

ORES



Investor Presentation

2021



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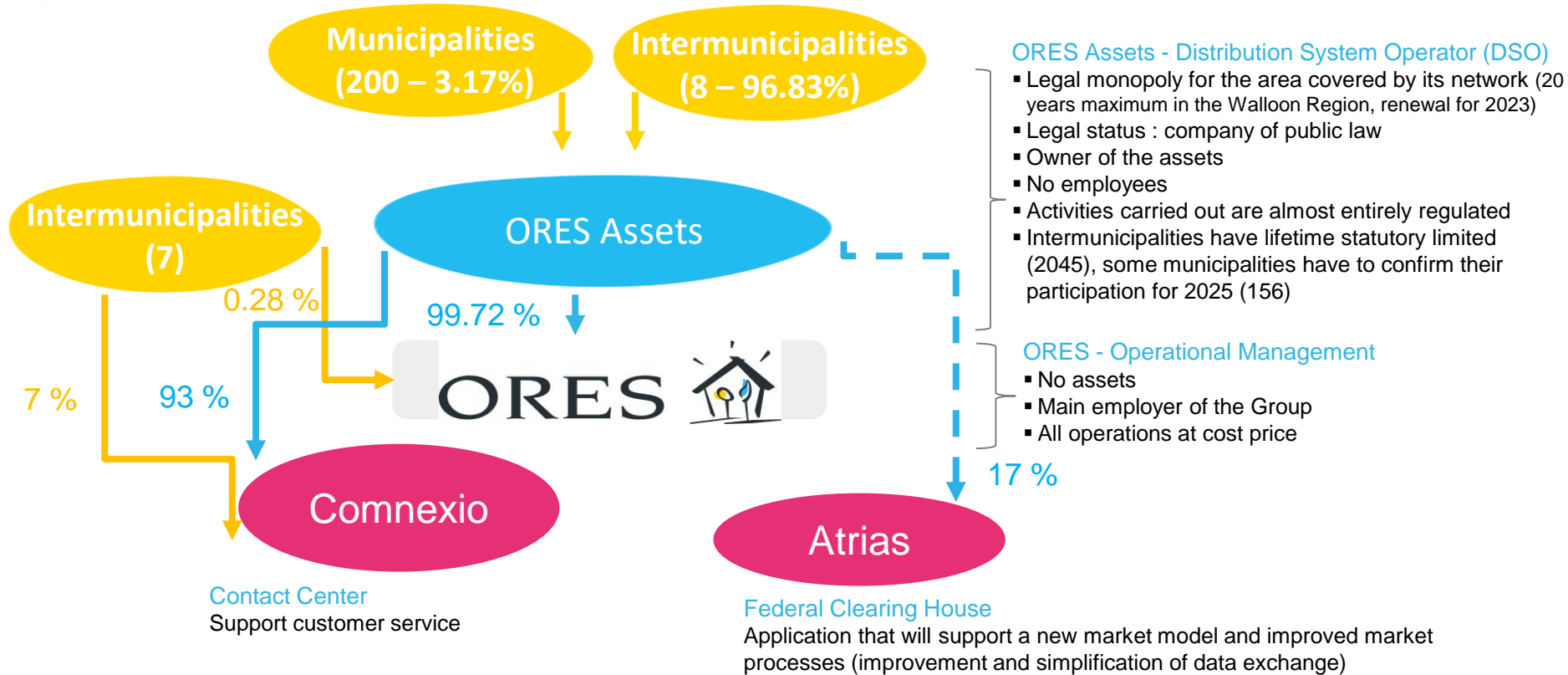
1. Company and business overview



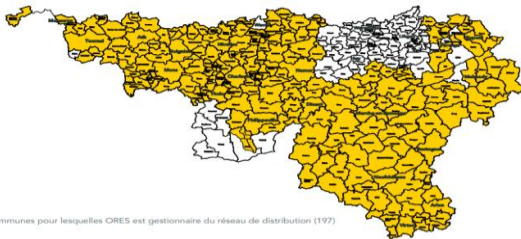
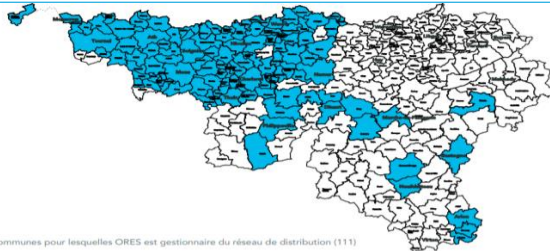
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Shareholder structure (01/01/2020)

