GROUP ORES

IFRS Condensed Consolidated Interim Financial Statements on 30 June 2016

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1. IFRS CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1.1. Consolidated Income Statement

In Thousands EUR	NOTE	30/06/2016	30/06/2015	DIFFERENCE
Turnover	01 - A	648.057	597.049	51.008
Regulated balances	01 - B	(70.665)	(26.281)	(44.384)
Other operating income		15.306	15.440	(135)
Operating income		**592.697**	**586.209**	**6.488**
Purchase of goods	03	(36.953)	(37.593)	640
Grid fees	03	(177.954)	(179.165)	1.211
Road charges	03	(21.628)	(20.950)	(678)
Employee Benefits	20-22	(82.513)	(92.902)	10.389
Write down of trade receivables	12	(5.174)	(15.259)	10.085
Other operating expenses		(65.795)	(58.346)	(7.449)
Operating expenses		**(390.017)**	**(404.215)**	**14.198**
Operating result before depreciation and amortization		**202.680**	**181.994**	**20.686**
Depreciation and impairment on (in)tangible assets	09-10	(71.390)	(66.561)	(4.830)
Operating result		**131.290**	**115.433**	**15.857**
Financial Income		300	1.337	(1.038)
Financial Expenses	06	(32.897)	(33.054)	156
Financial result		**(32.598)**	**(31.716)**	**(881)**
Share of the result of associates		0	0	0
Result before taxes		**98.692**	**83.717**	**14.975**
Taxes	24-A	(39.021)	(35.195)	(3.826)
Result for the period		**59.671**	**48.522**	**11.149**
Result of the period attributable to owners of the company		**59.671**	**48.522**	**11.149**
Result of the period attributable to non-controlling interests		**0**	**0**	**0**

1.2. Consolidated Statement of Other Comprehensive Income

In Thousands EUR	NOTE	30/06/2016	30/06/2015	DIFFERENCE
Result for the period		**59.671**	**48.522**	**11.149**
Other comprehensive income				
Recyclable in the profit and loss account		**1.726**	**5.732**	**(4.007)**
Change in fair value of cash flow hedges	28	2.614	8.684	(6.070)
Taxes on items that are or may be reclassified to profit and loss account	24-B	(889)	(2.952)	2.063
Non-recyclable in the profit and loss account		**(3.530)**	**20.292**	**(23.822)**
Actuarial gains and losses on defined benefit plans	22	(5.347)	30.741	(36.088)
Taxes on items that will not be reclassified to profit and loss account	24-B	1.817	(10.449)	12.266
Other comprehensive income of the continued activities - Net		**(1.804)**	**26.025**	**(27.828)**
Other comprehensive income - Net		**(1.804)**	**26.025**	**(27.828)**
Other comprehensive income attributable to owners of the company		**(1.804)**	**26.025**	**(27.828)**
Other comprehensive income attributable to non-controlling interests		**0**	**0**	**0**
Comprehensive income for the period		**57.867**	**74.546**	**(16.679)**

1.3. Consolidated Statement of Financial Position - Assets

In Thousands EUR	NOTE	30/06/2016	31/12/2015	DIFFERENCE
ASSETS				
Non-current assets		***3.720.426***	***3.634.855***	***85.571***
Goodwill		8.955	8.955	0
Intangible assets	09	34.155	31.335	2.819
Tangible assets	10	3.670.293	3.589.017	81.276
Investments in associates	11	3	3	0
Other non-current assets	11	7.021	5.545	1.476
Current assets		***429.506***	***380.543***	***48.963***
Inventories		30.913	29.242	1.671
Trade receivables	12	234.840	170.588	64.252
Other receivables	12	5.888	45.882	(39.994)
Current tax assets	12	15.116	2.617	12.499
Cash and cash equivalents	14	127.174	108.910	18.263
Other current assets		15.575	12.128	3.447
Assets available for sale	11	0	11.176	(11.176)
Total assets excluding regulatory assets		***4.149.933***	***4.015.398***	***134.534***
Regulatory assets	01 - B	124.494	175.323	(50.829)
TOTAL ASSETS		**4.274.427**	**4.190.721**	**83.705**

1.4. Consolidated Statement of Financial Position - Liabilities

In Thousands EUR	NOTE	30/06/2016	31/12/2015	DIFFERENCE
LIABILITIES				
Equity		***1.418.886***	***1.432.266***	***(13.381)***
Share capital		793.905	793.170	735
Retained earnings		698.736	735.935	(37.199)
Other reserves		(73.786)	(96.869)	23.084
Non-controlling interests		31	31	(0)
Non-current liabilities		***2.342.465***	***2.327.026***	***15.439***
Borrowings	16	1.814.859	1.818.019	(3.160)
Provisions for employee benefits	20	183.821	178.197	5.624
Other provisions		33.146	26.109	7.037
Deferred liabilities of tax	24-B	285.068	277.671	7.397
Other non-current liabilities	28	25.572	27.029	(1.458)
Current liabilities		***455.046***	***393.236***	***61.811***
Borrowings	16	177.515	173.670	3.846
Trade payables		143.017	152.403	(9.386)
Other payables	18	59.286	51.085	8.202
Current tax liabilities	24-A	30.967	492	30.475
Other current liabilities	18	44.260	6.768	37.492
Liabilities directly associated with assets classified as held for sale	11	0	8.818	(8.818)
Total liabilities excluding regulatory liabilities		***4.216.397***	***4.152.528***	***63.869***
Regulatory liabilities	01 - B	58.030	38.193	19.836
TOTAL LIABILITIES		**4.274.427**	**4.190.721**	**83.705**

1.5 Consolidated Statement of Changes in Equity

In Thousands EUR	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 2016	**793.170**	**(19.914)**	**(68.792)**	**(8.163)**	**(96.869)**	**735.935**	**31**	**1.432.267**
Comprehensive income for the period								
- Profit and loss						59.671		59.671
- Other comprehensive income, net of income tax		*1.726*	*(3.530)*		(1.804)			(1.804)
Transactions with shareholders								
- Dividends relating to the previous year						(71.116)		(71.116)
- Capital increase through the contribution from the municipality of Frasnes-lez-Anvaing	1.240							1.240
- Capital decrease through the cease of Fourons	(505)			*(293)*	(293)	(574)		(1.372)
Transfers								
- Transfers from or to statutory reserves				*25.180*	25.180	(25.180)		
At 30 June 2016	**793.905**	**(18.188)**	**(72.322)**	**16.724**	**(73.786)**	**698.736**	**31**	**1.418.886**
At 1st January 2015	**787.320**	**(28.927)**	**(12.376)**	**46.562**	**5.258**	**677.561**	**31**	**1.470.170**
Comprehensive income for the period								
- Profit and loss						48.522		48.522
- Other comprehensive income		*5.732*	*20.292*		26.025			26.025
Transactions with shareholders								
- Dividends relating to the previous year	(4.000)					(60.083)		(60.083)
Transfers								(4.000)
- Transfers from or to statutory reserves				27.563	27.563	(27.563)		0
At 30 June 2015	**783.320**	**(23.195)**	**7.916**	**74.124**	**58.845**	**638.437**	**31**	**1.480.632**

