ORES

IFRS Consolidated Financial Statements

2016 FINANCIAL REPORT

IFRS Consolidated Financial Statements

2016 FINANCIAL REPORT

Name and Form
ORES Assets. Association of municipalities in a form of a limited liability cooperative company.

Registered Office
Avenue Jean Monnet 2, 1348 Louvain-la-Neuve.

Incorporation
Deed of creation published in the appendix of the Belgian Official Journal of 10 January 2014 under number 14012014.

Articles of Association and Amendments
The bylaws were amended for the last time on 25 June 2015 and published in the appendix of the Belgian Official Journal of 4 August 2015 under number 15112270.

Contents

I. IFRS FINANCIAL STATEMENTS

1.1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in k€)

	Note	31/12/2016	31/12/2015	DIFFERENCE
Turnover	01 - A	1,197,544	1,099,985	97,559
Regulated balances	01 - B	(55,594)	39,973	(95,567)
Other operating income	02	27,256	29,712	(2,456)
Operating income		1,169,206	1,169,670	(464)
Purchase of goods	03	(68,012)	(67,424)	(587)
Grid fees	03	(348,753)	(348,101)	(652)
Lane fees	03	(43,256)	(41,900)	(1,356)
Employee Benefits	20-21	(137,816)	(142,138)	4,322
Write down of trade receivables	12	(9,540)	(12,366)	2,826
Other operating expenses	04	(116,435)	(130,072)	13,637
Operating expenses		(723,812)	(742,001)	18,189
Operating result before depreciation and amortization		445,394	427,670	17,725
Depreciation and impairment on (in)tangible assets	09-10	(152,906)	(141,674)	(11,232)
Operating result		292,488	285,995	6,493
Financial Income	05	570	2,206	(1,636)
Financial Expenses	06	(77,298)	(58,882)	(18,416)
Financial result		(76,729)	(56,676)	(20,053)
Share of the result of associates	26	0	0	0
Result before taxes		215,759	229,319	(13,560)
Taxes	23	(58,596)	(80,204)	21,608
Result for the period of the continued activities		157,163	149,116	8,047
Result of the period attributable to owners of the company		157,163	149,116	8,047
Result of the period attributable to non-controlling interests		0	0	0

1.2. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(amounts in k€)

	Note	31/12/2016	31/12/2015	DIFFERENCE
Result for the period		157,163	149,116	8,047
OTHER COMPREHENSIVE INCOME				
Recyclable in the profit and loss account		6,345	9,013	(2,669)
Change in fair value of cash flow hedges	17-18-27-28	9,612	13,654	(4,043)
Taxes on items that are or may be reclassified to profit and loss account	24	(3,267)	(4,641)	1,374
Non-recyclable in the profit and loss account		23,022	(56,416)	79,438
Actuarial gains and losses on defined benefit plans	21	34,876	(85,466)	120,342
Taxes on items that will not be reclassified to profit and loss account	24	(11,854)	29,050	(40,904)
OTHER COMPREHENSIVE INCOME OF THE CONTINUED ACTIVITIES - NET		29,366	(47,403)	76,769
OTHER COMPREHENSIVE INCOME - NET		29,366	(47,403)	76,769
Other comprehensive income attributable to owners of the company		29,366	(47,403)	76,769
Other comprehensive income attributable to non-controlling interests		0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD		186,530	101,713	84,817

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in k€)

ASSETS	Note	31/12/2016	31/12/2015	DIFFERENCE
Non-current assets		3,769,358	3,634,855	134,503
Goodwill	08	8,955	8,955	0
Intangible assets	09	43,467	31,335	12,131
Property, plant and equipment	10	3,708,428	3,589,017	119,411
Investments in associates	26	3	3	0
Other non-current assets	11	8,505	5,545	2,960
Current assets		408,678	380,543	28,135
Inventories	13	33,569	29,242	4,327
Trade receivables	12	191,839	170,588	21,251
Other receivables	12	49,031	45,882	3,150
Current tax assets	12	12,114	2,617	9,497
Cash and cash equivalents	14	104,340	103,737	603
Other current assets		17,784	17,301	483
Assets classified as helf for sale	32	0	11,176	(11,176)
Total assets excluding regulatory assets		4,178,035	4,015,398	162,637
Regulatory assets	01 - B	135,415	175,323	(39,908)
TOTAL ASSETS		4,313,450	4,190,721	122,729

(amounts in k€)

LIABILITIES	Note	31/12/2016	31/12/2015	DIFFERENCE
Equity		1,549,622	1,432,266	117,356
Share capital		795,979	793,170	2,809
Retained earnings		785,317	735,935	49,382
Other reserves		(31,704)	(96,869)	65,165
Non-controlling interests		31	31	0
Non-current liabilities		2,167,839	2,327,026	(159,187)
Borrowings	16	1,708,789	1,818,019	(109,230)
Provisions for employee benefits	20	106,705	178,197	(71,492)
Other provisions	19	24,702	26,109	(1,407)
Deferred tax liabilities	24	309,465	277,671	31,794
Other non-current liabilities	18-28	18,177	27,029	(8,852)
Current liabilities		542,064	393,236	148,828
Borrowings	16	304,365	173,670	130,695
Trade payables	17-18	156,020	152,403	3,617
Other payables	17-18	70,618	51,085	19,534
Current tax liabilities	23	3,945	492	3,454
Other current liabilities	17-18	7,116	6,768	347
Liabilities directly associated with assets classified as held for sale	32	0	8,818	(8,818)
Total liabilities excluding regulatory liabilities		4,259,524	4,152,528	106,997
Regulatory liabilities	01 - B	53,926	38,193	15,732
TOTAL LIABILITIES		4,313,450	4,190,721	122,729

1.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(amounts in k€)

	SHARE CAPITAL	RESERVES: CASH FLOW HEDGES	RESERVES: ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PLANS	RESERVES: STATUTORY RESERVES	RESERVES: TOTAL	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
1ST JANUARY 2016	793,170	(19,914)	(68,792)	(8,163)	(96,869)	735,935	31	1,432,266
Comprehensive income for the period								
Profit and loss				744	744	156,419		157,163
Other comprehensive income, net of income tax		6,345	23,022		29,366			29,366
Transactions with shareholders								
Dividends relating to the previous year						(71,116)		(71,116)
Capital increase through creation of A shares	11,060							11,060
Capital decrease through conversion of R shares into A shares	(8,986)							(8,986)
Capital increase through the contribution from the municipality of Frasnes-Lez-Anvaing	1,240							1,240
Capital decrease through the cease of the municipality of Fourons	(505)			(293)	(293)	(574)		(1,372)
Transfers								
Transfers from or to statutory reserves				35,347	35,347	(35,347)		0
31 DECEMBER 2016	795,979	(13,569)	(45,771)	27,636	(31,704)	785,317	31	1,549,622

(amounts in k€)

	CAPITAL	RESERVES: CASH FLOW HEDGES	RESERVES: ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PLANS	RESERVES: STATUTORY RESERVES	RESERVES: TOTAL	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
1ST JANUARY 2015	787,320	(28,927)	(12,376)	(45,913)	(87,217)	684,653	31	1,384,787
Comprehensive income for the period								
Profit and loss						149,116		149,116
Other comprehensive income, net of income tax		9,013	(56,416)		(47,403)			(47,403)
Transactions with shareholders								
Dividends relating to the previous year						(60,083)		(60,083)
Capital increase through creation of A shares	25,260							25,260
Capital decrease through conversion of R shares into A shares	(8,693)							(8,693)
Capital decrease through repayment of R shares	(10,717)							(10,717)
Transfers								
Transfers from or to statutory reserves				37,750	37,750	(37,750)		0
31 DECEMBER 2015	793,170	(19,914)	(68,792)	(8,163)	(96,869)	735,935	31	1,432,266

1.5. CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in k€)

	Note	31/12/2016	31/12/2015
OPERATING CASH FLOW			
Comprehensive income for the period		157,163	149,116
Adjustments for the following elements :			
Depreciation and impairment on (in)tangible assets	09-10	152,906	141,674
Changes in provisions	19-20	(50,393)	(35,146)
Gains or losses on sales of (in)tangible assets	09-10	(278)	(1,957)
Write down of trade receivables	12	10,379	13,114
Financial income	05	(570)	(2,206)
Financial charges	06	77,298	58,882
Income tax expenses recognised in profit or loss	24	58,596	80,204
Regulatory Balances	01B	48,898	(46,769)
Share in the result of associates	26	0	0
Operating cash flow before change in working capital		454,000	356,912
Change in working capital			
Change in inventories	13	(4,327)	(5,154)
Change in trade and other receivables	12	(35,131)	(17,499)
Change in trade and other payables	17	17,961	11,568
Operating cash flow		432,503	345,826
Paid interest	06	(65,538)	(61,806)
Received interest	05	551	2,323
Paid taxes		(52,434)	(51,121)
Regulatory Balances recovered	01B	6,743	6,796
Net operating cash flow		321,825	242,017
INVESTING CASH FLOW			
Acquisition of intangible assets	09-10	(20,967)	(15,642)
Acquisition of tangible assets	09-10	(263,535)	(279,175)
Sale of tangible assets	09-10	331	6,188
Other investing cash flows	26	2,358	0
Net investing cash flow		(281,813)	(288,628)
FINANCING CASH FLOW			
Change in capital	15	1,942	5,850
Borrowings issuance	16	130,000	252,743
Borrowings repayment	16	(102,987)	(176,214)
Issuance and repayment of long term receivables	11	(1,401)	(1,300)
Paid dividends	15	(66,963)	(58,732)
Net financing cash flow		(39,409)	22,348
CHANGE IN CASH AND CASH EQUIVALENTS OF THE CONTINUED ACTIVITIES		603	(24,264)
CASH AND CASH EQUIVALENTS BEGIN OF PERIOD		103,737	128,001
CASH AND CASH EQUIVALENTS END OF PERIOD		104,340	103,737

Following the reclassification of SICAVs into other financial assets, the calculation for the cash flow statement of 2015 has been amended in terms of the level of variations in trade and other receivables (€-5,173K) in consideration of cash and cash equivalents.

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRELIMINARY NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. REPORTING ENTITY AND ORES GROUP

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 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") and the RESA Group.

In addition to this, ORES scrl has invested in one companie, Atrias, held at 16.67%. As ORES scrl has a significant influence over this company, it is consolidated using the equity method. Remember that in 2015, the company Index'is was 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.

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 consolidated financial statements and authorised their publication on 03 May 2017.

C. SIGNIFICANT EVENTS FOR THE YEAR 2016

SHAREHOLDERS

Since 1st July 2014, the regulators are the Walloon Energy Commission ('Commission Wallonne pour l'Energie' here after the "CWaPE") in the Walloon Region and the Flemish Regulator of the Electric and Gas markets ('Vlaamse Regulator van de Elektriciteits-en Gasmarkt' here after the "VREG") in the Flemish Region. However, the tariff methodologies defined by the regional regulators are fundamentally different and regional distribution system operators are obliged to prepare distinct financial statements and tariffs for each Regions.

As a consequence, operators, network operators and municipalities reflected together and everybody considered as relevant a territorial rationalization on a regional basis of the inter-municipalities for energy distribution (previously bi-regional).

In 2015, only the municipality of Frasnes-lez-Anvaing deliberated in favour of the standardisation of its territory in ORES Assets. Consequently, at its meeting of 16 December 2015, the Board of Directors adopted a detailed report on the valuation of the contribution resulting from the transfer of Frasnes-lez-Anvaing and its extension of affiliation to ORES Assets for its entire territory, previously partially served by Gaselwest. This transfer takes effect on 1st January 2016.

As mentioned above, on 31 December 2016, Engie/Electrabel exited the capital of ORES Assets through the sale of its shareholding in ORES Assets to related financing associations of municipalities. Engie/Electrabel therefore did not participate in the 2016 recapitalisation but is entitled to the full 2016 dividend relating to its investment as it was held throughout 2016.

DIVIDENDS

On 23 June 2016, the shareholders of ORES Assets approved the payment of a total gross dividend of € 71.1 million at the Annual General Meeting.

MISCELLANEOUS

- In January 2016, ORES launched its "Optimum" program. Established in the context of the introduction of a new tariff methodology for the period 2019 - 2023, this project aims to create value within the company in order to allow the completion of major strategic projects in the coming years (including Atrias, smart grids and smart metering);

- In February 2016, six months after the start of our natural gas promotion initiative, all distribution system operators, Fluxys (the gas transmission system operator) and ARGB (Association Royale des Gaziers Belges) team up for a national marketing campaign.

RISKS AND UNCERTAINTIES

The following paragraphs describe the measures taken to address known risks and uncertainties that the ORES Group is facing. Some unidentified risks in this list may exist or as other risks might exist or gain importance in the future however they appear limited currently. Note also that the order of appearance below is not representative of importance.

REGULATORY AND INSTITUTIONAL RISKS

A regulatory framework defines ORES activities. Any change made by the legislator or the regulator might affect ORES. CWaPE is now the only competent regulator for this activity in the Walloon region. This strengthens the coherence between policies and the financing through tariffs. A tariff methodology and new rates were approved by the regulator for the years 2015, 2016 and 2017. In continuity with the framework for distribution system operators (DSOs) since 2009. For the 2017 fiscal year, CWaPE has maintained continuity with the 2015-2016 transitional regulatory period by approving a methodology based on the same principles. ORES should ensure the operational efficiency and the cost control in order to be within the budgets approved by the regulator while taking into account the new resources requirements related to the essential revision of its networks in face of the energy sector transition.

CWaPE plans to change the tariff methodology applicable for the regulatory period 2019-2023. The transitory period would be extended to 2018. ORES is part of this commitment, namely to allow the adaption of the tariff structure to the constraints and the cost structure of the DSO, to ensure sustainability of the activities of the DSO. Although the modification of the tariff methodology could affect the profitability of ORES, this risk is limited to the obligation for the regulator to take into account the principles prescribed by the European directives "Third Energy Package" and by the decree dated 19 January 2017 relating to the tariff methodology applicable to gas and electricity DSOs.

Furthermore, the Walloon Government adopts at the beginning of each term regional policy statement including a chapter on energy, which sets out the framework of energy policy, namely with respect to energy efficiency. Another illustration is the study requested by the Ministry of Energy on the harmonisation of tariffs. ORES takes a proactive attitude towards resulting amendments, as with all other legal and regulatory changes that may affect its business. This is part of its commitment to act as a market facilitator and position itself as the legitimate and recognised partner, as the privileged counterparty of public authorities in energy policy.

RISKS RELATED TO GOVERNANCE AND SHAREHOLDING

A detailed set of internal rules and procedures relating to corporate governance have been put in place to ensure the proper functioning of the company's organs, in particular in terms of management and audit. On 1st July 2017, ORES Assets scrl will have finalised the compliance of its internal rules of operation with the Code of Local Democracy and Decentralisation. The Sectoral Committees will be abolished by that date.

In addition, the Group will have a common governance with the same directors for the two companies acting under the quasi-identical operating and organisational rules, with any differences – even minimal – justified by the application of different legal standards. Directors will only be remunerated for their mandate within only one of the two companies.

OPERATIONAL RISKS

RISKS RELATED TO THE DEGRADATION OF NETWORKS

ORES manages the electricity and natural gas distribution networks in order to ensure their reliability and continuity of their energy supply to customers. However, natural phenomena and damages caused by third parties may lead to incidents and damage to these networks. Insurance policies aim to cover the financial consequences of these events. In certain cases, ORES is self-insured.

TECHNOLOGICAL RISKS

The rapid evolution in the number of decentralised electricity generation facilities as well as the development of new technologies, trigger changes in the environment in which ORES operates. The roles of different market players are less defined and new roles are emerging. Electricity storage, flexibility, the use of telecom fibres, remote operation of electrical networks and appliances are developing; new materials and technologies are emerging for public lighting; customers are more actively involved in the management of their energy, sometimes as consumers and sometimes as producers. ORES closely monitors these developments and wishes to reaffirm the role of facilitator that has been recognised as a DSO since the beginning of market liberalisation. In this context, ORES considers within the Walloon regulatory framework, new opportunities for activities linked to its core business. It also participates in studies aimed at defining the interactions between market operators, the roles of each party and the associated responsibilities, in order to consolidate its own operations.

Similarly, the intermittent and random nature of decentralised electrical generation facilities reveals uncertainties as to the specificities to be met by the distribution networks of tomorrow. In order to understand these uncertainties, ORES carries out various projects focusing in particular on the management of networks and the integration of "more intelligence" in distribution infrastructures and metering (IT, telecommunications).

DATA QUALITY RISKS

In general, database corruption or loss, failure of computer systems or applications, virus propagation, piracy, or failure of the telecommunications network may hinder the smooth operation of the company and the service to customers. ORES takes the necessary measures to protect its systems, applications and data, as well as their communication, and to avoid any intrusion into the management of its activities.

ORES ensures that it is able to react adequately in case of intrusion or security risk on its information systems.

RISKS RELATED TO DATA QUALITY AND THE PROTECTION OF PERSONAL DATA

Data control and compliance with the protection of personal data are essential to meet regulatory obligations and ensure effective internal control. It is also about ensuring that data management processes are under control. Projects and programs have been under way since 2013 to reinforce these aspects and also to take account of the new European regulation on the protection of personal data.

ENVIRONMENTAL RISKS, PUBLIC HEALTH AND URBAN CONSTRAINTS

The activities of ORES, as well as its assets, are subject to European, national and regional regulations relating to environmental and urban matters, dealing in particular with soil pollution, electrical safety equipment, information, coordination and the organisation of work sites or waste management. These provisions are often complex and subject to change – potentially resulting in a stricter framework. Compliance with these provisions may therefore impose significant additional costs for ORES, or even lead to the postponement of projects in progress. Provisions are made to cover any additional costs.

SAFETY AND WELFARE RISKS

Whatever the activity of the company, the Group considers that it is crucial for its employees to constantly bear in mind the prevention requirements as well as the requirements in terms of health and safety to reduce the risk of accident on the workplace. In this context, the company implemented a global action plan (over 5 years), an annual action plan and a multi-year awareness program (called "Shared vigilance").

RISK RELATED TO THE ORES STRATEGY

ORES's strategy may be called into question by external factors that may lead the company to adapt its strategy. These include a regulatory or legislative change, inadequate market model, lack of available financial, logistical, human or other resources, etc. Internally, risks can be linked to timing issues or inadequate project management.

HUMAN RESOURCES RISK

To address the numerous challenges it faces, ORES must attract qualified profiles who meet its future needs. It must also be able to keep these talents within the company. To this end, ORES is implementing a wide-ranging program of cultural change that fosters creativity, interaction as well as trust and proximity management.

RISK OF LEGAL DISPUTES

The risk of legal disputes is inherent to ORES activities. When appropriate, adequate provisions have been made or will be made to cover this risk.

FINANCIAL RISKS

CREDIT RISKS

ORES scrl established a treasury bills program at the beginning of 2011 with the guarantee of ORES Assets scrl. Since 2012, the program enables to issue treasury bills having a duration comprised between five and eight years. From 2012 till end of 2016, a guarantee fund was granted by ORES Assets scrl to ORES scrl, the latter being responsible for meeting the financing needs of the Group.

The amounts collected via the bond issues in 2012, 2014 and 2015 as well as the issue of private investments and new bank loans in 2016 enable to cover the financing needs of ORES. Two short-term credit lines were granted to ORES scrl for a total amount of 100 M€ and are available until end 2017. ORES follows a financing policy using diversified sources of funding on the capital market.

INTEREST RATE RISK

See note 31

TAX RISK

The two companies, ORES Assets scrl and ORES scrl, are subject to corporate income tax. Changes in tax regulations and related interpretation by the administration can impact the Group. However, the tariff methodology prescribes that any tax expense is currently included in the tariffs. The impact of these developments and related interpretations is therefore limited for the ORES Group.

ASSETS AND LIQUIDITY RISKS

In this context, ORES has the possibility to ask counterparties to provide a bank guarantee for the invoicing of fees for using the network, and strengthen the specific measures for the collection of receivables related to works conducted in the context of the network operations via tendering procedures targeted to factoring companies.

ORES benefits from a short-term financing capacity via its treasury bills program and the credit lines discussed above; we can consider that the liquidity risk is almost nil for ORES. Treasury management can limit market, assets and liquidity risks. The governing bodies have implemented a prudent investment policy, based on diversification and limited use of risky (in terms of credit and interest rate) products. ORES pays attention of the negative interest rate in its treasury management.

