ORES

OPÉRATEUR DES RÉSEAUX GAZ & ÉLECTRICITÉ

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Investor Presentation

July 2013

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- 2012 Highlights
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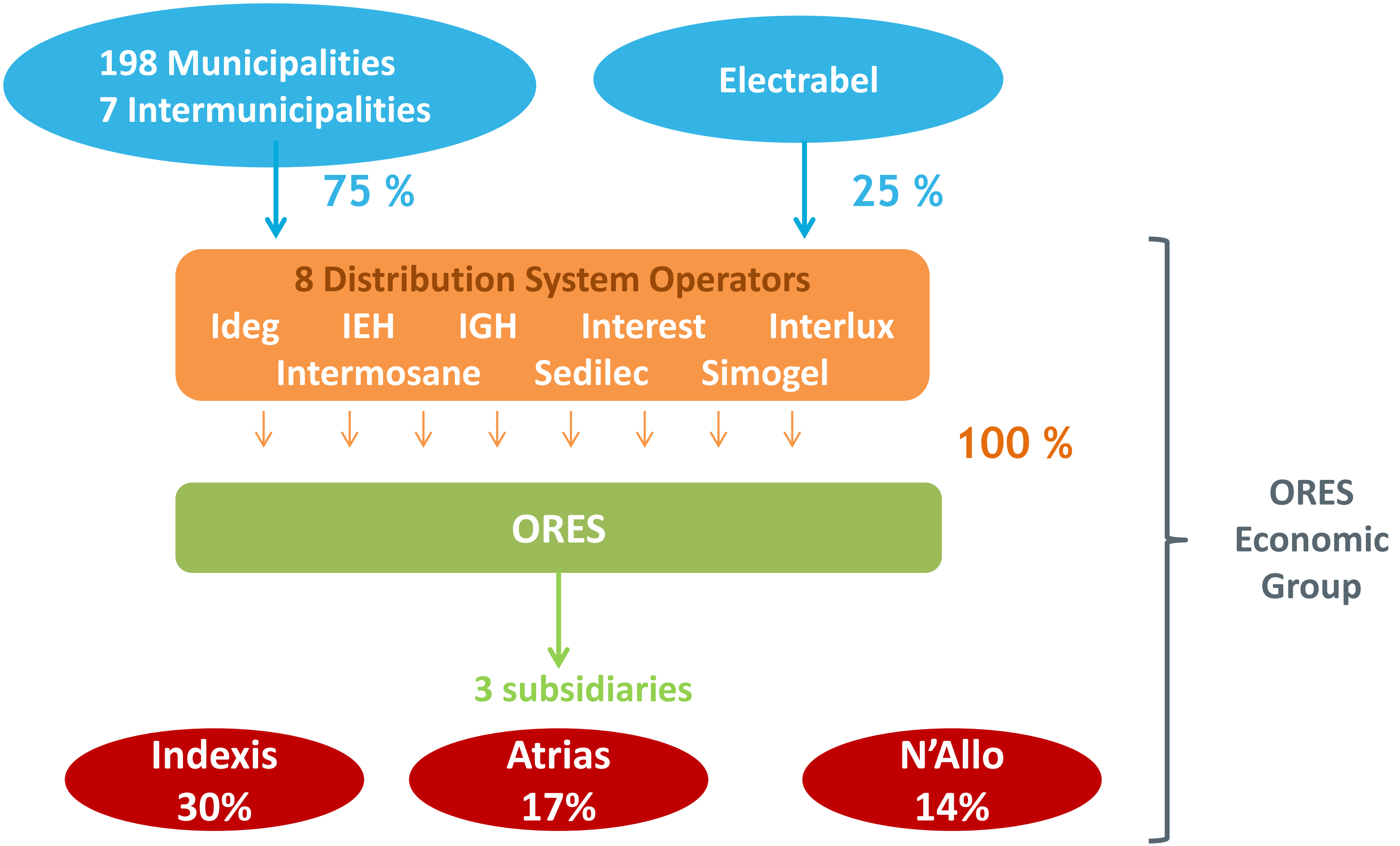
ORES Group's Corporate Structure



Key facts

(1/2)

- ORES is a Belgian utility company ruled by private law and established on 6 February 2009 (formerly Netmanagement Wallonie, a division of Electrabel). ORES is a limited liability cooperative (Société Coopérative à Responsabilité Limitée)
- ORES is fully owned by the eight Walloon mixed Distribution System Operators (« DSOs »), intermunicipalities, and is entrusted with a number of quasi-government public service tasks
- ORES is the operating arm of the eight DSOs with regard to the 100% regulated electricity and gas distribution networks
- ORES serves 198 Walloon municipalities representing around 1.9 million access points. Its turnover and pre-tax profit (ORES/DSOs – B-GAAP in 2012) were respectively € 896m and € 112m. Its distribution services cover approximately 76% of the Walloon municipalities

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Key facts

(2/2)

- The company is of strategic importance to the Walloon Region (A1, negative outlook by Moody's) and its general policy aim of realising Europe's 20-20-20 objective
- In accordance with the European energy market unbundling principles, Electrabel's (GDF Suez Group) capital share amounts to 25% in each of the eight DSOs and could be further decreased to 0% by 2019
- ORES had decided to diversify its funding sources in 2011 and issued a senior unsecured bond through a private placement in 2012

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Key investment considerations

Strategic importance to the Walloon Region	•DSOs operationally regrouped under ORES cover about 76% of the municipalities in Wallonia •ORES ensures energy distribution to more than 1.4m homes and small or medium businesses in Wallonia on a daily basis •ORES and DSOs provide number of Public Services Obligations
Legal monopolistic business	•DSOs have a legally based regional monopoly for electricity and gas distribution to residential customers and small and medium size companies •Lower business risk – DSOs are not involved in the competitive generation, trading and sales activities
Regulated business and predictable cash flow generation	•All activities performed by ORES are regulated •Predictable revenu of DSOs are 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 regulatorr recommends 33%)
ORES acts a a single entity for all mixed DSOs in Wallonia	•The combination of the 8 DSOs under ORES allow for synergies (operational, financial, etc)
Efficient operating structure	•The association of 8 DSOs under the structure of ORES allows for an efficient operating scheme •Pooling of operational, financial and management activities, all staff of ORES

2012 Highlights

(1/2)

- Bond issue - private placement - on 2 October 2012 : € 350m bond - 9 years - 4% coupon. Issue met with huge interest from institutional investors through Europe (importance of France)
- ORES' headcount stabilised at 2.306 FTE on 31 December 2012 (2.319 FTE in 2011)
- 2012 investments of distribution network : € 168m for electricity and € 85m for gas
- Annually recapitalization of the DSOs for € 27.7 m

2012 Highlights

(2/2)

- Preparation for tomorrow's distribution network with concrete projects on smart grids and smart meters (pilot projects, studies,…)
- Positive figures : global satisfaction rate of customers : 89%
- Management in 2012 of more than 40.000 files about renewable electricity power (photovoltaic) i.e. increase of 167%
- Discussion and positive impulse about restructuring of the energy distribution sector : merger of the 8 mixed DSOs in Wallonia in 2013 ?
- Achievement of public lighting inventory