1.6 Consolidated Statement of Cash Flows

In Thousands EUR	NOTE	30/06/2016	30/06/2015
OPERATING CASH FLOW			
Comprehensive income for the period		**59.671**	**48.522**
Adjustments for the following elements :			
Depreciation and impairment on (in)tangible assets	09-10	71.390	66.561
Changes in provisions		4.246	(3.931)
Gains or losses on sales of (in)tangible assets	09-10	(167)	1.918
Write down of trade receivables		5.386	15.514
Financial income		(300)	(1.337)
Financial charges	06	32.897	33.054
Income tax expenses recognised in profit or loss	24-A	39.021	35.195
Regulatory Balances	01-B	67.282	26.281
Share in the result of associates		0	0
Operating cash flow before change in working capital		**279.427**	**221.776**
Change in working capital			
Change in inventories		(1.671)	(2.792)
Change in trade and other receivables	12	(75.059)	(74.575)
Change in trade and other payables		34.629	25.998
Operating cash flow		**237.326**	**170.406**
Paid interest	06	(25.979)	(24.940)
Received interest		327	1.200
Paid taxes		(17.422)	2.404
Regulatory Balances recovered		3.383	0
Net operating cash flow		**197.635**	**149.071**
INVESTING CASH FLOW			
Acquisition of intangible assets	09-10	(6.946)	(5.045)
Sale of intangible assets	09-10	0	0
Acquisition of tangible assets	09-10	(148.572)	(126.627)
Sale of tangible assets	09-10	200	(1.075)
Other investing cash flows		2.358	0
Net investing cash flow		**(152.960)**	**(132.747)**
FINANCING CASH FLOW			
Change in capital		(132)	(4.000)
Borrowings issuance	16	0	202.400
Borrowings repayment	16	(3.144)	(4.739)
Issuance and repayment of long term receivables	11	(1.421)	(9)
Paid dividends		(21.714)	(17.066)
Net financing cash flow		**(26.412)**	**176.586**
Change in cash and cash equivalents		**18.263**	**192.910**
Cash and cash equivalents begin of period		**108.910**	**128.001**
Cash and cash equivalents end of period		**127.174**	**320.911**

2. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Preliminary note to the condensed consolidated financial statements

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Preliminary note to the condensed consolidated interim financial statements as at 30 June 2016

A. Reporting entity and Group ORES

The ORES Group (the “Group”) consists, on the one hand, of ORES Assets scrl, established from the merger of the eight Walloon associations of municipalities with external partner (“intercommunales mixtes”, thereafter referred to as “DSO” or “ORES Assets”) active in electricity and gas distribution, dated 31 December 2013 with a retroactive effect as from 1 January 2013, 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 (0,32%) is held by seven financing associations of municipalities (“intercommunales pures de financement”) and the RESA Group.

ORES scrl has invested in two companies: Atrias, held at 16,67%, and Index’is, held at 30%. ORES scrl has a significant influence over these two companies which are consequently consolidated using the equity method. In 2015, Index’is has been reclassified as an ‘Asset held for sale’ after that its Board of Directors decided to merge Index’is into Eandis on 1st January 2016 and was deconsolidated in 2016 after the concretization of this operation.

The DSO is an association of municipalities with external partner (“intercommunales mixtes”): it is held at 75% by Walloon municipalities and financing associations of municipalities, on the territory where they operate, and at 25% by Electrabel SA.

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 26th October 2016.

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 2015 consolidated financial statements except for the new standards or interpretations in force since 1st January 2016.

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 2016. 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 2015.

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 2015 except for the new standards or interpretations in force since 1st January 2016.

Standards and interpretations applicable for the annual period beginning on 1st January 2016 :

- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU) ;
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015) ;
- Amendments to IAS 1 *Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2016) ;
- Amendments to IAS 19 *Defined Benefit Plans – Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015) ;
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016) ;
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016) ;

Standards and interpretations published, but not yet applicable for the annual period beginning on 1st January 2016 :

- IFRS 9 *Financial Instruments and subsequent amendments* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU) ;
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU) ;
- IFRS 16 *Leases* (applicable for annual periods beginning or on after 1 January 2019 but not yet endorsed in EU) ;
- Amendments to IAS 7 *Cash Flows Statements*– Initiative concerning the disclosures (applicable for annual periods beginning on or after 1 January 2017 but not yet endorsed in EU) ;
- Amendments to IAS 12 *Income Taxes* – Accounting for deferred tax assets for unrealized losses (applicable for annual periods beginning on or after 1 January 2017 but not yet endorse in EU).

The Group has not early adopted any new standard or interpretation published but not yet applicable. With the exception of IFRS 15 - *Revenue from contracts with customers* and IFRS 16 - *Leases*, the Group does not expect any significant impact during the application of these new standards or interpretations.

D. Major events for the first half of 2016

- In January, ORES launched its "Optimum" program. Established in the context of the implementation of a new tariff methodology for the period 2018-2022, this project aims to create value within the company in order to allow the realization of our major strategic projects in the years to come (namely Atrias, smart grids and smart metering) ;
- On 1st January 2016, the contribution in kind "Frasnes-Lez-Anvaing" is effective as well as the partial demerger ORES Assets / Fourons; the municipality of Fourons being transferred to INTER-ENERGA (INFRAX) ;
- In February, six months after the start of our operation to promote natural gas, all distribution system operators, Fluxys (the transport system operator) and ARGB (Royal Belgian Gas Association) teamed up for a national marketing campaign ;
- On 23 June 2016, the shareholders of ORES Assets approved the payment of a total gross dividend of EUR 71.1 Mio at the ordinary general assembly.

All figures reported in the following tables are in thousands of euros.

Note 01 A – Turnover

		30/06/2016	30/06/2015
Electricity	Transit fees	459.145	431.749
	Public service obligation (OSP)	9.688	8.594
	Transfer of assets from customers	21.527	22.247
	Other	368	626
		490.729	**463.216**

		30/06/2016	30/06/2015
Gas	Transit fees	132.289	108.976
	Public service obligation	4.788	8.496
	Transfer of assets from customers	3.261	2.113
		140.338	**119.584**

		30/06/2016	30/06/2015
Not allocated	Third party inventory management	4.145	2.191
	Construction contracts	3.502	2.545
	Third party network management	9.343	9.513
		16.990	**14.248**
Total turnover		**648.057**	**597.049**

Transit fees

The upward trend in electricity transit fees (+ EUR 27.4 Mio) was largely due to the increase in the transported quantities (+ 3.5%) combined with an increase in distribution network tariffs compared to the same period in 2015.

The upward trend in gas transit fees (+ EUR 23.3 Mio) is linked to an increase in distribution network tariffs compared to the same period in 2015, as invoiced quantities remained stable, degree-days[1] recorded during the winter 2015-2016 are similar to those from winter 2014-2015.

Public services obligations (PSOs)

The decrease in turnover related to PSOs is mainly related to the decrease in sales of gas to customers under supplier X (- EUR 2.9 Mio).

[1] Degree-days provide a picture of the average profile of the 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 as measured by the IRM located in Uccle.

