Green light for clear water

Aquafin

Annual report 2010

An integral vision on water treatment

Annual report 2010

An integral vision on water treatment

client-oriented
respectful
open
passionate
progressive
result-driven

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Aquafin in brief

A STRONG PARTNER FOR THE FLEMISH REGION

Aquafin was established by the Flemish Region in 1990, for the purpose of expanding, operating and pre-financing the wastewater treatment infrastructure in Flanders.

Aquafin collects household wastewater from the municipal sewers in collector sewers and transports it to wastewater treatment plants, where it is treated in accordance with European and Flemish standards.

The costs of the infrastructure works that were carried out, and Aquafin's operating costs, are passed on to the consumer of tap water via the water companies. By doing this, the Flemish Region is following the 'polluter pays' principle, which is encouraged by Europe. The balance is paid to the water companies by means of an operating subsidy from the Minafonds.

Aquafin stands for good management of the wastewater treatment infrastructure and a strong capacity for innovation. This means that the methodologies of Aquafin are at the foundation of the area-wide implementation plans, which clearly indicate on which municipal terrain, what infrastructure and when will be provided by the Flemish Region or by the municipality. Due to the know-how that it has built up over the years, Aquafin is also a much sought after partner in research projects, both in Belgium and abroad, which are aimed at implementing the European Water framework directive. The knowledge that Aquafin acquires in this way is for the benefit of the Flemish Region and the municipalities.

Infrastructure under management

At the end of 2010, Aquafin was responsible for the operation of 247 wastewater treatment plants. To transport the wastewater to the treatment plants, Aquafin was responsible for the management of 4,735 km of regional collector sewers. That is an increase of 113 km compared with 2009. Since its establishment Aquafin has laid 3,555 km of sewers. The remaining 1,180 km of sewer infrastructure was taken over. Aquafin manages 1,174 regional pumping stations and storage basins, of which 956 pumping stations were constructed by the company itself.

PRODUCTS AND SERVICES OUTSIDE OF THE AGREEMENT WITH THE FLEMISH REGION

For Flemish municipalities

Aquafin provides services for the expansion and management of the municipal sewage system. A city or municipality may choose to have a long-term partnership by means of a concession, or it can allocate ad-hoc tasks to Aquafin. Besides this there is the possibility of joining in with the joint ventures that Aquafin has concluded with the water companies AWW and TMVW (rio-link), VMW (RioAct and RioP) and Vivaqua.

For industry in Flanders and foreign partners

Aquafin's subsidiary, Aquaplus NV, focuses domestically on the requirements made on industry to comply with applicable European directives. The company primarily carries out consulting, design, building and operation assignments.

On international markets, Aquaplus participates as a consultant in open international tendering procedures. In most instances, the company acts as a sub-contractor. The focus lies on the new member states of the European Union, including assignments for the European Commission, for national governments, cities, municipalities and utility companies, covering all of the stages of the wastewater treatment cycle. Outside of Europe, Aquafin is mainly active in the Middle East and in China.

CORE FIGURES

Amounts in 000 euro	2006	2007	2008	2009	2010
Operating income	289,539	324,730	326,340	352,047	362,540
Profit for appropriation	11,917	10,339	6,289	6,531	7,084
Balance sheet total	2,330,447	2,398,467	2,280,359	2,429,354	2,671,015
Equity capital	116,071	166,592	169,908	170,230	216,561
Short-term financing	217,270	204,800	82,994	30,500	140,600
Long-term financing	1,331,128	1,269,125	1,192,967	1,303,608	1,355,481
Number of Aquafin employees	737	777	820	854	882
Number of VMM employees	105	98	95	92	89
Total number of employees	842	875	915	946	971

PROJECTS IN PORTFOLIO FOR THE FLEMISH REGION

	No. of projects	Value (million euros)
Delivered	2,153	2,817.13
Awarded and contracted out	294	384.65
In design phase	1,077	1,074.67
Total	**3,524**	**4,276.44**

Mission

Aquafin develops and implements effective solutions that provide cleaner watercourses and sustainable water (re)use. We respond pro-actively to expected developments in the water sector. As a result, and in a close relationship with our customers, we bring a customised realisation of European objectives nearer every day.

Foreword

AN INTEGRAL VISION ON WATER TREATMENT

In recent years, Aquafin has become strongly rooted in the water sector. Our knowledge of the development and management of the treatment infrastructure, combined with our insight into the working of sewerage systems make Aquafin unique in Flanders. This strength has been acknowledged by the region, the municipalities and the drinking water companies.

The Flemish Government has provided a budget of €150 million for each of the five most recent programmes for the development and optimisation of the supramunicipal wastewater treatment infrastructure. The last three programmes received an additional €100 million for the implementation of municipal works that the region has undertaken within the framework of the Local Pact. This active assignment portfolio of investment projects demonstrates the trust that the Flemish Region has in Aquafin. At the end of 2010, the portfolio contained over €1.4 billion for 1,371 projects, the highest amount ever.

For the implementation of the European Urban Wastewater directive, wastewater from all conurbations in Flanders must be treated in accordance with the applying standards as quickly as possible. 99% of the projects that the region assigned to Aquafin for this purpose have since been completed. The projects that the company is currently implementing for the region fall within the implementation of the Water framework directive, which requires high-quality surface and ground water by 2015.

Aquafin

Replacement investments have also moved to the foreground in the meantime. Part of the collection and treatment infrastructure in Flanders dates from long before Aquafin was founded. In order to continue pre-financing all these investments for the region, a good relationship with the banking world is crucial. Despite the difficult economic circumstances in recent years, Aquafin continues to enjoy the trust of the banks.

More synergies are being formed within the water sector, which contribute to implementing the integral water policy of the Flemish authorities. Aquafin collaborates intensively with various Flemish drinking water companies to implement municipal projects. In 2010, Aquafin became a partner of RioP, a collaboration between the Flemish Water Supply Company (VMW) and Aquafin. This is a follow-up to RioAct, which was initiated by both parties in 2006. Last March, Aquafin joined rio-link NV, the sanitation division of water-link cbva, established by drinking water companies AWW and TMVW. This new collaboration has enabled three major players in the water sector to bundle their forces in order to provide an efficient service to inhabitants and the Flemish municipalities.

The knowhow that Aquafin has acquired the past twenty years can provide even more benefits for the Flemish Region. With the support of the Flemish authorities, we wish to valorise our knowledge and experience more intensively for companies both at home and abroad and through assignments for foreign governments. We intend to expand our commercial activities further, without losing sight of our main assignment for the region.

Aquafin is a confident company with a clear vision on the future and enough flexibility to react to changing circumstances. We are also well aware of the fact that a company is made by the people who work in it. Our company is in its present position thanks to the enthusiasm and creativity of our employees. We are convinced that we can fulfil our ambitions for the future with the same élan.

Luc Bossyns
Managing director

Marc van den Abeelen
Chairman

Report of the board of directors on the financial year 2010

following the applicable articles of the Belgian Companies Act

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Corporate Governance Statement

GENERAL

Aquafin's first corporate governance charter was approved by the Board of Directors on 26 January 2006. That charter was prepared in accordance with the provisions of the Belgian corporate governance code of 9 December 2004. With the promulgation of the new version of the code in March 2009 and because of the issue of an obligation loan, the charter had to be amended. On 14 January 2010, the Board of Directors approved the new version of the charter. The most recent version is available for review on the website (www.aquafin.be).

BOARD OF DIRECTORS

Composition

The Board of Directors has been composed as shown in the table below since 3 August 2010.

Name	Type of mandate / Independent / (non-) executive	End of mandate
VOF Thedes, represented by Marc van den Abeelen	Chairman, independent, non-executive	2014
Luc Bossyns	Managing Director, executive	2014
Alain Bernard	Non-executive	2014
Pol Cools	Non-executive	2014
Marijke Mahieu	Independent, non-executive	2014
VOF Materie, represented by Erik Matthijs	Independent, non-executive	2014
Francine Swiggers	Non-executive	2014
Jhony Van Steen	Independent, non-executive	2014
Ivo Van Vaerenbergh	Non-executive	2014
Flemish Environmental Holding Company NV (Vlaamse Milieuholding NV), represented by Matrix NV, represented by Roland Van Dierdonck	Non-executive	2014

Mr P. Cools no longer meets the criteria requirements for the status of an independent director. More information in that regard is available in the description of the conflicts of interest - application of Section 523 of the Companies Code, further in this statement.

The Board of Directors is assisted by its secretary, Mr Alain Vanden Bon.

Presentation of the directors

Marc van den Abeelen

Marc van den Abeelen has a doctor's degree in Law from the University of Brussels. He became a professor of tax law and he was the Director-General of the High Diamond Council. He was a municipal councillor in Aartselaar as of 1976, an alderman from 1988 to 1993 and as of 1993 the mayor. Between 1995 and 2009, he was a member of parliament. From 1999 to 2004, he was the chairman of the Finance committee and from 2004 to 2009, chairman of the committee for Public Works, Mobility and Energy of the Flemish parliament. In addition, he was Chairman of the Antwerp World Trade Centre. He became the Chairman of Aquafin in 2009.

Luc Bossyns

Luc Bossyns holds a degree in Civil Marine Engineering from the University of Ghent. He was awarded a postgraduate diploma in Business Administration by UFSIA University (Antwerp). He began his professional career with the Cockerill Yards Hoboken in 1977. He subsequently worked for CMB (head of the environmental construction division) and Boelwerf (technical director). From 1993 to 1995 he was general manager and director of Boelwerf Vlaanderen. He then moved to Stork MEC, where he was appointed managing director. From 1995 to 2006 he was also liquidator of all medium-sized shipyards in Flanders. In addition, he has also been the director of Bamboss BVBA since 1995 and, since 2003, a director of Etap NV. He was appointed managing director of Aquafin NV in May 2000.

Alain Bernard

Alain Bernard studied Civil Engineering and Civil Engineering Industrial Policy at the University of Louvain. He started his career at T.V. Zeezand with the expansion of the outer port of Zeebrugge. Between 1982 and 1985 he worked as a project manager for NV Dredging International. He then was appointed as general manager at NV Hydro Soil Services. In 1990, he returned to work for NV Dredging International, initially as director of the Benelux division and from 1995 to 2006 as director-general. From 1997 to 2006 he was also active as the chief operating officer of the D.E.M.E. Group (Dredging Environmental & Marine Engineering). In 2006, he was appointed as the Chief Executive Officer of D.E.M.E. Group and director of various subsidiary companies in the D.E.M.E. Group: DEC, C-POWER, Scaldis, GEOSEA... He has also been chairman of the Belgian Dredging Federation since 2004. In 2007 he was appointed as a director of Aquafin NV.

Pol Cools

Pol Cools graduated from the University of Ghent as a Civil Engineer-Architect and Engineer in Environmental Sanitation. He started his career in 1972 with the Belgian Roads Fund, and in 1976 he was an attaché to the personal office of the Minister of Public Works, Mr Defraigne. In 1977, he set up his own architect's practice, initially as Bureau ir Pol Cools, and from 1990 with the co-partnership Arch & Teco NV, of which he was a director. He expanded the original architectural office into the Arch & Teco Group. That multidisciplinary study and consulting group comprises eight autonomous business units that were established by Pol Cools between 1977 and 2005. Its activities include: architecture, restoration and spatial planning; stability studies, civil engineering and hydraulic engineering; design of general infrastructure, road and sewer infrastructure projects; equipment techniques; energy performance calculation and certificate; safety co-ordination and expertise, environmental technologies; telecom networks and GIS projects; change management; facility management; consulting; project management and coordination. Pol Cools expanded his activities at an international level as of 2005, with the establishment of the joint venture Ase Structure Design Pvt Ltd in Chennai, India, of which he is a director. Since 2006, he has also been a member of the board of liquidators at Berlaymont NV 2000. He was appointed as a director of Aquafin in 2007.

Marijke Mahieu

Marijke Mahieu holds a Licentiate in Law from the University of Ghent. From 1975 to 1981 she worked as a lawyer in Ghent. Since 1981 she has worked as an official for the City of Ghent. Until 1995 she worked in the legal department in various posts. She was later promoted to the position of manager of the Technical Services Department. In 1999 she became the director-manager of the Environment and Nature Development Department, and in 2001 she became the acting director-general of the Economics, Environment and Public Health Department. Since 2003 she has been head of the department of Work and Economy and a member of the management team of the City of Ghent. On the basis of her function, she is also a member of the management committee of the Innovation and Incubation Centre NV of the University of Ghent, a member of the management committee and a director of the NV De Punt Gent, a member of the board of directors of VZW Startpunt Gent, chairman of the Board of Directors of VZW Labeur Gent and a member of the board of directors of Max Mobiel Gent. She was appointed as a director of Aquafin NV in 2007.

Erik Matthijs

Erik Matthijs is a doctor in veterinary medicine from the University of Ghent. He was a practising veterinarian until October 1992. In 1986 he became the alderman responsible for finances in the city of Eeklo. In October 1992, he was co-opted as a senator in the National Parliament. He sat in the Belgian Senate until June 1995. On 1 January 1995, he also became the mayor of the city of Eeklo, an office that he held until the end of December 2006. During that period he was also a member of the board of Directors of KAHOG (the Catholic University for healthcare) in Ghent. In 1995 and 1999, he was directly elected as a member of the Flemish Parliament for the district Ghent-Eeklo. In June 2004, he was once more elected as a member of the Flemish Parliament, this time however for the province of East-Flanders. In the Senate, he was a member of the Education and Science Commission, and of the advisory committee for European Affairs. In the Flemish Parliament, he was a permanent member of the Environment, Nature and Urban Planning Commission for more than 10 years. From 2004 until 2009, he was vice-chairman of the General Policy, Finances and Budgeting Commission of the Flemish Parliament. He is the co-author of the innovative land reclamation decree, and, at the end of 2004, he also participated in the reorganisation of the water sector in Flanders. In May 2009, he was appointed as a director of Aquafin NV and as the chairman of the Audit Committee.

Francine Swiggers

Francine Swiggers holds a licentiate in Applied Economics and a Master of Business Administration from the Catholic University of Louvain. Her professional career started with the National Fund for Scientific Research. In 1977 she moved to Bacob Bank. Since 1997, she has been active with the ARCO Group, where she is responsible for the follow-up of the financial participations. She was appointed chairman of the management committee in 2007. In addition to several directors' mandates in the financing companies of the ARCO Group, she also sits on the board of directors of Dexia SA, Dexia Bank Belgium, Dexia Crédit Local (France), VDK and is Chairman of Procura VZW. She was appointed as a director of Aquafin in 1998.

Roland Van Dierdonck

Prof. Dr. Roland Van Dierdonck holds a Civil Mechanical & Electrotechnical Engineering degree from the University of Ghent and a Ph.D. in Business Administration from Harvard University. From 1978 to 1980 he lectured at IMD in Lausanne. In 1980 he returned to Belgium to teach at the University of Ghent. From 1987 to 1990 and from 1996 to 1998 he was chairman of the School for Management of the University of Ghent. In the period 1985-1992, he was visiting professor at Insead, Ecole National des Ponts et Chaussées in Paris and the University of North Carolina in Chapel Hill. From 1995 to 2001 he was guest lecturer at the Rotterdam School of Management of the Erasmus University. From 1998 to 2007 he was dean of the independent Vlerick Leuven Gent Management School. On 1 October 2007 he became an emeritus professor of the University of Ghent. He was a member of the boards of directors of several profit and not-for-profit organisations. He has been associate director of the European Foundation for Management Development since September 2010. At this moment, he is the Chairman of the Board of Directors of the Vlaamse Milieuholding NV and member of the board of directors of Indaver NV and Aquafin NV.

Jhony Van Steen

After completing his Economics studies at the Free University of Brussels, Jhony Van Steen was employed by that university as a research assistant until 1978. In 1978, he moved to the ASLK, where he was responsible for youth policy and introduced home banking in 1985. From 1989 to 1992, he was adviser, head of the cabinet, and deputy head of cabinet at the PTT cabinet and the Government Agencies cabinet. Between 1992 and 1993 he held the post of executive director at ASLK Insurances. From January 1994 he was Director Public and Social Profit Sector for Fortis. He held a variety of director's mandates in insurance companies in Belgium and Luxembourg, including ES-finance, Belgacom, GIMV, PMV/ VPM, VIOM and the Dender schools group. He is still active today in a variety of boards of directors in the public and the social profit sector. He was appointed as a director of Aquafin NV in 2001 and is Chairman of the Appointments and Remuneration Committee.

Ivo Van Vaerenbergh

Ivo Van Vaerenbergh holds degrees in Civil Mechanical Engineering and Environmental Sanitation from the University of Ghent. He has a postgraduate diploma in Business Management and a Master's in Business Administration from the University of Louvain. He started his career within the service departments of the Prime Minister with responsibility for Science Policy Programming. As operational director he was responsible for the national R&D programmes Energy, Environment and Secondary Raw Materials. From 1979 to the 90s he was the managing director of Metallo Chimique NV. He was the chairman of the board of directors of the Study Centre for Nuclear Energy in Mol (1986-1989) and of the Flemish Environmental Holding (1994-2002). As an entrepreneur, he has been the chairman-managing director of the REM.B/Morssinkhof Hydraulics Group (Beerse, Rotterdam) since 1986 and is a director of ENERGIUS NV, Thenergo NV and W-Kracht NV. He also holds director's mandates on the boards of the following companies/organisations: Reynaers Aluminium NV, Ziekenhuis Netwerk Antwerp vzw and Lanbokas and Edan Business Systems NV. He is also chairman of the board of directors of Sustainable Energy Ventures (VMH). For twenty years he was the chairman of the Voka-Kempen Chamber of Commerce, and he still chairs the Regional Nuclear Coordination Cell (RNC). In 1995 he was appointed as a director at Aquafin NV. Here he was the chairman of the board of directors between 1999 and 2009.

