

About Aquafin

→ HISTORY

Aquafin was established by the Flemish Region in 1990 in order to implement the EU Urban Waste Water Directive. Since the treatment of waste water in Belgium is a regional matter, Aquafin is responsible for the development, management and funding of the regional sewage treatment infrastructure. The company was established under the Law of 26 March 1971 on the protection of surface waters against pollution (*Wet op de bescherming van de oppervlaktewateren tegen verontreiniging*).

→ SUPERVISION

The Flemish Environment Agency (VMM) supervises Aquafin's activities through two regulators. The Financial Regulator provides advice on the investment and optimisation programmes and budgets. It also audits delivered projects. The Ecological Regulator audits Aquafin's operating results and checks these results against the applicable treatment standards.

→ FINANCE AND INVOICING

Every year, the Flemish Region funds projects for implementation by Aquafin under the Optimisation Programme. Following delivery to the contractor, Aquafin submits the project to the Financial Regulator from the Flemish Environment Agency for delivery to the Flemish Region. Delivery to the Flemish Region means that the costs incurred are approved and Aquafin has a contractual right to their repayment, spread over the next 15 (electromechanics) or 30 years (construction engineering). In future, the proportion repaid over 15 years will increase. Since its establishment, Aquafin has taken over several existing plants whose electromechanical components are due for replacement. Such replacements come under the "asset management" portfolio.

The water companies are obliged by decree to treat the water they supply. They have entered into an agree-





1,000 people work to create clean water every day.

ment for this with Aquafin, which assumes the task of treatment for them. Aquafin invoices the water companies for the investment costs over the specified term, along with the company's operating costs. The water companies pay part of Aquafin's invoices via a grant from the MINA fund, topped up by general tax revenue. They pass on the remainder, currently around 60% of the total bill, to consumers according to the principle of "the polluter pays".

The Flemish Region is a co-debtor in this invoice flow. As Aquafin's investment expenditure is repaid spread over a period of time, the company has to raise finance for this. Long-term financing for a project is only possible once it has been delivered to the Flemish Region, because only then is the company sure of spread repayment. These long-term investments therefore involve no construction risk for the investor. Aquafin covers short-term financing during the implementation of a project with commercial paper, lines of credit and general corporate purpose financing.

→ **MANAGEMENT AGREEMENT AND ALLOCATION AGREEMENT**

Aquafin's tasks are set out in a Management Agreement between the company and the Flemish Region. This is a 20-year rolling agreement which specifies that, besides developing and managing the treatment infrastructure, Aquafin is also responsible for financing this. If Aquafin becomes insolvent, the Flemish Region takes over the existing obligations, as well as current financing agreements, provided that they do not exceed the value of projects which have not yet been repaid.

An allocation agreement exists between the Flemish Region, Aquafin, the European Investment Bank and Belfius Bank (formerly Gemeentekrediet), with Belfius Bank acting as agent. The agreement stipulates that, should Aquafin find itself in financial difficulties, the water companies will no longer have to pay Aquafin for the treatment of the drinking water supplied by them, but Belfius Bank. This bank will then pass on the sums to the investors on the (interim) maturity dates of

the financing agreements. According to the allocation agreement, the outstanding credit balance Aquafin has with the water companies must always be greater than the debt under the allocation agreement (the allocation ratio). The statutory auditor checks this ratio before each arrangement of finance under the agreement and confirms this to Belfius Bank. In turn, the bank communicates this allocation ratio to the investors. It is also important for investors for delivered projects to know that, according to the allocation agreement, any changes to the Management Agreement with a financial impact must first be submitted to them for approval.

In order to participate in the allocation agreement, the investor first signs an agency agreement with Aquafin and Belfius Bank.

→ MUNICIPAL ACTIVITIES

Besides the projects Aquafin carries out for the Flemish Region, as specified in the Management Agreement, the company also uses its know-how to help Flemish towns, cities and municipalities fulfil their environmental obligations. In this market, Aquafin competes with other sewer operators, water companies and intermunicipal partnerships. Aquafin invoices the municipality with which it has an agreement for the cost of municipal projects. This ensures that the costs and income for activities for the Flemish Region and those for the municipalities are kept separate.



In the last few years, aquatic life has been returning to our watercourses.

→ KEY FIGURES

IN THOUSANDS OF EUROS	2012	2013	2014	2015	2016
Operating income	483,441	467,495	457,027	466,958	488,082
Profit available for appropriation	9,705	8,897	8,605	8,848	8,202
Balance sheet total	3,163,989	3,332,735	3,289,016	3,382,599	3,392,755
Capital and reserves	231,022	231,474	231,900	232,346	270,252
Short-term financing	127,000	175,120	141,377	217,690	207,869
Long-term financing	1,755,663	1,790,069	1,888,115	1,914,592	1,880,094

IN NUMBERS	2012	2013	2014	2015	2016
Aquafin employees	921	929	947	970	1,008
Flemish Environment Agency employees	81	77	74	69	63
TOTAL EMPLOYEES	1,002	1,006	1,021	1,039	1,071

Infrastructure managed on behalf of the Flemish Region as at 31 December 2016:



301 waste water treatment plants



1,625 pumping stations and storage settlement tanks



5,946 km of pipes

98.99% of waste water treatment plants assessed complied with all applicable standards at the end of 2016.

Projects in portfolio for the Flemish Region as at 31 December 2016:

	NUMBER OF PROJECTS	VALUE (IN MILLIONS OF EUROS)
DELIVERED	2,923	3,698.61
AWARDED AND CONTRACTED OUT	417	451.64
IN DESIGN PHASE	866	880.45
TOTAL	4,206	5,030.71