

ORES



OPÉRATEUR DES RÉSEAUX GAZ & ÉLECTRICITÉ



Investor Presentation

2016



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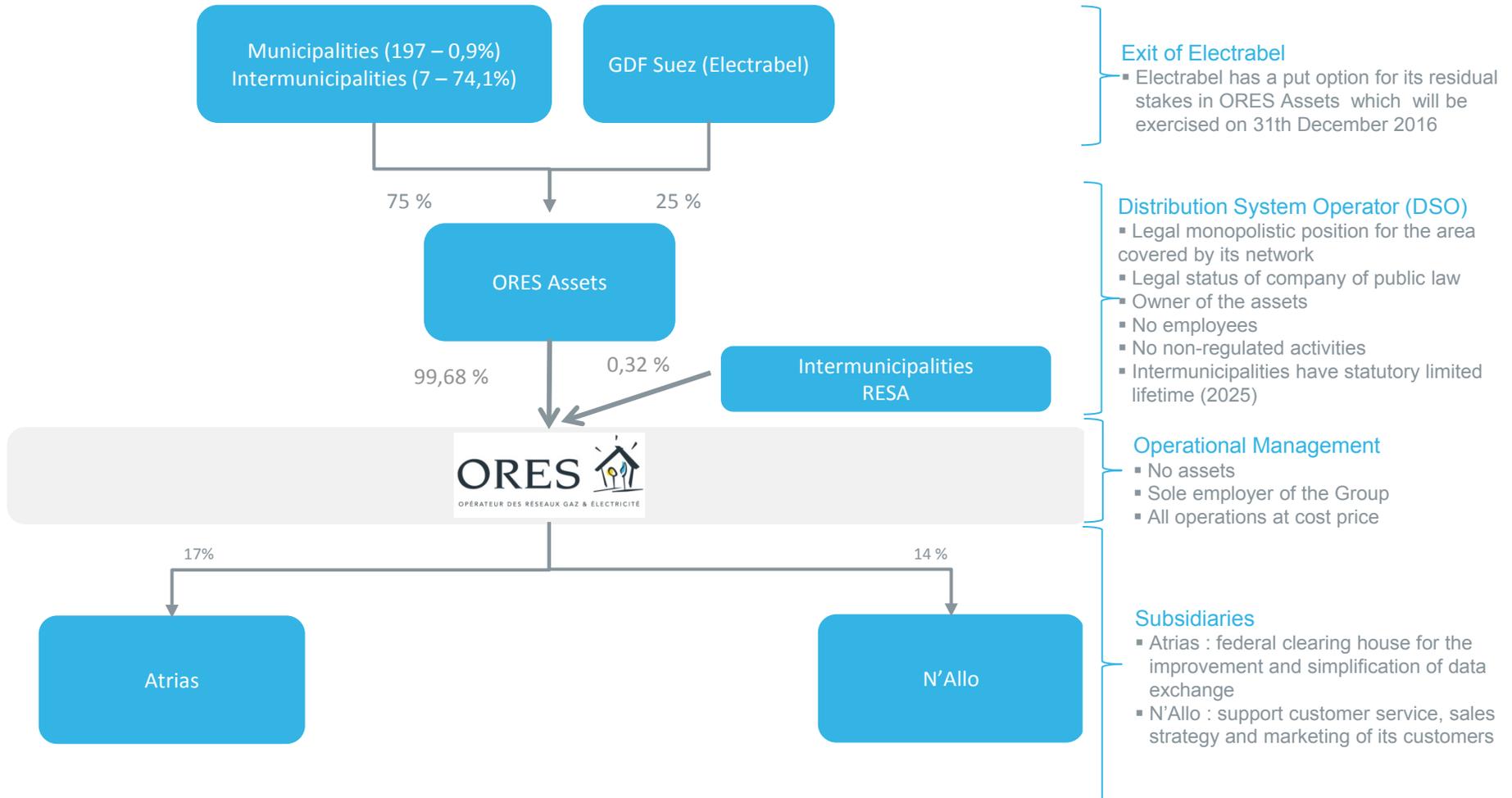
1. Company and business overview

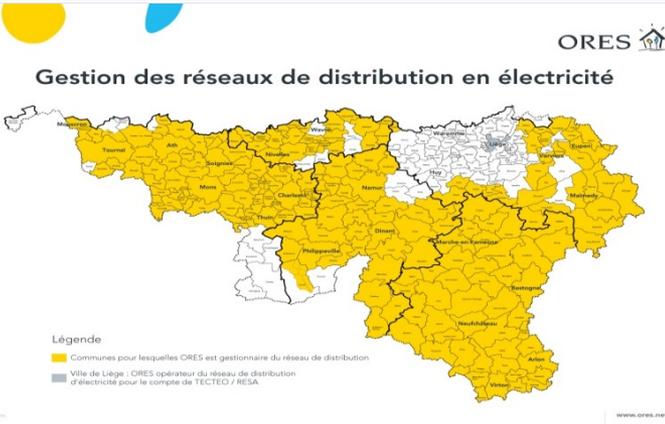
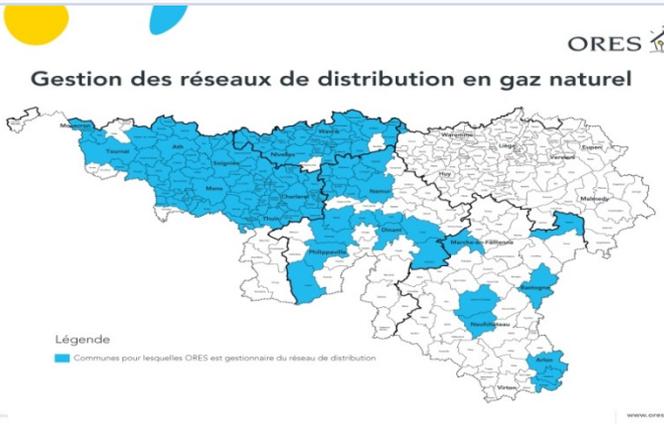


