

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

minimum percentage of the pollution load must be removed according to the parameters applying. However, during periods of heavy rainfall, the waste water reaching the treatment plants is highly diluted with rainwater. Then, the difference between the pollution load concentrations in the incoming waste water and after treatment is so small that it is very difficult and expensive to achieve the removal percentages set. In order to reach the target in spite of this, it was often necessary to add lots of chemicals to the treatment process.

Following constructive discussions, in September 2016, Aquafin and the Flemish Environment Agency reached agreement on a new approach, aimed at achieving the best possible outcome for the environment under the existing regulations. Accordingly, backdated to 1 January 2016, diluted samples will no longer be included in the calculation of the removal percentages.

### **Optimisation programme 2017 is the largest in years**

Every year, the Flemish Region funds a series of projects for implementation by Aquafin under an Optimisation Programme. In April 2016, Aquafin was assigned the projects for the 2017 programme year. A total budget of 230 million euros was allowed for the completion of the 2017 Optimisation Programme. This is the largest in years and proof of the Flemish Region's continuing confidence in Aquafin.

Within this budget, 130 million euros is reserved for projects under the Local Pact with the municipalities. By taking over some of the investments still needed in the sewer infrastructure from the municipalities,

the Flemish Region is easing the financial pressure on the municipalities. The region commissions Aquafin to carry out the projects, also applying the knowhow acquired by the company at local level in order to comply with the Water Framework Directive.

Besides the 230 million euros for new projects, a further 50 million euros is also made available under the 2017 Optimisation Programme for the implementation of the investment and renewal programme for programme years up to and including 2009.

### **Customers opt for Aquafin and Aquaplus**

Besides its work for the Flemish Region, Aquafin also acts as sewer operator for towns, cities and municipalities. A municipality can decide to work with Aquafin in the form of a concession or under separate contracts. Aquafin also offers its services in partnership with two water companies: with water-link in rio-link and with De Watergroep in Riopact.

In 2016 Aquafin gained two new municipal customers: Grimbergen and Opwijk. Herent and Tervuren renewed their partnership with Aquafin. At the end of 2016, 104 municipalities were customers of Aquafin under a concession arrangement, a service agreement or via rio-link or Riopact.

Aquaplus, the subsidiary of Aquafin, expanded its partnership with Total Belgium in 2016. It now operates the treatment plants for 25 out of the 29 Total petrol stations along Belgian motorways. Together with Geo-Engineering, Aquaplus also built the treat-

ment plant for a new abattoir in Oevel. The company will also be responsible for its operation. Overseas, last year, Aquaplus delivered an asset management plan for the sewer infrastructure in Oman. The company continues to work with China for the delivery of infrastructure elements and provision of advice.

### **Shareholder increases capital**

On 30 June 2016, the Flemish Environmental Holding (VMH) fully paid up Aquafin's capital for the sum of 37.5 million euros. This increases Aquafin's capital to 248.4 million euros. By allowing the capital to increase as the company grows, the Flemish Region demonstrates its 100% confidence in the company going forward.

### **Finance in changing market conditions**

Aquafin takes out long-term finance for projects delivered to the Flemish Region. Since many of the projects planned for delivery will not be delivered until the end of the year, and the finance is taken out throughout the year, in 2016, Aquafin took out just 115 million euros in finance as a precaution.

Capitalising on the growing interest among investors for SRI issues (Socially Responsible Investments), Aquafin took a Green Bond issue to the market for the second time in 2016. Aquafin raised 40 million euros at a fixed rate, to be redeemed evenly spread over 15 years. Last year, the European Investment Bank (EIB) lent 75 million euros, to be repaid over 30 years.

Banks are increasingly tending to pass on the continuing negative interest rate of the European Central Bank to customers. Aquafin therefore tries to keep funds held in savings accounts as low as possible and to cover liquidity requirements via the commercial paper programme as far as possible. This debt paper is increasingly placed at negative interest rates in the short term.

## **MAIN EVENTS DURING THE FINANCIAL YEAR**

### **EIB and Aquafin embark on tenth financing agreement**

The EIB meets around half of Aquafin's total long-term financing requirements. The cooperation has already lasted for more than 20 years. In February 2017, the two parties signed the agreement for the arrangement of the first 100 million euros tranche under the tenth loan totalling 200 million euros.

During the negotiations about this tenth financing agreement, the emphasis was on the sustainability of the projects for which the finance was required. Aquafin had to demonstrate that at least a quarter of the investment value of these projects allowed for climate change. For example, this is the case for projects where we disconnect stormwater from the sewer system and for optimisation projects which offer better protection against the consequences of climate change. Thus, Aquafin managed to back up this finance application sufficiently.