GROUP ORES

IFRS condensed consolidated interim financial statements on 30 June 2018

Table of contents

1. IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1.1. Consolidated income statement (in k€)

	NOTE	30/06/2018	30/06/2017	DIFFERENCE
Turnover	01 - A	648.313	640.681	7.632
Regulated balances	01 - B	(65.711)	(60.875)	(4.836)
Other operating income		13.939	24.191	(10.252)
Operating income		**596.541**	**603.997**	**(7.456)**
Purchase of goods	03	(32.925)	(37.348)	4.423
Grid fees	03	(184.220)	(181.361)	(2.859)
Road charges	03	(22.639)	(21.584)	(1.055)
Employee Benefits	20-21	(85.336)	(81.379)	(3.957)
Write down of trade receivables	12	(5.480)	(5.959)	479
Other operating expenses	04	(54.719)	(55.052)	333
Operating expenses		**(385.319)**	**(382.683)**	**(2.636)**
Operating result before depreciation and amortization		**211.222**	**221.314**	**(10.092)**
Depreciation and impairment on (in)tangible assets	09-10	(77.073)	(73.354)	(3.719)
Operating result		**134.149**	**147.960**	**(13.811)**
Financial Income		570	142	428
Financial Expenses	06	(24.516)	(25.841)	1.325
Financial result		**(23.946)**	**(25.699)**	**1.753**
Share of the result of associates		0	0	0
Result before taxes		**110.203**	**122.261**	**(12.058)**
Taxes	23	(35.903)	(38.274)	2.371
Result for the period		**74.300**	**83.987**	**(9.687)**
Result of the period attributable to owners of the company		**74.300**	**83.987**	**(9.687)**
Result of the period attributable to non-controlling interests		**0**	**0**	**0**

1.2. Consolidated statement of other comprehensive income (in k€)

	NOTE	30/06/2018	30/06/2017	DIFFERENCE
Result for the period		**74.300**	**83.987**	**(9.687)**
Other comprehensive income				
Recyclable in the profit and loss account		**964**	**3.184**	**(2.220)**
Change in fair value of cash flow hedges	28	1.285	4.823	(3.538)
Taxes on items that are or may be reclassified to profit and loss account	24	(321)	(1.639)	1.318
Non-recyclable in the profit and loss account		**(10.170)**	**2.957**	**(13.127)**
Actuarial gains and losses on defined benefit plans	21	(13.560)	4.480	(18.040)
Taxes on items that will not be reclassified to profit and loss account	24	3.390	(1.523)	4.913
Other comprehensive income of the continued activities - Net		**(9.206)**	**6.141**	**(15.347)**
Other comprehensive income attributable to owners of the company		**(9.206)**	**6.141**	**(15.347)**
Other comprehensive income attributable to non-controlling interests		**0**	**0**	**0**
Comprehensive income for the period		**65.094**	**90.128**	**(25.034)**

1.3. Consolidated statement of financial position – assets (in k€)

	NOTE	30/06/2018	31/12/2017	DIFFERENCE
ASSET				
Non-current assets		***4.016.545***	***3.910.548***	***105.997***
Goodwill		8.955	8.955	0
Intangible assets	09	80.796	69.727	11.069
Tangible assets	10	3.912.951	3.819.870	93.081
Investments in associates		3	3	0
Other non-current assets	11	13.840	11.993	1.847
Current assets		***424.366***	***485.553***	***(61.187)***
Inventories		38.502	37.204	1.298
Trade receivables	12	209.866	184.138	25.728
Other receivables	12	4.241	53.298	(49.057)
Current tax assets	12	17.072	78	16.994
Cash and cash equivalents	14	129.617	192.912	(63.295)
Other current assets		25.068	17.923	7.145
Total assets excluding regulatory assets		***4.440.911***	***4.396.101***	***44.810***
Regulatory assets	01 - B	63.624	117.483	(53.859)
TOTAL ASSET		**4.504.535**	**4.513.584**	**(9.049)**

1.4. Consolidated statement of financial position – liabilities (in k€)

	NOTE	30/06/2018	31/12/2017	DIFFERENCE
LIABILITY				
Equity		***1.597.063***	***1.589.784***	***7.279***
Share capital		713.615	712.257	1.358
Retained earnings		845.667	869.793	(24.126)
Other reserves		37.754	7.707	30.047
Non-controlling interests		27	27	0
Non-current liabilities		***2.367.543***	***2.399.910***	***(32.367)***
Borrowings	16	1.956.986	2.007.442	(50.456)
Provisions for employee benefits	20	117.827	102.768	15.059
Other provisions		33.670	33.670	0
Deferred liabilities of tax	24	250.328	246.017	4.311
Other non-current liabilities	18-28	8.732	10.013	(1.281)
Current liabilities		***477.960***	***473.791***	***4.169***
Borrowings	16	218.187	253.513	(35.326)
Trade payables	17-18	136.143	159.297	(23.154)
Other payables	17-18	53.694	54.284	(590)
Current tax liabilities	23	31.883	3.920	27.963
Other current liabilities	17-18	38.053	2.777	35.276
Total liabilities excluding regulatory liabilities		***4.442.566***	***4.463.485***	***(20.919)***
Regulatory liabilities	01 - B	61.969	50.099	11.870
TOTAL LIABILITY		**4.504.535**	**4.513.584**	**(9.049)**

1.5 Consolidated statement of changes in equity (in k€)

	Share capital	Reserves				Retained Earnings	Non-controlling interests	Total Equity
		Cash Flow Hedges	*Actuarial gains and losses on defined benefit plans*	*Statutory Reserves*	Total			
At 1st January 2018	**712.257**	**60.032**	**(85.208)**	**32.883**	**7.707**	**869.794**	**27**	**1.589.784**
Comprehensive income for the period								
- Profit and loss						74.300		74.300
- Other comprehensive income, net of income tax		*964*	*(10.170)*		(9.206)			(9.206)
Transactions with shareholders								
- Dividends relating to the previous year						(81.187)		(81.187)
- Capital increase through creation of B shares	1.500							1.500
- Capital decrease through repayment of R shares	(150)							(150)
- Contribution from the municipalities of PBE	8			*15.125*	15.125	6.889		22.022
Transfers								
- Transfers from or to statutory reserves				24.128	24.128	(24.128)		
At 30 June 2018	**713.615**	**60.996**	**(95.378)**	**72.136**	**37.754**	**845.667**	**27**	**1.597.063**
At 1st January 2017	**795.979**	**(13.569)**	**(45.771)**	**27.636**	**(31.704)**	**785.317**	**31**	**1.549.622**
Comprehensive income for the period								
- Profit and loss						83.987		83.987
- Other comprehensive income, net of income tax		*3.183*	*2.957*		6.141			6.141
Transactions with shareholders								
- Dividends relating to the previous year						(84.247)		(84.247)
- Capital decrease through repayment of R shares	(98.804)							(98.804)
- Reserves distribution								
Transfers								
- Transfers from or to statutory reserves				18.696	18.696	(18.696)		0
At 30 June 2017	**697.175**	**(10.386)**	**(42.813)**	**46.332**	**(6.867)**	**766.360**	**31**	**1.456.698**

1.6 Consolidated statement of cash flows (in k€)

	NOTE	30/06/2018	30/06/2017
OPERATING CASH FLOW			
Comprehensive income for the period		**74.300**	**83.987**
Adjustments for the following elements :			
Depreciation and impairment on (in)tangible assets	09-10	77.073	73.354
Changes in provisions	19-20	1.709	(2.923)
Gains or losses on sales of (in)tangible assets	09-10	(19)	(80)
Write down of trade receivables	12	5.658	6.143
Financial income	05	(570)	(142)
Financial charges	06	24.516	25.841
Income tax expenses recognised in profit or loss	23	35.903	38.274
Regulatory Balances	01-B	54.695	51.124
Operating cash flow before change in working capital		**273.265**	**275.578**
Change in working capital			
Change in inventories	13	(1.298)	(1.068)
Change in trade and other receivables	12	(34.503)	(54.850)
Change in trade and other payables	17	12.832	25.005
Operating cash flow		**250.296**	**244.666**
Paid interest	06	(19.150)	(20.870)
Received interest	05	597	159
Paid taxes		(17.552)	(8.648)
Regulatory Balances recovered	01-B	11.017	9.751
Net operating cash flow		**225.208**	**225.058**
INVESTING CASH FLOW			
Acquisition of intangible assets	09-10	(16.307)	(14.956)
Sale of intangible assets	09-10	0	0
Acquisition of tangible assets	09-10	(135.350)	(135.621)
Sale of tangible assets	09-10	22	175
Other investing cash flows	26	(12.046)	0
Net investing cash flow		**(163.681)**	**(150.402)**
FINANCING CASH FLOW			
Change in capital	15	1.350	(98.804)
Borrowings issuance	16	24.000	240.000
Borrowings repayment	16	(116.250)	(193.493)
Issuance and repayment of long term receivables	11	6	(882)
Paid dividends		(33.946)	(40.390)
Grants related to assets	25	18	0
Net financing cash flow		**(124.821)**	**(93.569)**
Change in cash and cash equivalents		**(63.295)**	**(18.913)**
Cash and cash equivalents begin of period		**192.912**	**104.340**
Cash and cash equivalents end of period		**129.617**	**85.427**

2. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Preliminary note to the condensed consolidated financial statements

Notes to the statement of Comprehensive Income

Note 01 A – Turnover (in k€)
Note 01 B - Regulatory Balances (in k€)
Note 03 - Cost of sales (in k€)
Note 04 – Other operating expenses (in k€)
Note 06 - Financial expenses (in k€)

Notes to the Financial Position

Note 09 - Intangible assets (in k€)
Note 10 - Property, plant and equipment (in k€)
Note 11 - Financial assets (in k€)
Note 12 – Trade, other receivables and current tax assets (in k€)
Note 14 - Cash and cash equivalents (in k€)
Note 16 – Borrowings (in k€)
Note 18 - Other payables & other liabilities (in k€)
Note 20 - Employee benefits – general (in k€)
Note 21 - Employee benefits - defined benefit plans (in k€)
Note 23 – Taxes (in k€)
Note 24 - Deferred taxes (in k€)
Note 28 - Derivative instruments (in k€)

Other Notes

Note 31 – Financial risks management (in k€)

Preliminary note to the condensed consolidated interim financial statements as at 30 June 2018

A. Reporting entity and Group ORES

The ORES Group (the “Group”) consists, on the one hand, of ORES Assets scrl, (thereafter referred to as “DSO” or “ORES Assets”), association of municipalities (“intercommunale”) which operates the distribution of electricity and gas for 198 walloon municipalities and, on the other hand, of the limited liability cooperative company ORES scrl (“ORES scrl”) whose shares are almost entirely held by the DSO (99,68%); the left part is held by seven financing associations of municipalities (“intercommunales pures de financement”). In addition to this, ORES scrl has invested in one company, Atrias, held at 16,7%. As ORES scrl has a significant influence over this company, it is consolidated using the equity method.

The distribution of gas and electricity is a regulated activity in a monopolistic environment given for a defined period. A regulatory framework including laws, decree, regulatory decisions rules the Group activity. It defines in particular the authorized revenue that can be charged to the customers via the tariffs and which therefore allows to carry out the legal and regulatory missions of ORES; the determination of tariffs, the depreciation rate, the regulatory balances and the way they are recovered,...For more explanations about the regulatory framework, the reader is kindly invited to check the 2017 Group’s consolidated financial statements.

As Engie / Electrabel sold its stake in ORES Assets to the financing associations of municipalities as of 31 December 2016, ORES Assets is now 100% held by public authorities (municipalities on the territory of which the ORES Assets operates and financing associations of municipalities).

The Group is thus exclusively active in Wallonia, Belgium, on the territory of the municipalities that are the shareholders of the DSO. The address of the Group is the headquarters of ORES Assets, located Avenue Jean Monnet 2, 1348 Louvain-la-Neuve (Belgium).

B. Approval of the consolidated financial statements

The Board of directors of ORES Assets approved the Group condensed consolidated interim financial statements on 24th October 2018.

C. Significant accounting policies

The significant accounting policies used by the Group in the preparation of its condensed consolidated interim financial statements are consistent to the ones applied in the preparation of the 2017 consolidated financial statements except for the new standards or interpretations in force since 1st January 2018.

C.1. Basis of preparation

Statement of compliance

The condensed consolidated interim statements include the Group condensed consolidated interim financial statements for the period ended 30 June 2018. They have been prepared in accordance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted by the European Union.

They do not contain all the necessary information for a full of set of financial statements and should therefore be read in conjunction with the Group consolidated financial statements for the year ended on 31st December 2017.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at their fair value.

Functional and presentation currency

The consolidated financial statements are expressed in thousands Euros (EUR), Euro is the functional currency (currency of all Group entities) used within the Group.

C.2. New, revised and amended standards or interpretations

The Group has applied the standards and interpretations applicable to the accounting period ended 31 December 2017 except for the new standards or interpretations in force since 1st January 2018.

Standards and interpretations applicable for the annual period beginning on 1st January 2018 :

- IFRS 9 – *Financial Instruments and Related Amendments* (applicable for annual periods beginning on or after 1st of January 2018) ;
- IFRS 15 – *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1st of January 2018) ;
- Clarifications to IFRS 15 – *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after the 1st of January 2018) ;
- Improvements to IFRS (2014-2016) – *Amendments to IFRS 1 and IAS 28* (applicable for annual periods beginning on or after the 1st of January 2018) ;

Standards and interpretations published, but not yet applicable for the annual period beginning on 1st January 2018 :

- IFRS 16 *Leases* (applicable for annual periods beginning on or after the 1st of January 2019) ;
- IFRIC 23 *Accounting for Uncertainties in Income Taxes* (applicable for annual periods beginning on or after the 1st of January 2019 but not yet adopted at European level);
- Amendments to IFRS 10 and IAS 28 *Sales or Contribution of Assets between the Investor and its Interest in Associates or Joint Ventures* (effective date postponed indefinitely, therefore adoption at European level has also been postponed).
- Improvements to IFRS (2015-2017) – *amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (applicable for annual periods beginning on or after the 1st of January 2019 but not yet adopted at European level);
- Amendment to IAS 19 concerning *the amendment, reduction or liquidation of a scheme* (applicable for annual periods beginning on or after the 1st of January 2019, but not yet adopted at European level);
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after the 1st of January 2016 but not yet adopted at European level);
- Amendments to IAS 28 *Long-term investments in associates and joint ventures* (applicable for annual periods beginning on or after the 1st of January 2019 but not yet adopted at European level).

The Group has not early adopted any new standard or interpretation published but not yet applicable. With the exception of IFRS 16 (see the IFRS 2017 annual report), the Group does not expect any significant impact when applying these new standards or interpretations.

Regarding the application of IFRS 15 – Revenue from Contracts with Customers, effective the 1st of January 2018, the Group has chosen to apply the standard retrospectively by recognizing the cumulative effect of the initial application of the standard as an adjustment to the opening balance of retained earnings as at the 1st of January 2018. The application of this standard had no significant impact on the Group's opening balance sheet as at the 1st of January 2018.

About the IFRS 9 – Financial Instruments, effective as of the 1st of January 2018, which replaces IAS 39, the retrospective application of the "classification and measurement of financial instruments" led the Group to reclassify the financial assets available for sale to financial assets carried at fair value through profit or loss (see note 11 in this respect). IFRS 9 had no impact on the valuation of these financial assets or previously designated hedging relationships.

D. Highlignts of the year 2018

A. Regulatory evolution

During the first six months of 2018, numerous discussions took place between the CWaPE and the ORES team in order to present, justify, explain and argue the elements of the 2019-2023 authorized revenue proposals filed on the 29th of December 2017. This constructive dialogue allowed ORES, despite a first refusal by the CWaPE on the 31st of May 2018 essentially for technical reasons, to file less than a month later an adapted version of the authorized income proposals. At the beginning of July, this adapted version received a favorable opinion from the CWaPE which judged it in conformity with its requests. The regulator's Executive Committee approved it on the 28th of August 2018. Given this favorable opinion, ORES withdrew at the end of July 2018 the action for annulment brought before the Liège Court of appeal against the 2019-2023 tariff methodology adopted by the CWaPE on the 17th of July 2017. The 2nd semester of 2018 will be devoted to the preparation of the transposition of these authorized revenues into distribution tariffs and the discussions to be conducted with the regulator for their approval.

B. The fair return on invested capital (REMCI)

The remuneration or fair return on invested capital, to which ORES Assets is entitled for its "Network Management" activity and which constitutes a significant part of the group's profit, amounted at the end of June 2018 to:

- electricity: 29.855 k€ vs 29.111 k€ in June 2017, ie + 2.5%
- gas: € 15.652 k€ vs 15.032 k€ in June 2017, ie + 4.1%.

Compared with the end of June 2017, the average 10-years OLO rate applied to secondary RAB is slightly increasing (0.8311% vs. 0.7664%). As a reminder, one of the parameters taken into account to determine the rate of return applied to the primary RAB is the average OLO 10-years rate of 2013, ie 2.43%.

It should be noted that the elements used to determine REMCI are described in the accounting policies published in the annual report for 2017.

C. Shareholders

On the 1st of January 2018, Chastre, Incourt, Perwez and Villers-la-Ville joined ORES Assets for the management of their electricity distribution networks. From this date, the residents of the four municipalities of Walloon Brabant – so far linked to the association of municipalities PBE – benefit from the distribution tariff already applied by ORES Assets in 22 other municipalities of the Province, which translates concretely for them by a drop of about 22% on the “distribution” part of their bill – an average saving of 7% on their overall bill. The complete transfer of the operation of the electricity network of the four municipalities by ORES is scheduled for the 1st of September 2018. In addition, during the 1st semester of 2018, discussions continued on the takeover of operation of the electricity network and public lighting of the municipalities of Celles, Ellezelles, Comines-Warneton and Mont-de-l'Enclus, currently associated with the association of municipalities Gaselwest.