Report of activities and attendance

In addition to exercising the competencies that are described in the Charter, the Board of Directors gave consideration during the past financial year to the further expansion of its strategic vision, the further setup and expansion of co-operative associations in the sector and the modification of the management contract with the Flemish Region.

During 2010, the Board of Directors met seven times. Until August, the board consisted of nine members. The board of directors met in that composition four times. During one meeting, all of the directors were present. One director was absent with reasons on two occasions. One meeting had to be organised at short notice. Five directors attended that meeting, the other directors were validly represented. Since August, the board consists of ten members. In the current composition, the board of directors has met three times. During two of those meetings, one director was absent. Seven directors attended the most recent meeting.

Conflicts of interest - Application of Article 523 of the Belgian Companies Act

During the meeting of 11 March 2010, the meeting was due to decide on the matter of granting a disconnection assignment to a Hydroscan Temporary Trading Association - Arch&Teco Networks - AB Infra-Asset, in which several companies in which a director is a shareholder are members. Below follows a complete account of this part of the minutes of meeting of the above-mentioned meeting of the Board of Directors.

"One director, Mr P. Cools, reports to the Board of Directors, with all members in attendance or represented, that a conflict of interests exists in this matter with regard to his person. He thereupon does not participate in the further discussion of this point of the agenda and leaves the meeting room. In accordance with the requirements of the law, the auditor will be informed about this matter, and all necessary actions will be taken for a correct reporting of this matter in the Annual Report.

This conflict of interests consists of taking a decision, which represents a direct proprietary interest of this director. This proposal covers, after all, the possible granting of this assignment to a Hydroscan Temporary Trading Association - Arch&Teco Netwerken - AB Infra-Asset (hereinafter: THV) in which several companies in which the director is a shareholder are members.

Mr L. Bossyns presented an overview of the order, which consists of studies - in 14 lots and based on the capacity offered - concerning how the disconnection of the (rainwater drainage) of consumers can be done. This dossier was brought to the board of directors because the total contract value is €3.5 million over a period of three years. For 13 of the 14 lots, the aforementioned THV was the most favourable bidder at this time (contract value €2.5 million).

He then reviewed the report of the tender briefly.

Conclusion: The board of directors approves the proposal of granting the order for 13 of the 14 lots to THV Hydroscan - Arch&Teco Netwerken - AB Infra - Asset (...).

Mr P. Cools then rejoined the meeting.

The Compliance Officer reports that, in view of the agreement just granted, Mr P. Cools can no longer be designated as an 'independent director'."

AUDIT COMMITTEE

Composition

Chairman	VOF Materie, represented by Erik Matthijs
	Pol Cools
	Marijke Mahieu
	Francine Swiggers
	Flemish Environmental Holding Company NV, represented by Matrix NV, represented by Roland Van Dierdonck (since 21 October 2010)

Report of activities and attendance

In addition to the areas of activity that have been specifically assigned to the audit committee, attention has also been devoted to the memorandum of La Compagnie Benjamin de Rothschild concerning the interest analysis. The committee was also informed concerning the differences between the bookkeeping rules according to the Belgian bookkeeping law and the rules of the IFRS. Those areas on which the conversion represents a substantial impact were discussed at length. The committee also gave advice concerning a number of points with respect of the relationship with the economic oversight authority.

In 2010, the Audit Committee met four times. The committee met three times in the previous configuration. At one meeting, two members were absent; during the other meetings, all members of the committee were in attendance. In the new composition, the audit committee met once. One member was not in attendance at that meeting.

APPOINTMENTS AND REMUNERATION COMMITTEE

Composition

Chairman	Jhony Van Steen
	Alain Bernard
	Ivo Van Vaerenbergh

Report of activities and attendance

In addition to the normal areas of discussion related to the remuneration policy, extra-legal benefits, collective bargaining negotiations and the formulation and evaluation of objectives, the committee advised the board of directors concerning the adjustment of the reorganisation resulting from the Aquafin strategic plan the management had proposed. The committee also gave advice concerning the relationship with the economic oversight authority with respect to personnel matters.

The Appointments and Remuneration Committee met four times during the past financial year. All of the members were present at all of the meetings.

MANAGEMENT COMMITTEE

Composition

Managing Director	Luc Bossyns
Operations manager	Erik Poppe
Infrastructure manager	Dirk De Waele
Commercial manager	Boudewijn Van De Steene
Process Innovation and Information Systems manager	Danny Baeten

IMPORTANT ELEMENTS OF THE EVALUATION PROCESS OF THE BOARD OF DIRECTORS, THE COMMITTEES AND THE INDIVIDUAL DIRECTORS

The members of the Board of Directors regularly evaluate the operations of this corporate organ on the basis of size, composition and functioning. The current composition is evaluated against the desired composition. The relationship and interaction with the Management Committee will also be reviewed. The Appointments and Remuneration Committee provides an analysis on this matter to the directors. For the purpose of evaluating this interaction, the non-executive directors will meet at least once every year without the Managing Director being present.

As part of the evaluation process by the Audit Committee, the following elements are assessed: internal regulations, composition and appointments, meetings, training of members and funds available for such training, the whistleblower procedure and relations with the Board of Directors. An evaluation is also prepared of the responsibilities with regard to financial reporting of the company, internal control and risk management systems, as well as the internal and external audits.

The Appointments and Remuneration Committee draws up an evaluation of its own effectiveness and efficiency every two years. For this self-evaluation, an individual questionnaire is submitted to the members of the committee. The results of this will be discussed during a committee meeting and subsequently submitted to the Board of Directors. An analysis will also be made of the interaction between the Management Committee and the Board of Directors. The committee also gives advice concerning the performance of the individual directors, especially with a view to their eventual reappointment and with special attention to an evaluation of the various chairmen.

REMUNERATION REPORT

Non-executive directors

The General Meeting decided in 2005 to pay a fixed stipend per year, supplemented with a variable sum per meeting of the board or committees attended. These amounts are increased by 20% for the Chairman of the Board of Directors and for the chairmen of the various committees. If the directors carry out a task that is separate from their normal tasks as directors, compensation will be granted in accordance with the decision of 2009. This is solely related to assignments given from time to time to individual directors by the board of directors or the management committee. The stipends are charged against general costs.

Name	Total amount received
Marc van den Abeelen (C) (to 20/04/2010)	€ 10,637.45
VOF Thedes, represented by Marc van den Abeelen (from 20/04/2010) (C)	€ 26,262.54
Alain Bernard	€ 11,412.38
Pol Cools	€ 12,786.10
Marijke Mahieu	€ 12,469.09
Erik Matthijs (C) (to 20/04/2010)	€ 5,652.19
VOF Materie, represented by Eric Matthijs (from 20/04/2010) (C)	€ 11,561.49
Francine Swiggers	€ 11,095.37
Jhony Van Steen (C)	€ 14,677.60
Ivo Van Vaerenbergh	€ 13,472.96
Flemish Environmental Holding Company NV (VMH NV), represented by Matrix NV, represented by Roland Van Dierdonck	€ 4,455.76

((C) = Chairman)

Uitvoerend bestuurder

The total gross compensation that was invoiced over 2010 by Bamboss BVBA, whose Managing Director is the Executive (Managing) Director of Aquafin, is composed as follows:

• basic compensation:	€ 372,041.04
• variable portion:	€ 141,325.87
• pensions scheme contributions:	none
• other compensation components:	€ 1,382.94

He receives no compensation as a director within the Board of Directors.

Management committee

The total gross compensation that was paid to the members of the Management Committee over 2010, with exception of the Managing Director, amounts to:

• base salary:	€ 595,161.39
• variable portion[1]:	€ 58,643.72
• pensions scheme contributions:	€ 110,674.54
• other compensation components:	€ 97,027.62

General

The salary policy with regard to the executive management, including the Managing Director, is specified by the Board of Directors, after it has received an advice from the Appointments and Remuneration Committee. The remuneration policy is directed towards attracting, retaining and motivating competent and skilled persons. The size of the compensation takes the individual tasks and responsibilities of the members of the Management Committee into account.

1 The total amount of this income component is divided into one amount that is paid out as a gross bonus and is included under this heading, and another amount is part of the pension scheme entitlements, which are included under a heading of that name.

Once per year, the performance of the management team is evaluated in the presence of the Managing Director. The evaluation of the Managing Director is carried out in his absence, of course. The entire process is closely monitored by the Appointments and Remuneration Committee, and it is approved by the Board of Directors. The operational, personal and commercial objectives are formulated each year on the basis of a set of regulations. Each of the objectives is weighted in advance for the evaluation. In 2010, the components of the evaluation made reference amongst others to organisational, budgetary, economic and environmental aspects and/or results. In addition to the evaluation on the basis of objectives, the entire functioning of the involved person is also evaluated. The period during which these performances were evaluated covers 1 January 2010 up to and including 31 December 2010.

No shares (options) and/or rights for the acquisition of shares were granted to the members of the executive management (including the Managing Director).

Up to or after 1 July 2009, no employment contracts were concluded with the Managing Director or any other member of the Management Committee.

IMPORTANT CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OF THE COMPANY

The Board of Directors is aware of its responsibilities and takes all possible risks into account in the determination of the strategic direction of the company. The risk-related subjects are discussed at its meetings. The Management Committee is also aware of the importance of good internal control and risk management. Risk-related subjects are discussed at the weekly gatherings.

A risk-management policy, for which policy lines, procedures, signature authorities, built-in alarms and checklists were defined, has been implemented in all departments. Changes in legislation are also followed up on. The necessary measures were taken for ensuring information security. Several specific departments concentrate heavily on risks: Prevention & Safety, Environment and Quality, Compliance Management, the Less Nuisance Manager, the ombudsman and the internal auditor. In addition, the company devotes attention to monitoring and reporting risks. In that respect, use is made of a reliable information system and the Balanced Scorecard, both as a measurement instrument and as a reporting system. Internal quality audits are carried out on the implemented procedures. The internal auditor, external auditor and the Economic Oversight Authority of the Flemish Region provide effective oversight of the company.

CONTROL OF THE COMPANY

Ernst & Young Bedrijfsrevisoren BCVBA, J. Englishstraat 52 in Borgerhout, represented by Ronald Van den Ecker, have been appointed as auditors of the company.

The auditor's mandate lapses at the close of the annual meeting in 2011.

The annual compensation of the auditor, for the statutory audit of the annual financial statements of the company, amounts to € 58,350 (exclusive of VAT), which is paid to Ernst & Young.

An additional amount of €50,000 (ex VAT) for managing the conversion to IFRS was paid to the external auditor for special assignments and to persons with whom the auditor collaborates on a professional basis. Further information on this can be found in the explanations to the annual financial statements.

SHAREHOLDER STRUCTURE AND CROSS-PARTICIPATIONS

The Vlaamse Milieuholding is the owner of all shares of Aquafin NV. No cross-participations exist.

EXPLANATION REGARDING DEVIATIONS WITH REGARD TO THE CODE

Aquafin applies the provisions that have been defined in the "Belgian Corporate Governance Code", which applies to publicly listed companies. Deviations from the Code are possible in certain instances, due to the individual character of the shareholding in the company.

The Code provisions that the company does not comply with are explained in more detail below.

- **Stipulation 8.9: Convocation of General Meetings**
  The articles of association include a legal threshold of 20% for the convocation of a General Meeting. Given the nature of the shareholders of the company, lowering this threshold is pointless at this point.

- **Article 5.2/4: majority of independent directors in the Audit Committee.**
  To ensure the continuity of the functioning of this committee, it has been decided to retain Mr P. Cools as a member, in spite of Mr Cools unexpectedly having lost his status an independent director in the course of this financial year. The committee has a composition that still meets the requirements of the law (Sect. 526bis, Companies Code).

- **Article 5.4/1: majority of independent directors in the Appointments and Remuneration Committee**
  For the purpose of maintaining the continuity within this committee, it was decided to appoint Mr Van Vaerenbergh as a member. He is not an independent director but he knows the company and the specific context that it has to work in thoroughly.

INSIDER TRADING AND MARKET MANIPULATION

When the new Charter was created, measures were included to be in compliance with the provisions of the European Directive 2003/6/EC concerning insider trading and market manipulation, since these provisions are applicable to the company since the emission of the 2009 debenture loan. The role of the Compliance Officer was described with regard to the observance of applicable regulations and the provision of required information. That Board of Directors will, if necessary, draft a so-called trading regulation.

Mr A. Vanden Bon, secretary of the Board of Directors, has been appointed as the Compliance Officer.

No reports were made during 2010, to which these provisions would be applicable.

Report of the board of directors

Over a period of twenty years, Aquafin has become a strong partner in the water sector. Our strength is unmistakeably in the combination of vision, expansion and management of the wastewater treatment infrastructure. The feedback between each of the steps makes it possible to have an integrated vision with respect to water treatment. The Flemish Region, the municipalities and the drinking water companies appreciate our technical expertise, our knowledge of the area, and our innovative attitude. All of those characteristics make Aquafin a unique player in the sector.

Most important developments during the financial year

COMPANY IN MOTION

Aquafin has made the strategic choice for a client-focused model, in which we expand and deepen our core activities in Flanders. We focus on delivering added value to the Flemish Region, the municipalities and our stakeholders. At the same time, we create space for new opportunities. For example, we want to leverage the valorisation of our expertise with the Flemish industry and abroad.

To achieve that ambitious plan for the future, the company must be manoeuvrable and able to respond quickly to trends and changes within and outside the sector. That means, in the first place, a culture change with every member of personnel improving his or her client orientation. The organisation is being redrawn around our four core processes: vision development, accelerated execution of projects, network operations and financing. The management and control processes were redefined with a clear objective. We want to give our clients a pleasant experience and deliver rapid transactions, with budgets and cost prices that are transparent and where a commitment is a commitment. Those objectives require good information management and a flexible IT architecture that is aligned with our processes. For that reason, the requirements in that area were identified in 2010.

A flexible company also requires a flexible organisation of work and workstations. When the Aquafin main building was renovated in 2010, that is the philosophy that was used. There are no permanent workstations anymore; there are now clean desks that can be used for concentrated work, project work or meetings, depending on the need. That philosophy will be expanded throughout the company as soon as all of the necessary steps have been taken to organise and digitise the information and paper flows.

With the budget for the optimisation programme 2012, 133 projects will be carried out. Projects valued at €200 million were defined, with €100 million again being allocated to investments related to the Local Pact with the municipalities. In this programme, the remaining €50 million is being explicitly allocated for the overrun of the investment and renovation programme from previous programme years.

EXERCISE SHOWS THAT AQUAFIN IS 'CRISIS-READY'

In December, Aquafin, a crisis-communication firm and the Federal Nuclear Control Agency held an extensive crisis simulation that tested our communications skills and our operational readiness. The exercise was assessed as 'good', and some points with room for improvement were identified. The general view was that Aquafin was among the top in Belgium when it comes to preparation for and communication during crises. Of course, we are not going to rest on our laurels. Regular exercises are crucial to be able to respond adequately if a real problem arises.

APPROVAL OF OPTIMISATION PROGRAMMES 2011 AND 2012

On 6 April and 19 November, the Flemish Region set the budget for the expansion of the supra-municipal water-treatment infrastructure for the programme years 2011 and 2012 at €250 million each.

As part of the Local Pact with the municipalities, in 2008, the Flemish Government decided to make an annual contribution of €100 million over seven years to improve the municipal sewer system via the investment programme mandated to Aquafin.

With the budget for programme year 2011, 192 projects will be carried out. The basic budget of €100 million is being augmented with €100 million for projects that have been defined as a part of the Local Pact. The remaining €50 million are intended for dealing with budgetary shortfalls on projects that had been mandated in the past.

The optimisation programmes are being drawn up by the VMM (Flemish Environment Agency), in consultation with Aquafin, the provinces and the basin administrators. They include projects that focus on the additional sanitation of various discharge locations, the construction of small-scale wastewater treatment plants and the construction of strategic rainwater piping to improve the existing infrastructure. When choosing the projects, attention is given to their ecological and economical profitability.

FIRST PART OF THE PLANTS AND PROPERTY OF THE FLEMISH ENVIRONMENTAL COMPANY PURCHASED

In 1994, under the terms of the management agreement between the Flemish Region and Aquafin, the company acquired the user rights for the treatment plants that had already been established before the company was operating. Those treatment plants are not carried on the Aquafin balance sheets. The investments for the renovations and expansion of those plants, which Aquafin had done over the past few years, are carried on our balance sheets.

It has become clear in the meantime that it is not efficient to have two entities with responsibility for a single piece of property. For that reason, the Flemish government decided to have Aquafin purchase, operate and finance the plants owned by the Flemish Environment Company.

To make the financing of the purchase possible, the management agreement and the allocation agreement were expanded by addendum no. 7 and addendum no. 2, respectively.

The first phase of that purchase took place at the end of 2010 for a purchase amount of €157.9 million (incl. registration rights). Part of that purchase was financed with equity. For that purpose, the shareholder Flemish Environmental Holding made a capital payment of nearly €49 million. The remainder of the purchase was financed with the existing commercial paper programme.

The second phase of the purchase has a value of approx. €200 million and will be done in 2011. The remaining amount of the purchase, for the first and second phases combined, will be financed by borrowed capital in a single package.

