ORES Assets sc
Consolidated IFRS accounts
2019

Name and form :
ORES Assets. Cooperative intermunicipal association with limited liability.

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

Incorporation :
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Articles of association :
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1. IFRS Consolidated financial statements

1.1. Consolidated profit and loss statement (in thousands of €)

	NOTE	31/12/2019	31/12/2018	DIFFERENCE
Turnover	01 - A	1,177,760	1,178,368	(608)
Regulated balances	01 - B	(21,799)	5,800	(27,599)
Other operating income	02	29,840	28,554	1,286
Operating income		**1,185,801**	**1,212,722**	**(26,921)**
Goods and supplies	03	(61,347)	(60,783)	(564)
Grid fees	03	(377,367)	(358,930)	(18,437)
Road fees	03	(46,904)	(45,278)	(1,626)
Employee Benefits	20-21	(143,253)	(128,121)	(15,132)
Write down of trade receivables	12	(6,942)	(19,472)	12,530
Other operating expenses	04	(141,140)	(146,803)	5,663
Operating expenses		**(776,953)**	**(759,387)**	**(17,566)**
Operating result before depreciation and amortization		**408,848**	**453,335**	**(44,487)**
Depreciation and impairment on (in)tangible assets	09-10	(209,121)	(164,243)	(44,878)
Operating profit/loss		**199,727**	**289,092**	**(89,365)**
Financial Income	05	626	681	(55)
Financial Expenses	06	(48,289)	(55,947)	7,658
Financial profit/loss		**(47,663)**	**(55,266)**	**7,603**
Share of the result of associates	26			
Profit/loss before taxes		**152,064**	**233,826**	**(81,762)**
Taxes	23	(52,909)	(71,413)	18,504
Profit/loss for the period		**99,155**	**162,413**	**(63,258)**
Profit/loss for the period attributable to the group		99,155	162,413	(63,258)
Profit/loss for the period attributable to non-controlling interests		0	0	

1.2. Consolidated statement of comprehensive income (in thousands of €)

	NOTE	31/12/2019	31/12/2018	DIFFERENCE
Profit for the period		**99,155**	**162,413**	**(63,258)**
Other comprehensive income				
Recyclable in the profit and loss		***5,284***	***1,846***	***3,438***
Change in fair value of cash flow hedges	17-18-27-28	1,446	2,462	(1,016)
Taxes on items that are or may be recycled to profit and loss account	24	3,838	(616)	4,454
Not recyclable in the profit and loss		***(5,231)***	***5,507***	***(10,738)***
Actuarial gains and losses on defined benefit plans	22	(6,975)	7,342	(14,317)
Taxes on items that will not be recycled to profit and loss	24	1,744	(1,835)	3,579
Other comprehensive income - Net		53	7,353	(7,300)
Other comprehensive income attributable to the group		53	7,353	(7,300)
Other comprehensive income attributable to non-controlling interests		0	0	0
Comprehensive income for the period		**99,207**	**169,766**	**(70,559)**

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

ASSETS	NOTE	31/12/2019	31/12/2018	DIFFERENCE
Non-current assets		**4,236,503**	**4,121,912**	**114,591**
Goodwill	08	0	8,955	(8,955)
Intangible assets	09	99,140	99,242	(102)
Tangible assets	10	4,116,289	3,992,046	124,243
Investments in associates	26	3	3	0
Other non-current assets	11	21,071	21,666	(595)
Current assets		**396,185**	**369,484**	**26,701**
Inventories	13	42,935	37,764	5,171
Trade receivables	12	135,172	135,915	(743)
Other receivables	12	64,140	51,326	12,814
Current tax assets	12	16,388	6,634	9,754
Cash and cash equivalents	14	117,800	115,797	2,003
Other current assets		19,749	22,048	(2,299)
Total assets excluding regulatory assets		**4,632,688**	**4,491,396**	**141,292**
Regulatory assets	01 - B	81,959	117,211	(35,252)
TOTAL ASSETS		**4,714,647**	**4,608,607**	**106,040**

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

LIABILITIES	NOTE	31/12/2019	31/12/2018	DIFFERENCE
Equity		**1,733,525**	**1,696,116**	**37,409**
Share capital		867,080	713,028	154,052
Retained earnings		910,594	922,770	(12,176)
Other reserves		(44,125)	60,291	(104,416)
Non-controlling interests		(24)	27	(51)
Non-current liabilities		**2,430,996**	**2,401,618**	**29,378**
Borrowings	16	2,012,646	1,991,843	20,803
Provisions for employee benefits	20	100,780	83,273	17,507
Other provisions	19	55,379	54,030	1,349
Deferred tax liabilities	24	245,103	267,662	(22,559)
Other non-current liabilities	18-28	17,089	4,810	12,279
Current liabilities		**509,141**	**466,828**	**42,313**
Borrowings	16	288,312	245,322	42,990
Trade payables	17-18	157,069	166,178	(9,109)
Other payables	17-18	54,660	48,810	5,850
Current tax liabilities	23	570	895	(325)
Other current liabilities	17-18	8,529	5,623	2,906
Total liabilities excluding regulatory liabilities		**4,673,662**	**4,564,562**	**109,100**
Regulatory liabilities	01 - B	40,985	44,045	(3,060)
TOTAL LIABILITIES		**4,714,647**	**4,608,607**	**106,040**

1.5. Consolidated statement of changes in equity (in thousands of €)

	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
At 1st January 2019	**713,028**	**61,879**	**(79,702)**	**78,113**	**60,291**	**922,770**	**27**	**1,696,116**
Comprehensive income for the period								
- Profit and loss				847	847	(98,308)		99,155
- Other comprehensive income, net of income tax		5,284	(5,231)		53			53
Transactions with shareholders								
- Dividends relating to the previous year						(81,230)		(81,230)
- Capital increase through conversion of R and RD shares into A shares and transfer of reserves	139,725							139,725
- Capital increase following the contribution of Gaselwest municipalities	14,327			526	526	4,632		19,485
- Distribution of reserves								
Transfers								
- Capital increase by incorporating reserves				(139,725)	(139,725)			(139,725)
- Transfers from or to statutory reserves				33,885	33,885	(33,885)		
- Business combination: Comnexio							(53)	(53)
At 31 December 2019	**867,080**	**67,163**	**(84,933)**	**(26,355)**	**(44,125)**	**910,594**	**(24)**	**1,733,525**

	Share capital	Reserves				Retained Earnings	Non-controlling Interests	Total Equity
		Cash Flow Hedges	Actuarial gains and losses on defined benefit plans	Statutory Reserves	Total			
At 1st January 2018	**712,257**	**60,033**	**(85,209)**	**32,883**	**7,707**	**869,793**	**27**	**1,589,784**
Comprehensive income for the period								
- Profit and loss				748	748	161,665		162,413
- Other comprehensive income, net of income tax		1,846	5,507		7,353			7,353
Transactions with shareholders								
- Dividends relating to the previous year						(81,187)		(81,187)
- Capital increase through creation of A shares	18,153							18,153
- Capital increase through creation of R shares	1,500							1,500
- Capital increase following the contribution of PBE municipalities	1,043			14,090	14,090	6,889		22,022
- Capital decrease through conversion of R shares into A shares	(11,252)							(11,252)
- Capital decrease through repayment of R shares	(8,673)							(8,673)
- Distribution of reserves				(3,997)	(3,997)			(3,997)
Transfers								
- Capital increase by incorporating reserves								
- Transfers from or to statutory reserves				34,390	34,390	(34,390)		
At 31 December 2018	**713,028**	**61,879**	**(79,702)**	**78,113**	**60,291**	**922,770**	**27**	**1,696,116**

1.6. Consolidated statement of cash flows (in thousands of €)

	NOTE	31/12/2019	31/12/2018
Cash flow from operating activities			
Comprehensive income for the period		**99,155**	**162,413**
Adjustments for the following elements :			
Depreciation and impairment on (in)tangible assets	09-10	209,095	164,243
Changes in provisions	19-20	6,943	7,962
Gains or losses on sales of (in)tangible assets	09-10	(200)	(528)
Write down of trade receivables	12	8,116	19,807
Write down of inventories		0	424
Financial income	05	(626)	(681)
Financial expenses	06	48,289	55,947
Income tax expenses recognised in profit or loss	23	52,909	71,413
Regulatory Balances	01-B	13,274	(26,917)
Operating cash flow before change in working capital		***436,955***	***454,083***
Change in working capital			
Change in inventories	13	(5,171)	(984)
Change in trade and other receivables	12	(5,738)	24,127
Change in trade and other payables	17	(41,354)	1,360
Operating cash flow		***384,691***	***478,586***
Paid interest	06	(39,769)	(60,381)
Received interest	05	611	646
Paid taxes		(79,705)	(61,786)
Regulatory Balances recovered	01-B	13,222	21,117
Net operating cash flow		**279,050**	**378,182**

	NOTE	31/12/2019	31/12/2018
Cash flow from investing activities			
Acquisition of intangible assets	09-10	(30,076)	(41,051)
Acquisition of tangible assets	09-10	(211,672)	(295,502)
Sale of tangible assets	09-10	224	718
Other investing cash flows		588	(12,047)
Net investing cash flow		**(240,936)**	**(347,882)**
Cash flow from financing activities			
Change in capital	15	0	(272)
Borrowings issuance	16	295,000	274,800
Repayment of borrowings	16	(231,787)	(298,932)
Issuance and repayment of long term receivables	11	(2,514)	(621)
Repayment of lease liabilities	22	(3,541)	
Paid dividends	15	(93,269)	(82,408)
Capital grants		0	18
Acquisition/Sale of partial interests in a subsidiary	25	0	0
Net financing cash flow		**(36,111)**	**(107,415)**
Change in cash and cash equivalents from continuing operations		**2,003**	**(77,115)**
Cash and cash equivalents begin of period		**115,797**	**192,912**
Cash and cash equivalents end of period		**117,800**	**115,797**

1.7. Change in liabilities arising from financing activities (in thousands of €)

					Non-cash changes					
	01/01/2019	Cash flows from financing activities	Cash flows from operating activities	Cash flows from investing activities	Reclassification	Acquisition/Sale of partial interests in a subsidiary	Fair value changes	Others (application of IFRS16 - lease on 1/1/19)	Total	31/12/2019
Other non-current assets	21,667	(2,799)	(685)	612			3,467		3,467	21,071
Other receivables	51,326	(56,504)	(775)		44,465				44,465	64,140
Long-term Borrowings	1,991,842	295,000			(274,784)		587		(274,197)	2,012,646
Short-term Borrowings	245,322	(231,787)			274,784		(7)		274,777	288,312
Other non-current liabilities	4,810	285		141	2,188		(1,446)	11,110	11,852	17,089
Other payables	48,810	(1,665)	(34,125)		1,665	39,975			41,640	54,660
Other current liabilities	5,622	(3,541)	1,866		(2,188)	4		6,766	4,582	8,529
Equity	1,696,116	(35,100)	99,155		(46,130)	19,485			(26,645)	1,733,525
	4,065,515	**(36,111)**	**65,436**	**753**	**0**	**59,464**	**2,601**	**17,877**	**79,942**	**4,199,973**
	01/01/2018									31/12/2018
Other non-current assets	11,993	(772)	(3,533)				(5,369)		(5,369)	21,667
Other receivables	53,298	(44,465)	(659)		47,241			(145)	47,096	51,326
Long-term Borrowings	2,007,442	123,400			(139,587)		587		(139,000)	1,991,842
Short-term Borrowings	253,513	(147,532)			139,587		(247)		139,340	245,322
Other non-current liabilities	10,013	151					(5,353)		(5,353)	4,810
Other payables	54,283	(1,620)	(5,473)		1,620				1,620	48,810
Other current liabilities	2,777	18	(31)				2,891	(33)	2,858	5,622
Equity	1,589,784	(36,595)	184,435		(48,861)	0	7,353		(41,508)	1,696,116
	3,983,104	**(107,414)**	**174,738**	**0**	**0**	**0**	**(138)**	**(178)**	**(316)**	**4,065,515**

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Preliminary note on the consolidated financial statements

A. Reporting entity and ORES group

The ORES group (hereinafter referred to as the "Group") is made up, on the one hand, of ORES Assets sc, created as a result of the merger of eight Walloon mixed gas and electricity intermunicipal companies on 31 December 2013, with a retroactive effect as from 1 January 2013 (hereinafter referred to as "DSO" or ORES Assets), and on the other hand, ORES sc (hereinafter referred to as "ORES sc"), almost all of whose shares are owned by ORES Assets (99.72%), with the balance being owned by the purely financing inter-municipal companies associated within ORES Assets. In 2019, ORES Assets created the company Comnexio sc, which carries out contact centre activities. The purely financing inter-municipal companies hold seven of one hundred shares in Comnexio sc.

In addition, there is also a company partially owned by ORES Assets sc: Atrias, at 16.67%. Due to ORES Assets sc significant influence on this company, the Group decided to consolidate it using the equity method.

Since 1 January 2017, the DSO is 100% owned by the public authorities (municipalities in the territory in which it operates or pure financing inter-municipal companies).

The Group is only active in Belgium, and more specifically in Wallonia, in the territory of the municipalities that are the DSO's shareholders. The Groups' address is Avenue Jean Monnet 2, 1348 Louvain-la-Neuve (Belgium), which is also the address of ORES Assets' registered office.

B. Approval of the consolidated financial statements

ORES Assets' Board of Directors approved the Group's consolidated financial statements and authorised their publication on 29 April 2020.

C. Significant events in 2019

a) 2019 at a glance

1st of January

200 municipalities!

Following the latest reform of the State and the regionalization of energy distribution, municipalities of Mont-de-l'Enclus, Celles (partim), Ellezelles (partim) and Comines-Warneton, whose distribution networks were managed so far by the Flemish intermunicipality Gaselwest, are joining ORES. This transfer of responsibilities allows, in particular, the 15,000 concerned clients for electricity and the 9,500 concerned clients for gas to benefit from ORES Mouscron rates. ORES is now managing 200 municipalities in Wallonia.

7th of February

The regulator approves ORES rates for the 2019-2023 period.

Developed on the basis of a new methodology, the approved distribution tariffs for 7 electricity and 5 gas tariff sectors provide ORES with a clear budgetary perspective for the next five years. Thanks to the cost control efforts begun in 2015, the company has managed to stabilise its "average rate" over the period, at a time when major programmes are being implemented to support and facilitate the energy transition in Wallonia.

21st of February

Launch of IO.E

Elian and distribution network operators Fluvius, ORES, Sibelga and RESA, jointly launched the IO.Energy (Internet of Energy) project in collaboration with the business world, research institutes and public services. Objective: to test the possibilities offered by innovative technologies, with the aim of developing new services for citizens through the exchange of data between actors in the world of energy.

16th of May

ORES and RESA acting together.

Before federal and regional elections, the two main Walloon operators of energy networks published a joint memorandum. Addressed to the various political parties, this document sets out the shared vision of ORES and RESA on the role they propose to play in implementing the political choices

made, particularly in the face of the major challenges of the energy transition.

1st of June

Creation of "Comnexio"

Following the modification of the electricity and gas decrees in May 2018, distribution network operators can no longer own shares in a joint subsidiary with an energy supply company. Therefore, ORES created its own subsidiary of contact centre services in June. The name of the new company, based in Gosselies, is approved by the Board of Directors: "Comnexio". A choice that evokes the importance given to contact, communication and connection with clients.

11th of June

A unique smart metering solution for Wallonia

Around a hundred collaborators of network operators ORES and RESA are meeting in Namur to launch their joint programme for the deployment of smart metering in Wallonia. Called "Switch", this programme is intended to ensure the implementation of the decisions taken by the Walloon government in this area. No generalised deployment, no taxation, but installation of meters as a priority for certain customer segments. Before the end of 2029, 80% of the clients concerned will have to be equipped with a smart meter.

27th of June

Atrias: September 2021 objective

In a joint press release, grid operators and energy suppliers reaffirm their willingness to make every effort to make the federal market data exchange platform "Atrias" operational. The technical difficulties encountered, as well as changing regional needs and legislation, have led to significant delays, but the various parties involved in the project want to bring Atrias to life by September 2021.

1st of July

A local energy community in the making

With IDETA, Siemens, N-Side, Dapesco and the University of Mons, ORES is launching a collective self-consumption test in an industrial zone in Tournai. The objective of the project, called "E-Cloud", is to enable several neighbouring companies to jointly produce and consume energy from renewable sources produced locally and transferred into the distribution network. They are encouraged to consume locally produced green electricity through two separate grid tariffs: a specific and advantageous tariff for "self-consumed" renewable electricity and a conventional tariff for electricity purchased from their commercial supplier.

2nd of December

Towards a 100% LED street lighting park

ORES brings together Walloon mayors and players in the energy sector in Namur around the theme of municipal public lighting and the switch to LED: 50,000 light points have already been converted and 405,000 will be converted over the next ten years. The result for the 200 towns and cities concerned is a reduction in total consumption of 102 gigawatt hours, the equivalent of 30,000 tonnes of CO_2 emissions avoided and a saving of 21 million euros each year.

13th of December

The new ORES technical centre opens its doors

Located in Strépy-Bracquegnies, the new 7,000 m² building houses the company's various technical departments, responsible in particular for preparing the advent of tomorrow's distribution networks. The centre, which is sustainable in its design, is also a training centre both for ORES staff and for workers from subcontracting companies working on the networks.

b) Average fair remuneration of invested capital (REMCI)

The REMCI *(Rémunération Equitable Moyenne des Capitaux Investis* or average fair remuneration of invested capital) is the remuneration that ORES Assets is entitled to for its "network operation" activity, and constitutes a significant proportion of the Group's profit. At the end of 2019, it amounted to:

- electricity: €67,345,000 compared with €60,268,000 in 2018, so +11,7%;
- Gas: €32,716,000 compared with €31,553,000 in 2018, so + 3.6%.

According to the new tariff methodology applicable for the regulatory period 2019-2023, the remuneration rate applied to the RAB amounts to 4,053%. This rate is fixed for the whole period. As from financial year 2019, the REMCI is therefore, solely influenced by the average RAB of the year.

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

c) Dividends

We should also point out that, at the ORES Assets Annual General Meeting on 29 May 2019, its shareholders approved the payment of total gross dividends worth €85,2 million (€57,7 million Euros for electricity distribution and €27,5 million for natural gas distribution), excluding the fees for using the public highway.

D. Impairment testing of assets

The Group carried out an annual impairment test and a review of the accounting treatment of the transfer of assets from customers.

The tariff methodology applicable for the years 2019-2023 addresses two important principles from the point of view of the analysis of a possible impairment of assets: on the one hand, only the (in)tangible assets held by ORES Assets are recognised in the RAB and generate a return on investment via the fair remuneration (REMCI) included in the authorised income. On the other hand, a large part of the costs are considered as controllable expenses, i.e. any difference between the budget included in the determination of the tariffs and the costs actually incurred will be a profit or a loss to the Group (See section 3.A.15 of the accounting policies for a detailed description of the 2019-2023 methodology). These items generate more uncertainty about the amounts of future cash flows included in the determination of the value in use during the impairment test.

When analysing any impairment, the Group considers that the recoverable amount of cash-generating units corresponds to the value of assets and liabilities that will be recognised for inclusion in authorized income and tariffs. This corresponds to the carrying amounts under Belgian GAAP, except for goodwill and research and development costs. The Group therefore verifies whether the assets and liabilities recognized under IFRS principles (IFRS carrying amount) do not exceed the assets and liabilities included in the recoverable amount. In 2019, as the IFRS carrying amount was higher than its recoverable amount, the Group recorded an impairment loss (see note 08).

The transfer of assets from customers were previously recognised as additional assets under IFRS compared to Belgian GAAP. As continuing such recognition in 2019 would result in an immediate impairment of these assets, the Group concluded that these assets no longer meet the criteria for recognition as tangible assets under IAS 16, as they do not generate future economic benefits (these economic benefits are limited to the total depreciation that will be included in the allowed income, i.e. only the value recognised under Belgian GAAP in the RAB). The Group no longer recognises transfer of assets from customers as either assets or revenues.

E. Report on risks and uncertainties

The following paragraphs describe the steps taken to identify and address the main known risks and uncertainties that the ORES Group may face. Risk management is a key process to assist ORES in achieving its strategic objectives as documented in the strategic plan. In 2018, ORES established a new risk management methodology. This was fine-tuned in 2019 based on the experience acquired. The following elements were added to the process:

- Obligation of justification when a department identifies a risk with a high probability of occurrence and/or high impact;
- Link with internal audit;
- Possibility to identify opportunities related to a risk;
- Introduction of benchmark elements.

This process identifies, analyses and assesses the relevant risks according to their nature, the probability of occurrence and their potential impact on the fulfilment of the objectives of ORES. The methodology used in this process is described in the present report and more specifically in the section entitled “Description of the main characteristics of the internal control and risk management systems”. The results for the financial year 2019 are explained below, with the exception of the typologies for which the risk estimate is low (image/reputation, regulatory, environmental, security, governance, legal, technology). This is the frozen image of “risk” September 2019. In addition, some unidentified risks may exist or, while they appear limited today, may become more important in the future. Nevertheless, the methodology implemented, by making all departments

responsible and thus multiplying the sources of information, makes it possible to greatly reduce the probability of ignoring a severe risk.

Risks associated with human resources

Risks relating to human resources encompass the risks associated with the company's human capital.

These risks:

- are directly linked to the company's overall performance areas (economic and financial);
- may have a significant, long-term impact within the company.

These risks may in particular reduce the company's capacity to access the staff it needs to operate successfully. This means an adequate number of members of staff, but also members of staff who are competent and motivated.

The main risks in terms of human resources are the following:

- the sustainability of the workload, mainly for resources involved in the transformation being implemented at the same time as ensuring business-as-usual;
- the capacity to attract, recruit and keep the talented individuals needed.

An extensive programme has been developed to anticipate, manage and overcome these risks.

An impact analysis is carried out with the projects. Its objective is to optimise the organisation of the company with regard to the needs of the projects and the well-being of the employees. It results in the reorientation of certain members of staff, the implementation of career interviews, a new mobility management, the detection of critical positions and high potentials.

The recruitment policy is adapted to the new challenges. New recruitment channels, notably based on digital technology, have been set up. Recruitment is increasingly oriented towards the learning and change capacities of candidates.

Additionally, the well-being and working environment of workers are receiving increased attention as well. A social barometer is carried out on the basis of various tools: a well-being survey or a social thermometer. ORES sets up an environment that encourages creativity, interaction and well-being at work. Initiatives are also taken to develop the corporate culture in line with the vision and strategic plan.

The issue of "human resources" is regularly monitored on the basis of key indicators. Particular attention is paid to analysing absenteeism and support when re-turning to work.

Particular attention is paid to controlling salary costs. Compensation practices, both salaried and non-salaried, are regularly reviewed in order to keep the evolution of salary costs under control over the medium and long term while ensuring, on the one hand, compliance with applicable legislation and agreements and, on the other hand, the attractiveness and retention of qualified profiles.

Internal control over salary costs is also being strengthened, as is monitoring of tax and social security.

Risks associated with strategy

This type encompasses the risks associated with ORES' ability to define and implement a strategy and action plan in the form of concrete programmes and projects.

These risks may manifest themselves as difficulties to:

- Understanding the environment outside the company;
- Developing strategies that are sufficiently visionary to ensure the relevance and longevity of the organization;
- Communicating the strategy at organisational level;
- Carrying-out strategic programmes and projects successfully.

The electricity and gas distribution activity is facing increasingly rapid and uncertain changes. As such, there is growing tension between the company's desire to implement a strategy aimed at anticipating customer needs and the expectations of the authorities, and the risk that a legislative, societal or technological change could significantly impact this strategy. More specifically, particular attention is paid to the company's ability to maintain consistency between its vision, strategy, transformation plan and changes in the external environment. In particular, the strategic plan

is updated annually to ensure its relevance to the external environment.

The ability of Atrias (new federal clearing house for the management of data and processes related to the electricity and gas supply market) to be operational on schedule (in September 2021) and the platform's ability to integrate new technologies and market expectations (mainly around smart metering) are a risk factor. In order to manage this risk, the obligations of the external service provider have been strengthened and peripheral developments in "pilot" mode are being put in place to test various innovations and anticipate new market developments (renewable energy communities, the so-called aFRR flexibility market, etc.).

The Management Committee closely monitors the progress of the Atrias project. Factors dependent on other programmes and the transformation plan, as well as the financial impacts and any impact on the company's legal obligations are identified and monitored on an ongoing basis. The necessary resources are mobilised to make sure that ORES' contribution to this federal project is at the required level.

The sustainability of the ORES transformation plan and its ability to deliver results on time is a point of attention. Close monitoring of the human and financial resources mobilised by the transformation, improvement of project governance and the continuation of various human resource management actions ("culture" actions, welfare survey, improvement of social dialogue, etc.) are all actions that will help to mitigate this risk.

Economic and financial risks (including regulatory-related risk)

Regulatory-related risk

ORES' activities are governed by a major legislative and regulatory framework, the main two elements of which are the tariff decree and the tariff methodology, drawn up on the basis of this decree by the CWaPE. In particular, this framework defines the means available to the DSO to fund its activities (authorised income) or a collection of rules that may have a positive or negative impact on shareholders' remuneration (incentive-driven regulation mechanism). The regulator approved in 2018 the authorized revenue available to ORES for the 2019-2023 period and in 2019 the rates for the 2019-2023 period. This is a positive element that gives the company a 5-year visibility on the means at its disposal. In 2018, the regulator had also approved special envelopes for specific projects (in particular for smart metering and the promotion of natural gas). The refusal of one of these envelopes by CWaPE at the end of 2019 is a source of uncertainty, which ORES is attempting to respond to by revising the project. Following the publication of the Walloon decree of 19 July 2018 on the deployment of smart meters, the assumptions used in the envelope for the specific "smart metering" project as approved by the regulator had to be reviewed (in particular change in metering technology and downward revision of volumes deployed over the period 2019-2023). CWaPE therefore asked ORES to submit a revised proposal for a specific envelope, which was refused by the regulator. An appeal was lodged by ORES against this refusal. At the same time, discussions with the CWaPE are ongoing on this subject.