D. Miscellaneous

The beginning of March 2018 also coincided with the formal signing ceremony of 550 M€ loan agreement between the European Investment Bank (EIB) and ORES. This amount represents nearly 50% of the investments required for the maintenance and modernization of ORES's distribution network for the next five years. A quarter of the sums allocated will be devoted to projects that are favorable to the environment.

Throughout the first semester, ORES's IT and operational teams continued their collaboration in the work related to the creation of "Atrias". As a future federal platform for data exchange in the energy market, Atrias will ultimately serve as a means of communication between energy suppliers and distribution system operators (DSOs) on the one hand, and DSOs and the transmission system operators on the other hand. More centralized, flexible and transparent than current systems, the Atrias platform is a response to the new market and customer needs brought about by changing production and energy consumption patterns.

Moreover, as a major economic player whose activities are essential for the community, ORES has initiated a reflection on its responsibility within the Walloon society. Representatives of the various departments identified the strengths and weaknesses of the company in terms of governance, respect for customers, protection of the environment and human rights, relations and working conditions, loyalty in business practices and finally commitment to the community. The result of this reflection as retranscribed in the first report "CSR", distributed to the shareholders after the General Meetings in June and available on the website.

Throughout the 1st semester of 2018, ORES continued to participate in numerous projects or collaborations related to the protection of the environment. In the context of energy efficiency and more particularly the reduction in public lighting, besides a special focus on the issues of public lighting during the annual "Salon des mandataires" of Marche-en-Famenne, ORES took part to different projects. The first ended on the 1st of March 2018 with the inauguration, by the municipality of Lincent of 325 LED street lights, which corresponds to the renovation of half of the communal public lighting. Lincent is a pioneer in the context of the modernization of the Walloon public lighting park organized by a Walloon Government Decree of November 2017. In the area managed by ORES, some 440,000 lights will gradually switch to LEDs between 2020 and 2030. The second concerns the municipality of Flobecq and the announcement of the test of a public lighting system in which ORES will install, manage on behalf of the municipality and test the efficiency and reliability of two lighting masts autonomous from the network and energy-self-sufficient (via integrated photovoltaic panels and mini wind turbines as well as a storage battery). With regards to sustainable mobility, ORES supports the municipality of Ham-sur-Heure-Nalinnes, which has invested in 17 new natural gas vehicles (CNG), notably via the installation of two small slow charging stations reserved for these vehicles. Finally, we can highlight the encouraging results of ORES's natural gas promotion campaign. During the first six months of the year, 1,740 customers domiciled along the existing distribution network decided to opt for natural gas as heating/cooking energy.

The digitization of the Group's activities has also continued. It is reflected in particular by improving the content and the modes of interaction offered to the customers on the website, with a positive impact on the service. Thus, a new portal for the encoding of the electricity and natural gas consumption indices has been posted on ores.be. More user friendly and easier, it improves the user experience of customers, who can now also encode their index from a smartphone or tablet. Similarly, new didactic contents have been added, such as animations to better understand the electricity bill or on bi-hour meters.

New steps in the transformation in which the Group has committed itself were also completed during the first semester of 2018, with the completion of the transformation plan and the new corporate governance, the latter coming into effect on the 1st of July 2018.

On the 25th of May 2018 came into force the General Data Protection Regulation (GDPR) which provides for the strengthening and unification of the processes for the management and retention of personal data within the European Union. ORES, like any other organization, is concerned by this legislation. Projects were put in place as from 2016 and an action plan was launched in early 2018 to ensure that ORES is in compliance with this regulation, both for clients and staff members.

The 1st semester of 2018 also coincided with important work by the Walloon Parliament on the legal Framework in which the Group operates. Indeed, both the Code of Local Democracy and Decentralization (CLDD) which deals among other with associations of municipalities, and the Walloon decrees relating to the organization of regional markets for electricity and gas were reviewed. The changes made to the CLDD were part of Wallonia's desire to introduce new governance within the associations of municipalities. The statutory amendments relating to these new texts were approved by the General Assemblies of ORES and ORES Assets on the 28th of June 2018. In particular, they set up an Audit Committee within ORES Assets (already existing in ORES scrl), limited the number of directors to 20 (from 30 previously)… The electricity and gas decrees having been adopted later, the necessary adaptations of the bylaws of ORES and ORES Assets will be proposed later for the approval of the General Assemblies. The purpose of the amendments is also to fundamentally reform the structure, governance and role of the Distribution System Operators.

It is also important to note that on the 25th of January 2018, the Walloon Parliament delivered its conclusions following an investigation into the municipalities takeover of Electrabel's shares in the capital of ORES. The analyzes, carried out by the Administration of Local Authorities (DGO5), the Administration of Energy (DGO4), the Walloon Financial Information Unit (CIF) and the Walloon Market Regulator (CWaPE) note that no element does question the regularity of the operation carried out. In charge of judicial inquiry on this subject, the Parquet de Nivelles confirmed these conclusions a few months later by dismissing the file.

Lastly, the General Meetings of ORES scrl and ORES Assets also approved the 2017 financial statements, the payment of dividends from ORES Assets as proposed by the Board of Directors, as well as the new governance reform. Dividends paid to associates for 2017 amounted to 105.5 M€, excluding road taxes.

All figures in the tables below are in thousands of euros.

Note 01 A – Turnover (in k€)

Electricity	30/06/2018	30/06/2017
Transit fees	466.375	458.455
Public service obligation (OSP)	10.858	11.381
Transfer of assets from customers	25.711	24.540
Other	539	617
	503.483	**494.993**

Gas	30/06/2018	30/06/2017
Transit fees	130.235	128.424
Public service obligation (OSP)	5.068	5.405
Transfer of assets from customers	2.437	3.144
	137.740	**136.973**

Not allocated	30/06/2018	30/06/2017
Third party inventory management	3.055	3.014
Construction contracts	4.032	4.821
Third party network management	3	880
	7.090	**8.715**

Total turnover	**648.313**	**640.681**

Performance obligations over time	**619.625**	**612.380**
Performance obligation in a point of time	**28.688**	**28.301**

Transit fees

The amount of electricity transit fees rose at the end of June 2018 (+1.73%) on the one hand linked to the quantities invoiced, an increase of 2.60% compared to 2017, and on the other hand due to the transit fees of the four municipalities formerly managed by the association of municipalities PBE (+3.9 M€ - see above on this subject).

Gas transit fees also increased slightly (+1.8 M€), largely due to the increase in invoiced quantities (+0.64%), although the degree-days[1] listed during winter 2017-2018 are fairly stable compared to the previous winter.

Public services obligations (PSOs)

The decrease in revenue from PSOs in both gas and electricity is mainly due to the decrease in the quantities invoiced at the end of June 2018 (-7.96% in electricity and -14.28% in gas) partially offset by a greater recovery of charges related to the social tariff (difference between the social tariff and the market price) with the regulator.

[1] The degree-days give an image of the average heating needs of a house in Belgium. For a given day, the degree-days used by the natural gas sector in Belgium are equal to the difference between 16.5 ° C and the average temperature measured by the MRI in Uccle.

Third-party network management

As mentioned in the management report on 31 December 2017, the transfer to RESA of all aspects related to the management of the market and of the protected customers of the City of Liège, originally planned for the end of 2016, was finally completed on 29 June 2017. This transfer resulted in the final closing of the takeover by RESA of the technical operation of the electricity networks of the City of Liège and of the legal responsibility that accompanies it.

Note 01 B - Regulatory Balances (in k€)

1. Statement of financial position

	30/06/2018	31/12/2017
Regulatory assets		
Tariff period 2008-2018	63.624	117.483
	63.624	**117.483**
Regulatory liabilities		
Tariff period 2008-2018	(61.969)	(50.099)
	(61.969)	**(50.099)**
Total regulatory balances	**1.655**	**67.384**

2. Statement of comprehensive income

	30/06/2018	30/06/2017
Electricity		
Tariff period 2008-2018	(24.450)	(20.873)
Prepayment 2018 recovered	(4.335)	(4.335)
	(28.785)	**(25.208)**
Gas		
Tariff period 2008-2018	(30.263)	(30.251)
Prepayment 2018 recovered	(6.681)	(5.416)
	(36.944)	**(35.667)**
Total regulatory balances	**(65.729)**	**(60.875)**

The regulatory environment in which the Group operates is described in the accounting policies of the annual report 2017 under 3.A.15.

The regulatory balances at the end of June 2018 resulted in a debit balance of 1.7 M€ (compared with 67.4 M€ at the end of 2017), mainly due to differences between the uncontrollable costs actually incurred during this period and the initial budget assumptions approved by the regulator.

At the end of June 2018, as decided by the CWaPE in its 2017 tariff methodology (approved on the 15th of December 2016 and extended for fiscal year 2018 by decision of 1st December 2017), 20% of the cumulative regulatory balances for the period 2008-2014 will be recovered (in the form of a down payment) in 2017 and 2018. This enabled the recovery of 9.7 M€ in 2018, including 4.3 M€ in electricity and 5.4 M€ in gas.