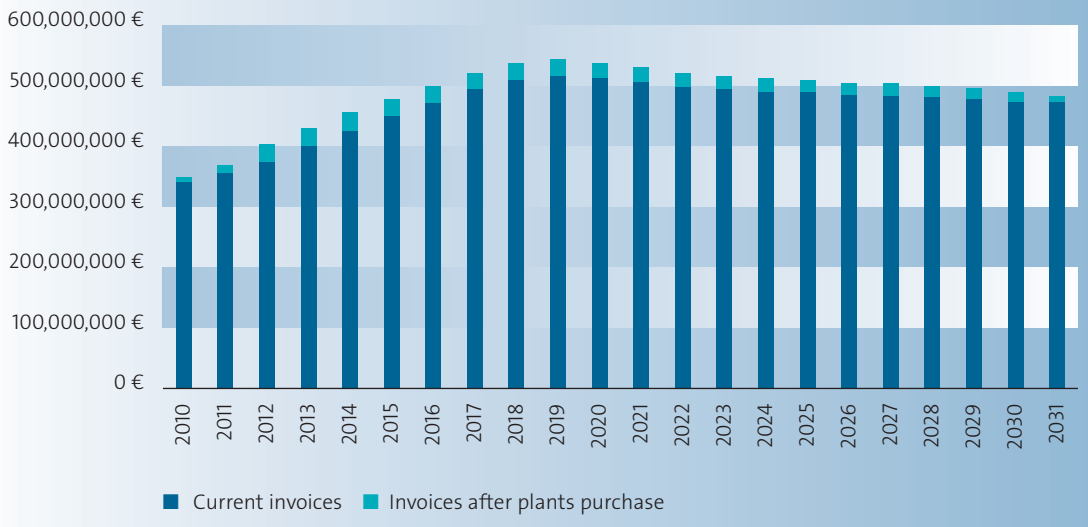
The part of the purchase that was financed with equity will not be passed on in the drinking water charges to customers. However, the matching amount may be charged if the management agreement were to come to an end. The part that is being financed with borrowed capital will be charged over a period of 20 years.

The graph shows the impact of the purchase on the amount of the invoices to the drinking water company for the next few years.

APPROVAL OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS 2005-2007

On 2 April 2010, the Flemish government decided to approve the financial reports for financial years 2005, 2006, and 2007. Those reports were prepared by Aquafin in accordance with Article 5 bis-1 of the management agreement. They give a well-structured picture of the utilisation of the funds that were provided to Aquafin for the execution of the management agreement. The decision of the Flemish Government implies that no costs have been rejected and that the created provisions do not have to be utilised.

IMPACT PURCHASE VMM TREATMENT PLANTS ON THE AMOUNT OF THE INVOICES TO THE DRINKING WATER COMPANIES/THE FLEMISH REGION



For the operating costs for the years 2008 and 2009, a total provision of €500,000 was reserved in the past. Inasmuch as that provision is not based on actual payments, the audit committee advised in 2010 that the company should reclaim all of that provision.

FIRST EU FINE LOOMS FOR BELGIUM

With Belgium still not complying with the EU Urban Wastewater directive, the country has been sent to the European Court of Justice for the second time. That could lead to a lump-sum fine of more than €15 million and a daily penalty of nearly €62,000 until Belgium complies with the directive. In Belgium, environmental matters are a regional responsibility. None of the three regions is currently compliant with the directive. Since the foundation of Aquafin in 1990, we have eliminated a large part of the arrears that Flanders had vis-à-vis the neighbouring countries. As of today, there are no agreements concerning the allocation of the aforementioned fine and penalties among the three regions. Aquafin does not expect an EU fine for Belgium to have immediate consequences for the company.

BOOKKEEPING SWITCHES TO INTERNATIONAL STANDARD

Starting in 2011, Aquafin will report in accordance with the applicable International Financial Reporting Standards (IFRS). A working group was established early in 2010 to manage the implementation of IFRS. A phased plan was developed in a joint project approach with a consultant.

The emphasis is on the specific standards and interpretations that are important for Aquafin, especially IFRIC 12 – services based on concession agreements. In order to publish the financial report for 2011 in accordance with IFRS rules, comparable figures had to be reported for 2010. Starting on time was therefore a key aspect. The website of Aquafin was also modified to comply with all of the information requirements.

FINANCIAL DEVELOPMENTS

Continued trust of our financiers

Over the past few turbulent financial years, our financiers have continued to have trust in the company. In the current economic situation, it is important to have financing in place even before it is needed. For both the short-term and long-term financing, Aquafin was able to extend its credit lines in 2010, including the extension of the bilateral credit lines at the same level. After the European Investment Bank (EIB) granted the first 30-year loan to Aquafin in 2009, the first 30-year commercial loan was finalised in 2010.

The EIB and Aquafin have been working together since 1994. Aquafin is very grateful to that institution for the advice and the support it has given for all that time. With a total of seven loans, the EIB has supported the wastewater treatment sector in Flanders with €1.2 billion.

Confirmation of credit-worthiness of Aquafin

In September 2010, Aquafin again received an excellent report from the independent rating service Moody's. For both short-term and long-term credit, Aquafin was granted the best possible ratings - AAA and P-1, respectively. With those ratings, Aquafin is still able to borrow today from the banks at extremely favourable rates.

Meeting the financial needs for 2011

The financial requirements for 2011 amount to approximately €400 million. That amount is needed in order to carry out the investment programme that has been imposed and for the further purchase of the remaining treatment plants from the Flemish Environment Company (addendum No. 7). We will consult the banks to develop proposals for specific products, with due regard for the possibilities of the market. There is another line of €125 million available from the European Investment Bank. We have different bilateral short-term lines of credit, including a revolving credit facility in the amount of €210 million. There is also a great deal of room under the commercial paper programme of €400 million, which has €300 million in back-up lines.

Interest management is a success

Through active management of the interest risk Aquafin wishes to optimize the financing costs. In 2006, the Aquafin Board of Directors approved the outlines of a dynamic management procedure for interest-rate risks. The interest policy was modified in 2008. In 2009, primarily the descriptions and definitions were modified. No changes were made to the principles themselves.

For the existing credit portfolio the active interest rate management became tangible in the form of "fixed interest debt variabilisation", whereby a safeguard is built in against increasing interest rates and at the same time the possibility is created of benefiting from stabilizing or falling interest rates. Active interest management can be applied to maximally 35% of the underlying debt of Aquafin's total debts in the long term, increased by the bonds issue of 30 May 2006. That strategy was finalised in 2008. To cover future financing requirements, the interest policy provides a dynamic programme for interest management, up to a maximum of 50% of the future long-term debt, which could be up to five years in the future.

The financial results of the interest management are calculated against individual benchmarks (the result of an individual strategy in comparison with the applicable interest swap at the moment of the establishment/execution of the structure). The interest cost of the underlying loan must be taken together with the results of the structure built on top of it, in order to see Aquafin's ultimate debt burden. The financial results are offset with the drinking-water companies. The market value of the derived financial instruments is stated in the explanation of the annual accounts.

New structures were established in 2010 for our future financing requirements. Existing strategies were also optimised. In 2010, savings of €1,068,000 were achieved vis-à-vis the benchmark. Half of that was immediately deducted from the invoice to the drinking-water companies. The other half was retained in the company as an interest buffer for optimising structures. As of 31 December, that buffer amounted to €1.6 million. That amount is made up of the reserve from previous years plus the amount from 2010. According to the agreements made with the economic oversight authority, that amount may never be higher than €2 million.

Expansion of the wastewater treatment infra-structure for the Flemish Region

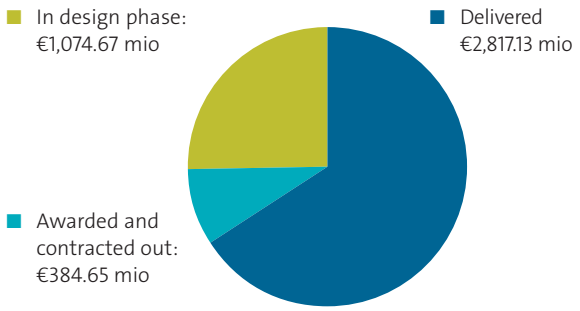
The emphasis for both the Flemish government and Aquafin is on the effective achievement of the European directives. The expansion of the wastewater treatment structure in Flanders is preceded by careful vision development. In 2010, Aquafin once again achieved the set objectives. We continue to examine our procedures, however, to be able to work more client-focused and more efficiently.

In order to keep the timeframe from design to delivery as short as possible, we examined our project-procedures in 2010 and modified them. Before the first steps to implementation are taken, we precisely identify the risks associated with a project. That was done in the past as well, of course, but less explicitly. We also want to be able to anticipate possible delay factors more quickly. These may be found in the social context, or may be related to constructional aspects such as ground quality and the location of the utilities pipelines. Accurate estimates and good investment-cost management are also important. We are already monitoring the legal administrative framework, such as the application for permits, very closely, but there, too, it is important to be proactive.

PROJECT PORTFOLIO GROWS FURTHER

On 31 December 2010, the active investment-project order portfolio for the Flemish Region amounted to more than €1.4 billion for 1,371 projects. By that date, Aquafin had delivered 2,153 investment and renovation projects worth €2.8 billion.

VALUE PROJECT PORTFOLIO



TENDERS

In 2010, Aquafin put projects worth €151 million out to tender. That is €5 million more than in 2009. By collaborating with municipalities and supra-municipal utilities, the amount rose to €230.4 million. For 2011, we are aiming for €160 million.

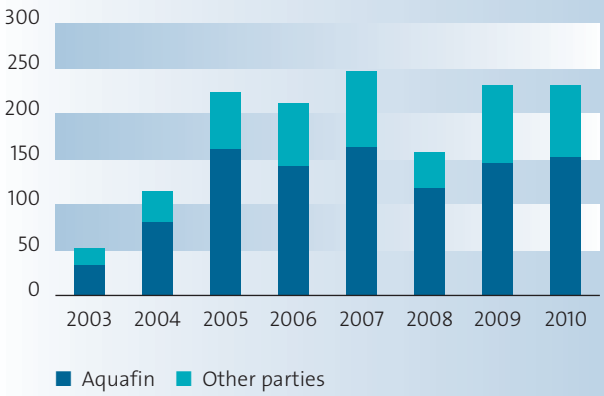
For all agglomerations, a determination has been made of the wastewater treatment infrastructure that is a priority in order to comply with the European Urban Wastewater directive. Since the start of 2010, all wastewater treatment plants in agglomerations of more than 10,000 people-equivalents were operational and only 9 collector sewers were still being worked on by the end of 2010.

In agglomerations of between 2,000 and 10,000 people-equivalents, there were 4 wastewater treatment plants missing at the beginning of 2011. The plants in Bavegem, Oplinter, Hoepertingen and Melsbroek were all in progress. The remaining 20 priority collector sewers have been put out to tender or are in progress.

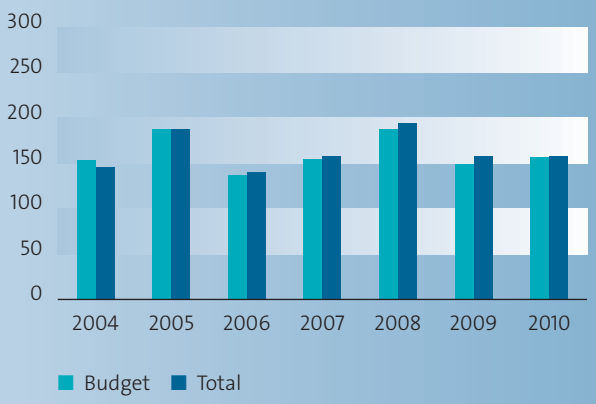
DELIVERIES

In 2010, Aquafin delivered projects worth a total of €157.73 million. The amount for wastewater treatment plants was €33.9 million. For the expansion of the sewer system, €123.82 million was spent. The target for 2011 is €158 million.

CONTRACTING RHYTHM (in million Euros)



DELIVERY RHYTHM (in million Euros)



In 2010, eleven water-treatment plants were delivered: in Sint-Antelinks, Roosbeek, Moorslede, Schorisse, Kallo, Pittem, Berendrecht, Lennik-Varenbergbeek, Koekelare, Lummen-Geneiken and Westouter. Five wastewater treatment plants were renovated, in Brasschaat, Vosselaar, Essen, Brecht and Stekene.

To transport the wastewater to the treatment plants, Aquafin laid 113 km of pipelines and built 79 pumping stations. In addition, the first projects under the terms of the Local Pact between the Flemish Region and the municipalities were delivered.

By the end of 2010, Aquafin had a total of 247 wastewater treatment plants and 4,735 km of pipelines under management. Of those pipelines, 3,555 km were laid by Aquafin. The remaining 1,180 km is infrastructure that was taken over. Aquafin also had 1,174 supra-municipal pumping stations under management, including storage basins.

VISION DEVELOPMENT CONCERNING THE EXPANSION AND MANAGEMENT OF THE WASTEWATER TREATMENT INFRASTRUCTURE

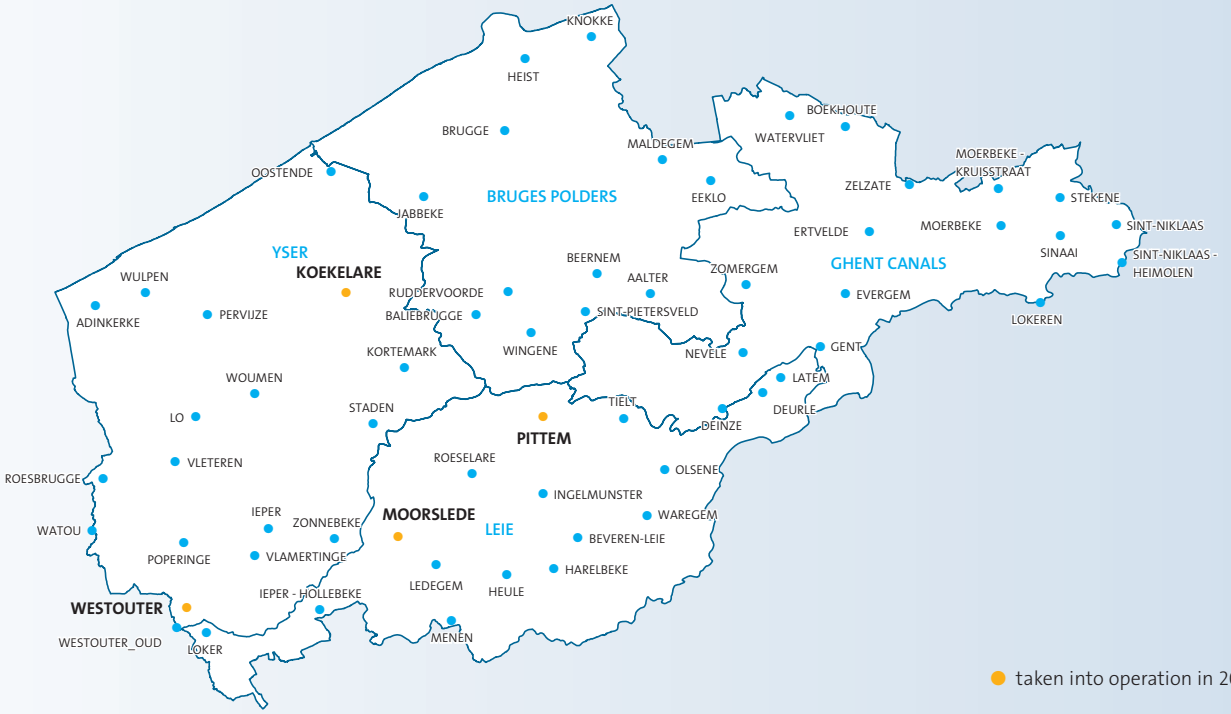
As a network manager, one of Aquafin's tasks is the optimisation of the performance of the existing and planned network.

In hydraulic studies, the physical parameters of the system are registered and formalised. In 2010, Aquafin completed 69 hydronaut studies. Sixty-six of those were needed for the expansion of the sewer system. The other three studies were intended to increase the knowledge about the water-treatment areas. The municipality concerned participated in two of the completed studies. In total, we delivered studies worth €3.61 million last year.

For an optimal ecological result, the expanded infrastructure must be kept in good condition. With that in mind, we shall increase our expertise in the coming years with respect to structural modelling, which asset management is an important part of. By the end of 2011, we want to fully master the PASS55 methodology for asset management.