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Shareholders' structure of ORES



2015 figures	ELECTRICITY	NATURAL GAS
Network length (km)	49.793	9.312
Distributed energy (MWh)	11.124.947	12.394.851
Access points	1.484.035	543.108
RAB (€)	2.291.001.089	1.081.506.492
Geographical presence	 <p>Gestion des réseaux de distribution en électricité</p> <p>Légende ■ Communes pour lesquelles ORES est gestionnaire du réseau de distribution ■ Ville de Liège : ORES opérateur du réseau de distribution d'électricité pour le compte de TCTECO / RESA</p>	 <p>Gestion des réseaux de distribution en gaz naturel</p> <p>Légende ■ Communes pour lesquelles ORES est gestionnaire du réseau de distribution</p>
Municipal public lighting luminaires	446.615	

Missions of ORES/ORES Assets

System operator

Operation of the
distribution
grids

Make the grid available to the users
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
Maintain, adapt and develop the electricity and natural gas distribution grids

Municipal public
lighting network

Take care of the day-to-day opex and capex of the municipalities' public lighting network

Connection
works

(1) Establish new connections to the electricity and natural gas distribution grids (install meters)
(2) Fitting and reinforcing meters

Meter reading and
consumption data
management

Read meters of over 1.6 million clients and manage this information under conditions of strict confidentiality

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 clients and their energy suppliers

Public service
obligations

(1) Provide energy supplies for protected clients wishing to receive their power from their grid operator
(2) Install budget meters at the request of energy suppliers for clients whose energy bills are outstanding
(3) Operate and maintain public lighting in the municipalities and promote the energy efficiency of the lighting facilities
(4) Support the renewable energy (Qualiwatt)

Missions of ORES/ORES Assets

Market facilitator

Provide the « peace of mind » that is essential to the market's functioning by, for all key players, in the context of growing numbers of connected wind and solar installations :

- Keeping an access register which reconciles meters, addresses, customers and suppliers
- Automatic or manual meter reading and transmission of the read and validated meter readings to the various suppliers
- Guaranteeing efficient and non-discriminatory access to distribution grids
- Taking responsibility for all operations ensuring a fair distribution of consumption

With new markets such as flexibility market, develop this role of facilitator and guarantor of the date for all market processes in the broadest sense

⇒ **Make the market's life easier by transforming ORES's network into a true dynamic interconnected platform, at the service of all key players in the market and recognized for its excellence**

Missions of ORES/ORES Assets

Public authority partner

Act as a natural partner of the authorities for the effective and efficient implementation of the policies they wish to pursue in terms of energy

- Through the independent nature of the players in the market
- By the expertise of ORES's personnel
- By the legitimacy conferred upon it by its public shareholders

⇒ **Make the life of the public authorities easier and be recognized as their legitimate and preferred partner**

Key considerations

Strategic importance to the Walloon Region

- ORES and ORES Assets provide number of public services obligations
- ORES/ORES Assets cover about 76% of the municipalities in Wallonia
- ORES ensures energy distribution to more than 1,4 million homes and small businesses in Wallonia on a daily basis

Legal monopolistic business

- ORES Assets has a legally based regional monopoly for electricity and gas distribution to residential customers and small and medium size companies

Low business risk

- ORES Assets is not involved in the competitive generation, trading and sales activities

Regulated business and predictable cash flow generation

- Activities performed by ORES are regulated
- Predictable revenue of DSO is priced on a cost plus basis, determined in a legal framework (regional framework)
- Tariffs 2015-2016 applied since 01.03.2015

Strong balance sheet structure

- Relatively strong balance sheet structure
- Low financial leverage (RAB is financed with nearly 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