Finally, the tariff methodology provides that all costs related to the funding policy are covered by the regulatory budget.

MACROECONOMIC AND CYCLICAL RISKS

The current economic situation could have an impact on the demand for electricity and natural gas or on the financing conditions of ORES or the net profit to be distributed to the partners. These risks and their effects are not normally supported by the Group. The tariff methodology foresees their inclusion as part of the approval of the regulatory balances and their imputation, in principle, in the tariffs of the following regulatory period.

REPUTATION

Generally speaking, some circumstances, events or performance of lower quality may have a negative impact on ORES reputation. The company is attentive to the quality of the services provided. In particular, the company is implementing projects to improve the data quality or the service quality provided to clients. It also seeks to avoid the propagation of accepted ideas, in particular via adapted and multichannel communication on its businesses and operations, on the control of distribution costs or on the composition of the customer's energy bill.

NOTE 01 A - TURNOVER

(amounts in k€)

ELECTRICITY	31/12/2016	31/12/2015
Transit fees	867,207	827,077
Public service obligation (OSP)	17,937	13,806
Transfer of assets from customers	45,314	45,943
Other	867	1,239
	931,325	888,063
GAS		
Transit fees	217,376	172,165
Public service obligation	8,797	5,675
Transfer of assets from customers	4,747	4,916
	230,920	182,756
NOT ALLOCATED		
Third party inventory management	8,226	4,796
Construction contracts	6,821	4,912
Third party network management	20,252	19,458
	35,299	29,166
TOTAL TURNOVER	**1,197,544**	**1,099,985**

TRANSIT FEES

The Group's turnover is mainly composed of income and expenses related to the transit fees from the electricity and gas distribution network. The Group provides on behalf of the energy suppliers the electricity and gas distribution directly to the houses and companies that are connected to the network. Concerning the electricity, the transit fee also includes a fee for the transport network for which Elia as electricity transmission operator ("TSO") is the sole manager. The fee is invoiced by Elia to the Group and is recorded as a cost of sales (cascade principle - See also note 03).

Income and expenses related to transit fees are recognised based on the tariffs applicable for the year as soon as the electricity or gas has been supplied and transported to consumers that are connected to the network during the related period. The amounts recognised as income are based on meter readings and estimates for the part of the network that has not been metered. These estimates are adjusted at year-end with the unmetered transit fee (RTNR) which is calculated based on the total actual volume that has transited on the network.

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

Concerning the year 2016, the tariff proposals applicable throughout the municipalities in the Walloon Region where ORES Assets operates have been submitted to the regional regulator ("CWaPE") on 8 September 2014. They have been approved by the CWaPE on 5 February 2015 and are applicable from 1st March 2015.

With respect to the transit fees for electricity, while the invoiced quantities are fairly stable (-0.05% compared to 2015), we note an increase of € 40.1 million, mainly due to an increase (+ 2.92%) of the average price per KWh invoiced namely linked to the 3 proposals for changes to the periodic tariffs approved in 2015 (see accounting policies in 3.A.15).

The gas transit fees, despite the stability of the quantities invoiced (-0.71% compared to 2015), increased by € 45.2 million, mainly due to an increase in the average price of the gas distribution tariff of 10% namely linked, as for electricity, to the 3 proposed changes to the periodic tariffs approved in 2015.

PUBLIC SERVICE OBLIGATIONS ("PSO")

The Walloon Government imposes to the DSO public service obligations ("PSO") that are clearly defined, transparent, non-discriminatory and which are subject to review by the CWaPE, including:

- To ensure energy supply to protected customers at the social tariff. The difference between the social tariff and the market price is partially recovered by the DSO from the regulator (funds managed by the latter) and partially through the tariffs depending on the type of protected customer, which ensures neutrality in the income statement;

- To ensure on a temporary basis the supply of end customers who find themselves temporarily without a supply contract or for whom the contract has been suspended (customers are called 'supplier X'). The corresponding energy purchases are recognised in cost of sales (see Note 03).

- To ensure the installation of a budget meter at the request of the client or in the frame of a procedure of payment default of the end customer towards its energy supplier;

- To ensure the single counter: in order to simplify the administrative procedures, the DSO is the single point of contact for electricity producers with a solar photovoltaic installation of a net power of 10 kVa at most, wishing to connect to the network and benefit from the system of green certificates.

- To ensure the maintenance of public lighting which is the property of the municipalities.

Costs relating thereto are recorded in "other operating expenses" (note 04) or in "employee benefits" (note 20).

Income and expenses related to the sale of energy in the context of public service obligations (including protected customers) are recognised when electricity or gas has been supplied and transported to consumers connected to the network during the corresponding period. The amounts recognised as revenue are based on meter readings and estimates for the part of the network that has not been metered.

Revenue in 2016 linked to PSO for both gas and electricity follows the same upward trend (€ +7 million) as transit fees and is explained by the same reason, which is an increase in volumes sold to customers in 2016 compared to 2015. We note the same trend in the purchases of energy (€ +2 million in 2016) (see note 03).

TRANSFER OF ASSETS FROM CUSTOMERS

Transfer of assets from customers related to the construction of connections or extensions to the network are usually recognised when the service has been delivered.

The progression is stable in 2016, despite the decrease in investments. In 2015, the high level of investments was mainly due to the acquisition of a network of optical fibres, new building in Leuze… made for the "own" DSO network. The movement identified in the transfer of assets from customers mainly comes from a cyclical element, namely the evolution of the volume of work involved.

THIRD PARTY INVENTORY MANAGEMENT

The Group has entered into a service contract providing inventory management (logistics) on behalf of a third party, to which it also sells merchandise. This contract defines a remuneration based on used square meters.

The increase is due to an adjustment relating to previous years.

CONSTRUCTION CONTRACTS

The turnover of the Group also includes revenue from construction contracts for various projects such as the expansion work performed on public lightings. As the finalization of the construction contract can be estimated reliably, revenues and expenses related to this contract are recognised in the income statement according to the percentage of completion method.

THIRD PARTY NETWORK MANAGEMENT

Following the partial demerger of "Intermosane", the distribution network of the city centre of Liege is still managed by the Group but on behalf of RESA.

The agreement provided for a full transfer of the activities to RESA on 1st January 2017. However, it appeared that it would not be possible for RESA to integrate certain computerised databases on that date. Consequently, with the exception of these databases, operational and daily management on the territory of the city centre of Liège was effectively taken over by RESA on 1st January 2017; the full transfer will be effective subsequently.

NOTE 01 B - REGULATORY BALANCES

(amounts in k€)

1. STATEMENT OF FINANCIAL POSITION	31/12/2016	31/12/2015
Regulatory assets		
Tariff period 2008-2016	135,415	175,323
Regulatory liabilities		
Tariff period 2008-2016	(53,926)	(38,193)
TOTAL REGULATORY BALANCES	**81,489**	**137,130**

2. STATEMENT OF COMPREHENSIVE INCOME		
ELECTRICITY		
Year 2016	(14,610)	36,949
Prepayment recovered	(3,629)	(3,682)
	(18,239)	33,267
Gas		
Year 2016	(34,241)	7,880
Prepayment recovered	(3,114)	(3,114)
	(37,355)	4,766
TOTAL REGULATORY BALANCES	**(55,594)**	**38,033**

A detailed information of the new tariff methodology and of the regulatory environment in which the Group operates is described in the accounting policies (3.A.15).

Currently, there is no specific IFRS dealing with the accounting treatment of regulatory balances in a regulated environment. Discussions are in progress within the IASB concerning the publication of a new standard on rate-regulated activities that would clarify the proper accounting treatment of such activities. In this context, a transitional standard was published in January 2014 (IFRS 14 Regulatory Deferral Accounts) but applies only to IFRS first-time adopters. It explicitly allows the recognition of regulated assets and liabilities within the statement of financial position and these assets and liabilities should be presented in a separate caption, distinctly from the other assets or liabilities.

The Group has made the assumption that these balances would be recovered in the future and are therefore recognised as an asset or a liability.

Regulatory balances at the end of 2016 result in a regulatory asset for an amount of € 81.5 million (compared to € 137.1 million in 2015). This mainly results from the differences observed during this regulatory period between the actual cost supported and the initial budget assumptions.

Note that since 2015, an advance corresponding to 10% of the netting between the regulatory assets and liabilities cumulated from 2008 to 2013 can be recovered through the distribution tariffs as defined in the new tariff methodology of the CWaPE which has been adopted in 2014 (we refer to section 3.A.15 in the accounting policies). Thanks to that, € 13.5 million were recovered, including € 7.3 million in electricity and € 6.2 million in gas.

In its 2017 tariff methodology (approved on 15 December 2016), the CWaPE also authorised that 20% of the cumulative regulatory balances for the period 2008-2014 be recovered (through a prepayment) over the year 2017.

The CWaPE wishes to fully settle the residual 2008-2014 cumulative regulatory balances at the end of the 2019-2023 regulatory period.

At year-end 2016, the regulatory balances (excluding prepayments) thus decrease by € 48.8 million (€ 14.6 million related to electricity and € 34.2 million related to gas).

Both for electricity and gas, this is mainly due to:

- The steady decline in the OLO rate, which in 2016 continued to impact our actual level of REMCI compared to the one budgeted;
- The decrease in the corporate income tax expense (see note 23);
- The reduction of PSO costs versus budgeted costs.

With respect to electricity, this is partially offset by a volume effect (the quantities distributed are much lower than those budgeted) and by the transport tariff (cost increase compared to the budgeted cost).

With respect to gas conversely, the volume effect accentuates the decrease of regulatory balances because the quantities distributed are much higher than those budgeted.

NOTE 02 - OTHER OPERATING INCOME

(amounts in k€)

	31/12/2016	31/12/2015
Recovery of fraudulent consumption	3,879	3,176
Recovery from clients	8,689	9,354
Network damages	3,686	3,380
Rentals / Supplies	3,149	4,235
Other recovery of expenses	7,853	9,567
	27,256	29,712

«Other recovery of expenses» mainly relates to recoveries other than those related to customers from distribution system operators, such as:

- Trainings paid by our subcontractors to obtain a work permit on our networks;
- The reinvoicing of costs related to joint projects conducted with our counterparts from Brussels or Flanders;
- Fees paid by other companies in the sector for administrative management.

NOTE 03 - COST OF SALES

(amounts in k€)

	31/12/2016	31/12/2015
Goods and supplies		
Energy purchases (OSP - gas and electricity)	26,497	24,568
Network losses (electricity)	34,278	37,246
Goods	7,237	5,610
	68,012	67,424
Grid fees (electricity)	348,753	348,101
Lane fees	43,256	41,900
	460,021	457,425

GOODS AND SUPPLIES

Goods and supplies mainly relate to the purchase of energy losses from the electricity sector. Indeed, following the decree of the Walloon Government dated 03 March 2011 (article 147), the DSO compensates the energy losses in the distribution network by purchasing suitable energy. Those purchases are subject to public market rules (competitive tendering procedure (bid or tender call)). They are decreasing by € 3 million mainly due to the decrease of the average purchase price (-8%) in 2016.

The energy purchases are also related to some specific customers (protected customers) in the context of public service obligations including the increase of € 1.9 million to compare to the increase in revenue linked to public service obligations (see note 01 A), primarily due to higher prices and an increase in volumes due to colder weather conditions in 2016 compared to 2015 (+10.32% of degree-days* in 2016).

Finally, the increase of this caption is related to the reconciliation balance of allocated consumption volumes (lower in 2016 than 2015) compared to actual consumption volumes.

GRID FEES

The electricity transport system operator monthly invoices the DSO the fee for using its network. The DSO reinvoices that fee to the energy suppliers (cascade principle). This applies only to the electricity sector as the gas transport fee is charged directly by the transport system operator to the energy suppliers.

In 2016, the connection charge invoiced by ELIA is now included in this heading for € 4.4 million, whereas previously it was included in other operating expenses (see note 04). This reclassification was also applied to the year 2015 for an amount of € 4.3 million in order to be completely comparable.

Although the volumes transported slightly decreased by 0.48%, the grid fees invoiced by Elia have increased by 0.19%. This is due to an increase in the transport costs per MWH of 1.98%, which is nearly fully attributable to the costs of federal surcharges and contributions (new price list 2016-2019 approved by the CREG on the 4 December 2015).

ROAD CHARGES

DSO is required to calculate yearly road charges related to electricity distribution (fully repaid to the municipalities) or gas distribution (repaid to municipalities, to provinces and to the Walloon Region). They are calculated based on the quantities transported the previous year.

[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.*

NOTE 04 - OTHER OPERATING EXPENSES

(amounts in k€)

	31/12/2016	31/12/2015
Network maintenance charges	5,195	3,498
Third party fees	30,709	29,957
IT consultancy fees (1)	23,359	31,245
Call Center expenses	5,472	5,353
Insurance	2,011	1,847
Vehicles lease	2,383	2,313
Property & optical fiber lease (3)	5,059	4,600
Other lease	11,217	10,001
Vehicles costs	5,943	6,148
Own furniture	7,396	7,478
Loss on the disposal of a branch (2)	0	393
Others (4)	17,691	27,240
	116,435	130,072

1. IT CONSULTANCY FEES

The decrease in this caption (€ -7.9 million) is explained by the fact that a larger part of these expenses relating to ongoing IT projects are activated within the Group (see note 09); namely, the expenses related to the Smart Metering and Smart Grid projects ("smart" meters and networks) or the Atrias project dealing with the elaboration of the new clearing House.

2. LOSS ON THE DISPOSAL OF A BRANCH

Following the sale of the municipality of "Fourons" on 1st January 2016, a loss of € 0.4 million has been recorded and mainly results from the difference between the IFRS carrying amount and the carrying amount established in accordance with Belgian standards for fixed assets (See note 32 in that respect).

3. PROPERTY AND OPTICAL FIBERS LEASE

In 2016, the connection charge invoiced by ELIA was reclassified under "Transport charges" for an amount of € 4.4 million.

This reclassification was also carried out over the year 2015 for an amount of € 4.3 million in order to be completely comparable.

4. OTHERS

The decrease of this caption is mainly due to significant provisions recorded in 2015 (€ 12.8 million) whereas the Group didn't set up in 2016 new significant provisions (see also note 19 on provisions).

NOTE 05 - FINANCIAL INCOME

(amounts in k€)

	31/12/2016	31/12/2015
Financial income	319	1,339
Other	251	867
	570	2,206

In 2016, the financial income decrease by € 1 million due to the decrease in our term deposits (€ 44.5 million compared to € 98.9 million in 2015) and also to the weak interest rates.

Other income decreased mainly due to the recognition in 2015 of interest income from late payment on a tax litigation won against the Ministry of Finance (see also note 12).

NOTE 06 - FINANCIAL EXPENSES

(amounts in k€)

	31/12/2016	31/12/2015
Interest on loans	23,100	21,427
Interests on treasury bills	7,044	6,996
Interests on bond	23,637	23,156
Other interest expense	11,147	16,248
Total interest expense	64,928	67,827
Unwinding of discounts on provisions	12,370	(8,945)
	77,298	58,882

DESCRIPTION OF THE HEDGE POLICY WITHIN THE GROUP

Changes in interest rates have an impact on the level of financial expenses. To minimise this risk, the Group applies a financing policy that seeks to achieve an optimal balance between fixed and variable interest rates. In addition, hedging instruments are used to hedge uncertain trends. The financing policy takes into account the difference in the maturity of loans and assets. These three items (duration of borrowing, interest rates and use of hedging derivatives) were decided by the competent bodies of ORES Assets and ORES scrl, which enabled the financial policy to be set for the active management of the debt.

TREASURY BILLS PROGRAM

End 2016, the Group renewed the € 50 million short-term treasury bills issued at the end of 2015 for an additional 3-month period and also issued for a period ranging from 3 to 6 months new short-term treasury bills for an amount of € 80 million.

BONDS

The financial charges related to bonds slightly increase (23.6 million in 2016 against 23.2 million in 2015) as a result of the recognition of a full year of interest charges linked to the two bonds of € 100 million negotiated at the end of January 2015 (see note 06 of the annual report 2015).

LOANS

Despite the excess of cash received from the bonds and private placements allowing not to renew loans maturing in 2016, the interest expenses for the year increased with € 1.7 million mainly due to the fact that € 5.4 million has been paid at the end of the year to be released from specific structures of interest rates linked to some loans.

IRS (PRESENTED AS PART OF OTHER INTEREST EXPENSES)

The interest expenses on IRS used to hedge the floating rates (recognised as other interest expenses) have decreased compared to 2015 (€ -5.1 million) due to the fact that several IRS have matured in 2016 and have not been renewed as the loans related have also not been renewed (see also note 28 on derivatives).

UNWINDING OF DISCOUNTS ON PROVISIONS

This caption records the actuarial variations related to the discount on provisions (the amount increase with time as the engagement is actualised, all other things being equal) regarding jubilees and invalidity as these two advantages are considered as other long term benefits.

In contrast to 2015, we booked in 2016 a charge of € 12.3 million due to a change in the assumption of the discount rate from 1.96% to 1.28 % in 2016. This leads thus to an increase of the provision amount and consequently to an increase of the financial charges through the actuarial gains.

NOTE 07 - SEGMENT INFORMATION

The Executive Committee of ORES scrl, overseen by the Board of ORES scrl and ORES Assets, is the most important chief operating decision maker of the Group. In its daily management, it reviews the annual accounts of ORES Assets and ORES scrl prepared under Belgian GAAP. Indeed, the Group operates in a regulated environment in which the financial statements of each entity of the Group, prepared in accordance with Belgian GAAP, for each type of energy (gas and electricity), have an impact on future tariffs. Therefore, the Group is organised into eight operating segments with a distinction between the electricity and gas energy, plus limited activities related to the recovery of past unpaid receivables prior to the market liberalisation (called «supply» activity). The activity of the company ORES scrl is to manage the expenses of ORES Assets; it invoices all its expenses to ORES Assets at cost price and therefore makes no profit.