Construction activity per water basin in 2010

YSER - BRUGES POLDERS - GHENT CANALS - LEIE



● taken into operation in 2010

YSER

Treatment level: 75.6% (75.3% in 2009)
Supramunicipal infrastructure under management:

- 18 wastewater treatment plants
- 85 pumping stations
- 380 km of piping

	NUMBER	TENDER SUM
Projects in progress	10	6,804,921 €

	NUMBER	DELIVERY SUM
Delivered projects	8	8,031,418 €

GHENT CANALS

Treatment level: 80.2% (79.9% in 2009)
Supramunicipal infrastructure under management:

- 16 wastewater treatment plants
- 90 pumping stations
- 356 km of piping

	NUMBER	TENDER SUM
Projects in progress	8	4,075,961 €

	NUMBER	DELIVERY SUM
Delivered projects	6	12,255,572 €

BRUGES POLDERS

Treatment level: 84.4% (80.9% in 2009)
Supramunicipal infrastructure under management:

- 12 wastewater treatment plants
- 101 pumping stations
- 338 km of piping

	NUMBER	TENDER SUM
Projects in progress	10	12,889,389 €

	NUMBER	DELIVERY SUM
Delivered projects	3	2,421,894 €

LEIE

Treatment level: 69.4% (66.5% in 2009)
Supramunicipal infrastructure under management:

- 16 wastewater treatment plants
- 70 pumping stations
- 344 km of piping

	NUMBER	TENDER SUM
Projects in progress	12	16,587,851 €

	NUMBER	DELIVERY SUM
Delivered projects	10	10,447,820 €

LOWER SCHELDT - UPPER SCHELDT - DENDER

LOWER SCHELDT

Treatment level: 87.6% (84.7% in 2009)

Supramunicipal infrastructure under management:

- 39 wastewater treatment plants
- 156 pumping stations
- 717 km of piping

	NUMBER	TENDER SUM
Projects in progress	37	65,989,858 €

	NUMBER	DELIVERY SUM
Delivered projects	24	57,883,371 €

UPPER SCHELDT

Treatment level: 65.1% (63.9% in 2009)

Supramunicipal infrastructure under management:

- 16 wastewater treatment plants
- 34 pumping stations
- 185 km of piping

	NUMBER	TENDER SUM
Projects in progress	9	6,721,101 €

	NUMBER	DELIVERY SUM
Delivered projects	6	6,464,767 €

DENDER

Treatment level: 78.6% (78.1% in 2009)

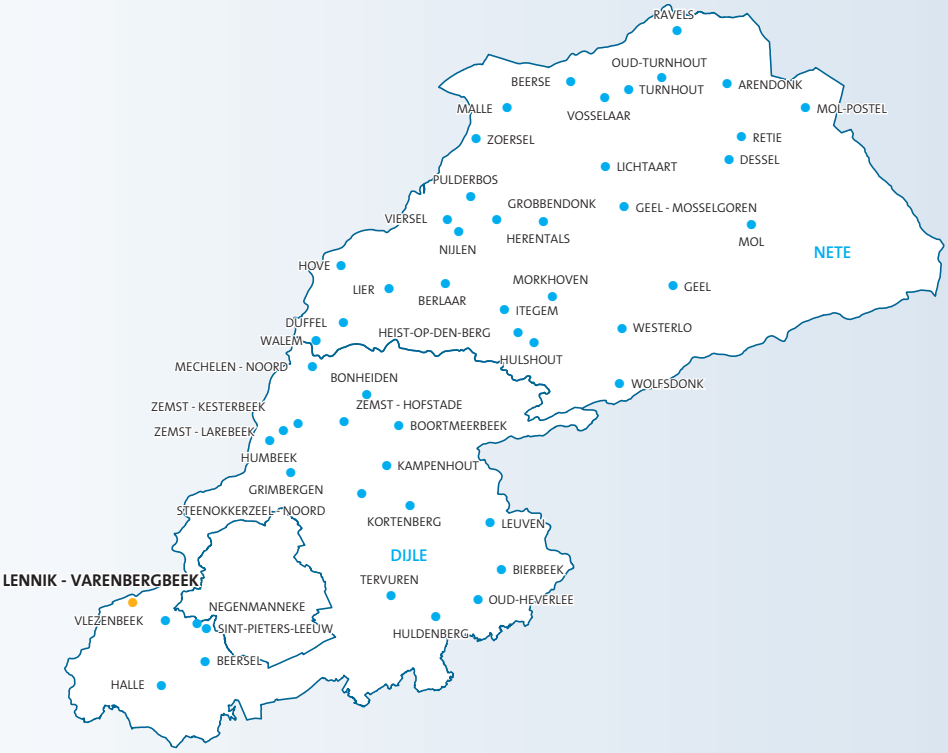
Supramunicipal infrastructure under management:

- 11 wastewater treatment plants
- 128 pumping stations
- 426 km of piping

	NUMBER	TENDER SUM
Projects in progress	16	20,188,586 €

	NUMBER	DELIVERY SUM
Delivered projects	7	3,410,870 €

DIJLE - NETE



● taken into operation in 2010

DIJLE

Treatment level: 71.2% (68.1% in 2009)

Supramunicipal infrastructure under management:

- 22 wastewater treatment plants
- 150 pumping stations
- 443 km of piping

	NUMBER	TENDER SUM
Projects in progress	27	64,190,765 €

	NUMBER	DELIVERY SUM
Delivered projects	16	32,051,569 €

NETE

Treatment level: 75.1% (74.5% in 2009)

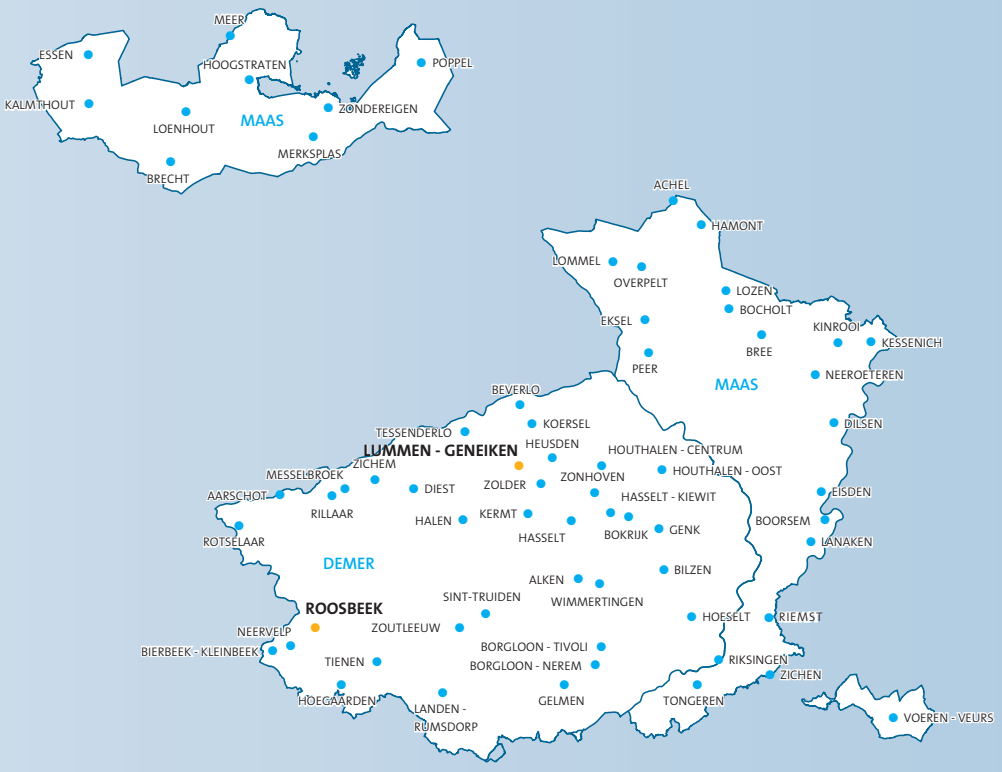
Supramunicipal infrastructure under management:

- 31 wastewater treatment plants
- 128 pumping stations
- 533 km of piping

	NUMBER	TENDER SUM
Projects in progress	12	20,345,297 €

	NUMBER	DELIVERY SUM
Delivered projects	5	6,161,701 €

DEMER - MAAS



● taken into operation in 2010

DEMER

Treatment level: 69.8% (69.1% in 2009)

Supramunicipal infrastructure under management:

- 36 wastewater treatment plants
- 135 pumping stations
- 578 km of piping

	NUMBER	TENDER SUM
Projects in progress	25	40,820,922 €

	NUMBER	DELIVERY SUM
Delivered projects	17	12,718,716 €

MAAS

Treatment level: 84.0% (83.8% in 2009)

Supramunicipal infrastructure under management:

- 29 wastewater treatment plants
- 97 pumping stations
- 437 km of piping

	NUMBER	TENDER SUM
Projects in progress	11	32,172,107 €

	NUMBER	DELIVERY SUM
Delivered projects	3	5,861,426 €

Management of the wastewater treatment infrastructure for the Flemish Region

The wastewater treatment infrastructure that Aquafin manages for the region has become very extensive over the course of years. The standards that the treated water must comply with are becoming increasingly strict. Nevertheless, we continue to deliver good results. That is due to the fact that Aquafin is constantly searching for efficiency improvements and innovative solutions.

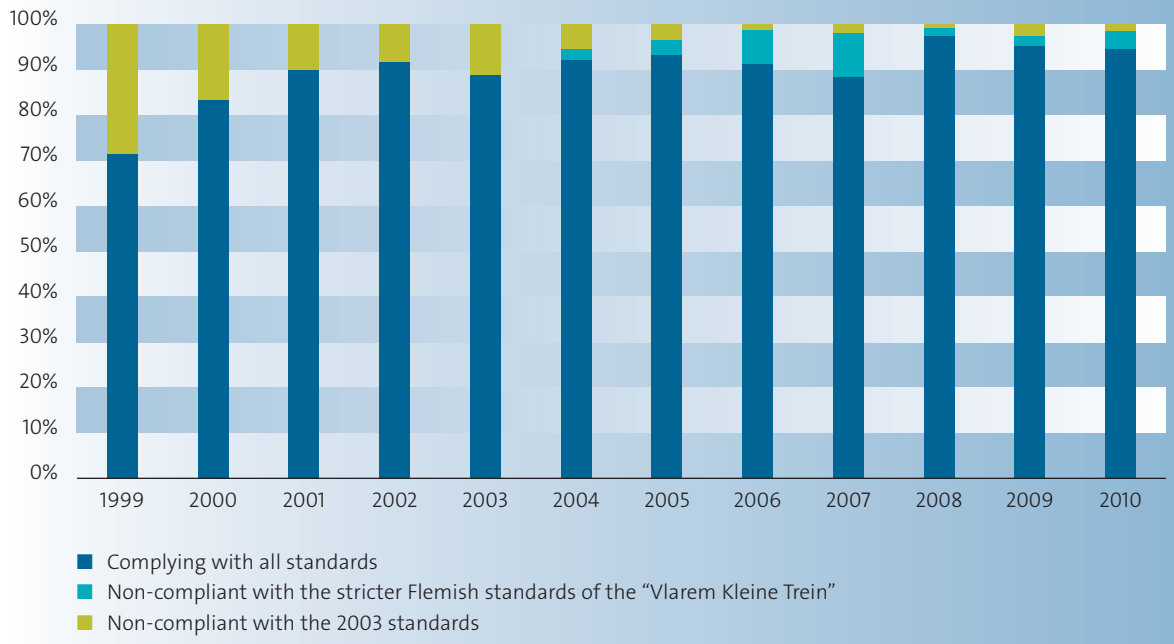
The effluent results of 2010 were evaluated for 245 wastewater treatment plants (WWTPs). Those are the treatment plans that the Flemish Region entrusted Aquafin with the operations of in 1994 and the plants that Aquafin built itself and delivered to the Flemish Region and for which the VMM (Flemish Environment Agency) currently has an inspection programme.

IN ABSOLUTE FIGURES, A RECORD NUMBER OF PLANTS MET ALL THE STANDARDS

In 2010, 232 plants (94.7%) were in compliance with all of the emission standards imposed. That is one per cent less than in the previous year, but in absolute figures, there were an additional nine plants that met all of the standards. The graph shown below begins in 1999, the year in which Europe imposed nutrient removal in large agglomerations.

Four wastewater treatment plants were not compliant with the effluent standards of the EU's Urban Wastewater directive. Until April 2004, the same standards were also the sector standards for the Flemish Region. Nine other treatment plants did comply with the standards of the Urban Wastewater directive, but not with the stricter Flemish standards of the VLAREM 'small train' modification.

EVALUATION OF THE TREATMENT PLANTS' RESULTS



The small-scale treatment works in Vlezenbeek, Voeren-Veurs and Oud-Heverlee did not comply with the Urban Wastewater directive as a result of a single sampling day, which measured serious excesses of biological oxygen demand (BOD), and chemical oxygen demand (COD) and suspended solids. The plant in Halle failed due to several incidences of major sludge leaching. At the end of December 2010, the aged small-scale works in Halle and Vlezenbeek were taken out of service and replaced by pumping stations.

Nine wastewater treatment plants did not satisfy the stricter Flemish standards. For most of the plants, the shortfall was extremely small.

The treatment plants in Zele, Diest, Malle, Wingene and Zemst-Kesterbeek failed by only one per cent for only one parameter measured against the mandatory elimination percentage. The treatment plants in Olsene, Rollegem and Burcht also had shortcomings with only one parameter. The treatment plant in Oud-Turnhout, on the other hand, failed in four out of five mandatory elimination percentages. It is important to note here that the different concentration standards were not exceeded on any measurement day for eight of the nine plants. Only the treatment plant at Rollegem showed one instance of exceeding the standard slightly for the concentration of suspended solids, an exceeding that is even permitted under the Vlarem.

LOW OPERATING COSTS IN COMPARISON WITH GERMAN BENCHMARK

The German Aquabench has compared Aquafin's performance in several areas with eight German wastewater treatment operators of varying sizes. It was to be expected that Aquafin would show peaks and dips in comparison with the German operators because we are a foreign company, which is, by definition, set up differently. That turned out not to be the case, however. The Aquafin performance was very good against the global results. Aquafin scored very well in the operational area, in our cost per treated people equivalent. The cost component of the supporting processes was also low. The costs for sludge processing were average.

HIGHEST ELIMINATION RESULTS FOR THREE PARAMETERS

Per measured parameter (BOD, COD, suspended solids, nitrogen and phosphorus) the difference is determined between the biologically treated pollutant load and the residual pollutant load that is discharged after biological treatment. The difference is the removed pollutant load, expressed in 1,000 tonnes/year. In comparison with 2009, eliminated residual pollutant load rose in 2010 by 6% for BOD and 1% for nitrogen and phosphorus. The eliminated residual pollutant load for COD and suspended solids declined, however. The increases and decreases primarily followed the influent loads.

The removal percentage of the pollutant load is equal to the pollutant load removed during the biological treatment, divided by the total pollutant load that was treated biologically. The average removal percentage has been stable for several years for BOD (97%), COD (89%) and suspended solids (95%). In 1995, the Flemish government adopted a standard of 75% for nitrogen and phosphorus for all of the public wastewater treatment plants combined. Those targets were also achieved in 2010 with 79% for nitrogen and 83% for phosphorus.

ONCE AGAIN MORE POLLUTANT LOAD DELIVERED AND BIOLOGICALLY PROCESSED

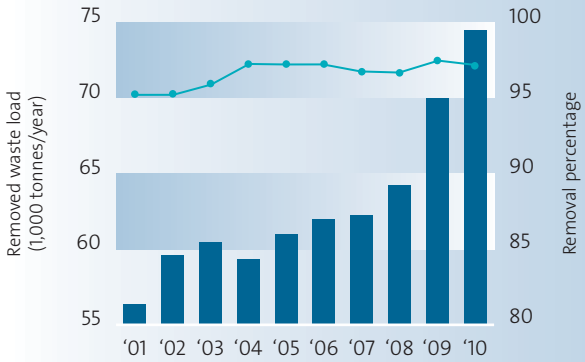
The measured pollutant loads that are delivered to the treatment plants can be expressed in terms of the number of inhabitants that are already connected to the wastewater treatment infrastructure. Flanders Region has more than 6.1 million inhabitants. In 2010, the treatment percentage was approximately 78%. Without counting the Flemish households whose wastewater is treated in the two Brussels treatment plants, and without the pollutant loads of the connected companies, the pollutant load of approximately 4.5 million residents would be expected at the Aquafin treatment plants.

If we calculate the pollutant loads that were delivered in 2010 on the basis of the daily theoretical pollutant load per resident of Flanders, it appears that that pollutant load is more than achieved. Estimates on the basis of five measured parameters indicate a pollutant load for 4.634 million residents.[1] The data on nutrients are overstated, the data on BOD and suspended solids are understated.

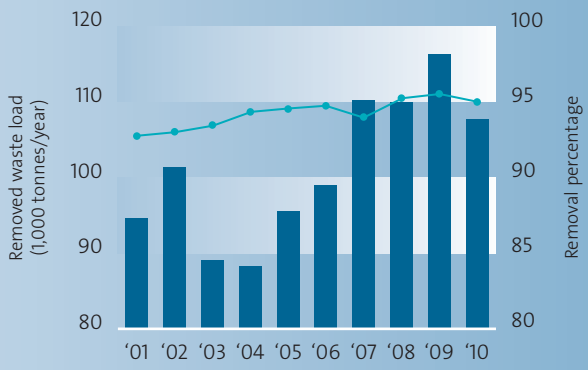
1 For the design of waste water treatment plants, the calculations take account of the theoretical daily pollutant load of each Flemish resident: 54 g BOD, 135 g COD, 90 g suspended silids, 10 g nitrogen and 2 g phosphorus.

REMOVED WASTE LOAD AND TREATMENT EFFICACY OF WASTEWATER TREATMENT PLANTS

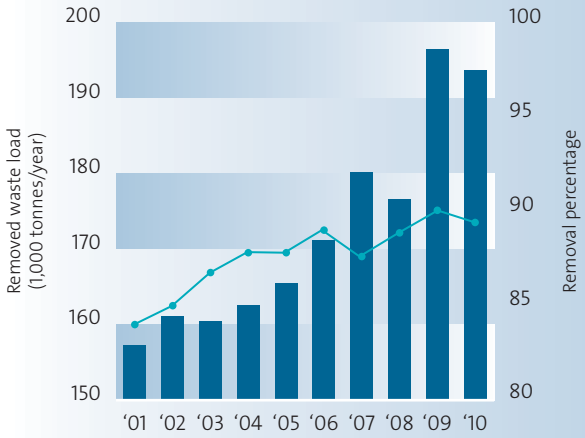
Biological oxygen demand



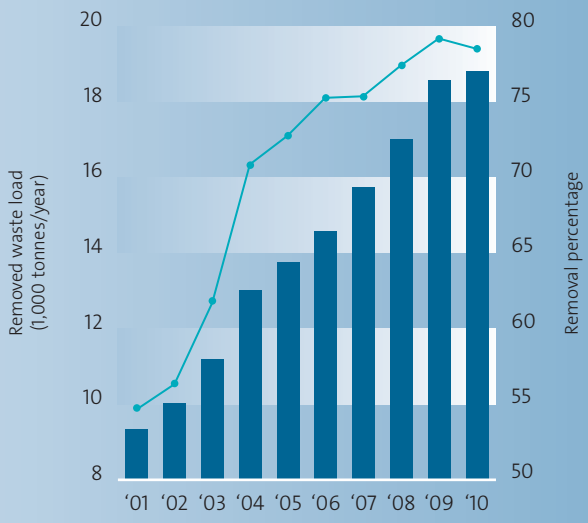
Suspended solids



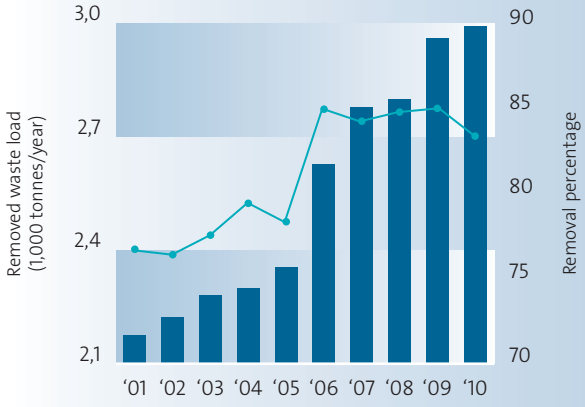
Chemical oxygen demand



Nitrogen



Phosphorus



The graphs show the removed pollutant load of all of the wastewater treatment plants combined, as well as the removal percentage. Per measured parameter (BOD, COD, suspended solids, nitrogen and phosphorus) the difference is determined between the biologically treated pollutant load and the residual pollutant load that is discharged after biological treatment. The difference is the removed pollutant load, expressed in 1,000 tonnes/year. The removal percentage is the equivalent to the pollutant load removed during the biological treatment, divided by the total biologically treated pollutant load.