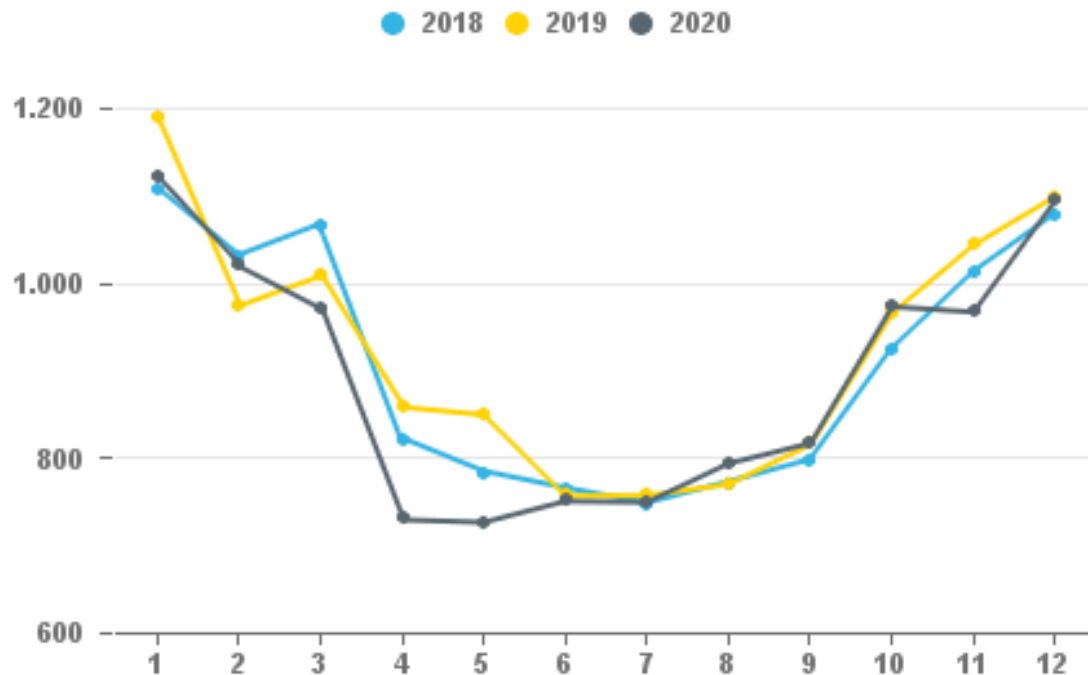


ORES in a nutshell

2020 figures	ELECTRICITY	NATURAL GAS
Network length (km)	51,765	10,033
Energy distribution (MWh)	11,808,075	13,296,000
Access points (actives ones)	1,379,894	512,201
RAB (€)	2,601,052,298	1,288,819,194
Geographical presence	 <p>Communes pour lesquelles ORES est gestionnaire du réseau de distribution (197)</p>	 <p>Communes pour lesquelles ORES est gestionnaire du réseau de distribution (111)</p>
Street light installations	460,524	

ORES in a nutshell

Evolution of electricity quantities - Infeed



The role of a Distribution System Operator (DSO)

- Responsible for the management, maintenance, adaptation and development of the electricity and natural gas distribution grids, which also includes :
 - Organisation of objective and non-discriminatory access to the distribution network
 - Ensure security, reliability and efficiency of the electricity and natural gas distribution grids
 - Take care of the day-to-day operation of the electricity and natural gas distribution grids
- Take care of the day-to-day opex and capex of the municipalities' public lighting grid
- Implement the necessary conditions for the harmonious functioning of the market on its networks by managing all market's processes data's :
 - Establish new connections to the electricity and natural gas distribution grids (install meters) ; adapt connectivity and upgrade meters
 - Manage register
- Public services obligations :
 - Social obligations :
 - Supply energy to protected customers at the request of customers
 - Install prepaid meters
 - For public lightning : Operate and maintain public lighting for municipalities and promote energy efficiency (E-lumin program : replacement of 450.000 public lightings for 2030)

Key considerations

Strategic importance for the Walloon Region	<ul style="list-style-type: none">• ORES/ORES Assets operate essential utility service : electricity and gas distribution and public lighting• ORES/ORES Assets carry out numerous public services obligations• ORES/ORES Assets cover more than 75% of the municipalities in the Walloon Region• ORES provides the daily distribution of energy to more than 1,4 million households and small and medium-sized enterprise in the Walloon Region
Legal monopolistic business	<ul style="list-style-type: none">• ORES Assets has a legally based regional monopoly for electricity and gas distribution to households and small and medium-sized enterprise
Low business risk	<ul style="list-style-type: none">• ORES/ORES Assets is not involved in activities that are subject to competition related to production, trading and supply
Regulated business and predictable cash flow generation	<ul style="list-style-type: none">• Activities conducted by ORES/ORES Assets are almost entirely regulated• Predictable revenue of DSO based on a revenue cap model, determined in a legal and regulatory framework (regional framework) ; tariff mechanism with a-5 years regulatory period• Tariffs 2019-2023 approved by the CWaPE (regional regulator)
Healthy balance sheet structure	<ul style="list-style-type: none">• Healthy balance sheet structure and financial leverage (gearing normative : equity ratio : 47,5%)
Efficient operating structure	<ul style="list-style-type: none">• ORES acts as the sole entity for ORES Assets in the Walloon Region• “Mirrored” Boards of directors, Audit committees and (appointment) and remuneration committees (ORES and ORES Assets)


Some highlights 2020

- 2,369 FTE on 31 December 2020 (2,328 FTE in 2019 – 2,245 in 2018)
- The Court of Justice annulled CWaPE's decisions concerning :
 - approval of electricity and gas regulatory balances 2017 and 2018 (costs rejection of 25 M€)
 - withdrawal of the additional envelope dedicated to smart meters
- Since September 2020, numerous discussions and exchanges of information on additional envelope dedicated to smart meters
- Entry into force of the tariff for prosumer and compensatory measures approved by the Walloon Region (1st October 2020)
- Finalization of the 2021-2023 strategic plan