Note 01 B - Regulatory Balances

1. Statement of financial position

	30/06/2016	31/12/2015
Regulatory assets		
Tariff period 2008-2016	124.494	175.323
	124.494	**175.323**
Regulatory liabilities		
Tariff period 2008-2016	(58.030)	(38.193)
	(58.030)	**(38.193)**
Total regulatory balances	**66.464**	**137.130**

2. Statement of comprehensive income

	30/06/2016	30/06/2015
Electricity		
Tariff period 2008-2016	(25.635)	(2.675)
Prepayment 2016 recovered	(1.826)	(1.841)
	(27.461)	**(4.516)**
Gas		
Tariff period 2008-2016	(41.647)	(20.208)
Prepayment 2016 recovered	(1.557)	(1.557)
	(43.204)	**(21.765)**
Total regulatory balances	**(70.665)**	**(26.281)**

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

The regulatory balances at the end of June 2016 resulted in a debit balance of EUR 66.5 Mio (compared with EUR 137.1 Mio at the end of 2015), mainly as a result of differences between the non-controllable costs actually incurred during this regulatory period and the initial budget assumptions approved by the regulator.

At the end of June 2016, an advance of 10% of the receivables / payables accumulated at the end of 2013 can be recovered / must be repaid through distribution tariffs as decided by the CWaPE in its tariff methodology adopted in 2015 (see IFRS annual report 2015). This allowed to recover a small part of the cumulative regulatory balances at the end of 2013 for an amount of EUR 3.4 Mio at the end of June 2016 (EUR 1.8 Mio in electricity and EUR 1.6 Mio in gas).

The regulatory balances decreased sharply in 2016 (- EUR 70.7 Mio) to – EUR 27.5 Mio in electricity and – EUR 43.2 Mio in gas, but it is however important to note that the computation of regulatory assets and liabilities on 30 June is considerably less relevant than the calculation made on 31 December 2016 over a full year.

Note 03 – Cost of sales

	30/06/2016	30/06/2015
Goods and supplies		
Energy purchases (OSP - gas and electricity)	13.908	15.639
Network losses (power)	19.139	19.352
Goods	3.906	2.602
	36.953	**37.593**
Grid fees (power)	**177.954**	**179.165**
Road charges	**21.628**	**20.950**
	236.535	**237.708**

Goods and supplies

The purchases of energy are related to protected customers in the context of PSOs and have decreased by EUR 1.7 Mio due in large part to a reduction in purchases of gas related to protected customers (linked to the turnover related to gas PSOs).

Transportation fees

Transportation fees have decreased by EUR 1.2 Mio, mainly due to the fact that the year 2015 was negatively influenced by a prior year regularization for an amount of EUR 3.4 Mio, while in 2016, the accounts were only impacted by a regularization of – EUR 0.2 Mio.

Note 06 - Financial expenses

	30/06/2016	30/06/2015
Interest on loans	8.421	10.936
Interests on treasury bills	3.498	3.476
Interests on bonds	11.724	11.233
Other interest expense (IRS)	6.002	7.737
Total interest expense	**29.645**	**33.382**
Unwinding of discounts on provisions	3.067	(447)
Other financial expenses	185	118
Total financial expenses	**32.897**	**33.054**

The decrease in interest expense arises to a large extent from interest on our standard bank loans that reached maturity and were not renewed. The non-renewal of the swaps backed to these loans also explains the reduction of interest expenses at the swap level (see note 16).

The EUR 3 Mio charge related to the unwinding of discount of provisions for employee benefits is due to the reduction in the discount rate at the end of June 2016, from 1.96% to 1.31% (see also note 22), thus increasing the amount of the provision, and ultimately increasing the financial expense.

Note 09 - Intangible assets

	30/06/2016	31/12/2015
Acquisition cost	51.291	44.345
Accumulated amortisation and impairment	(17.136)	(13.010)
	34.155	**31.335**

		Software	Development	Total
Cost				
Opening balance at 1 January	**2015**	**20.968**	**7.736**	**28.704**
Additions		10.528	700	**11.228**
Additions from internal developments			4.413	**4.413**
Disposals				**0**
Opening balance at 1 January	**2016**	**31.496**	**12.849**	**44.345**
Additions		4.155	1.337	**5.492**
Additions from internal developments			1.454	**1.454**
Disposals				**0**
Closing balance	**2016**	**35.651**	**15.640**	**51.291**
Accumulated amortisation and impairment				
Opening balance at 1 January	**2015**	**(5.691)**	**(1.605)**	**(7.296)**
Amortisation expense		(3.799)	(1.915)	**(5.714)**
Disposals				**0**
Opening balance at 1 January	**2016**	**(9.490)**	**(3.520)**	**(13.010)**
Amortisation expense		(2.751)	(1.375)	**(4.126)**
Disposals				**0**
Closing balance	**2016**	**(12.241)**	**(4.895)**	**(17.136)**
		23.410	**10.745**	**34.155**

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

The intangible assets acquired in 2016 mainly include the replacement of the management tool for the central store (EUR 0.5 Mio), the development of the new Atrias platform (EUR 2.1 Mio) or the development of smart networks and metering (EUR 0.9 Mio). 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 (EUR 2.8 Mio of activation at the end of June 2016).

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

Note 10 - Property, plant and equipment

	30/06/2016	31/12/2015
Acquisition cost	5.980.084	5.833.881
Accumulated depreciation and impairment	(2.309.791)	(2.244.864)
	3.670.293	**3.589.017**
Land & Buildings	89.021	85.239
Distribution network	3.550.561	3.468.434
Equipment	30.007	31.040
Other	704	4.304
	3.670.293	**3.589.017**

		Land & Buildings	Distribution network	Equipment	Other	Total
Cost						
Balance at 1 January	**2015**	**117.874**	**5.354.434**	**136.628**	**8.307**	**5.617.243**
Additions		11.142	259.924	8.109		**279.175**
Disposals		(10.410)	(38.657)	(3.147)		**(52.214)**
Reclassification as held for sale		(45)	(10.278)			**(10.323)**
Other						**0**
Balance at 1 January	**2016**	**118.561**	**5.565.423**	**141.590**	**8.307**	**5.833.881**
Additions		1.139	137.783	2.222		**141.144**
Additions through the contribution from Frasnes-Lez-Anvaing		94	7.334			**7.428**
Disposals			(103)	(2.266)		**(2.369)**
Other		5.854			(5.854)	**0**
Closing balance	**2016**	**125.648**	**5.710.437**	**141.546**	**2.453**	**5.980.084**