Developments 2012

(1/2)

- 2012 grid tariffs prolonged for 2013-2014
  - **Decided by CREG in April 2012 to the background of transfer of competency from federal to regional level scheduled in 2014**
  - **After transition of the European legislation in January 2012**

- Smart metering
  - **Gradual roll-out scenario for Walloon Region (from 2015) in accordance with other regions in Belgium (not in favour of a full roll-out scheme)**
  - **New ORES pilot projects**
  - **Thought about telecommunication equipment for smart meter**

Developments 2012

(2/2)

- Smart grid
  - **Conclusion of the Platform REDI (Réseaux Electriques Durables et Intelligents)**
  - **Active management of demand (GAD) : to avoid high voltage on grids caused by green power**
  - **‘Flexibilty’ project : modulation of load and production of green power**
  - **‘Chaire académique ORES’ : with University of Mons**
  - **‘EcoGrid’ international project with Denmark**
  - **‘Smart Park’ project : monitoring and control of consumption in industrial areas**
  - **‘Gredor’ project : reliable smart grid – maximize grids operating**

Merger of the 8 DSO's

- Why ?
  - Best answer for Energy sector's challenges
  - Optimization of financing
  - For accountability and better governance
- How ?
  - Creation of ORES Assets by merger of 8 DSOs (mixed intermunicipal companies)
  - One DSO but different tariffs
- When ?
  - In November 2013 ?
  - Constitutive general Assembly

2013 YTD highlights

- Fernand Grifnée appointed CEO in place of Jacques Hugé, retired
- After municipal elections (October 2012), renewal of the governing bodies for DSOs (June 2013) for a 6-year term if no merger of the 8 DSOs expected in november 2013
- Splitting DSO Intermosane 1 and 2 – merger Intermosane 1 (the City of Liège) with Tecteo, one of the pure DSOs for more geographic integration
- New grid tariff for individual renewable electricity power (approval in progress) – enforcement in October 2013
- Discussions with the Governement about new public services obligations (progressive tariff, new subsidy mechanism for individual photovoltaic power, green power certificates…)

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2. Financials

- Summary financials 2012 (actuals)
- Indicative funding needs in 2013
- Indicative long term funding needs
- Capex electricity
- Capex gas
- Debt management
- Liquidity facilities
- ORES outstanding bond
- Financial polices and strategy
- LT forecast financing needs and funding

Summary financials 2012 (actuals)

for the Economic Group ORES/DSOs (B-GAAP)

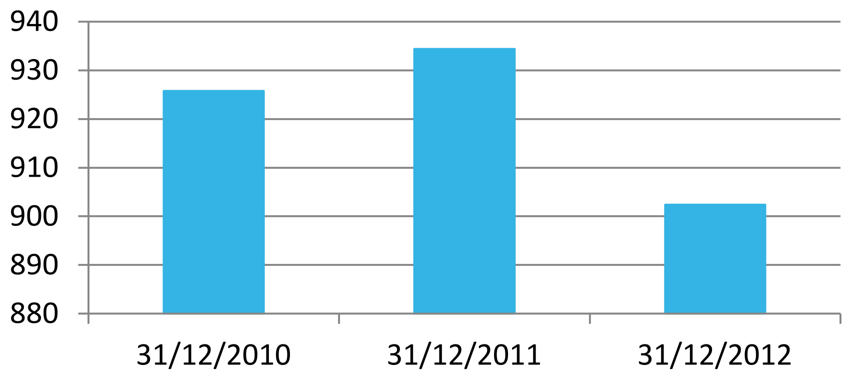
In €m

Income statement		Balance sheet	
Total operating income (Turnover and other operating income)	942	Total Current Assets incl. CASH	772 285
EBITDA	303	Total Non Current Assets	3.243
EBIT	175	**Total Assets**	**4.015**
Financial charges	-65	Financial debt	2.114
Financial income	2	Other debt	209
Profit before tax	112	Accruals and deferred income	38
Tax	6	Total Shareholders' Equity	1.654
Net profit	106	**Total Liabilities & Equity**	**4.015**

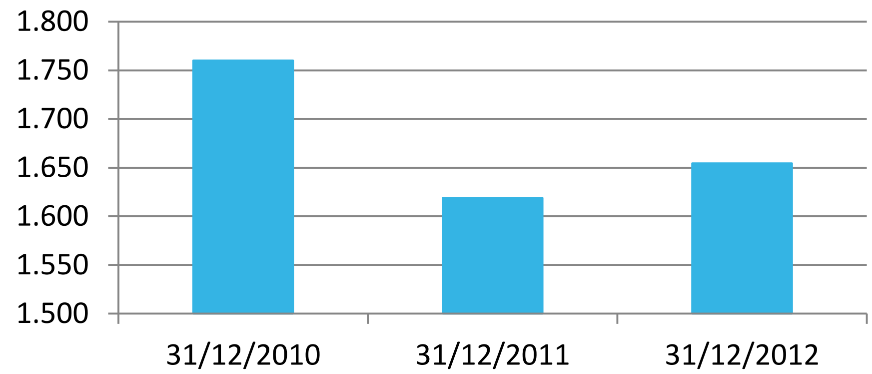
Summary Financials 2012 (actuals)

for the Economic Group ORES/DSOs (B-GAAP)

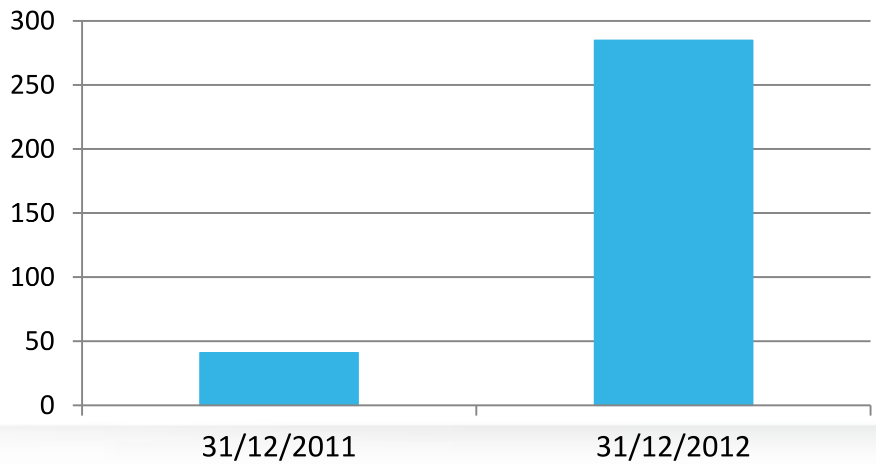
TURNOVER (in €m)