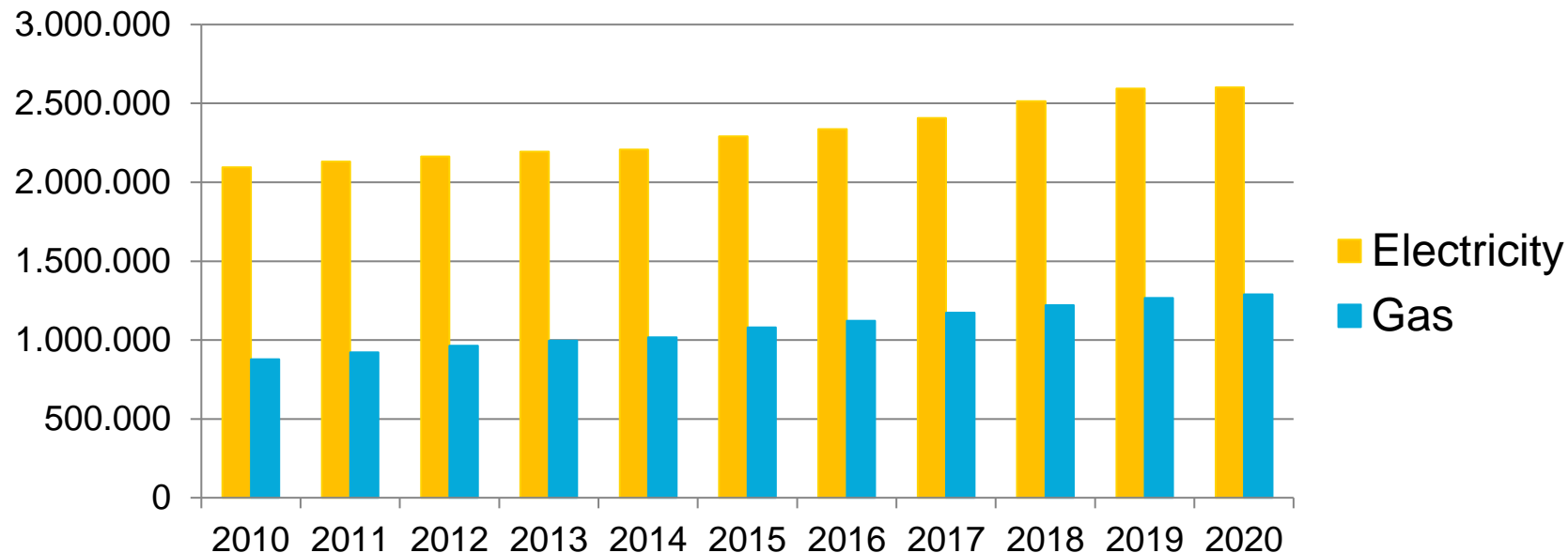
Some highlights 2020

- Practical implementation of the new Companies and Associations Code : replacement of the notion of capital by that of contributions and confirmation of the status of cooperative society for both ORES and ORES Assets
- From 17 March 2020 up to 6 April 2020 : general lockdown because of Covid-19, ORES maintains essential activities. Starting 6 April 2020, resumption of work slowed down by supply and logistics problems
- Since October, new protection status for households affected by the covid-19 crisis
- Solid liquidity situation throughout 2020
- Impairment test that led to consolidated decommissioning (21.1 M€), correction of IT depreciation rates for pre-2019 acquisitions asked by the regulator (8.3 M€) and new governance of project cost allocation (capex => opex : 10.5 M€)

Some highlights 2020

- In June, launch of a new service “Connect My Home” synergy between ORES and 3 other cable and pipe operators (Proximus, Voo & SWDE)
 - In September, the first renewable energy community presents its initial results which have been encouraging insofar
 - In October, first injections of green gas into the Walloon distribution network
 - In December, launch of tests of the first intelligent pre-payment system
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Regulated Asset Base



RAB almost exclusively consists of tangible assets

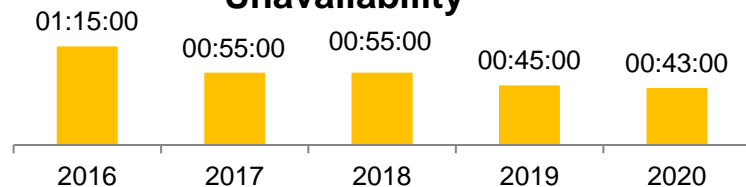
	E 2017	E 2018	E 2019	E 2020	G 2017	G 2018	G 2019	G 2020
Tangible	98.6 %	98.1 %	97.8 %	98.4 %	99.0 %	98,6 %	98.5 %	99.1 %
Intangible	1.4 %	1.9 %	2.2 %	1.6 %	1.0 %	1.4 %	1.5 %	0.9 %

A network of quality...