Nevertheless, variances may occur between planned and actual controllable costs, both in terms of authorized revenue and specific budgets. In order to mitigate this risk, the following actions are in particular put in place:

- Monthly budget monitoring, refinement of budgets as and when required and the production of "best estimates";
- Monitoring of indexation parameters as well as the evolution of certain costs.

ORES notes an upward trend in the cost of the contractors it uses via public contracts. In order to mitigate this risk, public procurement strategies are being adapted and the specifications are being reviewed.

In order to manage the risk of possible breaches in our insurance policy, an external audit was carried out in 2018 and the recommendations were followed up. An internal audit will be carried out to finalize the analysis.

Finally, in a context of increasing energy efficiency in buildings and decarbonisation, the issue of the evolution of gas volumes distributed by ORES is monitored on a regular basis.

The following actions are being implemented to maintain volumes and therefore financial income:

- Promogaz project to increase the number of connections to the existing network;
- Deployment of CNG-based mobility;
- Biomethane injection.

Lastly, the company must make sure that it respects financial covenants, which are now monitored on a regular basis.

Tax risk

ORES Assets sc and ORES sc are subject to corporation tax. Currently, the tariff methodology stipulates that any fiscal charges are incorporated into tariffs and as a result, the impact of changes in tax legislation is limited for the ORES group.

Assets and liabilities and liquidity risks

Within the context of managing these risks and invoicing fees to use the networks, which constitute the bulk of the Group's revenues, ORES has financial guarantees from many of its energy suppliers active on the network. These financial guarantees are defined by the contract granting access to the network and may be reviewed annually. ORES has short-term financing capacity through its commercial paper programme and the credit line mentioned above; the liquidity risk can be considered to be more than manageable. Cash management makes it possible to limit market, asset structure and liquidity risks. The management bodies have implemented a prudent investment policy based on diversification and the use of products with limited credit and interest rate risk. ORES is attentive to the problem of negative interest rates in the management of its cash reserves.

Macro-economic and business cycle risks

The current economic climate may have repercussions on the demand for electricity and natural gas, or on ORES' financing conditions. As regards the impacts on the demand for electricity and natural gas, this risk and its effects are not normally borne by the Group. The 2019-2023 tariff methodology does indeed provide for a control by the regulator of the variances between the budget and the reality during the financial year following the financial year in question (N+1), including the volume risk. The tariff for regulatory balances is, in principle, adjusted to take account of these discrepancies as from January 1 of the year following the year of the control (N+2). As regards the impact on ORES' financing conditions, reference is made to the paragraph on interest rate risk (derivative financial instruments for hedging purposes, financing and debt management policy and monitoring of market data).

IT risks

IT risks are risks:

- Associated with the use, possession, operation, involvement, influence and adoption of IT solutions at ORES. It is a vital tool for the company;
- Including the unauthorised distribution of information, errors, fraud, business interruption following an equipment or software fault, inefficient planning, as well as risks associated with individual IT operations.

In particular, the risk may manifest itself in a lack of modern tools and applications making it possible to fulfil the role of DSO, run the networks or process and provide information.

The challenges connected to the company's transformation represent risks associated with the modernisation and implementation of new IT platforms such as: data platform, customer platform, AMI Smart systems, EAM etc. The impact on current systems is significant both from a technological point of view, and in terms of activities.

In terms of day-to-day management, some risks are inherent in IT activities and must be covered by managing obsolescence and using security tools to prevent losses, data theft and service interruptions. Situations where there is heavy dependence on certain external suppliers to manage some of our operational activities are also something to think about.

The implementation and consolidation of the transformation plan are factors that significantly reduce the risks described above. A roadmap incorporating end-of-life application replacement has been drawn up, with a system for monitoring applications to anticipate obsolescence. Implementing the GDPR and NIS regulations also helps reduce the risks associated with IT security by introducing strategies for controlling and monitoring how data is handled and identify the systems that are critical for fulfilling our roles. The risk of dependence on suppliers with a monopoly position is reduced by prioritising tried and tested technologies and standards (adopt before adapt), insourcing applications and increasing the involvement of the IT department in specifications.

In order to have the necessary human resources in sufficient quantity and quality at the best price, in a critical sector with strong competition, a new approach to the sourcing of external resources is being implemented. A procurement contract has been launched to contract with a specialised intermediary (MSP - Multi Sourcing Provider) with the aim of increasing the resources to which ORES can have access.

In terms of cybersecurity, a process of compliance with the ISO27001 standard is underway to mitigate these risks. A specific exercise relating to information security risks has been initiated, analysing in depth the most critical processes in this area.

Operational risks

Operational risks are those that might affect the company's ability to carry out activities rigorously and in accordance with defined targets, deadlines and budgets, as well as being able to bear comparison with other operators. These risks may come from systems or processes, or external events, staff errors in the broadest sense (whether intentional or not), such as:

- the risks associated with damage to the networks;
- technological risks;
- the risks of black-outs or shortages;
- climate risks
- etc.

There may be different origins: human error, fraud, failings in IT systems, natural failure.

At an operational level, the risks of network disruption or paralysis (as a result of extreme weather events or damage by third parties) are an integral part of the work of a network operator, along with securing sites, poles and cabins, data etc. These risks may potentially be aggravated by the ageing of the network.

Many measures are taken to reduce the risks of network disruptions and to manage their resolution more effectively if they do occur: lessons learned, preventive maintenance and new investments, network monitoring, PIU safeguarding plans, emergency power supplies, exercises and simulations, raising staff awareness etc. Master plans and key indicators are used to monitor the ageing of the network and the impact on its performance in terms of reliability. ORES regularly

invests in its network, and works with suppliers to improve the reliability of the equipment that it purchases for them. Ultimately, an analysis needs to be carried out in order to identify whether investments need to be consolidated in response to ageing.

The protection and security of the dispatching is an essential element, and the security of the site has been reinforced (armoured door, access limitation).

Awareness is also raised among ORES staff about security issues. Subcontractors are informed and monitored in relation to these issues. A collection of physical (passes, barriers, intrusion detection, patrolling security guards) and data (firewalls, data quality action plans, IT security measures, GDPR implementation and monitoring) protection measures have been introduced. As well as this, the quality of suppliers is monitored and acceptance criteria for equipment have been reinforced as required to overcome some failings that have been observed.

Lastly, the risks associated with the logistics centre are mitigated by measures to prevent fires, secure the electricity supply and provide preventive maintenance for the robotics tool.

Pandemic risks

Pandemics can affect businesses through the measures that would be imposed by government authorities and through their effects on the availability of personnel. In that respect, as of mid-March 2020, the activities of ORES were significantly affected by the measures taken by the Belgian governments (federal and regional) to tackle the COVID-19 coronavirus pandemic. In this context, ORES has taken a series of exceptional and proportionate measures to :

- Preserve the health of its staff;
- Contribute to the national effort to fight the spread of COVID-19;
- Maintain the essential public service missions carried out by the company.

Concrete measures are adopted by the company to reduce the risks relating to essential activities (i.e. the availability of intervention technicians to ensure continuity of supply, preparation and dispatch of orders to replenish local stores, monitoring activities and operation of electricity, gas and telecom networks (radio and optical fibres), network and telecom breakdown service activities and maintenance of IT tools).

KPIs for monitoring the impact of measures relating to the fight against COVID-19 (human resources, energy transiting on the networks, network interventions, etc.) have been established and are analysed by the Management Committee. The frequency of Management Committee meetings has been significantly increased (on average one per day) in order to ensure the necessary follow-up.

Notes to the statement of comprehensive income

Note 01 A – Turnover (in thousands of €)

Electricity	31/12/2019	31/12/2018
Transit fees	928,775	877,534
Public service obligation (PSO)	20,714	17,144
Transfer of assets from customers	0	52,767
Other	1,292	1,079
	950,781	**948,524**
Gas	**31/12/2019**	**31/12/2018**
Transit fees	206,725	204,589
Public service obligation (PSO)	7,688	6,920
Transfer of assets from customers	0	5,411
	214,413	**216,920**
Not allocated	**31/12/2019**	**31/12/2018**
Third-party inventory management	5,542	5,853
Construction contracts	7,024	7,068
Third-party network management	0	3
	12,566	**12,924**
Total turnover	**1,177,760**	**1,178,368**
Performance obligations satisfied over time	**1,176,468**	**1,119,111**
performance obligations satisfied at a specific point in time	**1,292**	**59,257**

Transit fees

The Group's turnover is mainly made up of income and expenses related to the transit fees for the electricity and gas distribution network. The Group distributes electricity and gas to homes and businesses connected to the network on behalf of energy suppliers. As far as electricity is concerned, the transit fee also includes the transport fee (re-invoicing the costs of using the transport network, of which Elia is the sole operator). Furthermore, this fee is invoiced by Elia to the Group and is recorded as a cost of sales (cascade principle), resulting, in principle in a neutral impact on the profit and loss statement - see also note 03.

The income and expenses related to transit fees are recognised, depending on the tariffs in force for the year, as soon as the electricity or gas has been supplied and transported to consumers that are connected to the distribution network during the period in question. The total amounts are recognised gradually as income and they are based on the meter readings and estimates for use of the network where a reading has not been collected (billed in the form of an advance). These estimates are corrected at the year-end with the unmetered transit fee ("redevance de transit non relevée", RTNR) which is calculated based on the total volumes that have been transmitted through the network.

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

Transit fees for electricity have increased (+5.51%) mainly as a result of the acquisition of the activities of the municipalities of Gaselwest, the application of the new (increasing) electricity distribution tariffs that came into force on March 1, 2019, and the positive impact of the unmetered transit fees.

Transit fees for gas are slightly up by 1.04%, despite transit fees invoiced being down by 3%, caused by the reduction in the new gas distribution tariffs that came into force on 1 March 2019. This decrease is offset by the positive impact of the transit fee not raised.

Public service obligations (PSOs)

The Walloon Government imposes public service obligations (PSOs) to the DSOs which are clearly defined, transparent and non-discriminatory, the fulfilment of which is subject to control by the regulators (mainly the CWaPE, but also the CREG for supplying protected clients). They mainly consist of:

- to ensure, at the social rate, the supply of electricity to protected customers. The difference between the social tariff and the market price is partly recovered by the DSOs from the CREG (a fund managed by the latter), and partly through the tariffs according to the type of protected customer. This ensures the neutral impact on the profit/loss;
- to ensure, on a temporary basis, the supply of end customers who find themselves temporarily without a supply contract or in the links of a supply contract that has been suspended (so-called "supplier X" customers). The corresponding energy purchases are recognized in cost of sales (see note 03);
- to ensure the installation of a budget meter at the request of the customer or as part of a procedure for default of payment by the end customer to its energy supplier ;
- to provide a single point of contact to simplify administrative procedures, as the DSO is the sole point of contact for electricity producers with an installation of photovoltaic solar panels with a net power less than or equal to 10 kVA wishing to connect to the grid and benefit from the green certificate system.

Income and expenses related to the sale of energy under public service obligations (in particular to protected customers) are recognized progressively as soon as the electricity or gas has been supplied and transported to consumers connected to the network during the corresponding period. The amounts recognized as revenue are based on meter readings and estimates for the unmetered portion of network usage.

Transfer of assets from customers

Transfer of assets from customers within the context of building connections or extensions to the network have been accounted for until the end of the year 2018 through the recognition of a tangible asset and revenue. As described in the accounting policies, as of January 1, 2019, the Group no longer recognizes transfer of assets from customers as an asset or as revenue.

Third-party inventory management

The Group has entered into a service contract for stock management (logistics) on behalf of a third party, to which it also sells goods. This contract stipulates remuneration based on the number of square metres used.

Construction contracts

The Group's turnover also includes income from construction contracts for various projects such as extending the public lighting system or network maintenance. Where the deadline for a construction contract can be estimated reliably, the income and expenses associated with this contract are accounted for in the profit and loss statement gradually, depending on the progress of the contract.

Note 01 B – Regulated balances (in thousands of €)

Statement of financial position

Regulated assets	31/12/2019	31/12/2018
Regulated period 2008-2019	81,959	117,211
	81,959	**117,211**
Regulated liabilities	**31/12/2019**	**31/12/2018**
Regulated period 2008-2019	(40,985)	(44,045)
	(40,985)	**(44,045)**
Total regulated balances	**40,974**	**73,166**

Profit and loss statement

Electricity	31/12/2019	31/12/2018
Year 2019	14,439	21,169
Recovery of advance	(30,901)	(9,019)
	(16,462)	**12,150**
Gas	**31/12/2019**	**31/12/2018**
Year 2019	2,315	5,748
Recovery of advance	(7,652)	(12,098)
	(5,337)	**(6,350)**
Total regulated balances	**(21,799)**	**5,800**

Detailed information about the CWaPE's interim tariff methodology and the regulatory environment in which the Group operates is described in the accounting policies in point 3.A.15.

There are currently no specific IFRS standards covering the accounting of tariff balances in a regulated environment. Discussions are underway within the IASB to create a new standard for regulated assets and liabilities, which will clarify the position that companies should take. With this in mind, an interim standard was published in January 2014 (IFRS 14 Regulatory Deferral Accounts), only applicable to the first-time IFRS adopters. This explicitly recognises the accounting of regulated assets and liabilities within the financial statements, but would like them to be presented separately from the other assets and liabilities. The IASB's ongoing discussions confirm this approach of 'additional' accounting compared to other IFRS standards, in particular IFRS15 for revenue.

The Group has assumed that these balances will be recovered in the future, which has been the case since 2015 in the form of an advance (see below) and they are therefore recognised as an asset or a liability.

The regulated balances at the end of 2019 shows a debit balance of €41 million (compared with €73.2 million in 2018). This could explained by three elements. Firstly, differences between the non-controllable costs actually incurred and the initial budgeted expenditures of the same nature approved by the regulator during the financial year. It is also important to specify that, since 2019 and the coming into force of the 2019-2023 tariff methodology, these elements have been recognized separately for distribution and transport. Subsequently, on 14 November 2019, the CWaPE adopted several rejection decisions relating to the electricity and gas balances reported by ORES Assets for the 2017 and 2018 fiscal years. By these decisions, the regulator rejected costs amounting to €25 million. These rejected costs were recognised in 2019. Finally, following the takeover of the Walloon municipalities of Gaselwest on January 1, 2019, an additional regulatory liability of €5.7 million relating to these municipalities was recognized in 2019.

It is worth pointing out that in 2015 and 2016, an advance of 10% of the combined tariff receivables and debts between 2008 and 2013 could be recovered via distribution tariffs, as decided by the CWaPE in its tariff methodology, adopted in 2014. In its 2017 tariff methodology (approved on 15 December 2016 and extended for 2018 in its decision of 1 December 2017) the CWaPE also authorised that, for the 2017 and 2018 financial years, the advance to be recovered should be increased to 20% of the total regulatory balances for the 2008-2014 period (again in the form of an advance). On the basis of the 2019-2023 tariff methodology, CWaPE, in its decisions, determined the amounts to be recovered in the financial years 2019 to 2023 in respect of the receivable and payable balances for the years 2008 to 2016 so as to have fully cleared these balances by the end of the tariff period. The balance for the years 2008 to 2014 is recovered at a rate of 25% per year between 2019 and 2022. As for the balance for the years 2015 and 2016, it is recovered between the years 2019 and 2023, according to a percentage specific to each year. In 2019, this made it possible to recover an amount of €13.2 million (2018: €19.8 million), of which €13.7 million in electricity and €0.5 million in gas.

At the end of 2019, the regulatory balances (excluding advances, write-down and rejection) were up by €12 million, including €16.7 million for distribution (€14.4 million in electricity and €2.3 million in gas) and -€4.7 million for electricity transmission, the surplus of which is justified by the assumptions used to calibrate transmission cost re-invoicing tariffs and by the use of actual volumes.

For both electricity and gas, the regulatory balance of distribution for the 2019 financial year is mainly due to corporate income tax; as the actual results for the year are higher than the budgeted, the increase in the income before tax resulted in a current income tax higher than the budgeted.

In electricity, a volume effect must be added to this tax effect: the quantities distributed in 2019 were lower than budgeted. These effects are partially offset by surpluses recorded in respect of public service obligations and the rejection of the additional amount concerning the deployment of smart meters following the decision made by the Walloon regulator (CWaPE).

Note 02 – Other operating income (in thousands of €)

	31/12/2019	31/12/2018
Recovery of fraudulent consumption	3,659	2,516
Various recoveries from clients	8,813	8,905
Network damages	3,917	4,968
Leases / Supplies	4,392	3,738
Other recovery of expenses	9,059	8,427
	29,840	**28,554**

"Other recovery of expenses" increased by € 0.6 million, mainly includes recovered amounts other than those connected to the customers of network operators such as for example:

- training costs invoiced to our subcontractors so that work permits can be granted on our networks;
- re-invoicing costs associated with projects carried out jointly with our counterparts in Brussels or Flanders;
- administrative management on behalf of other companies in the sector.

The increase in other operating income of €1.3 million is mainly due to :

- The increase in recoveries of fraudulent consumption of €1.1 million; and
- 0.6 million increase in income from leases/supplies, mainly due to a rental contract with the company N-Allo ;

Partially offset by

- The decrease in income related to network damages by €1.1 million.

Note 03 – Cost of sales (in thousands of €)

	31/12/2019	31/12/2018
Goods and supplies		
Energy purchases (PSO - gas and electricity)	29,484	28,914
Network losses (electricity)	24,663	24,126
Goods	7,200	7,743
	61,347	**60,783**
Grid fees (electricity)	**377,367**	**358,930**
Road fees	**46,904**	**45,278**
	485,618	**464,991**

Goods and supplies

This item is to a large extent made up of the purchase of network losses from the electricity sector. Indeed, following the decree of the Walloon Government dated 3 March 2011 (article 147), the DSO compensates for energy losses on its distribution network by purchasing suitable energy. These purchases are subject to public market rules (competitive tendering procedure – call for tenders or adjudication). As far as energy purchases are concerned, these relate, among other things, to protected customers within the context of PSOs. The last item concerns the purchase of goods. All three items are stable.

Grid fees

The electricity transport network operator invoices the DSO every month for the fee for using its network. In turn the DSO re-invoices this fee to the energy suppliers (cascade principle). This only involves the electricity sector as the gas transport fee is invoiced directly by the gas transport network operator to the energy suppliers.

Despite a slight reduction in the volumes transported in 2019 (-0.71%), the grid fee invoiced by Elia has risen by 5.14% (+€18.4 million), a result of both the increase in the cost of the Elia tariff of 3.83% and the cost associated with surcharges and contributions of 7.10%.

Road fees

The DSO is obliged to calculate the road charges associated with electricity (repaid in full to the municipalities) or gas (repaid to the municipalities, provinces and the Walloon Region) distribution annually. They are calculated on the basis of the quantities transported the previous year.

Note 04 – Other operating expenses (in thousands of €)

	31/12/2019	31/12/2018
Third-party fees	38,346	39,917
IT consultancy	35,565	24,814
Call centre expenses	2,734	5,574
Insurances	2,656	1,794
Vehicle leases	1,021	2,326
Building and optical fibre leases	773	3,135
Other leases and fees	12,104	10,425
Vehicle expenses	6,996	6,267
Specific supplies to the company	7,422	7,714
Other	33,523	44,837
	141,140	**146,803**

The increase in expenses IT consultancy (€10.,8 million) is due to the consultancy fees not charged to investments and associated with various projects under way within the Group, such as the NEO project (replacing the current ERP), the Atrias project (establishing the new clearing house), the project to improve the management system, the GDPR project following on from the new European regulation etc.

The decrease in expenses relating to Call Centre expenses is linked to the sale of N-Allo shares (whose invoices were recorded under this item during the first part of the year) and the creation of our own Comnexio contact centre (a subsidiary of ORES Assets, whose expenses consist mainly of personnel costs included under this item in the income statement).

The decrease in rental expenses (-€3.7 million) is linked to the application of IFRS16, with rents being recorded as rental debts and, upon payment, as repayment of the liability and as interest (under financial expenses). Only short-term leases and contracts relating to low-value assets are still expensed, as well as the services related to these contracts.

The significant decrease in "Other" (-€11.3 million) is mainly due to the provisions recorded in 2018, including one relating to the "Atrias" project for €14.6 million and another to cover a dispute with a supplier (€4.8 million). See note 19 on provisions.

Note 05 – Financial income (in thousands of €)

	31/12/2019	31/12/2018
Interest income	271	551
Other	355	130
	626	**681**

In 2019, the decrease in interest income is mainly attributed to the low remuneration offered on traditional financial investment products, while the increase in other financial income is linked to the capital gain realized on the sale of an investment product (SICAV) which has shown an excellent return.

Note 06 – Financial expenses (in thousands of €)

	31/12/2019	31/12/2018
Interest on traditional loans	9,507	12,288
Interests on commercial papers	3,814	5,088
Interests on bonds	20,953	29,848
Interest on lease liabilities	358	0
Other interest charges (swap and collars)	9,503	7,287
Total interest expense	**44,135**	**54,511**
Unwinding of discount of provisions	3,936	245
Other financial expenses	218	1,191
Total financial expenses	**48,289**	**55,947**

Description of the hedging policy within the Group

A change in interest rates has an impact on the level of financial expenses. In order to minimise this risk, the Group applies a financing policy that strives to achieve an optimum balance between fixed and variable interest rates, as well as this, hedging instruments are used to protect against uncertain changes. The financing policy takes into account different lifetimes of loans and as-sets. These three points (lifetimes of loans, interest rates and use of hedging derivatives) have been the subject of decisions made by the competent bodies of ORES Assets and ORES sc which have helped define the financial policy needed for active debt management.

Programme of commercial papers

In 2018, the Group issued several commercial papers with terms of between 3 and 12 months, representing a total of €92 million euros. During 2019, ORES proceeded with the full repayment of these commercial papers. This led to a decrease in interest charges on commercial paper of €1.2 million.

Bonds

In 2018, the Group has decided to repay, before its term and up to €59.4 million, some of the bond issued in 2012 for a total of €350 million, in order to replace it with traditional loans at more advantageous rates.

This operation resulted in a €2.4 million decrease in interest on bond issues for a total of €21 million in financial expenses in 2019 (€30 million in 2018, including €6.2 million in loan restructuring costs).

Traditional loans

The €2.7 million decrease in the financial expenses relating to bank loans is essentially due to the debt restructuring operations carried out by the Group in previous years as well as lower interest rates on the markets for new loans.

Derivative instruments (swaps, caps, collars – allocated to other interest charges)

Since 2017, instead of hedging its variable loans with swaps, the Group took out caps on interest rates allocated to non-current assets and not described as hedging assets (see note 28 on this subject).

The change in other interest charges was mainly due to the unfavourable change in the fair value of CAP of (-€4 million).

Effect of the "unwinding of discounts on provisions"

This item in particular shows actuarial differences connected to the "unwinding of discounts" (as the liability is a discounted amount, it increases, all things being equal, over time) on provisions relating to jubilee and incapacity bonuses (these benefits are treated like other long-term benefits).

In 2019, an expense (€3.9 million) has been recorded following the decrease in the discount rate from 1.34% to 0.59%.