The operating segments provide identical services to customers of a similar nature in different geographical areas. The activity of each segment is similar depending on the type of energy, so that the operating segments can be grouped into two main areas, namely gas and electricity and another limited activity (supply). These segments are representative of how the Group is managed and correspond to the consolidation criteria set out in IFRS 8 - Operating Segments.

a) Income statement

(amounts in k€)

31/12/2016	TOTAL GAS	TOTAL POWER	OTHER ACTIVITIES(1)	ORES(2)	TOTAL CONSOLIDATED(3)
Belgian GAAP					
Turnover	187,982	871,300		564,291	1,623,573
Other operating income	4,505	21,039	678	14,042	40,263
Operating expenses	(131,998)	(756,225)	(54)	(574,351)	(1,462,627)
Operating result	60,488	136,115	624	3,982	201,209
Financial Income	33	80	1	30,847	30,961
Financial Expenses	(22,709)	(43,163)	(6)	(30,847)	(96,726)
Financial result	(22,676)	(43,084)	(5)		(65,765)
Result before taxes	37,812	93,031	619	3,982	135,444
Taxes	(6,720)	(31,012)	(209)	(3,982)	(41,924)
Transfer to free tax reserves	(133)	(611)			(744)
RESULT FOR THE PERIOD	30,959	61,407	410		92,777

(amounts in k€)

31/12/2015	TOTAL GAS	TOTAL POWER	OTHER ACTIVITIES(1)	ORES(2)	TOTAL CONSOLIDATED(3)
Belgian GAAP					
Turnover	181,894	881,732		578,640	1,642,266
Other operating income	6,280	20,348	1,127	13,978	41,732
Operating expenses	(126,316)	(763,590)	(350)	(587,944)	(1,478,201)
Operating result	61,857	138,489	777	4,674	205,797
Financial Income	60	991	29	30,334	31,413
Financial Expenses	(23,265)	(43,583)	(18)	(30,334)	(97,199)
Financial result	(23,205)	(42,592)	11		(65,785)
Result before taxes	38,653	95,897	788	4,674	140,012
Taxes	(8,699)	(40,242)	(268)	(4,674)	(53,883)
RESULT FOR THE PERIOD	29,954	55,655	520		86,129

[1] *Other activities like supply of goods and services to third parties*
[2] *ORES SCRL is a 100% subsidiary of the DSO*
[3] *Combined financial statements of the group without elimination of intercompany transactions*

b) Statement of financial position

(amounts in k€)

31/12/2016	TOTAL GAS	TOTAL POWER	OTHER ACTIVITIES(1)	ORES(2)	TOTAL CONSO-LIDATED(3)
Belgian GAAP					
Non-current assets	1,130,374	2,358,181	705	833,683	4,322,942
Property, plant and equipment	1,130,222	2,357,170	690	16,254	3,504,336
Other non-current assets	153	1,010	15	817,429	818,606
Current assets	116,839	304,605	(11,509)	321,760	731,695
Inventories		9,310		33,569	42,880
Trade receivables	34,373	134,503	(11,509)	174,462	331,829
Cash and cash equivalent				112,161	112,161
Other current assets	82,467	160,791		1,568	244,826
TOTAL ASSETS	1,247,213	2,662,785	(10,804)	1,155,443	5,054,638
Equity	520,063	1,172,679		481	1,693,222
Share capital	256,416	539,563		458	796,436
Retained earnings					
Other reserves	263,647	633,116			896,763
Capital subsidy				23	23
Non-current liabilities	590,264	1,140,567		818,250	2,549,081
Borrowings	583,905	1,129,820		810,750	2,524,476
Provisions	6,359	10,746		7,500	24,605
Current liabilities	136,887	349,540	(10,804)	336,712	812,335
Borrowings	73,222	136,409		189,000	398,631
Trade debts	11,848	95,631	1	62,621	170,101
Other current liabilities	51,816	117,500	(10,805)	85,091	243,602
TOTAL LIABILITIES	1,247,213	2,662,785	(10,804)	1,155,443	5,054,638

(amounts in k€)

31/12/2015	TOTAL GAS	TOTAL POWER	OTHER ACTIVITIES(1)	ORES(2)	TOTAL CONSO-LIDATED(3)
Belgian GAAP					
Non-current assets	1,086,423	2,306,425	4,430	751,285	4,148,563
Property, plant and equipment	1,086,270	2,305,863	4,415	13,744	3,410,292
Other non-current assets	153	563	15	737,541	738,271
Current assets	231,345	508,474	(296,943)	262,788	705,664
Inventories		7,673		29,242	36,915
Trade receivables	132,006	322,319	(296,943)	121,685	279,067
Cash and cash equivalent				110,369	110,369
Other current assets	99,339	178,483		1,492	279,313
TOTAL ASSETS	1,317,768	2,814,899	(292,513)	1,014,073	4,854,227
Equity	515,032	1,166,494		486	1,682,012
Share capital	254,376	538,794		458	793,628
Retained earnings					
Other reserves	260,657	627,700			888,356
Capital subsidy				28	28
Non-current liabilities	601,757	1,151,894		827,250	2,580,900
Borrowings	594,781	1,140,867		819,750	2,555,398
Provisions	6,976	11,027		7,500	25,503
Current liabilities	200,979	496,512	(292,513)	186,337	591,315
Borrowings	48,760	110,348		50,000	209,108
Trade debts	6,948	97,069	1	62,339	166,357
Other current liabilities	145,271	289,095	(292,515)	73,999	215,850
TOTAL LIABILITIES	1,317,768	2,814,899	(292,513)	1,014,073	4,854,227

c) Reconciliation of segment information (established under Belgian GAAP) and the Group financial statements (prepared in accordance with IFRS)

(amounts in k€)

31/12/2016	SEGMENT INFORMATION	GROUP FINANCIAL STATEMENTS	VARIATION
Income statement			
Turnover and regulated balances	1,623,573	1,141,950	(481,623)
Result before taxes	135,444	215,759	80,315
Statement of financial position			
Total assets	5,054,638	4,313,450	(741,188)
Total liabilities	5,054,638	4,313,450	(741,188)

(amounts in k€)

31/12/2015	SEGMENT INFORMATION	GROUP FINANCIAL STATEMENTS	VARIATION
Income statement			
Turnover and regulated balances	1,642,266	1,139,958	(502,307)
Result before taxes	140,012	229,319	89,308
Statement of financial position			
Total assets	4,854,227	4,190,721	(663,506)
Total liabilities	4,854,227	4,190,721	(663,506)

DIFFERENCE BETWEEN SEGMENT INFORMATION AND CONSOLIDATED FINANCIAL STATEMENTS OF ORES ASSETS:

- Intercompany transactions, balances, income and expenses between operating segments have been eliminated in full during the consolidation.
- Recognition of dividends (and the related withholding tax) when approved by the Shareholder's meeting.
- Provision for employee benefits:

(1) Recognition of provisions related to pension plans offered by the Group

(2) No deferral of pension costs taken over from a third party

- Transfer of assets from customers related to extension work on the network: recognised as income and not as a deduction of property, plant and equipment.
- Intangible assets & property, plant and equipment

(1) Depreciation of assets as soon as they are ready for their intended use

(2) Adjustment of employee costs capitalised in the value of property, plant and equipment

- Recognition of the derivative financial instruments at their fair value.
- Recognition of a differed tax on each adjustment.

Most of these differences are fully detailed in the note of transition to IFRS of the Group for its first combined financial statements at the end of December 2012.

INFORMATION RELATED TO THE GEOGRAPHICAL AREAS OF ACTIVITIES

The Group operates exclusively in Belgium, in Wallonia. Each segment operates in a specific and exclusive geographic area.

INFORMATION RELATED TO THE MAJOR CUSTOMERS

Two of our customers represent together 72% of the total amount of transit fees in the gas sector in 2016 (73% in 2015).

Regarding the electricity sector, two of our customers represent together 73% of the total amount of transit fees in 2016 (71% in 2015).

NOTE 08 - GOODWILL

(amounts in k€)

	31/12/2016	31/12/2015
Acquisition cost	8,955	8,955
Accumulated impairment losses		
	8,955	8,955

Goodwill initially relates to the acquisition of ORES scrl by the eight DSO's (merged on 31 December 2013 to form a unique DSO, ORES Assets). ORES scrl provides services for the DSO and manages all employees of the economic Group consisting of ORES Assets and its subsidiary ORES scrl. The goodwill recognised at the acquisition date corresponds to the know-how of these employees.

As explained in the accounting policies, the cash-generating units (CGU) have been defined as being the eight operating segments by energy.

During the impairment test, the recoverable amount of the CGU is determined by calculating its value in use. This calculation uses cash flow projection based on budgets approved by management. This budget corresponds to the budget approved by the regulator when determining the tariffs. Cash flows beyond the budget period are extrapolated using a zero growth rate.

The discount rate used to determine the value in use is the rate of return (WACC) determined by the tariff methodology (see note 3.A.15 for a description of the regulatory environment).

Based on these assumptions, the value in use determined by the model is approximately equal to the net assets determined in accordance with Belgian GAAP (RAB). However, the net assets determined in accordance with IFRS are systematically lower than the net assets determined in accordance with Belgian GAAP due to the recognition of a provision for pension plans. Accordingly, the value in use is systematically lower than the book value (IFRS) of each CGU. As a consequence, no impairment loss has to be recognised.

NOTE 09 - INTANGIBLE ASSETS

(amounts in k€)

	31/12/2016	31/12/2015
Acquisition cost	65,313	44,345
Accumulated amortisation and impairment	(21,846)	(13,010)
	43,467	31,335

(amounts in k€)

		SOFTWARE	DEVELOPMENT	TOTAL
COST				
Opening balance	2015	20,968	7,736	28,704
Additions		10,528	700	11,228
Additions from internal developments			4,413	4,413
Disposals				
Opening balance	2016	31,496	12,849	44,345
Additions		14,804		14,804
Additions from internal developments			6,164	6,164
Disposals				
Closing balance	2016	46,300	19,013	65,313
ACCUMULATED AMORTISATION AND IMPAIRMENT				
Opening balance	2015	(5,691)	(1,605)	(7,296)
Amortisation expense		(3,799)	(1,915)	(5,714)
Disposals				
Opening balance	2016	(9,490)	(3,520)	(13,010)
Amortisation expense		(5,769)	(3,067)	(8,836)
Disposals				
Closing balance	2016	(15,259)	(6,587)	(21,846)
		31,041	12,426	43,467

a) Description of the major intangible assets and the largest movements over the year

The intangible assets acquired in 2016 mainly include the replacement of the management tool of the central store, the development of a new platform Atrias and the development of smart network and smart metering (Smart Grid/Smart Metering).

Indeed, the technical development of management network, smart metering and other developments highlight the fact that significant 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 amortised on a time proportion basis using the linear method over their useful life of 5 years.

b) Description of the major other intangible assets and the main movements of the period

(amounts in k€)

	31/12/2016	31/12/2015
Internal IT projects	6,979	1,536
	6,979	1,536

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

(amounts in k€)

	31/12/2016	31/12/2015
Acquisition cost	6,053,921	5,833,881
Accumulated depreciation and impairment	(2,345,493)	(2,244,864)
	3,708,428	3,589,017
Land & Buildings	90,384	85,239
Distribution network	3,585,880	3,468,434
Equipment	31,473	31,040
Other	691	4,304
	3,708,428	3,589,017

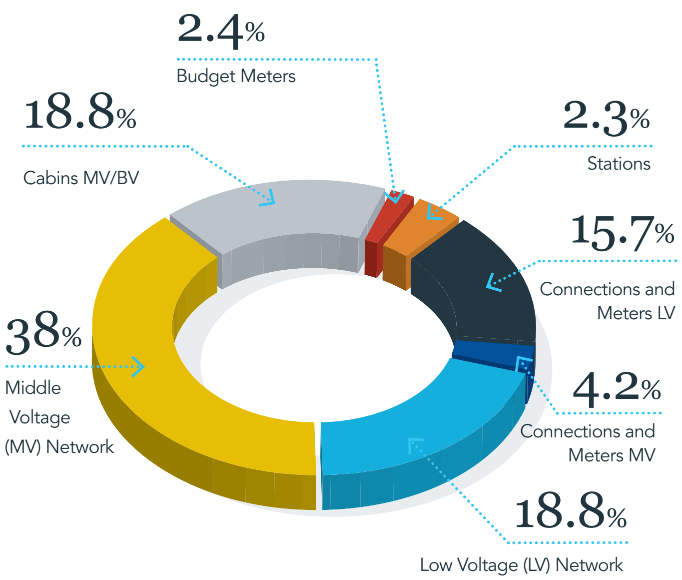
(amounts in k€)

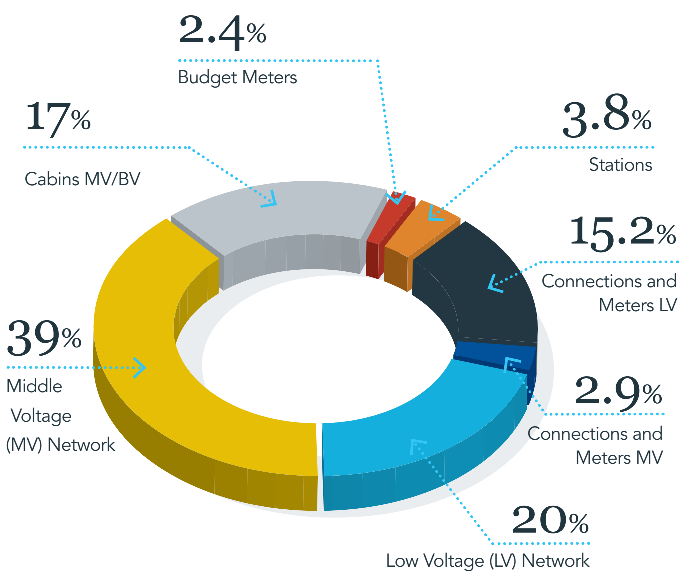
		LAND & BUILDINGS	DISTRIBUTION NETWORK	EQUIPMENT	OTHER	TOTAL
COST						
Opening balance	2015	117,874	5,354,434	136,628	8,307	5,617,243
Additions		11,142	259,924	8,109		279,175
Disposals		(10,410)	(38,657)	(3,147)		(52,214)
Reclassification as held for sale		(45)	(10,278)			(10,323)
Other						
Opening balance	2016	118,561	5,565,423	141,590	8,307	5,833,881
Additions		3,968	245,662	6,479		256,109
Additions through business combinations		94	7,332			7,426
Disposals		(31)	(39,390)	(4,074)		(43,495)
Reclassification as held for sale		5,854			(5,854)	
Other						
Closing balance	2016	128,446	5,779,027	143,995	2,453	6,053,921
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Opening balance	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
Opening balance	2016	(33,322)	(2,096,989)	(110,550)	(4,003)	(2,244,864)
Amortisation expense		(2,464)	(135,541)	(6,030)	(35)	(144,070)
Disposals			39,383	4,058		43,441
Reclassification as held for sale		(2,276)			2,276	
Closing balance	2016	(38,062)	(2,193,147)	(112,522)	(1,762)	(2,345,493)
CARRIED AT COST		90,384	3,585,880	31,473	691	3,708,428
CARRIED AT REVALUED COST						

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

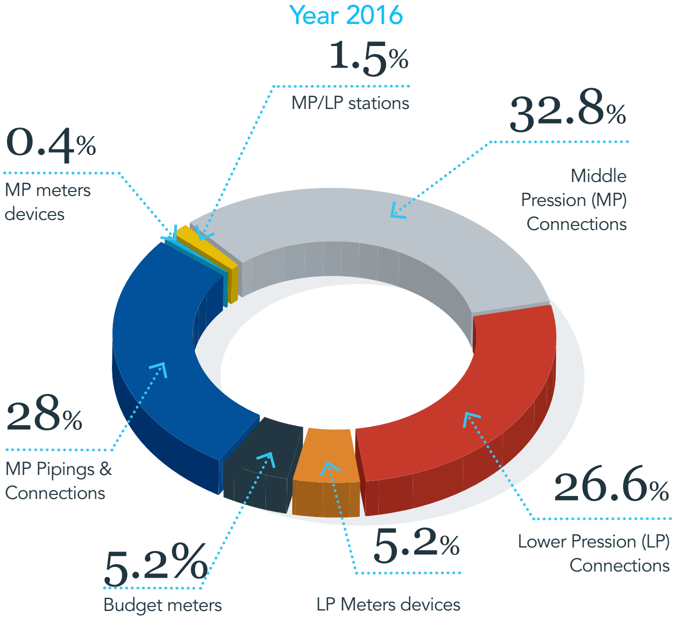
Investments in the current period as well as in 2015 are mainly related to our distribution network of gas and electricity for an amount of € 246 million on a total investment amount of € 256 million for this year (€ 279 million for 2015), consisting of:

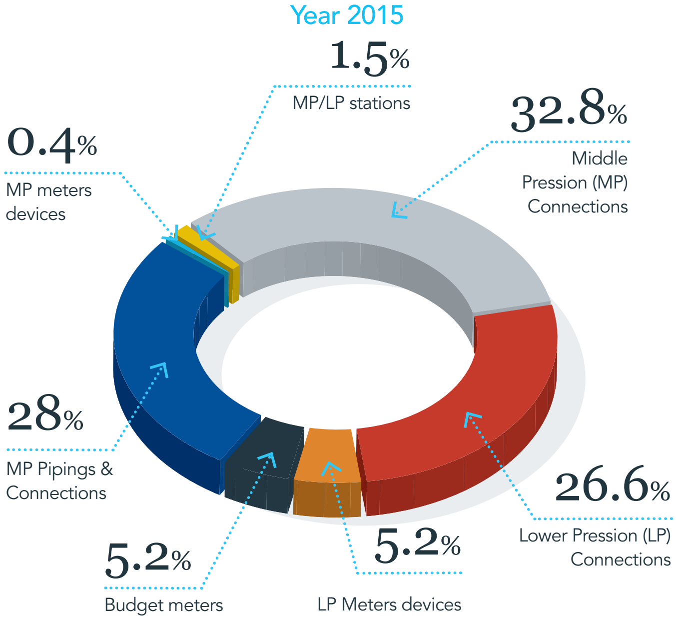
Electricity: replacement of equipment (55%) and expansion of networks and installations of new cabins (45%) for a total amount of € 175 million (€ 178 million in 2015) :





Gas: sanitation works (58%) and extensions of the existing network (42%) for a total amount of € 71 million (€ 84 million in 2015) :





(amounts in k€)

AMOUNTS OF COMMITMENTS FOR ACQUISITION OF PPE	31/12/2016	31/12/2015
Eelectricity Distribution network	68,050	54,595
Gas Distribution network	13,143	17,883
Constructions & equipments	15,171	26,293
Véhicules	1,094	5,460
	97,458	104,231

NOTE 11 - FINANCIAL ASSETS

(amounts in k€)

	Non-current		Current	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Financial assets available for sale				
Unlisted equity instruments	841	841		
	841	841		
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			8,113	6,632
Listed equity instruments - Collar instrument	1,138			
	1,138		8,113	17,808
Loans and receivables				
Trade receivables	509		191,839	170,588
Other receivables	6,017	4,704	49,031	45,882
	6,526	4,704	240,870	216,470
	8,505	5,545	248,983	234,278

As mentioned in the annual report 2015, the Group's 30% interest in INDEX'IS were sold with effect from 1st January 2016, with no impact on the consolidated income statement 2016.

Similarly, the sale transaction of the municipality of Fourons actually took place in 2016 with retroactive effect from 1st January 2016.

Regarding to the purchase in 2016 of a derivative instrument called "Collar", please refer to note 28.

Fair value

The fair value of trade receivable is presumed equal to the carrying amount.

NOTE 12 - TRADE AND OTHER RECEIVABLES

(amounts in k€)

	Non-current		Current	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Trade receivables				
Distribution			150,031	125,720
Public service obligation (OSP)	509		46,169	50,726
Other			30,498	29,463
Write downs on trade receivables			(34,859)	(35,321)
	509		191,839	170,588
Other receivables				
Interim dividend			42,614	42,064
VAT			3,368	282
Other	6,017	4,704	5,057	5,419
Write downs on other receivables			(2,008)	(1,883)
	6,017	4,704	49,031	45,882
Current tax assets			12,114	2,617
	6,526	4,704	252,984	219,087

Trade receivables increased end 2016 (+ € 21.3 million), mainly applicable to receivables linked to the distribution (+ € 24.3 million). This evolution is in line with the growth of the turnover (see note 01) linked to the distribution that also increased significantly in 2016 (€ 85.3 million for all fluids).

The current tax assets mainly include a tax credit to receive and related to the year 2015 (see note 24).

(amounts in k€)

LOANS AND RECEIVABLES NOT IMPAIRED	Trade receivables 31/12/2016	Trade receivables 31/12/2015	Other receivables 31/12/2016	Other receivables 31/12/2015
Not yet due	155,663	137,892	64,673	50,399
Up to 60 days	6,774	2,026	484	405
61 to 90 days	1,392	1,535	123	
91 to 180 days	197	396	426	
> 180 days	1,714	838	1,500	
	165,740	142,687	67,206	50,804

(amounts in k€)

MOVEMENT IN THE IMPAIRMENT PROVISION	Trade receivables 31/12/2016	Trade receivables 31/12/2015	Trade receivables 31/12/2016	Trade receivables 31/12/2015
At 1 January	35,321	43,104	1,883	2,595
Impairment write downs	3,422	68	125	
Reversal of write downs	(3,884)	(7,851)		(712)
AT CLOSING BALANCE	34,859	35,321	2,008	1,883

(montants enk€)

PROVISIONS FOR IMPAIRMENT LOSSES	31/12/2016	31/12/2015
Statement of financial position	(36,867)	(37,204)
Statement of comprehensive income	(9,540)	(12,366)

The majority of write-downs relates to the protected customers of ORES Assets and to the provisional supply of end customers (48% in 2016 versus 45% in 2015) who are without a supply contract or with a supply contract that has been suspended (so-called "supplier X" customers). The other significant part of write-downs comes from receivables related to frauds on our networks, which represents 22% in 2016 compared to 18% in 2015.

As a reminder, in 2015 a new public contract related to the recoverability of the receivables for energy supply and works has been finalised. 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.

Moreover, in 2015, as DSO was submitted to the corporate income tax, the Group introduced a new impairment calculation method approved by the tax ruling service ("Service des Décisions Anticipées - SDA").

The year 2015 had therefore been a transition year over which significant reductions of write-offs and significant reversals were recorded for the above-mentioned reasons.

In 2016, the new effective rules were applied and did not give rise to the recording of specific variations other than those related to the evolution of the portfolio.