- Removed waste load
- Removal percentage

ECOLOGICAL PERFORMANCE OBJECTIVELY MEASURED VIA THE INDICATOR FRAMEWORK

For monitoring the performance of the wastewater treatment infrastructure in Flanders, the VMM (Flemish Environment Agency) and Aquafin use an indicator framework that expresses the quality of the management of the supra-municipal wastewater treatment infrastructure in figures. Aquafin's assignment was expressed by five indicators: whether the major pumping stations on the sewage system function as they should; whether the overflows on the sewage systems are not working more than expected; whether the capacity of the pumps and screws of the sewage water treatment plants are utilised sufficiently; whether the water is sufficiently treated there; and whether Aquafin responds well to incidents that occur in the wastewater treatment infrastructure. At this time, the indicators are already being calculated for 72 treatment zones. Combined, they comprise approximately 70% of the Flemish residents who will be connected to the central water-treatment infrastructure in the future. The indicator framework will be applied to 129 treatment zones over time. From the results of 2009, it appears that Aquafin has once again improved its score in comparison with the previous year. That is primarily due to better wastewater treatment. The indicator that evaluates the overflow functioning has deteriorated slightly in comparison with last year. Aquafin is however not evaluated for the functioning of the overflows. That is often the result of factors that the company does not have complete control over, such as the dilution of the sewage with rain water in the sewage system.

ENERGY RECOVERY FROM SEWAGE WATER

In addition to raw materials, we can also recover heat from sewage water. Wastewater contains a high level of thermal energy because households send a lot of hot water into the sewage system. Investigations into the feasibility of using a heat pump on effluent have led to positive results and an implementation at the Aartselaar wastewater treatment plant. The laboratory in Aalst is being heated as well with a heat-recovery installation. We are currently conducting feasibility studies for the use of heat pumps in the sewage system to, for example, heat swimming pools and public buildings.

STANDARDS FOR TREATED DOMESTIC WASTEWATER

The treated wastewater (effluent) must meet certain standards, which depend on the size of the agglomeration for which the plant was built. Up to 2004 these norms were a copy of the European standards, imposed via the European Urban Wastewater directive. At the Flemish level they were made stricter by a Vlarem amendment between 2004 and 2006. Aquafin monitors five parameters: biological oxygen demand (BOD), chemical oxygen demand (COD), total nitrogen, total phosphorus and suspended solids. The biological oxygen demand indicates how much oxygen bacteria need to decompose the organic pollutant load in 5 days' time at 20° C in 1 litre of treated wastewater. When BOD values are high the bacteria develop so fast that there is a risk that through their respiration all oxygen in the water will be used. The chemical oxygen demand indicates how much oxygen is needed to fully oxidize the pollutant load present. The parameter suspended solids provides a measure for the suspended (non-dissolvable) solids that may remain in the treated wastewater. Too much nitrogen and phosphorus in the water produces an explosive algae growth. At night these algae remove oxygen from the water creating difficulties for fish, aquatic plants and other organisms.

Services beyond the scope of the agreement with the Flemish Region

An increasing number of municipalities also use their own resources to engage Aquafin because they can use the support of a professional partner for the expansion and management of their sewage systems. The Minister of the Environment encourages Aquafin to valorise its expertise with the municipalities and industry in Flanders as well as abroad.

RELIABLE PARTNER FOR THE EXPANSION AND MANAGEMENT OF THE MUNICIPAL WASTEWATER TREATMENT INFRASTRUCTURE

The regional wastewater treatment infrastructure is in the optimization phase, while the local sewerage network still has to be expanded substantially. Since the end of 2004, Aquafin has been permitted to compete with the other sewerage operators in the municipal market. With our knowledge and experience, we are the ideal partner to assist the municipalities in their efforts to comply with the directive on Urban Wastewater and the Water Framework directive.

The municipalities that decide to work with Aquafin for the expansion and management of their system always do so on the basis of a tender call. In 2010 a municipality could choose for ad hoc assignments or a long-term collaboration with Aquafin. That could be done by concluding a direct concession agreement or by joining the collaborative ventures that Aquafin has entered into with drinking water companies AWW (RI-ANT), VMW (RioAct and RioP) and Vivaqua. Aquafin's turnover outside the contract with the Region however is not substantial compared to the total turnover of Aquafin.

In 2010, Aquafin became a partner to RioP through the addition of our databases for the connected municipalities. For Aquafin, that also means being embedded in the provincial and technical committees.

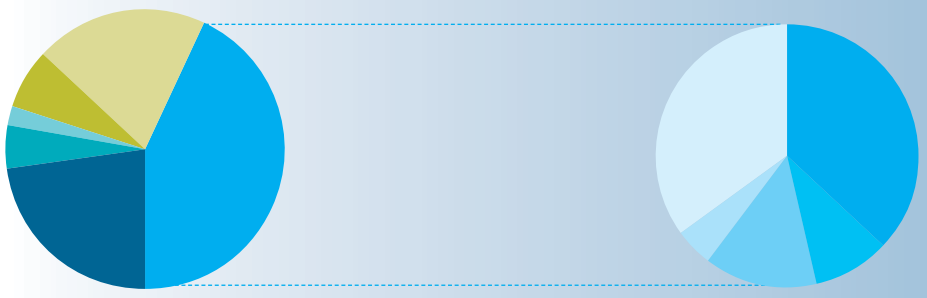
Four new municipalities have joined RioAct, and one new municipality has joined RioP. Another four municipalities have entered into extensive Rio-Totaal contracts for different modules. Our services for our existing clients were intensified, which is demonstrated by the project portfolio for the municipalities connected to RI-ANT and the municipalities that have entered into a concession with Aquafin. Aquafin has entered into financing agreements with several new municipalities for the projects that are to be carried out. The municipalities that were already taking advantage of that possibility have had additional projects financed.

Our client municipalities clearly appreciate our personal approach to disconnecting rainwater and household wastewater on private property and the placement of individual treatment installations. Our own disconnection experts are the company's calling card for the neighbourhood residents. Over the next few years, we want to concentrate even more on personal contact with the residents by expanding a contact centre. For the municipal administrations, we will expand our extranet services further.

SUPPORT FOR INDUSTRY AND FOREIGN PROJECTS VIA AQUAPLUS

Aquaplus NV, the commercial subsidiary of Aquafin, concentrates on industrial requirements in Belgium. Abroad Aquaplus offers assistance to governments, administrations and companies in achieving their environmental norms. Aquaplus offers customised solutions for all stages within the wastewater cycle. In 2010 in Belgium, the company signed interesting contracts for the operation of industrial wastewater treatment facilities. There is a clear demand for technical training provided by Aquaplus outside Belgium, as well.

FLEMISH RESIDENTS PER SEWERAGE OPERATOR



Aquafin	43%
AquaRio (TMVW)	23%
IWVA	0,5%
RioBra (PBE)	5%
Vivaqua (BIWM)	2%
Hidrorio/Hidrosan/Hidrogem (Pidpa)	7%
Infrax	20%

RioAct (VMW-Aquafin)	16%
RioP (VMW-Aquafin)	4%
Aquafin (concession)	6%
Extensive RioTotaal contracts	2%
RI-ANT (AWW-Aquafin)	15%

Research and product development

Aquafin is considered to be the leading technical expert in Flanders with respect to the complete wastewater cycle. Part of our research work has to deliver immediately usable results for improving the performance of our own wastewater treatment infrastructure. In addition, we conduct strategic research to anticipate new challenges in the wastewater cycle. By thinking ahead, we want to provide the highest level of support to the Flemish Region and the municipalities in their water policy.

The immediately usable research that Aquafin conducts concentrates on cost-control, guaranteeing the effluent standards and introducing the best available technologies. The strategic research is grouped around the theme areas of climate change, integrated water management and asset management of the (sewer) infrastructure. There is some overlap between the two types of research.

Internationally, the vision on water treatment has changed from end-of-pipe solution to a source of raw materials. Since 2010, we want to align our operations explicitly with those new insights. We have, of course, been producing green energy for some time now and we also encourage the reuse of treated waste water in business, but in the future, we want to maximise the recovery of energy and raw materials. We are also striving to develop and operate our infrastructure with the lowest possible impact on the environment and nature.

The European Water framework directive requires good quality of the ground and surface water by 2015. As a result, Aquafin has done further research into the impact of treated wastewater and the impact of overflow water from the sewers on the ecosystem. We carried out measurements and implemented IT applications to be able to respond early to a threatening failure of components of treatment plants or pumping stations. We developed a tool for the automatic monitoring of effluent and of critical processes of components in the water line based on on-line control. Storage basins were equipped with level measurements at various places in the basins to evaluate their operations and effects.

We also deepened our knowledge of 2DWF sewer systems as part of the general trend of separating the run-off of rainwater and wastewater. 2DWF pipes can carry twice the volume of pure household water. We have put a 2DWF test installation into operation in the research building in Aartselaar for research purposes related to vulnerability to blockages, odours, biofilm growth and hydrogen sulphide formation in the sewer system.

Locating improper wastewater connections on the rainwater drainage system is essential for limiting the negative impact on the receiving surface water. Two commercially available systems have been studied for usability in this regard.

In January 2010, Aquafin organised a user conference in Ghent for the European research project Neptune, which carried out research into the possibilities for removing hormones and medicinal residues (micropollutants) from wastewater. At the end of 2010, Aquafin became a partner in three new external research projects aimed at energy recovery and the removal of organic micropollutants.

Major risk factors

This section gives an overview of developments in those dossiers that include any risk to the company.

LEGAL DISPUTES

■ Flooding in a residential area

This dossier deals with water damage to approximately four hundred residents of a residential neighbourhood in 1998. In the final report of the court-appointed expert, submitted in 2006, two technical causes were identified. On the one hand, insufficient run-off capacity of the Grote Schijn, which is the property of the Flemish Region, and on the other side, the failure of the overflow functioning of the Ring collector, which Aquafin operates, on the Schijn. The judge issued a ruling at the end of 2010. The primary elements of the ruling were:

- statute of limitations: 107 claims were ruled to be unfounded because they were submitted too late;
- inadmissible: the claims of specific (factual) associations (of owners) were found to be inadmissible;
- unfounded: the rains in September (first sinister) 1998 were found by the court to be force majeure. It is the opinion of the court that no sewer system would have been able to handle that level of flooding;
- further study: the court wanted to have more clarification about the rains of October and November (second sinister).

In view of the foregoing and the existing insurance coverage, it is not necessary to make a provision in regard to this matter at the present time.

Flooding in a company

A court proceeding took place with regard to flooding at a company in 1998. Based on the decision of the Court of Appeal to the effect that the run-off system was liable, the insurance company of Aquafin and the client (the Flemish Region) bore the full payment for damages in the amounts of approximately €3 million and €2.5 million respectively. The Cassation appeal against the previous decision, which was filed jointly with the Flemish Region, was denied on 11 March 2010. The file can therefore be closed.

INSURANCE CLAIMS

Insufficient concrete reinforcement at the Deurne WWTP

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 armoured. According to Aquafin this damage claim is partially covered by our ABR (all construction risks) insurance policy and largely by the professional liability insurance policy of the study firm concerned.

In 2008, an investigation was held with regard to a suitable repair method, the most obvious repair period and a suitable contractor. Repair work started effectively in 2009. The work has largely been completed at the time of writing. The requests for repayment of the repairs costs, that have been submitted thus far, were effectively compensated by the ABR insurance company. There is no reason to assume that any claims still to be filed would not be covered by the insurer. In the circumstances just outlined, it is therefore not necessary to make a provision with regard to this matter.

Problems with concrete at the Bruges WWTP

At the time of the provisional delivery of the renovated wastewater treatment plant in Bruges, an outline of the armouring in the concrete was detected in one of the aeration basins. It was determined later that the damage continued to spread, and not only in this basin. An analysis commissioned by Aquafin identified two causes: insufficient concrete coverage and increased chloride values. Based on the study, a repair methodology was developed in consultation with the contractor. Where necessary, the concrete must be repaired and augmented and a so-called cathodic protection must be applied. The actual repairs were carried out in the course of 2009, 2010 and are being continued in 2011. The costs for the first part of these repairs will be borne by the contractor, and the costs of the last part by Aquafin. In the meantime, the ABR insurer has issued a statement of willingness in principle to cover a substantial amount of the costs. An agreement still to be drawn up between the contractor, Aquafin and the insurance will clarify how much Aquafin may have to pay and what provision should be made.

ADVICE OF THE ECONOMIC OVERSIGHT AUTHORITY WITH RESPECT TO THE FINANCIAL REPORTS 2008 AND 2009

In accordance with the provisions of the management agreement between the Flemish Region and Aquafin, the company prepares a financial report per financial year in which we account for the compensations owed by the Flemish Region and provide the required supporting documentation. The Economic Oversight Authority (AENT) gives advice on those financial reports. For the report for the year 2008, that body advised a withholding of €2,080,578 and for the report for 2009, a withholding of €1,395,833. The final decision with respect to the effective withholding is within the competence of the Flemish Region. It is a possibility to start up the contractually agreed financial expertise. Up to financial year 2004, an average of €100,000 per year was withheld. No withholding was done for financial years 2005, 2006 and 2007. In view of the experience from the recent past, no provision has been made for the financial years 2008 and 2009.

The most important evolutions after the close of the financial year

AQUAFIN, AWW AND TMVW TOGETHER IN RIO-LINK

In 2010, drinking water companies AWW and TMVW established the CVBA water-link, a service company offering water-related products and services to households, municipalities and industry. In 2011 Aquafin became a partner in rio-link, the sanitation branch of the company. The Board of Directors gave its approval on 8 march.

TMVW, AWW as well Aquafin are all active on the municipal sewer management market, together with several other players. The combination of strengths of these three large companies is an important step in the direction of an integral water management.

The knowhow Aquafin built up throughout the years for the Flemish Region, can be applied on a larger scale and in more municipalities via rio-link. For rio-link, Aquafin's operational experience and our territorial knowledge are an important added value. Aquafin will be primarily responsible for project management and operational assignments.

Comments with regard to the balance sheet

At the end of the financial year, the balance sheet total amounted to € 2,671 million, which is an increase of € 242 million over the preceding financial year.

This increase is due, on the one hand, to a net growth of investments in the water treatment infrastructure, which have been carried out at the order of the Flemish Region. In 2010, investment and optimisation projects of total contracting value of nearly €158 million were delivered. On the other hand, Aquafin purchased plants from the VMM (Flemish Environment Company) worth nearly €158 million in November 2010. The purchase itself and the financing were arranged through a new addendum to the management agreement (addendum no. 7). All of the plants remain the property of Aquafin until the end of the management agreement with the Flemish Region.

In 2010, there was a slight increase in construction activity in comparison with the previous year. This translates into an increase of works in progress by 4%, to €251 million.

Included in the financial fixed assets is the majority participation of Aquafin in Aquaplus, amounting to € 0.692 million. Per 31 December 2010, this participation by Aquafin was valued on the basis of the most recent financial information.

The performances outside the scope of the management agreement that are not yet completed are included in the category 'orders in progress'. The only exceptions here are the projects for providing transport services. These are included under material fixed assets, as those assets remain the property of Aquafin.

Partly due to the success of the public emission of a debenture loan in the fall of 2009, there was a limited cash surplus at the end of the financial year. These temporary surpluses were utilised in the course of January 2010 for financing projects that were ready to be launched.

On 2 December 2010, the Vlaamse Milieuholding (Flemish Environmental Holding Company) made a full contribution to capital in the amount of nearly €49 million. That contribution to capital is in the context of the financing of the above-mentioned purchase of the VMM plants by Aquafin.

If the General Meeting accepts the proposed allocation of profits, the statutory reserve will be increased by € 0.355 million.

In implementation of the management agreement with the Flemish Region, the investments were repaid over 15 years. The speed of repayments is higher than that of the write-offs. That resulted in a positive balance, which will be used to finance the write-offs further after the repayments have been made. With the approval of the Bookkeeping Standards Committee, this positive balance was booked to a special passive bank account, namely 'repayment to the Flemish Region'. The amount of € 808 million relates to all projects that were delivered up to the end of the financial year.

The provision for risks and charges relates to legal disputes, insurance dossiers, disputes in the context of the execution of the management agreement, processing of the sludge buffered in the plants and early retirement provisions.

Long-term financing is based on the allocation agreement. It stipulates that the balance of the long-term credits must be smaller than the future claims that Aquafin has on the drinking water companies and the Flemish Region, respectively. These claims consist of the parts of the investment projects that have not been paid, but that have already been delivered. At the end of 2010, this sum amounted to €1,331 million. In 2010, Aquafin had taken up €185 million in long-term credits, €100 million of which was with the European Investment Bank and €85 million with commercial banks. Taking the repayment of loans that had already been taken up, the balance of the long-term bank debt under appointment amounts to €1,090 million, nearly €140 million of which must be repaid within the year.