Note 07 - Segment information (in thousands of €)

Financial information by operating segment according to Belgian accounting standards (in thousands of €)

Comprehensive income

31/12/2019	SEGMENT Gas	Power	Other activities[1]	ORES[2]	COMNEXIO[3]	Total combined[4]
Belgian GAAP						
Turnover	207,446	939,964	0	547,898	3,943	1,699,251
Other operating income	6,226	20,494	79	12,533	1	39,333
Operating expenses	(144,918)	(799,239)	(25)	(552,498)	(3,900)	(1,500,580)
Operating profit/loss	**68,754**	**161,219**	**54**	**7,933**	**44**	**238,004**
Financial Income	67	219	0	31,385		31,671
Financial expenses	(14,096)	(25,209)	0	(31,385)		(70,690)
Financial profit/loss	**(14,029)**	**(24,990)**	**0**	**0**	**0**	**(39,019)**
Other	0	0	0	0	0	0
Profit/loss before taxes	**54,725**	**136,229**	**54**	**7,933**	**44**	**198,985**
Taxes	(16,784)	(44,859)	(16)	(7,933)	(44)	(69,636)
Allocation to tax-free reserves	(231)	(616)				(847)
Profit/loss for the period	**37,710**	**90,754**	**38**	**0**	**0**	**128,502**

1 Other activities like supply of goods and services to third parties.
2 ORES sc is a 99,72 % subsidiary of the ORES Assets.
3 COMNEXIO sc is a 93% subsidiary of ORES Assets
4 Combined financial statements of the group without elimination of intercompany transactions

	SEGMENT					
31/12/2018	Gas	Power	Other activities[5]	ORES[6]	COMNEXIO[7]	Total combined[8]
Belgian GAAP						
Turnover	203,527	915,810	0	602,996		1,722,333
Other operating income	4,886	16,472	330	19,624		41,312
Operating expenses	(149,160)	(788,260)	(39)	(617,472)		(1,554,931)
Operating profit/loss	**59,253**	**144,022**	**291**	**5,148**		**208,714**
Financial Income	101	221	1	43,030		43,353
Financial expenses	(21,902)	(40,037)	(1)	(42,817)		(104,757)
Financial profit/loss	**(21,801)**	**(39,816)**	**0**	**213**		**(61,404)**
Other						0
Profit/loss before taxes	**37,452**	**104,206**	**291**	**5,361**		**147,310**
Taxes	(8,600)	(38,172)	(86)	(5,361)		(52,219)
Allocation to tax-free reserves	(137)	(610)				(747)
Profit/loss for the period	**28,715**	**65,424**	**205**	**0**		**94,344**

5 Other activities like supply of goods and services to third parties.
6 ORES sc is a 99,72 % subsidiary of the ORES Assets.
7 COMNEXIO sc is a 93% subsidiary of ORES Assets
8 Combined financial statements of the group without elimination of intercompany transactions

Financial position

31/12/2019	SEGMENT Gas	 Power	Other activities[1]	ORES[2]	COMNEXIO[3]	Total combined[4]
Belgian GAAP						
Non-current assets	**1,268,611**	**2,609,967**	**630**	**1,477,898**	**0**	**5,357,106**
Intangible and tangible fixed assets	1,266,165	2,594,277	615	7,288	0	3,868,345
Other non-current assets	2,446	15,690	15	1,470,610	0	1,488,761
Current assets	**85,074**	**327,077**	**(44,051)**	**288,026**	**1,871**	**657,997**
Inventories	0	7,410	0	42,935	0	50,345
Trade receivables and other receivables	44,931	203,527	(44,051)	123,843	258	328,508
Cash and cash equivalent	1	34		118,882	1,606	120,523
Other current assets	40,142	116,106		2,366	7	158,621
TOTAL ASSETS	**1,353,685**	**2,937,044**	**(43,421)**	**1,765,924**	**1,871**	**6,015,103**
Equity	**515,596**	**1,194,040**	**0**	**525**	**25**	**1,710,186**
Share Capital	278,063	589,017	0	458	25	867,563
Other reserves	237,533	605,023	0	0		842,556
Capital grants	0	0	0	67		67
Non-current liabilities	**693,359**	**1,364,500**	**0**	**1,483,296**	**0**	**3,541,155**
Borrowings	678,715	1,336,462		1,470,600		3,485,777
Provisions	14,644	28,038		12,696		55,378
Current liabilities	**144,730**	**378,504**	**(43,421)**	**282,103**	**1,846**	**763,762**
Borrowings	91,836	182,947		115,000		389,783
Trade payables	2,734	92,357	0	88,655	1,188	184,934
Other current liabilities	50,160	103,200	(43,421)	78,448	658	189,045
TOTAL LIABILITIES	**1,353,685**	**2,937,044**	**(43,421)**	**1,765,924**	**1,871**	**6,015,103**

	SEGMENT					
31/12/2018	Gas	Power	Other activities[1]	ORES[2]	COMNEXIO[3]	Total combined[4]
Belgian GAAP						
Non-current assets	**1,220,919**	**2,520,204**	**655**	**1,315,014**		**5,056,792**
Intangible and tangible fixed assets	1,220,766	2,513,675	640	15,844		3,750,925
Other non-current assets	153	6,529	15	1,299,170		1,305,867
Current assets	**80,533**	**293,529**	**(7,030)**	**306,480**		**673,512**
Inventories	0	8,409		37,764		46,173
Trade receivables and other receivables	31,187	136,205	(7,030)	153,646		314,008
Cash and cash equivalent	1	9,629		113,595		123,225
Other current assets	49,345	139,286		1,475		190,106
TOTAL ASSETS	**1,301,452**	**2,813,733**	**(6,375)**	**1,621,494**		**5,730,304**
Equity	**493,175**	**1,137,708**	**0**	**529**		**1,631,412**
Capital	230,330	482,698		458		713,486
Other reserves	262,845	655,010				917,855
Capital grants				71		71
Non-current liabilities	**680,391**	**1,355,779**	**0**	**1,303,272**		**3,339,442**
Borrowings	665,915	1,328,761		1,290,600		3,285,276
Provisions	14,476	27,018		12,672		54,166
Current liabilities	**127,886**	**320,246**	**(6,375)**	**317,693**		**759,450**
Borrowings	45,937	93,850		142,750		282,537
Trade payables	11,349	114,290	0	82,510		208,149
Other current liabilities	70,600	112,106	(6,375)	92,433		268,764
TOTAL LIABILITIES	**1,301,452**	**2,813,733**	**(6,375)**	**1,621,494**		**5,730,304**

Reconciliation of segment information (prepared in accordance with Belgian accounting standards) and the Group's financial statements (prepared in accordance with IFRS standards – in thousands of €)

31/12/2019	Segment information	Group financial statements	Difference
Profit and loss			
Turnover and regulated balances	1,699,251	1,155,961	(543,290)
Profit/loss before taxes	198,985	152,064	(46,921)
Financial position			
Total assets	6,015,103	4,714,647	(1,300,456)
Total liabilities	6,015,103	4,714,647	(1,300,456)

31/12/2018	Segment information	Group financial statements	Difference
Profit and loss			
Turnover and regulated balances	1,722,333	1,184,168	(538,165)
Profit/loss before taxes	147,310	233,826	86,516
Financial position			
Total assets	5,730,304	4,608,604	(1,121,700)
Total liabilities	5,730,304	4,608,604	(1,121,700)

The ORES sc Management Committee, supervised by the Boards of Directors of ORES sc and ORES Assets, is the Group's main operational decision-maker. In its day-to-day management, it reviews the ORES Assets and ORES sc accounts, which are prepared in accordance with Belgian accounting standards. Indeed, the Group is evolving in a regulated environment within which the financial statements of each of the Group's entities, drawn up in accordance with Belgian standards and for each type of energy (gas and electricity), have an impact on future tariffs. As a result, the Group is organised into seven operating segments, with a distinction within each of these between electricity and gas, alongside which are the activities associated with recovering unpaid debts from before the market was liberalised (so-called "supply" activity). As for ORES sc, its role is to manage the expenses of ORES Assets; it re-invoices all of its expenses at cost price to the DSO and so does not generate any profits. Comnexio, company created in 2019, manages the contact centre activities and works at cost on behalf of the DSO.

The operating segments provide exactly the same services in different geographical areas to similar kinds of customer. Each segment's activity is similar according to the type of energy, to the extent that the operating segments can be grouped into two main segments, namely gas and electricity on the one hand, and the associated (supply) segment on the other. These segments are representative of how the Group is managed, and correspond to the consolidation criteria developed in the IFRS 8 - Operating segments.

Difference between the segment information and the consolidated financial statements of ORES Assets

- the transactions, balances, income and expenses between operating segments have been totally eliminated during the consolidation process;
- recognition of dividends (and associated withholding tax) when they are approved by the General Meeting;
- provisions for employee benefits:

  (1) recognition of provisions within the context of pension plans in place in the Group,

  (2) no deferral of pension costs taken over from third parties;

- intangible and tangible fixed assets:

  (1) depreciation of fixed assets as soon as they are put to use,

  (2) adjustment of staff costs included in the value of fixed assets;

- recognition of derivative financial instruments at their fair value;
- recognition of deferred taxes on each adjustment; recognition of an additional write-down on trade receivables.
- recognition of an additional write-off on trade receivables

Most of these differences are comprehensively detailed in the note about the Group's transition to the IFRS in the first aggregated financial statements at the end of December 2012.

Information about geographical areas

The Group carries out its activities exclusively in Belgium, and more specifically in Wallonia.

For the gas segment, two of our clients, energy sup-pliers, only represent 66% of the transit fees invoiced in 2019 (68% in 2018).

For the electricity segment, two of our clients, energy suppliers, only represent 67% of the transit fees invoiced in 2019 (68% in 2018).

Notes to the statement of financial position

Note 08 – Goodwill (in thousands of €)

	31/12/2019	31/12/2018
Acquisition cost	8,955	8,955
Acquisition of Comnexio	699	
Accumulated impairments	(9,654)	
	0	**8,955**

The goodwill is linked to the acquisition in 2009 of ORES sc by the eight mixed Walloon DSOs (merged on 31 December 2013 to create a single DSO, ORES Assets). The company ORES sc provides services to the DSO and is, among other things, the employer of all the staff working for the Group. The goodwill recorded when the company was acquired relates to know-how.

Following the amendments made to the electricity and gas[1] decrees by the decree of 11 May 2018, ORES and N-Allo were obliged to restructure the shareholding structure and the activity of N-Allo, which was responsible in particular for the ORES contact centre activity.

As a result, on 1 June 2019, the Group created the company Comnexio in order to take over the contact centre activity on behalf of ORES. Comnexio is a subsidiary of ORES Assets, 93% owned by the Group.

In compliance with IFRS standards, all the assets and liabilities taken over by Comnexio have been measured at fair value and a goodwill has been recognised in the consolidated statements. Non-controlling interests have been valued at their share in the net assets acquired by Comnexio.

On the acquisition date of the contact centre activity, the assets acquired and liabilities assumed were recognized at their fair value in accordance with IFRS 3:

	1/06/2019
Right-of-use assets	141
Deferred tax assets	251
Other assets	25
Lease liability	(141)
Retirement benefit liabilities	(1,002)
Total of identifiable assets acquired and the liabilities assumed	**(727)**
Goodwill	699
Non-controlling interests (7%) in Comnexio (7%)	(51)
Total consideration (paid with cash)	**23**

Impairment testing

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

In the impairment test, the recoverable amount of the CGU is determined by calculating its value in use. This calculation uses cash flow projections based on budgets approved by management. These budgets correspond to those approved by the regulator when setting tariffs.

Cash flows beyond the period covered by the budget are extrapolated using a zero growth rate.

The discount rate used to determine value in use is the market yield (WACC) determined by the pricing methodology, i.e. 4.053% (see note 3.A.15 for a description of the regulatory context).

The Group has recognized assets and liabilities that are common to several CGUs, such as those related to personnel costs or taxes. In addition, the additional price related to

1 Decree of 12 April 2001 on the organisation of the regional electricity market and Decree of 19 December 2002 on the organisation of the regional gas market.

the acquisition of the contact centre activity by Comnexio is also considered to be common to the Group's entire business and therefore to all CGUs. The most appropriate allocation key for allocating these assets and liabilities to the CGUs is the amount of the RAB of each CGU, as this amount determines the authorized income and also represents the extent of the investment in the network, and therefore the related personnel, maintenance or other costs. As RAB is the main determinant of future cash flows in terms of both revenues and costs, the impairment test is therefore performed at the level of the Group as a whole, as it would give the same results as an impairment test at the level of each CGU.

Based on these assumptions, the value in use determined by the model corresponds to the value of the Group's assets and liabilities according to Belgian accounting standards, less elements that are not eligible for inclusion in the budgets used for setting the tariffs.

During the financial year 2019, the Group has noted that the carrying amount (under IFRS) of the CGUs is currently higher than the value in use (represented by the value under Belgian GAAP, less elements not included in the tariffs). The Group has therefore proceeded to the depreciation of assets not included in the tariffs, i.e.:

- On the one hand, the goodwill detailed above, for a total amount of €9.654 million;
- On the other hand, intangible assets related to research and development, which are not included in the budgets approved by the regulator for setting tariffs, for a total amount of €7.288 million (see note 09 Intangible assets).

Note 09 – Intangible assets (in thousands of €)

	31/12/2019	31/12/2018
Acquisition cost	125,173	140,297
Accumulated amortisation and impairment	(26,033)	(41,055)
	99,140	**99,242**

Cost		Software	Development	Total
Opening balance	**2018**	**76,653**	**23,970**	**100,623**
Acquisitions		33,541		33,541
Internal developments			7,511	7,511
Disposals/decommissioning		(1,378)		(1,378)
Opening balance	**2019**	**108,816**	**31,481**	**140,297**
Acquisitions		23,421		23,421
Internal developments			6,656	6,656
Disposals/decommissioning		(7,064)	(38,137)	(45,201)
Closing balance	**2019**	**125,173**	**0**	**125,173**

Accumulated amortisation and impairment		Software	Development	Total
Opening balance	**2018**	**(20,200)**	**(10,696)**	**(30,896)**
Amortisation costs		(6,597)	(4,940)	(11,537)
Disposals/decommissioning		1,378		1,378
Opening balance	**2019**	**(25,419)**	**(15,636)**	**(41,055)**
Amortisation costs		(2,923)	(5,755)	(8,680)
Impairment loss on decommissioning		(4,753)	(16,746)	(21,498)
Disposals/decommissioning		7,064	38,137	45,200
Closing balance	**2019**	**(26,033)**	**0**	**(26,033)**
		99,140	**(0)**	**99,140**

Description of the main intangible assets and the main changes during the year

The intangible assets acquired or developed in 2019 mainly include the development of the new Atrias platform as well as the Smart Grid and Smart Metering projects.

Indeed, the development of techniques relating to running the networks and "smart metering", as well as other developments show that significant development costs are generated; these have historically been capitalized under the item 'development costs' of intangible assets.

During 2019, an analysis has been carried out with regard to the technology used in the development of certain projects, and has led to the recording of non-recurring charges on intangible assets, which can be detailed as follows:

- For software: a disposal for a gross value of € 7.064 million, generating a € 4.753 million impact on net income for the financial year;
- For developments:
  - disposal for a gross value of € 26.927 million, generating an impact on net income for the year of € 9.458 million;
  - write-off of development projects for their full net book value, generating an impact on net income for the year of €7.288 million (see note 08 - Goodwill).

Amounts committed for the acquisition of intangible assets

	31/12/2019	31/12/2018
IT projects	4,880	3,358
	4,880	**3,358**

Note 10 – Tangible assets (in thousands of €)

	31/12/2019	31/12/2018
Acquisition cost (outside lease contracts)	6,848,063	6,578,399
Accumulated depreciation and impairments	(2,746,252)	(2,586,353)
Owned tangible assets	**4,101,811**	**3,992,046**
Land & Buildings	132,059	111,324
Distribution network	3,932,162	3,841,899
Equipment	36,974	38,182
Other	616	641
Subtotal	**4,101,811**	**3,992,046**
Right-of-use[1]	18,018	0
Accumulated depreciation and impairment	(3,540)	0
Tangible assets : right-of-use	**14,478**	**0**
Buildings	4,705	0
Optical fibre	6,417	0
Vehicles	3,356	0
Subtotal	**14,478**	**0**
Tangible assets	**4,116,289**	**3,992,046**

1. Owned tangible assets

The acquisition values as well as depreciation and impairment of tangible assets acquired (excluding rights of use related to lease contracts) are as follow:

Cost		Land & Buildings	Distribution network	Equipment	Other	Total
Opening balance	**2018**	**132,414**	**5,983,079**	**150,745**	**2,453**	**6,268,691**
Acquisitions		19,450	265,178	10,874		295,502
Disposal/decommissioning		(42)	(32,655)	(1,544)		(34,241)
Takeover of the PBE network		1,265	47,144	38		48,447
Opening balance	**2019**	**153,087**	**6,262,746**	**160,113**	**2,453**	**6,578,399**
Acquisitions		23,029	181,758	6,910		211,697
Transfers/decommissioning		(9)	(39,223)	(2,499)		(41,731)
Takeover of the Gaselwest network		383	99,290	0		99,673
Other				25		25
Closing balance	**2019**	**176.490**	**6.504.571**	**164.549**	**2.453**	**6.848.063**

1 See accounting methods fort he transition note related tot he first application of IFRS 16 – Lease contracts

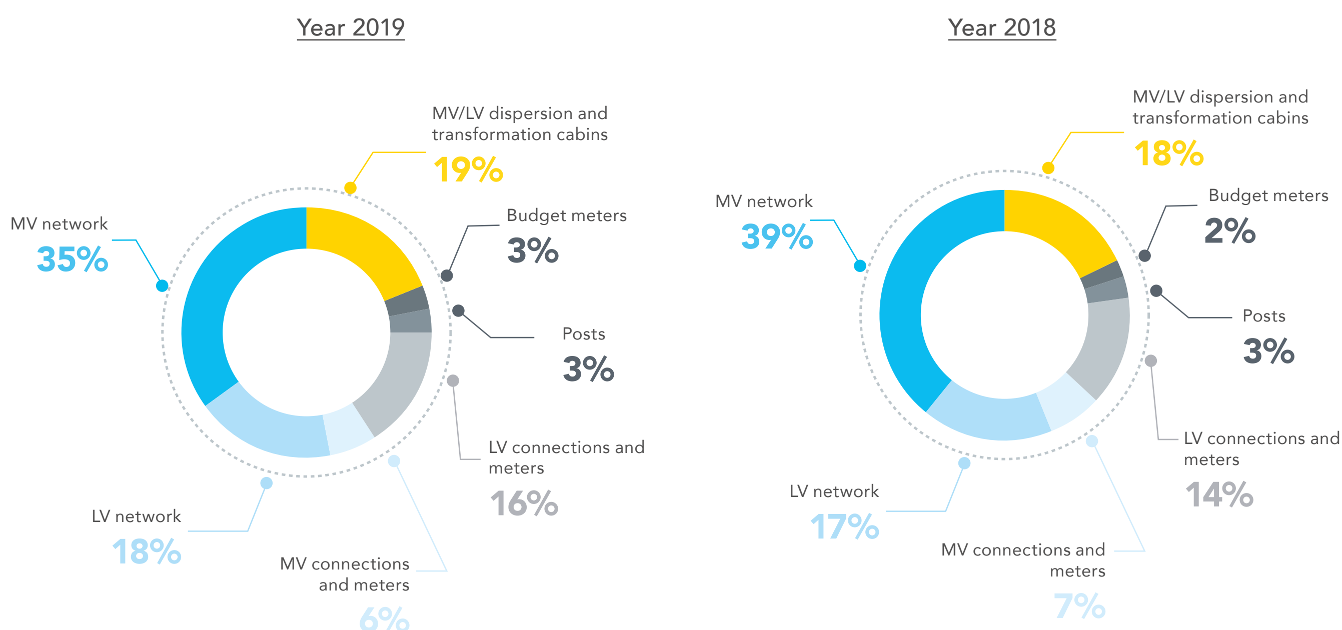
		Land & Buildings	Distri-bution network	Equipment	Other	Total
Opening balance	**2018**	**(38,992)**	**(2,291,606)**	**(116,436)**	**(1,787)**	**(2,448,821)**
Impairment expenses		(2,269)	(143,390)	(7,022)	(25)	(152,706)
Disposal/decommissioning		15	32,498	1,537		34,050
Takeover of the PBE network		(517)	(18,349)	(10)		(18,876)
Opening balance	**2019**	**(41,763)**	**(2,420,847)**	**(121,931)**	**(1,812)**	**(2,586,353)**
Amortisation expenses		(2,660)	(154,935)	(8,103)	(25)	(165,723)
Disposals		0	39,223	2,484		41,707
Takeover of the Gaselwest network		(8)	(35,850)	0		(35,858)
Other				(25)		(25)
Closing balance	**2019**	**(44,431)**	**(2,572,409)**	**(127,575)**	**(1,837)**	**(2,746,252)**
Accounted for at historic cost		**132,059**	**3,932,162**	**36,974**	**616**	**4,101,811**

Investments for 2019, as well as for previous years, are mainly linked to our gas and electricity distribution network for a total of €182 million out of total investments of €212 million (excluding network takeover over Gaselwest) (€296 million in 2018),

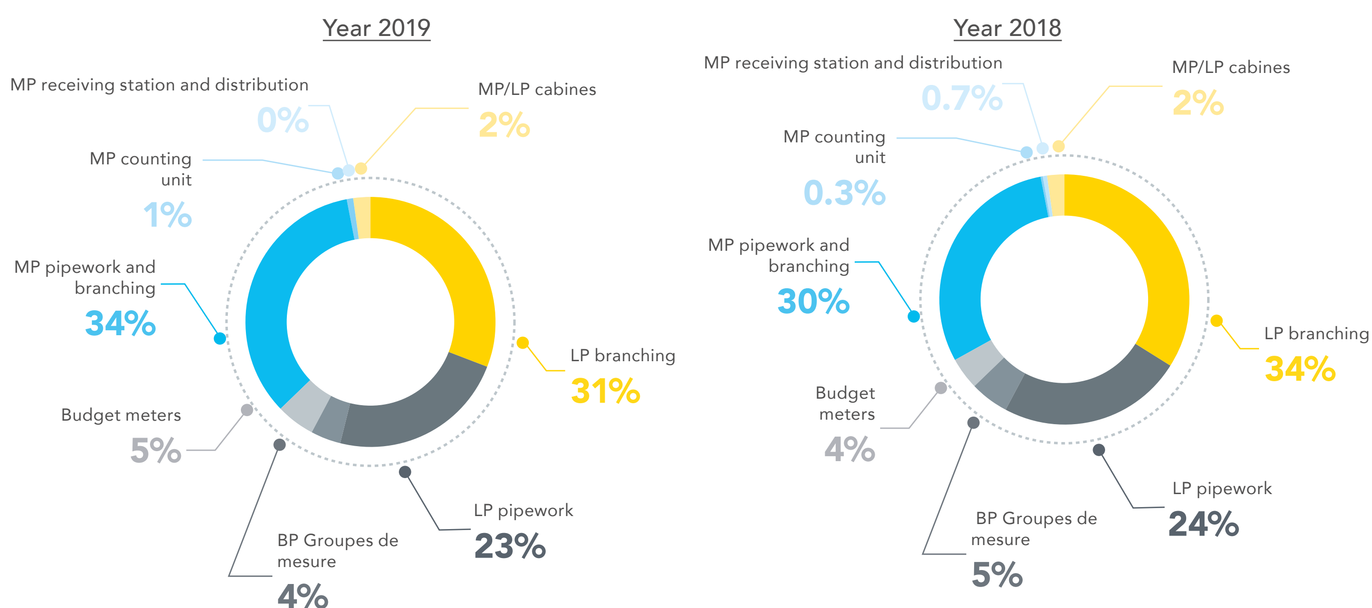
They are made up of:

- **For electricity** : equipment replacements of the existing installation network and network extension (55%) as well as installation of new cabins (45%) for a total of €111 million (€179 million in 2018)

Electricity



- **For gas:** work to rehabilitate and replace existing network equipment (46%) and to extend facilities networks (54%) for a total amount of €70 million (€86 million in 2018).



Total amounts committed to purchase tangible assets (in thousands of €)

	31/12/2019	31/12/2018
Electricity distribution network	46,365	46,603
Gas distribution network	13,712	12,429
Buildings and equipments	2,374	21,899
Vehicles	137	742
	62,588	**81,673**

2. Tangible assets : right-of-use

Rights of use related to tangible assets arise from lease contracts falling within the scope of the new standard IFRS 16 Leases (see point A.2.1 Accounting policies). As of December 2019, details of right-of-use assets are as follow:

Cost

		Buildings	Optical Fibre	Vehicles	Total
Opening balance	**2019**	**3,489**	**4,468**	**3,360**	**11,317**
Acquisitions/exercise of options		2,793	2,723	1,228	6,745
Termination of contracts				(43)	(43)
Closing balance	**2019**	**6,282**	**7,191**	**4,544**	**18,018**

Accumulated depreciation and impairment

		Buildings	Optical Fibre	Vehicles	Total
Opening balance	**2019**	**0**	**0**	**0**	**0**
Impairment expenses		(1.578)	(774)	(1.188)	(3.540)
Closing balance	**2019**	**(1.578)**	**(774)**	**(1.188)**	**(3.540)**

Amortization of rights to use assets is carried out over the shorter of the lease term or the economic life of the leased asset.

During 2019, ORES has entered into new leases for buildings, optical fibres and vehicles. In accordance with the new standard, the Group has reconsidered the exercise of extension and termination options or renewals of leases with regard to determining the value of right-of-use assets.

Note 11 – Financial assets (in thousands of €)

	Non-current		Current	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial assets measured at fair value through profit or loss				
Unlisted equity instruments	17	628		
Listed equity instruments - Sicav's and options			2,724	7,697
Derivative financial instruments	3,420	6,887		
	3,437	**7,515**	**2,724**	**7,697**
Financial assets and other receivables				
Trade receivables			135,172	135,915
Other receivables	17,634	14,151	64,140	51,326
	17,634	**14,151**	**199,312**	**187,241**
	21,071	**21,666**	**202,036**	**194,938**

The Group sold its shares in N-Allo to Engie as part of the creation of its own contact centre (Comnexio), which explains the decrease in unlisted equity instruments.

In addition, the Group also sold at the beginning of 2019 an investment in SICAVs, which explains the decrease in listed equity instruments.

Other current receivables mainly consist of interim dividends paid in 2019, which amounts for a total of €56.5 million (see note 12).

Concerning derivative financial instruments and their variation in 2019, we refer you to note 28.

The fair value of trade and other receivables is assumed to be equal to their carrying amount .

Note 12 – Trade receivables, other receivables and current tax assets (in thousands of €)

	Non-current		Current	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Trade receivables				
Distribution			107,811	107,940
Contract assets (Distribution)			19,071	11,273
			126,882	**119,213**
Public service obligation (PSO)			54,248	56,127
Contract liabilities (PSO)			(12,110)	(10,378)
			42,138	**45,749**
Construction contracts liabilities			(15,468)	(8,061)
Other			33,903	30,967
Write downs on trade receivables			(52,283)	(51,953)
	0	**0**	**135,172**	**135,915**
Other receivables				
Interim dividend			56,504	44,465
VAT			1,217	3,743
Public service obligation (PSO)	6,729	6,045	0	0
Other	10,905	8,106	7,489	4,699
Write downs on other receivables			(1,070)	(1,581)
	17,634	**14,151**	**64,140**	**51,326**
Current tax assets			**16,388**	**6,634**
	0	**0**	**16,388**	**6,634**
	17,634	**14,151**	**215,700**	**193,874**

Trade receivables decreased slightly at the end of 2019 (- €0.7 million). This is due to an increase in contract assets (distribution), mainly RTNR. In 2018, this resulted in a decrease in sales due to the invoicing of advance payments, which were €6.6 million higher than the volumes

consumed, whereas in 2019, the opposite was observed, with a decrease of €1.1 million.

This increase is almost entirely offset by the change in the public service obligations, contract liabilities (PSO) and construction contract liabilities items. The latter two include respectively the advances received in connection with budget meters and the advances received for carrying out work related mainly to municipal public lighting. The increase in contract liabilities (construction) (+ €7.4 million) is mainly due to a high number of advance payments received from customers for major projects to be carried out in 2020.

Distribution-related contract assets are not subject to impairment at the end of 2019. Similarly, the items public service obligations and construction contracts are also not subject to impairment at the end of 2019.