- Merger of the 8 mixed DSO by creation of ORES Assets in 2013

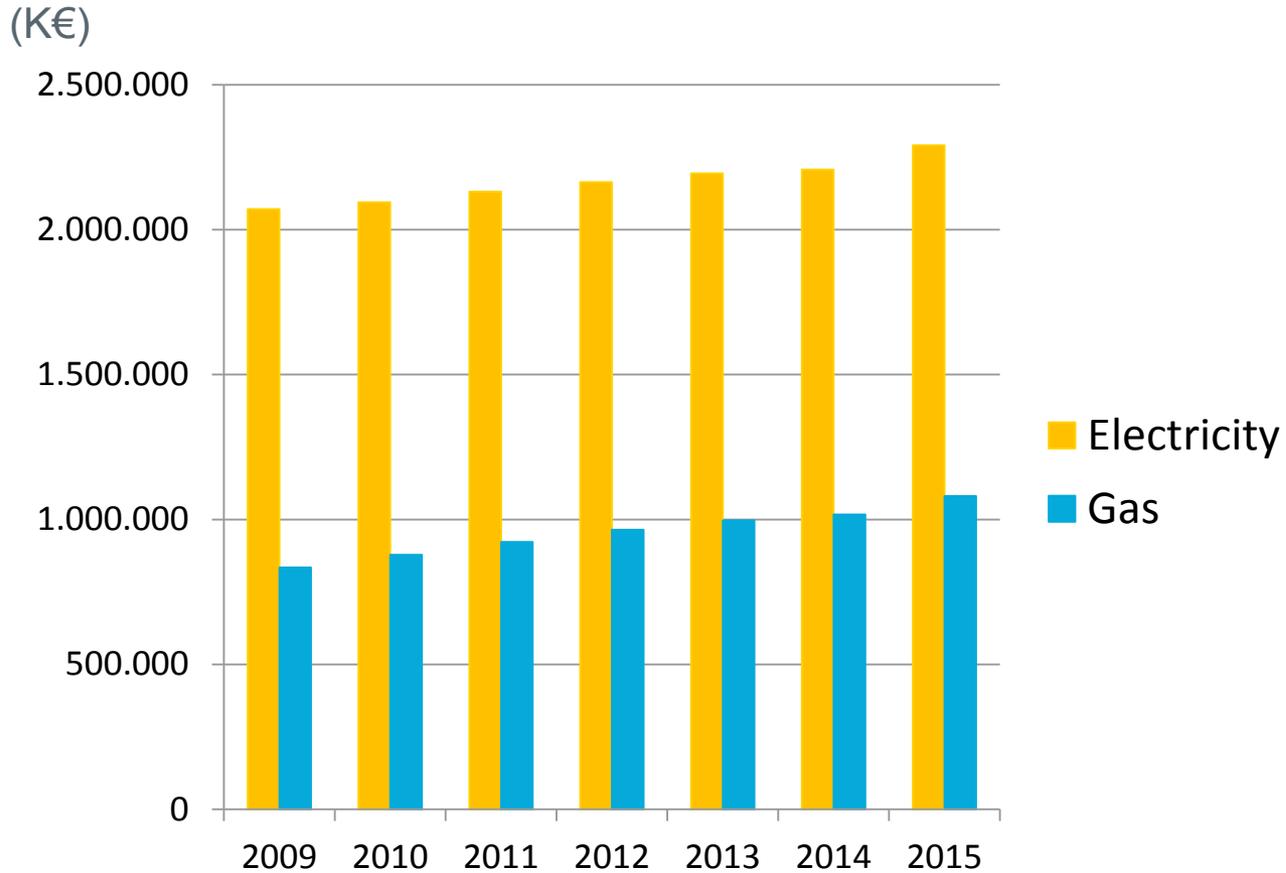
Some highlights

- 2.284 FTE on 31 December 2015 (2.267 FTE in 2014 – 2.271 in 2013)
- Net investments on distribution network :
 - **2013 : 120 M€ for electricity and 71 M€ for gas**
 - **2014 : 134 M€ for electricity and 80 M€ for gas**
 - **2015 : 160 M€ for electricity and 81 M€ for gas**
- Annual recapitalization of ORES Assets (in cash) :
 - **2013 : 10,5 M€**
 - **2014 : 15,9 M€**
 - **2015 : 16,9 M€**

Some highlights

- Tariffs 2015-2016 approved by the CWaPE in februar 2015
- Change of tax regime for ORES ASSETS 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
- Informal discussions between DSO's and CWaPE on the future regulatory methodology
- Regional harmonization of the territory of the walloon and flemish DSO's
- Formalization of the partnership with Enedis/ERDF on smartmeterings

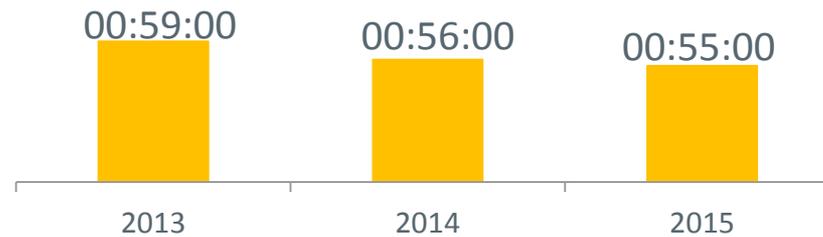
Regulated Asset Base



A network of quality...

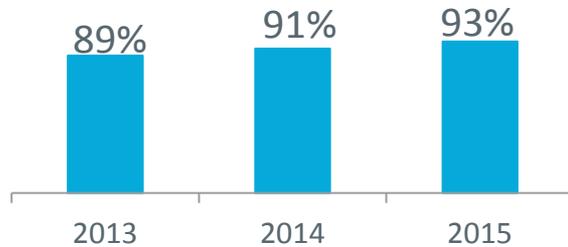
Electricity

Unscheduled unavailability (MV)

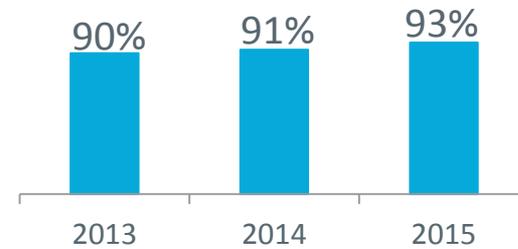


Results of satisfaction survey amongst clients (*)