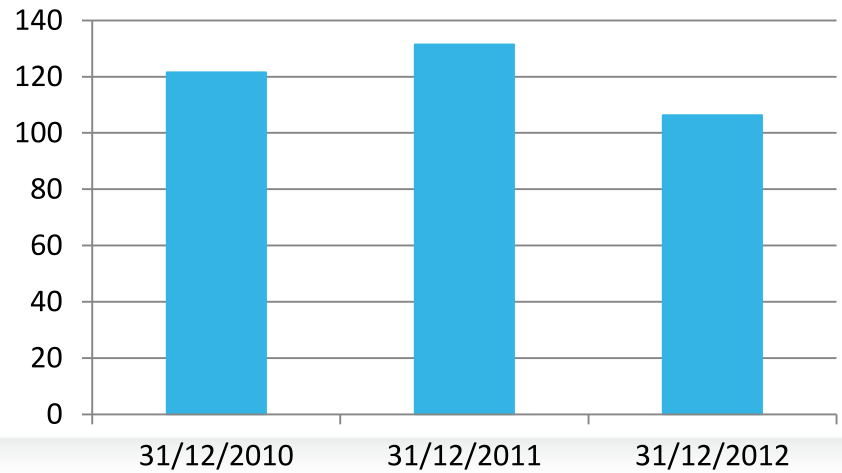
SHAREHOLDERS' EQUITY (in €m)



CASH & CASH EQUIVALENTS (in €m)



NET PROFIT (in €m)



Summary financials 2012 (actuals)

for the Economic Group ORES/DSOs

▪ Average RAB Electricity :	EUR 2.4 bn
▪ Average RAB Gas :	EUR 1.0 bn
▪ Leverage Electricity in B-Gaap :	48.08%
▪ Leverage Gas in B-Gaap :	46.05%
▪ Leverage in IFRS (non audited) :	41.18%

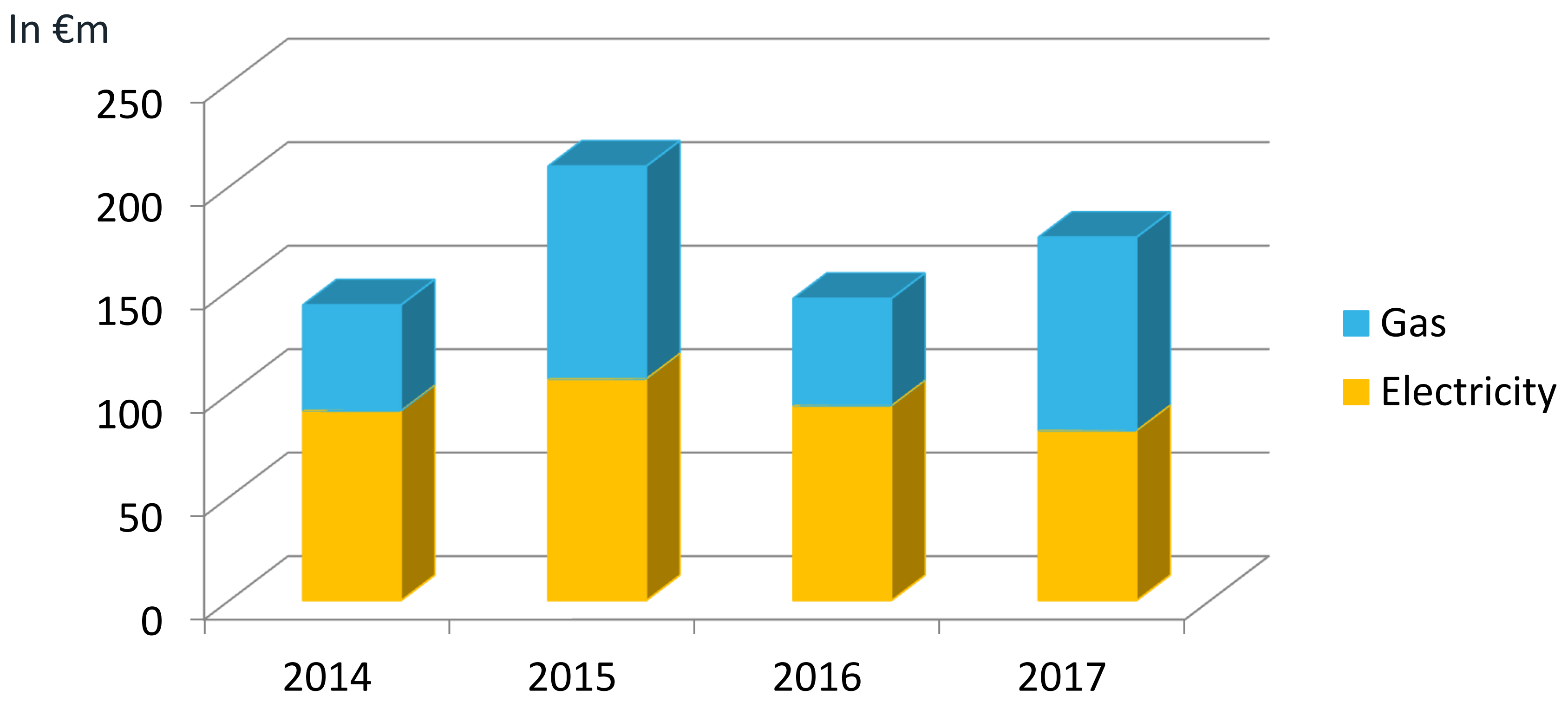
Indicative funding needs in 2013

In €m / 2013 B-GAAP

	Electricity	Gas
Gross investments	168	82
Net investments (-)	121	77
(after "interventions clients")		
Depreciations (+)	90	38
Funding needs (=)	31 (+)	39 (+)
Total	= 70	
Refinancing existing debt	+ 110	
Financing needs	= 180	
Private bond 2012	- 180	
Total financing needs	= 0	

