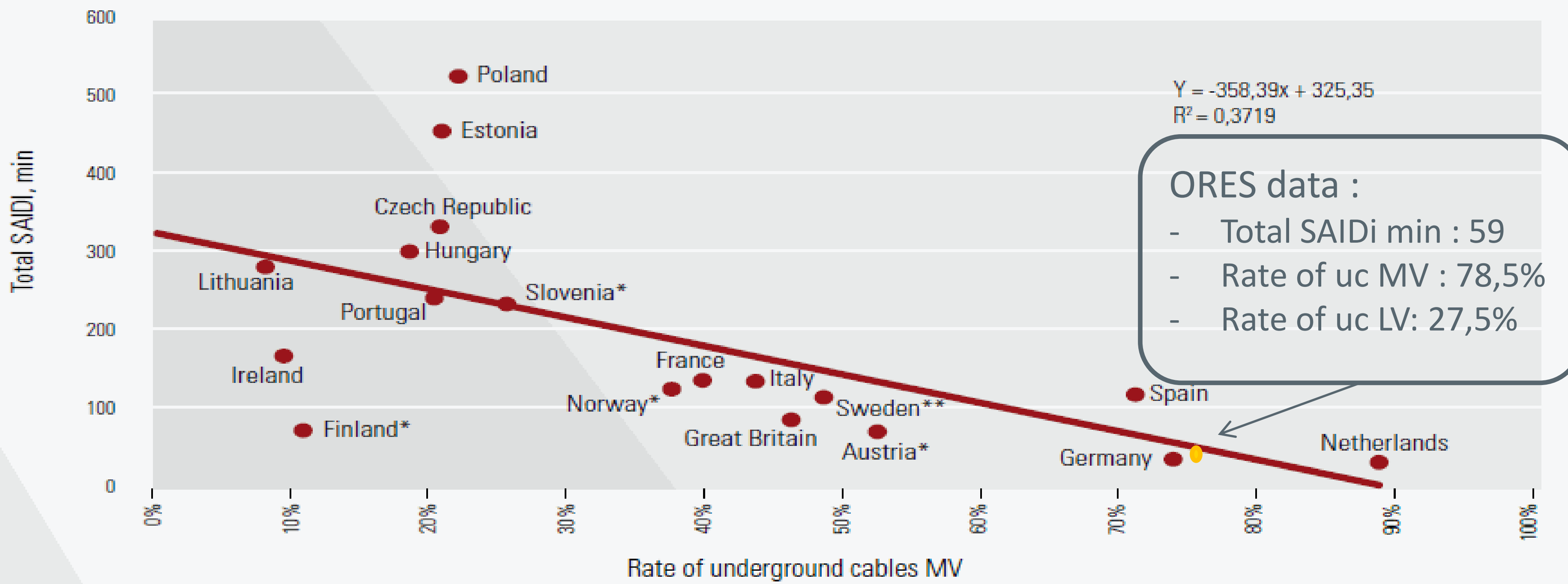
RAB* in constant evolution…



* 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

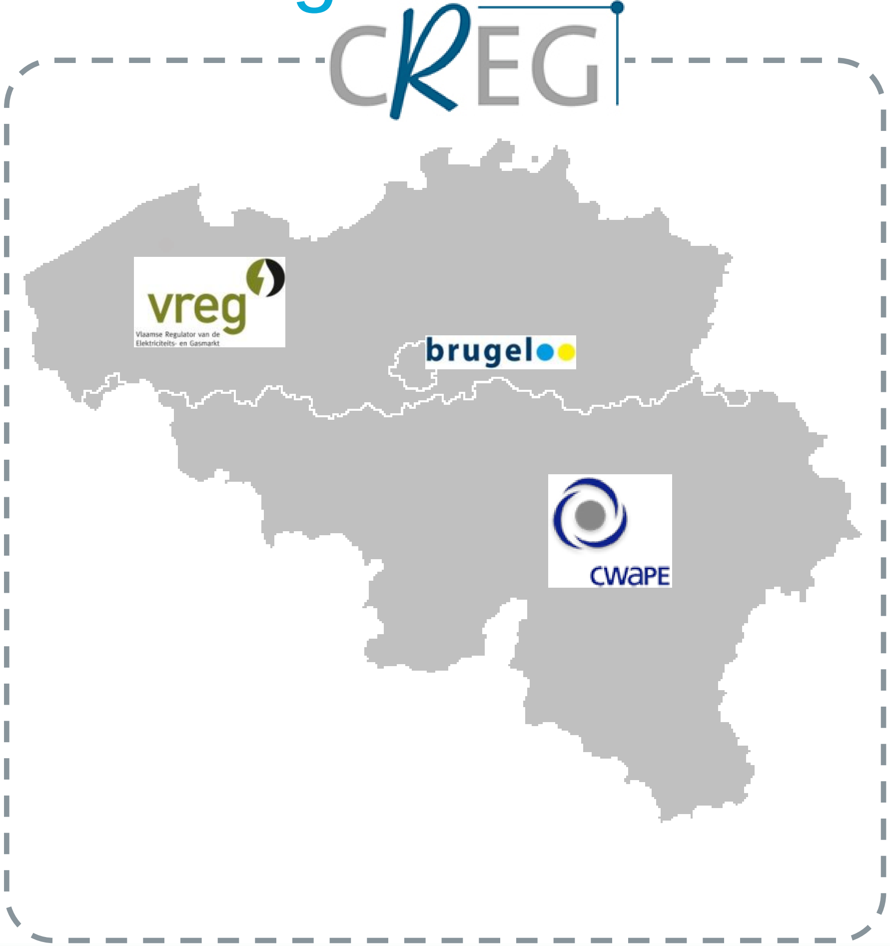
Graphic extracted from : 5th CEER benchmarking report on thee quality of electricity supply 2011