Global satisfaction



Quality of works



(*) Surveys carried out on clients after realisation of connection works

Complaints, compensation and mediation

Dissatisfaction complaints



Compensation

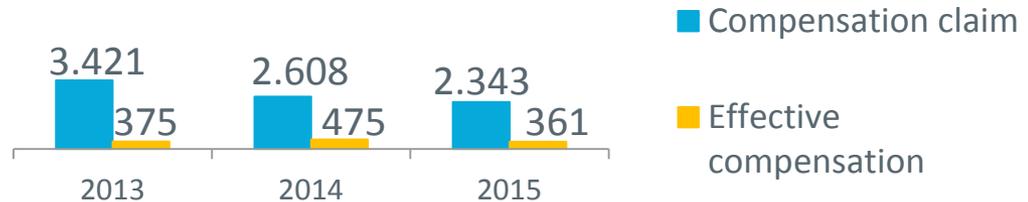
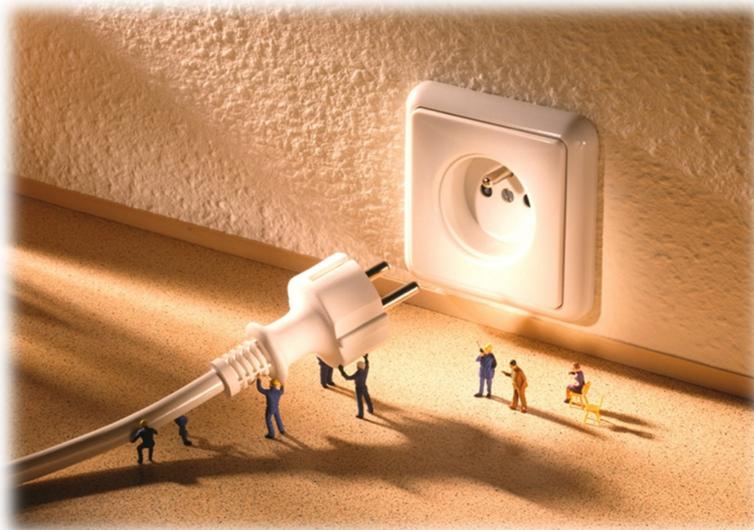


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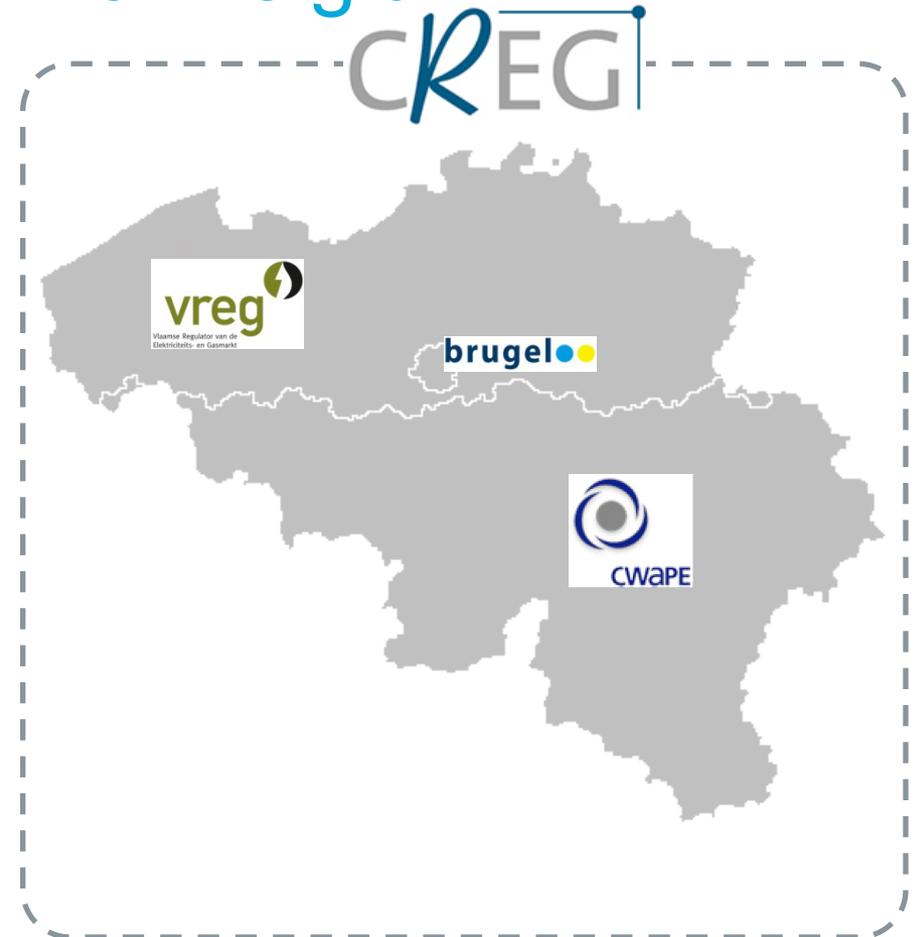
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2. Regulatory framework



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'Énergie)** 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



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 2014in Wallonia)