(amounts in k€)

LOANS AND RECEIVABLES WHICH ARE IMPAIRED	Trade receivables 31/12/2016	Trade receivables 31/12/2015	Other receivables 31/12/2016	Other receivables 31/12/2015
Up to 60 days		(369)		
61 to 90 days		(55)		127
91 to 180 days	4,303	4,500		312
> 180 days	57,164	59,146	1,964	3,843
	61,467	63,222	1,964	4,282

NOTE 13 - INVENTORIES

(amounts in k€)

	31/12/2016	31/12/2015
Raw materials and furnitures	33,569	29,242
TOTAL GROSS	33,569	29,242
Write downs		
Reversal of write downs		
	33,569	29,242
Inventories expensed in the period (cost of sales)	7,237	5,610
Carrying amount of inventories pledged as security for liabilities		

Inventories are located throughout the Walloon region, the bulk being concentrated in the supply store located in Aye.

Higher level of inventory within the Group ORES is justified by the inputs for the Promogaz campaign and the HG / HP (public lighting) campaign as well as the input of Smart equipment for network cabins in various regions.

NOTE 14 - CASH AND CASH EQUIVALENTS

(amounts in k€)

CASH AND CASH EQUIVALENTS INCLUDE THE FOLLOWING FOR THE PURPOSE OF THE CASH FLOW STATEMENT:	31/12/2016	31/12/2015
Cash at bank and in hand	59,840	4,886
Short-term bank deposits	44,500	98,851
	104,340	103,737

Cash and cash equivalents is stable in 2016 compared to 2015 (+ € 0.6 million) but within the caption the differences are more contrasting between cash and term deposits. The latter indeed halved in 2016 as they were mainly sustained by bonds issued in 2015 that have been used by the Group to meet its operating and capital expenditure.

The increase in cash is explained by the new loan of € 50 million, which was issued on 30 December 2016 (see note 16).

Term deposits represent a total amount of € 44.5 million in 2016 and were arranged in accordance with the decisions of the Board of Directors to implement a prudent policy in this context. The investment in SICAV for an amount of € 5 million has been transferred in other current assets in 2016 but also in 2015 in order to allow comparability.

NOTE 15 - CAPITAL

(amounts in k€)

		ORES ASSETS		
		SHARE A	SHARE R	TOTAL
NUMBER OF SHARES				
Opening Balance	2015	46,813,265	3,853,838	50,667,103
Capital increase		929,555		929,555
Capital decrease			(107,174)	(107,174)
Conversion share R to share A		86,925	(86,925)	
Closing Balance	2016	47,829,745	3,659,739	51,489,484
Capital increase		355,201		355,201
Capital decrease				
Conversion share R to share A		89,860	(89,860)	
Contribution from the municipality of Frasnes-Lez-Anvaing		49,890		49,890
Cease of the municipality of Fourons		(53,523)		(53,523)
Closing Balance	2016	48,271,173	3,569,879	51,841,052
SHARE CAPITAL				
Opening Balance	2015	401,936	385,384	787,320
Capital increase		16,567		16,567
Capital decrease			(10,717)	(10,717)
Conversion share R to share A		8,693	(8,693)	
Closing Balance	2016	427,196	365,974	793,170
Capital increase		2,074		2,074
Capital decrease				
Conversion share R to share A		8,986	(8,986)	
Contribution from the municipality of Frasnes-Lez-Anvaing		1,240		1,240
Cease of the municipality of Fourons		(505)		(505)
Closing Balance	2016	438,991	356,988	795,979
3. DIVIDEND PER SHARE				
Dividends approved by AGM	2015	50,101	9,982	60,083
Dividend per share		1.07	2.59	1.19
Dividends approved by AGM	2016	59,370	11,746	71,116 [4]
Dividend per share		1.24	3.21	1.38

[4] Dividends for the period approved by the Shareholder's meeting are paid in two parts by the Group: an interim dividend is first paid during the period prior to the approval of the dividends by the Shareholder's meeting and the outstanding balance is then paid during the period in which the dividends are approved by the Shareholder's meeting.

Therefore, the amount of dividends recognised in the consolidated statement of cash flows consists of:

(amounts in k€)

	2016	2015
Amount of dividends from year N-1 paid by the Group in year N =	24,349	16,897
Amount of the interim dividend from year N paid by the Group in year N =	42,614	41,835
	66,963	**58,732**

Additional disclosures

As a cooperative company, the capital of ORES Assets is composed of a fixed and a variable part. The fixed part cannot be less than € 18,550 and is fully represented by shares A. Shares A include voting right and right to dividends whereas shares R, with a nominal value of € 100, grant their holder with a right to dividends without voting right. The dividend related to shares R is paid by priority and it is recoverable. Rights and obligations attached to both types of shares are governed by the Company Code, the local democracy and decentralisation Code and the bylaws of the DSO.

(montants en k€)

	ORES ASSETS	
ALLOCATION OF CAPITAL ORES ASSETS	31/12/2016	31/12/2015
FIXED SHARES A	149	149
VARIABLE SHARES A	438,842	427,047
SHARES R	356,988	365,974
TOTAL	795,979	793,170

CAPITAL TRANSACTIONS IN 2016

The subscribed capital increased by € 2.8 million (net amount) following on the one hand, the recapitalisation for an amount of € 11 million to finance the investments of the year 2016; a part of this capital increase (€ 8.9 million) was funded by the conversion of shares R into shares A. On the other hand, the transfer on 1st January 2016 to Inter-Energa / Infrax of the municipality of Fourons reduced the capital (- € 0.5 million), whereas the takeover on 1st January 2016 of the municipality of Frasnes-Lez-Anvaing, previously managed by Gaselwest, increased the capital by € 1.2 million (contribution in kind subject to a capital increase).

It should be noted that as of 31 December 2016, Engie/Electrabel sold its stake (25% of the capital) in ORES Assets to the related financing associations of municipalities ("intercommunales pures de financement"). Consequently, the DSO is wholly owned by the financing associations of municipalities on 31 December 2016.

NOTE 16 - BORROWINGS

(amounts in k€)

	Carrying amount		Fair value		
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	HIERARCHICAL LEVEL
Unsecured - Non-current					
Bank loans	949,763	999,179	940,929	1,029,812	Level 2
Treasury bills - private investment	130,750	189,750	149,274	215,636	Level 2
Bonds	626,172	625,585	842,184	814,048	Level 2
Others	2,104	3,505	1,946	3,318	Level 2
	1,708,789	1,818,019	1,934,333	2,062,814	
Unsecured - Current					
Bank loans	99,527	109,147	99,527	109,147	Level 2
Short term treasury bills	129,968	49,988	129,968	49,988	Level 2
Treasury bills - private investment	63,431	4,353	63,431	4,353	Level 2
Bonds	10,182	10,182	10,182	10,182	Level 2
Others	1,257		1,257		Level 2
	304,365	173,670	304,365	173,670	
Total financial liabilities	2,013,154	1,991,689	2,238,698	2,236,484	
of which: current	304,365	173,670	304,365	173,670	
of which: non-current	1,708,789	1,818,019	1,934,333	2,062,814	

With the exception of the new bank loan of € 50 million contracted on 30 December 2016, no other significant financial transactions were carried out by the Group in 2016 considering that the Group is still benefiting from the cash generated by the bonds issued in 2015 for a total amount of € 200 million.

Thanks to that, bank loans terminated in 2016 have not been renewed, which explains the decrease of bank loans in 2016.

It should also be recalled that at the end of 2015 the Group had the opportunity to issue short-term treasury bills with a duration of 3 months for a value of € 50 million and that these were renewed on a 3 months basis throughout 2016 until the beginning of 2017.

New short-term treasury bills were also issued by the Group at the end of 2016 for an amount of € 80 million in order to meet a portion of the Group's operational needs for the first half of 2017.

TREASURY BILLS PROGRAM

The outstanding amounts to € 189.7 million on 31 December 2016 and the first treasury bills issued in 2012 matured in 2017 have been reclassified to short term for an amount of € 59 million.

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).
- Hedged and structured floating rate: two instruments are included in this category:
  - o 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").
  - o 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.

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

(amounts in k€)

31/12/2016	FIXED RATE	ADJUSTABLE FIXED RATE	FLOATING RATE	HEDGED FLOATING RATE	STRUCTURED FLOATING RATE	TOTAL
Within one year	219,057	4,229	17,456	53,329	10,294	304,365
>1 and <3 years	73,692	8,473	34,913	106,467	20,587	244,131
>3 and <5 years	444,497	8,492	39,913	169,111	20,587	682,601
>5 and <15 years	32,089	10,755	162,129	264,472	33,866	503,311
>15 years	278,746					278,746
	1,048,080	31,949	254,412	593,379	85,334	2,013,154
31/12/2015						
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

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

(amounts in k€)

31/12/2016	BANK OVER-DRAFTS	BANK LOANS	TREASURY BILLS	BONDS	OTHERS	TOTAL
Within one year	129,968	99,527	63,431	10,182	1,257	304,365
>1 and <3 years		192,991	50,750		390	244,131
>3 and <5 years		254,832	80,000	347,426	343	682,601
>5 and <15 years		501,940			1,371	503,311
>15 years				278,746		278,746
	129,968	1,049,290	194,181	636,354	3,361	2,013,154
31/12/2015						
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.

UNUSED CREDIT LINES:

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.

SUMMARY OF THE MAJOR BORROWINGS (INCLUDING INTERETS RATES)

	Carrying amount		Initial amount	Maturity date	Fixed / Floating rate	Interest rate applicable at closing 2016	IRS - Notionnel	IRS - Fair value	Maturity date	Interest rate applicable at closing 2016
	31/12/2016	31/12/2015								
Borrowing 1 - MP 2007	5,547	6,052	24,038	2017	Floating	3.87%				
Borrowing 2 - MP 2008	66,186	76,720	118,030	2029	Floating	0.43%				
Borrowing 3 - KP 2008	40,197	52,767	134,830	2029	Floating	3.47%	40,197	1,559	29/12/17	Fixed rate 3.47%
Borrowing 4 - FP50 2008	306,370	340,436	505,807	2030	Floating	3.56%	79,352	8,569	31/12/19	Fixed rate 3.56%
Borrowing 6 - MP FP 2010	71,900	71,900	71,900	2021	Floating	3.33%	25,000	3,653	31/12/20	Fixed rate 3.33 %
Borrowing 7 - MP 2011	36,965	52,936	153,318	2022	Floating	1.73%	6,478	375	31/12/21	Fixed rate 1.73 %
							0	0	31/12/16	Fixed rate 0.92 %
							0	0	31/12/16	Fixed rate 1.83 %
						3.63%	12,018	49	31/03/17	Fixed rate 3.63 %
Borrowing 8 - Sedilec 1	17,500	20,000	50,000	2024	Fixed	0.79%				
Borrowing 9 - Sedilec 2	3,220	35,800	71,600	2026	Fixed	1.35%				
Borrowing 10 - MP ORES 2016 - Lot 2	50,000		50,000	2024	Floating	0.37%				
Bond issued in 2012	350,878	346,884	350,000	2021	Fixed	4.00%				
Bond issued in 2014	80,760	79,379	80,000	2044	Fixed	4.00%				
Bond issued in 2015	102,460	99,661	100,000	2045	Fixed	3.00%				
Bond issued in 2015	102,258	99,660	100,000	2045	Fixed	2.85%				
Long-term treasury bills	194,181	189,750	194,181	Between 2017 & 2020	Fixed	Between 3.43% and 4.04%				
	1,428,422	1,471,945	2,003,704				163,045	14,205		

Classic bank loans contracts of the Group are not subject to specific covenants (ratio, etc.…)

However, the Group must keep a solvability ratio of 30% for its bonds calculated on the statutory financial statements of ORES Assets as well on its consolidated financial statements under Belgian Gaap. This ratio is included in the bylaws of ORES Assets (see the management of the equity described in note 31).

NOTE 17 - OTHER FINANCIAL LIABILITIES

(amounts in k€)

	Non-current		Current	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Financial liabilities measured at fair value through profit or loss				
Derivatives instruments - IRS	18,177	27,029	2,150	3,139
	18,177	27,029	2,150	3,139
Financial liabilities measured at amortised cost (excluding borrowings)				
Trade payables			156,020	152,403
Other payables			70,618	51,085
			226,638	203,488
	18,177	27,029	228,788	206,627

The fair value of trade payables corresponds to their carrying value.

	31/12/2016	31/12/2015
Average credit period for trade payables (days)	50	50

Despite a further decrease in the short- and mid-term interest rates in 2016, the evolution of the fair value of the IRS remains positive (€ +9.8 million). This is mainly explained by the significant decrease in the total notional amount of IRS in 2016 (€ -117 million) as they were hedged to loans reaching maturity and reimbursed. The related IRS had a negative fair value of € 3.1 million at year-end 2015.

Moreover, since no new IRS have been recently contracted, the remaining IRS in the portfolio at the end of 2016 have a lower negative fair value than in 2015 due to the fact that their maturity is approaching and that an additional year of interest charge was recorded in the income statement in 2016 (€ 11.1 million).

Please note that the IRS matured in 2017 were reclassified as other current financial liabilities for an amount of € 2.1 million.

NOTE 18 - OTHER PAYABLES & OTHER LIABILITIES

(amounts in k€)

	31/12/2016	31/12/2015
Social security and other tax payables	19,468	16,841
Short Term Employee Benefits & accruals	34,630	31,433
Accrued charges	1,058	206
Deferred income	1,087	1,791
Derivatives - IRS	20,327	30,168
Others	19,341	4,443
	95,911	84,882
of which: non-current	18,177	27,029
of which: current	77,734	57,853

The increase in other payables and other liabilities at the end of 2016 (+ € 11 million) was mainly due to the increase in the caption "other" for € 20.2 million due, among other things, to the payment of the receivable related to the disposal of the municipality of Fourons (€ 8.7 million), which was offset against the debts (current accounts) held on third parties in 2015 (see note 32), and the portion of certain bank loans maturing at the end of 2016 but settled at the beginning of 2017 (€ 6.2 million). This increase was partly offset by the € 9.8 million decrease in the fair value of the swaps (see note 17).

For further explanation on the pension provisions and employee benefits, we refer to the note 20.

NOTE 19 - PROVISIONS

(amounts in k€)

	31/12/2016	31/12/2015
Depollution	5,342	5,342
Others	19,360	20,767
	24,702	26,109
of which: current		
of which: non-current	24,702	26,109

MOVEMENT IN THE PROVISIONS 2016 (EXCLUDING EMPLOYEE BENEFITS)	DEPOLLUTION	OTHERS	TOTAL
At 1 January	5,342	20,767	26,109
Additional provisions recognised			0
Amounts used in the period		(1)	(1)
Amounts reversed during the period		(1,406)	(1,406)
AT END OF THE PERIOD	5,342	19,360	24,702
of which: current	0	0	0
of which: non-current	5,342	19,360	24,702

MOVEMENT IN THE PROVISIONS 2015 (EXCLUDING EMPLOYEE BENEFITS)	DEPOLLUTION	OTHERS	TOTAL
At 1 January	5,342	10,450	15,792
Additional provisions recognised		12,767	12,767
Amounts used in the period		(1,655)	(1,655)
Amounts reversed during the period		(795)	(795)
At end of the period	5,342	20,767	26,109
of which: current	0	0	0
of which: non-current	5,342	20,767	26,109

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and if it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

DEPOLLUTION

The implementation of the decree dated 5 December 2008 related to soil management could justify some expenses related to soil pollution clean-up on some polluted sites. Under these circumstances, the Group takes appropriate measures in terms of soil pollution prevention and in terms of information about the existence of pollution. Provisions are recorded in this respect.

In this regard, five sites have been subject to an orientation study in 2012 which demonstrated the existence of pollution exceeding the thresholds defined by the soil decree. Under the application of article 5 of this decree, the Group has notified the administration and municipalities and has booked provisions based on estimates prepared by independent experts in the frame of these studies.

No new provision relating to depollution was recognised or reversed at the end of 2016.

OTHERS

Due to this activities, the Group is also exposed to legal risks. Provisions for litigations are frequently updated in agreement with the Group's legal department. The amount recognised as a provision is the Group's best estimate of the consideration required to settle the present obligation.

The reversals in 2016 are relating to provisions judged too old by the legal department and for which the probability to have a legal claim is considered inexistent.

Please note that in 2015, €12.8 million accrual was recognised for some legal or regulatory obligations. Indeed, a decree recently published by the Walloon Government requires the digitalization of the network maps; whereas the Group also covered the application risks associated with the transition to new IT systems necessary for the market processes and their evolution.

No new element adjusting the amount already accrued had to be considered during 2016 regarding to those two provisions.

NOTE 20 - EMPLOYEE BENEFITS - GENERAL

(amounts in k€)

STATEMENT OF FINANCIAL POSITION	31/12/2016	31/12/2015
Non-current		
Pension Benefits - Funded plans	(166,997)	(178,373)
Pension Benefits - Unfunded plans	15,045	89,945
Other post employment benefits	96,036	105,759
Other long-term benefits	38,905	30,487
	(17,011)	47,818
Effect of the assets ceiling	123,716	130,379
	106,705	178,197
Current		
Short Term Employee Benefits	34,630	31,433
	141,335	209,630

A description of the employee benefits is disclosed in the accounting policies (see 3.A.11).

Post-employment benefits consist mainly of tariff reductions and health care benefit granted to employees after retirement.

Other long-term benefits include mainly jubilee benefits granted to executives and employees.

(amounts in k€)

STATEMENT OF COMPREHENSIVE INCOME	31/12/2016	31/12/2015
Wages and salaries	141,829	137,271
Social security contributions	41,170	40,488
Pension expenses and other long-term benefits	9,842	20,229
Other social expenses	14,284	11,905
Of which included in the cost of PP&E	(69,309)	(67,755)
	137,816	142,138

AVERAGE NUMBER OF PERSONNEL		
Employees - Total full-time equivalent	2,374	2,400

NOTE 21 - EMPLOYEE BENEFITS - DEFINED BENEFIT PLANS

DEFINED BENEFIT PENSION PLANS COVERED BY HEDGING ASSETS

PENSIOBEL / ELGABEL

Various defined benefit pension plans exist within ORES scrl and are governed by the Joint Committee of the Gas and Electricity Sector (CP 326). These are the pension plans Pensiobel and Elgabel. In most cases, they are intended for wage-rated staff (personnel barémisé) recruited before 1 January 2002 and for senior and management staff recruited before 1 May 1999 under a contract of indefinite duration and benefiting from the statute of Gas and Electricity. The retirement capital that will be paid to workers depends to a large extent on the number of years and months of service performed under an employment contract at the normal retirement age even in the event of an anticipation (this seniority is supplemented if necessary by an additional seniority established by the CTC and the 2007-2008 framework agreement) and the salary of the staff member at retirement age. In the event of the death of the agent before retirement, a death benefit will be paid to his beneficiaries as well as an annual pension to each child of the agent under 25 years of age. These commitments are included in the "financed plans" section.

Two other pension plans, formerly viewed as defined contribution plans, also exist within the Group: one plan also for management and executive staff hired from 1 May 1999 or having opted for the scheme as at 1 January 2007 (Powerbel) and the other one for the wage-rated staff hired since 1 January 2002 (Enerbel). These plans grant a retirement capital determined by the amount of premiums paid and the return attributed to them.

Following the change in the law on supplementary pensions (LPC 28/4/2003 -Art 24), which came into force on 1 January 2016 and now required to guarantee the same minimum rate of return on employer and personal contributions (new formula based on the OLO Belgian rate with a minimum threshold set at 1.75% and a maximum threshold set at 3.75%.), An analysis within the Ores Group was initiated and led to the treatment as from 1 January 2016 of the Powerbel and Enerbel pension plans as defined benefit plans. These two plans are described below.

Accordingly, for the year 2016 (without retroactive effect) the Projected Unit Credit Method (PUC - without projection of future premiums) is applied as prescribed by IAS 19 to recognise these two pension plans. They are also included under the heading "funded plans".

As a result of this change in accounting policy, funded plans increased significantly in terms of commitments (+ € 98.3 million) and plan assets (+ € 87 million). This increase is also due to the "overhead" plan, which has also been included in this category since 2016 (see below).

ENERBEL

The employee contribution is a step rate formula equal to 0.875% of the portion of the salary below a ceiling plus 2.65% of the portion of the salary above this ceiling. This contribution is deducted monthly from the salary of the affiliates. The employer contribution is equal to 3 times the employee contribution and is paid into the pension funds.