3. Regulatory framework

The energy regulation, same as the institutional landscape of Belgium

- Energy distribution is a regional competence, including the tariff competence, the regionalisation of the tariff competence is effective since July 2014

- 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 since 01/07/14 for tariff setting (applicable as of 01.01.2015)



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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 – in 2014 in Wallonia)

2013-2014

- Decision to prolong the tariffs in 2013/2014
- A decree give 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 new methodology was approved on 14.08.14
- Extension of the transitional period in 2017
- Next period (5 years) 2018-2022 : evolution of the regulatory framework is unclear but informal consultation begins in Septembre 2015

Tariff 2015-2017 – 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 2015-2017 :

- 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 2015-2017 – 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 2015-2017 = indexed actuals 2012**
  - Special envelope for clearing house and smart grid

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4. Financials

Summary financials 2014 (actuals)

Economic Group ORES/DSO (IFRS)

In M€

Income statement	2013	2014	Balance sheet	2013	2014
Total operating income (Turnover and other operating income including rate rgulated balances)	1.107	1.097	Total Current Assets	504	384
			incl. CASH	209	128
EBITDA	387	382	Total Non Current Assets	3.365	3.493
EBIT	258	247	**Total Assets** (excluding rate regulated balances)	**3.869**	**3.877**
Financial Result	-70	-82	**Total Assets**	**3.956**	**4.026**
Net Profit	183	163	Financial debt	1.937	1.909
Global Income Profit Result	270	- 49	Total Shareholders' Equity	1.582	1.470
			Total Liabilities & Equity (excluding rate regulated balances)	**3.938**	**3.976**
			Total Liabilities & Equity	**3.956**	**4.026**

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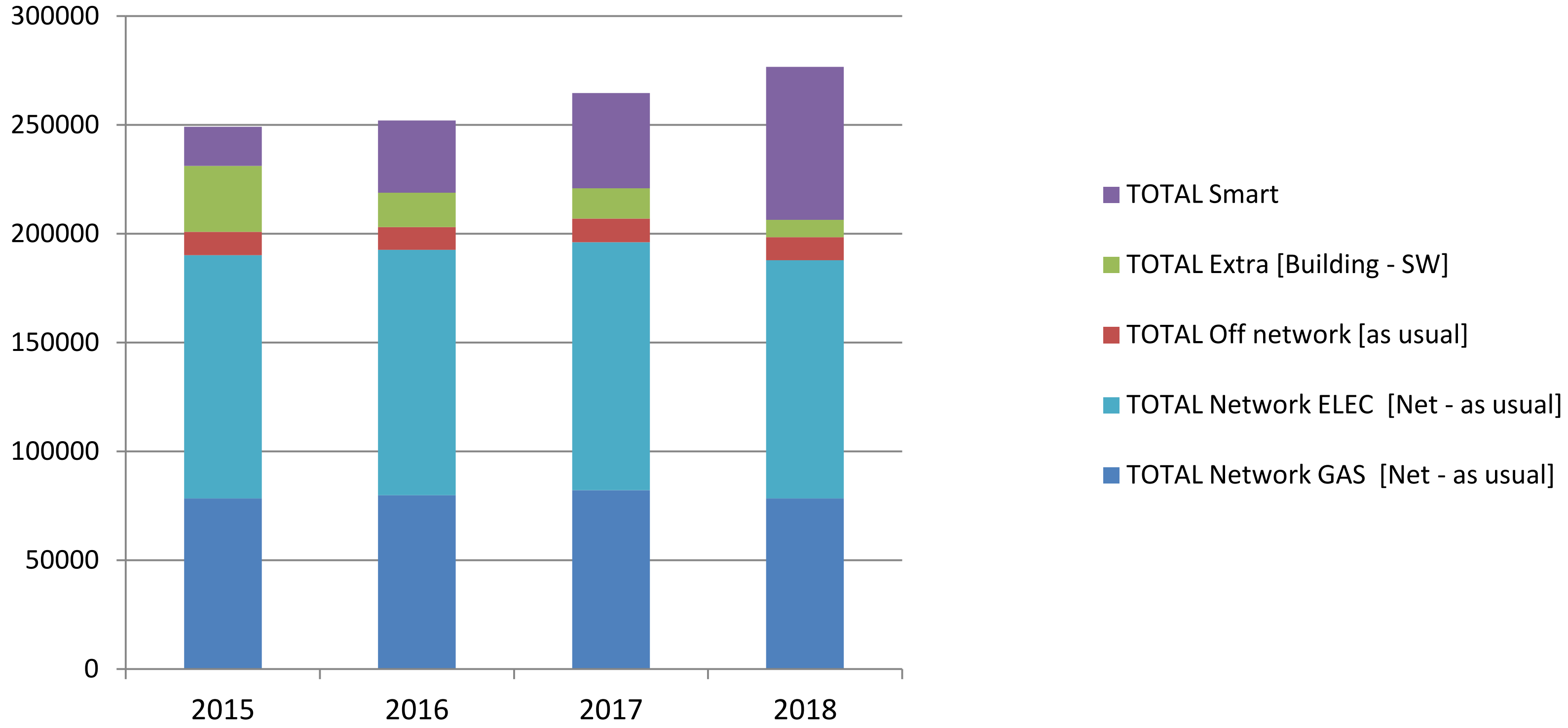
2015-2016 Indicative funding needs