Accumulated depreciation and impairment

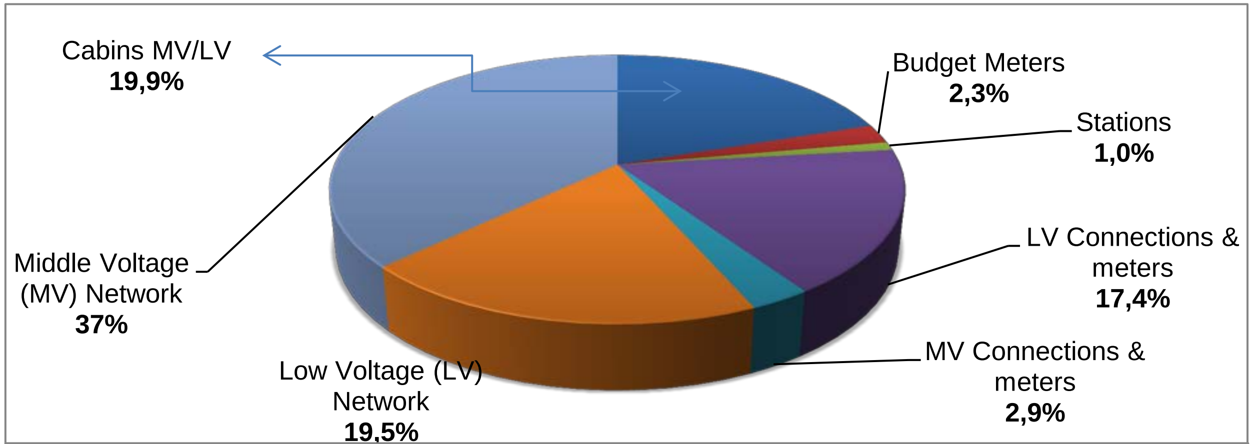
		Land & Buildings	Distribution network	Equipment	Other	Total
Balance at 1 January	**2015**	**(38.070)**	**(2.010.676)**	**(107.474)**	**(3.854)**	**(2.160.074)**
Depreciation expense		(1.976)	(127.663)	(6.172)	(149)	**(135.960)**
Disposals		6.724	38.656	3.096		**48.476**
Reclassification as held for sale			2.694			**2.694**
Other						**0**
Balance at 1 January	**2016**	**(33.322)**	**(2.096.989)**	**(110.550)**	**(4.003)**	**(2.244.864)**
Amortisation expense		(1.029)	(62.964)	(3.249)	(22)	**(67.264)**
Disposals			77	2.260		**2.337**
Other		(2.276)			2.276	**0**
Closing balance	**2016**	**(36.627)**	**(2.159.876)**	**(111.539)**	**(1.749)**	**(2.309.791)**
Carried at cost		**89.021**	**3.550.561**	**30.007**	**704**	**3.670.293**
Carried at revalued cost						

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

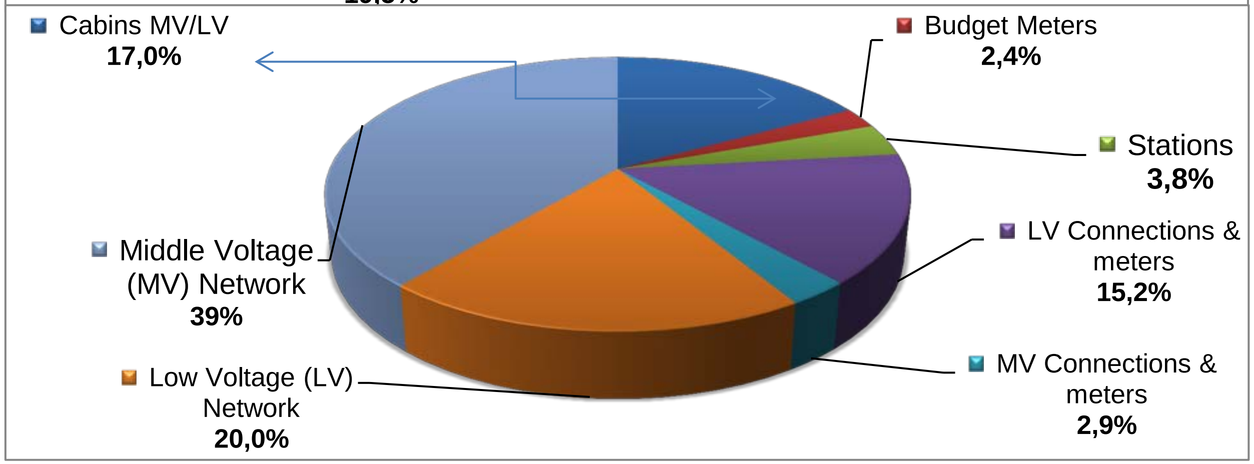
Investments in 2016 (like those in 2015) mainly relate to our gas and electricity distribution network for a total amount of EUR 137 Mio, consisting mainly of:

- In Electricity: 58% replacement of equipment and 42% extension of networks and new cabin installations for a total amount of EUR 92 Mio (EUR 178 Mio by the end of 2015).