It should also be noted that in 2018, the CWaPE decided on the calculation of the 2015 and 2016 tariff balances for the gas sectors (the electricity sectors had been revised in 2017) and this generated the non-recovery of uncontrollable costs for an amount of 1.3 M€.

Our regulatory balances decreased sharply as of end June 2018 (-54.7 M€ without recuperation) by 24.4 M€ in electricity and -30.3 M€ in gas, but it is important to note that the calculation of assets and liabilities June 30th is considerably less relevant than the calculation made in December over a full year.

The difference of 18 k€ between the total amount of the above tariff balances (65,729 k€) and the balance entered in the income statement (65,711 k€) comes from the tariff balances resulting from the acquisition of the municipalities formerly affiliated to the association of municipalities PBE.

Note 03 – Cost of sales (in k€)

	30/06/2018	30/06/2017
Goods and supplies		
Energy purchases (OSP - gas and electricity)	16.311	16.265
Network losses (power)	12.535	17.371
Goods	4.079	3.712
	32.925	**37.348**
Grid fees (power)	**184.220**	**181.361**
Road charges	**22.639**	**21.584**
	239.784	**240.293**

Network losses (electricity)

They decreased by 27.84% (-4.8 M€) following a decrease in the quantities purchased at the end of June 2018 compared to the same period last year (-1.9%) combined with a sharp decline purchase price of almost 24% (new public procurement awarded for 2018).

Grid fees

Although the quantities transported decreased (-3.07%), grid fees increased by 2.9 M € (+1.58%) due in part to an increase in ELIA tariffs (+4.57%) and on the other hand, an increase in the cost of surcharges and contributions (+5.38%).

Note 04 - Other Operating expenses (in k€)

	30/06/2018	30/06/2017
Network maintenance charges	3.872	1.647
Third party fees	12.109	13.869
IT consultancy fees	10.099	10.655
Call Center expenses	2.910	2.607
Insurance	1.167	1.167
Vehicles lease	1.049	1.454
Property & optical fiber lease	1.469	2.031
Other lease	3.982	4.575
Vehicles costs	2.916	3.064
Own furniture	3.829	3.605
Others (1)	11.316	10.378
	54.718	**55.052**

(1) Others

The increase in this item (+0.9 M€) is largely due to an increase in Qualiwatt premiums paid in the context of photovoltaic support.

Note 06 - Financial expenses (in k€)

	30/06/2018	30/06/2017
Interest on loans	7.285	5.220
Interests on treasury bills	2.522	3.177
Interests on bonds	11.724	11.724
Other interest expense (IRS & collar)	3.047	5.196
Total interest expense	**24.578**	**25.317**
Unwinding of discounts on provisions	(211)	400
Other financial expenses	149	124
Total financial expenses	**24.516**	**25.841**

As explained in our 2017 annual report, the group continued to restructure its debt by revising certain variable rate loans in order to reduce their interest rate, by paying a re-employment allowance of 2.9 M € (see note 16 on borrowings in this respect).

Among the other interest charges, the decrease observed this year stems in part from the fact that June 2017 was marked by a 1.1 M€ takeover of the « collar » derivative instrument further to its derecognition.

In terms of expenses related to the unwinding of discount of provisions for employee benefits, this year we recorded revenue of 0.2 M€; as the discount rates used were up very slightly at the end of June 2018 compared to December 2017.

Note 09 - Intangible assets (in k€)

	30/06/2018	31/12/2017
Acquisition cost	116.930	100.623
Accumulated amortisation and impairment	(36.134)	(30.896)
	80.796	**69.727**

		Software	Development	Total
Cost				
Opening balance at 1 January	**2017**	**46.300**	**19.013**	**65.313**
Additions		31.114		**31.114**
Additions from internal developments			4.957	**4.957**
Disposals		(761)		**(761)**
Opening balance at 1 January	**2018**	**76.653**	**23.970**	**100.623**
Additions		13.548		**13.548**
Additions from internal developments			2.759	**2.759**
Disposals				**0**
Closing balance	**2018**	**90.201**	**26.729**	**116.930**
Accumulated amortisation and impairment				
Opening balance at 1 January	**2017**	**(15.259)**	**(6.587)**	**(21.846)**
Amortisation expense		(5.702)	(4.109)	**(9.811)**
Disposals		761		**761**
Opening balance at 1 January	**2018**	**(20.200)**	**(10.696)**	**(30.896)**
Amortisation expense		(2.826)	(2.412)	**(5.238)**
Disposals				**0**
Closing balance	**2018**	**(23.026)**	**(13.108)**	**(36.134)**
		67.175	**13.621**	**80.796**

Description of the major intangible assets and the largest movements during the period

Intangible assets acquired or developed in 2018 mainly include the development of the new Atrias platform or development of smart networks and metering (Smart Grid/Smart Metering).

Indeed, technological developments in the field of network management, smart metering and other developments highlight the fact that significant research and development costs are generated and it is likely that they cover periods longer than what was observed in the past. In this context, since 2012, the Group has therefore opted to proceed with the activation of specific expenses related to development activities.

Intangible assets are depreciated over a 5-year straight-line prorata temporis period.

Note 10 - Property, plant and equipment (in k€)

	30/06/2018	31/12/2017
Acquisition cost	6.452.079	6.268.691
Accumulated depreciation and impairment	(2.539.128)	(2.448.821)
	3.912.951	**3.819.870**
Land & Buildings	98.170	93.422
Distribution network	3.780.857	3.691.473
Equipment	33.271	34.309
Other	653	666
	3.912.951	**3.819.870**

		Land & Buildings	Distribution network	Equipment	Other	Total
Cost						
Balance at 1 January	**2017**	**128.446**	**5.779.027**	**143.995**	**2.453**	**6.053.921**
Additions		6.970	244.435	9.269		**260.674**
Disposals		(3.002)	(40.383)	(2.519)		**(45.904)**
Balance at 1 January	**2018**	**132.414**	**5.983.079**	**150.745**	**2.453**	**6.268.691**
Additions		5.116	127.831	2.403		**135.350**
Additions through the contribution from PBE		1.265	47.144	38		**48.447**
Disposals		(3)		(406)		**(409)**
Closing balance	**2018**	**138.792**	**6.158.054**	**152.780**	**2.453**	**6.452.079**

Accumulated depreciation and impairment

		Land & Buildings	Distribution network	Equipment	Other	Total
Balance at 1 January	**2017**	**(38.062)**	**(2.193.147)**	**(112.522)**	**(1.762)**	**(2.345.493)**
Depreciation expense		(2.170)	(138.885)	(6.377)	(25)	**(147.457)**
Disposals		1.240	40.426	2.463		**44.129**
Balance at 1 January	**2018**	**(38.992)**	**(2.291.606)**	**(116.436)**	**(1.787)**	**(2.448.821)**
Depreciation expense		(1.113)	(67.242)	(3.467)	(13)	**(71.835)**
Depreciation through the contribution from PBE		(517)	(18.349)	(10)		**(18.876)**
Other				404		**404**
Closing balance	**2018**	**(40.622)**	**(2.377.197)**	**(119.509)**	**(1.800)**	**(2.539.128)**

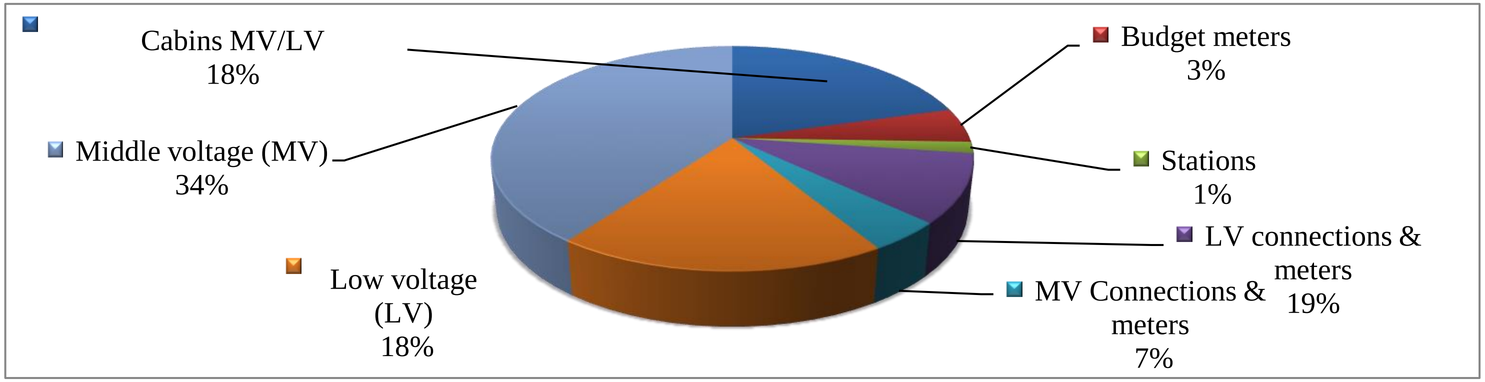
	Land & Buildings	Distribution network	Equipment	Other	Total
Carried at cost	**98.170**	**3.780.857**	**33.271**	**653**	**3.912.951**
Carried at revalued cost					