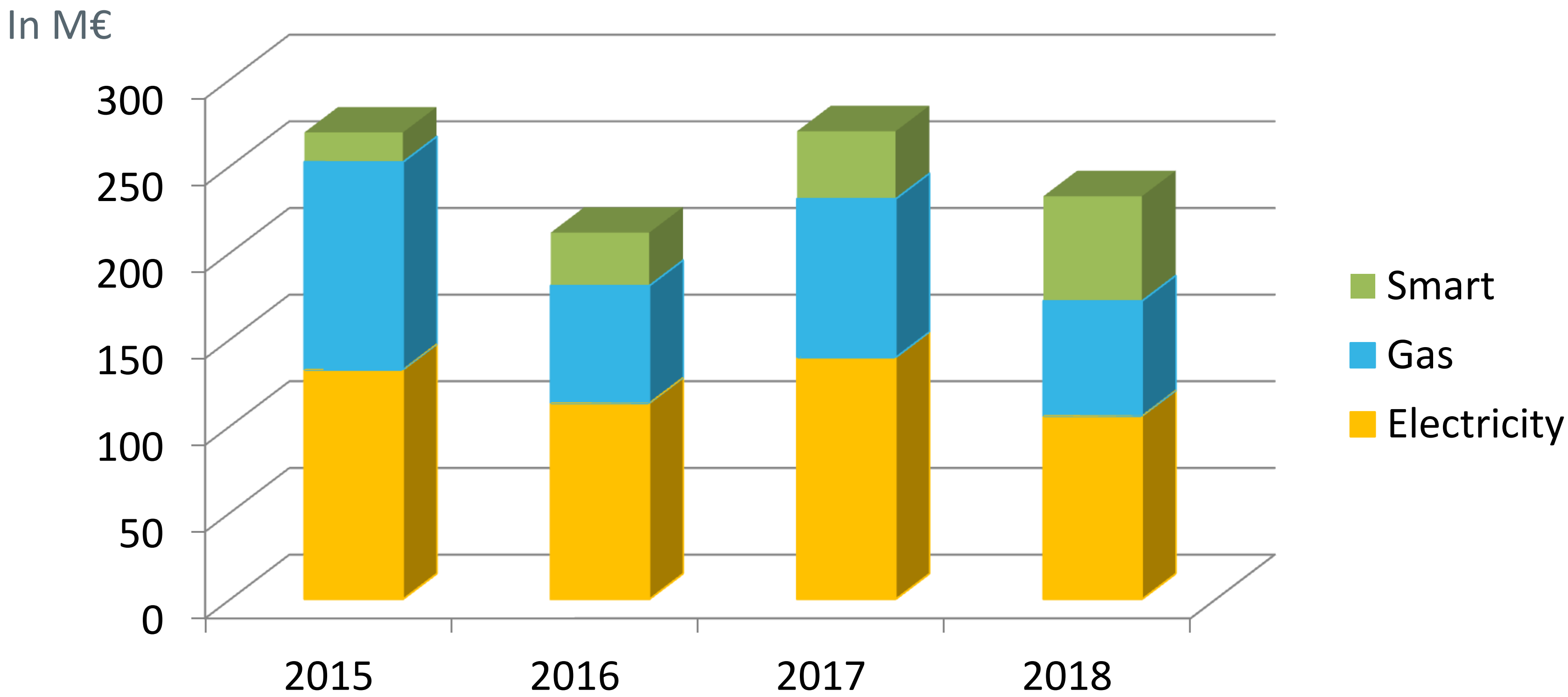
In M€	2015		2016
Gross investments	281		295
Net investments (-)	229		241
(after "interventions clients")			
Depreciations (+)	147		152
Funding needs (=)	82		89
Refinancing existing debt (-)	174		110
Financing needs	256		199
Total Financing needs		455	
Cash available		200	
		=	
Total financing needs		255	