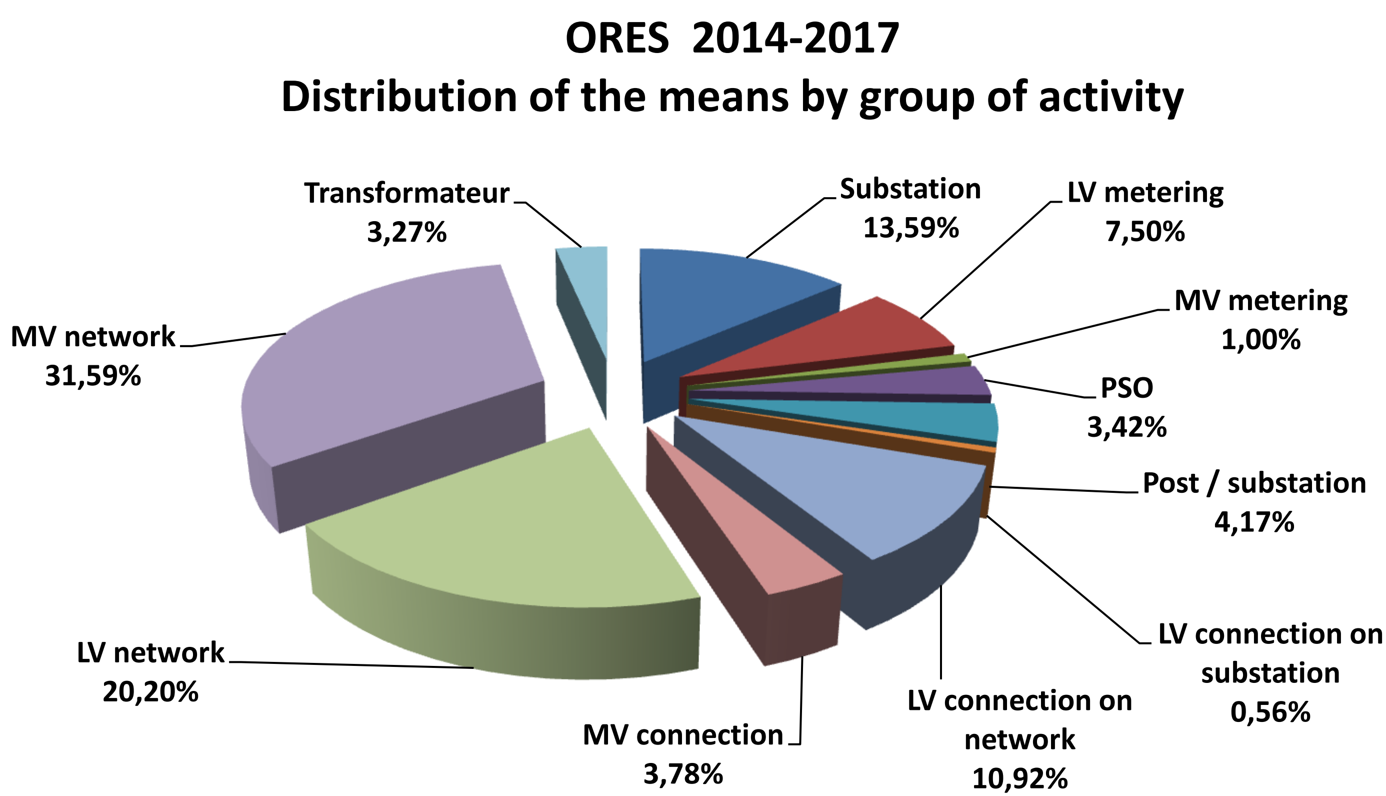
Bond issue Degroof : € 350 m– € 90m (2012) – € 180m (2013) = € 90m

Indicative long term funding needs



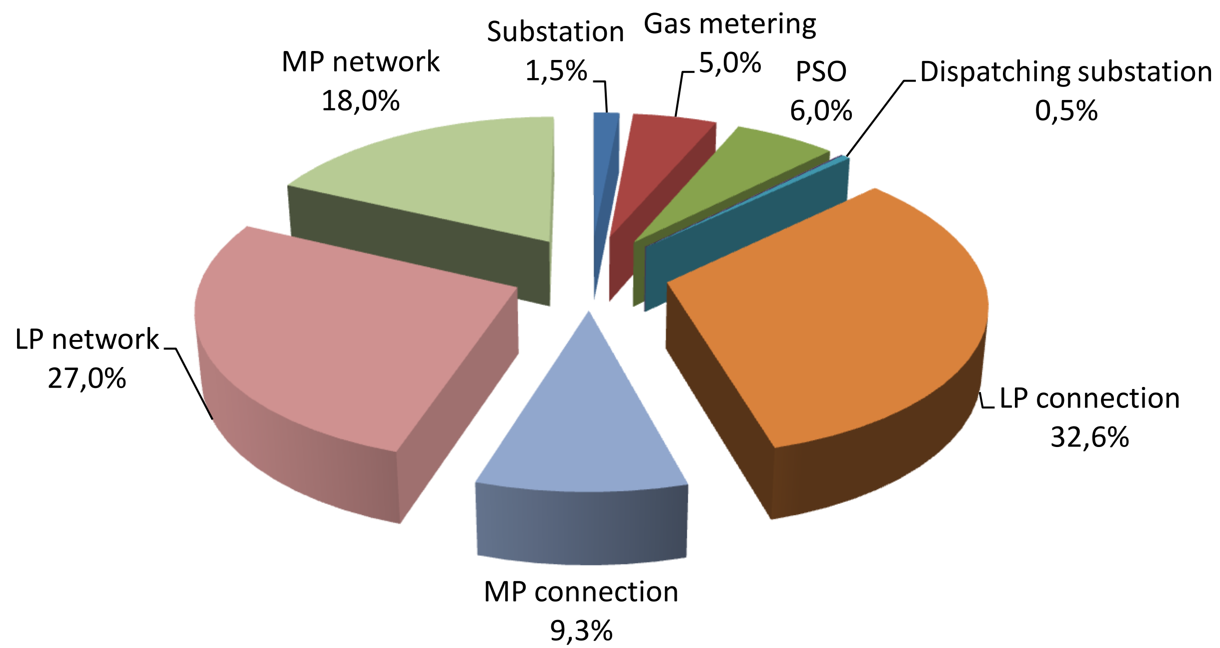
- Above mentioned figures are showing total indicative financing needs for new investments (CAPEX > Depreciation by around € 80m/year) + refinancing of existing debt
- Above mentioned indicative investment program has not been approved yet by the CWaPE
- Financing sources: Bank loans, Bond and Medium Term Notes