Financial assets and other receivables that are not yet impaired

	Trade receivables		Other receivables and tax assets	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Not yet due	103,748	108,087	97,482	69,455
	103,748	**108,087**	**97,482**	**69,455**

Changes to write-downs

	Trade receivables		Other receivables and tax assets	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
At 1 January	51,953	40,477	1,581	1,726
Write downs	3,049	13,225	273	616
Reversal related to ex-PBE municipalities	0	57	0	2
Reversal related to ex-Gaselwest municipalities	37			
Reversal of write downs	(2,756)	(1,806)	(784)	(763)
At closing balance	**52,283**	**51,953**	**1,070**	**1,581**

Write-downs

	31/12/2019	31/12/2018
Statement of financial position	(53,353)	(53,533)
Statement of comprehensive income	(6,942)	(19,472)

Financial assets and other receivables that are not impaired

	Write down basis at 31/12/2019	Average rate of expected
Up to 90 days	credit loss	22%
91 to 180 days	5,120	38%
181 to 270 days	4,963	48%
271 to 360 days	3,017	47%
361 to 720 days	11,960	56%
> 720 days	48,853	78%
	87,123	

	Write down basis at 31/12/2018	Average rate of expected
Up to 90 days	credit loss	24%
91 to 180 days	4,384	39%
181 to 270 days	4,553	47%
271 to 360 days	4,571	47%
361 to 720 days	14,884	57%
> 720 days	43,487	83%
	84,018	

Note 13 – Inventories (in thousands of €)

	31/12/2019	31/12/2018
Raw materials and supplies	42,935	38,188
Total gross	**42,935**	**38,188**
Write downs	0	(424)
Reversal of write downs		
	42,935	**37,764**
Inventories recorded as expenses during the period (cost of sales)	7,200	7,789

At the end of 2019, the value of inventories increased by €5.1 million, mainly related to the equipment needed to replace the cabins (transformer cells) as well as the ACW public lighting as part of the replacement of lamps by LED lamps. Inventories are located throughout Wallonia, most of which is concentrated in the supply store located in Aye.

Note 14 – Cash and cash equivalents (in thousands of €)

Cash and cash equivalents include the following for the purpose of the cash flow statement:	31/12/2019	31/12/2018
Cash	45,150	45,447
Short-term deposits	72,650	70,350
	117,800	**115,797**

Cash is stable compared to 2018. Short-term deposits increased slightly by €2.3 million, mainly due to the investment of the surplus cash available at the end of 2019.

Note 15 – Share Capital

1. Number of shares

		ORES ASSETS SC		
		A Shares	R Shares	TOTAL
Opening Balance	**2018**	**49,148,824**	**2,514,560**	**51,663,384**
Capital increase		617,967	15,000	632,967
Capital repayment			(86,729)	(86,729)
Conversion of R shares to A shares		112,521	(112,521)	0
Equity of the discontinued activities		658,597	0	658,597
Opening Balance	**2019**	**50,537,909**	**2,330,310**	**52,868,219**
Capital increase (takeover of ex-Gaselwest municipalities)		784,090		784,090
Capital repayment				0
Incorporation of available reserves		5,622,626		5,622,626
Conversion of R shares to A shares		9,377,362	(2,330,310)	7,047,052
Capital increase (takeover of ex-PBE municipalities)			0	0
Closing Balance	**2019**	**66,321,987**	**0**	**66,321,987**

2. Subscribed Capital (in thousands of €)

		ORES ASSETS SC		
		Parts A	Parts R	TOTAL
Opening Balance	**2018**	**460,801**	**251,456**	**712,257**
Capital increase		6,901	1,500	8,401
Capital repayment			(8,673)	(8,673)
Conversion of R shares to A shares		11,252	(11,252)	0
Capital increase (takeover of ex-PBE municipalities)		1,043	0	1,043
Opening Balance	**2019**	**479,997**	**233,031**	**713,028**
Capital increase (takeover of ex-Gaselwest municipalities)		14,327		14,327
Incorporation of available reserves		139,725		139,725
Capital decrease				0
Conversion of R shares to A shares		233,031	(233,031)	0
Closing Balance	**2019**	**867,080**	**0**	**867,080**

3. Dividend per share (in thousands of €)

		ORES ASSETS SC		
		A Shares	R Shares	TOTAL
Dividends approved by General Meeting	2018	97,860	7,687	105,547
Dividend per share		1.99	3.06	2.04
Dividends approved by General meeting	2019	77,743	7,484	85,227
Dividend per share		1.54	3.21	1.61

Dividends for the period approved by the shareholders' meeting are paid in two parts by the Group: an interim dividend is distributed first during the year before the dividend is approved by the General Meeting, and the balance is then paid during the year in which the dividend is approved by the General Meeting.

As a result, the dividend total shown in the consolidated cash flow statement is made up of:

	2019	2018
Total balance of dividends from year N-1 paid by the Group in year N = (including associated withholding tax)	36,765	33,946
Total interim dividends from year N paid by the Group in year N = (after deduction of withholding tax)	56,504	44,465
Total amount taken from available reserves approved by the General Meeting	0	3,997
	93,269	**82,408**

Additional information

At the beginning of 2019, the operations required to implement the new dividend policy and to optimise shareholders' equity decided by the ORES Assets General Meeting in June 2018 were implemented.

As a result, the R shares (comprising only a right to dividends priority and recoverable) without associated voting rights existing at 31 December 2018 were converted into A shares. As at 1 January 2019, ORES Assets shares are composed solely of A shares. In addition, the available reserves at 31 December 2018 were incorporated into the capital, also resulting in the creation of A shares on 1 January 2019.

As a cooperative company, the capital of ORES Assets is made up of a fixed and a variable part. The fixed part cannot be less than €18,550 (in accordance with the articles of association, it amounts to €148,800 on 31 December 2019 and is fully subscribed and paid) and is represented in full by A shares that come with voting rights and the right to dividends. The rights and obligations attached to A shares are governed by the Belgian company law ("Code des sociétés"), by the provisions of the Local Democracy and Decentralisation Code ("Code de la Démocratie locale et de la Décentralisation") as well as by the DSO's articles of association.

	2019	2018
Fixed A shares	149	149
Variable A shares	866,931	479,848
R shares	0	233,031
	867,080	**713,028**

Equity transactions in 2019

The subscribed capital increased by €154 million resulting, on the one hand, from the incorporation of available reserves for an amount of €139.7 million carried out as part of the optimisation of equity capital mentioned above and, on the other hand, from the (partial) transfer of the communes of Celles, Comines-Warneton, Ellezelles and Mont-de-l'Enclus from Gaselwest to ORES Assets for the management of the electricity and natural gas networks distribution, with effect from 1 January 2019, for an amount of €14.3 million.

Note 16 – Borrowings (in thousands of €)

	Carrying amount		Fair value		
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	Fair value category
Unsecured - Non-current					
Bank loans	1,438,531	1,336,783	1,485,763	1,352,812	Level 2
Commercial papers - private investment	0	80,000	0	85,117	Level 2
Bonds	568,532	567,945	764,618	726,791	Level 2
Others	5,583	7,114	5,525	6,736	Level 2
	2,012,646	**1,991,842**	**2,255,906**	**2,171,456**	
Unsecured - Current					
Bank loans	195,122	89,037	195,122	89,037	Level 2
Short term commercial papers	0	91,997	0	91,997	Level 2
Commercial papers - private investment	82,062	54,012	83,176	54,012	Level 2
Bonds	9,596	9,904	9,596	9,904	Level 2
Other	1,531	371	1,531	371	Level 2
	288,312	**245,322**	**289,426**	**245,322**	
Total financial liabilities	**2,300,957**	**2,237,164**	**2,545,331**	**2,416,778**	

The €64 million increase in financial debt in 2019 is mainly because the Group has:

On the one hand:

- contracted new bank loans for an amount of €195 million; and
- made a €100 million drawdown from the EIB under its financing programme concluded in 2017. It should be noticed that following the Group's obtaining a credit line of €550 million from the EIB, from which an initial drawdown of €150 million was made in 2017, a second drawdown of €100 million was again made at the end of 2018. This financing will make it possible to cover almost 50% of our investment requirements for the transformation and modernisation of networks over the next five years.

On the other hand:

- Continued to repay the short-term maturities of its bank loans for €89 million;
- Repaid all short-term commercial paper maturing in 2019 for €92 million; and
- Repaid commercial paper in the form of private investments for €51 million.

Glossary of terms used to distinguish between loans

Adjustable fixed rate : a loan where the rate is fixed for a certain period longer than a year and within the debt repayment term. At the end of this period, the rate is reviewed according to market changes.

Hedged variable rate: a loan where the rate is variable and hedged by a hedging product, such as a swap, collar or cap.

Description of the methods used to determine the fair value of loans

Fixed-rate financing: on the closing date, the sum of the future discounted cash flows including capital and interest calculated on the basis of the market rate on the closing date (including the bonds among others).

Adjustable fixed-rate financing: on the closing date, the sum of the future discounted cash flows including capital and interest calculated on the basis of the market rate on the closing date.

Variable-rate financing: the fair value is presumed to be equal to the book value on the closing date.

Short-term commercial paper: the fair value is equal to the book value on the closing date

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

31/12/2019	Fixed rate	Adjustable fixed rate	Variable Rate	Hedged variable rate	Structured variable rate	TOTAL
Within one year	149,997	264	7,597	129,494	-	287,352
>1 and <3 years	428,536	528	5,123	116,243	-	550,430
>3 and <5 years	89,895	528	4,979	193,413	-	288,814
>5 and <15 years	529,368	-	1,580	274,436	-	805,384
>15 years	368,977	-	-			368,977
	1,566,773	**1,319**	**19,280**	**713,586**	**-**	**2,300,957**

31/12/2018	Fixed rate	Adjustable fixed rate	Variable Rate	Hedged variable rate	Structured variable rate	TOTAL
Within one year	178,196	264	2,528	64,334	-	245,322
>1 and <3 years	448,649	528	9,948	190,980	-	650,104
>3 and <5 years	176,171	528	4,840	227,510	-	409,050
>5 and <15 years	280,669	264	3,437	296,150	-	580,520
>15 years	352,169	-	-	-	-	352,169
	1,435,854	**1,583**	**20,753**	**778,975**	**-**	**2,237,164**

Repayments are scheduled as follows (by term and kind in thousands of €)

31/12/2019	Short-term commercial papers	Bank loans	Private investments	Bonds	Other	Total
Within one year	-	195,122	82,062	9,596	571	287,352
>1 and <3 years	-	259,635	0	289,651	1,143	550,430
>3 and <5 years	-	287,671	0	0	1,143	288,814
>5 and <15 years	-	801,127	0	0	4,257	805,384
>15 years	-	90,096	0	278,881	-	368,977
	-	**1,633,653**	**82,062**	**578,128**	**7,114**	**2,300,957**

31/12/2018	Short-term commercial papers	Bank loans	Private investments	Bonds	Other	Total
Within one year	91,997	89,037	54,012	9,904	371	245,322
>1 and <3 years	-	279,851	80,000	289,110	1,143	650,104
>3 and <5 years	-	407,907	-	-	1,143	409,050
>5 and <15 years	-	575,691	-	-	4,829	580,520
>15 years	-	73,333	-	278,836	0	352,169
	91,997	**1,425,820**	**134,012**	**577,849**	**7,486**	**2,237,164**

All borrowings are presented in Euros.

Summary of main borrowings (including interest rates – in thousands of €)

	Carrying amount		Borrowing				Hedging				
	31/12/2019	31/12/2018	Initial amount	Maturity date	Fixed / variable rate	Interest rate applicable at closing 2019	Hedging instrument	Swap/Cap Notional residual	Swap/Cap Fair Value	Maturity date (Swap/cap)	Interest rate applicable at closing 2019, after hedging
MP 2008	45,864	50,960	101,920	9	Variable	0.35%	CAP 1% (1) and 0.9% (2)	45,864	-99	4 (1) and 9 (2)	0.35%
KP 2008	8,818	23,506	41,990	9	Variable	0.41%	CAP 1%	8,818	-4	5	0.41%
FP50 2008	204,894	235,728	409,789	10	Variable	0.402% at 0.412%	CAPs at 0.8-1%	199,351	-813	3 at 10	0.402% at 0.412%
MP FP 2010	71,900	71,900	71,900	1	Variable	0.20%	SWAP	25,000	703	1	Fixed rate at 2.33 %
Private invetsments	80,000	130,750	80,000	<1	Fixed	Fixed rate at 3.542 % and 4.041%					
Bond issued in 2012	290,600	290,600	350,000	2	Fixed	Fixed rate at 4 %					
Bond issued in 2014	80,000	80,000	80,000	25	Fixed	Fixed rate at 4 %					
Bond issued in 2015	100,000	100,000	100,000	25	Fixed	Fixed rate at 3 %					
Bond issued in 2015	100,000	100,000	100,000	25	Fixed	Fixed rate at 2.85 %					
MP2011 SEDILEC_1	10,000	12,500	50,000	4	Fixed	Fixed rate at 0.184 %					
MP2011 SEDILEC_2	21,480	25,060	71,600	6	Fixed	Fixed rate at 1.061 %					
MP2011 SEDILEC_3	6,475	7,400	18,500	7	Fixed	Fixed rate at 1.392 %					
MP2011 SEDILEC_4	10,668	12,002	26,670	8	Fixed	Fixed rate at 0.55 %					
MP2011 IEH_2	7,300	9,125	36,500	4	Fixed	Fixed rate at 0.03 %					
MP2011 IEH_4	6,000	7,000	20,000	6	Variable	-0.19%	OPTION 1%	6,000	55	6	0.00%
MP2011 IEH_6	10,460	11,768	26,150	8	Variable	-0.34%	OPTION 1%	10,460	134	8	0.00%
MP2011 IEH_2006	6,059	6,924	17,310	7	Variable	-0.35%	CAP 1%	6,059	-1	3	0.00%
MP2011 IEH-2003	5,000	6,250	25,000	4	Variable	-0.30%	CAP 1%	5,000	-1	4	0.00%
MP2011 IGH_2	6,525	7,975	29,000	4	Fixed	Fixed rate at 0.02 %					
MP2011 IGH_4	12,856	14,463	32,140	8	Variable	-0.34%	OPTION 1%	12,856	165	8	0.00%
MP2011 IGH_2006	7,441	8,504	21,260	7	Variable	-0.23%	SWAP	7,441	702	7	Fixed rate at 2.2 %
MP2011 INTERLUX_2	7,530	8,785	25,100	6	Fixed	Fixed rate at 2.5 %					

	Carrying amount		Borrowing				Hedging				
	31/12/2019	31/12/2018	Initial amount	Maturity date	Fixed / variable rate	Interest rate applicable at closing 2019	Hedging instrument	Swap/Cap Notional residual	Swap/Cap Fair Value	Maturity date (Swap/cap)	Interest rate applicable at closing 2019, after hedging
MP2011 IDEG_2	11,520	13,440	38,400	6	Fixed	Fixed rate at 3.5 %					
MP2011 IDEG_3	5,495	6,280	15,700	7	Fixed	Fixed rate at 1.392 %					
MP2011 IDEG_4	5,428	6,107	13,570	8	Variable	-0.34%	OPTION 1%	5,428	70	8	0.00%
MP2011 INTERMO-SANE_5 S2	5,000	6,000	20,000	5	Fixed	Fixed rate at 0.334 %					
Loan from BEI 100	100,000	100,000	100,000	19	Fixed	Fixed rate at 1.365 %					
Loan from BEI 150	150,000	150,000	150,000	18	Fixed	Fixed rate at 1.115 %					
Loan from BEI 50	50,000	0	50,000	20	Fixed	Fixed rate at 0.467 %					
Loan from BEI 50	50,000	0	50,000	20	Fixed	Fixed rate at 0.467 %					
Borrowing MEC ORES 2018 batch 1	50,000	50,000	50,000	3	Fixed	Fixed rate at 0.244 %					
Borrowing MEC ORES 2018 batch 2	30,000	30,000	30,000	4	Fixed	Fixed rate at 0.499 %					
MP ORES 2016 - Lot 1	40,000	40,000	40,000	4	Variable	0.35%	SWAP	40,000	1,128	4	Fixed rate at 0.42 %
MP ORES 2016 - Lot 2	50,000	50,000	50,000	5	Variable	0.37%	SWAP	50,000	1,679	5	Fixed rate at 0.54 %
MP ORES 2016 - Lot 3	30,000	30,000	30,000	6	Variable	0.40%	SWAP	30,000	1,457	6	Fixed rate at 0.66 %
MP ORES 2016 - Lot 4	30,000	30,000	30,000	6	Variable	0.31%	CAP 0.5% (1) - 0.9% (2)	30,000	(12)	2.5 (1) and 6 (2)	0.31%
MP ORES 2017 - Lot 1	35,000	35,000	35,000	1	Fixed	Fixed rate at 0.175 %					
MP ORES 2017 - Lot 2	45,000	45,000	45,000	3	Fixed	Fixed rate at 0.507 %					
MP ORES 2017 - Lot 3	40,000	40,000	40,000	7	Fixed	Fixed rate at 1.051 %					
MP ORES 2017 - Lot 4	40,000	40,000	40,000	8	Fixed	Fixed rate at 1.169 %					
MEC.ORES.2019-Lot1	50,000	0	50,000	6	Fixed	Fixed rate at 0.459 %					
MEC.ORES.2019-Lot2	40,000	0	40,000	7	Fixed	Fixed rate at 0.524 %					
MEC.ORES.2019-Lot3	30,000	0	30,000	9	Fixed	Fixed rate at 0.52 %					
MEC.ORES.2019-Lot4	30,000	0	30,000	9	Fixed	Fixed rate at 0.717 %					
MEC.ORES.2019-NOV	45,000	0	45,000	10	Fixed	Fixed rate at 0.708 %					
	2,062,313	**1,893,025**						**332,277**	**5,162**		

The Group's traditional bank loan contracts, with the exception of the EIB loan, are not subject to specific covenants (ratios, etc.).

The EIB loan is subject to 3 ratios based on the consolidated accounts drawn up under Belgian GAAP (BGAAP):

- EBITDA/debt service equal to or greater than 1.3;
- net debt/equity less than or equal to 1.5;
- equity/consolidated balance sheet total greater than or equal to 0.3.

These three ratios were met by the Group at the end of 2019.

For bond issues, the Group must maintain a ratio of 30% equity in relation to the balance sheet total, both in terms of the ORES Assets statutory balance sheet and the consolidated Belgian standard balance sheet. This ratio is an integral part of ORES Assets' articles of association (see capital management in appendix 31).

Note 17 – Other financial liabilities (in thousands of €)

	Non-current		Current	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial liabilities measured at fair value through the profit and loss statement				
Derivatives instruments – Swaps	5,374	4,632	703	2,891
	5,374	4,632	703	2,891
Financial liabilities measured at amortised cost (excluding borrowings)				
Trade payables			157,069	166,178
Lease liabilities	11,252		3,225	
Other payables	463	178	54,660	48,810
	11,715	**178**	**214,954**	**214,988**
	17,089	**4,810**	**215,657**	**217,879**

Trade payables

The fair value of trade payables corresponds to their book value

	31/12/2019	31/12/2018
Average credit period for trade payables (days)	50	50

Repayment liabilities are detailed in note 22

For an explanation of derivative financial liabilities, please refer to note 28

Note 18 – Other payables and other liabilities (in thousands of €)

	Carrying amount	
	31/12/2019	31/12/2018
Social security and other taxes	11,646	15,376
Short-term employee benefits and associated provisions	35,770	32,450
Accrued charges	688	136
Deferred income	146	113
Derivative instruments - swaps	6,077	7,523
Lease liabilities	14,477	0
Other	11,474	3,645
	80,278	**59,243**
of which: non-current	17,089	4,810
of which: current	63,190	54,433

The decrease in Social Security and other taxes is mainly due to the fact that the December 2019 VAT return was €2.6 million lower than in December 2018.

For a more detailed explanation of provisions for pensions and short-term employee benefits, which also form an integral part of this item, see note 20. For a more detailed explanation of derivatives, see note 28.

Other debts and other liabilities increased by €9 million in 2019. This increase is mainly due to the first-time application of IFRS 16 Leases, which led to the recognition of a €14 million lease obligation at the end of 2019 (see our 22 Leases).

Note 19 – Provisions (in thousands of €)

	31/12/2019	31/12/2018
Environmental remediation	3,789	3,654
Other	51,590	50,376
	55,379	**54,030**
of which: current		
of which: non-current	55,379	54,030

	2019		
Changes in provisions (excluding employee benefits)	Environmental remediation	Others	Total
At 1 January	3,654	50,376	54,030
Additional provisions recognised	0	1,768	1,768
Total used during the financial year		(90)	(90)
Total reversed during the financial year		(330)	(330)
Transferred	135	(135)	0
At end of the period	**3,789**	**51,590**	**55,379**
of which: current			
of which: non-current	3,789	51,590	55,379

	2018		
Changes in provisions (excluding employee benefits)	Environmental remediation	Others	Total
At 1 January	5,654	28,016	33,670
Additional provisions recognised		21,281	21,281
Amounts used in the period		(921)	(921)
Transferred	(2,000)	2,000	0
At end of the period	**3,654**	**50,376**	**54,030**
of which: current			
of which: non-current	3,654	50,376	54,030

Provisions are recognized when the Group has a current (legal or implicit) obligation resulting from a past event and it is probable that the Group will be bound to settle this obligation, where it must be possible to estimate the total value of this obligation reliably.

Environmental remediation

The implementation of the decree of 5 December 2008 on soil management could justify certain expenses connected to cleaning up certain polluted sites. Within this context, the Group is taking appropriate measures in terms of preventing ground pollution as well as information about the existence of pollution. Provisions are therefore established for this purpose.

Five sites were the subject of an exploratory study in 2012 which demonstrated the existence of pollution exceeding the thresholds defined by the Soil decree. In accordance with article five of this decree, the Group notified the administration and the municipalities affected by this pollution and established provisions based on estimates made by the independent expert responsible for the abovementioned study.

In 2017, another site was also the subject of a study to determine the cost of future remediation work. Following this, a new provision for €0.3 million was established.

In 2018 and 2019, transfers were made in the amount of €1.8 million to "Other" as this related to a provision for dispute with the buyer of a piece of land; no new studies were carried out on other Group sites.

Other

Given its activities, the Group is also exposed to legal risks. Provisions for disputes are therefore regularly updated in consultation with the Group's legal department. The provisions established correspond to the best estimates of the outflow of funds considered probable by the Group.

As a reminder, in 2015, provisions for a total of €12.8 million were established to fulfil legal or regulatory obligations. In fact, a decree published by the Walloon Government demands that we vectorise the network plans; while we had also covered the applicable risks associated with the switch to the new IT systems needed for market processes and changes to them.

In 2018, an additional provision was recorded with regard to the Atrias project, while a new provision was also recorded in connection with a dispute involving a supplier in connection with the IT project for smart meters.

In 2019, additional provisions have been booked in the context of the new head office for a total of €0.3 million. An update of the provision relating to the termination of the IT services contract for the implementation of an information system for smart metering was recorded (use of €90 thousand and provision of €91 thousand). Moreover, an update of the interest relating to the provisions has been carried out, generating an allocation of €1.2 million. Finally, a total reversal of the provision for the dispute relating to the NSSO on the provision of equipment was recorded for € 0.3 million.

Note 20 – Employee benefits – General (in thousands of €)

Statement of financial position	31/12/2019	31/12/2018
Non-current		
Pension Benefits - funded plans	(187,301)	(175,541)
Pension Benefits - unfunded plans	9,826	6,246
Other post employment benefits	98,979	91,043
Other long-term benefits	38,709	35,874
	(39,787)	**(42,378)**
Effect of the assets ceiling	140,567	125,651
	100,780	**83,273**
Current		
Short term Employee Benefits and bonuses	35,770	32,450
	35,770	**32,450**
	136,550	**115,723**

Statement of comprehensive income	31/12/2019	31/12/2018
Wages and salaries	153,647	141,303
Social security contributions	37,333	33,514
Pension expenses and other long-term benefits	15,829	16,075
Other social expenses	15,416	15,045
Of which included in the cost of PP&E	(78,972)	(77,816)
	143,253	**128,121**

Average number of personnel	31/12/2019	31/12/2018
Employees - total full-time equivalents	2,427	2,336

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

Post-employment benefits mainly include tariff benefits and healthcare benefits granted to employees after retirement

The other long-term benefits mainly include the jubilee bonuses granted to executives and salary-scaled employees.

Note 21 – Employee benefits – Defined benefit plans (in thousands of €)

Description of the plans

1. Defined benefit pension plans covered by hedging assets (funded plans)

1.1 Pensiobel/Elgabel

Different pension plans with defined benefits are in place within ORES sc and are governed by the joint committee for the gas and electricity sector (CP 326). These are the Pensiobel and Elgabel pension plans. In most cases these are aimed at salary-scaled employees taken on before 1 January 2002 as well as executives and management staff taken on before 1 May 1999, within the context of a permanent contract with the Gas and Electricity status. The pension capital that will be paid to workers depends to a large extent on the number of years and months of service achieved within the employment contract at the normal retirement age, even in the event of early retirement (this working period is complemented, if applicable by an additional period defined by the CCT and the 2007-2008 framework agreements) and the employee's salary at retirement age. If the employee dies before retirement, a death benefit will be paid to their beneficiaries as well as an annual pension to each child of the employee under the age of 25. These liabilities are covered in the "funded plans" section.

1.2 Powerbel/Enerbel

Two other pension plans, previously treated as defined contributions, also exist within the Group, one also aimed at executives and management staff taken on from 1 May 1999 onwards or who opted for this plan on 1 January 2007 (Powerbel), the other aimed at salary-scaled staff taken on since 1 January 2002 (Enerbel).

