

MAIN RISKS AND UNCERTAINTIES

→ LEGAL DISPUTES

Deurne waste water treatment plant - collapse of dividing wall

In September 2012 a dividing wall collapsed at our waste water treatment plant in Deurne, between the anaerobic basin and an aeration basin. The collapse resulted in major property damage. As this also disrupted the operation of the sludge dryer and extra chemicals had to be added, Aquafin suffered a substantial operating loss as well.

Aquafin took the initiative of requesting the involvement of a court-appointed expert. He was tasked with bringing about the recommissioning and repair of the plant, as well as investigating possible causes. In 2013, the court-appointed expert granted permission for the plant to be repaired. In the course of 2014, further investigations were carried out into possible causes. An agreement was also reached as to the amount of the costs incurred and the damage was repaired so that the plant could operate properly once again at no extra expense.

At the end of September 2015, the court-appointed expert submitted his preliminary report. In this report, liability was assigned as follows: 85% liability for the contractor (80% due to defective execution and 5% due to inadequate supervision) and 15% (supervision) for the engineering company. In his final report dated 15 April 2016, the expert assigned the liability as follows: 65% liability for the contractor (60% due to defective execution and 5% due to inadequate supervision) for the contractor, 20% (15% supervision and 5% for design) for the engineering company, 10% (5%

inadequate design guidelines and 5% for working with too high a water level during operation) for Aquafin and finally 5% (inadequate checking of design) for the inspection body, Seco. As a result, Aquafin incurs a risk of around 200,000 euros.

Aquafin then instigated legal proceedings in June 2016, calling on the court to uphold the original division of liability. Indeed, Aquafin denies any liability with regard to either design or operation. In the course of the expert investigation, the company put forward arguments on several occasions, which, in our opinion, were not sufficiently refuted by the expert.

→ INSURANCE CLAIMS

Waste water treatment plant Deurne - insufficient concrete reinforcement

At the water treatment plant in Deurne, it was discovered in 2007 that, due to a design error, the walls of certain aeration basins were insufficiently reinforced. This loss is partially covered by Aquafin's CAR (Contractors' All Risks) insurance policy and partially by the professional indemnity insurance policy of the engineering company concerned. Both insurers actually paid out.

The amount that was not covered by the CAR insurer was recouped in 2011, partly from the engineering company that made the design error and partly from the inspection body operating on the site. In 2013 a substantial part of the remaining amount was recouped from the engineering company and its insurer. The inspection body and its insurer stated that they were prepared to provide compensation for part

of the remaining loss, with no admission of liability. So far, Aquafin has not accepted this offer, since this payment is conditional on Aquafin waiving all other claims against the inspection body on this site. In view of the aforementioned legal action concerning the collapse of the dividing wall at this plant, Aquafin is not prepared to do so. A reserve has therefore been set up for this part of the costs.

→ DELIVERIES AND SUBSEQUENT COSTS

Following the delivery of a project to the Flemish Region, Aquafin may receive further invoices from third parties in relation to such projects (referred to as 'subsequent costs'). These invoices can still be submitted to the Flemish Region. However, the features of these invoices (the period after delivery, the nature of the invoices and the estimate of the amount) are not specified in sufficient detail in the Management Agreement. For these reasons, the regulator confines itself to a strict administrative interpretation of the Management Agreement. Aquafin is in negotiations regarding a protocol setting out the practical arrangements between the two parties. In recent years, some of these subsequent costs have been rejected by the regulator. In 2016, Aquafin filed a request with the Flemish Government for approval of some of the invoices which were rejected in 2012 and 2013. This request was granted, so that these costs could be rebilled to the water companies after all in 2016. Aquafin applied the same method to the invoices rejected for the period of 2014-2016 and adjusted its provisions accordingly.

As a precaution, on 31 December 2016, Aquafin made provision for five projects amounting to 10% of the investment value. For administrative reasons, Aquafin has not arrived at a consensus with the regulator regarding the delivery of these projects. These projects were submitted to the Flemish Region in 2012 and 2016.

MAIN EVENTS DURING THE FINANCIAL YEAR

Jan Goossens takes over the day-to-day management

Until October 2016, Managing Director Luc Bossyns was at the head of the company. Under his leadership, Aquafin has grown into an established figure in the water industry, enjoying the confidence of customers, partners and financiers alike. The Board of Directors and Management Committee are grateful to Mr Bossyns for how he has made Aquafin a success, in Flanders and beyond.

Jan Goossens joined Aquafin on 1 October 2016 and took over the day-to-day management of the company as General Manager at the beginning of November. Jan Goossens has a PhD in chemistry and has fulfilled a similar role at van Gansewinkel Industrial Services and Marpobel.

Agreement with the Flemish Environment Agency about removal percentages

The waste water treated by Aquafin has to meet concentration limits which depend on the size of the conurbation for which the treatment plant is built. Removal percentages also apply. This means that a