Description of the main property, plant and equipment and the main movements during the year

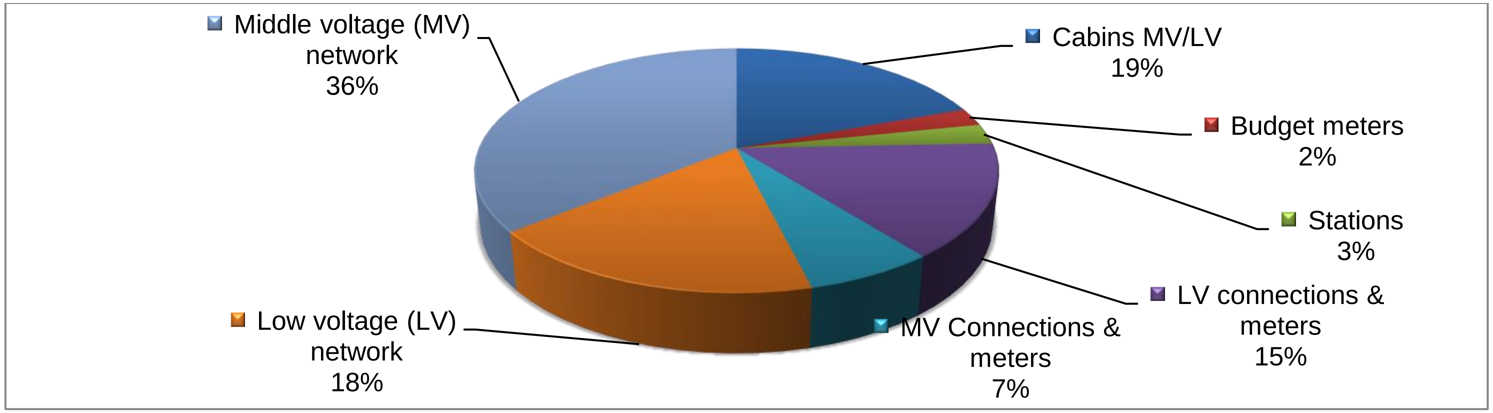
The investment of this year as well as those of 2017 are mainly related to our gas and electricity distribution network for an amount of 128 M€ (excluding PBE takeover) on total investments of 135 M€ (identical to end of June 2017). They are composed :

- Electricity: 54% equipment replacement and 46% network extension and new cabin installations for a total amount of 83 M€ (92.4 M€ at the end of June 2017)

Year 2018



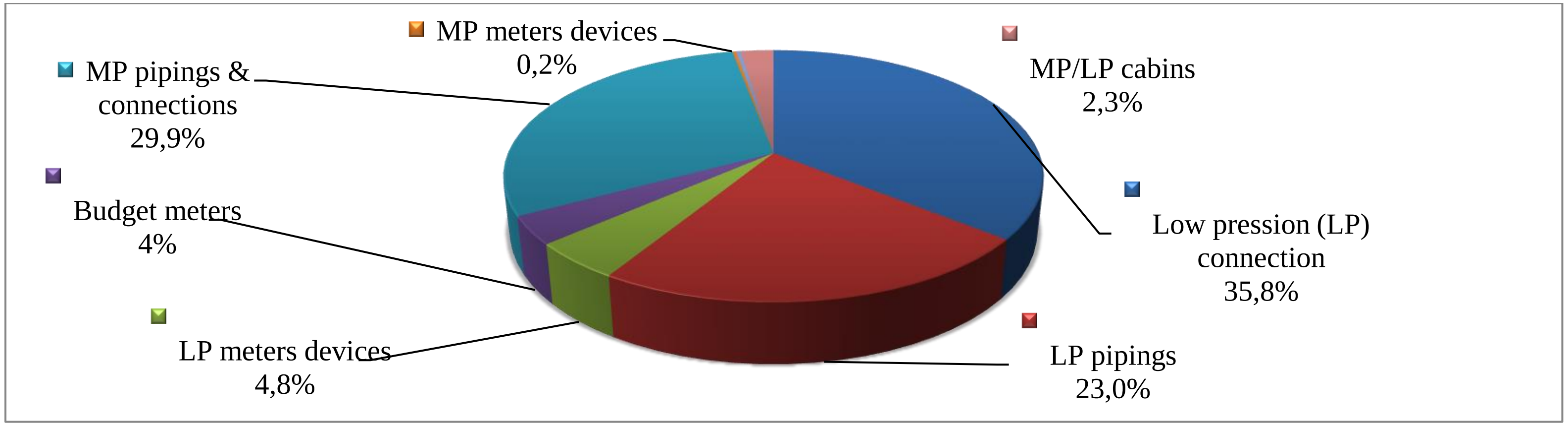
Year 2017



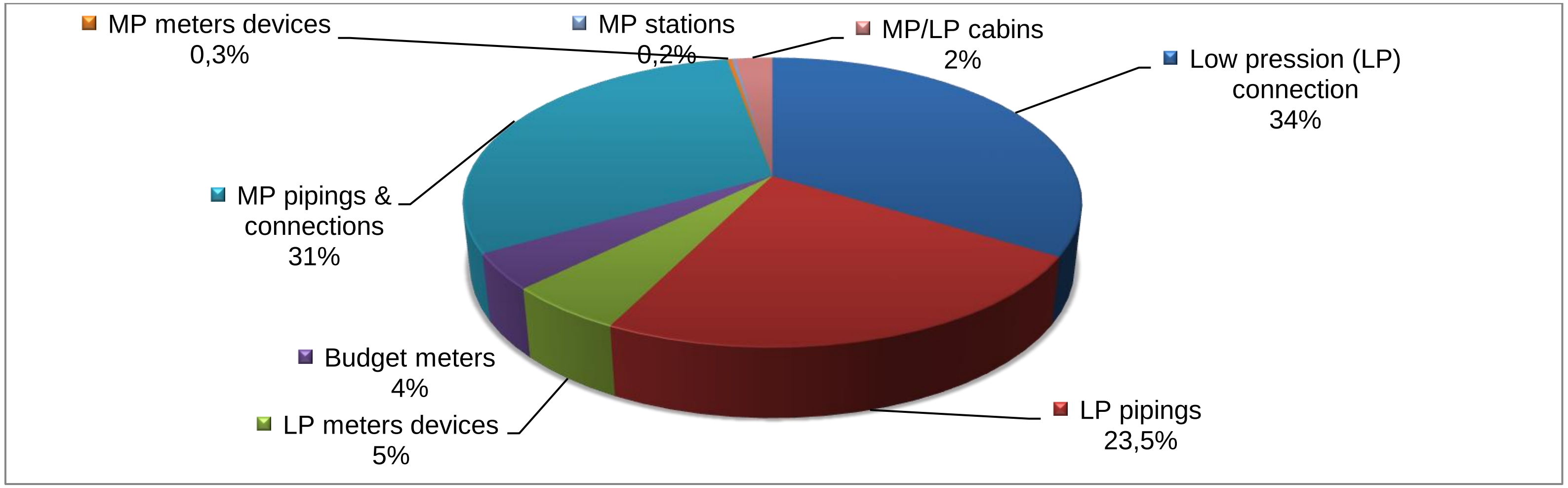
As mentioned in the preliminary note above, four municipalities affiliated to the association of municipalities PBE were taken over on the 1st of January 2018 by the ORES Group and they became a shareholder of ORES Assets on 1st of January 2018. The net amount of the fixed assets acquired by ORES Assets via this operation is 29.6 M€.

- Regarding gas investment, 51% was devoted to sanitation works and 49% to network extension for a total amount of 44.9 M€ (37.8 M€ at the end of June 2017).

Year 2018



Year 2017



Note 11 - Financial assets (in k€)

	Non-current		Current	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Financial assets measured at fair value through profit or loss				
Unlisted equity instruments	841	841		
Listed equity instruments - Sicav's and options			8.719	7.354
Listed equity instruments – Collar instrument	1.096	1.518		
	1.937	**2.359**	**8.719**	**7.354**
Loans and receivables				
Trade receivables			209.866	184.138
Other receivables	11.902	9.634	4.241	53.298
	11.902	**9.634**	**214.107**	**237.436**
	13.839	**11.993**	**222.826**	**244.790**

With respect to the « collar » derivative instrument, please refer to note 28 for detailed information.

Following the application of IFRS 9 and its entry into force on 1st of January 2018, the amount of unlisted equity instruments has been reclassified from “available-for-sale financial assets” to “financial assets carried at fair value through the income statement” for an amount of 0.8 M€.

Fair value

The fair value of trade receivables is presumed equal to their carrying value.