In fact, following the change in the law on supplementary pensions (L.P.C. 28/4/2003 – Art 24) which came into force on 1 January 2016 and now imposes the same minimum rate of return on employer contributions as staff contribu-

tions (new formula based on the Belgian OLO rate with a minimum threshold set at 1.75% and a maximum threshold set at 3.75%.), a review was carried out within the ORES group, resulting in Powerbel and Enerbel pension plans being recorded as defined benefit plans as of 1 January 2016. These two plans, which grant a pension capital determined by the total value of premiums paid and the return attributed to them, are described below.

Enerbel

The personal contribution paid for by the employee is determined on the basis of a step rate, equal to 0.875% of the portion of the salary below a defined threshold, plus 2.65% of the portion of the salary above this threshold. This contribution is deducted from the employee's monthly salary. The employer's contribution is three times the personal contribution.

Powerbel

The personal contribution paid for by the employee is determined on the basis of a step rate, equal to 0.6% of the portion of the salary below a defined threshold, plus 4.6% of the portion of the salary above this thresh-old. This contribution is deducted from the employee's monthly salary. The employer's contribution is four times the personal contribution.

Since 2016 (without retroactive effect), we have applied the "Projected Unit Credit Method" (PUC - without projection of future premiums) as recommended by IAS 19 to account for these two pension plans. They are also included under "funded plans".

Since 2017, the Group has decided to apply a separate rate to measure our employee benefits related to the pension plans of the new statutes and related to post-employment benefits, given the different duration of these plans.

The Enerbel and Powerbel pension plans expose the employer to investment risk because, as indicated above, since 1 January 2016, the legislation for this type of plan requires the employer to guarantee the same minimum rate of return on the employer's contributions as for the employee's 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 reimbursement). Since then, like the employers' contributions, they have been paid into a pension fund which no longer offers any minimum return guarantee. Following this change, the reserves accumulated in the individual group insurance contracts have also been transferred to the pension fund with a guaranteed rate of 3.25%.

It should also be noted that since 1 January 2017, Contassur has changed its guaranteed interest rate to 0% for level annual premiums and 0.5% for successive single premiums.

1.3 "Overheads" scheme

This scheme, which came to an end on 1 January 1993, was designed to grant a life annuity at retirement age equivalent to 75% of the final salary for a full career, after the statutory pension had been deducted. In the event of death, 60% of the annuity was payable to the surviving spouse. For surviving children, the annuity is set at 15% of the pension annuity or 25% for children who have lost both their parents (maximum three children). This scheme was transferred in the form of payments to the OFP Elgabel. For employees benefiting from this scheme still working on 1 January 2007, pension rights acquired were already established for careers after this date in the Elgabel OFP.

2. Defined benefit pension plans not covered by hedging assets (non-funded plans)

This item includes benefits granted by the Group on retirement of staff members such as health care reimbursement and tariff benefits, as well as the liabilities associated with those who have become unable to work.

Statement of financial position	31/12/2019	31/12/2018
Present value of the defined benefit obligations/funded plans	357,175	331,835
Plan assets	(544,476)	(507,376)
Deficit / (surplus)	**(187,301)**	**(175,541)**
Present value of the other long term benefits/funded plans	39,154	36,411
Plan assets of the other long term benefits	(445)	(537)
Deficit / (surplus)	**38,709**	**35,874**
Present value of the defined benefit obligations/non-funded plan	**108,805**	**97,289**
Effect of the asset ceiling	**140,567**	**125,651**
Net liability arising from defined benefit obligation	**100,780**	**83,273**
Reimbursement rights	**(1,485)**	**(1,352)**

Statement of comprehensive income	31/12/2019	31/12/2018
Service cost		
Cost of services provided for defined benefits	15,378	13,453
Cost of services provided for other long-term benefits	2,268	2,237
	17,646	**15,690**
Net interest on the net defined benefit liability/(asset)		
Interest cost on the defined benefit obligation	6,236	5,796
Interest income on plan assets	(6,795)	(6,381)
Interest on the effect of the asset ceiling	1,669	1,987
	1,110	**1,402**
Net interest on other long-term benefit liability (asset)		
Interest cost on other long-term benefit obligation	491	441
Interest income on plan assets on other long-term benefits	(7)	(8)
Interest on the effect of the asset ceiling	0	0
	484	**433**
(Income)/expenses recorded in the profit and loss statement in relation to defined benefit plans and other long-term benefits	**19,240**	**17,525**

Remeasurement of net defined benefit liability/(asset) recognised in other comprehensive income (OCI)	31/12/2019	31/12/2018
Actuarial (gains)/losses on defined benefit obligation arising from:		
i) Changes in demographic assumptions	4,838	0
ii) Changes in financial assumptions	45,991	(6,511)
iii) Experience adjustments	(6,970)	1,773
iv) subtotal	**43,860**	**(4,738)**
i) Return on plan assets excluding interest income on plan assets	(50,133)	42,115
ii) Changes in financial assumptions	0	0
iii) Change in the effect of the asset ceiling excluding associated interests	13,248	(44,719)
iv) subtotal	**(36,885)**	**(2,604)**
(Income)/expenses for defined benefit plans	**6,975**	**(7,342)**

This negative result on actuarial gains and losses on defined benefit plans is mainly due to the significant fall in interest rates. These are used both to determine the discount rate on obligations and the rate of return on assets. However, the actual return on assets is higher than the estimated return. Assets have increased and therefore the effect of the asset ceiling is reversed in the amount of €13.2 million. The assumptions relating to the staff turnover rate have also been revised downwards, generating an increase in the pension obligation of €4.8 million.

Changes in the present value of defined benefit obligations	31/12/2019	31/12/2018
Opening balance	**429,124**	**428,491**
Current service cost	15,378	13,453
Interest cost	6,236	5,796
Contributions from plan participants	1,252	1,411
Actuarial (gains)/losses arising from		
i) changes in demographic assumptions	4,838	0
ii) changes in financial assumptions	45,991	(6,511)
iii) experience adjustments	(6,970)	1,566
Acquisitions/disposals	(8,894)	6,345
Benefits paid	(26,157)	(21,635)
Other	2,366	208
Present value of the defined benefit obligations/funded plans taken over from Comnexio	2,813	0
Closing balance	**465,979**	**429,124**

Changes in the fair value of the plan assets were as follows:	31/12/2019	31/12/2018
Opening balance	**507,376**	**526,864**
Interest income on plan assets	6,795	6,381
Return on plan assets excluding interest income on plan assets	50,315	(29,491)
Actuarial gaps	(182)	(12,625)
Contributions from employer	9,406	27,369
Contributions from plan participants	1,252	1,411
Benefits paid	(22,289)	(21,633)
Transfer of other long-term benefit obligations to DB plans	(10,007)	9,100
Plan assets taken over from Comnexio	1,811	0
Closing balance	**544,476**	**507,376**

In 2018, "acquisitions" represent the transfer of other long-term benefits to the defined benefit obligation and related assets, and relate to jubilee premiums, which were paid into a pension fund and valued as a defined benefit plan.

In 2019, "disposals" represent the transfer out of the defined benefit obligation and related assets, following the completion of the annuitant funding transaction.

	31/12/2019	31/12/2018
Actual return on plan assets	57,110	(23,110)

Main actuarial assumptions used for the purpose of the actuarial valuations were as follows: for ORES entities	31/12/2019	31/12/2018
Discount rate on pension plans related to old contracts	0.40%	1.34%
Discount rate on pension plans related to new contracts	0.79%	1.79%
Discount rate on tariff and healthcare benefits	0.74%	1.76%
Turnover rate for old contracts	0.74%	1.00%
Turnover rate for new contracts	1.50%	2.00%
Medical cost increase (excluding inflation)	1.00%	1.00%
Increase in the average cost relating to tariff reductions	1.72%	1.75%
Inflation rate	1.72%	1.75%
Average retirement rate for old conditions	63 ans	63 ans

Average retirement rate for new conditions	64 years	64 years
Mortality Table used for active employees	IA/BE prospective table	
Mortality Table used for non-active employees	IA/BE prospective table	
Life expectancy in years of a pensioner retiring at age 65 :		
For a Person aged 65 at closing date :		
- Male	20.0	19.8
- Female	24.0	24
For a Person aged 65 at closing date :		
- Male	22.3	22.3
- Female	26.0	26

Main actuarial assumptions used for the purpose of the actuarial valuations were as follows: for Comnexio	31/12/2019	31/12/2018
Discount rate on pension plans	0.89%	N/A
Discount rate on healthcare benefits	0.93%	N/A
Expected rate of salaries increase (outside inflation)	2.27%	N/A
Turnover rate for old contracts	1.00%	N/A
Turnover rate for new contracts	1.50%	N/A
Medical cost increase (outside inflation)	1.00%	N/A
Inflation rate	1.72%	N/A
Average retirement rate for old conditions	65 ans	N/A
Mortality Table used for active employees	IA/BE prospective table	
Life expectancy in years of a pensioner retiring at age 65 :		
For a Person aged 65 at closing date :		
- Male	20.0	N/A
- Female	24.0	N/A
For a Person aged 65 in 20 years		
- Male	22.3	N/A
- Female	26.0	N/A

Breakdown of defined benefit obligation by type of benefits :	Defined benefit obligation	
	31/12/2019	31/12/2018
Retirement and death benefits	367,000	338,081
Other post-employment benefits (medical and tariff reductions)	98,979	91,043
	465,979	**429,124**

Major categories of plan assets :	Fair value of plan assets	
	31/12/2019	31/12/2018
With a quoted market price in an active market	**434,433**	**414,675**
Shares (Eurozone)	86,272	55,610
Shares (Outside Eurozone)	120,114	107,841
Government bonds (Eurozone)	2,273	2,062
Other bonds (Eurozone)	146,383	162,581
Other bonds (Outside eurozone)	79,391	86,581
With a no quoted market price in an active market	**110,489**	**92,701**
Cash and cash equivalents	16,776	20,084
Real property	13,739	8,825
Other	79,973	63,792
	544,922	**507,376**

Sensitivity analysis for each significant actuarial assumption on defined benefit obligation	Defined Benefit Obligation	
	31/12/2019	31/12/2018
Discount rate plus 0.50%	(4,724)	(2,287)
Salary increase plus 0.50% (outside inflation)	3,008	11,981
Medical cost increase plus 1%	6,342	1,528
Increase of average cost of tariff reductions plus 0.50%	4,177	6,308
Inflation plus 0.25%	39,843	16,627
1 year age correction to mortality tables	6,188	16,344

	31/12/2019	31/12/2018
Weighted average duration of the defined benefit obligation related to old contracts	9	9
Weighted average duration of the defined benefit obligation related to new contracts	19	20
Weighted average duration of the defined benefit obligation related to other long term benefits	10	13
Expected contributions during the next period for DB plans related to old contracts	2,347	8,238
Expected contributions during the next period for DB plans related to new contracts	5,952	5,158

Each year, the discount rate used to calculate pension obligations in terms of the minimum funding requirements is compared with the expected rate of return for assets managed according to the investment policy defined by the sponsor.

The expected rate of return is calculated on the basis of a risk-free market rate defined by the financial markets at the end of the year, on the basis of a risk premium linked to each category of investment in the portfolio and associated volatility.

In 2019, the discount rates for both the Elgabel and Pensiobel pension plans (which have a relatively short average duration due to the fact that these plans are closed and the benefits are paid out as a lump sum and not in annuities), have been reduced to 0.40% (1.34% in 2018), in line with the yield on 10-year high quality corporate bonds (AAA).

In terms of Powerbel and Enerbel pension plans, as their estimated term is 20 years, the discount rate is set at 0.79% (1.79% in 2018 – iBoxx benchmark).

A stress test is carried out every year. This is used to make sure the minimum financing requirements are covered, despite a change to the rate set at 0.5%.

Most beneficiaries contribute to the funding of the pension plans by paying a personal contribution (grad-uated rate formula a% t1 + b% t2) which is deducted from their monthly pay.

The defined benefit pension plans are also funded by the employer via a recurring allocation expressed as a percentage of the total salary of plan participants. This percentage is defined using the aggregated costs method and reviewed every year. This method involves distributing future costs over the remaining term of the plan. The costs are estimated on the basis of projections, taking into account, among other things, changes to salaries and inflation. The hypotheses relating to salary increases, inflation, staff turnover and retirement age are defined on the basis of the statistics in the company's possession. The mortality tables used are those corresponding to the facts observed for the plan in question. The discount rate is defined in relation to the company's investment strategy. All of the hypotheses are reviewed regularly.

Some exceptional events, such as changes to a plan, changes to a hypothesis, a level of cover being too low etc. may result in exceptional payments by the sponsor.

Description of the risks faced by defined pension plans

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

Investment risk

The current value of a defined benefit plan's liabilities is calculated using a discount rate determined by referring to companies' high-yield bonds. If the rate of return for the plan assets is lower than the discount rate, this will result in a plan deficit. As far as we are concerned, investments are well diversified and well balanced (see table below).

Due to the long-term nature of the plan's liabilities, the pension fund's Board of Directors considers it appropriate that some of the plan assets should be invested in shares in order to generate leverage and improve the fund's performance.

Interest rate risk

A reduction in the bond interest rate will increase the plan's liabilities. However, this will be partially offset by an increase in the return on the plan's bond investments.

Longevity risk

The current value of the defined benefit plan's liabilities is calculated with reference to the best estimate of the mortality of plan participants, both during their employment contract, and also after their retirement. An increase in the life expectancy of plan participants will result in an increase in the plan's liabilities.

Since 2015, the ORES group has used new prospective mortality tables put together by the Actuaries Institute in Belgium ("Institut des Actuaires en Belgique" IA/BE).

Salary risk

The current value of the defined benefit plan's liabilities is calculated with reference to the future salary of the plan participants. If this goes up, this will result in an increase in the plan's liabilities.

Note 22 - Lease contracts (lessee) (in thousands of €)

Lease liabilities

The year 2019 is marked by the first application of IFRS 16 Leases. At December 31, 2019, non-current lease liabilities totalled €11 million, while current lease liabilities totalled €3 million. The table showing the movement in lease liabilities in 2019 is as follows:

31/12/2019		Buildings	Optical fiber	Vehicles	Total
Opening balance	**2019**	**3,489**	**4,468**	**3,360**	**11,317**
Interest expense on lease contracts		98	136	124	358
Rent payments		(1,739)	(859)	(1,301)	(3,899)
New contracts/exercise of options		2,793	2,723	1,228	6,745
Termination of contracts		0	0	(43)	(43)
Closing balance	**2019**	**4,641**	**6,469**	**3,367**	**14,477**

The lease liabilities mainly relate to:

- leases of office buildings;
- leases of vehicles for executive and management staff;
- fees paid for the use of optical fibres.

The corresponding assets (rights of use) are detailed in Note 10 - Tangible assets

Following the first-time application of IFRS 16 Leases, the definition of a lease has been amended. As a result, the rental obligation does not concern:

- Royalties paid for licences or IT services that are outside the scope of the new standard;
- Lease payments for low-value assets and for short-term contracts that ORES has decided to exclude as permitted by the standard. This mainly concerns IT contracts (hardware such as PCs, laptops, printers, etc.).

The transition note relating to the first application of IFRS16 is included in the accounting policies.

The options present in the contracts were exercised by ORES during the financial year and were therefore recognised as an increase in the rental obligation.

Expenses recorded for contracts that are not within the scope of the standard and which are recognised directly in the income statement (and not as a rental obligation) are detailed in Note 04 - Other operating expenses.

The maturity of principal lease payments is as follows:

1. Discounted amounts as recorded in the balance sheet :

31/12/2019	Buildings	Optical fiber	Vehicles	Total
Within the year	1,262	736	1,227	3,225
>2 et <5 years	2,790	2,638	2,134	7,562
>5 years	589	3,095	6	3,690
	4,641	**6,469**	**3,367**	**14,477**

2. Future cash outflows - lease maturities (including interests) :

	31/12/2019
Within the year	3,527
>2 and <5 years	7,938
>5 years	4,192
	15,657

In 2019, cash outflows relating to lease contracts amount to €3.9 million, including €3.5 million in capital.

In 2018, contracts considered as operating leases were not recognized as debt (rental obligation) on the balance sheet. Expected lease payments were as follows:

	31/12/2018
Within the year	6,287
>2 and <5 years	8,814
>5 years	2,669
	17,770

Note 23 – Current taxes (in thousands of €)

Tax expenses recorded in the profit and loss statement

	31/12/2019	31/12/2018
Current income tax expense in respect of the period	69,146	52,350
Adjustments recognised in the current period in relation to the current tax of prior years	477	(148)
Tax payable on interests received	13	17
Current tax expense (income)	**69,636**	**52,219**
Deferred tax expense (income) relating to recognition and reversal of temporary differences	(16,727)	19,194
Deferred tax expense (income)	**(16,727)**	**19,194**
Total tax expense in the income statement	**52,909**	**71,413**

The €16.8 million increase in the current tax charge in 2019 is explained by the increase in pre-tax income.

It is worth mentioning that the Group once again benefited from a tax credit (€13 thousand) linked to the tax shelter by taking part in the production of a Belgian audio-visual project that will be produced in 2020.

In terms of deferred taxes, the income recorded results mainly from the increase in provisions for employee benefits, while other deferred tax income and expenses related to other balance sheet items offset each other. It should be noted that the company has adjusted the amount of deferred tax assets and liabilities to take into account the future change in the tax rate (25% instead of 29.58%).

The changes in the rules for recognising assets in respect of transfer of assets from customers (see preliminary note) are the main reason for the difference compared with the previous year. In fact, in 2018, the Corporation recognized assets for client services and a related deferred tax expense, which is no longer the case in 2019.

2. Reconciliation of the effective tax rate with the theoretical tax rate

	31/12/2019	31/12/2018
Profit/loss before taxes	152,064	233,826
Tax rate applicable in Belgium	29.58%	29.58%
Theoretical tax	**44,981**	**69,166**
Adjustments:		
Taxes on non-deductible expenses	7,000	3,593
(Income) arising from the use of notional interests	(47)	(46)
(Income) arising from deduction for investment	(427)	(300)
Tax credit linked to tax shelter	(13)	(11)
Deferred tax expense arising from the recognition or the reversal of previous temporary differences	951	2,038
Deferred tax income arising from the recognition or the reversal of previous temporary differences	(641)	(2,485)
Deferred tax income arising from the future change in tax rate	(2,241)	(411)
Tax payable on interests received	13	17
Non-deductible temporary differences (amortization of goodwill)	2,856	0
	7,451	**2,395**
Adjustments recognised on the current period in relation to the current tax of prior years	**477**	**(148)**
Total tax during the period	**52,909**	**71,413**
Average effective rate	*34.79%*	*30.54%*

3. Tax expense recorded under other comprehensive income

	31/12/2019	31/12/2018
Deferred tax expense (income) on fair value of hedging instruments entered into for cash flow hedges	361	616
Deferred tax expense (income) on DB pension plans	(1,744)	1,835
Deferred tax expense (income) arising from the future reduction in tax rate	(6,547)	0
Deferred tax (income) on revaluation gain	2,348	0
	(5,582)	**2,451**
Total income tax in other comprehensive income	**(5,582)**	**2,451**

As a reminder, temporary differences on assets and liabilities whose changes are recorded under other comprehensive income were also recorded in this item as required by the IAS 12 standard - Income tax (on this point, please refer to the IFRS 2014 and 2015 annual reports for more details).

Deferred taxes recorded on the change in fair value of cash flow hedging instruments (hedging swaps outstanding at the end of 2019), for which a favourable fair value measurement resulted in a downward change in the deferred tax asset recognised at the end of 2019, generated a deferred tax expense of €0.3 million (see note 27).

Deferred tax on defined benefit pension plans relates to actuarial differences that have evolved unfavourably in 2019, generating a deferred tax income of € 1.7 million.

As result of the tax reform in Belgium; tax rates have decreased from 33.99% in 2017 to 29.58% in 2018 and 2019 and to 25% from 2020 onwards. This tax reform led to the recognition of a deferred tax income of €6.5 million.

Following the acquisition of Gaselwest (see Highlights), the Group recognized a deferred tax expense on the capital gain on tangible assets of €2.3 million.

Note 24 – Deferred taxes (in thousands of €)

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

	Assets		Liabilities		Net	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Intangible assets	0	0	(4,378)	(4,732)	(4,378)	(4,732)
Tangible assets	0	0	(78,774)	(84,328)	(78,774)	(84,328)
Tangible assets – revaluation	0	0	(195,369)	(204,761)	(195,369)	(204,761)
Tangible assets – lease	0	0	0	0	0	0
Other non-current assets	0	0	(855)	(1,722)	(855)	(1,722)
Trade receivables and other receivables	2,115	2,242	0	0	2,115	2,242
Other current asset	6,891	10,691	0	0	6,891	10,691
Borrowings	0	0	(517)	(625)	(517)	(625)
Provisions for employee benefits	25,195	15,120	0	0	25,195	15,120
Other provisions	0	0	0	(34)	0	(34)
Other non-current liabilities	1,344	1,158	0	0	1,344	1,158

Other current liabilities	0	0	(754)	(671)	(754)	(671)
Total temporary differences	**35,544**	**29,211**	**(280,647)**	**(296,873)**	**(245,103)**	**(267,662)**
Deferred tax assets (liabilities)	**35,544**	**29,211**	**(280,647)**	**(296,873)**	**(245,103)**	**(267,662)**
Compensation[1]	(35,544)	(29,211)	35,544	29,211	0	0
Total net	**0**	**0**	**(245,103)**	**(267,662)**	**(245,103)**	**(267,662)**

2. Changes recorded in the deferred tax balances

	Opening balance	Recorded in the profit and loss statement	Recroded under other comprehensive income	Recorded directly under equity	Recorded through business combination	Closing balance
Temporary differences						
Intangible assets	(4,732)	354	0	0	0	(4,378)
Tangible assets	(84,328)	5,555	0	0	0	(78,774)
Tangible assets - revaluation	(204,761)	5,193	0	4,199	0	(195,369)
Tangible assets - lease	0	0	0	0	0	0
Other non-current assets	(1,722)	867	0	0	0	(855)
Trade receivables and other receivables	2,242	(127)	0	0	0	2,115
Provisions for employee benefits	10,691	(3,801)	0	0	0	6,891
Other provisions	(625)	108	0	0	0	(517)
Other non-current liabilities	15,120	8,081	1,744	0	251	25,195
Other current liabilities	(34)	34	0	0	0	0
Other non-current liabilities	1,158	0	185	0	0	1,344
Other current liabilities	(671)	463	(547)	0	0	(754)
	(267,662)	**16,727**	**1,382**	**4,199**	**251**	**(245,103)**

1 Under IAS 12 - Income Taxes, deferred tax assets and liabilities must, under certain conditions, be offset when they relate to income taxes levied by the same tax authority.

3. Deferred taxes recorded in the consolidated statement of financial position

	31/12/2019	31/12/2018
Deferred tax assets	0	0
Deferred tax liabilities	(245,103)	(267,662)
	(245,103)	**(267,662)**

Note 25 – Subsidiaries

Summary of subsidiaries

	Country of incorporation	Proportion of ownership interest	Proportion of voting power held	Reporting period	Principal activity
ORES sc	Belgium	99.72%	99.72%	December	Energy network operator
Comnexio sc	Belgium	93.0%	93.0%	December	Contact centre

ORES sc's shareholding is made up as follows:

	% Participation 2019	Number of shares	% Participation 2018	Number of shares
ORES Assets	99.72%	2,453	99.72%	2,453
Idefin	0.04%	1	0.04%	1
IPFH	0.04%	1	0.04%	1
Finest	0.04%	1	0.04%	1
Sofilux	0.04%	1	0.04%	1
Finimo	0.04%	1	0.04%	1
IPFBW	0.04%	1	0.04%	1
IEG	0.04%	1	0.04%	1
	100.00%	**2,460**	**100.00%**	**2,460**

Comnexio sc's shareholding is made up as follows:

	% Participation 2019	Number of share 2019
ORES Assets	93%	93
Idefin	1%	1
IPFH	1%	1
Finest	1%	1
Sofilux	1%	1
Finimo	1%	1
IPFBW	1%	1
IEG	1%	1
	100%	**100**

In 2013, ORES Assets sold 7 shares in ORES sc to the purely financing intermunicipal companies (IPFs) as well as one share to RESA (formerly Tecteo). This resulted in non-controlling interests being recorded in the consolidated financial statements for a total of €31,000.

In 2017, following RESA's complete takeover of the system operator's activities for the centre of the city of Liège, the share owned by RESA was sold to ORES Assets, thus reducing the non-controlling interests by €4,000.

In 2019, ORES Assets created the company Comnexio sc, in partnership with IPF. 7 of the 100 shares in Comnexio sc are held by the IPFs, which resulted in the recognition of a non-controlling interest of €53,000 in the IFRS consolidated accounts.

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

There is no investment in which we own less than 50% of the voting rights but that is 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 the repayment of loans and prepayments.

Note 26 – Investment in associates (in thousands of €)

Summary of associated companies

	Country of incorporation	Proportion of ownership interest	Proportion of voting power held	Fair value of the investment in associates[1]	Principal activity
Atrias sc	Belgium	16.67%	16.67%	N/A	Metering IT support to ORES economical group, EANDIS economical group and other GRDs in Belgium (Sibelga, RESA,…)

Changes in investment in associates

	31/12/2019	31/12/2018
Balance at 1 January	**3**	**3**
Acquisition of investment		
Disposal of investments		
Balance at 31 December	**3**	**3**
Goodwill included in carrying amount of investments in associates		

Summary of financial information

	Atrias	
	31/12/2019	31/12/2018
Sales and other operating income	27,141	21,575
Profit (loss) before interest and taxation	183	241
Financial profit/loss	(120)	(185)
Profit (loss) before taxation	63	58
Taxation	(63)	(58)
Profit (loss) for the year	**0**	**0**
Group's share of the profit (loss) generated by associated companies		

1 For which there are published quoted prices.

	Atrias	
	31/12/2019	31/12/2018
Non-current assets	53,560	44,496
Current Assets	14,633	8,909
Total Assets	**68,193**	**53,405**
Non-current liabilities		
Current liabilities	68,174	53,386
Total Liabilities	**68,174**	**53,386**
Net assets	**19**	**19**
Group's share of net assets	3	3
Loans made by group companies to associates	10,768	7,955

Note 27 - Fair value of financial instruments (in thousands of €)

Analysis of the financial instruments valued at their fair value by fair value hierarchy

This table excludes borrowings, which are detailed in Note 16.