2013-2014

- Decision to prolong the tariffs in 2013/2014
- A decree gives 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 (approval of the methodology by the CWaPE on 12.11.2015)
- Next period (5 years) 2018-2022 (or maybe 2019-2023) : evolution of the regulatory framework is not yet approved : informal consultation begins in September 2015 but was postponed in 2016, awaiting a new tariff decree
- Approval of a new tariff decree in progress

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 development of grids
- Establish a stable regulatory framework

❑ Cost oriented mechanism

❑ Formula

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

❑ 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

❑ Manageable costs 2015-2017 = indexed actuals 2012

- Special envelope for Atrias and smart grid

Guiding principles :

- 5 years regulatory period
- implementation of a revenue cap system based on a business plan approved by the CWaPE
- introduction of a stimulus to increase opex efficiency through a productivity factor (X factor)
- introduction of a new WACC computation (including debt) aligned to current market conditions
- end of distinction between primary and secondary asset base

Opportunities for the future ?

- Synergies with RESA
- Harmonizing tariffs
- Potential simplification of the structure of the ORES group :
 - Internal operating rules of ORES Assets need to be adapted by July 2017 in order to be compliant with applicable regional legislation
 - This can be an opportunity to simplify the ORES/ORES Assets structure and the applicable governance in order i.a. to increase the efficiency and visibility of those companies
 - In this framework, a potential merger between ORES and ORES Assets could be contemplated - discussions between shareholders

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3. Financials



Economic Group ORES/DSO (IFRS)

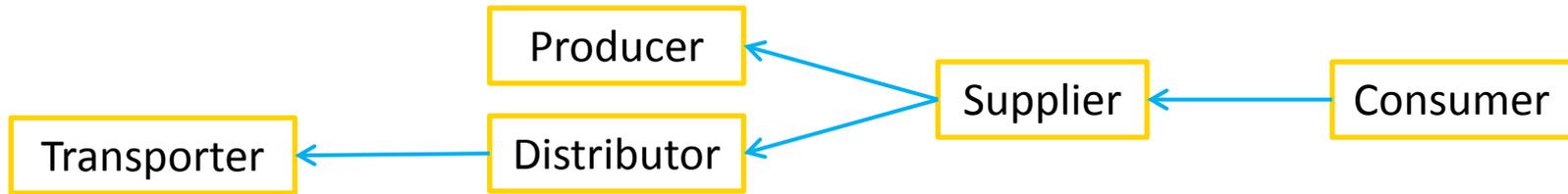
In M€

Income statement	2014 (restated)	2015	Balance sheet	2014 (restated)	2015
Total operating income <small>(Turnover and other operating income including rate regulated balances)</small>	1.097	1.170	Total Current Assets incl. CASH	395 128	380 108
EBITDA	392	428	Total Non Current Assets	3.493	3.635
EBIT	258	286	Total Assets <small>(excluding rate regulated balances)</small>	3.877	3.877
Financial Result	-82	-57	Total Assets	4.037	4.191
Net Profit	170	149	Financial debt	1.909	1.992
Global Income Profit Result	- 134	102	Total Shareholders' Equity	1.385	1.432
			Total Liabilities & Equity <small>(excluding rate regulated balances)</small>	3.987	4.153
			Total Liabilities & Equity	4.037	4.191

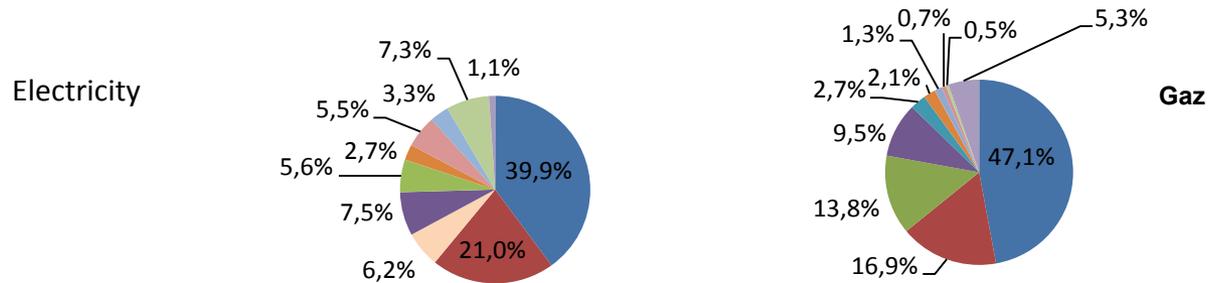
2014 figures restated to reflect some changes in applicable taxes (submission of ORES Assets to corporate taxes as from 2015).

A limited commercial risk...