Capex Electricity and Gas

In K€ **Investments 2015 – 2018 (investments 2015-2016 approved by CWaPE)**



Indicative long term funding needs

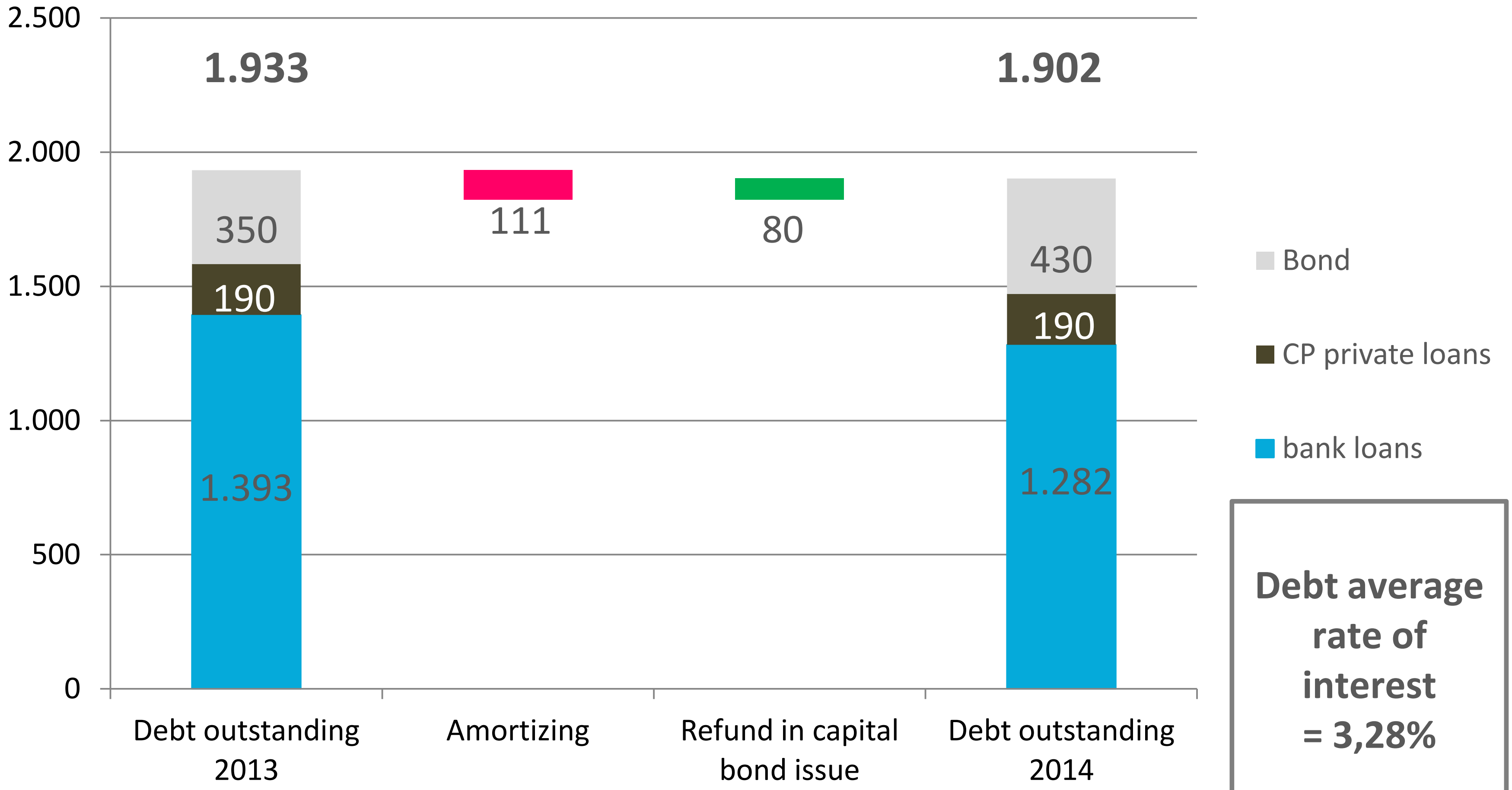


• Above mentioned figures are showing total indicative financing needs for new investments : CAPEX (including “smart”) > Depreciation + refinancing of existing debt
• Financing sources: Bank loans, Bonds, Private Placements and Medium Term Notes

Debt management

(1/2)