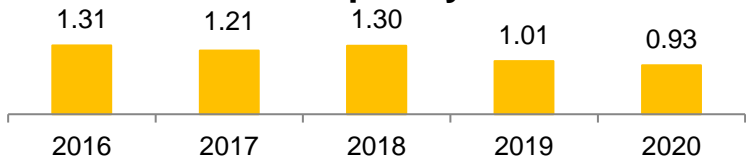
Electricity – Indicators of reliability of the distribution network (MV)

Accidental cause

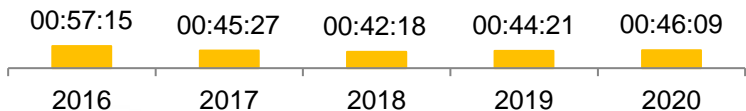
Unavailability



Frequency

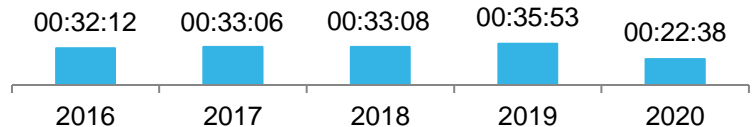


Duration of restoration

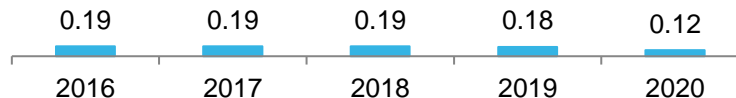


Planned

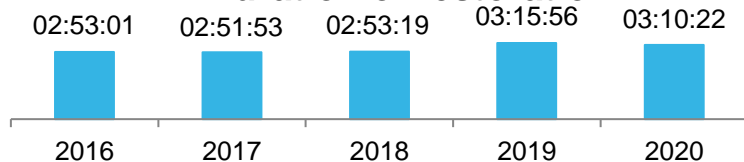
Unavailability



Frequency



Duration of restoration



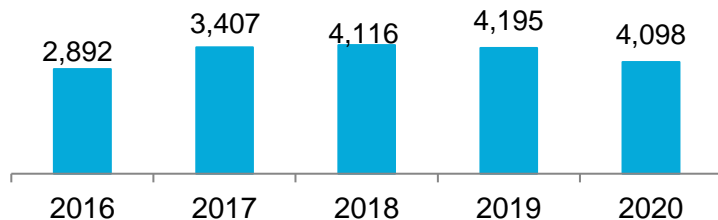
A network of quality...

Results of satisfaction survey amongst clients

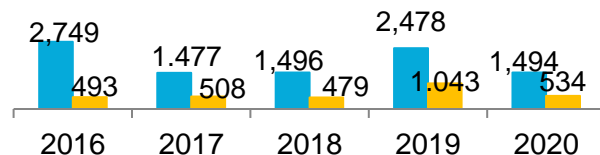
global satisfaction since 2016 : 80% (81,9% in 2020)

Complaints, compensation and mediation

Dissatisfaction complaints



Compensation



■ Compensation claim
■ Effective compensation

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2. Regulatory framework



Regulatory framework

Introduction – Energy regulation and its evolution

Energy distribution is a **regional competence**, including technical regulations, local distribution of natural gas and electricity, fulfilment of public service obligations, approval of investment programmes and tariff competences

In the Walloon Region, the regulator is the CWaPE (*Commission Wallonne pour l'Energie*)

The CWaPE is an independent body, established by the Electricity and Gas Decrees as an autonomous body with legal personality, in accordance with EU directives



Until 2014

Tariff methodology and tariff approval by the Creg on a “Cost plus” basis

2015 to 2018

Tariff methodology and tariff approval by the CWaPE on a “Cost plus” basis

2019-2023

Tariff methodology and tariff approval by the CWaPE on a “Revenue cap” basis

Creg competency

CWaPE competency

Tariff methodology 2019-2023

Introduction

- Aim of the CWaPE is to introduce more incentive-based tariff regulations :
 - Control of costs in the traditional areas of management and investments
 - Incentive to participate in or undertake research and development projects, as well as the rollout of innovative solutions (specific projects)
- Adopted, after consultation with the DSOs and market players, on 17/07/2017 (two amendments on 11/10/2018)
- Regulatory period of 5 years
- Two-step approval of tariffs :
 - Approval of total authorised revenues: based on a 5-year business plan approved after a detailed examination of costs, particularly with regard to ensuring they are reasonably justified
 - Transposition of total authorised revenues in the tariffs

General principles – “Revenue cap”

- The authorised income is set ex-ante for each year of the regulatory period 2019-2023
- The total income of a DSO is made up of the following elements : (i) net controllable expenses, (ii) non-controllable expenses and income, (iii) net expenses related to specific projects, and (iv) fair profit margin. To which is added the share of regulatory balances
- All net charges not identified as non-controllable are considered controllable
- In addition, a quality factor (“Q” factor) will be taken into consideration from 2024 onwards


Tariff methodology 2019-2023 – Specific principles

- **Net controllable expenses**
 - Net controllable expenses other than those related to fixed assets : principle of a “revenue cap” (capped, indexed and subject to an efficiency factor). These expenses are fixed for 2019 and will then be adapted based on inflation, minus an efficiency “X” factor; inflation has been fixed at 1.575% and the “X” factor at 1.5%
 - Net controllable expenses related to fixed assets : principle of a “revenue cap” (capped and indexed, but not subject to the “X” factor). Depreciation and amortisation charges are fixed for 2019 and will then change based on inflation
- **Non-controllable net expenses** : these expenses are not capped and are not subject to the “X” factor. The differences between non-controllable expenses actually incurred and budgeted constitute regulatory balances that are passed on in the tariffs
- **Net expenses related to specific projects** : the DSOs can obtain additional budgets for the rollout of smart meters and the promotion of natural gas networks
- **Fair profit margin** : $RAB * WACC$; where the RAB changes each year based on investments, depreciations, decommissioning, etc. and where the WACC is set at 4.053% for the whole regulatory period. Debt costs are included in the calculation of the WACC and no longer constitutes “embedded costs”
- WACC is after tax – taxes are passed on in full in the tariffs