Capex Electricity



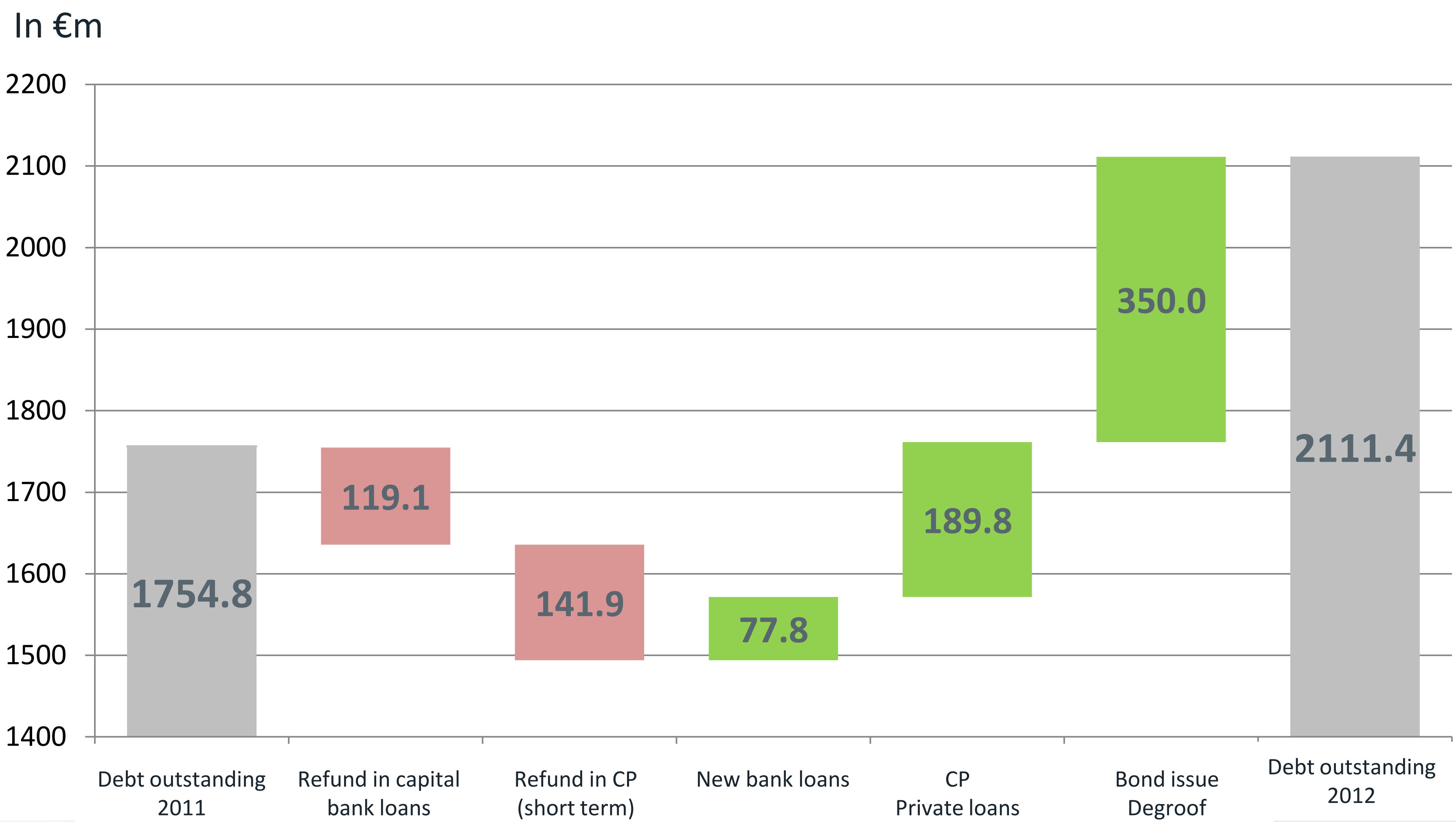
Capex Gas

ORES 2014-2017
Distribution of the means by group of activity



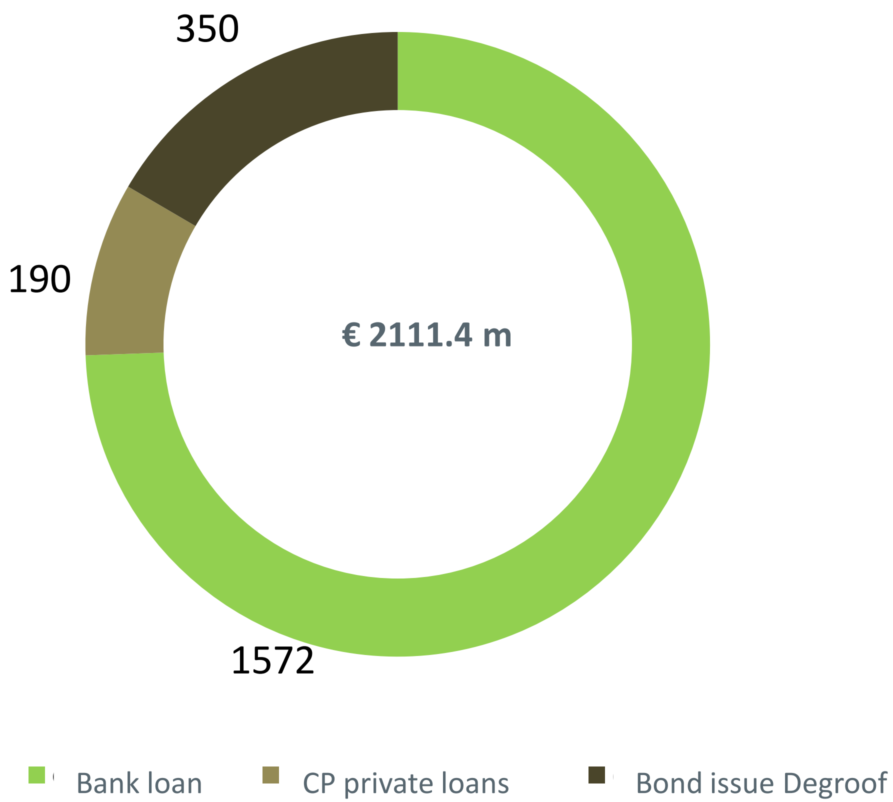
Debt management

Evolution of the debt



Debt management

Debt type

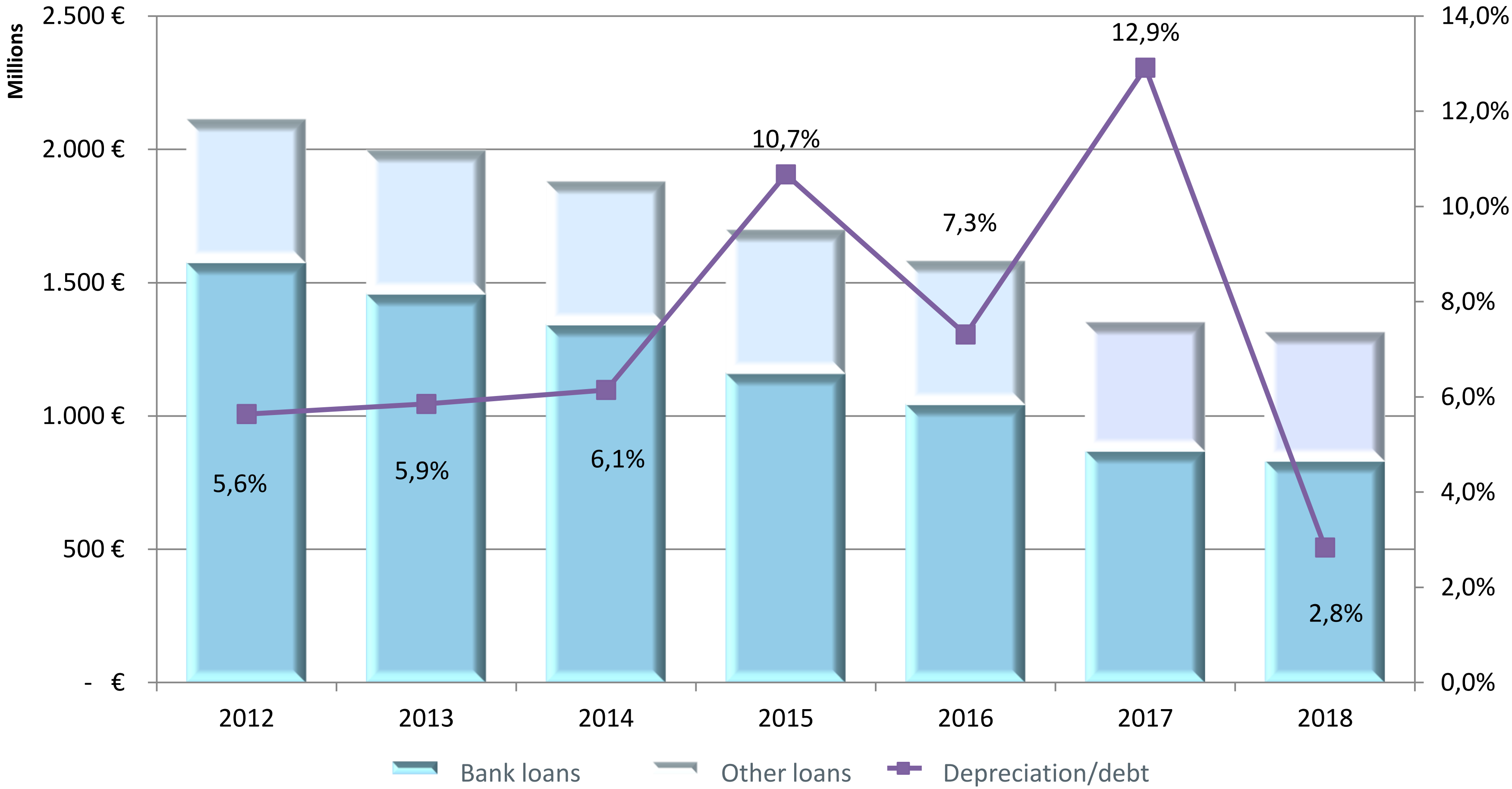


Average cost of the debt :

3.43%

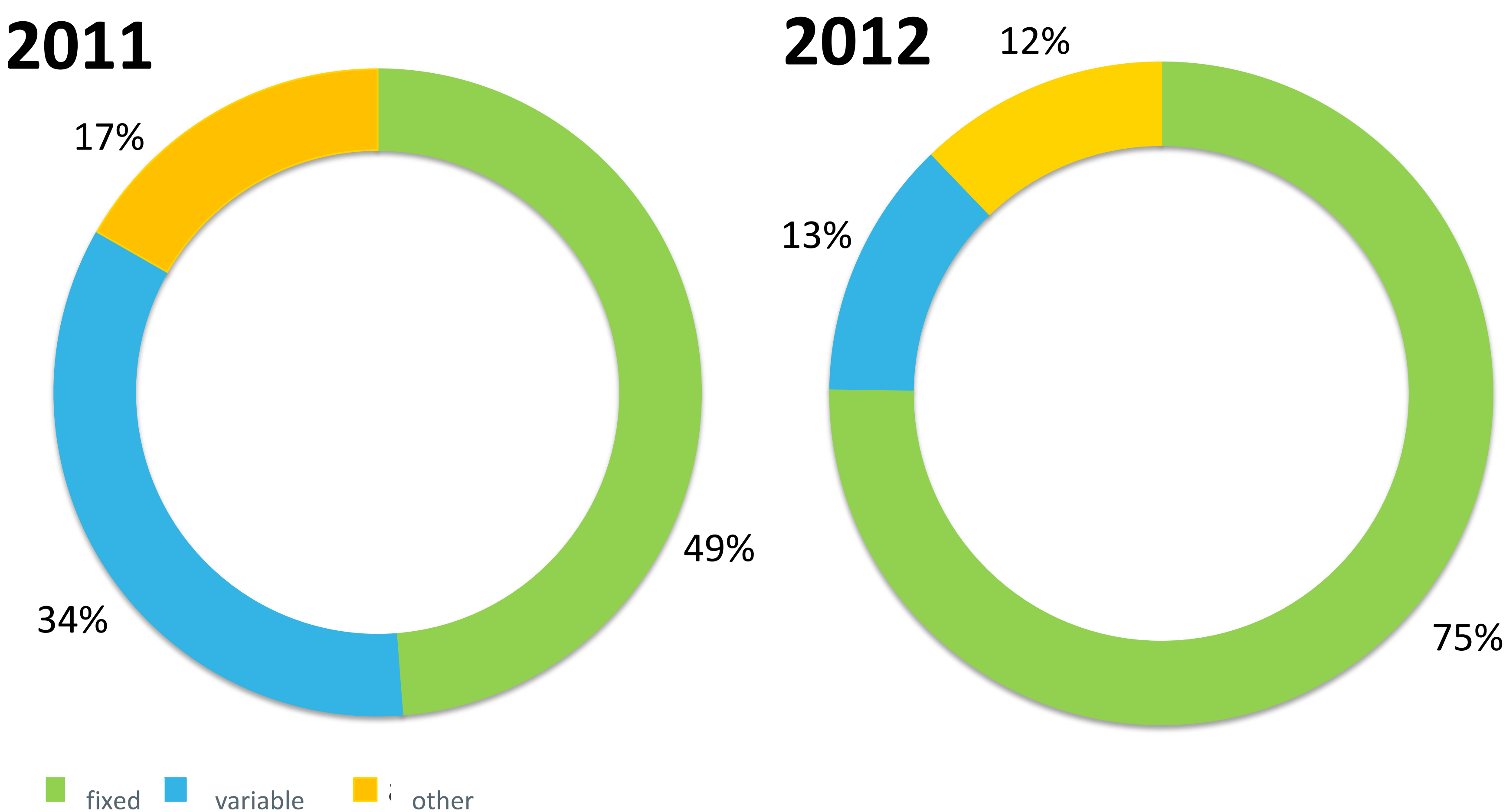
Debt management

Debt maturity profile



Debt management

Debt type of risk



Liquidity facilities (1 January 2013)

CP Programs	• Total size programs : € 250m • Currently short term outstanding : € 0
Undrawn Credit Lines (back-up CP Programs)	• Total size facilities : € 100m • Currently outstanding : € 0

ORES outstanding bond

Date	Amount	Type	Maturity	Coupon
02.10.2012	€350m	Private placement of senior bond	02.10.2021 (9 years)	4.00%
16.03.2012	€19m	CP (Private loan)	16.03.2017 (5 years)	3.43%
16.03.2012	€50m	Private loan	16.03.2020 (8 years)	4.00%
16.03.2012	€10.75m	Private loan	16.03.2019 (7 years)	3.90%
24.05.2012	€40m	Private loan	24.05.2019 (7 years)	3.75%
24.05.2012	€40m	Private loan	24.05.2017 (5 years)	3.15%
23.07.2012	€30m	Private loan	23.07.2020 (8 years)	3.54%

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Financial policies and strategy

Operational Basis	• ORES operates on a cost price basis • The DSOs operate on a cost plus basis in a highly regulated framework • Tariff proposals (separately for Electricity and Gas) are introduced by the network operators to and for approval by the CREG • Each DSO has its own cost structure
DSOs Capital Structure	• The federal regulator uses a defined regulated capital structure i.e. 33% equity 67% debt
DSOs Financial Policies	• Dividend payout ratio is about 90% • Funds are borrowed by ORES on behalf of each DSO • Each DSO guarantees (no joint basis) the debt up to a percentage equal to the financial needs 2012-2016 • All energy supplies are required in order to receive network access to (1) provide a supplier licence, (2) provide a letter of credit, (3) obtain a rating, or (4) provide a deposit
Funding Currency	• External funding in EUR only
Risk Management Policies	• Interest rate swap and cap agreements are used for hedging purposes only