Note 12 - Trade, other receivables and current tax assets (in k€)

	Non-current		Current	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Trade receivables				
Distribution			175.219	148.057
Public service obligation (PSO)			61.728	49.056
Other			15.843	27.502
Write downs on trade receivables			(42.924)	(40.477)
	0	**0**	**209.866**	**184.138**
Other receivables				
Interim dividend			0	47.241
VAT			16	1.090
Public service obligation (PSO)	4.568	2.299	0	0
Other	7.334	7.335	5.968	6.693
Write downs on other receivables			(1.742)	(1.726)
	11.902	**9.634**	**4.242**	**53.298**
Current tax assets			17.072	78
	0	**0**	**17.072**	**78**
	11.902	**9.634**	**231.180**	**237.514**

With respect to the trade receivables, the increase (+25.7 M€) is mainly due to the receivables related to transit fees, which increased as of end June 2018 (+27.2 M€), justified by more significant open receivable balances not yet due (see hereafter).

With respect to other receivables, the decrease (-49.1 M€) is mainly due to the payment in June 2018 of the balance of the dividends approved by the shareholders' meeting of June, and the related withholding tax.

With respect to the current tax assets, those are mainly made of prepayments of income taxes during the first half of 2018.

In order to be consistent with the way in which impairments are calculated within the Group, we have modified our presentation of loans and receivables that are not impaired and those that are. The steps below correspond to those used to calculate our impairments. In order to be comparable with 2017, we have also modified the presentation of the year 2017.

The total amount of receivables that are not written off mainly consists of receivables related to distribution fees since no impairment is applied to these receivables, as their default is virtually non-existent.

Loans and receivables not impaired

	Trade receivables		Other receivables & current tax assets	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Not yet due	178.065	145.917	30.665	60.394
Up to 90 days	4.036	8.099	833	914
91 to 180 days	608	613	271	361
181 to 270 days	255	100	414	458
271 to 360 days	99	144	267	211
361 to 720 days	231	1.914	840	705
> 720 days	423	263	35	47
	183.717	**157.050**	**33.325**	**63.090**

Movement in the impairment provision

	30/06/2018	31/12/2017	30/06/2018	31/12/2017
At 1 January	40.477	34.859	1.726	2.008
Impairment write downs	3.528	6.501	337	478
From PBE	57		2	
Reversal of write downs	(1.138)	(883)	(323)	(760)
At closing balance	**42.924**	**40.477**	**1.742**	**1.726**

Provisions for impairment losses

	30/06/2018	31/12/2017
Statement of financial position	(44.666)	(42.203)
Statement of comprehensive income	(5.480)	(10.495)

As mentioned in our 2017 annual report, the new rules put in place at the end of 2015 stabilized our impairments. In fact, despite the increase in our commercial receivables, the level of our impairments remains stable because this growth is mainly due to recent billings or estimates (RTNR) as indicated above.

Loans and receivables which are impaired

	Trade receivables		Other receivables & current tax assets	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Not yet due	266			
Up to 90 days	351			
91 to 180 days	4.668	3.928		
181 to 270 days	4.118	4.909		
271 to 360 days	3.429	4.733		
361 to 720 days	15.249	15.107		
> 720 days	40.992	38.888	1.633	1.646
	69.073	**67.565**	**1.633**	**1.646**

Note 14 - Cash and cash equivalents (in k€)

Cash and cash equivalents include the following for the purpose of the cash flow statement :

	30/06/2018	31/12/2017
Cash at bank and in hand	14.267	54.912
Short-term bank deposits	115.350	138.000
	129.617	**192.912**

The Group's cash position decreased in 2018 (-63.3 M€) compared to 2017 due to the fact that the Group used its available cash to finance, among other things, the new investments of the year and the takeover of the four municipalities formerly affiliated to PBE.

Indeed, in 2017, as a reminder, several new loans were concluded with BNP Paribas (190 M€), ING (70 M€) and the European Investment Bank (150 M€) in order to face the investments to be made in the coming years (see note 16 in this respect).

This is also reflected in the term investments on bank accounts, which at the end of June 2018 represented a total amount of 115 M€, made in accordance with the decisions of the Board of Directors to implement a prudent policy in this context.

For a detailed analysis of cash flow, we refer the reader to the consolidated cash flow statement.

Note 16 – Borrowings (in k€)

	Carrying amount		Fair value		
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	Hierarchical level
Unsecured - Non-current					
Bank loans	1.245.448	1.245.448	1.254.734	1.239.662	Level 2
Treasury bills - private investment	80.000	130.750	91.660	144.187	Level 2
Bonds	627.052	626.758	787.784	799.506	Level 2
Others	4.486	4.486	4.239	4.166	Level 2
	1.956.986	**2.007.442**	**2.138.417**	**2.187.521**	
Unsecured - Current					
Bank loans	92.533	94.734	92.533	94.734	Level 2
Treasury bills	56.994	144.975	56.994	144.975	Level 2
Treasury bills - private investment	52.527	3.212	52.527	3.212	Level 2
Bonds	15.762	10.182	15.762	10.182	Level 2
Others	371	410	371	410	Level 2
	218.187	**253.513**	**218.187**	**253.513**	
Total financial liabilities	**2.175.173**	**2.260.955**	**2.356.604**	**2.441.034**	
Of which : current	218.187	253.513	218.187	253.513	
Of which : non-current	1.956.986	2.007.442	2.138.417	2.187.521	

At the end of June 2018, our borrowings were stable because no new contract was concluded during the first half of 2018, the Group having mainly used the cash position created at the end of 2017 to meet its commitments in 2018 (see note 14 in this respect).

A portion of commercial paper, in the form of private placements, maturing in March 2019 was reclassified to current liabilities for a nominal amount of 50.8 M€.

The Group also repaid a portion of short-term commercial paper worth 112 M€ which expired in March 2018 and subscribed for new short-term commercial paper for a total amount of 24 M€ and a maximum duration of 6 months.

Glossary of terms used in the segmentation of loans :

Fixed adjustable rate : borrowing whose rate is fixed for a period longer than a year and within the period of debt repayment. After this period, the rate is revised depending on market evolution.

Hedged floating rate : floating rate borrowing hedged by a hedging instrument (IRS or CAP).

Description of the methods used to determine the fair value

Fixed rate financing : at the end of the reporting period, sum of the future discounted cash flows with capital and interests calculated based on market rates (including the bonds among others) at the end of the reporting period.

Adjustable fixed rate financing : at the end of the reporting period, the sum of the discounted future cash flows with capital and interests calculated based on market rates at the end of the reporting period.

Floating rate financing : fair value is presumed equal to the carrying amount at the end of the reporting period.

Treasury bills : the fair value is presumed equal to the carrying amount at the end of the reporting period.

Repayments are scheduled as follows (by term and type of interest rate)

30/06/2018	Fixed rate	Adjustable fixed rate	Floating Rate	Hedged floating rate	TOTAL
Within one year	148.106	3.537	5.938	60.607	**218.188**
>1 and <3 years	153.435	7.074	16.572	187.065	**364.146**
>3 and <5 years	430.032	7.074	10.658	110.708	**558.472**
>5 and <15 years	227.163	3.983	17.705	456.703	**705.554**
>15 years	328.813				**328.813**
	1.287.549	**21.668**	**50.873**	**815.083**	**2.175.173**

31/12/2017	Fixed rate	Adjustable fixed rate	Floating Rate	Hedged floating rate	TOTAL
Within one year	183.431	3.537	5.938	60.607	**253.513**
>1 and <3 years	203.460	7.074	16.572	187.065	**414.171**
>3 and <5 years	429.763	7.074	10.658	110.708	**558.203**
>5 and <15 years	227.888	3.983	17.705	456.703	**706.279**
>15 years	328.789				**328.789**
	1.373.331	**21.668**	**50.873**	**815.083**	**2.260.955**

Repayments are scheduled as follows (by term and nature of loan)

30/06/2018	Short-term treasury bills	Bank loans	Treasury bills - private investments	Bond	Others	Total
Within one year	56.994	92.533	52.527	15.762	371	**218.187**
>1 and <3 years		283.403	80.000		743	**364.146**
>3 and <5 years		209.490		348.239	743	**558.472**
>5 and <15 years		702.555			3.000	**705.555**
>15 years		50.000		278.813		**328.813**
	56.994	**1.337.981**	**132.527**	**642.814**	**4.857**	**2.175.173**

31/12/2017	Short-term treasury bills	Bank loans	Treasury bills - private investments	Bond	Others	Total
Within one year	144.975	94.734	3.212	10.182	410	**253.513**
>1 and <3 years		282.678	130.750		743	**414.171**
>3 and <5 years		209.490		347.969	743	**558.202**
>5 and <15 years		703.280			3.000	**706.280**
>15 years		50.000		278.789		**328.789**
	144.975	**1.340.182**	**133.962**	**636.940**	**4.896**	**2.260.955**

All borrowings are denominated in euro.

Undrawn borrowing facilities

One of the two lines of credit of 50 M€ each existing within the ORES group at the end of 2017 was abolished and the other was renewed until the end of March 2019.