At the end of 2008, the term of the annual compensation for constructing contracting was changed from 15 years to 30 years for the deliveries scheduled for after 1 January 2009. That was done by means of an addendum to the management agreement between the Flemish Region and Aquafin. This new deadline conforms more closely with the economic lifespan of the infrastructure. In 2009, the remaining repayment term for construction projects delivered prior to 1 January 2009 was doubled. That change took effect on 1 January 2010.

In comparison to 2009, the provisions for risks and charges were down slightly. The necessary adjustments were made on the basis of the latest data. It should be noted that the number of current legal disputes, in particular in relation to adjoining landowners, continues to decline.

With the issue of two debenture loans - in 2006 and 2009 - the take ups of short-term credit have remained limited over the past few years. In the past book year, there was an increase in short-term financing, from €30.5 million at the end of 2009 to €140.6 million at the end of 2010. To bridge the first phase of the purchase of the VMM plants, the commercial paper programme was used. It is our intention to obtain long-term financing in the market starting from the second phase, which is scheduled for autumn 2011.

Within the existing credit lines in the amount of €210 million, including the syndicated loan, there was no take-up of short-term credit by the end of 2010.

Commentary on the profit-and-loss statement

The management agreement with the Flemish Region stipulates that the compensation of Aquafin will take place on the basis of passing on all reasonable costs, increased by a compensation for the shareholders that is based on their contribution to the company's equity capital. From this it follows that the costs and profits are to a large extent a reflection of each other.

The increase in costs, and in particular those of the services and various goods, social premiums and pensions, is in line with the growth of the infrastructure that is being operated by Aquafin. The ever-growing patrimony also explains the continuous growth of the write-offs. Since 2006, investments are being written off on a pro rata basis.

Since 2007, Aquafin has been sharing in the operating costs of the wastewater treatment infrastructure of the Brussels Capital Region. At the end of 2007, the contract between the two regions was taken over by the respective companies charged with the water treatment assignment. The objective of this transfer was to regulate the payment streams in a more efficient manner.

The changes in the value of depreciations and provisions relates to depreciations and provisions for sums that the Flemish Region has disputed in the last financial year. For the operating costs for the years 2008 and 2009, a total provision of €500,000 was reserved in the past. Inasmuch as that provision is not based on actual payments, the audit committee advised in 2010 that the company should reclaim all of that provision.

The increase in the short and long-term financing resulted in an increase in the costs of debts by €2.1 million.

By means of an active management of the interest risk, Aquafin aims to optimise the financing costs. Since 2006, the Board of Directors has approved the implementation of the dynamic management of the interest risk, with the outlines for interest management being defined.

After booking the provisions, the value depreciation, the costs not passed on to the Flemish Region and the revenues, and under inclusion of the results of the commercial activities, profits before taxes amount to €7.99 million.

As of the assessment year 2007, the term notional interest deduction was introduced in the company tax code. This measure also has an impact on the corporate tax to be paid by Aquafin, so that the cost of wastewater treatment is limited for the citizen. Also the application of the increased investment deduction for energy-saving investments has a favourable effect on the corporate tax.

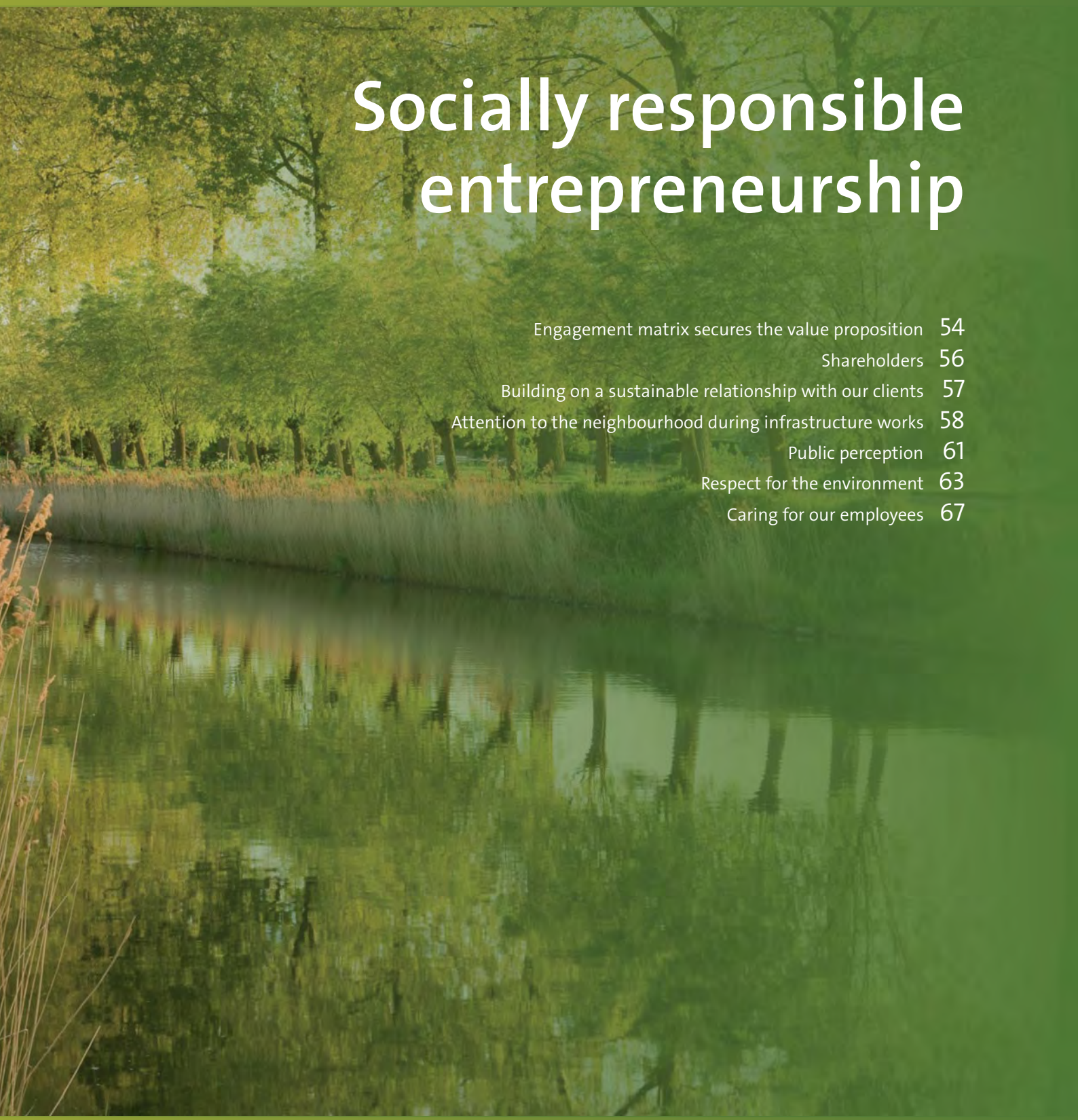
Proposal to the General Meeting

Taking into account the profit after taxes of €7,077,627.16 for the financial year, as well as a profit carried forward of €6,338.31, the profit to be allocated amounts to **€7,083,965.47**.

- Addition to the statutory reserve: €355,000.00
- Compensation of capital: €6,723,734.28
- Profit carried forward: €5,231.19

If the General Meeting approves the proposed allocation of profits, then the following gross dividend will be paid out on 3 May 2011:

- €10.93 for shares fully paid in on 25 April 1990.
- €8.40 for shares that have not been fully paid in.



Socially responsible entrepreneurship

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Engagement matrix secures the value proposition

To express our value proposition in a clear way to our stakeholders, society and the environment, Aquafin has drawn up a matrix over the past year. The risks that are defined in the matrix constitute an impediment to meeting our objectives, and must therefore be managed carefully.

The identified risks have been subdivided into six areas: the shareholders, our clients, the neighbourhoods that we are working in, the public at large, our own personnel and our impact on the environment. The matrix shows the probability of an undesirable event occurring, and the impact on the company and the outside world if it did. The calculation of the risk runs the gamut from 'virtually impossible' to 'permanent'. The degrees of serious range from 'negligible' to 'catastrophic'. It concerns both 'hard risks' such as failure to achieve financial objectives, and soft risks, such as, for example, complaints from a group of employees.

This internal instrument will be managed and continuously evaluated by the Business Excellence division. The model will be embedded further in our core processes over the next few years. A comprehensive incorporation of this risk-thinking in our business operations is necessary for linking our activities to those of our stakeholders and increasing the support for our activities.

VALUES

- **Client-oriented**

We maintain a sustainable and personal relationship with our clients. We actively search for the needs of our clients and help them to define them. We keep our promises and communicate clearly about the needs that Aquafin can meet and those that it cannot. Customer satisfaction, both internal and external, is the aim.

- **Result-driven**

We provide work of very high quality within the timeframes and budgets agreed. We feel personally responsible for achieving the desired results.

- **Progressive**

We are constantly learning from our interactions with our clients and partners and from social and technological developments. The inspiration and knowledge that we gain in that process is developed further inside the organisation and implemented in efficiency improvements or in new products and services. We are flexible and self-confident enough to look critically at ourselves and our systems. Feedback is positive and constructive.

- **Passionate**

We are proud of the types and the quality of the services that we provide to our clients and to society. As a consequence, we enjoy our work and we continuously strive to deliver the best results for our customers, the environment and society.

- **Open**

We are open for people and ideas. We are not afraid of outside influences or change. We strive for transparency in all of our cooperative relationships. Internally, openness and trust between colleagues is a prerequisite for achieving optimal results.

- **Respectful**

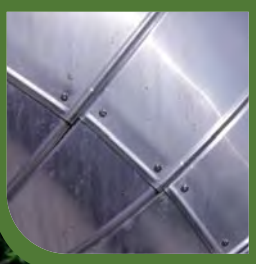
We have respect for the people that we work with, the environment and the needs of society. Internally, we keep our promises, both verbal and written. Colleagues value each other's expertise and responsibility, which makes working at Aquafin a pleasant experience.

Shareholders

Aquafin is committed to always being aware of the interests of the shareholders, in balance with the other areas that have been defined.

Aquafin is very prudent in its handling of the financial resources that the Region is investing in the wastewater treatment infrastructure. We care for the treatment infrastructure as if it were the property of the company. For example, we do interest management for part of our long-term loans, even though the company does not have any direct benefit from those activities itself. Aquafin is also an early adopter when it comes to interesting developments in the financial markets. The company was among the first in the sector to set up a commercial paper programme and to issue a debenture loan that private parties could also subscribe to. With our excellent debt rating, and because of the fact that we always keep our promises in the financial world, Aquafin has the complete trust of the banking community. That makes it easier to finance the major investments in the wastewater treatment infrastructure for the Region.

With each project proposal, a careful assessment is made to determine whether the intended result adds value for shareholders that exceeds the internal costs. Activity-based costing (ABC) is a supporting instrument in these assessments; it gives clear insight into the cost price of the company's activities.



Building on a sustainable relationship with our clients

For our clients, Aquafin commits to achieving the schedules, quality standards and budgets that have been agreed. That applies in equal measure to the targets that have been set both explicitly and implicitly. An agreement is an agreement, after all.

Having chosen 'customer intimacy' as our business model, it has become a prerequisite for us to engage with the client to devise solutions in all of our processes. For every municipality, an account team has been assigned to serve as the point of contact. That includes both partner municipalities, where Aquafin is doing work for the Region, and for the client communities. The latter can monitor current projects, maintenance work and invoicing via a new extranet, which will be expanded further in the future to enable information exchange with the Flemish Region. Proposals of working groups to deepen the collaboration with our clients even further, will be implemented in more detail in 2011.

Attention to the neighbourhood during infra-structure works

Aquafin has committed to limit nuisance in the neighbourhood to a minimum when carrying out infrastructure works. We achieve that through good coordination and communication with all of the parties concerned, both prior to and during the work.

The company is recognised as a leader in the area of nuisance-limitation by different overarching organisations, municipalities, public utilities and technical partners. Aquafin has a 'less nuisance' plan for both laying down sewage systems and for the construction or renovation of wastewater treatment plants. That plan is updated regularly to reflect our experience and that of our partners.

In that context, Aquafin consults with the Bouwunie (Builders' Union) and VlaWeBo (the Flemish Association of Road Builders), Vlario (the consultative platform for the sewage and wastewater treatment sector in Flanders) and ORI (the organisation of consulting and engineering firms).

We put a lot of energy into formulating detailed specifications that state precisely what we expect of study firms and contractors. Our own personnel are also encouraged continuously to involve merchants and neighbourhood residents with the projects as much as possible.

INTERNAL MEASUREMENT OF OUR EFFORTS

In the balanced scorecards of the directorate of Infrastructure, it is checked whether the required information meetings for the neighbourhood have actually taken place. We also check whether the project information on the website is updated often enough. For the organisation of the first information meetings announcing the project, we approach our internal target. For the second information meetings, right before the start of the work, we achieve our target completely. In total, there were 215 information meetings held last year, and 154 update information letters were sent. We still need to score better on providing information via the website, where we are not yet achieving our internal targets.

After the execution of a sewage project, Aquafin conducts a survey with the project manager, the job-site manager, the leading engineer at the study bureau, the manager of the technical department of the municipality/city and the managers of the other administrations that were involved with the work. That is one of the ways in which we check whether our values and specifications are followed at the job site. In 2010, 70 surveys were conducted, during which 18.000 forms were sent out. The response rate was 81%. Aquafin also conducts satisfaction surveys among neighbourhood residents in densely populated areas after a project has been completed. During those surveys, we check whether we communicated sufficiently during the work and whether the measures we implemented actually worked in reducing nuisance. Over the past year, 45 surveys like this were carried out. A total of 8,184 questionnaires were sent out with a response rate of 9.5%. The results of both surveys are given to the project leader, who presents them at one of the last job-site meetings. That gives Aquafin employees, the contractor and the municipality the opportunity to learn from the results and to discuss whether changes should be made in subsequent projects.

EMBEDDING NUISANCE-LIMITATION MEASURES FURTHER IN PROCESSES

Over the past year, Aquafin has contributed to the collective additions by the sewage managers to the Standard Specifications 250 for Roadworks. That was an initiative of Vlario to promote the use of uniformity in specifications. In addition to more technical matters, a large number of Aquafin's Nuisance Limitation Measures have been added to the new version.

Internally, we are working on standardising the feasibility studies that are carried out by study bureaus to select the most suitable route. A careful execution of this study is very important for reducing the time for the project as much as possible and avoiding unnecessary costs. In the past, the accent was on the financial aspects and environmental considerations. With new studies, however, technical and operational aspects, ground acquisition and Nuisance Limitation Measures will be considered explicitly. Each aspect will be given a score of equal weight to simplify the final consideration of the different route options. The Nuisance Limitation Measures include such things as alternate access routes, options for temporary vehicle parks, plates for driveways, pedestrian bridges, safe bicycling routes, consultation with schools and the municipality, not starting work near a school on the first day of school, etc. Where necessary, internal specialists will be called on to validate the conclusions of the study bureau.

AWARDS RECOGNIZE HIGH QUALITY, NEIGHBOURHOOD-FRIENDLY WORK

In 2010, Aquafin's Nuisance Limitation ('Minder Hinder') award was awarded to the contractor that took the needs of the neighbourhood most into account when doing sewage works. The jury used five criteria to rank the contractors that carried out more than one project for the company: the nuisance limitation efforts of the contractor in combination with the safety record, damage incidents, emergency responses and the number of complaints. We have found that the same companies tend to dominate the top ten. For an increasing number of contractors, nuisance limitation during the work has become de rigueur. The smooth execution of the project actually starts with the design, however.

That is why Aquafin - for the first time - also gave an award to the study bureau that devoted the greatest amount of attention to quality, cost-awareness and client-focus over the past year. The jury looked at the form and substantial quality of the design and assessed whether it was drawn up in a cost-aware manner. The degree to which the design incorporated the nuisance limitation measures was, of course, one of the criteria of the judging. The proactive engagement and the client-orientation were also important considerations. Minister of the Environment, Nature and Culture, Joke Schauvliege presented the awards to the winning companies.

OMBUDSMAN AS MEDIATOR BETWEEN THE LOCAL RESIDENTS AND THE COMPANY

In 2010, the Aquafin ombudsman was contacted directly 352 times. 70% of the complaints registered by the ombudsman concerned the execution of sewer works. Most of them were about the repair of private and public property, the access to streets and homes, insufficient information and disputes about compensation/payments for damages caused during the work. 28% of the complaints concerned the operation of the wastewater treatment plants and related primarily to offensive odours, noise levels, and greenery upkeep.

To deal with complaints systematically and to prevent them as much as possible in the future, the committees involved meet with the ombudsman every three months to discuss the reports for the preceding quarter. With the lessons learned from those reports, changes are also made to specifications and procedures.

NEIGHBOURHOOD VISITS

In 2010, after work had been completed on new wastewater treatment plants in five neighbourhoods, Aquafin organised visits to the new plants for local residents. Invitations to join the visits are always accepted by a large number of people. During the visits, we explain how the plant operates and what has been done to ensure that it integrates as well as possible into the neighbourhood. The visitors are usually pleasantly surprised, which increases the social acceptance of Aquafin's activities.

Public perception

Aquafin is committed to providing transparent and accurate information to the public at large about its activities, which have, of course, a high level of social relevance.

We also regularly meet municipal representatives about sewage management, to maintain a clear view on what is important for local authorities. We also engage in regular dialogue with the Bond Beter Leefmilieu (Better Environment Association) and Natuurpunt (NaturePoint). We also ensure that Aquafin personnel always act in accordance with the values of the company, that we 'do what we say'.