Tariff methodology 2019-2023 - Regulatory balances

- Ex-ante audit : total authorised revenue and tariffs (as stated previously)
- Ex-post audit :
 - Specific controls of initiatives or following comments or questions from the final customer
 - Control after the closure of a financial period, based on the annual report introduced by the DSO on the differences between budget and actual for :
 - Income from periodic tariffs (difference between the actual volumes of gas and electricity distributed and the volumes budgeted) : passed on in the tariffs
 - Non-controllable operating income and expenses : passed on in the tariffs
 - Controllable net operating expenses : incurred by associates (with the exception of the volume effect of certain OSP)
 - Fair profit margin : passed on in the tariffs. The difference may be due to the evolution of the RAB
 - Net expenses related to specific projects : by type, spread across the tariffs or supported by associates
 - The tariff methodology provides for the integration of these balances in the tariffs in N+2
 - The regulatory balances for the period 2008-2014 and 2015-2016 are recovered progressively as deposits (recovery of deposits provided for in the tariff methodologies, but no decision from the CWaPE yet regarding the height of and/or allocation of balances)
 - In 2020, the balances for 2017, 2018 & 2019 were in discussion with CWaPE

Tariff methodology 2019-2023 - Tariff for prosumers

- Prosumer = BT customer with a decentralised production unit (power ≤ 10 kVA) capable of injecting or drawing down electricity from the same connection point
 - Originally scheduled to come into force on 01/01/2020, but deferred to 01/10/2020
 - Financial support measures from the Walloon Government for prosumers following this tariff (in particular premium for the installation of a meter measuring injection and drawdown separately and premium for the tariff)
 - Compensation for non-application of the tariff for 9 months by the Government
- 

Future developments ?

- Equalized tariffs (identical tariffs for all ORES Assets' sectors)
- Methodology 2024-2028

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3. Financials



Summary financials 2020 (actuals)

Economic Group ORES/DSO (IFRS)

In M€

Income statement			Balance sheet		
	2019	2020		2019	2020
Total operating income (Turnover and other operating income including rate regulated balances)	1,186	1,249	Total Current Assets incl. CASH	396 118	389 73
EBITDA	409	471	Total Non Current Assets	4,236	4,264
EBIT	200	259	Total Assets (excluding rate regulated balances)	4,633	4,653
Financial Result	-48	-35	Total Assets	4,715	4,768
Net Profit	99	170	Financial debt	2,301	2,255
Global Income Profit Result	99	197	Total Shareholders' Equity	1,733	1,860
			Total Liabilities & Equity (excluding rate regulated balances)	4,674	4,737
			Total Liabilities & Equity	4,715	4,768

A limited commercial risk...

- The revenues linked to the use of the ORES Assets networks (regulated tariffs) represent 96.1% of the BGAAP consolidated turnover of ORES Assets.

Detail of the consolidated turnover :

- Suppliers (grid fee) : 1,171 M€
 - Transport grid fee : 370 M€
 - Electricity distribution grid fee : 589 M€
 - Gas distribution grid fee : 212 M€
 - Work for third party : 17 M€
 - Social customers (for consumption of energy) : 30 M€
- Periodic tariffs, regulated by DSO or by sector, submitted to prior approval of the CWaPE :
 - DSO invoices costs to energy suppliers
 - Suppliers add these costs to the energy bills of final customers
 - This means that the energy bill sent by suppliers to their customers not only includes the energy consumed, but also the costs that have been charged by the network operators for the transmission and distribution of the energy, or even taxes and contributions to the development of green energy
 - The costs of the electricity transmission system operator networks are charged to the suppliers through the DSO

Illustrative example for electricity



- ORES Assets is able to request a financial guarantee from the suppliers

A limited commercial risk...

GRIDFEE	ELECTRICITY		
	2020	2019	Difference
Trans MV	44,049,027	44,868,013	-818,986
MV	174,989,717	183,769,068	-8,779,351
Trans LV	35,845,025	38,587,408	-2,742,383
LV	642,534,957	661,027,885	-18,492,928
Total	897,418,726	928,252,374	-30,833,648

GRIDFEE	GAS		
	2020	2019	Difference
Group 1 (< 1,000,000 kWh)	188,321,456	196,153,792	-7,832,336
Group 2 (between 1,000,000 and 10,000,000 kWh)	6,634,669	6,730,221	-95,552
Group 3 (> 10,000,000 kWh)	2,010,499	2,305,491	-294,992
CNG	330,835	210,015	120,820
Total	197,297,459	205,399,519	-8,102,060

Indicative funding needs (M€)