Note 18 - Other payables & other liabilities (in k€)

	Carrying amount 30/06/2018	Carrying amount 31/12/2017
Social security and other tax payables	22.232	15.632
Short-term employee benefits & accruals	59.299	33.436
Accrued charges	770	608
Deferred income	335	75
Derivatives - IRS	8.700	9.986
Others	9.143	7.336
	100.479	**67.073**
Of which : non-current	8.732	10.013
Of which : current	91.747	57.060

The substantial increase in short-term employee benefits and related accruals (+25.9 M€) is explained by the fact that accruals relating to bonuses, premiums and holiday pay are extinguished only when they are used during the second half year, or at the end of the year at the time of payment.

As for the increase in the line "others" by nearly 1.8 M€, this is largely due to the balance still to be paid related to the takeover operation of the four municipalities of PBE.

Please refer to note 28 for an analysis of changes in the fair value of swaps.

Note 20 - Employee benefits – general (in k€)

Statement of financial position

	30/06/2018	31/12/2017
Non-current		
Pension benefits – funded plans	(201.290)	(211.793)
Pension benefits – unfunded plans	14.124	14.083
Other post-employment benefits	99.664	99.337
Other long-term benefits	31.735	32.758
	(55.767)	**(65.615)**
Effect of the assets ceiling	173.594	168.383
	117.827	**102.768**
Current		
Short-term employee benefits	59.299	33.436
	59.299	**33.436**
	177.126	**136.204**

A description of employee benefits is included in the accounting policies of the IFRS 2017 Annual Report (see point 3.A.11).

The significant increase in short-term employee benefits (+25.9 M€) is explained in note 18 above.

At the end of June 2018, except for the discount rate, no assumptions have changed to estimate employee benefits.

Note 21 - Employee benefits - defined benefit plans (in k€)

Statement of financial position

	30/06/2018	31/12/2017
Present value of the defined benefit obligations/funded plans	313.628	315.071
Plan assets	(514.918)	(526.864)
Deficit / (surplus)	**(201.290)**	**(211.793)**
Present value of the other-long term benefits/funded plans	41.887	42.978
Plan assets of the other long-term benefits	(10.152)	(10.220)
Deficit / (surplus)	**31.735**	**32.758**
Present value of the defined benefit obligations/unfunded plan	113.788	113.420
Effect of the asset ceiling	173.594	168.383
Net liability arising from defined benefit obligation	**117.827**	**102.768**
Reimbursement rights	**(1.549)**	**(1.674)**

For a detailed description of the various pension plans existing within the Group, please refer to the note 21 of the 2017 IFRS annual report.

As of the 30th of June 2018, the discount rates applied to our various pension plans are all slightly higher:

- 1.27% (compared to 1.18% at the end of 2017) for DB plans (Elgabel and Pensiobel) and post-employment benefits with an estimated duration of 10 years ;
- 1.71% (compared to 1.66% at the end of 2017) for the former DC plans (Powerbel and Enerbel) whose duration is estimated at 19 years;
- 1.68% (compared to 1.63%) for the tariff and health benefits whose duration estimate is 18 years.

As a result, the provisions related to these different plans all slightly decreased; this decrease was fully offset in part by the change in the asset ceiling (+5.2 M€) but also by the decline in our plan assets. Indeed, the actual returns of our plan assets were lower than those estimated at the end of December 2017, generating a actual return on plan assets of -8.6 M€ (compared to +14.8 M€ at the end of June 2017) of which -11.8 M€ recorded in OCI (see below).

Statement of comprehensive income

	30/06/2018	30/06/2017
Service cost		
Current service cost	7.420	5.901
	7.420	**5.901**
Net interest on the net defined benefit liability/(asset)		
Interest cost on the defined benefit obligation	2.880	2.947
Interest income on plan assets	(3.185)	(2.270)
	(305)	**677**
Defined benefit cost recognized in profit or loss	**7.115**	**6.578**

Remeasurements of net defined benefit liability/(asset) recognised in other comprehensive income (OCI)

	30/06/2018	30/06/2017
Actuarial (gains)/losses on defined benefit obligation arising from :		
i) changes in demographic assumptions		
ii) changes in financial assumptions	(3.434)	(2.691)
iii) experience adjustments		
iv) subtotal	***(3.434)***	***(2.691)***
i) Return on plan assets excluding interest income on plan assets	11.783	(12.488)
ii) changes in financial assumptions		
iii) change in the effect of the asset ceiling excluding interest on this effect	5.211	10.699
iv) subtotal	**16.994**	**(1.789)**
	13.560	**(4.480)**
(Revenues)/Expenses on Defined benefit plans	**20.675**	**2.098**

Movements in the present value of the defined benefit obligation were as follows :

	30/06/2018	30/06/2017
Opening balance	**428.491**	**411.632**
Current service cost	6.731	5.901
Interest cost	2.880	2.947
Contributions from plan participants	689	692
Actuarial (gains)/losses arising from :		
i) changes in demographic assumptions		
ii) changes in financial assumptions	(3.434)	(2.691)
iii) experience adjustments		
Past service cost		
Benefits paid	(7.941)	(7.245)
Closing balance	**427.416**	**411.236**

Movements in the fair value of the plan assets were as as follows :

	30/06/2018	30/06/2017
Opening balance	**526.865**	**467.548**
Interest income on plan assets	3.185	2.270
Return on plan assets excluding interest income on plan assets	(11.783)	12.488
Contributions from employer	3.903	7.358
Contributions from plan participants	689	692
Benefits paid	(7.941)	(7.245)
Closing balance	**514.918**	**483.111**

	30/06/2018	30/06/2017
Actual return on plan assets	(8.598)	14.758

Note 23 – Taxes (in k€)

1. Taxes recognized in the income statement :

	30/06/2018	30/06/2017
Current income tax expense in respect of the period	28.519	28.585
Adjustments recognised in the current period in relation to the current tax of prior years	(5)	0
Tax payable on interests received	9	0
Current tax expense	**28.523**	**28.585**
Deferred tax expense (income) relating to origination and reversal of temporary differences	7.380	9.689
Deferred tax expense (income)	**7.380**	**9.689**
Total tax in the income statement	**35.903**	**38.274**

2. The reconciliation of the effective tax rate with the theoretical tax rate should be summarized below :

	30/06/2018	30/06/2017
Result before taxes	110.203	122.261
Tax rate applicable in Belgium	29,58%	33,99%
Theoretical tax	**32.598**	**41.557**
Adjustments:		
Taxes on non-deductible expenses	2.338	2.492
Use of Notional interests	(54)	(1.476)
Expense arising from the recognition or the reversal of previous temporary differences	1.017	
Income arising from the recognition or the reversal of previous temporary differences		(4.299)
Tax payable on interests received	9	0
	3.310	**(3.283)**
Adjustments recognised on the current period in relation to the current tax of prior years	(5)	0
Total tax during the period	**35.903**	**38.274**
Average effective rate	*32,58%*	*31,30%*

3. Income taxes recognised in other comprehensive income should be detailed below :

	30/06/2018	30/06/2017
Charge (Profit) on fair value of hedging instruments entered into for cash flow hedges	321	1.639
Charge (Profit) on DB pension plans deferred tax expense (income)	(3.390)	1.523
Total income tax in other comprehensive income	**(3.069)**	**3.162**

As announced in the IFRS 2017 annual report, following the adoption of the tax reform law of the 25th of December 2017 (published in the Belgian State Gazette on the 29th of December 2017), the tax rate was changed to 29.58% for the years 2018 and 2019 and 25% from the year 2020.

This reform also changed the method for calculating notional interest, causing a smaller deduction for the group of 1.4 M€ at the end of June 2018.

Regarding other comprehensive income, the favorable valuation of the fair value of the swaps led to a decrease in the deferred tax asset recognized in June 2018, generating a deferred tax expense of 0.3 M€ (see note 28). On the other hand, the actuarial gains and losses related to employee benefits this year are unfavorable to the Group (see note 21) and resulted in the recognition of a deferred income tax profit of 3.4 M€.

Note 24 - Deferred taxes (in k€)

1. Overview of deferred tax assets and liabilities by type of temporary difference

	Assets		Liabilities		Net	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Intangible assets			(3.383)	(2.542)	(3.383)	(2.542)
Property, plant and equipment			(80.256)	(73.059)	(80.256)	(73.059)
Property, plant and equipment - revaluation			(207.797)	(208.795)	(207.797)	(208.795)
Other non-current assets			(274)	(379)	(274)	(379)
Other current assets	12.357	13.193			12.357	13.193
Provisions for employee benefits	29.457	25.692			29.457	25.692
Borrowings			(429)	(233)	(429)	(233)
Other provisions			(34)	(34)	(34)	(34)
Other non-current liabilities	2.175	2.496			2.175	2.496
Other current liabilities			(2.144)	(2.356)	(2.144)	(2.356)
Total temporary differences	**43.989**	**41.381**	**(294.317)**	**(287.398)**	**(250.328)**	**(246.017)**
Deferred tax assets/(liabilities)	**43.989**	**41.381**	**(294.317)**	**(287.398)**	**(250.328)**	**(246.017)**
Offsetting of tax[1]	**(43.989)**	**(41.381)**	**43.989**	**41.381**	**0**	**0**
Total net	**0**	**0**	**(250.328)**	**(246.017)**	**(250.328)**	**(246.017)**

(1) As prescribed by IAS 12 – Income Taxes, deferred tax assets and liabilities must be offset under certain conditions if they relate to income taxes due to the same tax authority.