Aquafin monitors closely what the Flemish and regional media say about the company and strives for proactive communication. The local media have acquired a better idea of what Aquafin actually does over the past few years. More and more frequently, we receive requests to participate in reports dealing with improving the water quality or infrastructure-related subjects.

OPEN HOUSES AND COMPANY VISITS

To increase public awareness of our activities, Aquafin regularly holds guided tours of the wastewater treatment plants. In 2010, we held four open houses at plants that had just been built or renovated. Schools and clubs can visit some 20 plants on weekdays for a guided tour. Hundreds of groups take advantage of this opportunity every year.

In addition, Aquafin provides educational material to schools, clubs and municipalities. The wastewater treatment plant in Adinkerke, where a new plant was built on land that Aquafin had acquired from the Plopsaland attraction park, was specifically designed to be able to receive young visitors.

AQUAFIN SUPPORTS BIG JUMP

In 2010, for the second time, Aquafin sponsored the Big Jump, a fun activity intended to raise awareness of the need for clean water courses. In Flanders, local activities are coordinated by the Better Environment Association (Bond Beter Leefmilieu) and Green vzw. Each year, thousands of people jump into pools, rivers and creeks at the same time as a way to express their hope that it will once more be possible to swim safely in these waters in the near future.

Respect for the environment

Aquafin is committed to treating the environment with respect and not disrupting ecosystems. Nevertheless, we want to do even more as a company. The ultimate objective is to treat the sewage water we receive with as small an environmental footprint as possible. We strive to achieve the sustainable use of materials, raw materials, energy and space.

REDUCING ENERGY CONSUMPTION IN THE WASTEWATER TREATMENT PLANTS

Audits have shown that our wastewater treatment plants have been designed very efficiently in terms of energy consumption. The water treatment process is still relatively energy-intensive, however. The energy cost for treating waste water, for instance, amounts to €25 million per year, which is 1/5 of Aquafin's total operating costs.

To reduce our energy consumption, Aquafin follows the philosophy of the Trias Energetica. The three steps of the model are to be followed in the right order. The first and most important step is to avoid energy use. Each kWh which is not used, is not to be produced. The next step is to produce sustainable energy. If not enough power can be produced during step two, we go over to step three: an efficient use of fosil fuel energy.

In terms of online management of the wastewater treatment process, we are among the leaders in Europe. Sensors for oxygen, nitrates, ammonia, phosphates and turbidity measurements help to manage the treatment process at the plants as precisely as possible, so no costly energy is wasted.

Aquafin wants to implement an even better energy management. Starting in 2010, the company wants to save at least 2% annually on its energy bills. A structured approach has already led to results in the first year. We selected the five wastewater treatment plants that had the greatest potential for achieving energy savings without affecting the treatment results. The improvements made will also be implemented at the plants where possible.

In addition, Aquafin wants to spend €500,000 on energy projects each year. In 2010, projects valued at more than €650,000 were defined. If they are all implemented in 2011, they will result in considerable savings per year.

In the course of 2011, the energy manager will prepare an energy policy statement for Aquafin. That will state the company's short-term and long-term intentions with respect to energy.

Aquafin now has two out of the five energy starts that can be earned with the Siemens quickscan. The step to the third star is a big one, but can be attainable over time.

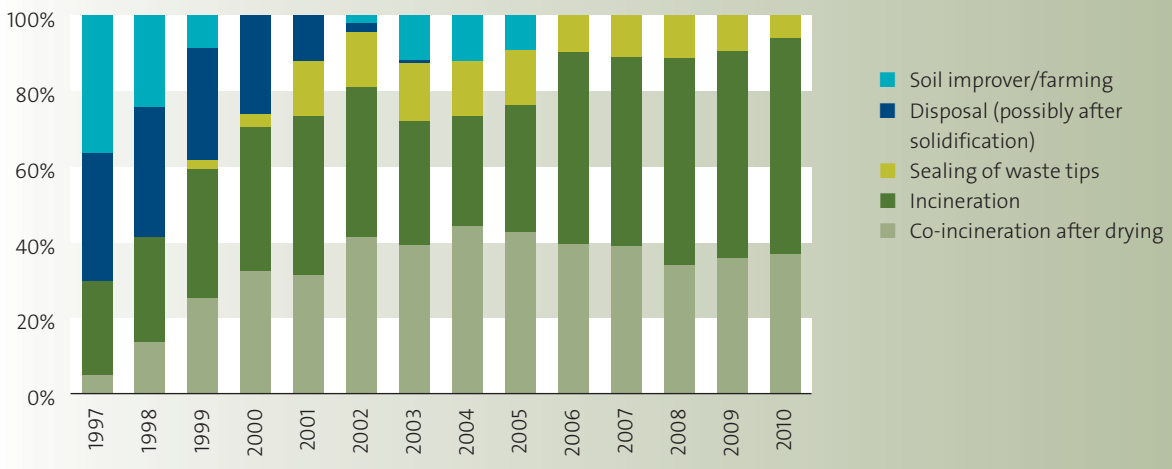
ENERGY RECOVERY AND PRODUCTION FROM SLUDGE

During the wastewater treatment process, large quantities of activated sludge are produced. The activated sludge is home to billions of bacteria and other micro-organisms. They extract nutrients from the pollutants in the sewage water. The favourable living conditions in the wastewater lead to the rapid growth in the micro-organism populations. This surplus of sludge is limited to a great extent through concentration by evaporation, digestion, dehydration or drying.

Due to the many thousands of transports of liquid sludge and dried sludge each year, the processing and disposal of the residual sludge is not only a major expense for Aquafin, but also a burden for the environment. An ingenious calculation model optimises the logistic chain of the sludge processing. This model simplifies the process of making strategic decisions, while also offering the possibility of minimising weekly fluctuations in sludge transports.

In 2010, 92,399 tonnes of sludge, expressed as dry matter, were used for further processing. Of this quantity, 56% was incinerated, 37% was co-incinerated and 7% was used as a covering layer at a waste tip.

EVOLUTION OF THE DISPOSAL OF DEWATERED ACTIVATED SLUDGE



Electricity and heat through biogas production

When water treatment sludge is digested, organic material is bacteriologically decomposed and converted into biogas. This reduces the volume of sludge that has to be processed additionally. This biogas is an energy source: It contains about 65% methane, which can be converted to both heat and electricity. Electricity is generated using gas engines with an electrical capacity of 200 kW to 500 kW (electrical). The cooling heat of the gas engines is additionally used for the heating of the sludge that is being digested, and in a number of instances for the heating of service buildings. The green energy that is generated is always used at the wastewater treatment plant itself. That means that Aquafin does not have to buy as much electricity. The company has earned green electricity certificates since 2002. A green electricity certificate shows that 1000 kWh of electricity were generated from a renewable energy source.

In 2010, about 51% of all the sludge produced was digested. All of the gas motors together produced 7 million kWh of electrical energy; which is 300,000 kWh or 40% more than in 2009, although no additional sludge digstion units were put into use. The Antwerp-South WWTP is the first plant that reached a year production of over 1 million kWh. In 2011, we want to break that record at several plants.

At the site of the Deurne WWTP, the biogas is not used to generate electricity. Instead it is burned in a boiler to dry sludge. The biogas produced in this way replaces natural gas in the combustion process.

Sludge pellets as a source of thermal energy

For drying sludge that was not digested, and other sludge residue after the digestion process, Aquafin uses four drying installations. They constitute an environmental unit along with the wastewater treatment plants in Deurne, Houthalen, Louvain and Bruges. Ten years ago, sludge was still being dried in other parties' installations; today, it is done for 99,9% in installations that are owned by Aquafin.

By drying dewatered sludge further, the dry matter reaches approximately 90%. When dried, the sludge is transformed into pellets with a calorific value equivalent to that of lignite. This means that the dried sludge can be used to replace other fuels, in coal- or lignite-stoked power stations and in cement furnaces. In 2010, 33,913 tonnes of sludge, expressed as dry matter, were co-incinerated.

The pellets produced by the sludge drying units of Aquafin are a legally recognized source of renewable energy, on the condition that the pellets have been dried with biogas or other renewable energy sources.

Sludge incineration

In 2010, a total of 51,593 tonnes of sludge, expressed as dry matter, were incinerated. Of that amount, 50.5% was incinerated in the SLECO incinerator in Beveren and 49.5% in Aquafin's sludge incineration installation in Bruges.

Some 23.0 million kWh of thermal energy from the sludge incineration furnace of the Bruges WWTP were valorised in the sludge drying plant. The result is a sludge that is sufficiently dry that it can be fired without the use of an additional primary fuel such as coal. This meant that 64% of the total incineration heat from the processed sludge could be reused in 2010.

REUSE OF THIRD-PARTY WASTE HEAT

No biogas or natural gas is used at the sludge drying plant at Houthalen. Instead, Aquafin uses the waste heat from the adjacent Bionerga household waste incinerator. The heat that is generated through the incineration of the residual waste is converted to steam, which is then sold to Aquafin. Bionerga delivered 26.2 million kWh of thermal energy in 2010.

- **Production of wind power**

Aquafin makes space available to parties wishing to invest in wind power. The wind turbines at our site in Middelkerke and at the Bruges WWTP provide an annual production of about 6.5 million kWh of electrical energy.

PRODUCER OF GREY WATER

The pressure on the natural water sources is not only high in the south of Europe, but in the north, as well. Treated household wastewater can be an additional source of water for businesses in different sectors that are close to a water treatment plant.

To protect our natural water supplies, the government has put limits on pumping groundwater and the use of surface water. Companies that use a lot of water in their production process, must therefore go in search of alternate sources of water. One option is the use of treated household wastewater, provided by Aquafin's water treatment plants.

Aquafin has 247 sewage-water treatment plants spread over Flanders. Combined, they treat approximately 800 million m³ of water. In principle, that water can be upgraded to any level of water quality, subject to applying the right technologies.

With some pre-treatment, the treated wastewater can be used for low-grade industrial applications that do not require drinking water quality, such as cleaning water or cooling water. There are currently 6 companies and inter-municipal utilities that use treated water from Aquafin. We have also contracted with 12 cleansing firms, who collect water from the wastewater treatment plants themselves for cleaning purposes.

With additional pre-treatment, the treated sewer water can be upgraded to drinking water, which is what the drinking water supplier IWVA does with the effluent from the Wulpen wastewater treatment plant. In principle, effluent water can even be purified further to ultrapure water that exceeds the quality of drinking water. This kind of water is needed for the production of electronics.

Reuse of treated waste water is therefore an environmentally friendly way to reducing the pressure on natural water resources. Aquafin wants to continue to emphasise that option in the future, with both business and government.

PRODUCER OF RAW MATERIALS

A water-treatment plan gives more to society than treated water and energy; it also produces raw materials.

Dewatered sludge can be used in the impermeable layers of waste tips. Such layers are designed to keep water from penetrating into the waste. Hydrostab® is an alternative for the materials typically used as sealants, such as sand-bentonite mixtures. In the Hydrostab® process, waste materials are used instead of natural soil materials. In 2010, 6,854 tonnes of sludge - expressed as dry matter - were sold for use as sealant for use in the cleaned up waste tip Hooge Maey in Antwerp. That also results in a useful application of the fly ash from the sludge incineration furnace in Bruges.

Aquafin has had research carried out to determine whether it is technologically possible to create phosphorus in the form of struvite from water that originated in the sludge dewatering plants or sludge ash. The study shows that there is a great deal of potential there. That is a major option for the future with the natural supply of phosphate ore threatening to dry up around the world.

Caring for our employees

Everything that Aquafin has accomplished is the result of the efforts of the people who work there. The company does what is necessary to attract and retain committed people and to ensure their welfare and safety at work. Turnover of personnel is therefore low.

INVESTING IN PEOPLE

Aquafin strives to provide an environment where every employee is able to work to the best of his or her ability and can develop. Employees are not simply the job they hold, they often carry out a variety of internal positions consecutively. If a position is available, the preference is to fill it with an internal candidate if possible. Only when no suitable candidate is available inside the company will external recruitment be started. Over the past few years, Aquafin has promoted itself more strongly on the job market with employer branding campaigns. During recruitment, we look not only at the suitability of the candidate for the position, but also the degree to which the candidate will fit in with the team and the values of the company.

In order to give all personnel the chance to develop, there are three official conversations between the employee and the manager in the course of a year: a planning meeting, performance review and evaluation. This coaching cycle is linked to a personal development plan that incorporates action points to help each employee achieve his/her goals.

Aquafin has a fair and competitive remuneration policy. The company guarantees that all personnel are compensated at market-standard levels for similar types of companies. The company also offers its personnel excellent group insurance and meal vouchers. For some positions, a mobile telephone, laptop and/or company car are among the benefits. A recent survey has shown that our total package of legal and extra-legal benefits is very competitive with those of other companies.

With the objective of giving each employee an insight into his future possibilities within the company, all of the positions in the company were listed on career ladders in recent years. In addition, each individual employee was placed on a scale in his career path. Behavioural competence, technical expertise and contributions to corporate values determine whether an employee is still a starter, or has already been promoted to the ranking of a confirmed, experienced, specialist or role model employee.

To achieve the company objectives and motivate the employees, constant attention to training and development is essential. Each employee spends an average of nearly four days on training per year. Aquafin also invests strongly in a focused and balanced training programme for managers, who play a crucial role as a coach in the development of their personnel.

WORK-PERSONAL BALANCE

When looking for a position, most people's wish list includes a good balance between work and personal life. Aquafin offers flexible working hours for the people in the head office and for the employees at the wastewater treatment plants. To be able to deal with private matters without having to take half a day's leave, two leave days per year can be taken in hourly increments.

To ease the pain of sitting in traffic jams for its personnel, Aquafin opened two satellite offices in 2009. In Herentals and Ghent, the company has office space available for people who live in the region or are working in projects in the neighbourhood. When recruiting new personnel, the satellite offices are a real strength for Aquafin.

Short travel times are also good for the environment. The two new offices constitute part of the Aquafin mobility plan. The company also encourages its staff to use the car as little as possible, to cycle and to make as much use as possible of public transport.

DIALOGUE BETWEEN PERSONNEL AND MANAGEMENT

Personnel who wish to do so can easily take on additional roles that match their interests and abilities. For example: everyone could nominate himself to join the teams that have been developing plans for organisation change in the past few years, and there are regular internal calls for candidates to work on new projects.

The results of the working groups are publicized via posters, newsletters and meetings, which are also recorded and disseminated via the intranet. On request, topics are also explained verbally. Every week, the agenda of the points that will be discussed during the meeting of the management committee is distributed internally. The managers are given a verbal report of the points dealt with; for the other employees a summary is posted on the intranet. That makes it possible for everyone to stay up to date with the organisation's news and changes to the organisation.

AQUAFIN IS ATTRACTIVE FOR ENGINEERS

A study conducted by a research bureau among 200 engineers in 2010 showed that Aquafin enjoys good name recognition in that target group. The respondents found us to be as attractive an employer as our biggest competitor on the job market. We were considered to be a company with a vision of the future, which gave confidence and offered interesting work. The social relevance of our work and the relative job security at Aquafin were also mentioned as strengths.

EXPANSION OF GOOD KNOWLEDGE MANAGEMENT

Over the past 20 years, Aquafin has developed extensive expertise with respect to the whole wastewater cycle. Managing that expertise is a priority for us. The company maintains a knowledge database that is filled with input from a.o. the directorates of Infrastructure and Operations and the Research and Product Development department. Together with the content, the use of the database grows yearly. In 2010 the database was consulted almost 40,000 times.

In 2010, a coordinator has been appointed with specific responsibility for the administration and build-up of knowledge. When starting a new project, the engagement matrix of Aquafin is always brought to bear and an analysis is done of whether the project is necessary, profitable and a priority.

Parts of the database are also accessible to our technical partners, which makes it possible for mutual development of expertise to take place with the knowledge coordinator as the point of contact.

STRUCTURE OF THE WELFARE POLICY

In 2010, Aquafin established a steering group for working out the welfare policy. The group included representatives from the Health and Safety department, Human Resources, Legal Affairs and the social partners. The steering group was established to work out the mandatory alcohol and drugs policy, but it functioned so well that stress prevention at work is now being looked at from a multidisciplinary perspective.

The intranet is being used to promote healthy living and the possibilities for combining sufficient activities and work. A working group of volunteers regularly devises new ways of promoting the importance of those issues among the employees.

SAFE WORKING CONDITIONS

General awareness of safety continued to grow in the company in 2010. That is partly the result of the personal approach of the Health & Safety department. Safety instructions and rules are not only passed on via the hierarchical line, but are also communicated personally at every level of the company.

Every six months, the health and safety department holds interactive information sessions with the operational employees. The sessions take 2 hours. One hundred such sessions were held in 2010. During these sessions, the details of and the reasons behind all instructions are reviewed, so that our personnel feel that they have been addressed personally. In addition, a number of safety training sessions were held for a total of 662 people. An e-learning package had already been developed for the biological agents training. A package was also developed on job-site safety for project managers. New employees were given eight hours of safety training and were assigned a mentor in their immediate working environment to help them. The health and safety policy is managed primarily on the work floor and the results are measured within the different directorates.

We are also strict about the technical partners that work for us complying with the safety rules. Safety performance is also important in awarding the annual Nuisance Limitation Awards to the contractor of sewage works that is the most neighbourhood-friendly in how it works.

In 2010, activation inspections were carried out on 40 wastewater treatment plants, 4 2DWF pipeline projects and 55 pumping stations and storage basins. An additional 24 audits were carried out on existing installations. To ensure the safety of our employees, we also do audits on wastewater treatment works and pumping stations of our commercial partners.

In 2010, the number of occupational accidents declined further. However, the accidents that did occur did lead to more absenteeism than in 2009. Exertion injuries, such as torn muscles, were the primary cause. An analysis of the causes and dealing with such accidents has been incorporated in the action plan for 2011. Nevertheless, the degree of seriousness is still only one-third that of the chemicals sector for 2009. Our accident insurer has also noticed the gradual reduction in claims over the past few years and had already reduced the premium in 2009 by 6%.