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LT forecasts financing needs and funding

- Finalizing of IFRS accounts (July 2013)
- Rating for the economic group ORES/DSOs (2014)
- No funding program 2013
- Funding program 2014 (depending on market environment and opportunities) – details to be decided later

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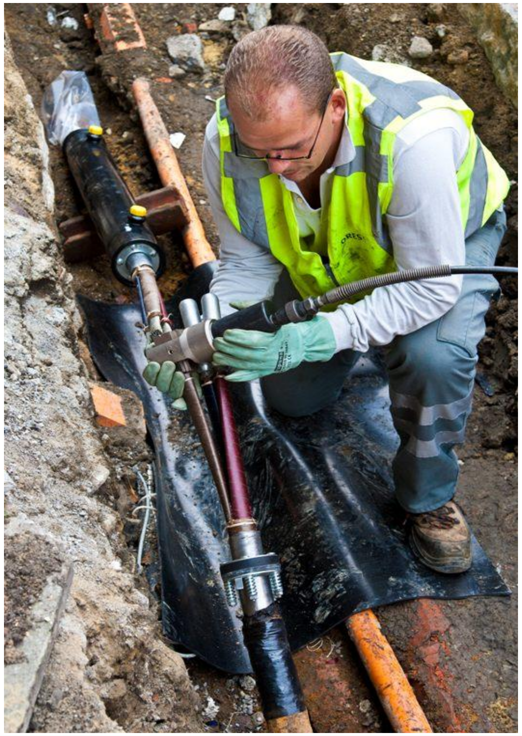
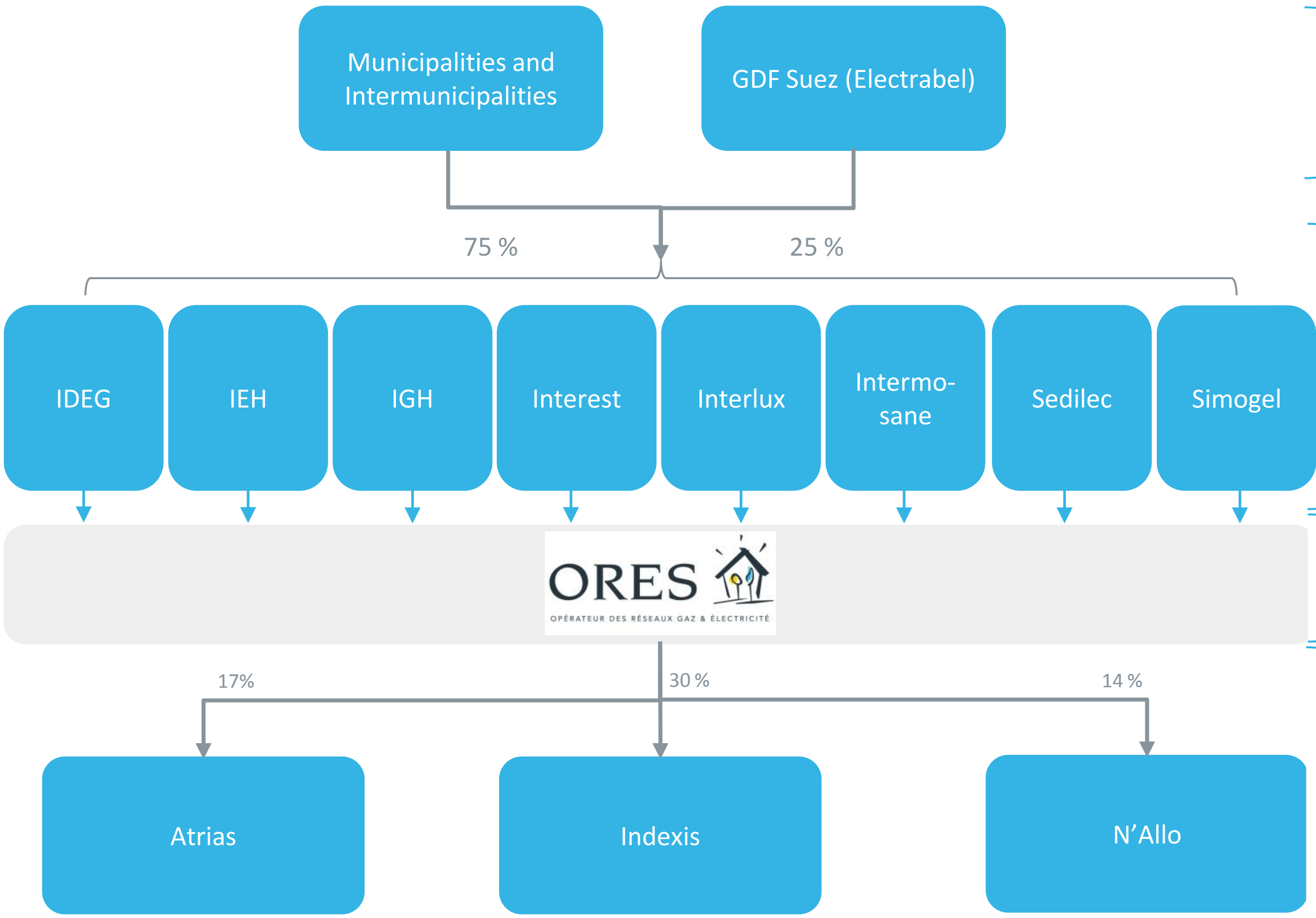
3. Company and business overview



- Shareholders’ structure of ORES
- ORES in a nutshell
- Missions of ORES

Shareholders' structure of ORES



Potential exit of Electrabel

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

Distribution System Operator (DSOs)

- Legal monopolistic position for the area covered by its network
- Legal status of companies of public law
- Owner of the assets
- No employees
- No non-regulated activities
- The expiry date of the mandate for IDEG, IGH, Interest, Interlux, Intermosane and Simogel is in 2026 and in 2025 for IEH and Sedilec