Evolution of the debt

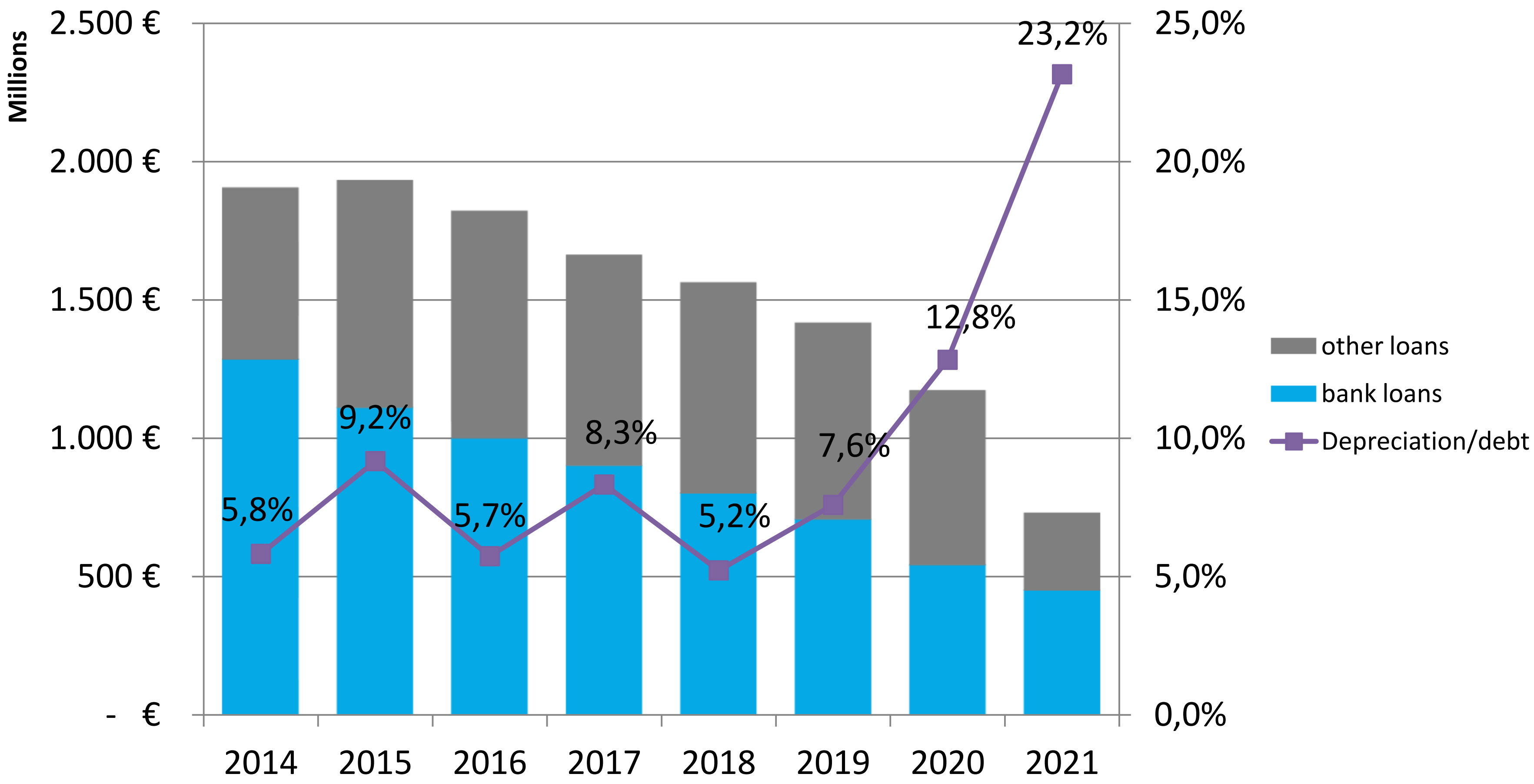


Debt average rate of interest = 3,28%

Debt management

(2/2)

Debt maturity profile



Debt average duration : 7 years 1 months

Funding sources (31 december 2014)

CP Programs	•Total size programs : 250 M€ 1) Currently medium term outstanding : 189 M€ 2) Currently short term outstanding : 0 M€ • Project : new CP Program : 500 M€
Undrawn Credit Lines	• Total size facilities : 100 M€ • Currently outstanding : 0 M€
Private Placement (9y – issued in 2012)	• Initial amount : 350 M€ • Remaining in cash : 0 M€
Private Placement (30y – issued in 2014)	• Initial amount : 80 M€ • Remaining in cash : 75 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 finalize an EMTN program and provide a rating for the economic group ORES within the next 3 years

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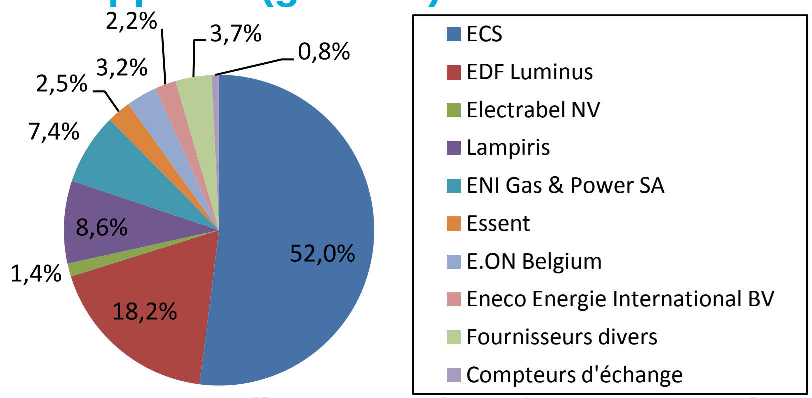
5. Risk Management