POWERBEL

Personal contribution is determined based on a rate by level, equal to 0.6% of the remuneration that is lower than a specific threshold, increased by 4.6% for the part of the remuneration above the threshold. This contribution is monthly deducted from the salary of the employee. The employer contribution is equal to 4 times the employee contribution.

RISK ANALYSIS

Pension plans Enerbel and Powerbel expose the employer to investment risk. As said before, since 1st January 2016, the legislation imposes a minimum return guarantee on both the employer and employee contributions (based on the Belgian OLO rate with a minimum threshold set at 1.75% and a maximum threshold set at 3.75%).

Until 30 June 2016 (Enerbel) and 30 September 2016 (Powerbel), employee contributions were paid to a group insurance (Contassur s.a.-branch 21-deferred capital without repayment). Since then, the contributions are paid into a pension fund that no longer guarantees minimum returns. As a result of this change, reserves accumulated in individual group insurance contracts were also transferred to the pension fund at a guaranteed rate of 3.25%.

It should also be noted that since 1st January 2017 Contassur changed its guaranteed interest rate to 0% for leveled annual premiums and 0.5% for successive one-time premiums.

PENSION PLAN WITH DEFINED BENEFITS NOT COVERED BY HEDGING ASSETS

Until 31 December 2015 this heading included the so-called "overhead" plan ("régime de frais généraux"). This scheme, which was closed on 1 January 1993, was designed to grant a retirement pension at 75% of the last salary for a full career, after deduction of the statutory pension. In the event of death, the pension is reversible to 60% in favor of the surviving spouse. For orphans, the pension is set at 15% of the retirement pension or 25% for orphans of father and mother (maximum 3 orphans). For pensioners benefiting from this plan and still active as at 1 January 2007, acquired vested pension rights are established for the career after that date in the OFP Elgabel.

In 2016, the Group decided to fund this plan as well and was therefore reclassified as a "funded plan", which explains the significant decrease in the non-funded plans in 2016 (-84.6 million euros).

This caption therefore only includes the benefits granted by the Group when agents retire such as healthcare reimbursement and tariff benefits as well as commitments related to persons placed in unavailability.

(amounts in k€)

STATEMENT OF FINANCIAL POSITION	31/12/2016	31/12/2015
Present value of the defined benefit obligations/Funded plans	300,551	202,210
Plan assets	(467,548)	(380,583)
Deficit / (surplus)	(166,997)	(178,373)
Present value of the other long term benefits/Funded plans	49,328	41,608
Plan assets of the other long term benefits	(10,423)	(11,121)
Deficit / (surplus)	38,905	30,487
Present value of the defined benefit obligations/Unfunded plan	111,081	195,704
Effect of the asset ceiling	123,716	130,379
NET LIABILITY ARISING FROM DEFINED BENEFIT OBLIGATION	106,705	178,197
REIMBURSEMENT RIGHTS	(2,009)	(2,047)

STATEMENT OF COMPREHENSIVE INCOME		
Service cost		
Current service cost	12,509	10,951
Past service cost (including curtailments)	0	3,883
	12,509	14,834

NET INTEREST ON THE NET DEFINED BENEFIT LIABILITY/(ASSET)	31/12/2016	31/12/2015
Interest cost on the defined benefit obligation	8,310	6,554
Interest income on plan assets	(8,297)	(5,269)
Interest income on reimbursement rights		
Interest on the effect of the asset ceiling	2,654	
	2,667	1,285
DEFINED BENEFIT COST RECOGNIZED IN PROFIT OR LOSS (POSITIVE = EXPENSE; NEGATIVE = INCOME)	15,176	16,119

(amounts in k€)

REMEASUREMENTS OF NET DEFINED BENEFIT LIABILITY/(ASSET) RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)	31/12/2016	31/12/2015
Actuarial (gains)/losses on defined benefit obligation arising from		
i) changes in demographic assumptions	(65,602)	(1,053)
ii) changes in financial assumptions	33,796	(39,113)
iii) experience adjustments	49,711	(393)
iv) subtotal	17,905	(40,559)
i) Return on plan assets excluding interest income on plan assets	(43,465)	(1,050)
ii) changes in financial assumptions	0	(3,304)
Change in the effect of the asset ceiling excluding interest on this effect	(9,317)	130,379
	(34,877)	85,466
DEFINED BENEFIT COST (POSITIVE = EXPENSE; NEGATIVE = INCOME)	(19,701)	101,585

The € 65.6 million increase in demographic assumptions is linked to changes in the retirement age, which has been revised upwards due to the tightening of early retirement conditions but also to the increase of staff turnover from 0% to 1%.

With respect to financial assumptions, the reduction in the discount rate (1.96% at the end of 2015 compared with 1.28% at the end of 2016) and the upward revision of our wage growth assumptions have led to an increase in our pension obligations for an amount of € 33.8 million.

The negative amount of € 49.7 million related to experience adjustments is to be compared with the return on plan assets of € 46.5 million. As explained above, the transfer of reserves related to group insurance to the pension funds of Powerbel and Enerbel was taken up both in "experience adjustment" and "return on hedging assets".

In terms of hedging assets, it should also be noted that the significant amount shown in 2016 stems from the positive difference between the expected return assumptions and the actual return recorded on our hedging assets.

(amounts in k€)

MOVEMENTS IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION WERE AS AS FOLLOWS:	31/12/2016	31/12/2015
Opening balance	397,914	456,541
Current service cost	12,509	10,951
Interest cost	8,310	6,554
Contributions from plan participants	1,434	526
Actuarial (gains)/losses arising from		
i) changes in demographic assumptions	(65,602)	(1,053)
ii) changes in financial assumptions	33,796	(39,113)
iii) experience adjustments	49,711	(393)
Past service cost	0	3,883
Benefits paid	(26,440)	(39,982)
CLOSING BALANCE	411,632	397,914

(amounts in k€)

MOVEMENTS IN THE FAIR VALUE OF THE PLAN ASSETS WERE AS AS FOLLOWS:	31/12/2016	31/12/2015
Opening balance	380,583	355,859
Interest income on plan assets	8,297	5,269
Return on plan assets excluding interest income on plan assets	43,465	1,050
Actuarial gaps	0	3,304
Contributions from employer	60,209	54,557
Contributions from plan participants	1,434	526
Benefits paid	(26,440)	(39,982)
Closing balance	467,548	380,583
ACTUAL RETURN ON PLAN ASSETS	51,762	6,319

(amounts in k€)

MAIN ACTUARIAL ASSUMPTIONS USED FOR THE PURPOSE OF THE ACTUARIAL VALUATIONS WERE AS FOLLOWS:	31/12/2016	31/12/2015
Discount rate on pension plans related to old contracts	1.28%	1.96%
Discount rate on pension plans related to new contracts	1.77%	
Future salary increases - employees with old contract (outside inflation)	0.98%	0.63%
Future salary increases - employees with new contract (outside inflation)	3.25%	1.88%
Medical cost increase (outside inflation)	1.00%	1.00%
Increase of average cost of tariff reductions	1.75%	1.75%
Inflation rate	1.75%	1.75%
Average assumed retirement age for old contracts	63 years	63 years
Average assumed retirement age for new contracts	67 years	63 years
Mortality Table used for active employees	IA/BE prospective table	IA/BE prospective table
Mortality Table used for retirees	IA/BE prospective table	IA/BE prospective table
Life expectancy in years of a pensioner retiring at age 65 :		
For a Person aged 65 at closing date :		
Male	22.5	22.5
Female	22	22
For a Person aged 65 at closing date :		
Male	22.3	22.3
Female	26	26

(amounts in k€)

BREAKDOWN OF DEFINED BENEFIT OBLIGATION BY TYPE OF PLAN PARTICIPANTS :	Defined benefit obligation 31/12/2016	Defined benefit obligation 31/12/2015
Active plan participants	264,544	253,801
Terminated plan participants with deferred benefit entitlements	4,273	5,339
Retired plan participants and beneficiaries	142,815	138,774
	411,632	397,914

(amounts in k€)

BREAKDOWN OF DEFINED BENEFIT OBLIGATION BY TYPE OF BENEFITS :	Defined benefit obligation 31/12/2016	Defined benefit obligation 31/12/2015
Retirement and death benefits	315,596	292,155
Other post-employment benefits (medical and tariff reductions)	96,036	105,759
	411,632	397,914

(amounts in k€)

MAJOR CATEGORIES OF PLAN ASSETS :	Fair value of plan assets 31/12/2016	Fair value of plan assets 31/12/2015
With a quoted market price in an active market	420,732	310,658
Shares (Eurozone)	99,364	68,804
Shares (Outside eurozone)	122,687	56,244
Government bonds (Eurozone)	4,466	18,383
Other bonds (Eurozone)	101,255	128,289
Other bonds (Outside eurozone)	92,960	38,938
With a no quoted market price in an active market	46,816	69,925
Cash and cash equivalents	365	9,938
Real property	22,383	15,505
Qualifying Insurance contract	1,807	3,304
Other	22,261	41,178
	467,548	380,583

(amounts in k€)

SENSITIVITY ANALYSIS FOR EACH SIGNIFICANT ACTUARIAL ASSUMPTION ON DEFINED BENEFIT OBLIGATION	Defined Benefit Obligation	
	31/12/2016	31/12/2015
Discount rate plus 0,50%	(24,125)	(22,520)
Salary increase plus 0,50% (outside inflation)	18,886	17,981
Medical cost increase plus 1%	15,891	14,521
Increase of average cost of tariff reductions plus 0,50%	5,848	5,380
Inflation plus 0,25%	10,112	9,517
1 year age correction to "male" mortality tables	2,691	2,565
1 year age correction to "female" mortality tables	6,444	6,145
Weighted average duration of the defined benefit obligation related to old contracts	10	8
Weighted average duration of the defined benefit obligation related to new contracts and to other long term benefits	17	
Expected contributions during the next period for DB plans related to old contracts	19,754	8,808
Expected contributions during the next period for DB plans related to new contracts	5,689	4,248
Amount recognised in statement of comprehensive income relared to DC plans		4,462

Each year the discount rate used to calculate pension obligations against minimum funding requirements is compared with the expected return on assets under management according to the sponsor's investment policy.

The expected rate of return is obtained on the basis of a risk-free market rate defined by the financial markets at the time of closing, based on a risk premium linked to each category of investment in the portfolio and the related volatility. If the expected rate of return is lower than the discount rate, the discount rate is adjusted to the expected rate of return.

Annually, a stress test is performed. This allows to check whether the minimum financing needs are covered despite a rate change of 0.5%.

Most beneficiaries contribute to the funding of the pension plans by paying a personal contribution (a progressive rate formula a% t1 + b% t2) deducted monthly from their remuneration.

Defined benefit pension plans are also financed by the employer via a recurring allocation as a percentage of the total remuneration of the affiliates. This percentage is defined using the aggregate cost method and is reviewed annually. This method involves allocating future costs over the remaining period of the plan. Costs are estimated on the basis of projections taking into account, in particular, wage developments and inflation. Assumptions relating to the salary increase, inflation, staff turnover and retirement age are defined on the basis of statistics available to the company. The mortality tables used are those that correspond to the facts observed for the affected plan. The discount rate is determined in the light of the company's investment strategy. All these assumptions are regularly reviewed.

Some exceptional events, such as modifying a plan, changing assumptions, too small coverage ratio, etc. may result in exceptional payments from the sponsor.

In 2016, the discount rate for the Elgabel and Pensiobel pension plans decreased from 1.96% to 1.28% as a result of the 10-year high yield corporate bond (AAA). The average duration of the Elgabel / Pensiobel defined benefit plans is around 8 years, a relatively short period due to the fact that these plans are closed and the benefits are paid in the form of capital and not in annuities.

As for the Powerbel and Enerbel pension plans, since they have an estimated duration of 17 years, the discount rate was set at 1.77%.

DESCRIPTION OF THE RISKS TO WHICH DEFINED BENEFIT PLANS ARE CONFRONTED

Defined benefit plans expose the company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

INVESTMENT RISK

The present value of defined benefit plan commitments is calculated using a discount rate determined by reference to high quality corporate bonds. If the rate of return on plan assets is lower than the discount rate, this will result in a plan deficit. As far as we are concerned, the investments have been made with a lot of diversity and in a very balanced way:

	ELGABEL %	PENSIO-BEL %	INSURANCE COMPANIES %	POWERBEL %	ENERBEL %	TOTAL %
Investments quoted in a active market	88.80	88.80	70.31	88.80	88.80	88.02
Shares (Eurozone)	21.52	21.52	4.08	21.52	21.52	20.79
Shares (Outside Eurozone)	26.68	26.68	2.55	26.68	26.68	25.67
Govenment bonds (Eurozone)	0.00	00.00	22.29	0.00	0.00	0.93
Others bonds (Eurozone)	20.30	20.30	41.40	20.30	20.30	21.18
Others bonds (Outside Eurozone)	20.30	20.30	0.00	20.30	20.30	19.45
Unquoted Investments	11.20	11.20	29.69	11.20	11.20	11.98
Qualifying insurance contracts	0.00	0.00	9.02	0.00	0.00	0.38
Property	4.70	4.70	4.29	4.70	4.70	4.68
Cash and cash equivalents	0.00	0.00	1.82	0.00	0.00	0.08
Others	6.50	6.50	14.56	6.50	6.50	6.84
TOTAL (IN %)	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL (IN K€)	356,177	67,522	20,037	25,386	8,846	477,969

Due to the long-term nature of the plan commitments, the Board of Directors of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

INTEREST RISK

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments and by the application of IAS 19 §115.

LONGEVITY RISK

The present value of defined benefit commitments is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Since 2015, ORES Group applies the new prospective mortality tables published by the official Belgian Institute of Actuaries ("Institut des Actuaires / Instituut van Actuarissen").

SALARY RISK

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

NOTE 22 - LEASES (LESSEE)

(amounts in k€)

OPERATING LEASES	31/12/2016	31/12/2015
Payments recognised as an expense in the income statement		
Mimimum lease payments	18,659	16,913
Sub-lease payments received	(3,149)	(4,235)
	15,510	12,678
Maturity of outstanding commitments under non-cancellable operating leases with a term of more than one year		
Within one year	6,701	9,900
>1 and <2 years	4,304	4,408
>2 and <5 years	4,622	5,556
>5 years	288	915
	15,916	20,779

There are no liabilities recognised in respect of non-cancellable operating leases.

Lease payments mainly include:

- The lease of office buildings;
- The lease of cars for executives and management;
- The lease of IT hardware & software licence (PC, laptop, printer, licenses...) ;
- Fees paid for the use of optical fibres.

NOTE 23 - TAXES

(amounts in k€)

1. TAXES RECOGNIZED IN THE INCOME STATEMENT	31/12/2016	31/12/2015
Current income tax expense in respect of the period	50,085	53,257
Adjustments recognised in the current period in relation to the current tax of prior years	(8,212)	383
Tax payable on interests received	51	243
Tax payable on dividends declared	0	949
Current tax expense	41,924	54,832
Deferred tax expense (income) relating to origination and reversal of temporary differences	16,672	25,372
Deferred tax expense (income)	16,672	25,372
TOTAL TAX IN THE INCOME STATEMENT	58,596	80,204

The significant reduction in the tax expense recognized in the income statement (€ -21.6 million) comes, on one hand, from an adjustment to the tax provision related to 2015 (€ -8.2 million) and, on the other hand, from a deferred tax expense that has decreased compared to 2015 (€ -8.7 million), mainly due to a decrease of provisions for employee benefits.

Please note that the Group has, for the first time, received a credit tax (€ 13 thousand) thanks to the tax shelter by participating to the financing of a Belgian movie.

(amounts in k€)

2. THE RECONCILIATION OF THE EFFECTIVE TAX RATE WITH THE THEORITICAL TAX RATE SHOULD BE SUMMARIZED BELOW:	31/12/2016	31/12/2015
Result before taxes	215,759	229,319
Tax rate applicable in Belgium	33.99%	33.99%
Theoretical tax	73,336	77,946
Adjustments:		
Taxes on non-deductible expenses	(260)	3,074
Use of notional interests	(3,172)	(4,333)
Tax credit linked to tax shelter	(13)	
Expense arising from the recognition or the reversal of previous temporary differences		2,549
Income arising from the recognition or the reversal of previous temporary differences	(3,134)	(607)
Tax payable on interests received	51	243
Tax payable on dividends declared	0	949
	(6,528)	1,875
Adjustments recognised on the current period in relation to the current tax of prior years	(8,212)	383
TOTAL TAX DURING THE PERIOD	58,596	80,204
AVERAGE EFFECTIVE RATE	27.16%	34.97%

(amounts in k€)

INCOME TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME SHOULD BE DETAILED BELOW:	31/12/2016	31/12/2015
(Profit) on fair value of hedging instruments entered into for cash flow hedges	3,267	(4,641)
(Profit) on DB pension plans deferred tax expense (income)	11,854	29,050
TOTAL INCOME TAX IN OTHER COMPREHENSIVE INCOME	15,121	24,409

As a reminder, temporary differences arising from assets and liabilities whose changes are recognised in other comprehensive income have also been recognised in this caption as prescribed by IAS 12 – Income Taxes (see also the IFRS 2014 and 2015 Annual Report for further details).

This is particularly the case for the outstanding hedging IRS at year-end 2016, on which a downward trend of the deferred tax assets recorded in 2016 led to the recognition of a deferred tax charge of € 3.3 million related to the favorable evolution of the IRS (see note 27).

Similarly, the decrease in our provision for employee benefits (see note 21) also resulted in the recognition of a deferred tax expense of € 11.9 million.

NOTE 24 DEFERRED TAXES

(amounts in k€)

1. OVERVIEW OF DEFERRED TAX ASSETS AND LIABILITIES BY TYPE OF TEMPORARY DIFFERENCE:	Assets		Liabilities			
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Intangible assets			(2,049)	(2,290)	(2,049)	(2,290)
Property, plant and equipment			(84,611)	(74,856)	(84,611)	(74,856)
Property, plant and equipment - Revaluation			(283,380)	(290,876)	(283,380)	(290,876)
Other non-current assets			(387)		(387)	
Trade and other operating receivables				(59)		(59)
Other current assets	18,716	23,123			18,716	23,123
Provisions for employee benefits	36,269	60,569			36,269	60,569
Other provisions			(343)	(2,900)	(343)	(2,900)
Other non-current liabilities	6,178	9,187			6,178	9,187
Other payables				(28)	0	(28)
Other current liabilities	142	459			142	459
Total temporary differences	(61,305)	93,338	(370,770)	(371,009)	(309,465)	(277,671)
Deferred tax assets/(liabilities)	61,305	93,338	(370,770)	(371,009)	(309,465)	(277,671)
Offsetting of tax[6]	(61,305)	(93,338)	61,305	93,338	0	0
TOTAL NET	0	0	(309,465)	(277,671)	(309,465)	(277,671)

[6] *According to IAS 12 - Income Taxes, deferred tax assets and liabilities should be offset, under certain condition, when they relate to income tax of a same tax authority.*

(amounts in k€)

2, MOVEMENT OF DEFERRED TAX BALANCES	OPENING BALANCE	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPRE-HENSIVE INCOME	RECOGNISED DIRECTLY IN EQUITY	CLOSING BALANCE
Temporary differences					
Intangible assets	(2,290)	241			(2,049)
Property, plant and equipment	(74,856)	(9,755)			(84,611)
Property, plant and equipment - Revaluation	(290,876)	7,496			(283,380)
Other non-current assets	0	(465)	78		(387)
Cash and cash equivalent	(59)	59			
Other current assets	23,123	(4,407)			18,716
Provisions for employee benefits	60,569	(12,445)	(11,854)		36,270
Other provisions	(2,900)	2,557			(343)
Other non-current liabilities	9,187		(3,009)		6,178
Other payables	(28)	28			
Other current liabilities	459	19	(336)		142
Total temporary differences	(277,671)	(16,672)	(15,121)		(309,464)
Tax credits and tax losses carried forward					
Tax credits					
Tax losses carried forward					
TOTAL, NET	(277,671)	(16,672)	(15,121)		(309,464)

3. RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS FOLLOWS	31/12/2016	31/12/2015
Deferred tax assets		
Deferred tax liabilities	(309,465)	(277,671)
	(309,465)	(277,671)

NOTE 25 - SUBSIDIARIES

OVERVIEW OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST	PROPORTION OF VOTING POWER HELD	REPORTING PERIOD	PRINCIPAL ACTIVITY
ORES scrl	Belgium	99.68%	99.68%	December	Energy network operator

Ores's shareholding is made out of the following "intercommunales":

	% PARTICIPATION	NUMBER OF SHARES
ORES Assets	99.68%	2,452
RESA	0.04%	1
IPF IDEFIN	0.04%	1
IPF IPFH	0.04%	1
IPF FINEST	0.04%	1
IPF SOFILUX	0.04%	1
IPF FINIMO	0.04%	1
IPF SEDIFIN	0.04%	1
IPF IEG	0.04%	1
	100.00%	2,460

In 2013, ORES Assets sold seven shares of ORES scrl to the financing association of municipalities ("intercommunales pures de financement") as well as one share to RESA (formerly Tecteo). This resulted in the recognition of non-controlling interest in the consolidated financial statements for an amount of € 31 thousand.