	31/12/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Collar – CAP		1,181		1,181		5,239		5,239
Swap		2,238		2,238		1,648		1,648
Unlisted equity instruments		17		17		629		629
Trade receivables		135,172		135,172		135,915		135,915
Other receivables		64,140		64,140		51,326		51,326
Total financial assets	**0**	**202,749**	**0**	**3,437**	**0**	**194,757**	**0**	**194,757**
Financial liabilities								
Trade payables		157,069		157,069		166,178		166,178
Other payables		54,660		54,660		48,810		48,810
Interest rate swaps		6,077		6,077		7,523		7,523
Total financial liabilities	**0**	**217,806**	**0**	**217,806**	**0**	**222,511**	**0**	**222,511**

The hierarchy used to determine the fair value of financial instruments by valuation technique is as follows:

- **level 1** - Listed (unadjusted) price on active markets for identical assets or liabilities;
- **level 2** - Input other than the listed prices mentioned in level 1, which is observable for the asset or liability in question, either directly (namely the prices) or indirectly (namely input derived from prices);
- **level 3** - Input relating to the asset or liability that is not based on observable market data (unobservable input).

Description of the methods used to assess the determine the fair value of derivative instruments

- **For derivative financial instruments:** The fair value is determined on the basis of estimated future cash flows depending on interest rate curves.
- **For commercial receivables and debts as well as other receivables and debts:** The fair value is assumed to be the same as their book value given their short-term maturity.

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

Note 28 – Derivative instruments (in thousands of €)

Summary of derivative financial instruments

	Positive fair values	
	31/12/2019	31/12/2018
Derivative instruments used in cash flow hedges		
Interest rate CAP	1,181	5,239
Inflation rate swaps	2,238	1,648
	3,420	**6,887**
of which: non-current	3,420	6,887
of which: current		

	Negative fair values	
	31/12/2019	31/12/2018
Derivative instruments used in cash flow hedges		
Inflation rate swaps	6,077	7,523
	6,077	**7,523**
of which: non-current	5,374	4,632
of which: current	703	2,891

The following table summarizes the interest rate swap contracts designated in a hedging relationship as at December 31, 2019

	Interest rate at the closing date		Notional principal amount		Fair value of the instrument		Variation of the fair value used to calculate the hedge ineffectiveness	Maturity	Variable rate item (hedged)
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019		Emprunts
SWAP		3.56%	0	81,798	0	2,891	(2,891)	31/12/2019	Borrowing 3 - FP50 2008
SWAP	2.33%	2.33%	25,000	25,000	703	1,339	(636)	31/12/2020	Borrowing 4 - MP FP 2010
SWAP	0.42%	0.42%	40,000	40,000	1,128	602	526	29/12/2023	Borrowing 9 - MP ORES 2016 - Lot 1
SWAP	0.54%	0.54%	50,000	50,000	1,679	637	1,042	30/12/2024	Borrowing 10 - MP ORES 2016 - Lot 2
SWAP	0.66%	0.66%	30,000	30,000	1,457	563	894	31/12/2025	Borrowing 11 - MP ORES 2016 - Lot 3
SWAP 2011_ SWA-P10a	1.725% and 1.83%	1.725% and 1.83%	18,922	18,922	408	750	(342)	31/12/2021	MP 2011
SWAP 2006	2.20%	2.20%	8,504	8,504	702	741	(39)	31/12/2026	IGH_2006
			165,055	**254,224**	**6,077**	**7,523**	**(1,446)**		

Description of the hedging policy within the Group

With a view to managing interest rate risks, the Group uses derivatives such as interest rate swaps (variable rates to fixed rates), caps and collars (combination of caps and floors). Debt management and market data are carefully monitored within the Group. No derivatives are used for speculative purposes

Given the significant proportion of variable rate debt instruments in the portfolio (see Note 16 between 2017 and 2018), the Group has taken out several interest rate caps with a fair value at end 2019 of €1.2 million to hedge against a possible increase in variable rates in the coming years. After analysis, the Group has decided not to apply hedge accounting, the change in their fair value is therefore recorded in the income statement for the period.

At the end of 2018, the Group also contracted swaps hedging the future inflation risk on our operating expenses with a fair value of € 2.2 million at the end of 2019 compared to € 1.7 million at the end of 2018. After analysis, the Group decided not to apply hedge accounting for this instrument, the change in its fair value is therefore recorded in the income statement for the period.

Concerning interest rate swaps, as short-term rates remained fairly stable during 2019, the main explanation for the positive change in the fair value of the swaps (+ €1.4 million) lies firstly in the fact that those in the portfolio at the end of 2019 have a lower negative fair value than in 2018, as their maturity is approaching and an additional year of interest expense has been recorded in the income statement this year, and secondly in the fact that the overall level of interest rates continued to deteriorate over 2019.

Other notes to the financial statements

Note 29 – Related parties (in thousands of €)

The transactions shown below are those carried out with all related parties (apart from parties with consolidated links), including:

1) majority shareholders and all companies controlled directly or indirectly by them

(2) shareholders with a significant influence;

(3) companies with which there is a shareholding connection and joint ventures;

(4) the Group's key employees;

(5) other parties with significant links.

		Amounts receivable		Amounts payable		Statement of comprehensive income				
Name of related party 31/12/2019	Type of relationship	After one year	Within one year	After one year	Within one year	Turnover	Other operating income	Cost of sales	Other operating expenses	Financial income
Atrias	Sharehol-der funding Accounting services	10,768								23
Atrias - Customer	IT services - Projects		29				142			
Atrias - Supplier	Call center				611				(3,656)	
N-Allo	Road fees				22				(2,734)	
		10,768	**29**	**0**	**633**	**0**	**142**	**0**	**(6,390)**	**23**

Name of related party 31/12/2018	Type of relationship	Amounts receivable		Amounts payable		Statement of comprehensive income				
		AFTER ONE YEAR	Within one year	AFTER ONE YEAR	Within one year	Turnover	Other operating income	Cost of sales	Other operating expenses	Financial income
Atrias	Shareholder funding	7,955								36
Atrias - Customer	Accounting services		28				139			
Atrias - Supplier	IT services - Projects				589				(5,852)	
N-Allo	Call center				555				(5,574)	
		7,955	**28**	**0**	**1,144**	**0**	**139**	**0**	**(11,426)**	**36**

In terms of bank loans, we should point out that the Walloon municipalities, as well as the private partner, have guaranteed some loans worth a total of €474.95 million, so 20.75% of the total bank debt at the end of 2019 (compared with €530.6 million at the end of 2018). The private partner will release itself from its guarantees (following its withdrawal from the capital of ORES Assets on 31 December 2016) in accordance with a timetable that is yet to be defined.

Employee benefits to key management personnel	31/12/2019	31/12/2018
Short term employee benefits	2,132	2,048
Post employment benefits		
Present value defined benefit obligation (defined benefit plan)	7,189	4,541
Net pension cost for the period	360	171
Termination benefits	0	0
Other long-term benefits		
Present value defined benefit obligation (defined benefit plan)	77	44
Net pension cost for the period	3	2
	9,761	**6,806**

Management staff are made up of members of ORES sc's Board of Directors and members of ORES sc's Management.

Note 30 - Events after the end of the reporting period (in thousands of €)

Type	Estimated financial impact	
	Financial position	Comprehensive income
Dividends proposed to the ORES Assets General Meeting of shareholders that will take place in 2020	70,080	
	70,080	**0**

On 31 December 2019, the Walloon Government adopted an order requiring distribution networks operators to take appropriate measures to avoid charging the "prosumer" tariff from 1 January to 30 April 2020. In order to comply with this order, ORES continued the discussions initiated with the regulator, suppliers and other Walloon distribution networks operators at the end of 2019. At the end of January, these discussions resulted in the distribution networks operators not billing this tariff during the first four months of 2020 and the suppliers not billing this tariff to prosumers in the regularisation invoices. The estimate of this lack of invoicing on the turnover of ORES Assets amounts to €15 million. Given the crisis linked to COVID-19, this four-month period could be extended.

On 14 February 2020, CWaPE considered that the arguments put forward by ORES Assets in the complaint under review against the regulator's decision of 19 November 2019 declaring the termination of the specific project to deploy ORES Assets' communicating meters were not such as to justify a reversal of its decision and therefore confirmed the withdrawal of the supplementary envelope. On 19 February 2020, ORES Assets appeal before the Market Court against these two CWaPE decisions.

The month of February put the ORES teams on alert, whether in the call centre, in the field, in the central dispatching and in the manoeuvre coordination posts. The storms Ciara, Denis and Ellen which hit Wallonia over three successive weekends caused major damage to the overhead electrical infrastructure on the distribution network, causing numerous outages among customers. Thanks to the strong mobilisation and commitment of all services, these outages were limited in time and the power supply was restored as quickly as possible. In often difficult conditions, the operations were carried out professionally and with priority given to the need for safety for all. No industrial accidents were reported during this intense period.

From mid-March 2020, in the context of the measures adopted by the National Security Council and the Walloon Government to fight the COVID-19 virus, ORES has taken a series of measures designed, on the one hand, to safeguard the health of its staff and that of its customers and, on the other hand, to guarantee the exercise of its public service missions in these exceptional circumstances. These measures include the generalisation of teleworking for eligible employees, the cancellation of all non-urgent technical work and activities, the maintenance of a supervised physical reception area for customers with budget meters and targeted information on the emergency measures taken for these customers, and finally, the appropriate organisation of on-call services ensuring the repair of breakdowns and gas leaks, the handling of network incidents and any work that may be necessary to preserve access to energy 24 hours a day and 7 days a week. During the period of preparation of this report by the Board of Directors, it is premature to attempt to assess the impact of COVID-19 on the Group's activities, financial results and cash flow in 2020. The Group recalls that its activities are governed by a regulatory framework that ensures that the DSO receives the authorized revenue (including the fair profit margin) and the possibility of recovering the differences related to differences in volume with the tariffs for the following year, depending on their verification by the regulator (in principle two years after their occurrence). The potential drop in the DSO's revenue collection resulting from COVID-19 that could impact the Group's liquidity would therefore be temporary.

Liquidity is, moreover, the subject of even greater attention during this crisis. It also follows that ORES does not expect any significant impact on the 2020 financial results, even if many investments are postponed.

Note 31 – Managing financial risks (in thousands of €)

1. Credit risk

General description of how the credit risk is managed

The credit risk is the risk that the debtor will not fulfil its original obligation to repay a "credit". The different components are the counterparty risk, the liquidity risk, the risk associated with the debtor's activity or structure, the sector risk, the financial risk and lastly the political risk.

The Group responds to the credit risk in different ways. In terms of cash flow and investments, the Group's cash surplus is either invested with financial institutions, or in the form of diversified commercial papers with banks or companies fulfilling strict selection criteria.

In terms of trade receivables, it is important to distinguish between:

- receivables connected to transit fees for which the Group secures bank guarantees and carries out balance sheet analyses before determining the payment terms granted;
- receivables connected to public service obligations (supplying energy) and work for which the Group uses collection agencies.

Details of the maximum credit risk

	31/12/2019	31/12/2018
Derivatives financial assets	3,420	6,887
Trade receivables and other receivables	199,312	187,240
Unlisted equity instruments	17	628
Cash and cash equivalents	117,800	115,797
	320,549	**310,552**

2. Liquidity risk

The liquidity risk is the risk that an entity will have difficulty fulfilling its obligations connected to financial instruments.

The liquidity risk is related to the Group's need to secure the external funding needed, among other things, to complete its investment programme as well as for the refinancing of existing financial debts

The financing policy is based on covering the funding needs for the current year and maintaining a cash surplus. This last point and the diversification of sources of financing help the Group limit its liquidity risk

ORES has short-term financing capacity through its commercial paper programme, the financing agreement with the European Investment Bank and the renewed credit line for an amount of €50 million for a 12-month period until May 2020; the liquidity risk can be considered to be virtually nil. Cash management allows to limit market, asset structure and liquidity risks. The management bodies have implemented a prudent investment policy based on diversification and the use of products with limited credit and interest rate risk. ORES is attentive to the problem of negative interest rates in the management of its cash flow.

In terms of maintaining a cash surplus, the Group had €117.8 million in cash as at 31 December 2019 (compared with €115,8 million at the end of 2018) – see note 14.

Details of loans taken out by the Group are included in note 16.

Maturity analysis (based on undiscounted future cash flows)

31/12/2019	Amount recorded	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Derivatives financial assets	3,420				3,420			3,420
Trade receivables and other receivables	199,312	199,312						199,312
Financial assets held for sale	17						17	17
Cash and cash equivalents	117,800	117,800						117,800
Total assets	**320,549**	**317,112**	**0**	**0**	**3,420**	**0**	**17**	**320,549**
Derivatives financial liabilities	6,077	1,795	1,693	1,151				4,639
Borrowings	2,300,957	306,225	596,638	324,125	930,356	461,644		2,618,988
Trade debts and other debts	211,729	211,729						211,729
Total liabilities	**2,483,466**	**485,114**	**712,314**	**448,498**	**714,689**	**454,461**	**0**	**2,815,076**
Total liquidity risk	**-2,162,917**	**-168,002**	**-712,314**	**-448,498**	**-711,269**	**-454,461**	**17**	**-2,494,527**

31/12/2018	Amount recorded	< 1 year	>1 and <3 years	>3 and <5 years	>5 and <15 years	>15 years	No maturity date	Total
Derivatives financial assets	6,887			1,648	5,239			6,887
Trade receivables and other receivables	187,241	187,241						187,241
Unlisted equity instruments	629						629	629
Cash and cash equivalents	115,797	115,797						115,797
Total assets	**310,554**	**303,038**	**0**	**0**	**1,585**	**0**	**629**	**305,252**
Derivatives financial liabilities	7,523	2,891	2,089	1,239	1,304			7,523
Borrowings	2,237,164	265,325	709,862	448,502	715,167	454,461		2,593,317
Trade debts and other debts	214,988	214,988						214,988
Total liabilities	**2,483,466**	**485,114**	**712,314**	**448,498**	**714,689**	**454,461**	**0**	**2,815,076**
Total liquidity risk	**-2,172,912**	**-182,076**	**-712,314**	**-448,498**	**-713,104**	**-454,461**	**629**	**-2,509,824**

3. Market risk

The market risk is the risk that the fair value or future cash flows from a financial instrument fluctuates due to changes in market prices. The market risk encompasses three kinds of risk:

- exchange rate (exchange rate risk) - not applicable to the Group;
- market interest rate (interest rate risk);
- market price (for example: share prices, commodity prices) - not applicable to the Group.

The Group's activities essentially expose it to the financial risks associated with interest rate fluctuations.

Interest rate risk

The Group has established a policy to manage the interest rate risk based on finding a balance between fixed rate and variable rate loans. To manage the risk of volatile interest rates, it uses hedging derivatives (swaps, caps, collars and rat structures) depending on the market situation. The value of these instruments mainly depends on interest rate fluctuations. The portfolio is managed centrally within the Group and all positions are reviewed periodically.

Sensitivity analysis

Description of the method and hypotheses used for our sensitivity test

The interest rate to be used before any change in margin will be calculated as follows:

We take the latest rates on the last working day for the period in question (31/12) and we calculate the average Euribor (Euribor 1, 3, 6, 12 months) and swap rates (for a period of 1 to 30 years). On 31 December 2019, the average Euribor rate remained negative at -0.349% (-0.26% at the end of 2018) and the average swaps rate was 0.106% (0.59% at the end of 2018).

On the basis of these averages, we recalculate the cash flow as at 01/01/N+1

We then simulate the impact of an increase of 50 basis points on the rate calculated below. We do the same by simulating the impact of a reduction of 50 basis points on the rate curve calculated below.

The impact in each column is measured on 2 levels (in thousands of €):

- Impact on profit before tax (for all products): this column represents the difference between the simulated financial expenses compared to the financial expenses calculated at the end of the reporting period according to the average rate (positive = gain; negative = loss).
- On equity: this column represents the difference be-tween the book value calculated at the end of the re-porting period based on the average rate compared to the simulated book value (outstanding capital or market value) – (positive = gain; negative = loss).

	+ 50 basis points		- 50 basis points	
	Impact on profit/ loss before taxes	Impact on equity	Impact on profit/ loss before taxes	Impact on equity
31/12/2019				
Loan	-3,215		2,589	
Cap		7,565		1,727
Swap	724	201	-517	-7,549
	-2,491	**7,766**	**2,072**	**-5,822**
31/12/2018				
Loan	-3,976		2,462	
Cap		3,517		-2,337
Swap	926	-4,191	-494	-15,340
	-3,050	**-674**	**1,968**	**-17,677**

An increase of 50 basis points would decrease our pre-tax income by €2.5 million and increase our shareholders' equity by €7.8 million, while a decrease of 50 basis points would increase our income by €2 million but would have a negative impact of €6 million on our shareholders' equity.

4. Capital risk management

The Group's share capital represents the capital of ORES Assets, the manager of the electricity and gas distribution networks in Wallonia. In 2012, it was represented by the eight Walloon mixed intercommunal companies IDEG scrl, I.E.H. scrl, I.G.H. scrl, Interest scrl, Interlux scrl, Intermosane scrl, Sedilec scrl and Simogel scrl, which merged on 31 December 2013 to form ORES Assets scrl. This merger was effective from an accounting point of view with retroactive effect from 1 January 2013.

The capital of ORES Assets is made up of a fixed part (fully subscribed and paid up, set at €148,800) and a variable part (also fully subscribed and paid up). Until 31 December 2018, the fixed part of the capital is represented by A shares, the variable part is represented by A shares and R shares, which are both capital shares. The A shares comprise voting rights

and the right to dividends, whereas the R shares only give the holder the right to (priority) dividends without the right to vote. Since 1 January 2019, following the conversion of R shares into A shares as part of the optimisation of shareholders' equity and the new dividend policy, the fixed and variable parts of the capital are represented solely by A shares. This single type of capital share includes the right to vote and the right to dividends.

The decision to increase or reduce the fixed part of the capital falls within the competence of the General Meeting. The variable part of the capital varies according to the admission or exclusion of partners and other increases or reductions of variable capital. The variable capital may be increased or reduced by decision of the Board of Directors and does not require an amendment to the Articles of Association, but the repayment of capital shares requires a decision of the General Meeting. In the event of a capital increase, the new shares shall be offered for subscription to the associates in proportion to their share in the share capital.

An intermunicipal association must have at least two communes among its associates; there are 200 in ORES Assets. Any other legal entity under public law as well as legal entities under private law may also be members of an intermunicipal association.

ORES Assets was a so-called "mixed" intermunicipal association until 31 December 2016, given that its capital was partly held by municipalities (located in Wallonia) directly or indirectly via a purely financial intermunicipal association (7 in number, Idefin, IPFH, IEG, IPFBW, Finimo, Finest and Sofilux) and the balance by a private partner (Engie/ Electrabel).

Following the withdrawal of the latter on 31 December 2016, the capital shares are held 100% by municipalities and the seven pure financing intermunicipal companies.

The regulatory environment in which the Group operates is described in note 3.A.15 of the accounting policies. The authorized percentage return determined by the regulations takes into account a normative ratio of 47.5% equity and 52.5% debt. The articles of association of ORES Assets state that a ratio of 30% of equity to total assets must be maintained (calculated on the basis of the statutory accounts drawn up in accordance with Belgian accounting standards). It is also important to note that, as part of the equity optimisation operation referred to above, the partners have undertaken to maintain this ratio at 40%.

3. Accounting policies

A. Main accounting policies

The main accounting policies used by the Group to prepare its consolidated financial statements are described below.

A.1. Basis of preparation

Statement of compliance

The consolidated accounts include the Group's consolidated financial statements for the year ending on 31 December 2018. The Group's consolidated financial statements have been prepared on a voluntary basis and in accordance with IFRS (International Financial Re-porting Standards) as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, apart from derivative financial instruments which are valued at their fair value.

Functional and presentation currency

The consolidated financial statements are expressed in thousands of Euros. The Euro is the functional currency (currency of the economic environment in which the Group 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 ending on 31 December 2019.

New standards and interpretations applicable for the annual period starting on or after 1 January 2019

- IFRS 16 Leases
- IFRIC 23 Uncertainty about the Treatment of Income Taxes
- Amendments to IAS 19 Amending, Reducing or Terminating a Plan
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 Early Redemption Features with Negative Remuneration
- Annual Improvements to IFRSs 2015-2017 cycle

With the exception of IFRS16 (see below), the application of these standards did not have a material impact on the Group.

Standards and interpretations issued but not yet applicable for the annual period starting on or after 1 January 2019

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2022, but not yet adopted at European level)
- Amendments to IAS 1 and IAS 8 Amendment to the definition of 'material' (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet adopted at European level)
- Amendments to IFRS 9, IAS 39 and IFRS 7 Reform of benchmark interest rates (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to references to the Conceptual Framework for Financial Reporting under IFRS (applicable for annual periods beginning on or after 1 January 2020)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet adopted at European level)

The Group has not anticipated the application of any new standards or interpretations published but not yet effective and does not expect any significant impact upon application of these new standards or interpretations.

A.2.1 First-time adoption of IFRS 16 - Leases

IFRS 16 Leases replaces the existing guidance on leases, including IAS 17 Leases and related interpretations, with effect from 1 January 2019. IFRS 16 provides principles for the identification, recognition, measurement, presentation and disclosure of leases by adopting a single model for the

balance sheet recognition of all leases within the scope of the new standard.

The ORES Group has applied IFRS 16 as at 1 January 2019 using the modified retrospective method as proposed by the transitional provisions of the standard, recognising the cumulative effect of the initial application of this standard as an adjustment to the opening balance of retained earnings.

New definition of a lease contract according to IFRS 16 Leases

IFRS 16 defines a single model for lease accounting based on a new definition of a lease based on the concept of control.

To determine whether a lease conveys the right to control the use of a particular asset for a fixed period of time, an entity shall assess whether, throughout the lease term, it has the right to control the use of the asset:

- the right to obtain substantially all the economic benefits from the use of the specified asset; and
- the right to decide on the use of the specified property.

For the determination of the lease term of the contracts, any renewal or termination options were considered as required by IFRS 16, taking into account the probability of exercising the option and also whether the exercise of the option is under the control of the lessee.

Impact on lessee accounting for leases

IFRS 16 changed the accounting treatment of leases that were previously classified as operating leases under IAS 17 and therefore accounted for as off-balance sheet items.

Upon first-time adoption of IFRS 16, for all leases falling within the scope of the new definition of a lease, with the exception of the following items, the ORES Group:

- recognises assets for the right of use and lease liabilities in the consolidated financial statements, initially estimated at the present value of future payments;
- recognises depreciation of the right-of-use assets in the consolidated income statement over the estimated term of the lease;
- separates the total amount of royalties paid into a principal portion to reduce lease liabilities and a portion for interest recognized in the income statement.

In accordance with the exemption provided by IFRS 16, for leases with terms not exceeding 12 months or contracts relating to low-value assets, the ORES Group recognises a lease expense directly in the consolidated income statement.

Impact of IFRS 16 Leases on the ORES Group's financial statements

The Group has lease agreements covering buildings, optical fibres and vehicles.

The Group has measured the lease liability under leases previously classified as operating leases at the present value of the remaining lease payments, determined using the marginal borrowing rate. Lease liability amounted to € 11.3 million, as detailed below (situation at 1 January 2019) for a weighted marginal borrowing rate of 2.5%.

As of January 1, 2019, lease liabilities are allocated as follows:

Buildings	Optical fibres	Vehicles	Total
3,489	4,468	3,360	11,317

Assets recognized for the right of use are equal to liabilities. Consequently, there is no impact on opening equity at 1 January 2019.

The reconciliation of the opening balance of lease liabilities as of January 1, 2019 is based on operating lease commitments as of December 31, 2018 and is as follows:

		k€
Total future payments under non-cancellable operating leases (undiscounted) as at December 31, 2018 (note 22 in the 2018 annual report)	A	17,770
Impact of discounting	B	(2,527)
Contracts excluded from IFRS 16 (short term and low value)	C	(3,926)
Additional lease liabilities (discounted) at 1 January 2019	**A+B+C=D**	**11,317**
Liabilities under finance leases existing at 31 December 2018 - discounted	E	0
Lease liabilities at 1 January 2019	**D+E**	**11,317**

A.3. Consolidation principles

The eight Walloon mixed intermunicipal companies merged on 31 December 2013 with retroactive effect from 1 January 2013, giving rise to ORES Assets sc (hereinafter referred to as «GRD» or ORES Assets). ORES Assets is therefore an electricity and gas distribution network operator (hereinafter referred to as a «DSO») in Wallonia which, as of 31 December 2019, holds, on the one hand (in addition to the few shares held by the IPFs) exclusive control of its subsidiaries ORES sc and Comnexio sc, and which, on the other hand, has significant influence over its subsidiary Atrias sc. For the preparation of the Group's consolidated financial statements, ORES Assets has therefore fully consolidated the first two subsidiaries, while the third is consolidated using the equity method.

The Group's consolidated financial statements include all of the financial statements for the entities that it controls (its subsidiaries). According to IFRS 10, three cumulative conditions need to be fulfilled in order to have control over an entity:

- the Group has power over the entity in question;
- it is exposed, or has rights, to variable returns from its involvement with the entity;
- it has the capacity to use its power over the entity to allocate the entity's total returns.

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

Subsidiaries are entities controlled by the Group, and are fully consolidated from the moment that the existence of control has been established and until this control comes to an end.

Associated companies are companies over which the Group exercises significant influence, but that it does not control. They are consolidated according to the equity method from the date on which the significant influence is established and until this influence ends.