Year 2016

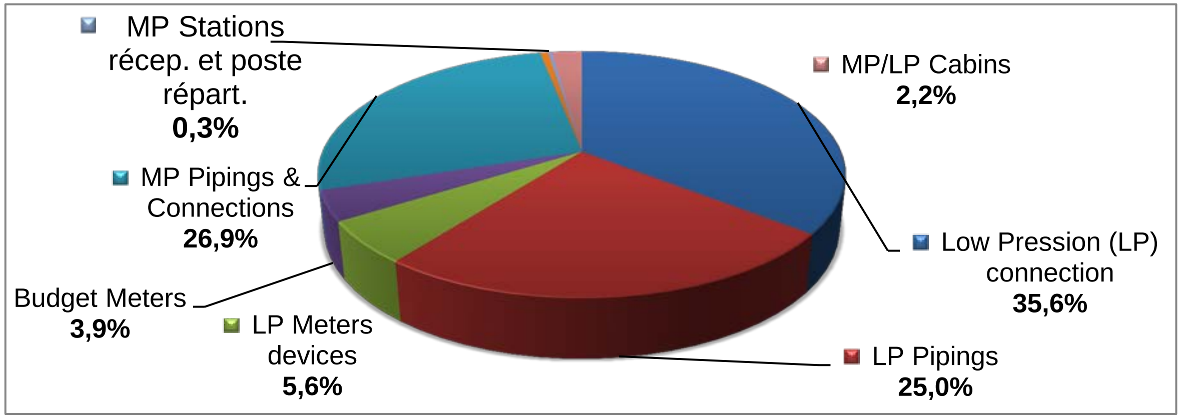


Year 2015

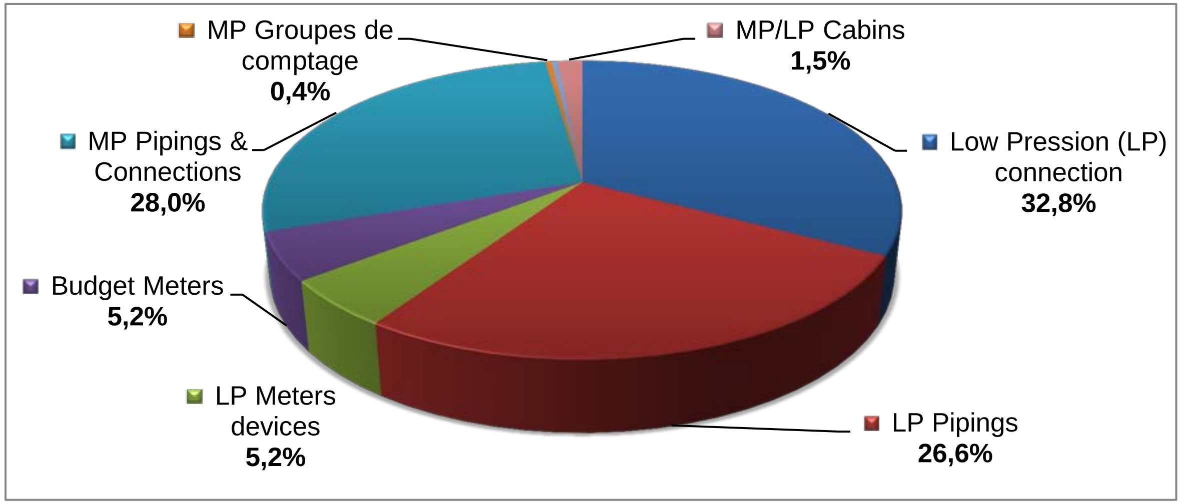


- At the level of gas investments, 60% was devoted to sanitation work and 40% to extensions of the existing network for a total amount of EUR 46 Mio (EUR 84 Mio by the end of 2015).

Year 2016



Year 2015



- As mentioned in our annual report for 2015, the municipality of Frasnes-lez-Anvaing became a shareholder of ORES Assets on 1st January 2016 via the contribution in kind of its network. The amount of fixed assets acquired by ORES Assets via this transaction is EUR 7.4 million.

Note 11 - Financial assets

	Non-current		Current	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Financial assets available for sale				
Unlisted equity instruments	841	841		
	841	**841**	**0**	**0**
Financial assets measured at fair value through profit or loss				
Assets held for sale - Index'is				986
Assets held for sale - Fourons municipality				10.190
Listed equity instruments - Sicav's and options			8.136	6.632
	0	**0**	**8.136**	**17.808**
Loans and receivables				
Trade receivables	151		234.840	170.588
Other receivables	6.029	4.704	5.888	45.882
	6.180	**4.704**	**240.728**	**216.470**
	7.021	**5.545**	**248.864**	**234.278**

Fair value

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

Financial assets recognized at fair value through profit or loss

As mentioned in our 2015 annual report, the Group's 30% investment in INDEX'IS was sold with effect from 1st January 2016, with no impact on the consolidated income statement as of 30 June 2016.

Similarly, the disposal transaction linked to the municipality of Fourons actually took place in 2016 with retroactive effect from 1 January 2016.

Note 12 - Trade, other receivables and current tax assets

	Non-current		Current	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Trade receivables				
Distribution			189.908	125.720
Public service obligation (OSP)			52.560	50.726
Other			30.410	29.463
Write downs on trade receivables			(38.038)	(35.321)
	0	**0**	**234.840**	**170.588**
Other receivables				
Interim dividend			0	42.064
VAT			1	282
Other	6.029	4.704	7.849	5.419
Write downs on other receivables			(1.962)	(1.883)
	6.029	**4.704**	**5.888**	**45.882**
Current tax assets			15.116	2.617
	0	**0**	**15.116**	**2.617**
	6.029	**4.704**	**255.844**	**219.087**

In terms of trade receivables, the increase (+ EUR 64.3 Mio) was mainly due to receivables related to transit fees, which rose sharply at the end of June 2016 (+ EUR 43.7 Mio). This is aligned with the trend in turnover from distribution, which is also growing strongly on 30 June 2016 (+ EUR 50.7 Mio for all fluids - see note 01 A).

Regarding other receivables, the decrease (EUR -40 Mio) is mainly due to the payment in June 2016 of the balance of dividends approved at the general meeting held on 23 June as well as the related withholding tax.

For current tax assets, these mainly consist of the advance payments for corporate tax made during the first half of 2016.

Note 12 - Trade, other receivables and current tax assets

Loans and receivables not impaired

	Trade receivables		Other receivables & current tax assets	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Not yet due	203.575	137.892	18.471	45.695
Up to 60 days	(673)	2.026	579	405
61 to 90 days	2.384	1.535	205	
91 to 180 days	519	396	472	
> 180 days	1.152	838		
	206.957	**142.687**	**19.727**	**46.100**

Movement in the impairment provision

	30/06/2016	31/12/2015	30/06/2016	31/12/2015
At 1 January	35.321	43.104	1.883	2.595
Impairment write downs	3.327	68	79	
Reversal of write downs	(610)	(7.851)		(712)
At closing balance	**38.038**	**35.321**	**1.962**	**1.883**

Provisions for impairment losses

	30/06/2016	31/12/2015
Statement of financial position	(40.000)	(37.204)
Statement of comprehensive income	(5.174)	(12.366)

In 2015, following the termination of the contract for the recovery of receivables due at the end of 2014, all the files that could not be completed were definitively written-off, which resulted in a reversal of impairment for a large part of them. During 2015, a new public procurement contract has been finalized for receivables due as from 2015 onwards and a new method for calculating impairment has been put in place (see annual report for 2015). These events reduced the amount of impairment expense in 2016 by EUR 7.2 Mio.

Loans and receivables which are impaired

	Trade receivables		Other receivables & current tax assets	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Up to 60 days		(369)		
61 to 90 days		(55)		127
91 to 180 days	4.387	4.500		312
> 180 days	61.534	59.146	3.239	3.843
	65.921	**63.222**	**3.239**	**4.282**

Note 14 - Cash and cash equivalents

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

	30/06/2016	31/12/2015
Cash at bank and in hand	10.956	4.886
Short-term bank deposits	116.218	104.024
	127.174	**108.910**

At the end of June 2016, investments totaling EUR 116 Mio were made in accordance with the decisions of the Board of Directors to implement a prudent policy in that respect. The investment in the Sicav Belgian Companies Opportunities (Degroof Bank) represents on 30 June 2016 an updated amount of EUR 5.2 Mio (EUR 5 Mio at the end of 2015) while term deposits represent EUR 111 Mio .

Note 16 - Borrowings

	Carrying amount		Fair value		
	30/06/2016	31/12/2015	30/06/2016	31/12/2015	Hierarchical level
Unsecured - Non-current					
Bank loans	995.747	999.179	1.025.932	1.029.812	Level 2
Treasury bills - private investment	189.750	189.750	211.796	215.636	Level 2
Bonds	625.878	625.585	890.777	814.048	Level 2
Others	3.484	3.505	4.534	3.318	Level 2
	1.814.859	**1.818.019**	**2.133.039**	**2.062.814**	
Unsecured - Current					
Bank overdrafts	109.754	109.147	109.754	109.147	Level 2
Bank loans	49.989	49.988	49.989	49.988	Level 2
Treasury bills - private investment	1.970	4.353	1.970	4.353	Level 2
Bonds	15.762	10.182	15.762	10.182	Level 2
Others	40		40		Level 2
	177.515	**173.670**	**177.515**	**173.670**	
Total financial liabilities	**1.992.374**	**1.991.689**	**2.310.554**	**2.236.484**	
Of which : current	177.515	192.024	177.515	173.670	
Of which : non-current	1.814.859	1.923.274	2.133.039	2.062.814	

During the first half of 2016, no significant financial transactions were realized by the Group, which still benefited from the cash generated by the 2015 bond issues totaling EUR 200 Mio.