There is no investment in which we own more than 50% of the voting rights and that are not consolidated.

There is no investment in which we own less than 50% of the voting rights and that are consolidated.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the parent company in the form of cash dividends, or repayment of loans and advances.

NOTE 26 - INVESTMENTS IN ASSOCIATES

OVERVIEW OF ASSOCIATES	COUNTRY OF INCORPORATION	PROPORTION OF OWNERSHIP INTEREST	PROPORTION OF VOTING POWER HELD	FAIR VALUE OF THE INVESTMENT IN ASSOCIATES [7]	PRINCIPAL ACTIVITY
Atrias	**Belgium**	**16.67% [8]**	**16.67%**	**N/A**	**Execute all activities related to IT in relation with its role model of market facilitator for the DSO's and for the market processes.**

[7] For which a disclosed quoted price is available

[8] The percentage of capital and voting rights owned in Atrias amounted to 25% in 2011.

The Group has a significant influence on Atrias as the two members of the Ores Group are appointed in the board of directors (as vice-chairman and director) and as fundamental decisions of the company are taken unanimously by the board of directors.

Regarding Index'is, following the sale agreement signed in 2015 with Eandis, the participation measured at fair value (€ 986 thousand) has been reclassified from the "Investments in associates" to "Assets held for sale" in the consolidated IFRS financial statements of 31 December 2015. This sale was conducted at the beginning of 2016 without any gain or loss of value for the ORES group (see note 32 on the assets held of the sale).

(amounts in k€)

MOVEMENTS IN THE INVESTMENTS IN ASSOCIATES	31/12/2016	31/12/2015
Balance at 1 January	3	989
Acquisition of investment		
Disposal of investment Index'is		(986)
Balance at 31 December	3	3
Goodwill included in carrying amount of investments in associates		

(amounts in k€)

SUMMARISED FINANCIAL INFORMATION	ATRIAS 31/12/2016	ATRIAS 31/12/2015	TOTAL 31/12/2016	TOTAL 31/12/2015
Sales and other operating revenues	13,977	9,610	13,977	9,610
Profit (loss) before interest and taxation	185	113	185	113
Finance costs and other finance expenses	(130)	(60)	(130)	(60)
Profit (loss) before taxation	55	53	55	53
Taxation	(55)	(53)	(55)	(53)
Profit (loss) for the year				
Non-current assets	24,364	17,592	24,364	17,592
Current Assets	12,588	7,940	12,588	7,940
Total Assets	36,952	25,532	36,952	25,532
Non-current liabilities	0	0	0	0
Current liabilities	36,933	25,514	36,933	25,514
Total Liabilities	36,933	25,514	36,933	25,514
Net assets	19	18	19	18
Group's share of net assets	3	3	3	3
Loans made by group companies to associates	5,388	4,023	5,388	4,023

NOTE 27 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Following hierarchy used by the entity for determining the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(amounts in k€)

31/12/2016				
ANALYSIS OF FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE BY LEVEL OF THE FAIR VALUE HIERARCHY	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES
Financial assets				
Collar		1,138		1,138
Unlisted equity instruments		841		841
Trade receivables		191,839		191,839
Other receivables		49,031		49,031
Listed equity instruments - Sicav's and options		8,113		8,113
TOTAL FINANCIAL ASSETS		250,962		250,962
Financial liabilities				
Trade payables		156,020		156,020
Other payables		70,618		70,618
Interest rate swaps		20,327		20,327
TOTAL FINANCIAL LIABILITIES		246,965		246,965

(amounts in k€)

31/12/2015				
ANALYSIS OF FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE BY LEVEL OF THE FAIR VALUE HIERARCHY	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES
Financial assets				
Collar				
Unlisted equity instruments		841		841
Trade receivables		170,588		170,588
Other receivables		45,882		45,882
Listed equity instruments - Sicav's and options		6,632		6,632
TOTAL FINANCIAL ASSETS		223,943		223,943
Financial liabilities				
Trade payables		152,403		152,403
Other payables		51,085		51,085
Interest rate swaps		30,168		30,168
TOTAL FINANCIAL LIABILITIES		233,656		233,656

Description of the methods used for determining the fair value of derivatives

- For derivative financial instruments :

  Fair value is determined based on the estimated future cash flows and the interest rate curves.

- For the trade receivables and trade payables, as well as other receivables and payables :

  The fair value is presumed equal to the book value.

We refer to note 28 for an analysis of the evolution of the fair value of the IRS and of the collar.

NOTE 28 - DERIVATIVE INSTRUMENTS

(amounts in k€)

OVERVIEW OF DERIVATIVE INSTRUMENTS	Positive fair values 31/12/2016	Positive fair values 31/12/2015	Negative fair values 31/12/2016	Negative fair values 31/12/2015
Derivative instruments used in cash flow hedges				
Collar	1,138			
Interest rate swaps			20,327	30,168
	1,138	0	20,327	30,168
of which: non-current	1,138		18,177	27,029
of which: current			2,150	3,139

HEDGING POLICY WITHIN THE GROUP

In order to mitigate the interest rate risk, the Group uses derivative financial instruments such as interest rate swaps (IRS - variable rates swapped into fixed rates) or collars (combination of Cap and Floor). Within the Group, debt management and market data are carefully monitored. No derivatives are used for speculative purposes.

Despite a further decrease in the short- and mid-term interest rates in 2016, the evolution of the fair value of the IRS remains positive (€ +9.8 million). This is mainly explained by the significant decrease in the total notional amount of IRS in 2016 (€ -117 million) as they were hedging loans reaching maturity and reimbursed. The related IRS had a negative fair value of € 3.1 million at year-end 2015.

Moreover, since no new IRS have been recently contracted, the remaining IRS in the portfolio at the end of 2016 have a lower negative fair value than in 2015 due to the fact that their maturity is approaching and that an additional year of interest charge was recorded in the income statement in 2016 (€ 11.1 million).

Therefore, the reinvestment allowance the Group should pay to cancel swap contracts is lower by € 13.7 million compared to 31 December 2016, generating the gain recorded on 31 December 2016.

As indicated in the note on financial expenses (note 06), the Group reviewed at the end of 2016 certain bank loans with variable rates in order to early terminate a previously established interest rate structure that was no longer efficient. Instead of this old interest rate structure, a new derivative instrument of the Collar type was backed to these variable interest loans in order to hedge the risk of change in variable rates. This instrument was designated as a hedging instrument and was measured at fair value at the end of 2016 for an amount of € 1.1 million. The change in fair value is recognised in other comprehensive income.

NOTE 29 - RELATED PARTIES

Transactions mentioned here below are those performed with all related parties (exception made of the consolidated related parties) including:

1 Majority shareholders and all companies directly or indirectly owned by them;

2 Shareholders with a significant influence;

3) Associates or joints ventures;

4) Group's key personnel;

5) Other significant related parties.

(amounts in k€)

31/12/2016 NAME OF RELATED PARTY Type of relationship	AMOUNTS RECEIVABLE		AMOUNTS PAYABLE				STATEMENT OF COMPREHENSIVE INCOME				
	AFTER ONE YEAR	WITHIN ONE YEAR	AFTER ONE YEAR	WITHIN ONE YEAR	PERSONAL AND REAL GUARANTEES	OTHER SIGNIFICANT FINANCIAL COMMITTMENTS	TURNOVER	OTHER OPERATING INCOME	COST OF SALES	OTHER OPERATING EXPENSES	FINANCIAL INCOME
Electrabel S.A Supplier - IT services				8,303						(7,768)	
Electrabel S.A Supplier - Leases (ORES lessee)										(5,653)	
Electrabel S.A - Supplier - Insurrance services										(4,283)	
Electrabel S.A Supplier - Electricity purchase				6,527					(8,137)	(1,956)	
Electrabel S.A Customer - Transit Fees		53,872					555,264				
Electrabel S.A Customer Leases (ORES lessor)		477						419			
COFELY - Fabricom S.A. Subcontractor services				1,833						(13,342)	
Atrias Shareholder funding	5,388										
Atrias - Customer Accounting services		13						130			
Atrias - Supplier IT services - Projects										(3,466)	
LABORELEC Consultancy service				1						(2,093)	
Contassur RH services				67						(257)	
ENGIE/GDF SUEZ Insurrance services				286						(1,071)	
N-Allo Call center				539						(5,473)	
IPFH Lane fees									(13,664)		
	5,388	54,362	0	17,555	0	0	555,264	549	(21,801)	(45,362)	0

(amounts in k€)

31/12/2015 NAME OF RELATED PARTY Type of relationship	AMOUNTS RECEIVABLE		AMOUNTS PAYABLE				STATEMENT OF COMPREHENSIVE INCOME				
	AFTER ONE YEAR	WITHIN ONE YEAR	AFTER ONE YEAR	WITHIN ONE YEAR	PERSONAL AND REAL GUARANTEES	OTHER SIGNIFICANT FINANCIAL COMMITTMENTS	TURNOVER	OTHER OPERATING INCOME	COST OF SALES	OTHER OPERATING EXPENSES	FINANCIAL INCOME
Electrabel S.A Supplier - IT services				5,122						(3,167)	
Electrabel S.A Supplier - Leases (ORES lessee)										(5,829)	
Electrabel S.A Supplier - Insurrance services										(2,414)	
Electrabel S.A Supplier -Electricity purchase				8,520					(53,877)	(1,417)	
Electrabel S.A Customer -Transit Fees		47,407					538,420				
Electrabel S.A Customer - Leases (ORES lessor)		559						498			
COFELY - Fabricom S.A. Subcontractor services				1,361						(14,727)	
Indexis Customer - Accounting services		28						275			
Indexis Supplier - Metering IT services				758						(5,995)	
Indexis Shareholder funding											
Atrias Shareholder funding	4,023										
Atrias Customer - Accounting services		13						128			
Atrias - Supplier - IT services - Projects				214						(1,672)	
LABORELEC Consultancy service				23						(2,484)	
Contassur RH services				63						(302)	
GDF SUEZ Insurrance services				413						(1,408)	
N'ALLO Call center				413						(6,477)	
IPFH Lane fees									(13,252)		
TRACTEBEL Consultancy service				54						54	
	4,023	48,007	0	16,942	0	0	538,420	902	(67,129)	(45,838)	0

Despite Engie/Electrabel's exit from the share capital of ORES Assets as at 31 December 2016, the group Electrabel and ENGIE were viewed as related parties for the year 2016.

In terms of bank loans, the Walloon municipalities and the private partner guaranteed some borrowings totaling € 642.6 million, i.e. 31.89% of the total bank debt at the end of 2016 (compared to € 700 million, i.e. 35.15% of the total bank debt at the end of 2015). In 2017, the private partner will release its guarantees following the exit from the capital of ORES Assets on 31 December 2016.

(amounts in k€)

EMPLOYEE BENEFITS TO KEY MANAGEMENT PERSONNEL	31/12/2016	31/12/2015
Short term employee benefits	1,695	1,656
Post employment benefits		
Present value defined benefit obligation	5,518	3,235
Net period pension cost	11	15
Termination benefits	1,133	0
Other long-term benefits		
Present value defined benefit obligation	285	386
Net period pension cost	9	12
	8,651	5,304

The key management personnel is composed of the members of the Board of Directors of ORES scrl and the members of the executive committee of ORES scrl.

NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

	Estimated financial impact	
NATURE	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME
Proposed dividend to the AGM in 2017	84,247	
Distribution of available reserves	(2,843)	
	81,404	0

As mentioned in the 2015 annual report, a cooperation agreement between the three Regions has been reached on 13 February 2014. The agreement provides that the legislation related to the organization and operation of bi-regional inter-municipalities and administrative supervision, applicable to each municipality and region, is the one of the Region where the public shareholders own the biggest portion of the shareholding.

As a consequence, operators, network operators and municipalities reflected together and everybody considered as relevant a territorial rationalization on a regional basis of the inter-municipalities for energy distribution (previously bi- regional).

In addition to the actual transfer of the municipalities of Fourons and Frasnes-Lez-Anvaing on 1st January 2016, other Flemish and Walloon municipalities are concerned by the legal and regulatory changes and the municipalities' representatives are still discussing how to proceed to the same type of operation.

On 31 December 2016, Engie / Electrabel exited the capital of ORES Assets through the sale of its shareholdings in ORES Assets to the related financing associations of municipalities ("intercommunales pures de financement"). Engie / Electrabel therefore did not participate in the recapitalization in 2016 but will be entitled to the dividend relating to the year 2016 in its entirety since its investment was held throughout the year.

As such, an amount of € 20,7 million will be paid to Engie / Electrabel as a result of the 2017 annual general meeting as well as an amount of € 2.8 million representing its share of the available reserves for the year 2016.

NOTE 31 - FINANCIAL RISKS MANAGEMENT

1. CREDIT RISK

The credit risk is the risk that the debtor does not fulfil its initial obligation to reimburse a "credit". Its components are the counterparty risk, the liquidity risk, the risk linked to the activity or to the structure of the counterparty, the sector risk, the financial risk and, finally, the political 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 for which the Group obtains bank guarantees and conducts balance sheet analyses before determining the payment terms and conditions ;
- Receivables related to public service obligations (energy supply) and works for which the Group hired factoring companies.

(amounts in k€)

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2016	31/12/2015
Derivatives financial assets	1,138	
Trade and other receivables	240,870	216,470
Financial assets available for sale	841	841
Assets classified as held for sale	0	11,176
Cash and cash equivalents	104,340	108,910
	347,189	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 realise 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.

Depending on the market conditions, the Group has implemented a financing strategy allowing to meet the needs for the current year or even for several years as this was the case in 2015 via the issuance of two bonds for a total amount of € 200 million.

In 2016, the Group used public tenders and the issuance of short-term treasury bills to meet its financing needs.

Regarding the upholding of cash surplus, the Group's cash position amounts to € 104.3 million at 31 December 2016 (2015: € 103.7 million - see note 14). The breakdown of credit lines contracted by the Group is detailed in note 16.

(amounts in k€)

31/12/2016

MATURITY ANALYSIS (BASED ON UNDISCOUNTED FUTURE FINANCIAL FLOWS)	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	1,138					1,138		1,138
Trade and other receivables	240,870	240,870						240,870
Financial assets available for sale	841						841	841
Assets classified as held for sale								
Cash and cash equivalent	104,340	104,340						104,340
TOTAL ASSETS	347,189	345,210				1,138	841	347,189
Derivative financial liabilities	20,327	7,986	10,085	1,707	488			20,267
Borrowings	1,991,689	327,937	315,180	744,276	629,693	396,774		2,413,860
Trade and other payables	226,638	226,638						226,638
TOTAL LIABILITIES	2,238,654	562,561	325,265	745,984	630,181	396,774		2,660,765
LIQUIDITY RISK TOTAL	(1,891,465)	(217,351)	(325,265)	(745,984)	(630,181)	(395,636)	841	(2,313,576)

(amounts in k€)

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					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
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		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

The market risk is the risk that the fair value or the future cash flows from a financial investment fluctuates due to market prices variations. The market risk comprises three types of risks:

- Exchange rate (exchange rate risk) - not applicable to the Group;
- Market interest rate (interest rate risk);
- Market price (i.e. shares prices, commodities prices) - not applicable to the Group.

The Group is exposed through its activities mainly to the financial risks associated with changes in interest rates. Indeed, the price risk associated with the SICAV, considered as other current assets, is not significant.

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, collar 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 31st December 2016, the average Euribor rate is -0.25% (0.08% in 2015) and the average rate on IRS is 0.47% (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)..

(amounts in k€)

31/12/2016	+ 50 BASIS POINTS IMPACT ON PROFIT BEFORE TAX	+ 50 BASIS POINTS IMPACT ON EQUITY	- 50 BASIS POINTS IMPACT ON PROFIT BEFORE TAX	- 50 BASIS POINTS IMPACT ON EQUITY
Debt	(4,927)		2,519	
IRS	1,887	2,640	(1,351)	(2,947)
	(3,040)	2,640	1,168	(2,947)

31/12/2015	IMPACT ON PROFIT BEFORE TAX	IMPACT ON EQUITY	IMPACT ON PROFIT BEFORE TAX	IMPACT ON EQUITY
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 € 3 million but would raise our equity by € 2.6 million. A decrease of 50 basis point would raise our result before taxes by € 1.2 million but would have a negative impact of € 2.9 million on our equity.

4. CAPITAL RISK MANAGEMENT

The Group share capital consists of the capital of ORES Assets scrl. In 2012, it was represented by the eight Walloon DSO's: IDEG scrl, I.E.H. scrl, I.G.H. scrl, Interest scrl, Interlux scrl, Intermosane scrl, Sedilec scrl and Simogel scrl that merged on 31st December 2013 to establish ORES Assets scrl. This merger was effective with retroactive effect as from 1st January 2013 from an accounting point of view.

The capital of ORES Assets is composed of a fixed part (fully subscribed, paid and fixed at € 148.800) and a variable part. The fixed part of the capital is represented by shares A while the variable part is represented by shares A & shares R. Shares A include voting right and right to dividends whereas shares R grant their owner with a priority right to dividends, capped and recoverable, without voting right.

The decision to increase or reduce the fixed part of the capital must be validated by the Shareholders' meeting. This part of the capital varies depending on the admission or exclusion of shareholders and other increases or reductions of variable capital. The variable part may be increased or reduced by a resolution of the Board of Directors and does not require a modifications of the bylaws, but the reimbursement of shares A and R requires the approval of the Shareholders' meeting. In case of a capital increase, the new shares will be offered for subscription to the shareholders in proportion to their participation in the share capital.

An association of municipalities ("intercommunale") must have at least two municipalities as shareholders. Any other private or public legal entity may enter in the shareholding of an association of municipalities.

ORES Assets was a so-called "mixed" association of municipalities until 31 December 2016 because its capital was held by municipalities that are all located in Walloon region, directly or indirectly via a financing association of municipalities ("intercommunale pure de financement"), and by a private shareholder (Engie/Electrabel) for the left part.

Following the withdrawal of the latter as at 31 December 2016, the A and R shares are 100% owned by municipalities and 7 financing associations of municipalities.

The regulatory environment in which the Group operates is described in note 3.A.15 in the accounting policies. The rate of return of the fair margin determined by regulation depends particularly on the ratio equity of ORES Assets over the regulated assets (called also Regulated Asset Base - RAB).

As such, it is prescribed in the articles of association of ORES Assets that a ratio of 33% of equity to the RAB must be maintained as well as a ratio of 30% of equity to the balance sheet total.

NOTE 32 - ASSETS CLASSIFIED AS HELD FOR SALE

(amounts in k€)

ASSETS	31/12/2016	31/12/2015
NON-CURRENT ASSETS		8,122
Goodwill		
Intangible assets		
Property, plant and equipment		7,135
Investments in associates		986
Other non-current assets		1
CURRENT ASSETS		1,087
Inventories		
Trade receivables		270
Other receivables		75
Current tax assets		
Cash and cash equivalents		
Other current assets		741
TOTAL ASSETS EXCLUDING REGULATORY ASSETS		9,209
Regulatory assets		1,967
ASSETS CLASSIFIED AS HELD FOR SALE		11,176

(amounts in k€)

LIABILITIES	31/12/2016	31/12/2015
EQUITY		0
Share capital		
Retained earnings		
Other reserves		
Non-controlling interests		
NON-CURRENT LIABILITIES		0
Borrowings		
Provisions for employee benefits		
Other provisions		
Other non-current liabilities		
CURRENT LIABILITIES		8,792
Borrowings		
Trade payables		60
Other payables		8,731
Current tax liabilities		
Other current liabilities		
TOTAL LIABILITIES EXCLUDING REGULATORY LIABILITIES		8,792
Regulatory liabilities		27
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		8,818

NET EQUITY OF THE ASSETS CLASSIFIED AS HELD FOR SALE		2,358
composed of :		
Sale of an investment formerly consolidated by the equity method (Index'is)		986
Cease of the municipality of Fourons		1,372

The assets held for sale concerned on the one hand, the investment in Index'is for an amount of € 1 million and on the other hand, the municipality of Fourons (€ 10.2 million).