Electricity and gas

Funding needs in 2021	500
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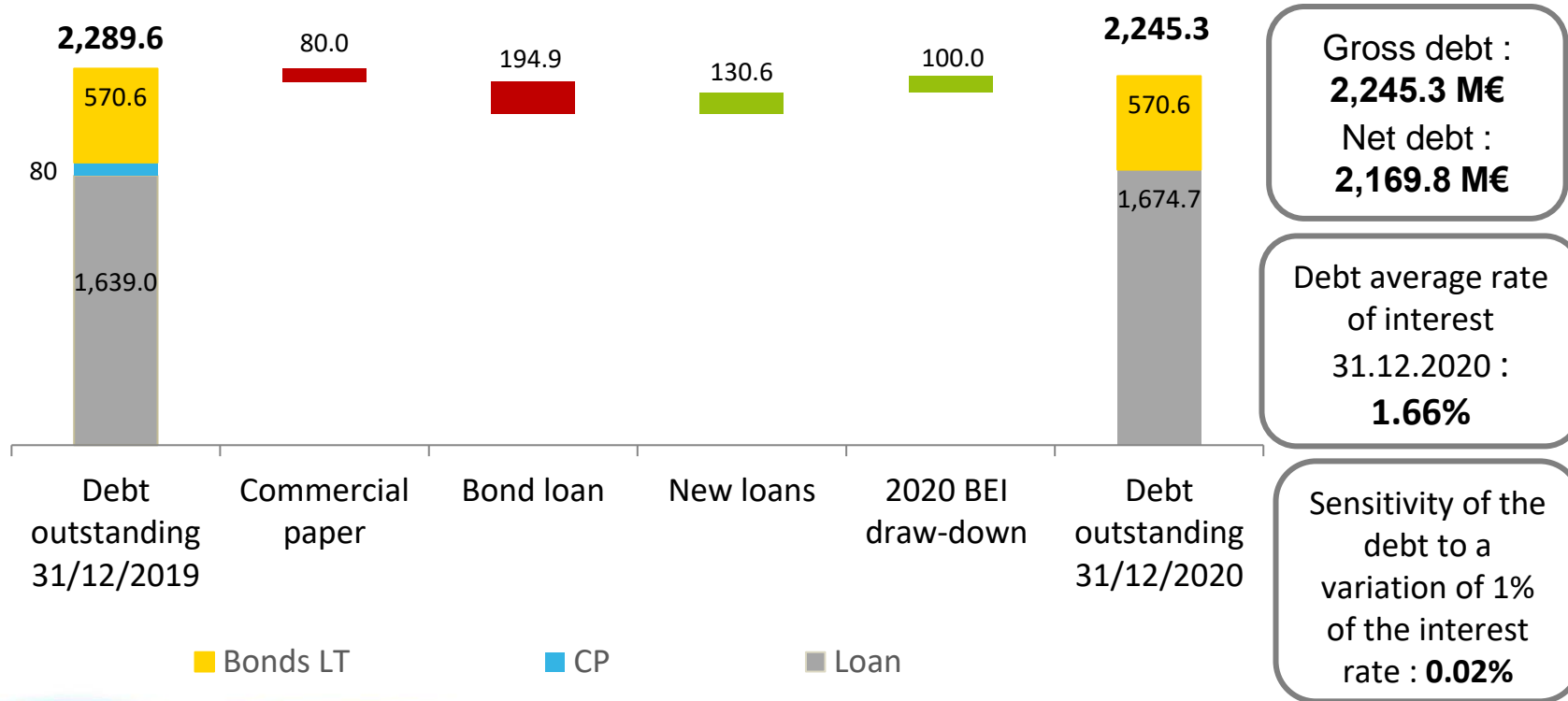
Covered by	
	EIB 100
	Bank loans 200
	Others 200

	<u>TOTAL</u>	Refinancing	Others
Financing needs 2022	198	174	24
Financing needs 2023	164	155	10
Financing needs 2024	145	134	11
Financing needs 2025	167	146	22

Debt management

Evolution of the gross debt

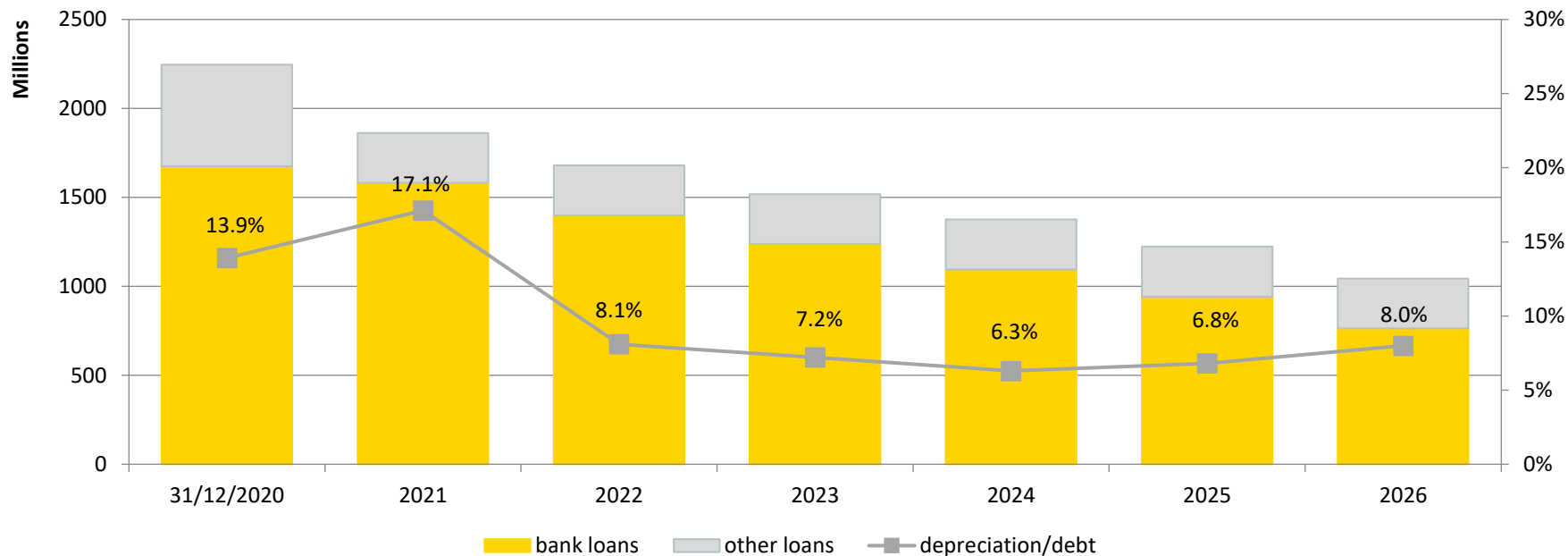
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Debt management