- From producers to consumer (electricity) – payment flows



- 30 suppliers (grid fee) : 1.039 M€ (more than 97% of turnover)



■ Electrabel Customer Solutions	■ EDF Luminus	■ Electrabel NV	■ Lampiris
■ ENI GAS & POWER SA	■ Essent	■ E.ON Belgium	■ Eneco Energie International BV

- Consumers (intervention for connection) : 51 M€ = turnover in IFRS
- Social consumers (for consumption of energy) : 17 M€
- Varia (RESA, etc) = 7 M€

Indicative funding needs in 2016

In €m / 2016 B-GAAP

	Electricity	Gas
Gross investments	198	91
Net investments (-) (after "interventions clients")	148	88
Depreciations (+)	99	45
Funding needs (=)	49	43
Total	92	
Refinancing existing debt	109	
Commercial paper 2015	50	
Repayment of capital	99	
Total financing needs	350	
Loan 2016	150	
Commercial paper 2016	200	

Indicative funding needs in 2017

In €m / 2017 B-GAAP

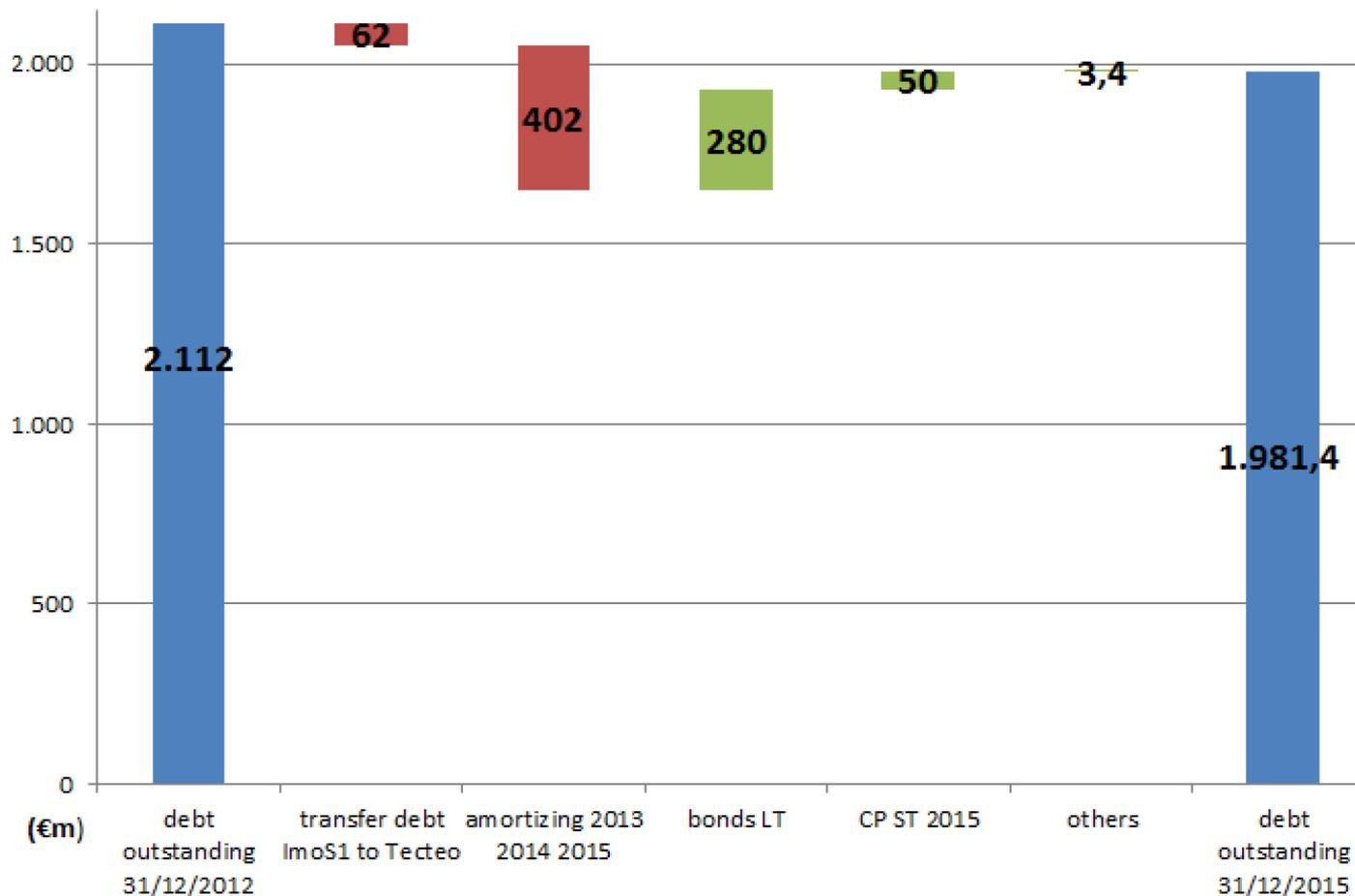
	Electricity	Gas
Gross investments	214	101
Net investments (-) (after “interventions clients”)	169	96
Depreciations (+)	106	48
Funding needs (=)	63	48
Total	111	
Refinancing existing debt	159	
Commercial paper 2016	200	
Total financing needs	470	
<hr/>		
Bond (via EMTN) 2017	470	



Debt management

(1/3)

Evolution of the gross debt



Debt average rate of interest 2015 : **3,09%**

Sensitivity of the debt to a variation of 1% of the interest rate : **0,07%**

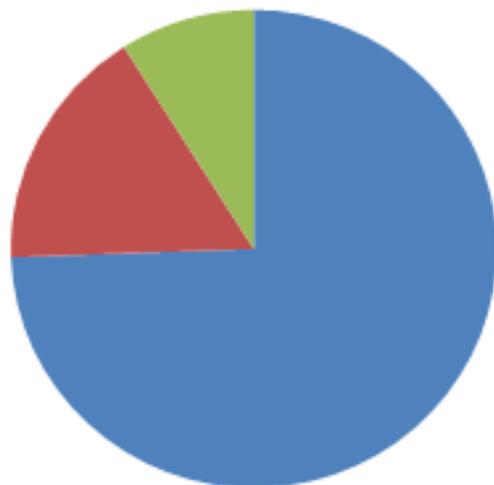


Debt management

(2/3)