These two transactions were actually executed during 2016. Since ORES Group received the amount recognised in the financial statements at the end of 2015, this had no impact on the consolidated accounts as of 31 December 2016.

III. ACCOUNTING POLICIES ORES ASSETS SCRL

A. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group in the preparation of its consolidated financial statements are described below.

A.1. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements include the Group consolidated financial statements for the year ended 31 December 2016. The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Functional and presentation currency

The consolidated financial statements are expressed in thousands Euros (€). Euro is the functional currency (currency of the primary economic environment in which the entity operates) used within the Group.

A.2. NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS

The Group has applied the standards and interpretations applicable to the accounting period ended 31 December 2016.

New Standards and Interpretations applicable for the annual period beginning 1st January 2016

- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016 but not yet adopted at European level);
- Improvements to IFRS (2010-2012) (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 Separate Financial Statements - Equity method in the individual financial statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 Employee Benefits - Employee contributions (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016);
- Improvements to IFRS (2012-2014) (effective for annual periods beginning on or after 1 January 2016 but not yet adopted at European level).

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

- IFRS 9 Financial Instruments and subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018);
- Clarification to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level);
- IFRS 16 Leases (effective for annual periods beginning or on after 1 January 2019 but not yet endorsed in EU);
- Amendments to IAS 7 Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017 but not yet endorsed in EU);
- Amendments to IAS 12 Income Taxes – Recognition of deferred tax assets (effective 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 for which the impact analysis has not been finalized yet, the Group does not expect any significant impact as a result of the application of these new standards or interpretations.

A.3. BASIS OF CONSOLIDATION

As explained in the preliminary note, the eight DSO's have merged on 31 December 2013 with retroactive effect on 1st January 2013 to create ORES Assets (hereafter referred to as ORES Assets or DSO), an electricity and gas Distribution System Operator ("DSO") in Wallonia that holds at 31 December 2016 the exclusive control of its sole subsidiary ORES scrl. For the preparation of the consolidated financial statements, ORES Assets consolidated its subsidiary using the full consolidation method.

The Group consolidated financial statements incorporate the financial statements of the entities controlled by ORES Assets (its subsidiaries). According to IFRS 10, control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with investee; and
- has the ability to use its power over the investee to affect the amount of the group's returns.

The assessment of control is done on a case-by-case basis in accordance with IFRS 10, IFRS 11 IFRS 12 and IAS 28.

The subsidiaries are the entities controlled by the Group and are consolidated using the full consolidation method when existence of control has been established until the Group ceases to have control over the entity.

An associate is an entity over which the Group has significant influence without controlling it. Associates are consolidated using the equity method when existence of significant influence has been established until the Group ceases to have significant influence over the entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. An investment in a joint venture is accounted for using the equity method from the date on which the existence of joint control has been established until the Group ceases to have joint control over the entity.

All intra-group transactions, balances, income and expenses are eliminated in full during the consolidation process for the preparation of the consolidated financial statements.

A.4. BUSINESS COMBINATIONS AND GOODWILL

When the Group obtains control over an integrated set of assets and activities that meet the definition of a business in accordance with IFRS 3 – Business Combinations, acquiree's assets, liabilities and contingent liabilities are recognised at their fair value at the date of acquisition. Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests over the share acquired in the fair value of the acquiree's net identifiable assets. The goodwill is allocated to the cash-generating units and is not amortised, but is reviewed for impairment annually.

A.5. INTANGIBLE ASSETS

Intangible assets are recognised if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of that asset can be measured reliably.

Intangible assets are initially measured at cost. The cost of an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria in accordance with IAS 38. The cost of an internally-generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Intangible assets acquired in a business combination in accordance with IFRS 3 are measured at their fair values at the date of acquisition.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life. Amortisation begins when the asset is capable of operating in the manner intended by management.

IT software

	USEFUL LIFE
IT software	5 years
DDevelopment costs	5 years

Software licenses acquired by the Group are recognised at their acquisition cost less accumulated amortisation and any accumulated impairment losses. Internally-generated IT software's are recognised at their cost and development costs if they meet the criteria required by IAS 38.

Research and Development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised if the criteria for recognition as an intangible assets defined by IAS 38 are met. The capitalised development costs are subsequently amortised linearly over their useful life, taking into account any accumulated impairment losses.

A.6. PROPERTY, PLANT AND EQUIPMENT

As a general rule, the Group is the legal owner of the property, plant and equipment consisting of the network installation, buildings, lands, vehicles, furniture and tools.

Property, plant and equipment are recognised as assets at acquisition or production cost if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The cost of an item of property, plant and equipment comprises its purchase or production price and any costs directly attributable to the location and condition necessary for its operation, including the initial estimation of the dismantling and removing the asset and restoring the site on which it is located, if applicable.

Transfers of assets from customers related to the connections to the network are not deducted from the value of the items of property, plant and equipment to which they are related but are recognised as turnover in accordance with IFRIC 18 – Transfers of Assets from Customers.

After their initial recognition at historical cost, property, plant and equipment owned by the Group are depreciated using the straight-line method and are carried on the balance sheet at cost less accumulated depreciation and impairment. Depreciation begins when the asset is capable of operating in the manner intended by management. The components of an item of property, plant and equipment with a significant cost and different useful lives are recognised separately. Lands are not depreciated.

At the end of each reporting period, the Group proceeds to the disposal of items of property, plant and equipment that are no longer in service. The carrying amount of the property, plant and equipment that are abandoned is then derecognised.

Property, plant and equipment have been revalued in application of the law on the organisation of the electricity market dated 29 April 1999 (known as "Electricity Law") and the implementing decrees dated 2 September 2008. The revalued amount is derived from the regulated asset or initial 'Regulated Asset Base' (iRAB) as defined by the Electricity Law and Gas Law and their implementing decrees. This corresponds to the sum of the value of the net economic reconstruction of the property, plant and equipment as determined at 31/12/2001 (electricity) and at 31/12/2002 (gas). The value of the revaluation recognised in the books is the difference between the value of the iRAB as approved by the regulator.

The value of the regulated asset is critical in determining the fair margin attributed to the DSO for a given reporting period, and therefore the tariffs applicable in a given regulatory period. A complete description of the regulatory mechanism is provided in section A.15 below.

Depreciation rates used by the Group have been defined in the tariff methodology approved by the CWaPE. These rates reflect a good estimate of the useful life of property, plant and equipment for the sector in which the Group operates. The residual value is always presumed to be zero at the end of the useful life of an asset. The following table details the depreciation rates:

PROPERTY, PLANT AND EQUIPMENT	DEPRECIATION RATE
Lands	0%
Industrial buildings	3% (33 years)
Administrative buildings	2% (50 years)
Gas lines	2% (50 years)
Cables	2% (50 years)
Lines	2% (50 years)
Signaling of optical fibers network	4% (25 years)
Stations and cabins (electricity & gas)	3% (33 years)
Connections – Transformations	3% (33 years)
Connections – Wires and cables	2% (50 years)
Measurement equipment	3% (33 years)
Electronic meters, budget meters	10% (10 years)
Lower Voltage Smart Electronic meters	6,67% (15 years)
Remote control, equipment lab and dispatching	10% (10 years)
Data transmission and optical fibers	10% (10 years)
Furniture and equipment	10% (10 years)
Vehicles	20% (5 years)
Rolling stock	10% (10 years)
Administrative equipment (IT hardware)	33% (3 years)

A.7. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group assesses whether there is any indication that assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset is impaired when its carrying value is higher than its recoverable amount. The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of an asset's fair value less costs of disposal and its value in use. If it is not possible to estimate the recoverable amount for the individual asset, the Group estimates the recoverable amount for the CGU to which it belongs.

Cash-generating units are defined as the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Group is structured in eight operating segments and has therefore defined its CGUs as the eight operating segments with a distinction between electricity and gas activities within each of them.

Goodwill is reviewed annually for impairment. Goodwill is allocated to the CGUs on a consistent basis with the key used in allocating the expenses incurred by ORES scrl between the segments for a given energy (based on the connection points or EAN).

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior period for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. The increased carrying amount of that asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for that asset in prior years. Impairment losses on goodwill are never reversed.

A.8. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The agreements that do not take the legal form of a lease are analysed with reference to IFRIC 4 – Determining Whether an Arrangement Contains a Lease to determine whether or not they contain a lease contract to be accounted for in accordance with IAS 17 – Leases.

Finance leases

Assets held under finance leases by the Group are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the consolidated statement of financial position as a finance lease obligation with the same value as the assets. Assets held under finance leases are depreciated over their estimated useful amortized life on the same basis as property, plant and equipment or, if shorter, over the lease term.

Lease payments are apportioned between finance expenses and reduction of the lease obligation.

Assets owned by the Group and leased to third parties under finance leases are derecognised and a receivable is recognised as an asset in the balance sheet for an amount equal to the net investment in the lease contract. The recognition of financial income is made based on pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

Assets held by the Group under operating leases are not recognised in the balance sheet. Operating lease payments are recognised as an expense in the period in which they are incurred on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets owned by the Group and leased to third parties under operating leases are recognised in the balance sheet as property, plant and equipment or intangible assets. Rental income from operating lease is recognised as income on a straight-line basis over the lease term. The depreciation method used for the leased assets is consistent with the method used for similar assets.

A.9. INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. The net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs of inventories are determined by using the weighted average cost.

A.10. FINANCIAL INSTRUMENTS

Financial instruments held by the Group are recognised and measured with reference to IAS 32 and IAS 39. The Group does not enter into or trade financial instruments for speculative purposes. The Group is engaged in financial instruments only for economic hedging purposes.

A.10.1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks, as well as short-term deposits with a maturity of three months or less.

A.10.2. LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments which are not quoted in an active market. They are initially recognised at their fair value, which in most cases correspond to their nominal value, plus transaction costs. After their initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. An impairment loss is recognised if there is any objective indication that the Group might not recover all the amounts due.

Since 2015, the computation method of write-downs on receivables related to the energy supply to final customers and related to works, is based on defined stages taking into account the coverage rate foreseen by the adjudicator of the public tender and that has been implemented to in order to gradually expense them.

Note that no impairment is made on receivables "network damage" of less than two years and on open receivables to municipalities.

Gains or losses are recognised in the income statement when the financial asset recognised at amortised cost is derecognised or impaired.

A.10.3. EFFECTIVE INTEREST RATE METHOD

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest incomes or expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows through the expected life of the financial instrument or, where appropriate, a shorter period so as to determine the net carrying amount for the financial asset or the financial liability.

A.10.4. BORROWINGS

The Group is financed through conventional loans and treasury bills or bonds. Borrowings contracted by the Group are financial liabilities that are initially measured at their fair value less transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method less repayments of principal. Interest expense is recognised using the effective interest rate. Costs related to the issuance of bonds or treasury bills are deducted from the debt at the date of issue and are taken into account in calculating the effective interest rate in order to replenish the amount of debt.

A.10.5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments like interest rate swap (from 5 to 10 years), collars or interest rate caps to manage its exposure to interest rates arising from operating, financing and investing activities.

The accounting treatment of the derivative financial instruments depends on their designation or not as a hedging instrument and on the nature of the hedge relationship. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately, unless the derivative is designated as an hedging instrument and the hedge is effective.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the financial instrument is more than 12 months. In case of a maturity below 12 months, they are presented as a current assets or a current liability.

A.10.6. HEDGE ACCOUNTING

The Group designates certain hedging instruments as cash flow hedge in order to hedge the group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or a liability, a firm commitment or a highly probable forecast transaction that could affect the income statement. Hedge accounting related to fair value hedge is not applied by the Group in this case. The Group applies hedge accounting with respect to the interest rate swaps, while the interest rate caps are not designated as hedging instruments in a hedge relationship.

In accordance with IAS 39, the hedge relationship must be formally designated and documented. Documentation must include the link between the hedge relationship and the risk management, the relationship between the risk and the hedging instrument, the hedged position, the nature of the hedged risk and the technique used to assess whether the relationship is effective or not.

The hedge relationship must be highly effective in achieving offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk and a reliable estimate of the effectiveness can be made. To be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk, the actual results of the hedge must be within a range of 80% to 125%.

The effective portion of changes in the fair value of the hedging instrument in a cash flow hedge is recognised in other comprehensive income (equity). The gain or loss relating to the ineffective portion is recognised immediately in the income statement (including the ineffectiveness within the range 80-125%).

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

A.10.7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)

AFS financial assets include investments in entities that are not consolidated nor recognised using the equity method. AFS financial assets are measured at fair value. Fair value changes on AFS financial assets are recognised directly in other comprehensive income. Once it has been determined that an AFS financial asset is impaired, the cumulative loss that had been recognised directly in equity is recycled in the income statement. AFS financial assets whose fair value cannot be reliably determinable are measured at cost. Measurement at cost is used by the Group for all its AFS financial assets.

A.11. EMPLOYEE BENEFITS

The Group provides to its employees various short and long-term benefits and post-employment benefits, in accordance with the applicable laws in Belgium.

A.11.1. SHORT-TERM EMPLOYEE BENEFITS

When an employee has rendered services to the Group during the reporting period, the Group recognises the non-discounted amount of short-term employee benefits in return of services rendered: as a liability, after deducting the amount already paid (if applicable), and as expenses (unless another IFRS requires or authorises the capitalisation in the carrying amount of an asset).

A.11.2. POST-EMPLOYMENT BENEFITS

Post-employment benefits are classified in 2 categories: defined benefit or defined contribution plans.

Defined contribution plans are measured and recognised according to the "intrinsic value" approach. The method consists in calculating, at the end of the reporting period and for each plan participant, the minimum guaranteed reserve (taking into account an interest rate of 3.75% for employee contributions and 3.25% for employer contributions) and the mathematical reserve. The guaranteed reserve is equal to the higher of the minimum guaranteed reserve and the mathematical reserve. If the guaranteed reserve is higher than the mathematical reserve, there is a deficit. Any deficit must be covered by the employer and an appropriate provision must be recognised in the consolidated financial statements.

Contributions paid with respect to defined contribution plans are recognised as expenses when employees have rendered the services giving rights to those contributions.

Concerning the defined benefit plans, the amount recognised as a net liability (asset) corresponds to the difference between the present value of future obligations and the fair value of the plan assets.

If the calculation of the net obligation gives rise to a surplus for the Group, the asset recognised for this surplus is limited to the present value of any future plan refunds or any reduction in future contributions to the plan.

Cost of defined benefits includes cost of services and net interests on the net liability (asset) recognised in net result (respectively in employee costs for the cost of services, and as financial expenses (income) for the net interests), as well as the revaluations of the net liability (asset) recognised in other comprehensive income.

The present value of the obligation and the costs of services are determined by using the projected unit credit method and actuarial valuations are performed at the end of each reporting period.

The actuarial calculation method implies the use and formulation of actuarial assumptions by the Group, involving the discount rate, evolution of wages, medical costs inflation, employee turnover and mortality tables. These actuarial assumptions correspond to the best estimations of the variables that will determine the final cost of post-employment benefits. The discount rate reflects the rate of return on high quality corporate bonds with a term equal to the estimated duration of the post-employment benefits obligations.

A.11.3. OTHER LONG-TERM EMPLOYEE BENEFITS

The accounting treatment of the other long-term employee benefits is similar to the accounting treatment for post-employment benefits, except for the fact that revaluations of the net liability (asset) are accounted for in the income statement instead of being recognised in other comprehensive income.

The actuarial calculations of post-employment obligations and other long-term employee benefits are performed by independent actuaries.

A.12. PROVISIONS

A provision is recognised when the Group has a present obligation (legal or constructive), at the end of the reporting period, as a result of a past event with probable outcome that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation. Provisions with a term equal to or above 12 months are discounted if the effect of discounting is material. Provisions recognised by the Group mainly relate to litigation and risks related to the clean-up of polluted soils.

Environmental liabilities

The Group regularly analyses all its environmental risks and the corresponding provisions. Main environmental risks are related to sites that present a significant level of pollution. The amount of the provisions recognised to cover those risks are based on the best estimate of the resources that will be necessary to settle the obligation, in terms of study fees and clean-up of the concerned soils, on the basis of valuation analyses prepared by independent experts. The Group measures those provisions to the best of its knowledge of applicable laws and regulations depending on the extent of the pollution and the studies that need to be performed concerning the environmental impact.

A.13. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use) are added to the cost of those assets. All other borrowing costs are expensed in the period in which they are incurred.

A.14. FINANCIAL INCOME AND EXPENSES

Financial expenses comprise the interests on borrowings and financial debts calculated using the effective interest rate method, as well as the increase in provisions following the unwinding of discount due to the time evolution.

Financial income comprises the interests income on investments recognised using the effective interest rate method, as well as dividends recognised when the right of the Group to receive those payments has been established.

Changes in the fair value of derivative financial instruments held by the Group that are not designated in a hedge accounting relationship are presented as financial expenses or financial income.

A.15. REVENUE RECOGNITION

A.15. 1. EVOLUTION OF THE REGULATORY ENVIRONMENT IN 2015-2016

Since 1st July 2014, the CWaPE has gained full authority the control of tariffs for the public distribution of natural gas and electricity; authority exercised previously by the federal regulator (the CREG). The exercise of these rights implies for the Walloon regulator to approve or modify the tariff methodology, the distribution tariffs but also take decisions regarding the regulatory balances.

Initially, to ensure a “transition period”, during which, the tariff methodologies would be in continuity, some tariff methodologies fixed by the “Tariff Orders” (federal Law) dated of 8 January 2012 were taken over and adopted trough a Decree dated of 11 April 2014[9].

After, the CWaPE decided to define a new regulatory framework for Wallonia only. The Walloon Decree was then adopted in January 2017 and will be applicable for the next regulatory period after the transition.

Based on the Decree of 11 April 2014, the CWaPE wanted to adopt the tariff methodology for the years 2015-2016 drawing on principles fixed by the CREG (applicable during the 2009-2012 regulatory period extended by the CREG until the end of 2014). Without the approbation of tariff Decree, the CWaPE decided that the 2017 tariff methodology will be based on the transitional tariff methodology set up for the regulatory period 2015-2016. Consequently, preparatory works have been taking pace during the second semester of 2015 and a public consultation was initiated which led to the adoption of the 2017[10] tariff methodology on 11th February 2016. Based on this methodology and in line with the procedure, tariff proposals made by ORES Assets has been delivered on 9 September 2016. They were examined by the CWaPE during the second semester 2016 and adopted on 15 December 2016. The new ORES Assets tariffs were then in force on 1st January 2017.

The principles, structure and methodology of fixing the 2015-2016 and 2017 Walloon tariffs are set out in the Walloon Decree of 11 April 2014 and in the 2015-2016 and 2017 tariff methodology.

According to the 2015-2016 transitional regime (drawing on principles applicable during the 2009-2012 regulatory period extended by the Creg until the end of 2014), the total income of a DSO includes among others the following three elements:

- The reimbursement of all the management costs deemed reasonable to perform the duties of DSO during the regulatory period, including the management costs supporting the public service obligations;
- A fair profit margin for the capital invested in DSOs and amortization expense;
- The surcharges to include in the tariffs.

Similar to the CREG, the CWaPE distinguishes "manageable costs" and "non-manageable costs". All costs on which the DSO has direct control are considered as manageable costs; the costs on which the DSO does not exercise direct control are considered to be non-manageable costs (transportation fee, depreciation ...).

As ”non-manageable costs, they are for examples expenses linked to public services obligations, the depreciation charges, the grid fees (invoiced by Elia), the expenses related to electricity losses, the financial charges, the fair margin or the regulatory balances recovered on previous periods. The “manageable costs” are capped and are linked to an incentive regulation mechanism (see below). The balances on these costs cannot be recovered on future regulatory periods. The “non-manageable costs” are budgeted by the DSO based on best estimates. The regulation on these costs are based on a cost plus model; balances on these costs can be recovered on future regulatory periods.