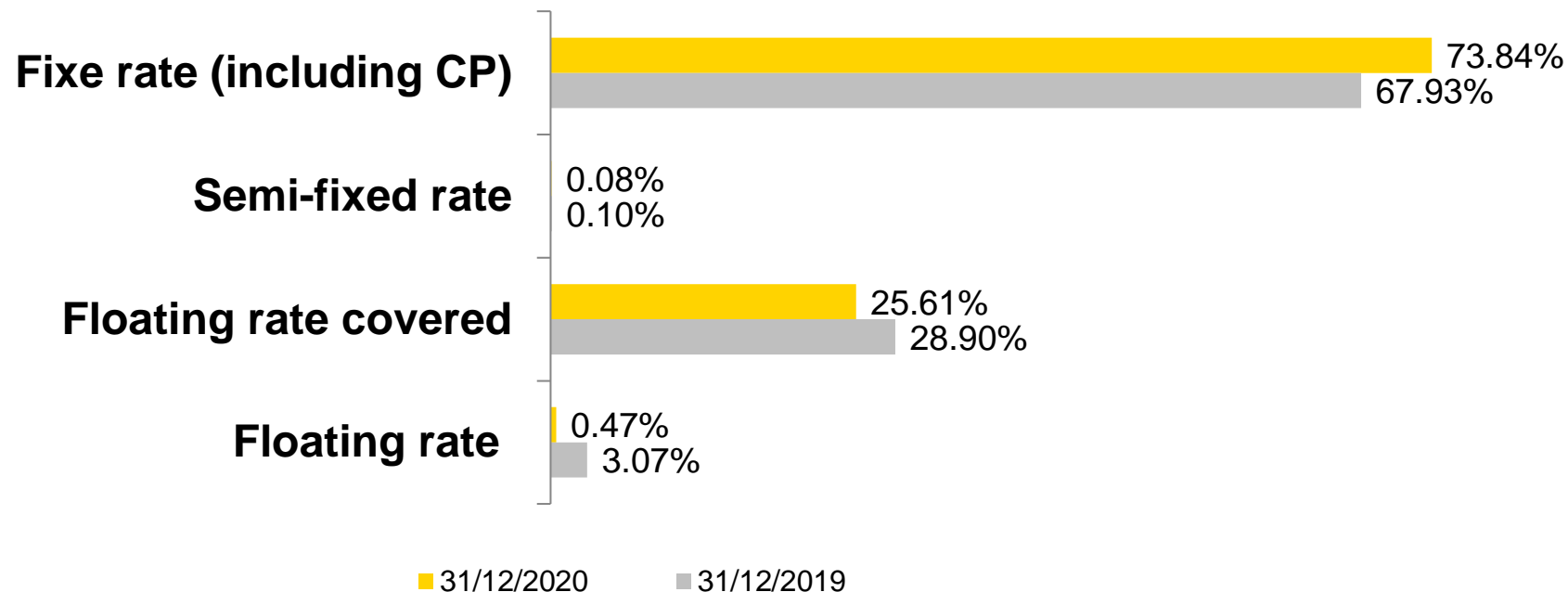
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Debt maturity 31.12.2020



Debt average duration : 10 years and 6 months

Financial indebtedness with mainly fixed interest rates



Actual funding sources

CP Programs

- Total size programs : 550 M€
- medium term outstanding :
 - short term outstanding :

31/12/2020

- /
- /

Undrawn Credit Lines

- Total size facilities : 100 M€
- Currently outstanding : /

Financial policies and strategy

DSO financial policies

- Limited dividend payout ratio (70% of the fair profit margin)
- ORES Assets guarantees the debt
- Equity ratio / total consolidated balance sheet (BGAAP) : 40.58%
- Optimal minimum gearing : 40% equity ratio / equity + financial debt (42%)

Funding currency

- External funding in € only

Risk management policies

- Interest rate swap and cap agreements are used for hedging purposes only

Funding policy

- Average maturity at least equal to the one from the Belgian State
- Floating rate debt for a maximum of 50% of the total debt
- Solely derivatives non-speculative
- As of 2019 : cost of debt in the WACC computation set at 2.74%
- Reflection on green finances