A joint venture is a separate entity over which the parties that have joint control over the entity have rights to the entity's net assets. They are consolidated according to the

equity method from the date on which the joint control is established and until this joint control ends.

Intragroup balances and transactions, as well as any profits resulting from intragroup transactions, are totally eliminated during the consolidation process for preparing 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. The goodwill represents the difference between the acquisition cost plus any minority interests and the fair value of the acquired net asset. The goodwill is allocated to cash generating units and is not amortised, but is the subject of an impairment test at the end of each reporting period.

A.5.Intangible assets

Intangible assets are accounted for if and only if it is probable that the future economic advantages attributable to the assets will go to the Group and if the cost of these assets can be valued reliably.

Intangible assets are initially valued at their cost. The cost of an intangible asset generated internally is equal to the sum of the expenses incurred from the date on which this intangible asset fulfils the accounting criteria stipulated by IAS 38. It includes all directly attributable costs needed to create, produce and prepare the asset for which it can be used as intended by management. If an intangible asset is acquired within the context of a business combination in accordance with IFRS 3, the cost of this intangible asset is measured at its fair value on the acquisition date.

After they are first accounted for, intangible assets are accounted for at their cost less total amortisation and total impairments. Intangible assets are amortised according to the straight-line method over the estimated useful life of the asset.

Amortisation begins when the asset is operational as intended by management.

	Useful life
Computer software	10 years
Development	5 years

Computer software

Software licences acquired by the Group are recorded at their acquisition cost, less accumulated amortisation and accumulated impairment losses. Software developed internally is recorded at its cost plus development fees if the criteria stipulated by IAS 38 are met.

The useful life has increased from 5 years to 10 years in 2019 given the importance of new IT projects and their expected lifespan.

Research and development costs

Research costs, if they occur, are recorded as expenses in the period during which they were incurred. Development costs are recorded as assets when the criteria for recognising an intangible asset defined by IAS 38 are met. An intangible asset that comes from the development activity is then amortised using the straight-line method over its useful life and reduced by any impairments.

A.6. Tangible assets

As a general rule, the Group is the owner of tangible assets including network installations, buildings, land, vehicles (fleet) and tools.

Tangible assets are initially accounted for as assets at their acquisition or production cost if and only if it is probable that the future economic advantages associated with this element will go to the Group and if the cost of these assets can be valued reliably. The cost of a tangible fixed asset includes its purchase or production price, any cost directly attributable to moving the asset to where it is going to be used and making sure it is operational, as well as the initial estimate of costs relating to dismantling and removing

the asset and returning the site at which it is based to its original state, as required.

Transfers of assets from clients related to network connections are deducted from the value of tangible assets to which they relate and are no longer recognized as assets. Their recognition would immediately lead to an impairment loss. Consequently, they no longer meet the criteria for initial recognition as they do not generate future economic benefits. They are therefore no longer included in sales in application of IFRS 15 as of January 1, 2019.

After they are first accounted for at their historic cost, tangible assets owned by the Group are depreciated on the basis of the straight-line method and included on the balance sheet at their cost less total depreciation and impairments. Depreciation of a tangible asset begins when the asset is at the location and in the state needed for it to be used as intended by management. The components of a tangible fixed asset with high costs and different useful lifespans are accounted for separately. Land is not depreciated.

At the end of each reporting period, the Group disposes of the tangible assets that are no longer in use. The book value of tangible assets that have been disposed of is then derecognised

Since 2003, at the same rhythm that the electricity and natural gas markets have been liberalised, the intermunicipal companies active in these areas have refocused their activities, essentially on the role of electricity and gas distribution system operator, a monopolistic activity for which there is a regulatory framework made up mainly of tariff methodologies.

Combined electricity and gas distribution system operators (which became ORES Assets scrl in 2013) with a technical inventory justifying the value of the tangible assets could establish the initial value of the capital invested as at 31 December 2002 based on the economic value of this inventory. The initial values were formally approved by the competent regulator and then confirmed in 2007 on the basis of the values as at 31 December 2005 for electricity and 31 December 2006 for natural gas. The capital gain recorded is the difference between the value of the IRAB as approved by the regulator and the book value of the tangible assets on the same dates.

The value of the regulated asset is critical in determining the fair margin attributed to the DSO for a given year, and therefore the tariffs applicable to a given regulatory period. A full description of the regulation mechanism can be found in chapter A.15 below.

The 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 tangible assets for the sector in which the Group is evolving. The residual value is always assumed to be zero at the end of the useful life of a tangible fixed asset. The table below provides details of the depreciation rate:

Tangible assets	Depreciation rate
Land	0%
Industrial buildings	3% (33 years)
Administrative buildings	2% (50 years)
Gas pipes	2% (50 years)
Cables	2% (50 years)
Lines	2% (50 years)
Optical fibre cable sheath signalling network	4% (25 years)
Poles and cabins (electricity and gas)	3% (33 years)
Connections transformers	3% (33 years)
Connections – lines and cables	2% (50 years)
Measuring equipment	3% (33 years)
Electronic meters, budget meters, automatic meters	10% (10 years)
Low-voltage Smart electric meters	6.67% (15 years)
Low pressure Smart gas meters	6.67% (15 years)
Signalling network (smart equipment)	10% (10 years)
Remote control, lab and dispatching equipment	10% (10 years)
Teletransmission and optical fibres	10% (10 years)
Furniture and tooling	10% (10 years)
Vehicles (to transport people and goods)	20% (5 years)
Mobile equipment	10% (10 years)
Administrative equipment (IT equipment)	33% (3 years)

A.7. Impairments of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may have suffered an impairment loss. If there are any such indications, the Group then estimates the recoverable value of the asset. An asset is impaired when its book value is higher than its recoverable value. The recoverable value of an asset or a cash generating unit (CGU) is either its fair value less sale costs or its value in use, whichever is higher. If it is not possible to estimate the recoverable value of an individual asset, the Group takes the recoverable value of the CGU to which the asset belongs.

Cash generating units are defined as groups of assets that generate cash flows that are predominantly independent from other groups of assets. As the Group is organised into seven operating segments with a distinction between electricity and gas within these, the Group has defined these CGUs as the assets and liabilities of an operating segment for a given energy (electricity or gas).

At the end of each reporting period, the Group assesses whether there are any indications that an impairment re-

corded during previous periods for an asset other than a goodwill may no longer exist or have decreased. If there are any such indications, the Group estimates the recoverable value of the asset. If the new book value of this asset is higher due to the reversal of an impairment, it cannot be higher than the book value that would have been calculated, net of amortisation, if no impairment had been recorded for that asset during previous years. Impairment losses on the goodwill are never reversed.

A.8. Lease contracts

A contract is or contains a lease if it gives the right to control the use of an identified asset for a fixed period of time in return for payment of consideration.

To determine whether a lease confers this right, the Group must assess whether, throughout the useful life, it has the following two rights :

- The right to obtain substantially all the economic benefits from the use of the specified asset; and
- The right to decide on the use of the specified property.

In determining the lease terms, any options to renew or terminate the lease were considered in accordance with IFRS 16 Leases, taking into account the probability of exercise of the options to extend or terminate the lease by the lessee and the lessor.

a) The Group as lessee.

On the date a contract is concluded, it is analyzed to ensure that it is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability for all leases in which it is a lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases where the underlying asset is of low value for which the Group has set a materiality threshold. For these types of contracts, the Group recognises lease payments as an operating expense on a straight-line basis over the lease term unless another systematic method is more representative of the way in which the economic benefits relating to the leased assets are spread over time.

The lease liability is initially measured at the present value of the rentals not yet paid at the start date of the contract, calculated using the interest rate implicit in the lease. If this rate cannot be determined reliably, the Group uses its marginal borrowing rate.

Lease payments taken into account in the measurement of the lease liability include:

- Fixed lease payments, including in substance, net of lease inducements received or to be received (free of charge, ...);
- Variable lease payments that are based on an index or rate, initially measured using the index or rate in effect at the start date;
- The amount that the Group expects to pay to the lessor under residual value guarantees;
- The exercise price of call options that the Group has reasonable certainty of exercising;
- The penalties required in the event of termination of the lease, if the lease term reflects the exercise of the option to terminate the lease.

As a simplification, IFRS 16 offers the lessee the option not to separate lease components from non-lease components, but rather to account for each lease component and the related non-lease components as a single lease component. When a contract contains a lease component and one or more other lease or non-lease components, the Group allocates the consideration under the contract to all lease components on the basis of their separate relative prices and the separate prices of all non-lease components.

Variable rents that do not depend on an index or a rate are not taken into account in the evaluation of the rental debt and the right of use.

These payments are expensed in the period in which they are incurred.

The lease liability is presented among other non-current/current liabilities in the consolidated statement of financial position.

Subsequently, the lease liability is measured at amortized cost, increasing its carrying amount by the interest on the debt less payments for the year.

Where necessary, the Group revaluates the lease liability against the right of use, in particular when :

- There is a change in the term of the lease or there is a change in the valuation in respect of the exercise of a purchase option resulting from a significant event or change in circumstances, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Rent payments change as a result of a change in an index or rate or a change in the amounts expected to be paid under the residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments results from a change in a floating interest rate, in which case a revised discount rate is applied);
- A lease is amended and the amendment is not accounted for as a separate lease, in which case the liability is remeasured based on the term of the amended lease by discounting the value of the revised lease payments using a revised discount rate at the effective date of the amendment.

At the initial recognition date, the right of use comprises the initial amount of the lease liability calculated as explained above, plus the initial direct costs incurred by the Group under the leases (fixtures and fittings, etc.).

When the Group incurs an expense relating to the costs of dismantling and removing a leased asset, restoring the site on which it is located or returning the underlying asset to the condition required by the terms of the lease, a provision is established and recognised in accordance with the requirements of IAS 37.

Rights of use are amortized over the shorter of the lease term and the useful life of the underlying asset. If the effect of the lease agreement is to transfer ownership of the underlying asset or if the cost of the asset under the right of use takes into account the Group's expected exercise of a purchase option, the related right of use shall be depreciated over the useful life of the underlying asset from the starting date of the lease agreement.

Rights of use are presented as part of tangible assets in the consolidated statement of financial position.

The Group recognises any impairment losses on rights of use using the same model described for other tangible assets (see A.7).

b) The Group as lessor

When the Group acts as lessor in leases, the leases are classified as finance or operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is an intermediate lessor, the main lease and the sublease are classified and accounted for separately. The sublease is classified as a finance or operating lease in relation to the asset under the right of use from the main lease. The lease liability relating to the main contract remains measured in accordance with the rules set out above.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and drafting an operating lease are added to the carrying amount of the leased asset and are recognized on a straight-line basis over the term of the lease.

Amounts receivable from lessees under finance leases are recognised as receivables in the amount of the Group's net investment in the lease. Income from finance leases is allocated between periods to reflect a constant periodic rate of return on the Group's outstanding net investment in the lease.

Where a contract contains both rental and non-lease components, the Group applies the provisions of IFRS 15 to allocate the consideration provided for in the contract to each component.

A.9.Inventories

Inventories are valued at their cost or their net realisable value, whichever is lower. The cost of inventories includes the purchase, processing and other costs incurred to bring them to their current location and condition. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs for completion and the estimated costs needed to finalise the sale. The value of inventories is also determined by applying the weighted average cost method

A.10.Financial instruments

Financial instruments held by the Group are recognised and measured in accordance with IFRS 9 - Financial Instruments.

The Group does not hold any financial instruments for speculative purposes. Indeed, the Group only enters into derivative financial instruments for economic hedging purposes.

A.10.1. Cash and cash equivalents

Cash and cash equivalents include cash available from banks and cash on hand, as well as deposits with an initial maturity of no more than three months.

All bank balances are considered as entailing a low credit risk at the end of each reporting period, as they are held with reputable national banking institutions. As a result, no depreciation is recorded for these financial assets

A.10.2 Financial assets at amortised cost

These are financial assets with fixed or determinable payments that are not listed on an active market, and are initially recorded at their fair value, which in most cases corresponds to their nominal value, plus transaction costs. After they are recorded for the first time, these financial assets are valued at their amortised cost using the effective interest rate, less reductions for any expected impairment.

The Group recognises expected credit losses and changes in these losses at each balance sheet date to reflect changes in credit risk since the initial recognition of financial assets.

More specifically, this method has been applied to receivables linked to distribution, public service obligations, fraud and construction work. Expected credit losses are estimated using a provision matrix, drawn up according to the type of receivable, previous experience of defaulting debtors and an analysis of their current situation. Following this analysis, an expected credit loss rate is estimated and applied to each bracket defined by the Group. When payments are more than 720 days late, receivables are written down at 100%, as past experience shows that these receivables cannot usually be recovered. The results of this analysis can be found in note 12 of the annual report.

For other financial assets, the Group feels that the credit risk had not risen significantly since they were first recorded, as allowed by IFRS 9; as a result, it has recorded expected credit losses for the next twelve months for these assets.

We should point out that there are no write-downs for liabilities related to "network damage" less than two years old, or for outstanding debts to municipalities, as the Group feels that the credit risk is very low, or even non-existent before two years.

Profits and losses are recorded in the profit and loss statement when a financial asset recorded at its 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 liability and of allocating financial income or expenses over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash inflows or outflows over the expected life of the financial instrument or, where appropriate, a shorter period so as to determine the net book value for the financial asset liability.

A.10.4. Borrowings

The Group is financed through conventional loans and commercial papers or bonds. Loans taken out by the Group constitute financial liabilities that are initially valued at their fair value, less transaction costs. These financial liabilities are

subsequently valued at their amortised cost, calculated using the effective interest rate method less capital repayments. Interest expenses are recorded according to the effective interest rate. The costs associated with issuing commercial papers or bonds are recorded less the debt on the issue date, and are taken into account when calculating the effective interest rate in order to recoup the debt.

A.10.5. Derivative financial instruments

The Group uses derivatives such as interest rate swaps (over 5 and 10 years), collars and interest rate caps, in order to cover its exposure to the interest rate risk arising from its operational, financing and investment activities.

The way derivative financial instruments are accounted for depends on whether or not they are hedging instruments, as well as the type of hedge. Initially, derivatives are recorded at their fair value on the date on which the derivative contract is taken out, and subsequently revalued at their fair value at the end of the reporting period. Profits or losses arising from the application of the fair value are immediately recorded as profit/loss unless the derivative is designated as a hedging instrument and it fulfils the eligibility criteria for hedging.

Derivative financial instruments are recorded as financial assets if their value is positive, and as financial liabilities if their value is negative. Derivatives due to mature in more than 12 months are generally included under the non-current section on the balance sheet, while the other derivatives are included under the current section on the balance sheet.

A.10.6. Hedge accounting

The Group applies cash flow hedge accounting in order to hedge its exposure to variations in the cash flow attributable to a particular risk connected to a recognised asset or liability, a fixed commitment or a planned transaction that is highly likely to have an influence on the profit and loss statement. Certain derivative financial instruments are thus designated as cash flow hedge instruments. Hedge accounting for variations in the fair value has not been applied in this case.

The Group applies hedge accounting to interest rate swaps, while collars and interest rate caps are not designated as hedging instruments in an accounting hedge relationship.

The hedge relationship must be formally designated and documented. In particular, the documentation must indicate the link between the hedge relationship and the entity's strategy for managing financial risks, the expected relationship between the risk and the hedging instrument, the hedged position, the nature of the risk hedged and the technique used to assess the effectiveness of the hedge. The hedge relationship fulfils all the hedge effectiveness restrictions if there is:

- an economic link between the hedged element and the hedging instrument;
- the credit risk does not have a dominant effect on variations in the value resulting from this economic link;
- the hedge ratio of the hedge relationship is the same as the relationship between the quantity of the hedged element that is really hedged by the Group and the quantity of the hedge instrument that the Group really uses to hedge this quantity of the hedged element.

For the effective portion of a cash flow hedge, the variation in the value of the hedging instrument is recorded directly under other comprehensive income (equity) for the effective portion. The ineffective portion of the hedge is recorded immediately in the profit and loss statement.

Hedge accounting comes to an end when the Group revokes the hedge relationship, when the hedging instrument matures or is sold, terminated, or exercised, or when it no longer fulfils the effectiveness restriction for hedging relating to the hedging ratio. Any cumulative profit or loss on the equity at this time continues to be deferred in the equity and is recorded in the profit and loss statement when the expected transaction is recognised in the profit and loss statement. If the expected transaction is no longer expected to be completed, the cumulative profit or loss that had been deferred in the equity is immediately recorded in the profit and loss statement. This is a reclassification adjustment (see IAS 1).

A.10.7. Financial assets valued at their fair value through the net profit and loss statement (previously available to sell)

Financial assets valued at their fair value through the net profit and loss statement (previously available for sell) include shareholdings in companies that are not consolidated or accounted for according to the equity method. These financial assets are valued at their fair value, and any resulting variation is accounted for immediately in the net profit and loss statement. If the fair value of a financial asset valued at their fair value cannot be determined reliably, valuation at cost may be used. This last option is the one used by the group of all of its financial assets.

A.11. Employee benefits

The Group offers its employees various short and long-term benefits, as well as post-employment benefits, in accordance with the applicable legislation in Belgium.

A.11.1. Short-term benefits

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

A.11.2. Post-employment benefits

Post-employment benefits are divided into 2 categories, defined benefits plans and defined contribution plans.

Contributions paid under defined contribution pension plans are recognized as an expense when employees render the services necessary to earn them.

Defined contribution plans subject to minimum rates of return are treated as defined benefit pension plans (i.e. application of the projected unit credit method, without taking into account future contributions).

For defined benefit pension plans, the amount recognized as a net defined benefit liability (asset) is the difference between the present value of the obligation and the fair value of plan assets.

If the calculation of the net obligation results in a surplus for the Group, the asset recorded for this surplus is limited to the discounted value of the repayments available or reductions in future contributions to the plan.

The cost of defined benefits includes the following components: the cost of services and net interest on the net liability (asset) recorded under the net profit/ loss (under employee costs for the cost of services, and under financial expenses (or financial income) for net interest respectively), as well as the revaluations of the net liability (asset) recorded under other comprehensive income.

The discounted value of the obligation and the cost of services are determined using the projected unit credit method and actuarial valuations are carried out at the end of each reporting period.

The actuarial calculation method involves the use and formulation by the Group of actuarial hypotheses such as the discount rate, increases to salaries and medical costs, staff turnaround and mortality tables. These actuarial hypotheses are the best estimates of variables that will determine the final cost of the post-employment benefits. The discount rate reflects the rate of return on high quality corporate bonds whose terms correspond to the estimated term of the post-employment benefit obligations.

A.11.3. Other long-term benefits

Other long-term benefits are accounted for in a similar way to post-employment benefits, apart from the fact that revaluations of the net liability (asset) are accounted for in the profit and loss statement instead of being recorded under other comprehensive income

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

A.12.Provisions

A provision is recorded when the Group has a current (legal or implicit) obligation at the end of the reporting period,

resulting from past events or transactions, it is probable that this obligation will result in an outflow of resources and it must be possible to estimate the total value of this obligation reliably. The amount recognised as a provision is the best estimate of the total needed to settle the obligation. Provisions with a term of over 12 months are discounted if the effect of discounting is material. Provisions established by the Group mainly relate to litigation and risks related to the clean-up of polluted sites.

A.12.1. Environmental liabilities

The Group regularly analyses all of its environmental risks and corresponding provisions. The main environmental risks are connected to sites with a certain level of pollution. The total provisions established to cover these risks are based on the best estimate of costs yet to be incurred, both in terms of studies and in terms of cleaning up the sites in question, based on valuations by independent experts. The Group calculates these provisions to the best of its knowledge of the applicable laws and regulations depending on the scope of the pollution and the environmental impact studies to be carried out.

A.13.Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (asset requiring a long preparation period before it can be used) are included in the cost of this asset. All other borrowing costs are accounted for in the profit and loss statement for the period during which they are incurred.

A.14.Financial income and expenses

Financial expenses include interest to pay on loans and financial debts calculated using the effective interest rate method, as well as increases to provisions following the unwinding of discounts over time.

Financial income includes interest income on investments, accounted for using the effective interest rate method, as well as dividends, accounted for when the Group has an established right to receive these payments.

Changes to the fair value of derivative financial instruments held by the Group that are not defined within the context of an hedge accounting relationship are shown as financial expenses or income.

A.15.Income recognition

A.15.1. Regulatory context

Authorized revenues and approved rates for the period 2019-2023

During 2018, several discussions took place between CWaPE and the ORES teams to present, justify, explain and argue the elements of the 2019-2023 authorised revenue proposals submitted on 29 December 2017. As a result of this constructive dialogue, ORES obtained approval from CWaPE for the 2019-2023 authorised revenues on 28 August 2018.

In accordance with the procedure set out in the tariff methodology, on 1 October 2018, ORES filed a first version of the electricity and natural gas rate proposals to cover the 2019-2023 authorized revenues approved by CWaPE. The tariff proposals were analysed by CWaPE and were subject to additional questions addressed to the distribution network operator. On 13 December 2018, 15 January 2019 and 25 January 2019, ORES submitted adapted tariff proposals for the regulatory period 2019-2023. On 7 February 2019 (for periodic tariffs) and 20 February 2019 (for non-periodic tariffs), CWaPE approved the electricity and natural gas tariffs proposed by ORES. The new 2019-2023 distribution rates will therefore apply from 1 March 2019.

Regulatory evolution 2019

On 17 January 2019, the distribution network operators, including ORES Assets, submitted a joint proposal for 2019 transmission cost re-invoicing tariffs. These tariffs, set at the same level throughout Wallonia, were approved by CWaPE on 7 February 2019[1].

1 The common proposal for 2020 transport cost recharging tariffs has been introduced by the operators distribution system on January 20, 2020 and approved by CWaPE on February 18, 2020.

On 14 November 2019, CWaPE adopted a decision not to approve the regulatory balances for electricity and gas for the 2017 and 2018 financial years, rejecting an amount of €25.1 million. ORES Assets appealed against this decision before the Market Court.

On 19 November 2019, the Walloon regulator decided to terminate the initial specific project to deploy communicating electricity and gas meters. After having lodged a complaint for review against this decision, ORES Assets has also lodged an appeal against this decision before the Market Court.

Determination of Revenue Components and Tariffs: Tariff Methodology 2019-2023

Elements of a DSO's total income

Authorized income items are divided between expenses that qualify as "controllable" and those that qualify as "non-controllable". Controllable" (respectively, "non-controllable") expenses are those over which the DSO has (respectively, does not have) direct control.

The regulation of controllable loads[1] includes an incentive mechanism (incentive or penalty) that pushes DSOs to act more productively and efficiently.

To this end, controllable expenses evolve according to a "revenue-cap" mechanism, of the "CPI-X" type, which foresees that ex-ante, they are indexed according to the health index ("CPI") and subject to a productivity improvement coefficient ("X" factor). The price index has been set by CWaPE at 1.575% per annum for the period 2019-2023 while the X factor is 1.5% per annum, applicable to controllable expenses (excluding fixed asset expenses). As a result, the change in controllable expenses over the period is limited to 0.075% per year (1.575% for expenses related to fixed assets to which the X factor does not apply). These parameters are fixed and cannot be revised.

Ex-post, if the actual controllable costs prove to be lower (respectively, higher) than the authorised ex-ante level, the DSO's result is increased (respectively, decreased) accordingly. This is known as a bonus/malus on the company's result, depending on whether the company's result is increased or decreased. Consequently, these differences are added to or deducted from the profits of the DSOs and their associates and will not affect tariffs, either during the regulatory period or afterwards.

The fixed nature of the authorized income, which is identical for every year of the regulatory period, while the increasing controllable costs are evolving over the same regulatory period implies that controllable cost differences may be larger and more volatile than in the past. This volatility means that reserves bonuses during the different years of a same regulatory period.

Non-controllable expenses and volumes[2] are budgeted by the DSOs on the basis of best-estimates. They are subject to a "cost-plus" type of regulation. During the ex-post control, the regulator determines the amounts of the regulatory balances that can be included in the future tariffs, to which they are fully allocated. With regard to non-controllable expenses, depending on whether the difference between the budgeted and actual expenses is positive/negative, we speak of a regulatory surplus/deficit or a regulatory asset/liability. A regulatory surplus/liability means that the budgeted expenses have been higher than actual expenses and that a portion of these expenses must be returned to network users through a downward revision of tariffs within the regulatory period or the next regulatory period. With regard to volumes, reference quantities (kW, kWh, number of network users/number of meters, etc.) are predetermined by the DSOs on the basis of the volumes they have planned to sell to their network users. If the actual volumes are higher/lower than the planned volumes, they will generate a regulatory surplus/deficit or a regulatory liability/asset.

Differences in non-controllable expenses and volumes are recorded annually by the DSOs on a separate asset or liability account pending final allocation during the regulatory

1 These are all operating costs that are not identified as non-controllable in Article 12 of the methodology. Tariff 2019-2023 (for more details, see the 2019-2023 regulated methodology published on: https://www.cwape. be/?dir=7.7.2).
2 Applied to the approved tariffs, these volumes will determine the DSO's cost-covering turnover.

period[3], either as a tariff receivable (deficit/regulatory asset) or as a tariff liability (surplus/regulatory liability).

Net expenses related to specific projects

Having introduced a business plan demonstrating the profitability of these projects, ORES has obtained additional budgets for carrying out the two specific projects authorised by the 2019-2023 tariff methodology, i.e. the deployment of communicating meters and the promotion of natural gas networks (Promo gas). Following the publication of the Walloon decree of 19 July 2018 on the deployment of smart meters, the assumptions used to calculate the amount of the specific envelope relating to smart metering, as approved by CWaPE in 2018, had to be reviewed and a new proposal was submitted by ORES at CWaPE's request. In the absence of agreement on this new proposal, CWaPE decided on 28 November 2019 to cancel the envelope granted in 2018. ORES appealed against this decision while continuing discussions with CWaPE with a view to approving a new budget for the current regulatory period.