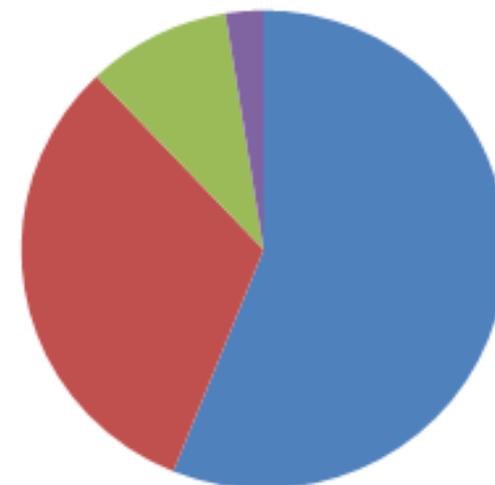
Evolution of the gross debt

2012



2.112 €m

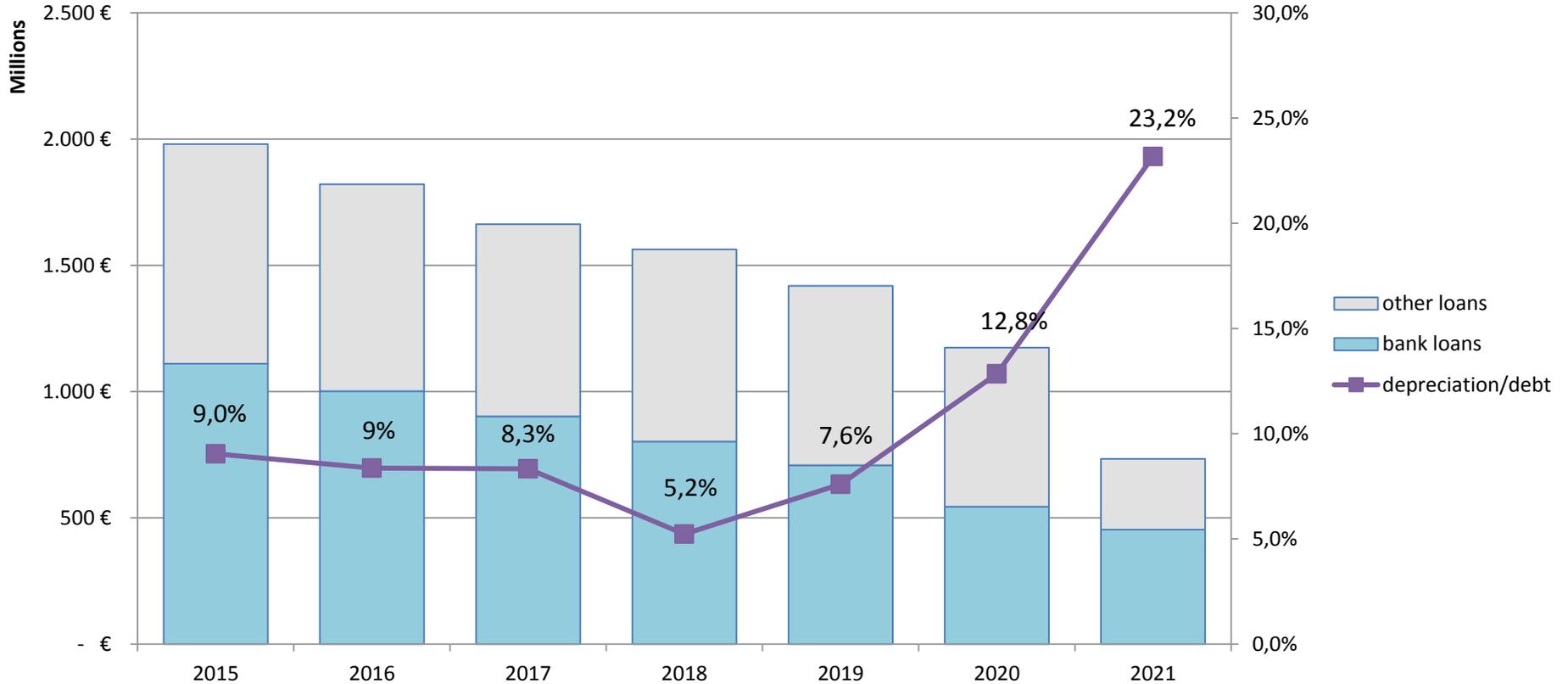
2015



1.981,4 €m

- Bank debt
- Bond
- CP LT
- CP ST

Debt maturity profile



Debt average duration : 11 years 10 months



Financial indebtedness with mainly fixed interest rates

2015 debt profile

Fixed



69%

Floating



21%

Other



10%

Increase in market rates of 1% :
impact +0,07%

Actual funding sources

CP Programs

• Total size programs :	550 M€
1) Currently medium term outstanding :	189 M€
2) Currently short term outstanding :	50 M€