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4. Strategic plan 2021-2023

Our energy and expertise working to achieve an energy transition for all and at a local basis



The very core of our action

Facilitating energy, making life easier

There're some continuity with our plan strategic
2021-2023

In a changing and complex world of energy, ORES
wants to be a cause of simplification

“Facilitating energy, making life easier” for residential,
professional and business customers so that they can
focus fully on their works while benefiting from efficient
responses and services that meet their expectations



A new vision

Our energy and expertise working to achieve an energy transition for all and at a local basis



3 developments



MAKE AN ACTIVE CONTRIBUTION TO ENERGY TRANSITION FOR ALL, ENSURING THAT ALL WALLONIA'S ARE INCLUDED



BE OPEN TO CHANGE AND BE AVAILABLE TO CONTRIBUTE TO WALLONIA'S PROJECT



REAFFIRM OUR LOCAL CHARACTER

A practical 5-points strategy



Strategic point 1

COMPETITIVE TARIFFS FOR DIFFERENT ORES CUSTOMERS



Strategic point 2

THE CUSTOMER AT THE HEART OF OUR BUSINESS



Strategic point 3

ORES AS AN ACCELERATOR OF ENERGY TRANSITION



Strategic point 4

A STRONGLY RESPONSIBLE COMPANY



Strategic point 5

A COMPANY COMMITTED TO SOCIAL INCLUSION AND THE FIGHT AGAINST ENERGY POVERTY

Transversal mobilizing levers for the company



CORPORATE CULTURE



TRANSFORMATION PLAN



THE POLICY ON SUSTAINABLE DEVELOPMENT



To look beyond 2023

ORES's strategy does not stop in the short term, in 2023. We wanted to look further ahead – to 2030 – to see how our sector, how electricity and gas distribution businesses are likely to evolve over a decade.

Transformation plan

- Implementing strategy and bringing vision to life successfully are based on the introduction of a transformation plan
- It sequenced the implementation of projects in order to optimize investments, ensure the effectiveness of each initiative and to allow proper management of the risks associated with the execution of these projects
- It groups the projects into 8 programmes or clusters :
 - Switch programme
 - E-lumin programme
 - Smart grid programme
 - Atrias programme
 - NEO programme
 - Business line cluster
 - Customer cluster
 - Digital support cluster

Transformation plan

Focus on Switch programme (smart meters)

- Project to ensure the optimum rollout of smart meters so that positive feedback can be maximized for all customers and for society in general
 - Be able to install a new type of meter that allows, among other things, to measure consumption and production more accurately, to read them remotely,...
 - ⇒ have the technologies to meet the changing expectations of customers, the needs of market players,...
 - ⇒ get ready for the deployment of these meters (processes modernization, new computer tools,... => be able to progressively make the smart meter services available).
 - Build on experiments conducted from pilot projects and study useful partnerships (Fluvius, RESA)
 - The Walloon Parliament determined a deployment timetable :
 - on a compulsory basis and with priority per segment (customer declared in default of payment, meter replacement, new meter, on demand) - possibility for the customer to refuse in case of electro-sensitivity
 - start in 2023 - by 2030 : equipment of 80% of high-electricity consumption, self producer (in excess of 5 kVA) and customer acting as a recharging point open to the public
- + in 2020 : decision to grant a premium to cover the costs of placing smart meters with residential customers (prosumers and non-prosumers) (until 31/12/2023)
- ⇒ from a generalized deployment initially thought by ORES to a segmented deployment with priority
- The technical solution has to be adapted to the change of deployment (in electricity : Sagecom with wireless communication NB-IOT)
 - Revision of the business case to take account of these changes (in discussion with CWaPE)

Transformation plan

- E-lumin programme
 - Aims to convert all municipal public lighting to LED technology by 2030 (with positive impact on emissions CO₂)
 - Implementation of a new service “service Lumière” that will facilitate the management of public lighting and speed up repair and replacement work
- Smart grid programme
 - Aims to modernize IT tools, make adjustments to the organisation and processes and increase telemetry and remote-control operations across the network
 - Will make it possible to increase the capacity to accommodate renewable energy – including by way of flexibility. It will also be possible to guarantee the quality of supply and will also help contribute towards greater control over investments for the networks.
- Atrias programme
 - Aims to improve communication between all of the parties on the energy market in Belgium via a new definition of market processes and the use of a shared federal IT platform
 - Essential base for managing the market of tomorrow and developing new products and services that encourage the rollout of renewable energy (dynamic tariffs, flexibility, etc.)

Transformation plan

- NEO programme

Aims to modernize and upgrade the IT tools supporting “work processes”, the management of our assets, our investments in networks, our logistics and our finances
- Business line cluster
 - Supports the strategic programmes by rethinking and equipping field mobility to strive for exceptional operating efficiency.
 - Specific worksites that will make it possible to improve day-to-day operations in the short term
- Customer cluster

Aims to improve Customer focus to respond better to customer expectations by making their experience with ORES an exceptional one (examples : development of the online channel, social media, and telephony, as well as the implementation of a single customer reference point)
- Digital support cluster

Aims : allowing employees to do away with paper, developing the management and publication of data, digitalizing management of knowledge and the development of skills, equipping the IT department with cutting-edge tech-based solutions, supporting ways of working together in-house,...