Regulated asset

To calculate the fair profit margin of the DSO, a value of the regulated asset - corresponding to the value of the regulated fixed assets of the DSO (the "RAB") (Regulated Asset Base) - must be defined.

Compared to the Creg, three alterations were made in the 2015-2016 tariff methodology. First, the regulated assets acquired before 1 January 2014 are included in the regulated “primary asset” while those acquired after 1 January 2014 are included in the regulated “secondary asset”.

Secondly, the CWaPE authorized the DSO's to include in the regulated “secondary asset” the IT softwares considering their critical importance to the proper functioning of the DSOs. Finally, conversely to the tariff methodology applicable during the period 2009-2012 (extended by the Creg until end 2014), the RAB taken into account for the computation of the return on invested capital no longer includes the net working capital requirement.

[9] *Decree of 12 April 2001 relative to the organisation of the regional electricity market as modified by the decree of 11 April 2014.*
[10] *Decree related to the tariff methodology applicable to the electricity and gas DSO's.*

Return percentage

At the level of the financing structure, the CWaPE maintained the theoretical funding structure advocated by the Creg namely 33% of the equity and 67% of the borrowed funds; the excess part of the 33% of the equity being less compensated.

The remuneration or return percentage used for the fair return on invested capital (share capital and other equity items) by partners in DSOs is in the Tariff Orders as in the CWaPE transitional tariff methodologies, calculated based on the following formula:

- Equity ≤ 33% of the RAB : Remuneration = (Risk-free Interest rate + market risk premium ß *) * Illiquidity factor

- Equity> 33% of the RAB: Remuneration = Bonds Risk-free Interest rate + 70 basis points

Where :

- Market risk premium = 3.50% ;

- ß = Bêta = 0.65 for electricity et 0.85 for gas ;

- Illiquidity factor= 1.2 (if the DSO is not listed)

- Risk-free rate: is different depending on the applied tariff methodology. This may be the actual average return on the 10 years linear bonds of the Belgian State on the secondary market issued during the year concerned (applied to the regulated secondary assets) or issued during the year 2013 (applied to the primary RAB).

In the CWaPE transitional tariff methodologies, this formula is applied differently depending on whether the primary RAB is used, in which the primary percentage is applied, or the secondary RAB is used, in which the secondary rate is applied.

Return applied to the regulated primary asset or primary return

This is a guaranteed return percentage for the regulatory period. The formula defining the computation of this percentage is given above. Nevertheless, the value of the ration equity to RAB is set individually for each DSO according to its balance sheet structure as of 31 December 2013 and will not be re-evaluated during the regulatory period. In addition, the value of risk-free rate is fixed to the value of the average return OLO bonds with a ten years maturity, issued in 2013. The return percentage defined ex-post is then frozen and will not be recalculated during the tariff period.

Return applied to the regulated secondary asset

The formula defining this return computation is also defined above. The first difference with the primary return is the value of risk-free rate which is calculated ex-ante on the basis of forecasted values, including the return of OLO with a ten-year period as published by the federal Planning Bureau.

This value will then be reviewed annually ex-post based on the actual value of the parameters, including the average return of the OLO with a maturity of ten years, issued during the year concerned. For the transitional regulatory period, an increase of 100 basis points is added to the value of the secondary return percentage obtained. The actual fair profit margin of the secondary RAB will be re-evaluated during each year of the regulatory period, on basis of the adjustments done to the RAB, to the financial structure and to the average risk-free rate of the OLOs 10 years that year.

Comparison of the "CWaPE method" return with the "Creg method" return

It is possible that the fair margin determined according to the transitional tariff methodology (CWaPE method) can be less than the fair margin that would have been determined by application of the tariff methodology following the Tariff Orders (CREG method). To overcome this eventuality and avoid generating losses for the shareholders of the DSOs, the transitional tariff methodology guarantees to the DSOs the integration in the tariffs of any differential between the fair margins in the tariffs.

As the regulated secondary asset will increase, this difference between the fair margins should reduce and disappear after a few years.

Incentive regulation mechanism

The tariff methodology includes an incentive mechanism (incentives or penalties) which pushes the DSOs to act more productively and efficiently. For the 2015-2016 and 2017 tariff period, this mechanism has taken the form of a limitation of manageable costs to the 2012 reality of these costs. Indeed, at the end of the 2009-2012 regulatory period, it appeared that the budget made in 2008 did not reflect anymore the reality costs of the DSOs. Therefore, the CWaPE transitional tariff methodology sets the cap of the manageable costs based on the actuals manageable costs indexed to the year 2012.

Nevertheless, for the regulatory periods 2015-2016 and 2017, two additional extra costs are added to this cap :

- The first to cover the network modernization through the implementation of a new clearing house developed by Atrias,

- A second for the investments in smart grids. Ex-post, DSO will have to demonstrate that it allocated an amount equal or exceeding the adjustment amount of the cap granted ex-ante. For 2017, an additional condition has been set up which is to demonstrate that the benefits of these investments return to the collectivity.

Moreover, for the DSO of natural gas which want to promote this energy in order to maximize the profitability, an adaptation of this cap is foreseen based on an multiannual profitable business cases.

Balances related to the years 2015-2016 and 2017

The transitional tariff methodologies foresees that the balances related to non-manageable costs and volume of the years 2015 and 2016 are fully included in the tariffs and therefore in charge or in favor of the network users. This principle is similar to the mechanism provided by the tariff methodology set up by the CREG.

The transitional tariff methodologies also allows the DSOs to begin recovering, through a deposit, the balances relating to non-manageable costs and volumes of the past (2008 to 2013) during the fiscal years 2015, 2016 and 2017 . For 2015-2016, this annual deposit corresponds to one-tenth of the cumulative total amount of the regulatory balances related to the 2008-2013 exercises. For 2017, the deposit corresponds to two-tenth of the cumulative total amount of the regulatory balances related to 2008-2014.

The CWaPE wants to fully clear the 2008-2014 residual tariffs balances accumulated on the 2019-2023 regulatory period.

On 31 December 2016, this allowed the recovery of a part of the tariff accumulated balances at the end of 2013 for a total amount of € 13.5 million (see the note 01 B of the consolidated financial statements

Tariffs currently applied

The tariff proposals on the territory of the Walloon municipalities ORES Assets were deposited at the CWaPE on 8th September 2014. They were approved by the CWaPE on 5th February 2015 and entered into force on the 1st March of that year.

Since then, ORES Assets introduced three proposals for periodic tariffs adjustment to reflect, the new surcharges of the TSO (these proposals were endorsed by the CWaPE on the 26th February 2015), the submission of ORES Assets to the corporate taxes (these proposals were endorsed by the CWaPE May 21, 2015) and the new tariffs ELIA 2016-2019 approved by the CWaPE on 14th January 2016.

These proposals endorsed by the CWaPE are in force since 1st March 2015 for the TSO surcharges, since 1st June 2015 for the corporate tax and since 1st February 2016 for the tariff ELIA.

Since then, new tariff proposals applicable in Wallonia were approved by the CWaPE on 15 December 2016 and are in force on 1st January 2017.

On 16 January 2017, DSO's related to electricity and exercised in Wallonia submitted to CWaPE new tariffs related to the transport costs and surcharges for the year 2017. The board of directors of the CWaPE approved these tariffs on 9 February 2017 and they entered in force on 1st March 2017.

A.15.2. TURNOVER

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of ordinary revenues can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction has to be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue is measured at the fair value of the counterpart received, less discounts, rebates and levies or taxes on the sales.

The Group turnover, corresponding to revenue according to IAS 18, mainly comprises revenue from the following activities:

- Transit fees and sale of energy in the context of public service obligations

- Transfers of assets from customers

- Construction contracts

- Regulatory balances

1. Transit fees and sale of energy in the context of public service obligations

The turnover of the Group is based primarily on revenue and expenses related to transit fees of the network for the distribution of electricity and gas. On behalf of energy suppliers, the Group distributes electricity and gas to homes and companies connected to the network. In terms of electricity, transit fees include the fee for the transportation network that is exclusively managed by Elia. The transportation fee is invoiced to the Group by Elia and is recognised as a cost of sales (cascade principle) leading to a neutral impact on the income statement.

Revenue and expenses related to transit fees and the sale of energy in the context of public service obligations (including protected customers) are recognised when electricity or gas has been supplied to the customers connected to the network in the corresponding period. The amounts recognised as revenue are based on meter readings and on estimations for the unmetered part of the use of the network.

These estimates are adjusted at the end of the reporting period with the unmetered transit fee (RTNR)) which is calculated based on the total actual volumes that have transited on the network.

2. Transfers of assets from customers

Transfers of assets from customers in the construction of connections or extensions to the network are presented and recognised as revenue generally when the service of connection or extension takes place.

3. Construction contracts

The turnover of the Group includes incomes from construction contracts for various works such as public lighting or network maintenance. If the end of a construction contract can be estimated reliably, revenues and expenses related to this contract are recognised in the income statement according to the percentage of completion of the contract.

4. Regulatory balances

The authorised revenue according to the enforced tariff methodology is based on the one hand, on all the necessary costs to carry out the tasks of the DSO and, on the other hand, on the fair margin for the remuneration of the capital invested in the infrastructure network. The comparison between this allowed revenue on non-controllable costs and amounts recognised as turnover and between the budgeted volumes and the real volumes transited on network determines the annual balances (assets and liabilities) that the DSO will have to pass on the tariffs in subsequent regulatory periods. Annual balances and their impact on future tariffs are subject to approval by the regulator (see point A.15.1 above).

A.16. INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

A.16.1. CURRENT TAX

The current tax payable is based on taxable profit for the year. Taxable profit differs from "profit before taxes" as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A.16.2. DEFERRED TAX

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets generally are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, no deferred tax liabilities have been recognised on the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, joint operations, joint ventures, and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same tax entity; or on different tax entities but they intend to settle their current tax assets and liabilities on a net basis or to pay their current tax liabilities and to realize their current tax assets simultaneously.

A.16.3. CURRENT AND DEFERRED TAX FOR THE PERIOD

Current and deferred tax are recognised as an expense or income in the consolidated profit and loss account, except when they relate to items that are recognised outside profit and loss account (whether in other comprehensive income or directly in equity), in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity.

If the current or deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

A.17. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups held for sale are classified as held for sale if it is expected that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only met when the asset (or group held for sale) is available for immediate sale in its current condition, subject only to terms that are usual and customary for sales of such assets (or group held for sale) and when its sale is highly probable. Management must be committed to the sale and it must expect that the sale qualifies for recognition as a completed sale within one year from the date of its filing.

When the Group is engaged in a disposal plan involving a loss of control of a subsidiary, all the assets and liabilities of that subsidiary must be classified as held for sale when the criteria set forth above are met, whether or not the Group keeps a participation which is not giving the control in its ex-subsidiary after the sale.

When the Group is engaged in a sale plan involving the sale of a participation, or part of a participation in an associate or joint venture, the participation or the portion of the participation that will be disposed is then classified as held for sale when the above criteria are met and the Group ceases to use the equity method for the part classified as held for sale. Any participation retained in an associate or joint venture that has not been classified as held for sale continues to be accounted with the equity method.

The Group will cease to use the equity method at the time of the disposal when the disposal results for the Group in losing significant influence on the associate or joint venture.

After the disposal, the Group must account for the retained interests kept in the associate or joint venture in accordance with the IAS 39 unless the retained interest continue to constitute a participation in an associate or joint venture, in which case the Group is applying the equity method (see accounting policy for participations in associated companies or joint ventures above).

Non-current assets (and groups held for sale) classified as held for sale are measured at the lowest price between their carrying amount and their fair value decreased by their costs of sale. Any gain or loss on the revaluation of a non-current asset (or group held for sale) held for sale, excluding discontinued operations, is recognized directly upon its finding and is included in the income from continued operations.

B. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATES USED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires making accounting estimates and requires management to exercise judgement in the application of the Group's accounting policies. Key assumptions related to the future and other main sources of uncertainty related to the estimates used in the preparation of the consolidated financial statements at the end of the reporting period are presented below.

B.1. SIGNIFICANT ESTIMATES IN THE APPLICATION OF THE ACCOUNTING POLICIES

B.1.1. ACTUARIAL OBLIGATIONS UNDER PENSION PLANS, OTHER POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

Obligations of the Group related to pension plans are valued annually by independent actuaries. Management determines the actuarial assumptions used for the valuation of these obligations. The Group believes that the assumptions used are appropriate and justified. Actuarial assumptions used by the Group include the following elements:

- Discount rate
- Expected growth rate of wages
- Average inflation rate
- Employee turnover
- Mortality table
- Amounts of tariff reductions
- Amounts of medical costs

B.1.2. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments held by the Group is calculated based on market values by an external valuation company for all the IRS, and directly by the Group for the valuation of the CAP and collars in collaboration with financial institutions.

B.1.3. MEASUREMENT OF THE PROVISIONS

All significant legal litigations are reviewed regularly by the Legal department of the Group with the support of the Group's finance department and external counsels when appropriate. This review includes an assessment of the need to recognise provisions or adapt existing provisions. The provisions that are recognised on litigations are based on the value of the claim or on the estimated amount of the exposure.

The valuation of the environmental provisions is based on studies conducted by independent experts making an estimate of the future costs of soil sanitation.

In all cases, the amount recorded by the Group as a provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

B.1.4. IMPAIRMENT TESTS

The Group tests goodwill for impairment annually, as well as cash-generating units for which there are indicators that tend to demonstrate that the carrying amount might exceed the recoverable amount. To determine if it is appropriate to recognise an impairment loss, it is necessary to estimate the value in use of the cash-generating unit. The calculation of the value in use requires management to estimate the future cash flows that will be generated by the cash-generating unit (for goodwill, by the cash-generating unit to which it has been allocated) and to apply an appropriate discount rate to calculate the present value (see note 8 in the notes to the financial statements).

B.1.5. DISTRIBUTED VOLUMES

Amounts recognised as revenue are based on meter readings and estimates for the unmetered part of the use of the network. These estimates are adjusted at the end of the reporting period with the unmetered transit fee (RTNR) which are calculated based on total volumes that have transited on the network.

B.2. SIGNIFICANT JUDGMENT APPLIED TO THE ACCOUNTING POLICIES

B.2.1. TURNOVER MEASUREMENT

B.2.1.1. Regulatory balances

Currently, there are no specific IFRS dealing with the accounting treatment of regulated balances in a regulated environment. Discussions are in progress within the IASB concerning the publication of new standard on rate-regulated activities that would clarify the accounting treatment.

In this context, a transitional standard was published in January 2014 (IFRS 14 – Regulatory Deferral Accounts) but applies only to first-time adopters of IFRS. It explicitly allows the recognition of regulated assets and liabilities within the statement of financial position and these assets and liabilities should be presented in a separate caption, distinct from the other assets or liabilities. The Group took the assumption that these balances would be recovered in the future and are therefore recognised as an asset or a liability. If it turns out that the accounting treatment adopted by the Group is no longer in line with the future guidelines published by the IASB, future results as well as equity would have to be adjusted.

B.2.1.2. Transfers of assets from customers (IFRIC 18 – Transfers of Assets from Customers)

The Group carries out connection and extension works on the gas and electricity network, for which transfers of assets from customers are required. In this case, the Group considers whether the transfer of assets from customers is within the scope of the interpretation IFRIC 18 on the basis of all facts and circumstances and, where applicable, the transfer is recognised as turnover.

B.2.2. Classification debt/equity

The Group reviews all relevant facts and circumstances to determine whether an instrument is a debt instrument or an equity instrument in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. The Group determined that the different categories of shares represented the capital (see the note 15 in the notes to the financial statements) are equity instruments.

B.2.3. Existence of an obligation in application of IAS 37

The Group determines on case by case basis whether there is an obligation that could have a negative impact on its financial position. Indeed, the Group regularly reviews pending litigations and determines whether it is probable that the settlement of the obligation will require an outflow of resources. If this is the case, provisions are recognised up to the best estimate of the consideration required to settle the obligation (the outcome of the procedures cannot be predicted with certainty).

B.2.4. Deferred tax

Following the vote of the law by the Federal Parliament on 19 December 2014 and published in the Belgian Official Gazette on 29 December 2014 results in ORES Assets being subject to corporate income tax (impôt des sociétés) as from the fiscal year 2016 (2015 income) instead of the tax on the amount of dividends related to gas activity. Due to this change in fiscal status for the mother company, the Group decided to recognise a deferred tax in its consolidated financial statements at year-end 2014, resulting in the offsetting of the deferred taxes arising from the subsidiary and the mother company.

C. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

A change in accounting policy is applied only if the change is required by a standard or an interpretation or it results in the financial statements providing more reliable and relevant information. Early application of a standard or an interpretation is not a voluntary change in accounting policies with reference to IAS 8.

A change in accounting policy is applied retrospectively unless it is impracticable to determine the period-specific effects for one or more periods presented. In addition, a change in accounting policy upon initial application of an IFRS that includes specific transitional provisions applying to that change is not applied retrospectively.

Even if great attention is placed on the preparation of the Group financial statements, errors may occur during the recognition, measurement, valuation, presentation or the inclusion of information on items of the financial statements. If necessary, the Group retrospectively corrects significant errors from prior periods in the first financial statements authorised for issue after the discovery of these errors.

Uncertainties related to the Group's activities require the use of estimates in the preparation of the financial statements. The use of estimates is an important part of the preparation of the financial statements and does not undermine their reliability. An estimate is revised if changes occur in the circumstance on which it was based, or if new information is available. The revision of an estimate does not relate to prior periods and is not a correction of error.


ORES

IV. INDEPENDENT AUDITOR'S REPORT

ORES ASSETS SCRL

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS ON THE CONSOLIDATED FINANCIAL STATEMENTS ESTABLISHED UNDER IFRS FOR THE YEAR ENDED 31ST DECEMBER 2016

As required by law and the by-laws, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidate financial statements comprise the consolidated statement of financial position as at 31st December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on 31st December 2016 and the explanatory notes.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of the company for the year ended on 31st December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 4.313.450 (000) € and a consolidated statement of comprehensive income showing a consolidated benefit for the year of 186.530 (000) €.

Responsibility of the board of Directors for the preparation of the consolidated financial statements

The board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

RSM InterAudit is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM Network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM InterAudit Scrl (*) - réviseurs d'entreprises - Siège social : chaussée de Waterloo 1151 - B 1180 Bruxelles
interaudit@rsmbelgium.be - TVA BE 0436.391.122 - RPM Bruxelles - (*) *Société civile à forme commerciale*

Member of **RSM Toelen Cats Dupont Koevoets** - Offices in Antwerp, Brussels, Charleroi, Mons and Zaventem

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the company's internal control relevant to the preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company give a true and fair view of the group's equity and financial position as at 31st December 2016, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of Directors is responsible for the preparation and the content of the Director's report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which do not modify the scope of our opinion on the consolidated financial statements:

- The Director's report the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Gosselies, 16 may 2017

RSM InterAudit Scrl
Represented by
Thierry LEJUSTE
Partner

RAPPORT SUR D'AUTRES OBLIGATIONS LÉGALES ET RÉGLEMENTAIRES

L'organe de gestion est responsable de l'établissement et du contenu du rapport de gestion sur les comptes consolidés.

Dans le cadre de notre mandat et conformément à la norme belge complémentaire aux normes internationales d'audit (ISA) applicables en Belgique, notre responsabilité est de vérifier, dans tous les aspects significatifs, le respect de certaines obligations légales et réglementaires. Sur cette base, nous faisons la déclaration complémentaire suivante qui n'est pas de nature à modifier la portée de notre opinion sur les comptes consolidés :

- Le rapport de gestion sur les comptes consolidés traite des informations requises par la loi, concorde avec les comptes consolidés et ne comprend pas d'incohérences significatives par rapport aux informations dont nous avons eu connaissance dans le cadre de notre mandat.

Gosselies, le 16 mai 2017

LE COMMISSAIRE,

RSM INTERAUDIT SCRL
RÉVISEURS D'ENTREPRISES
REPRÉSENTÉE PAR
THIERRY LEJUSTE
ASSOCIÉ

Contacts

ORES - Avenue Jean Monnet, 2
1348 Louvain-la-Neuve

www.ores.be

Customer service: 078/15.78.01
Technical assistance: 078/78.78.00
Emergency smell of gas: 0800/87.087

Managing editor: Jean-Michel Brebant - Street Antoine de Saint-Exupéry, 18 - 6041 Gosselies / June 2017