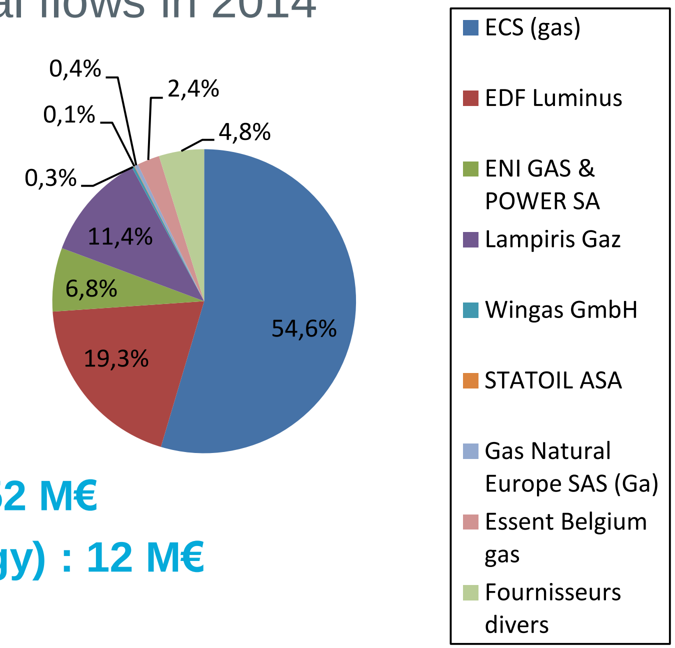
A limited commercial risk…

Customers of the DSO ↔ financial flows in 2014

In €

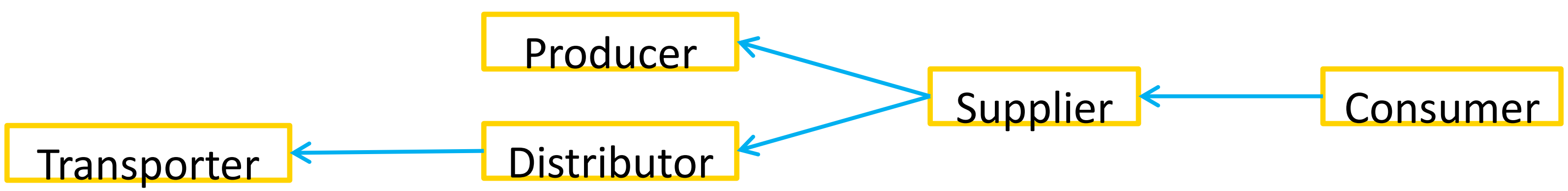
- **30 suppliers (grid fee) : 973 M€**





- **Consumers (intervention for connection) : 52 M€**
- **Social consumers (for consumption of energy) : 12 M€**
- **Varia (Tecteo, etc)**