Undrawn Credit Lines

• Total size facilities :	100 M€
• Currently outstanding :	0 M€

Financial policies and strategy

DSO financial policies

- Limited dividend payout ratio
- ORES Assets guarantees the debt
- Equity ratio/total consolidated balance sheet (BGAAP) : 42%

Funding currency

- External funding in € only

Risk management policies

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

EMTN

- Agreement, by the board of directors, to set up an EMTN program (4 bn€) in 2017 and to launch a RFP for the appointment of a rating agency

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

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4. Strategic plan 2015-2020



3 challenges

– Energy transition

Shift in paradigm in distribution : electricity generation directly connected to distribution networks, increasing part of renewable energy, new technologies accessible to residential customers,... new tools have to be developed by DSO to maintain the security of supply => **importance of smart grids**

– Challenge of the customer

Improve customers' experience => **importance of smart meters**

– Cultural challenge

Culture, way of doing things, methods, agility,... must evolve without giving up strengths, reviewing collaboration models

=> new ways of working

5 strategic projects

- **Atrias :**

To meet the challenge posed by energy transition

Clearing house

Review of the market process and the general model for the exchange of useful data for the market (new IT platform, harmonization of working methods,...)

New company gathering all the Belgian DSO

New computer applications in ORES (Mercure)

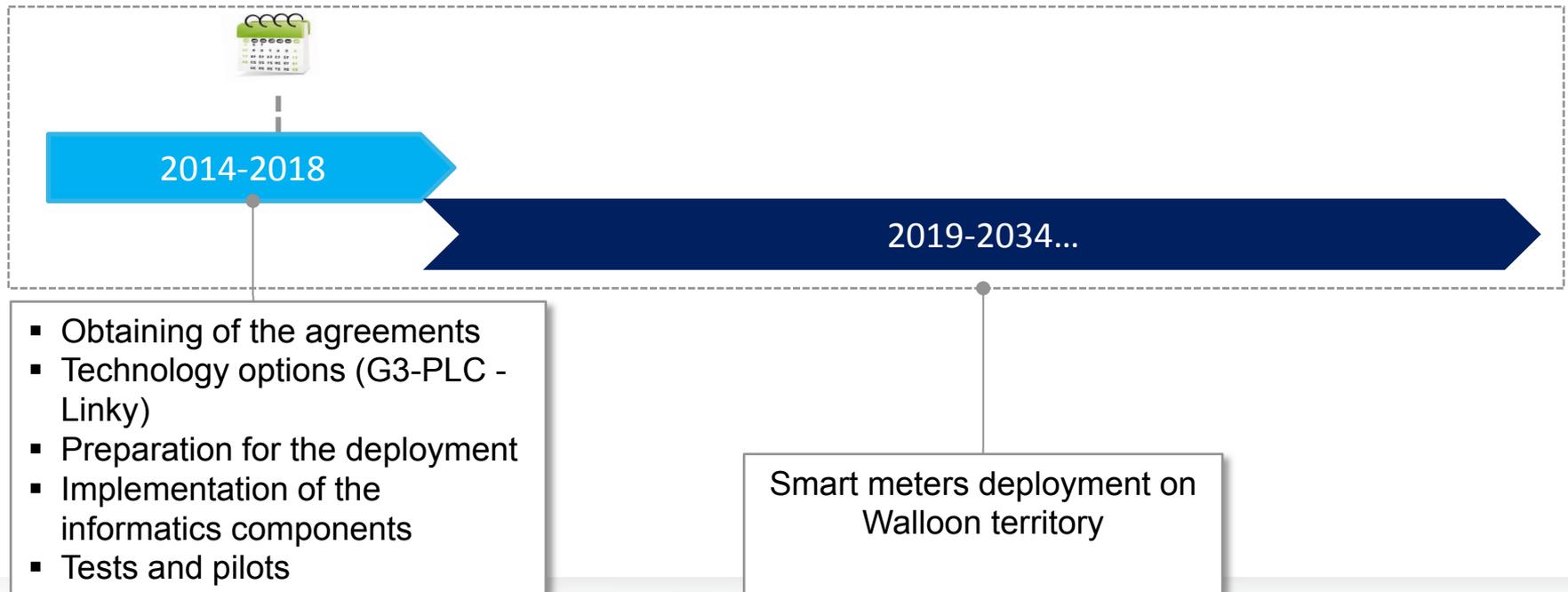
5 strategic projects

- **Smart metering & smart users**

To meet the challenge posed by energy transition and the challenge of the customer

Smart meters deployment is planned by ORES from 2019

Budgets are in the process of being approved by the CWaPE



5 strategic projects

- **Smart grid**

To meet the challenge posed by energy transition

Networks tend to become more smart (which allow to do telemetry, telecommunication and teleprocessing), specific tools are necessary, allowing integration between :

- ⇒ **network configuration**
- ⇒ **technical & geospatial characteristics**
- ⇒ **customers' consumption profiles**

The new tools are :

- ⇒ **tools allowing a better management of the networks**
- ⇒ **tools related to acquisition of data**
- ⇒ **tools related to network provisional management (which will allow flexibility => possibility of new service for customers)**

The project has started in 2016 and should run for at least 10 years

Budget are in the process of being approved by the CWaPE

5 strategic projects

- **Improve customers' experience**
 - CRM
 - website
 - accessibility

- **DOMO**