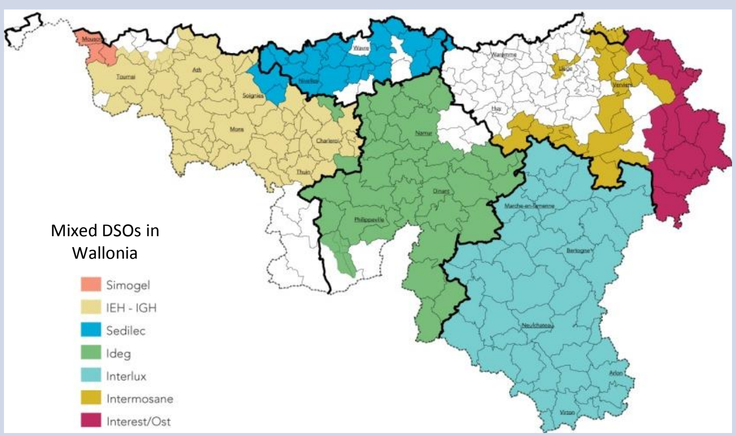
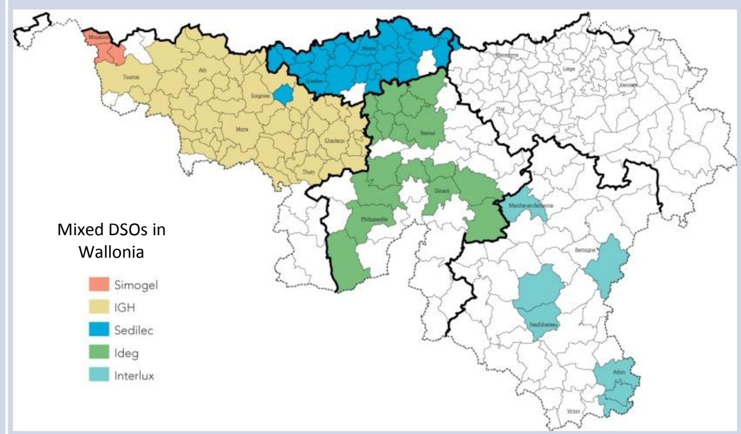
Operational Management

- No assets
- Sole employer of the Group
- All operations at cost price

Subsidiaries

- Atrias: federal clearing house for the improvement and simplification of data exchange – Turnover : N.A.
- 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 – turnover (2011): € 26m
- N'Allo: support customer service, sales strategy and marketing of its customers – Turnover (2011): € 62m

ORES in a nutshell

2012 figures	ELECTRICITY	NATURAL GAS
Network length (km)	50.313	9.715
Distributed energy (MWh)	11.634.217	12.652.272
Access points	1.428.596	513.499
Activated and installed budget meters	41.395 activated meters (88.218 installed)	16.014 activated meters (25.793 installed)
Geographical presence		

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Missions of ORES

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 …
Management of access register	Keep technical data on almost 2 million connections up to date in the ‘access register’ which contains the administrative details of customers and their energy suppliers

4. Regulatory framework

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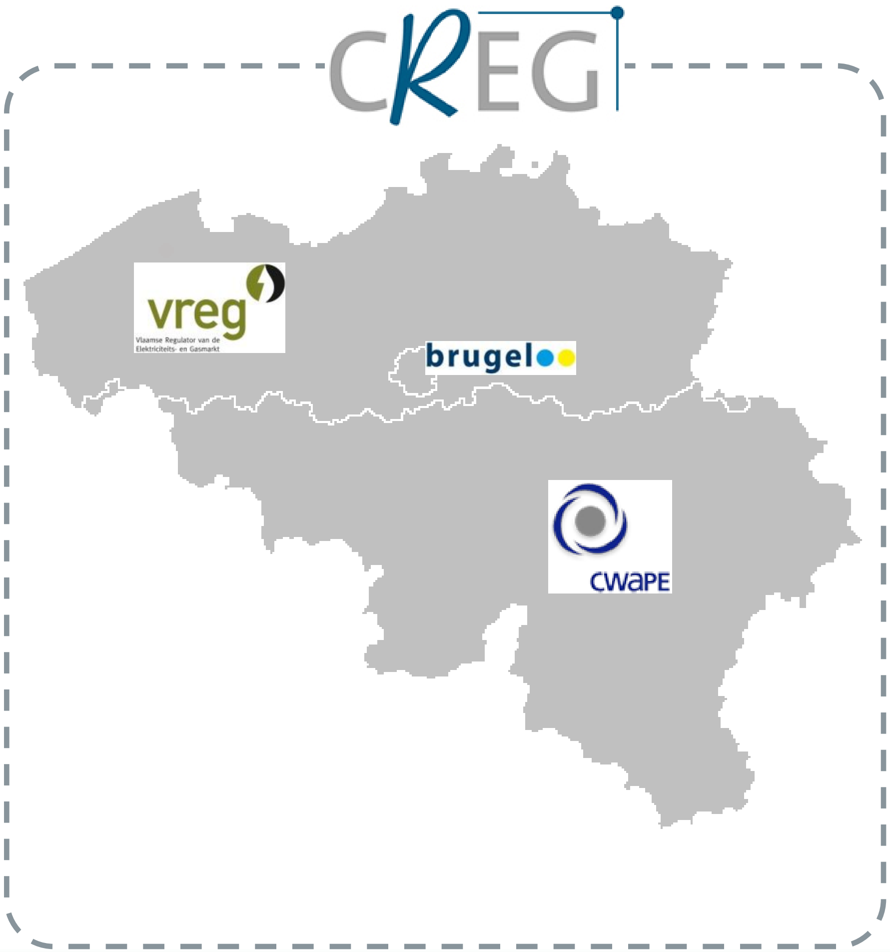
- Federal and regional regulator
- Tariff setting – Key characteristics
- Evolution of the regulatory framework
- Tariffs and treatment of differences between costs and revenues

Federal and regional regulator

- 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), a regionalisation of the tariff competence is foreseen (effective in 2015?)
- 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...



Tariff setting – Key characteristics

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 costs
- Including a fair beneficiary margin for the remuneration of the capital invested in the network with a view to ensure its optimal development
- Targeting the optimal use of the transport capacity of the networks
- Being clear: (i) relative to conditions and modalities of use of the networks, (ii) relative to ancillary services and (iii) relative to possible extra-charges associated to public service obligations
- Taking into consideration the reserved capacity to guarantee the service of distribution

Pluri-annual tariffs

Cost oriented mechanism (with some incentives and efficiency/productivity factors): operational costs, depreciation, amortization, financial charges and taxes paid, etc.

Formula

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

Public consultation (July 2013) about projected methodology for period 2015-2016 by CWaPE

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Evolution of the regulatory framework

Before 2012(1)

- Total network income is guaranteed during 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

2013-2014

- Decision to prolong the tariffs in 2013/2014

As from 2015

- Evolution of regulatory framework is predicted for 2015-2016 as the tariff setting competences of the CREG (national regulator) is being transferred to the Regions (Brussels, Flemish & Walloon Regions) – no substantial change expected
- Next period (5 years) 2017-2021 : evolution of the regulatory framework is unclear

(1) Royal Decrees of Sept 2008. Those Royal Decrees were abrogated by the law of 8 January2012 which transposed the 3rd Energy Package into Belgian federal Law . This Third Energy Package provides a.o for an increased role and autonomy of the regulator.

Tariffs and treatment of differences between costs and revenues

- i.e. the treatment of the differences between budgets and reality of costs and revenues
- Differences relating to manageable costs will be to the benefit of the shareholder (bonus) or are to borne by it (malus)
- Differences relating to non-manageable costs (depreciations, public service obligations, network losses…) and to volumes of distributed energy are considered as a global liability or receivable towards customers
- Accumulated receivable 2008-2012 :
  - **Electricity : € 63.6m**
  - **Gas : € 38.3m**
    - **Approved by the CREG for 2008-2009**
    - **Not yet approved by the CREG for 2010-2011-2012**

Questions