From producers to consumer – payment flows

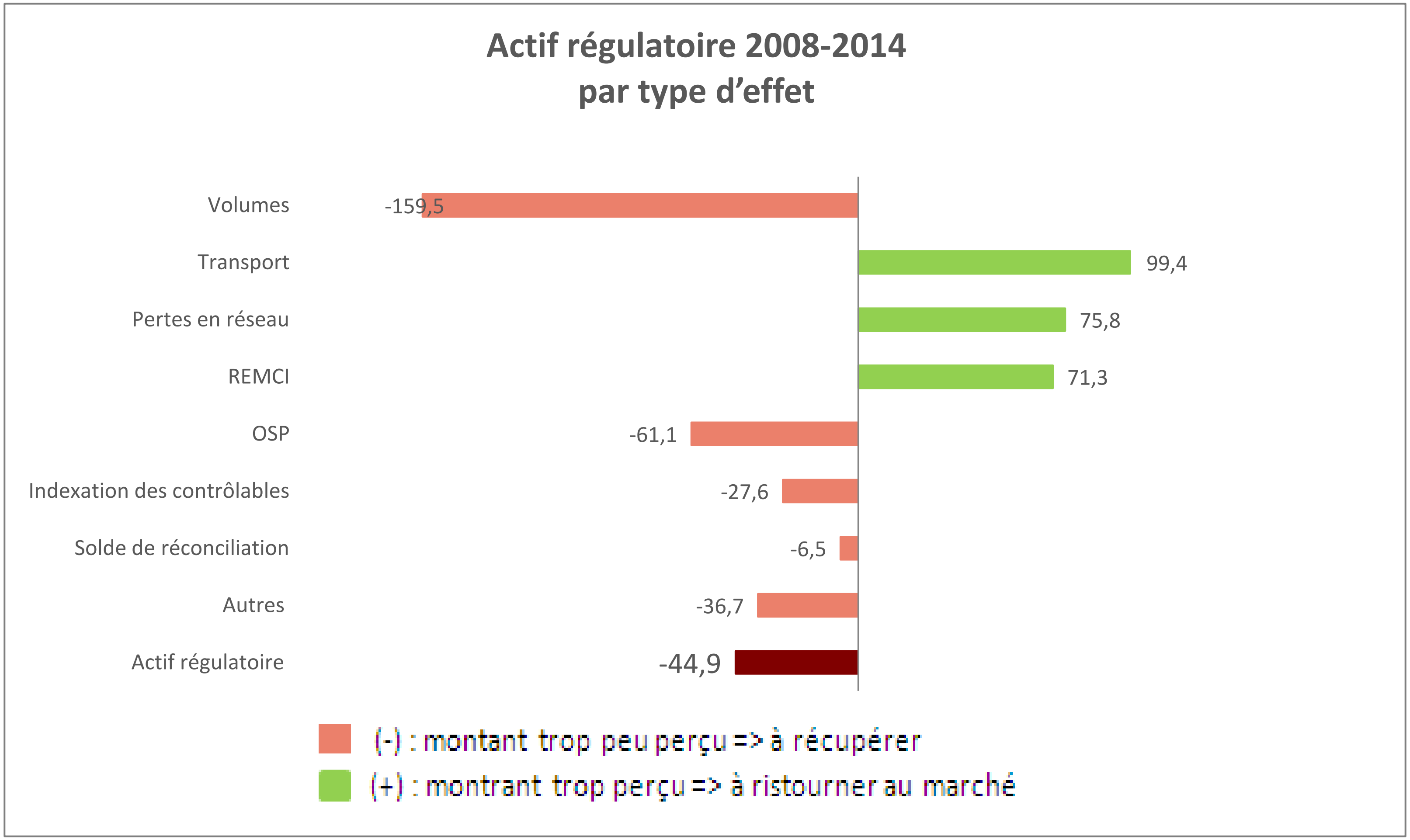


A predictable regulatory risk …

- Finalization of the new methodology 2015-2016 (extension in 2017)
- Further discussion on a new methodology for 2018-2022
- Acceptance of the prosumers in the methodology
- Allocation of the actual regulatory balance for the next regulatory periods