2. Movement of deferred tax balances

	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Recognised directly in equity	Closing balance
Temporary differences					
Intangible assets	(2.542)	(841)			(3.383)
Property, plant and equipment	(73.059)	(7.197)			(80.256)
Property, plant and equipment - revaluation	(208.795)	998			(207.797)
Other non-current assets	(379)	105			(274)
Other current assets	13.193	(836)			12.357
Provisions for employee benefits	25.692	375	3.390		29.457
Other provisions	(34)				(34)
Other non-current liabilities	2.496		(321)		2.175
Borrowings	(233)	(196)			(429)
Other current liabilities	(2.356)	212			(2.144)
Total temporary differences	**(246.017)**	**(7.380)**	**3.069**	**0**	**(250.328)**
Tax credits and tax losses carried forward					
Tax credits					**0**
Tax losses carried forward					**0**
Total tax credits and tax losses carried forward	**0**	**0**	**0**	**0**	**0**
Total net	**(246.017)**	**(7.380)**	**3.069**	**0**	**(250.328)**

3. Recognized in the consolidated statement of financial position as follows

	30/06/2018	31/12/2017
Deferred tax assets		
Deferred tax liabilities	(250.328)	(246.017)
	(250.328)	**(246.017)**

Note 28 - Derivative instruments (in k€)

Overview of derivative instruments

	Postive fair values	
	30/06/2018	**31/12/2017**
Derivative instruments not used in cash flow hedges		
CAP	1.096	1.518
	1.096	**1.518**
Of which : non-current	1.096	1.518
Of which : current		

	Negative fair values	
	30/06/2018	**31/12/2017**
Derivative instruments used in cash flow hedges		
Collar		
Interest rate swaps	8.700	9.986
	8.700	**9.986**
Of which : non-current	8.700	9.986
Of which : current		

As the short-term rates remained fairly stable during the first semester of 2018, the main explanation for the positive change in the fair value of swaps (+1.3 M€) is that the lower negative fair value of those in the portfolio at the end of June 2018 compared to 2017 because their maturity is approaching and a half-year of additional interest was expensed in this year (2.3 M€). As a result, the replacement indemnity that the Group would have to pay to exit swap agreements is lower compared to the 31th of December 2017, generating the gain recorded on the 30th of June 2018.

Note 31 - Financial risks management (in k€)

1. Credit Risk

No changes were made in the way to deal with credit risk during the first half of 2018.

Maximum exposure to credit risk :

	30/06/2018	31/12/2017
Derivatives financial assets	1.096	1.518
Trade and other receivables	214.108	237.436
Unlisted equity instruments	841	841
Cash and cash equivalent	129.617	192.912
	345.662	**432.707**

2. Liquidity risk

The liquidity risk is the risk that an entity faces difficulties to fulfil its obligations related to financial instruments.

The liquidity risk is related to the Group's necessity to obtain the external funding it needs to realize its investments program and to re-finance its existing financial debts amongst other things.

The financial policy aims to cover the financial needs of the year and to maintain a cash surplus position. The liquidity risk is limited by this last point and by the diversification of financing sources.

ORES has short-term financing capacity through its treasury bills program, European investment bank's loan and the lines of credit reducing its amount to 50 M€ in march 2018. We can consider that the liquidity risk is almost zero.

Cash management helps to limit market risk, wealth structure and liquidity risk. The Board of Directors has set up a cautious investment policy, based on diversification and the use of products with limited credit and interest rate risk. ORES is attentive to the problem of negative rates in the management of its cash flow. Finally, it should be noted that the tariff methodology provides that all costs related to the financing policy are covered by the regulatory budget (methodology 2017 and 2018).

Regarding the upholding of cash surplus, the Group's cash position amounts to 129.6 M€ on 30 June 2018 (year-end 2017: 192.9 M€) - See note 14. The breakdown of credit lines contracted by the Group can be found in note 16 of the 2017 IFRS annual report.

Maturity analysis (based on undiscounted future financial flows)

30/06/2018	Carrying amount	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Derivative financial asset	1.096				1.096			**1.096**
Trade and other receivables	214.108	214.108						**214.108**
Unlisted equity instruments	841						841	**841**
Cash and cash equivalent	129.617	129.617						**129.617**
Total Asset	**345.662**	**343.725**	**0**	**0**	**1.096**	**0**	**841**	**345.662**
Derivative financial liabilities	8.451	5.009	4.144	(229)				**8.924**
Borrowings	2.175.173	235.422	429.957	602.406	837.320	434.614		**2.539.719**
Trade and other payables	189.838	189.838						**189.838**
Total Liability	**2.373.462**	**430.269**	**434.101**	**602.177**	**837.320**	**434.614**	**0**	**2.738.481**
Liquidity risk total	**(2.027.800)**	**(86.544)**	**(434.101)**	**(602.177)**	**(836.224)**	**(434.614)**	**841**	**(2.392.819)**

31/12/2017	Carrying amount	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Derivative financial assets	1.518					1.513		**1.513**
Trade and other receivables	237.436	237.436						**237.436**
Unlisted equity instruments	841						841	**841**
Cash and cash equivalent	192.912	192.912						**192.912**
Total Asset	**432.707**	**430.348**	**0**	**0**	**0**	**1.513**	**841**	**432.702**
Derivative financial liabilities	9.986	5.218	5.660	(257)	(1.395)			**9.226**
Borrowings	2.260.955	276.576	485.914	611.595	844.199	439.379		**2.657.663**
Trade and other payables	213.580	213.580						**213.580**
Total Liability	**2.484.521**	**495.374**	**491.574**	**611.338**	**842.804**	**439.379**	**0**	**2.880.469**
Liquidity risk total	**(2.051.814)**	**(65.026)**	**(491.574)**	**(611.338)**	**(841.291)**	**(439.379)**	**841**	**(2.447.767)**

3. Market risk

Interest rate risk

No changes were made in the way to deal with interest rate risk during the first half of 2018.

Sensitivity analysis

Methods and assumptions used in the preparation of the sensitivity analysis

The interest rate to use before any change in margin is calculated as follows :

We use the latest rate that prevails on the last working day of the period (30/06) and we calculate the average for the Euribor rates (Euribor 1, 3, 6, 12 months) and for the IRS (for a period of 1 to 30 years). At 30 June 2018, the average Euribor rate is -0.29% (-0.29% in 2017) and the average rate on IRS is 0.66% (0.67% in 2017).

Based on these averages, we recalculate the financial flows as at 01/01/N+1.

Then we simulate the impact of an increase of 50 basis points of the rate calculated above. We do the same by simulating the impact of a decrease of 50 basis points in the yield curve calculated above.

The impact in each column is measured at 2 levels:

1. Impact on result before tax (for all instruments): this column represents the difference between the simulated financial charges compared to the financial charges calculated based on the average rate at the end of the reporting period (positive = gain; negative = loss).
2. On equity : this column represents the difference between the book value calculated at the end of the reporting period based on the average rate compared to the simulated book value (outstanding capital or market value – positive = gain; negative = loss).

	+ 50 basis points		**- 50 basis points**	
30/06/2018	**Impact on profit before tax**	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
Debt	(1.553)		1.120	
IRS	314	(3.348)	(227)	(14.486)
	(1.239)	**(3.348)**	**893**	**(14.486)**
31/12/2017				
Debt	(4.679)		2.615	
IRS	1.250	(7.129)	(829)	(21.144)
	(3.429)	**(7.129)**	**1.786**	**(21.144)**

A 50 basis point increase would reduce our pre-tax profit by 1.2 M€ and our equity by 3.3 M€. While a decrease of 50 basis points would increase our profit by 0.9 M€ but would have a negative impact of 14.5 M€ on our equity mainly due to the new swaps contracted at the beginning of 2017.

4.Capital risk management

No changes were made in this respect during the first half of 2018, except for the amendments to the bylaws referred to in the preliminary note to this half-year report.

3. INDEPENDENT AUDITOR'S REPORT

RSM

ORES ASSETS SCRL

REPORT OF THE STATUTORY AUDITOR ON REVIEW OF INTERIM FINANCIAL INFORMATION AS OF JUNE 30, 2018

We have reviewed the accompanying balance sheet of ORES ASSETS as of June 30, 2018 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The reviewed interim financial information shows a total balance sheet of 4.504.535 (000) EUR and a result for the period of 74.300 (000) EUR.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of ORES ASSETS as of June 30, 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Gosselies, the 25th October 2018,

RSM INTERAUDIT SCRL
AUDITOR
REPRESENTED BY

THIERRY LEJUSTE