It should be noted that the Group renewed short-term treasury bills with a value of EUR 50 Mio, which expired in March 2016 for a period of six months.

Note 16 – Borrowings

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 (SWAP or CAP).

Hedged and structured floating rate : two instruments are included in this category :

- **Barrier structured products :** loans with a fixed rate that is below the standard rate as long as the reference rate (short-term Euribor rate) does not exceed a predetermined rate (the barrier).
- **Slope structured products :** products whose rate is based on a range of variation between short and long-term rates. The rate is low as long as the difference between the short-term rate and the long term-rate is below a threshold and becomes much higher if it exceeds the threshold.

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.

Structured financing : the carrying amount at the end of the reporting period for the non-structured part + valuation of the structured part based on the market rates 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.

Note 16 – Borrowings

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

30/06/2016	Fixed rate	Adjustable fixed rate	Floating Rate	Hedged floating rate	Structured floating rate	TOTAL
Within one year	75.988	10.288	2.149	69.434	19.656	**177.515**
>1 and <3 years	124.195	20.590	4.299	119.002	39.313	**307.398**
>3 and <5 years	84.425	20.610	9.299	184.548	39.313	**338.194**
>5 and <15 years	355.168	44.099	8.984	381.806	100.487	**890.543**
>15 years	278.723	0	0	0	0	**278.723**
	918.498	**95.587**	**24.730**	**754.790**	**198.769**	**1.992.374**

31/12/2015	Fixed rate	Adjustable fixed rate	Floating Rate	Hedged floating rate	Structured floating rate	TOTAL
Within one year	72.131	10.288	2.161	69.434	19.656	**173.670**
>1 and <3 years	76.002	20.590	4.299	119.002	39.313	**259.206**
>3 and <5 years	135.175	20.610	9.299	184.548	39.313	**388.944**
>5 and <15 years	355.067	44.099	8.984	381.806	101.212	**891.168**
>15 years	278.701					**278.701**
	917.076	**95.587**	**24.742**	**754.790**	**199.494**	**1.991.689**

Note 16 – Borrowings

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

30/06/2016	Bank overdrafts	Bank loans	Treasury bills	Bond	Others	Total
Within one year	49.989	109.754	1.970	15.762	40	**177.515**
>1 and <3 years		196.050	109.750		1.598	**307.398**
>3 and <5 years		257.851	80.000		343	**338.194**
>5 and <15 years		541.845		347.155	1.543	**890.543**
>15 years				278.723		**278.723**
	49.989	**1.105.501**	**191.720**	**641.640**	**3.524**	**1.992.374**

31/12/2015	Bank overdrafts	Bank loans	Treasury bills	Bond	Others	Total
Within one year	49.988	109.147	4.353	10.182		**173.670**
>1 and <3 years		198.758	59.000		1.448	**259.206**
>3 and <5 years		257.851	130.750		343	**388.944**
>5 and <15 years		542.570		346.884	1.714	**891.168**
>15 years				278.701		**278.701**
	49.988	**1.108.326**	**194.103**	**635.767**	**3.505**	**1.991.689**

All borrowings are denominated in euro.

Undrawn borrowing facilities

The Group has two credit lines of € 50 million each that have been renewed at the end of 2014 for a period of 3 years and will thus terminate at 31 December 2017.

Note 18 - Other payables & other liabilities

	Carrying amount	
	30/06/2016	31/12/2015
Social security and other tax payables	21.839	16.841
Short Term Employee Benefits & accruals	58.699	31.433
Accrued charges	3.490	206
Deferred income	2.506	1.791
Derivatives - IRS	27.554	30.168
Others	15.030	4.443
	129.118	**84.882**
Of which : non-current	25.572	27.029
Of which : current	103.547	57.853

The significant increase in short-term benefits and related provisions (+ EUR 27.3 Mio) is explained by the fact that provisions relating to bonuses, premiums and vacation pays are only settled when they are used during the second semester, or at the end of the year at payment date.

The caption "Other" increased by EUR 10.6 Mio, amongst others as a result of the payment of the receivable on the disposal transaction linked to the municipality of Fourons (EUR 8.7 Mio), which was offset against other current accounts held on third parties.

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

Note 20 - Employee Benefits - General

Statement of financial position

	30/06/2016	31/12/2015
Non-current		
Pension Benefits	(154.674)	(178.373)
Pension Benefits - Annuities	88.868	89.945
Other post employment benefits	106.526	105.759
Other long-term benefits	31.485	30.487
	72.205	**47.818**
Effect of the assets ceiling	111.616	130.379
	183.821	**178.197**
Current		
Short Term Employee Benefits	58.699	31.433
	58.699	**31.433**
	130.904	**79.251**

The increase in our employee benefit obligations is mainly due to the reduction in the discount rate from 1.96% at the end of 2015 to 1.31% in June 2016 as a result of lower interest rates on financial markets in 2016 (+ EUR 24 Mio).

Indeed, in reaction to the expected exit of Great Britain from U.E, interest rates on the financial markets decreased significantly. In order to limit the impact of this exceptional event on the consolidated financial statements as of 30 June 2016, management decided to use the discount rate set at 31 May 2016, i.e. 1.31%. This rate will obviously be reviewed in the closing on 31 December 2016.

The significant increase in short-term benefits and related provisions (+ EUR 27.3 Mio) is explained by the fact that provisions relating to bonuses, premiums and vacation pays are only settled when they are used during the second semester, or at the end of the year at payment date.

It should be noted that at the end of June 2016, with the exception of the discount rate, no assumptions were changed to estimate employee benefits.

Note 22 - Employee Benefits - Defined Benefit Plans

Funded defined benefit plans :

Several defined benefit plans exist within ORES scrl and are governed by the parity commission of Gas & Electricity (CP 326). They are mainly intended for employees hired before 01/01/2002 and for executives and executive directors hired before 01/05/1999 with permanent contracts and benefiting from the Gas & Electricity status. The pension benefit which will be transferred to employees mainly depends on one hand on number of years and months of accomplished services under employment contract at the regular pension age even in case of anticipation. To these years of experience, an additional number of years of experience can be added up following the CCT and the 2007-2008 framework convention. On the other hand, it also depends on the salary of the agent at the retirement age. In case of death of the agent prior to the retirement age, the death capital will be transferred to its beneficiaries and an annuity will be allocated to each child under the age of 25. These commitments are mentioned under «Defined benefit obligation / Funded plans».

Unfunded defined benefit plans :

A system called “general expenses system” is mentioned under this section. This system, stopped since 1st January 1993, aimed at granting a life annuity amounting to 75% of the last salary for a complete career minus the paritary legal pension. In case of death, the annuity is 60% reversible in favour of the surviving spouse. For orphans, the annuity is set at 15% of the pension annuity or to 25% for orphans who lost mother and father (maximum 3 orphans). Since 01/01/2007, acquired rights in terms of retirement have been built up in Elgabel for a career going onwards as from that date. This section also includes advantages granted by the Group upon retirement of agents such as healthcare and tariff reductions.