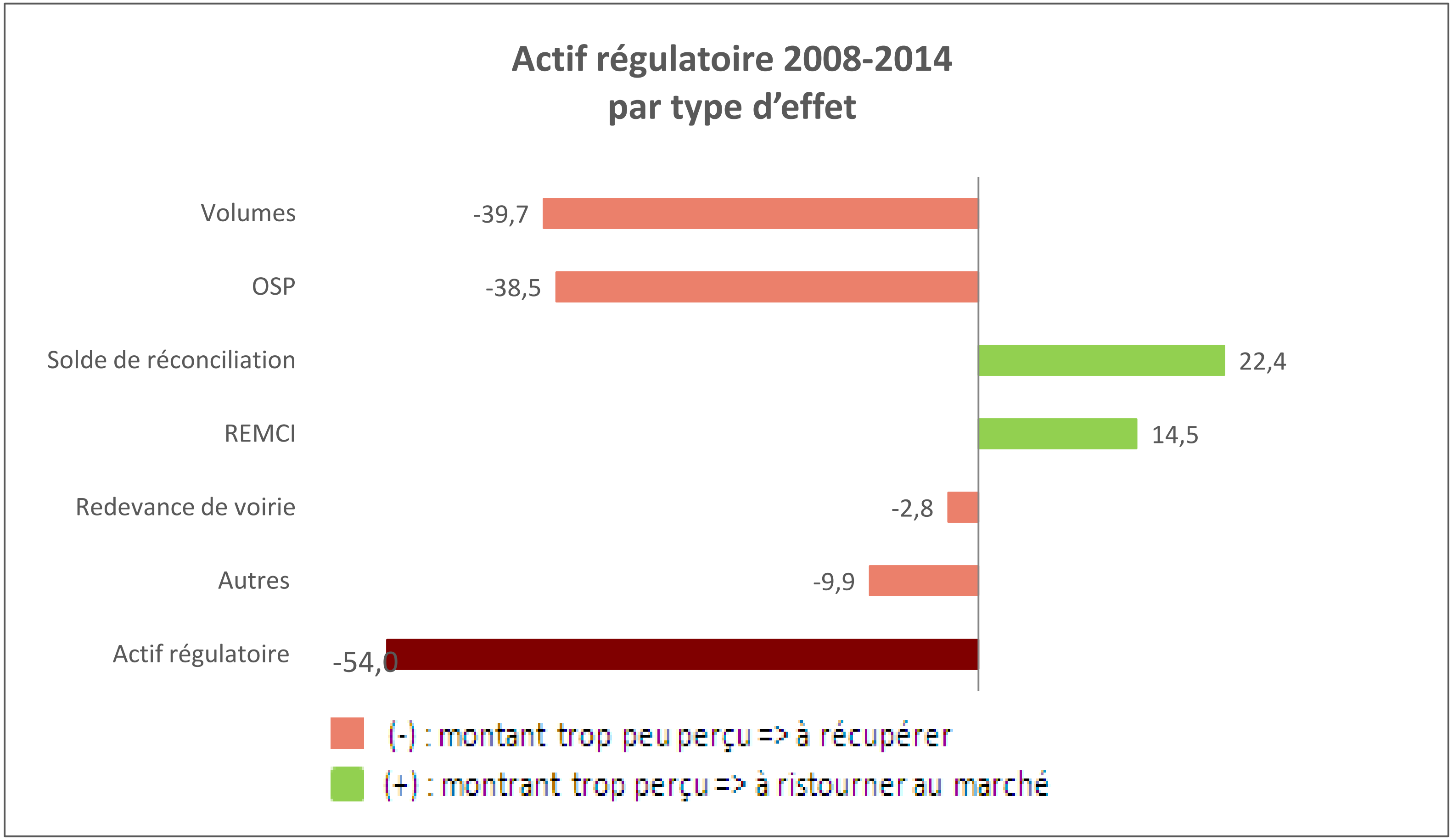
Electricity

Cumulated regulatory balance



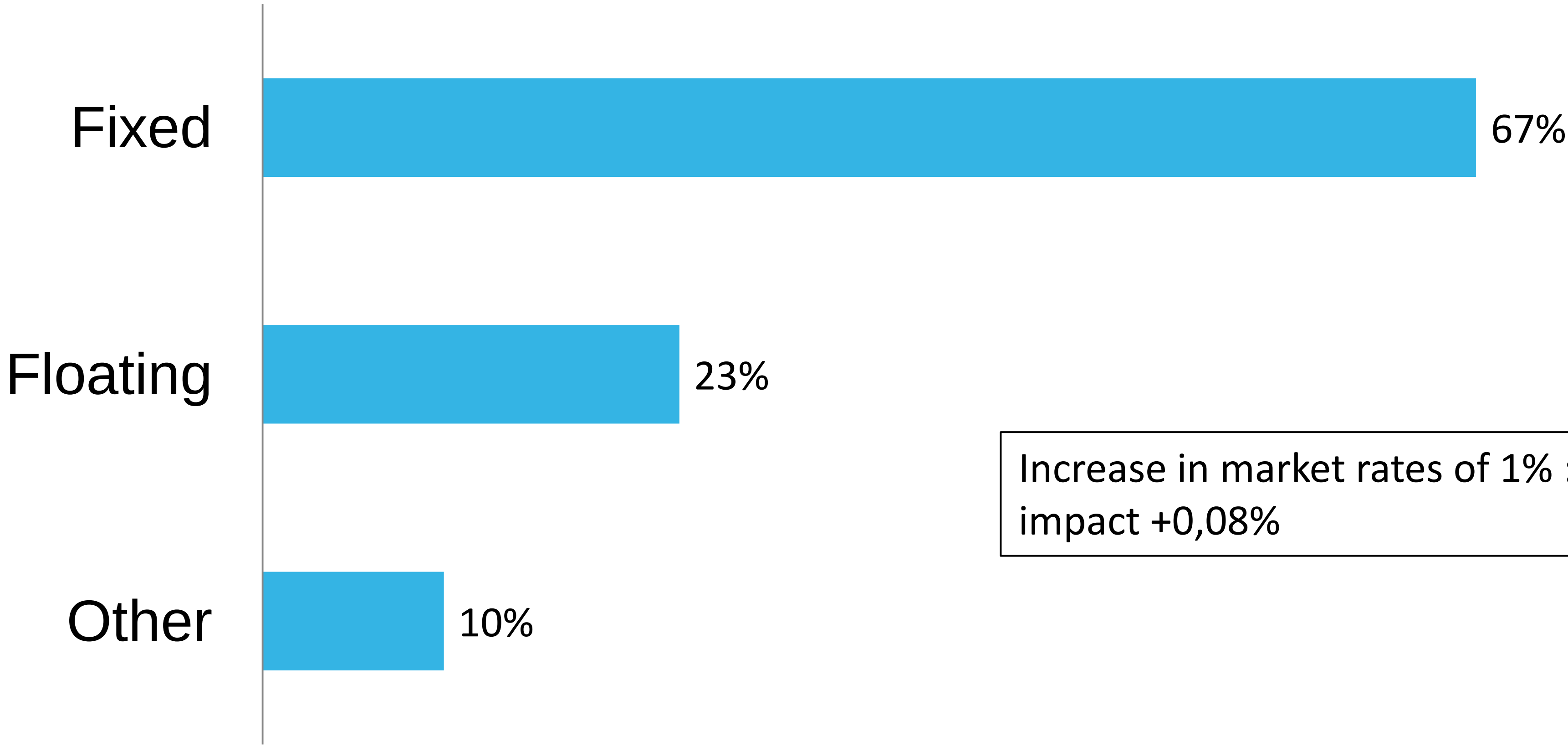
Gas

Cumulated regulatory balance



Financial indebtedness with mainly fixed interest rates

2014 debt profile



Increase in market rates of 1% : impact +0,08%

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6. Challenges

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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 : focus on corporate culture

- Reduction of the equity of Ores Assets to finance all or part of the exit of Electrabel ?

Key success factors

- A stable and predictable energy policy
- Regulatory arrangements that :
  - ✓ incentivise active demand management options
  - ✓ promote innovation
  - ✓ attractive WACC needed to attract potential new investors (if new investors would be considered)
- Transparent tariffs to facilitate acceptance and comprehension (indentify clearly the different costs components, taxes and public service obligations)
- Tariffs are cost-causal and non discriminatory
- Reflections ongoing to eventually progressively replace ‘exclusively volumetric tariffs’, by adding a capacity charge