Fair profit margin

The fair profit margin is compensation for the capital invested in the DSO's regulated asset base (RAB). In the 2019-2023 tariff methodology, the capital invested is made up of both the DSO's own funds and external financing. The profit margin is calculated annually by applying the authorised percentage return to the regulated asset base, on which it will evolve during the 2019-2023 period, the percentage return being fixed over the period and non-revisable.

Regulated asset

The initial value of the regulated asset basis is the value of the regulated asset base at 1 January 2019 as determined in accordance with the 2019-2023 tariff methodology. Namely, from the latest adaptation plans approved by CWaPE, the net book value as of 31 December 2015 obtained by adding the net book value of the primary and secondary regulated asset base as at 31 December 2015 (it is therefore based on the initial value of the GOR approved by the regulator). To this value is added the acquisition value of "network" and "non-network" investments in 2016, 2017 and 2018, from which is deducted the net book value of regulated assets decommissioned or realized during the 2016, 2017 and 2018 financial years, and the depreciation of the 2016, 2017 and 2018 regulated assets, third party interventions relating to these regulated assets, the portion of the subsidies relating to these regulated assets, the portion of the iRAB forecast capital gain relating to the regulated tangible asset decommissioned during these years and the portion of the historical capital gain relating to the tangible asset decommissioned in 2016, 2017 and 2018.

Then, from January 1, 2019, the value of the regulated assets changes from one year to the next according to new investments, depreciation, third-party interventions and subsidies as well as decommissioning.

Return percentage

The authorized percentage of return is determined on the basis of the weighted average cost of capital ("WACC") formula. The WACC has been set by CWaPE at a rate of 4.053% for the regulatory period 2019-2023.

This rate results from the weighting of the cost of equity and the cost of debt according to a distribution key of 47.5% equity for 52.5% debt. The equity and debt rates are set at 5.502% and 2.743% respectively and are non-revisable ex-post. It follows that if the financial charges linked to external financing exceed this ceiling, they will not be passed on in the rates and will be borne by the DSOs.

3 Typically, the balance for year N is reflected in N+2 in the tariffs.

The following formula is applied:

$$CMPC = \frac{E}{(E+D)} * k_E + \frac{D}{(E+D)} * k_D$$

With:

E	Equity value
D	Value of financial liabilities
$\frac{E}{(E+D)}$	Equity ratio expressed as a percentage
$\frac{D}{(E+D)}$	Financial debt ratio expressed as a percentage
k_E	Cost of equity $k_E = r_{f1} + \beta_e (k_m - r_f)$ With: r_{f1} = *risk-free cost of equity rate* β_e = *Beta of equity* $(k_m - r_f)$ = *market risk premium* k_m = *expected market rate of return*
k_D	Cost of debts with transaction fees

Destination of regulatory balances

Tariff methodologies provide for balances relating to non-controllable expenses to be carried forward in full in the tariffs and therefore charged or credited to network users.

ORES has yet to recover a portion of the balances on non-controllable expenses dating from the 2008 to 2014 tariff years. Pending final determination of the amounts by CWaPE, ORES has already been able to recover part of these balances by means of advance payments received over the years 2015 to 2018. The remainder of these balances as well as the 2015 and 2016 balances will be recovered over the 2019-2023 period, i.e. over 4 or 5 years in order to smooth tariff changes. The 2019-2023 tariff methodology also stipulates that, from 2020, the DSO may integrate a proportion of the regulatory balance for year N-2 into the authorised income for year N in order to gradually allocate the regulatory balances and avoid an accumulation of the latter over the regulatory period.

A.15.2. Turnover

The Group applies IFRS 15, which introduces a five-step approach to revenue recognition.

Income from ordinary activities generated by the sale of goods must be recorded according to IFRS 15 when it has fulfilled all of the following criteria:

- the parties to the contract have approved it and are committed to fulfilling their obligations;
- the Group can identify the rights of each party as far as the goods or services to be supplied are concerned;
- the Group can identify the expected payment conditions for the goods or services to be supplied;
- the contract has commercial substance;
- it is probable that the Group will recover the compensation to which it is entitled in exchange for the goods or services that it will supply to the client.

Income from ordinary activities is valued according to the compensation to which the Group expects to be entitled in a contract agreed with a client, excluding amounts received on behalf of third parties. The Group recognises the revenue as soon as it has transferred control over the goods or services to the client.

The Group's turnover, corresponding to the income from ordinary activities according to IFRS 15, essentially includes income relating to the following activities:

- transit fees;
- energy sales within the context of pubic service obligations;
- transfer of assets from customers;
- construction contracts

1. Transit fees

The Group's turnover is mainly made up of income and expenses related to the transit fees for the electricity and gas distribution network. The Group distributes electricity and gas to homes and businesses connected to the net-

work on behalf of energy suppliers. As far as electricity is concerned, the transit fee also includes the transport fee (reinvoicing the costs of using the transport network, of which Elia is the sole operator). Furthermore, this fee is invoiced by Elia to the Group and is recorded as a cost of sales (cascade principle), resulting, in principle in a neutral impact on the profit and loss statement

The income and expenses related to transit fees are recognised as soon as the electricity or gas has been supplied and transported to consumers that are connected to the network during the period in question. The total amounts recognised as income are based on the meter readings and estimates for use of the network where a reading has not been collected (volumes metered or estimated multiplied by the tariff in force approved by the CWaPE).

These estimates are corrected at the year-end with the unmetered transit fee ("redevance de transit non relevée", RTNR) which is calculated on the basis of the total volumes that have been transmitted through the network. The RTNR has been treated as a contract asset as defined by IFRS 15.

2. Energy sales within the context of pubic service obligations

The Walloon Government imposes public service obligations (PSOs) on the DSOs which are clearly defined, transparent and non-discriminatory, the fulfilment of which is subject to checks by the regulators (mainly the CWaPE, but also the Creg for supplying protected clients). They involve, among other things, ensuring the supply of electricity to protected clients, as defined by law, at the social tariff, temporarily ensuring supply for end clients who are temporarily without a supply contract or whose contract has been suspended (so-called "supplier X" clients).

The income and expenses related to the sale of energy are recognised as soon as the electricity or gas has been supplied and transported to consumers that are connected to the network during the period in question. The total amounts recognised as income are based on the meter readings and estimates for use of the network where a reading has not been collected (volumes metered or estimated multiplied by the tariff in force approved by the CWaPE).

As far as sales to protected customers are concerned, a social tariff is in force, lower than the market price, and the difference between this tariff and the market price is partly recovered by the DSOs from the regulator (a fund managed by the latter), and partly via the tariffs depending on the type of protected client, which ensures that there is a neutral impact on the profit/loss.

3. Construction contracts

The Group's turnover includes income from construction contracts for various projects such as work on the public lighting system or network maintenance. Where the deadline for a construction contract can be estimated reliably, the income and expenses associated with this contract are accounted for in the profit and loss statement according to the progress of the contract.

The Group records work carried out as a contract asset and the advances received are recorded as contract liabilities. If payment exceeds the income recorded according to the costs incurred method, the Group records the surplus as a contract liability. Any amount previously recorded as a contract asset is reclassified as a client receivable when it is billed to the client.

The Group feels that there is no significant financing component in the construction contracts entered into with clients as the period between when income is recorded according to the costs incurred method and payment is generally less than a year.

Transfer of assets from customers

Transfers of asset from customer in connection with the construction of network connections or extensions are no longer recognized in revenue as of January 1, 2019, as the related asset cannot be recognized (see preliminary note - Asset impairment test).

Tariffs for these services are imposed by the regulator (so-called non-periodic tariffs).

A.15.3. Regulated balances

The income authorised according to the tariff methodology in force is based on the one hand, on all the costs needed

to fulfil the tasks of the DSO and, on the other hand, on the fair margin for the remuneration of the capital invested in the network. The total regulated balance is generated by comparing this authorised income on non-controllable costs and the total amounts recognised as turnover as well as between the actual and forecast transit volumes. These annual balances (assets or liabilities) must be passed on in the tariffs for subsequent regulatory periods. The annual balances and their impact on future tariffs are subject to approval by the regulator (see point A.15.1 above).

A.16. Taxes

Tax on income represents the total tax due plus the deferred tax.

A.16.1. Current tax

The current tax to pay is based on the taxable profit for the year. The taxable profit is different from the "profit before taxes" in the consolidated profit and loss statement or other comprehensive income due to the elements of the income and expenses that are taxable or deductible during other financial years, as well as elements that are never taxable or deductible.

The Group's current tax liability is calculated using the tax rates adopted or virtually adopted at the end of the reporting period.

A.16.2. Deferred tax

The deferred tax is determined and accounted for according to the accrual method depending on the temporary differences between the book values of assets and liabilities in the consolidated financial statements and the corresponding fiscal values used to calculate taxable profit.

In general, deferred tax liabilities are recorded for all taxable temporary differences. Deferred tax assets are generally recorded for all deductible temporary differences insofar as it is probable that there will be a taxable profit available, against which these deductible temporary differences can be used. These deferred tax assets and liabilities are not recorded if the temporary difference arises from the initial recording of assets and liabilities connected to a transaction (other than a business combination) that has no impact on the taxable profit or the accounting profit. In addition, no deferred tax liability has been recorded on the temporary difference arising from the initial recording of the goodwill.

Deferred tax liabilities are recognised for all taxable temporary differences associated with shareholdings in subsidiaries, associated companies and joint ventures, except where the Group is able to control the date on which the temporary difference is reversed and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets arising from deductible temporary differences generated by such interests are only recognised if it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary difference and that the temporary difference will be reabsorbed in the foreseeable future.

The book value of deferred tax assets is revised at the end of each reporting period and reduced if it is no longer probable that sufficient taxable profit will be available to recover all or part of the asset.

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the period during which the asset will be realised or the liability settled, based on tax rates (and tax laws) that have been adopted or virtually adopted by the end of the reporting period.

The valuation of deferred tax liabilities and assets reflects the fiscal consequences arising from how the Group plans, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and if they relate to income tax collected by the same tax authority, either from the same tax entity, or from different tax entities, but that intend to settle current tax assets and

liabilities on the basis of their net value or to realise the tax assets and settle the tax liabilities at the same time.

A.16.3. Current tax and deferred tax for the financial year

Current tax and deferred tax are recorded in the consolidated profit and loss statement unless they relate to elements that have been recorded under other comprehensive income or directly under equity, in which case the current tax and deferred tax are also recorded under other comprehensive income or directly under equity respectively.

If the current tax or deferred tax arises from the initial recording of a business combination, the tax implications are included in the records for the business combination.

A.17. Non-current assets held for sale

Non-current assets and groups destined to be transferred are classified as held for sale if it is expected that their book value will be recovered, mainly via a sale rather than ongoing use. This condition is only met when the asset (or group destined to be transferred) is available for immediate sale in its current state, subject only to the usual and customary conditions for selling such an asset (or group destined to be transferred) and its sale is highly probable. The management must be committed to the sale and it must be expected that the sale meets the criteria to be recorded as a sale agreed within one year as of the date on which it is filed.

If the Group is committed to a planned sale involving losing control of a subsidiary, it must classify all the assets and liabilities of this subsidiary as being held for sale when the criteria outlined above have been met, whether or not the Group will keep a non-controlling interest in its former subsidiary after the sale

If the Group is committed to a planned sale involving the transfer of an interest, or part of an interest, in an associated company or a joint venture, the interest or part of the interest that will be transferred is classified as held for sale when the abovementioned criteria have been met, and the Group stops using the equity method for this part that is classified as held for sale. Any maintained part of an interest in an associated company or a joint venture that cannot be classified as held for sale continues to be recorded according to the equity method.

The Group stops using the equity method at the time of the transfer when this transfer results in the Group losing a significant level of influence over the associated company or joint venture.

After the transfer, the Group must account for the retained interest in the associated company or joint venture in accordance with IFRS 9, unless the retained interest constitutes a shareholding in an associated company or joint venture, in which case the Group applies the equity method (see the accounting policy for shareholdings in associated companies or joint ventures above).

Non-current assets (and groups destined to be transferred) classified as held for sale are valued at which-ever is lower, their book value or their fair value less the costs of sale. Any profit or loss on the revaluation of a non-current asset (or group destined to be transferred) held for sale, apart from discontinued activities, is accounted for directly as soon as it is observed and is included in the profit and loss for the continuing activities.

B. Main judgements exercised and main estimates used when preparing the consolidated financial statements

Preparing the consolidated financial statements in accordance with IFRS standards requires the use of accounting estimates and also obliges the management to exercise some judgement when applying the Group's accounting policies. The key hypotheses relating to the future and other main sources of uncertainty relating to estimates at the end of the period in which the Group's consolidated financial statements are presented below.

B.1. Significant estimates applied to the accounting policies

B.1.1. Actuarial obligations within the context of pension plans, other post-employment obligations and other long-term benefits

The Group's commitments in terms of pension plans are valued annually by independent actuaries. The management determines the actuarial hypotheses chosen to value these commitments. The Group feels that the hypotheses chosen are appropriate and justified. The actuarial hypotheses chosen by the Group cover the following points:

- discount rate;
- expected salary growth rate;
- average inflation rate;
- staff turnover rate;
- mortality table;
- total tariff benefits;
- total out-patient and hospital costs

B.1.2. Fair value of derivative instruments

The fair value of the derivative instruments held by the Group is calculated on the basis of market values by an external valuation company for swaps, and directly be the Group for caps and collars by financial institutions.

B.1.3. Valuing provisions

Significant legal disputes are reviewed regularly by the Group's legal department, helped by external advisors if deemed necessary and in consultation with the Group's finance department. These reviews help determine whether provisions need to be set up or existing provisions need to be adjusted. The provisions established for disputes are based on the value of the complaints or the estimated value of the exposure to risk.

In terms of the environment, the valuation of provisions to set up or adjusted is based on studies carried out by independent experts, using estimates of future costs connected to soil remediation.

In all circumstances, the total amount recorded by the Group as a provision corresponds to the best estimate of the expenses required to settle the current obligation on the balance sheet date.

B.1.4. Volumes distributed

The total amounts recognised as income are based on the meter readings and estimates for use of the network where a reading has not been collected. These estimates are corrected at the year-end with the un-metered transit fee ("redevance de transit non relevée", RTNR) which is calculated on the basis of the total volumes that have been transmitted through the network.

B.2. Significant judgements applied to accounting policies

B.2.1. Measuring the turnover – The transport fee

In terms of the fee for transporting electricity, invoiced by Elia to the DSO and passed on by the DSO to the energy suppliers (cascade principle), the Group did not regard the transport fee as being separate from the distribution of electricity, and so only one performance obligation could be attached to the transit fee invoiced by the Group to its customers. The transport fee is therefore an integral part of the transit fee and is recognised as such in the turnover.

B.2.2. Regulated balances

There are currently no specific IFRS standards covering the accounting of tariff balances in a regulated environment. Discussions are underway within the IASB to create a new standard for regulated assets and liabilities which will clarify the position that companies should take.

With this in mind, in January 2014, the IASB published an interim standard (IFRS 14 – regulatory deferral ac-counts), only applicable to first-time IFRS adopters. It explicitly allows the recognition of regulated assets and liabilities within the statement of financial position, as long as they are clearly

identified. Similarly, ongoing discussions at IASB level are leading to the recognition of such assets and liabilities, and of additional income over and above the revenue recognized under IFRS 15.The Group has assumed that these balances will be recovered in the future and are therefore recognised as an asset or a liability. If it turns out that the accounting approach adopted by the Group is no longer in line with future guidelines published by the IASB, future results as well as equity would have to be adjusted.

B.2.3. Classification of debts/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. The Group has decided that the different categories of shares representing the capital (see note 15 in the notes to the financial statements) are equity instruments.

B.2.4. Existence of an obligation within the context of IAS 37

The Group determines whether there is an obligation that could have a negative impact on its financial position on a case by case basis. Indeed, the Group regularly reviews ongoing disputes 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 set up for the best estimate of the compensation required to settle the obligation, as the outcome of proceedings cannot be predicted with any certainty.

C. Changes to accounting policies, accounting errors and estimates

A change to an accounting policy is only applied if the change is required by a standard or an interpretation or it means that the financial statements provide 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 to an accounting policy is applied retrospectively, unless it is not practical to determine the effects of the change specifically linked to the period or cumulatively. In addition, a change to an accounting policy is not applied retrospectively in the event of a transitional provision specific to the standard or interpretation.

Although particular attention is paid to preparing the Group's financial statement, errors may occur when recording, valuing, presenting or providing information about elements of the financial statements. If necessary, the Group will correct significant errors for a previous period retrospectively in the first financial statements authorised for publication after they have been discovered.

Uncertainties connected to the Group's activities demand the use of estimates within the context of preparing financial statements. The use of estimates is an important part of preparing financial statements and does not call their reliability into question. An estimate is revised if there are changes in the circumstances on which it has been based or when new information becomes available. The revision of an estimate does not concern previous periods and does not constitute the correction of an error

4. Independent auditor's report

ORES ASSETS SC

RAPPORT DU COMMISSAIRE A L'ASSEMBLEE GENERALE DE LA SOCIETE POUR L'EXERCICE CLOS LE 31 DECEMBRE 2019

(COMPTES CONSOLIDÉS – REFERENTIEL IFRS)

Dans le cadre du contrôle légal des comptes consolidés de ORES ASSETS SC (« la Société ») et de ses filiales (conjointement « le Groupe »), nous vous présentons notre rapport du commissaire. Celui-ci inclut notre rapport sur les comptes consolidés ainsi que les autres obligations légales et réglementaires. Le tout constitue un ensemble et est inséparable.

Nous avons été nommés en tant que commissaire par l'assemblée générale du 29 mai 2019, conformément à la proposition de l'organe d'administration émise sur présentation du conseil d'entreprise. Notre mandat de commissaire vient à échéance à la date de l'assemblée générale délibérant sur les comptes consolidés clôturés au 31 décembre 2021. Nous avons exercé le contrôle légal des comptes consolidés de la société ORES ASSETS durant quatre exercices consécutifs.

RAPPORT SUR LES COMPTES CONSOLIDÉS

Opinion sans réserve

Nous avons procédé au contrôle légal des comptes consolidés du Groupe, comprenant l'état de la situation financière consolidé au 31 décembre 2019, l'état consolidé du résultat net et des autres éléments du résultat global, l'état consolidé des variations des capitaux propres et un tableau consolidé des flux de trésorerie de l'exercice clos à cette date, ainsi que les annexes, contenant un résumé des principales méthodes comptables et d'autres informations explicatives, dont le total de l'état de la situation financière consolidé s'élève à € (000) 4.714.647 et dont l'état consolidé du résultat net et des autres éléments du résultat global se solde par bénéfice de l'exercice de € (000) 99.207.

A notre avis, les comptes consolidés donnent une image fidèle du patrimoine et de la situation financière du Groupe au 31 décembre 2019, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice clos à cette date, conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique.

Fondement de l'opinion sans réserve

Nous avons effectué notre audit selon les Normes internationales d'audit (ISA) telles qu'applicables en Belgique. Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section « Responsabilités du commissaire relatives à l'audit des comptes consolidés » du présent rapport. Nous nous sommes conformés à toutes les exigences déontologiques qui s'appliquent à l'audit des comptes consolidés en Belgique, en ce compris celles concernant l'indépendance.

Nous avons obtenu de l'organe d'administration et des préposés de la Société, les explications et informations requises pour notre audit.

Nous estimons que les éléments probants que nous avons recueillis sont suffisants et appropriés pour fonder notre opinion.

AUDIT | TAX | CONSULTING

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Observation

Sans remettre en cause notre opinion, nous vous renvoyons à la « note 30- Evènements postérieurs à la date de clôture » des comptes consolidés IFRS dans laquelle l'organe d'administration expose l'impact estimé de la pandémie Covid-19 sur la situation financière de la société.

Points clés de l'audit

Les points clés de l'audit sont les points qui, selon notre jugement professionnel, ont été les plus importants lors de l'audit des comptes consolidés de la période en cours. Ces points ont été traités dans le contexte de notre audit des comptes consolidés pris dans leur ensemble et lors de la formation de notre opinion sur ceux-ci. Nous n'exprimons pas une opinion distincte sur ces points.

Nous considérons que les éléments suivants constituent les points clés de l'audit :

- L'environnement IT : l'activité de la société ainsi que sa transformation pour faire face aux nouvelles technologies reposent sur un environnement IT complexe et important. L'appréhension de celui-ci constitue un élément clé de contrôle dans la mesure où la société utilise des interfaces ainsi qu'un système comptable et de gestion intégré ;

- La politique de financement du groupe : tenant compte des investissements importants que le groupe ORES doit réaliser, le financement de ceux-ci est essentiel pour l'activité de la société d'autant plus qu'une partie significative des capitaux empruntés proviennent de marchés règlementés ;

- L'environnement régulatoire et l'application de législations spécifiques : le respect de ces différentes législations constitue naturellement un élément majeur de notre audit.

Responsabilités de l'organe d'administration relatives à l'établissement des comptes consolidés

L'organe d'administration est responsable de l'établissement des comptes consolidés donnant une image fidèle conformément aux normes internationales d'information financière (IFRS) telles qu'adoptées par l'Union Européenne et aux dispositions légales et réglementaires applicables en Belgique, ainsi que du contrôle interne qu'il estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à l'organe d'administration d'évaluer la capacité du Groupe à poursuivre son exploitation, de fournir, le cas échéant, des informations relatives à la continuité d'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si l'organe d'administration a l'intention de mettre le Groupe en liquidation ou de cesser ses activités ou s'il ne peut envisager une autre solution alternative réaliste.

Responsabilités du commissaire relatives à l'audit des comptes consolidés

Nos objectifs sont d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, et d'émettre un rapport du commissaire contenant notre opinion. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes ISA permettra de toujours détecter toute anomalie significative existante. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce que, prises individuellement ou en cumulé, elles puissent influencer les décisions économiques que les utilisateurs des comptes consolidés prennent en se fondant sur ceux-ci.

Lors de l'exécution de notre contrôle, nous respectons le cadre légal, réglementaire et normatif qui s'applique à l'audit des comptes consolidés en Belgique. L'étendue du contrôle légal des comptes ne comprend pas d'assurance quant à la viabilité future du Groupe ni quant à l'efficience ou l'efficacité avec laquelle les organes d'administration ont mené ou mèneront les affaires du Groupe.

RSM

Dans le cadre d'un audit réalisé conformément aux normes ISA et tout au long de celui-ci, nous exerçons notre jugement professionnel et faisons preuve d'esprit critique. En outre :

- nous identifions et évaluons les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définissons et mettons en œuvre des procédures d'audit en réponse à ces risques, et recueillons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;
- nous prenons connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, mais non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du Groupe;
- nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par l'organe d'administration, de même que des informations les concernant fournies par ce dernier;
- nous concluons quant au caractère approprié de l'application par la direction du principe comptable de continuité d'exploitation et, selon les éléments probants recueillis, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité du Groupe à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport du commissaire sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants recueillis jusqu'à la date de notre rapport du commissaire. Cependant, des situations ou événements futurs pourraient conduire le Groupe à cesser son exploitation;

- nous apprécions la présentation d'ensemble, la structure et le contenu des comptes consolidés et évaluons si les comptes consolidés reflètent les opérations et événements sous-jacents d'une manière telle qu'ils en donnent une image fidèle ;
- nous recueillons des éléments probants suffisants et appropriés concernant les informations financières des entités ou activités du Groupe pour exprimer une opinion sur les comptes consolidés. Nous sommes responsables de la direction, de la supervision et de la réalisation de l'audit au niveau du Groupe. Nous assumons l'entière responsabilité de l'opinion d'audit.

Nous communiquons à l'organe d'administration notamment l'étendue des travaux d'audit et le calendrier de réalisation prévus, ainsi que les constatations importantes relevées lors de notre audit, y compris toute faiblesse significative dans le contrôle interne.

RSM

AUTRES OBLIGATIONS LÉGALES ET RÉGLEMENTAIRES

Responsabilités de l'organe d'administration

L'organe d'administration est responsable de la préparation et du contenu du rapport de gestion sur les comptes consolidés et des autres informations contenues dans le rapport annuel sur les comptes consolidés.

Responsabilités du commissaire

Dans le cadre de notre mandat et conformément à la norme belge complémentaire (version en cours de révision) aux normes internationales d'audit (ISA) applicables en Belgique, notre responsabilité est de vérifier, dans leurs aspects significatifs, le rapport de gestion sur les comptes consolidés et les autres informations contenues dans le rapport annuel, ainsi que de faire rapport sur ces éléments.

Aspects relatifs au rapport de gestion sur les comptes consolidés et aux autres informations contenues dans le rapport annuel sur les comptes consolidés

A l'issue des vérifications spécifiques sur le rapport de gestion sur les comptes consolidés, nous sommes d'avis que celui-ci concorde avec les comptes consolidés pour le même exercice et a été établi conformément à l'article 3:32 du Code des sociétés et des associations.

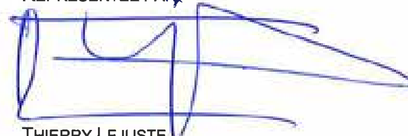
Dans le cadre de notre audit des comptes consolidés, nous devons également apprécier, en particulier sur la base de notre connaissance acquise lors de l'audit, si le rapport de gestion sur les comptes consolidés comporte une anomalie significative, à savoir une information incorrectement formulée ou autrement trompeuse. Sur la base de ces travaux, nous n'avons pas d'anomalie significative à vous communiquer.

Mentions relatives à l'indépendance

- Notre cabinet de révision n'a pas effectué de missions incompatibles avec le contrôle légal des comptes consolidés et est resté indépendant vis-à-vis du Groupe au cours de notre mandat.
- Les honoraires relatifs aux missions complémentaires compatibles avec le contrôle légal visées à l'article 3:65 du Code des sociétés et des associations ont correctement été ventilés et valorisés dans l'annexe des comptes consolidés.

Gosselies, 15 mai 2020

RSM InterAudit SC
Commissaire
Représentée par



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Associé

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