Statement of financial position

	30/06/2016	31/12/2015
Present value of the defined benefit obligations/Funded plans	218.031	202.210
Plan assets	(372.705)	(380.583)
Deficit / (surplus)	**(154.674)**	**(178.373)**
Present value of the other long term benefits/Funded plans	42.743	41.608
Plan assets of the other long term benefits	(11.258)	(11.121)
Deficit / (surplus)	**31.485**	**30.487**
Present value of the defined benefit obligations/unfunded plan	195.394	195.704
Effect of the asset ceiling	111.616	130.379
Net liability arising from defined benefit obligation	**183.821**	**178.197**
Reimbursement rights	**(1.909)**	**(2.047)**

Note 22 - Employee Benefits - Defined Benefit Plans

Statement of comprehensive income

	30/06/2016	30/06/2015
Service cost		
Current service cost	3.875	5.470
Past service cost (including curtailments)		
(Gain)/loss from settlement		
	3.875	**5.470**
Net interest on the net defined benefit liability/(asset)		
Interest cost on the defined benefit obligation	3.796	3.280
Interest income on plan assets	(2.330)	(2.492)
	1.466	**788**
Defined benefit cost recognized in profit or loss	**5.341**	**6.258**

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

	30/06/2016	30/06/2015
Actuarial (gains)/losses on defined benefit obligation arising from :		
i) changes in demographic assumptions		
ii) changes in financial assumptions	26.503	(25.743)
iii) experience adjustments		
iv) subtotal	***26.503***	***(25.743)***
i) Return on plan assets excluding interest income on plan assets	(2.393)	(5.012)
ii) changes in financial assumptions		14
Change in the effect of the asset ceiling excluding interest on this effect	(18.763)	
	5.347	**(30.741)**
(Revenues)/Expenses on Defined benefit plans	**10.688**	**(24.483)**

The significant expense recognized in other comprehensive income (OCI) in June 2016 is mainly due to the change in the discount rate from 1.96% at the end of 2015 to 1.31% in June 2016, which had a negative impact of EUR 26 Mio, following the decrease in interest rates on the financial markets during the first half of 2016. Nevertheless, the increase in our pension obligations enabled us to record a positive effect of EUR 19 Mio in OCI following the reduction in the asset ceiling recorded at the end of 2015.

Note 22 - Employee Benefits - Defined Benefit Plans

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

	30/06/2016	30/06/2015
Opening balance	**397.914**	**456.541**
Current service cost	3.875	5.470
Interest cost	3.796	3.280
Contributions from plan participants	252	269
Actuarial (gains)/losses arising from :		
i) changes in demographic assumptions		
ii) changes in financial assumptions	26.503	(25.743)
iii) experience adjustments		
Past service cost		
Benefits paid	(18.915)	(15.700)
Closing balance	**413.425**	**424.117**

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

	30/06/2016	30/06/2015
Opening balance	**380.583**	**355.859**
Interest income on plan assets	2.330	2.492
Return on plan assets excluding interest income on plan assets	2.393	5.012
Actuarial gains and losses		(14)
Contributions from employer	6.062	7.735
Contributions from plan participants	252	269
Benefits paid	(18.915)	(15.700)
Closing balance	**372.705**	**355.653**

	30/06/2016	30/06/2015
Actual return on plan assets	4.723	7.504

Note 24 A - Taxes

1. Taxes recognized in the income statement :

	30/06/2016	31/12/2015
Current income tax expense in respect of the period	30.683	53.257
Adjustments recognised in the current period in relation to the current tax of prior years	(7)	383
Tax payable on interests received	19	243
Tax payable on dividends declared		949
Current tax expense	**30.695**	**54.832**
Deferred tax expense (income) relating to origination and reversal of temporary differences	8.326	25.372
Deferred tax expense (income)	**8.326**	**25.372**
Total tax in the income statement	**39.021**	**80.204**

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

	30/06/2016	31/12/2015
Result before taxes	**99.295**	229.319
Tax rate applicable in Belgium	**33,99%**	33,99%
Theoretical tax	**33.750**	**77.946**
Adjustments:		
Taxes on non-deductible expenses	**1.474**	3.074
Use of Notional interests	**(1.558)**	(4.333)
Expense arising from the recognition or the reversal of previous temporary differences	**5.343**	2.549
Income arising from the recognition or the reversal of previous temporary differences		**(607)**
Tax payable on interests received	**19**	243
Tax payable on dividends declared		949
	5.278	**1.875**
Adjustments recognised on the current period in relation to the current tax of prior years	**(7)**	383
Total tax during the period	**39.021**	**80.204**
Average effective rate	*39,30%*	*34,97%*

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

	30/06/2016	31/12/2015
Charge (Profit) on fair value of hedging instruments entered into for cash flow hedges	(889)	(4.641)
Charge (Profit) on DB pension plans deferred tax expense (income)	1.817	29.050
Total income tax in other comprehensive income	**928**	**24.409**

Note 24 B - Deferred taxes

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

	Assets		Liabilities		Net	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Intangible assets			(2.155)	(2.290)	(2.155)	(2.290)
Property, plant and equipment			(82.237)	(74.856)	(82.237)	(74.856)
Retained earnings			(287.421)	(290.876)	(287.421)	(290.876)
Trade and other operating receivables			(74)	(59)	(74)	(59)
Other current assets	21.087	23.123			21.087	23.123
Provisions for employee benefits	62.481	60.569			62.481	60.569
Other provisions			(5.442)	(2.900)	(5.442)	(2.900)
Other non-current liabilities	8.692	9.187			8.692	9.187
Other payables			(29)	(28)	(29)	(28)
Other current liabilities	30	459			30	459
Total temporary differences	**92.290**	**93.338**	**(377.358)**	**(371.009)**	**(285.068)**	**(277.671)**
Deferred tax assets/(liabilities)	**92.290**	**93.338**	**(377.358)**	**(371.009)**	**(285.068)**	**(277.671)**
Offsetting of tax[1]	**(92.290)**	**(93.338)**	**92.290**	**93.338**	**0**	**0**
Total net	**0**	**0**	**(285.068)**	**(277.671)**	**(285.068)**	**(277.671)**

(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.

Note 24 B - Deferred taxes

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	(2.290)	135			135
Property, plant and equipment	(74.856)	(7.381)			(7.381)
Property, plant and equipment - Revaluation	(290.876)	3.455			3.455
Cash and cash equivalent	(59)	(15)			(15)
Other current assets	23.123	(2.036)			(2.036)
Provisions for employee benefits	60.569	94	1.817		1.911
Other provisions	(2.900)	(2.542)			(2.542)
Other non-current liabilities	9.187		(495)		(495)
Other payables	(28)				0
Other current liabilities	459	(36)	(394)		(430)
Total temporary differences	**(277.671)**	**(8.326)**	**928**	**0**	**(7.398)**
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	**(277.671)**	**(8.326)**	**928**	**0**	**(7.398)**

Note 24 B - Deferred taxes

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

	30/06/2016	31/12/2015
Deferred tax assets		
Deferred tax liabilities	(285.068)	(277.671)
	(285.068)	**(277.671)**

Note 28 - Derivative instruments

Overview of derivative instruments

	Negative fair values	
	30/06/2016	31/12/2015
Derivative instruments used in cash flow hedges		
Interest rate swaps (IRS)	27.554	30.168
	27.554	**30.168**
of which : non-current	25.572	27.029
of which : current	1.982	3.139

Despite the fall in long-term rates in the first half of 2016, the change in fair value of swaps remained favorable (+ EUR 2.6 Mio). This is namely due to the fact that the valuation of the portfolio is more in line with developments in the financial markets due to the maturity of several swaps entered into at high rates with a less favorable fair value . Consequently, the early-reimbursement penalty that the Group would have to pay to exit the swap contracts is lower by EUR 2.6 Mio compared to 31 December 2015, generating the gain recorded on 30 June 2016.

Note 31 - Financial risks management

1. Credit Risk

The group deals with credit risk in diverse ways. Concerning the treasury and investments, the group's excess cash is either deposited on financial institutions accounts or invested in different diversified obligations issued by companies fulfilling strict selection criteria.

Concerning the trade receivables, a distinction should be made between :

- Receivables related to transit fees on energy providers (EUR 190 million in June 2016 against EUR 126 million at year-end 2015) :

  → Risk concentration due to the fact that 2 clients represent 72% of the turnover distribution fees in 2015 (2014 : 72,5%) – See the note about segment information in the 2015 IFRS annual report.

  Strategy : Bank guarantees obtained by the group and balance sheet analysis before determining payment conditions given.

- Receivables related to public service obligations (energy delivery) and receivables related to works (EUR 53 million in June 2016 against EUR 51 million at year-end 2015).

  → These trade receivables are stable at the end of June 2016 (see note 13 on trade receivables)

  Strategy : In 2015, a new public contract related to the recoverability of the receivables for energy supply and works has been finalized. This public contract provides a recovery rate by the contractor. The portion of receivables for which we record an impairment is calculated after deduction of the expected recovery percentage.

Note 31 - Financial risks management

Maximum exposure to credit risk :

	30/06/2016	31/12/2015
Trade and other receivables	240.728	216.470
Financial assets available for sale	841	841
Assets classified as held for sale	0	11.176
Cash and cash equivalent	127.174	108.910
	368.743	**337.397**

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.

Regarding the financing sources, the Group has :

- A treasury bills program of EUR 250 Mio since 2011. At the end of June 2016, the total issue in this context amounted to EUR 239 Mio like end of 2015 ;
- Unused Confirming credit lines amount to EUR 100 Mio. These cover about 40% of the annual funding needs of the Group.

This last point and the diversity of funding sources enable the group to limit its liquidity risk.

Regarding the upholding of cash surplus, the Group's cash position amounts to EUR 127 Mio on 30 June 2016 (year-end 2015: EUR 109 Mio) - See note 14. The breakdown of credit lines contracted by the Group can be found in note 16.

Note 31 - Financial risks management

Maturity analysis (based on undiscounted future financial flows)

30/06/2016	Carrying amount	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Trade and other receivables	240.728	240.728						**240.728**
Financial assets available for sale	841						841	**841**
Assets classified as held for sale								**0**
Cash and cash equivalent	127.174	127.174						**127.174**
Total Assets	**368.743**	**367.902**	**0**	**0**	**0**	**0**	**841**	**368.743**
Derivative financial liabilities	27.554	10.426	12.201	4.141	701			**27.469**
Borrowings	1.992.374	261.722	320.943	401.609	1.021.913	401.332		**2.407.519**
Other financial liabilities								**0**
Trade and other payables	202.304	202.304						**202.304**
Total Liabilities	**2.222.232**	**474.452**	**333.144**	**405.750**	**1.022.614**	**401.332**	**0**	**2.637.292**
Liquidity risk total	**(1.853.489)**	**(106.550)**	**(333.144)**	**(405.750)**	**(1.022.614)**	**(401.332)**	**841**	**(2.268.549)**

31/12/2015	Carrying amount	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Trade and other receivables	216.470	216.470						**216.470**
Financial assets available for sale	841						841	**841**
Assets classified as held for sale	11.176	11.176						**11.176**
Cash and cash equivalent	108.910	108.910						**108.910**
Total Assets	**337.397**	**336.556**	**0**	**0**	**0**	**0**	**841**	**337.397**
Derivative financial liabilities	30.168	12.089	12.487	5.042	612			**30.230**
Borrowings	1.991.689	217.249	341.470	465.863	1.052.740	405.820		**2.483.142**
Other financial liabilities								**0**
Trade and other payables	203.488	203.488						**203.488**
Total Liabilities	**2.225.345**	**432.826**	**353.957**	**470.905**	**1.053.352**	**405.820**	**0**	**2.716.860**
Liquidity risk total	**(1.887.948)**	**(96.270)**	**(353.957)**	**(470.905)**	**(1.053.352)**	**(405.820)**	**841**	**(2.379.463)**

3. Market risk

Interest rate risk

To reduce the interest rate risks, the Group has established a policy that aims to balance the interest rates of the debt between fixed and floating rates. To manage the volatility of the interest rate, the Group uses hedging instruments (IRS, cap or structured debt) depending the market situation. The value of those hedging instruments may vary depending on the evolution of the interest rates. The portfolio is managed centrally at Group level and is reviewed periodically.

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 (31/12) 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 31 June 2016, the average Euribor rate is -0.220% (0.079% in 2015) and the average rate on IRS is 0.245% (0.78% in 2015).

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	
30/06/2016	**Impact on profit before tax**	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
Debt	(1.943)		1.331	
IRS	815	(6)	(593)	(9.110)
	(1.128)	**(6)**	**738**	**(9.110)**
31/12/2015				
Debt	(6.043)		3.832	
IRS	2.877	4.242	(2.821)	(5.118)
	(3.166)	**4.242**	**1.011**	**(5.118)**

An increase of 50 basis point would lower our result before taxes by EUR 1,1 Mio and also our equity by EUR 6K. A decrease of 50 basis point would raise our result before taxes by EUR 0.7 Mio but would have a negative impact of EUR 9.1 Mio on our equity.

4.Capital risk management

No change was made during the 2016 first semester concerning this topic.

3. INDEPENDENT AUDITOR'S REPORT

RSM

ORES GROUP

REPORT OF THE STATUTORY AUDITOR ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF JUNE 30, 2016

We have reviewed the accompanying consolidated statements of financial position of ORES GROUP as of June 30, 2016 and the related consolidated 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 consolidated interim financial information"). The consolidated interim financial information shows a total balance sheet of 4.274.427 (000) EUR and a consolidated profit for the period of 57.867 (000) EUR.

The Board of Directors is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated 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 Consolidated interim financial information Performed by the Independent Auditor of the Entity.

A review of consolidated 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 ISA 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 consolidated interim financial information does not give a true and fair view of the financial position of ORES GROUP as of June 30, 2016, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Gosselies, October 26, 2016

RSM INTERAUDIT CVBA-SCRL
STATUTORY AUDITOR
REPRESENTED BY
THIERRY LEJUSTE