Aquafin

Annual account

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Statutory auditor's report

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF AQUAFIN NV ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

In accordance with the legal and statutory requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements as well as the required additional comments.

UNQUALIFIED OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements for the year ended 31 December 2010, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 2.671.015.343 and a profit for the year of € 7.077.627.

Responsibility of the board of directors for the preparation and fair presentation of the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

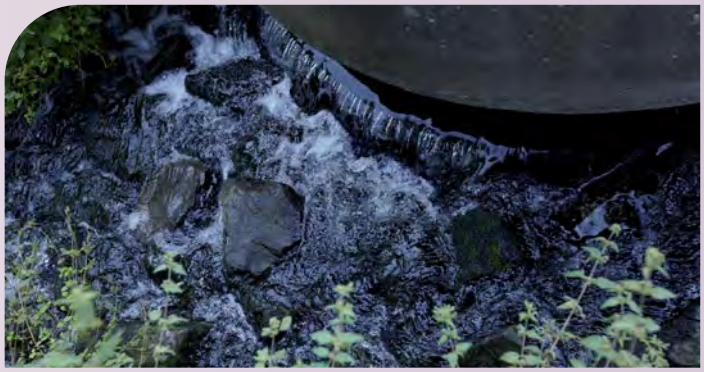
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/ Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the board of directors and the company's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 give a true and fair view of the company's financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.



ADDITIONAL COMMENTS

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Company Code (Wetboek van vennootschappen/Code des sociétés) and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The directors' report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.

- We do not have to report any transactions undertaken or decisions taken in violation of the company's articles of association or the Company Code. The appropriation of the results proposed to the shareholders' meeting complies with the legal and statutory provisions.

- In the annual report the board informed you, in accordance with article 523 of the Company Code, concerning the conflict of interest of an administrator. The conflict of interest concerns the granting of an engagement to a temporary commercial association in which companies are partner of which the administrator is a shareholder. The financial impact for the company exists out of the payment of the contract value of the engagement (€ 2,5 million).

Antwerp, 18 March 2011

Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor, represented by

Ronald Van den Ecker
Partner

Ref: 11RVE0034

Balance sheet and Profit & Loss account

BALANCE SHEET

ASSETS

	Codes	Period	Preceding period
FIXED ASSETS	**20/28**	**2,609,878,006**	**2,353,821,718**
Tangible Assets	**22/27**	**2,609,105,322**	**2,353,129,826**
Land and buildings	22	124,055,184	94,805,646
Plant, machinery and equipment	23	2,228,707,005	2,013,115,512
Furniture and vehicles	24	2,434,681	2,876,748
Leasing and other similar rights	25	1,150,746	1,369,435
Other tangible assets	26	1,489,176	174,902
Assets under construction and advance payments	27	251,268,529	240,787,583
Financial fixed assets	**28**	**772,684**	**691,892**
Affiliated enterprises	280/1	691,974	689,557
Participating interests	280	691,974	689,557
Other financial assets	284/8	80,710	2,335
Shares	284	78,375	
Amounts receivable and cash guarantees	285/8	2,335	2,335
CURRENT ASSETS	**29/58**	**61,137,337**	**75,532,038**
Stocks and contracts in progress	**3**	**44,253,419**	**24,024,393**
Contracts in progress	37	44,253,419	24,024,393
Amounts receivable within one year	**40/41**	**9,312,538**	**13,417,594**
Trade debtors	40	5,152,356	10,925,590
Other amounts receivable	41	4,160,182	2,492,005
Current investments	**50/53**	**2,600,000**	
Other investments and deposits	51/53	2,600,000	
Cash at bank and in hand	**54/58**	**1,154,070**	**37,638,505**
Deferrred charges and accrued income	**490/1**	**3,817,310**	**451,545**
TOTAL ASSETS	**20/58**	**2,671,015,343**	**2,429,353,756**

EQUITY AND LIABILITIES

	Codes	Period	Preceding period
EQUITY	**10/15**	**1,024,917,616**	**975,484,771**
Capital	**10**	**198,400,000**	**149,429,288**
Issued capital	100	198,400,000	198,400,000
Uncalled capital	101		48,970,712
Reserves	**13**	**18,155,855**	**17,800,855**
Legal reserve	130	10,556,336	10,201,336
Available reserves	133	7,599,519	7,599,519
Accumulated profits	**14**	**5,231**	**6,338**
Investment grants	**15**	**808,356,530**	**808,248,289**
PROVISIONS AND DEFERRED TAXATION	**16**	**2,402,328**	**2,477,600**
Provisions for liabilities and charges	**160/5**	**2,402,328**	**2,477,600**
Pensions and similar obligations	160	263,244	305,066
Other liabilities and charges	163/5	2,139,084	2,172,534
AMOUNTS PAYABLE	**17/49**	**1,643,695,399**	**1,451,391,385**
Amounts payable after more than one year	**17**	**1,217,527,696**	**1,173,465,080**
Financial debts	170/4	1,217,408,148	1,173,361,541
Leasing and other similar obligations	172	2,122,018	2,448,395
Credit institutions	173	1,215,286,130	1,170,913,145
Other amounts payable	178/9	119,548	103,539
Amounts payable within one year	**42/48**	**412,568,470**	**264,398,413**
Current portion of amounts payable after more than one year	42	140,433,149	132,986,551
Financial debts	43	142,198,178	30,549,865
Credit institutions	430/8	142,198,178	30,549,865
Trade debts	44	72,093,300	62,647,243
Suppliers	440/4	72,093,300	62,647,243
Advances received on contracts in progress	46	42,204,556	22,316,046
Taxes, remuneration and social security	45	8,901,957	6,687,824
Taxes	450/3	1,690,515	119,325
Remuneration and social security	454/9	7,211,442	6,568,500
Other amounts payable	47/48	6,737,330	9,210,885
Deferred charges and accrued income	**492/3**	**13,599,233**	**13,527,892**
TOTAL LIABILITIES	**10/49**	**2,671,015,343**	**2,429,353,756**

PROFIT AND LOSS ACCOUNT

	Codes	Period	Preceding period
Operating income	**70/74**	**362,540,101**	**352,046,829**
Turnover	70	336,890,604	340,929,240
Decrease in stocks of finished goods, work and contracts in progress	71	20,229,026	6,804,420
Own construction capitalised	72	11,674	28,288
Other operating income	74	5,408,797	4,284,880
Operating charges	**60/64**	**295,899,275**	**288,606,004**
Raw materials, consumables and goods for resale	60	82,980,793	88,577,243
Purchases	600/8	82,980,793	88,577,243
Services and other goods	61	42,601,669	33,753,143
Remuneration, social security costs and pensions	62	55,981,587	53,985,708
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	630	111,261,036	108,221,997
Amounts written down stocks, contracts in progress and trade debtors - Appropriations (write-backs)	631/4	-244,970	540,765
Provisions for risks and charges - Appropriaton (uses and write-backs)	635/7	-75,272	912,619
Other operating charges	640/8	3,394,431	2,614,528
Operating profit	**9901**	**66,640,826**	**63,440,826**
Financial income	**75**	**844,956**	**699,856**
Income from current assets	751	729,709	390,022
Other financial income	752/9	115,247	309,834
Financial charges	**65**	**59,500,869**	**57,400,999**
Debt charges	650	58,087,176	55,945,144
Other financial charges	652/9	1,413,693	1,455,856
Profit on ordinary activities before taxes	**9902**	**7,984,913**	**6,739,682**
Extraordinary income	**76**	**2,417**	**50,149**
Write-back of amounts written down financial fixed assets	761	2,417	50,150
Profit for the period before taxes	**9903**	**7,987,330**	**6,789,832**
Income taxes	**67/77**	**909,703**	**263,545**
Income taxes	670/3	1,149,462	377,215
Adjustment of income taxes and write-back of tax provisions	77	239,759	113,671
Profit for the period	**9904**	**7,077,627**	**6,526,287**
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**9905**	**7,077,627**	**6,526,287**

APPROPRIATION ACCOUNT

	Codes	Period	Preceding period
Profit to be appropriated	**9906**	**7,083,965**	**6,530,903**
Profit for the period available for appropriation	9905	7,077,627	6,526,287
Profit brought forward	14P	6,338	4,616
Transfers from capital and reserves	**791/2**		**3,000,000**
From reserves	792		3,000,000
Transfers to capital and reserves	**691/2**	**355,000**	**327,000**
To legal reserve	6920	355,000	327,000
Profit to be carried forward	**14**	**5,231**	**6,338**
Distribution of profit	**694/6**	**6,723,734**	**9,197,565**
Dividends	694	6,723,734	9,197,565

STATEMENT

STATEMENT OF TANGIBLE FIXED ASSETS

	Codes	Period	Preceding period
LAND AND BUILDINGS			
Acquisition cost at the end of the period	8191P		123,710,239
Movements during the period			
Acquisitions, including produced fixed assets	8161	30,557,436	
Acquisition cost at the end of the period	8191	154,267,674	
Depreciation and amounts written down at the end of the period	8321P		28,904,593
Movements during the period			
Recorded	8271	1,307,898	
Depreciation and amounts written down at the end of the period	8321	30,212,490	
NET BOOK VALUE AT THE END OF THE PERIOD	22	124,055,184	
PLANT, MACHINERY AND EQUIPMENT			
Acquisition cost at the end of the period	8192P		3,146,590,592
Movements during the period			
Acquisitions, including produced fixed assets	8162	140,438,335	
Transfers from one heading to another	8182	183,693,435	
Acquisition cost at the end of the period	8192	3,470,722,363	
Depreciation and amounts written down at the end of the period	8322P		1,133,475,080
Movements during the period			
Recorded	8272	108,540,278	
Depreciation and amounts written down at the end of the period	8322	1,242,015,358	
NET BOOK VALUE AT THE END OF THE PERIOD	23	2,228,707,005	
FURNITURE AND VEHICLES			
Acquisition cost at the end of the period	8193P		13,331,692
Movements during the period			
Acquisitions, including produced fixed assets	8163	654,800	
Acquisition cost at the end of the period	8193	13,986,492	
Depreciation and amounts written down at the end of the period	8323P		10,454,944
Movements during the period			
Recorded	8273	1,096,867	
Depreciation and amounts written down at the end of the period	8323	11,551,811	
NET BOOK VALUE AT THE END OF THE PERIOD	24	2,434,681	
LEASING AND OTHER SIMILAR RIGHTS			
Acquisition cost at the end of the period	8194P		4,373,770
Acquisition cost at the end of the period	8194	4,373,770	
Depreciation and amounts written down at the end of the period	8324P		3,004,336
Movements during the period			
Recorded	8274	218,689	
Depreciation and amounts written down at the end of the period	8324	3,223,024	
NET BOOK VALUE AT THE END OF THE PERIOD	25	1,150,746	
of which land and buildings	250	1,150,746	

STATEMENT

STATEMENT OF TANGIBLE FIXED ASSETS

	Codes	Period	Preceding period
OTHER TANGIBLE ASSETS			
Acquisition cost at the end of the period	**8195P**		**3,941,178**
Movements during the period			
Acquisitions, including produced fixed assets	8165	1,411,580	
Acquisition cost at the end of the period	**8195**	**5,352,758**	
Depreciation and amounts written down at the end of the period	**8325P**		**3,766,276**
Movements during the period			
Recorded	8275	97,305	
Depreciation and amounts written down at the end of the period	**8325**	**3,863,581**	
NET BOOK VALUE AT THE END OF THE PERIOD	**26**	**1,489,176**	
ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS			
Acquisition cost at the end of the period	**8196P**		**240,787,583**
Movements during the period			
Acquisitions, including produced fixed assets	8166	194,174,382	
Transfers from one heading to another	8186	-183,693,435	
Acquisition cost at the end of the period	**8196**	**251,268,529**	
NET BOOK VALUE AT THE END OF THE PERIOD	**27**	**251,268,529**	

STATEMENT OF FINANCIAL FIXED ASSETS

	Codes	Period	Preceding period
AFFILIATED ENTERPRISES - PARTICIPATING INTERESTS AND SHARES			
Acquisition cost at the end of the period	**8391P**		**1,938,284**
Acquisition cost at the end of the period	**8391**	**1,938,284**	
Depreciation at the end of the period	**8521P**		**1,248,727**
Movements during the period			
Written back	8481	2,417	
Depreciation at the end of the period	**8521**	**1,246,310**	
NET BOOK VALUE AT THE END OF THE PERIOD	**280**	**691,974**	
OTHER ENTERPRISES - PARTICIPATING INTERESTS AND SHARES			
Movements during the period			
Acquisitions, including produced fixed assets	8363	78,375	
Acquisition value at the end of the periond	8393	78,375	
NET BOOK VALUE AT THE END OF THE PERIOD	**284**	**78,375**	
OTHER ENTERPRISES - AMOUNTS RECEIVABLE			
NET BOOK VALUE AT THE END OF THE PERIOD	**285/8P**		**2,335**
NET BOOK VALUE AT THE END OF THE PERIOD	**285/8**	**2,335**	

STATEMENT

INFORMATION ON PARTICIPATING INTERESTS

PARTICIPATING INTERESTS AND CORPORATE RIGHTS IN OTHER COMPANIES

Aquaplus NV
Ingberthoeveweg 21
B-2630 Aartselaar
0462.755.821

Corporate rights - registered shares

direct number:	39,999
direct %:	99.99

Information from the most recent period for which annual accounts are available (31 December 2009)

Capital and reserves:	691,974 euros
Net result:	2,386 euros

OTHER INVESTMENTS AND DEFERRED CHARGES

	Codes	Period	Preceding period
OTHER INVESTMENTS AND DEPOSITS			
Short-term accounts with credit institutions	**53**	**2,600,000**	
Payable within one month	8686	2,600,000	

STATEMENT AND STRUCTURE OF CAPITAL

	Codes	Period	Preceding period
STATEMENT OF CAPITAL			
Capital			
Issued capital at the end of the period	100P		198,400,000
Issued capital at the end of the period	100	198,400,000	
	Codes	Amounts	Number of shares
Regular shares		198,400,000	800,000
Registered shares	8702		800,000

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Details of code 163/5	Period
Costs anticipated for late deliveries	16,049
Costs anticipated for legal disputes	1,187,936
Costs anticipated for disputes with regard to the agreement with the Flemish Region	151,633
Costs anticipated for disputes	122,000
Costs anticipated for sludge disposal	251,759
Other costs to be anticipated	409,706

STATEMENT

STATEMENT OF AMOUNTS PAYABLE AND ACCRUALS

	Codes	Period
ANALYSIS BY CURRENT PORTIONS OF AMOUNTS INITIALLY PAYABLE AFTER MORE THAN ONE YEAR		
Amounts payable after more than one year expiring within the year		
Financial debts	8801	140,433,149
Leasing and other similar obligations	8831	326,377
Credit institutions	8841	140,106,772
TOTAL OF AMOUNTS PAYABLE AFTER MORE THAN ONE YEAR EXPIRING WITHIN THE YEAR	**42**	**140,433,149**
Amounts payable expiring after more than one year but within 5 years		
Financial debts	8802	701,246,298
Leasing and other similar obligations	8832	1,719,847
Credit institutions	8842	699,526,451
Other amounts payable	8902	119,548
TOTAL OF AMOUNTS PAYABLE EXPIRING AFTER MORE THAN ONE YEAR BUT WITHIN 5 YEARS	**8912**	**701,365,846**
Amounts payable expiring after more than 5 years		
Financial debts	8803	516,161,850
Leasing and other similar obligations	8833	402,171
Credit institutions	8843	515,759,679
TOTAL OF AMOUNTS PAYABLE EXPIRING AFTER MORE THAN 5 YEARS	**8913**	**516,161,850**
AMOUNTS PAYABLE FOR TAXES, REMUNERATION AND SOCIAL SECURITY		
Taxes		
Non-expired taxes payable	9073	1,690,515
Remuneration and social security		
Other amounts payable relating to remuneration and social security	9077	7,211,442
ACCRUED CHARGES AND DEFFERED INCOME		
Details of code 492/3		
Interest management		12,647,352
Accrued interests		668,102
Other accruals		283,779

STATEMENT

OPERATING RESULTS

	Codes	Period	Preceding period
OPERATING CHARGES			
Employees recorded in the personnel register			
Total number at the closing date	9086	882	854
Average number of employees in full-time equivalents	9087	827.3	808.8
Number of actual working hours	9088	1,374,124	1,336,174
Personnel charges			
Remuneration and direct social benefits	620	39,840,095	38,733,211
Employers' contribution for social security	621	11,339,140	10,749,054
Employers' premium for extra statutory insurance	622	2,445,765	2,298,688
Other personnel charges	623	2,270,976	2,115,631
Pensions	624	85,611	89,124
Provisions for pensions			
Increase	635	-41,822	-40,042
Amounts written off			
Trade debtors			
Recorded	9112	539,351	764,982
Write back	9113	784,321	224,218
Provisions for risks and charges			
Increases	9115	610,896	1,461,727
Decreases	9116	686,168	549,108
Other operating costs			
Taxes related to operations	640	2,778,164	2,513,749
Other charges	641/8	616,267	100,779
Temporary personnel and persons placed at the disposal of the enterprise			
Total number at the closing date	9096	7	3
Average number of employees in full-time equivalents	9097	4.4	5.4
Number of actual working hours	9098	8,593	9,387
Charges to the enterprise	617	252,505	266,071
FINANCIAL AND EXTRAORDINARY RESULTS			
Details of other financial charges			
Bank costs		1,404,710	1,319,276
Other financial charges		8,983	136,580

INCOME TAXES AND OTHER TAXES

	Codes	Period	
INCOME TAXES			
Income taxes of the current period	**9134**	**1,149,462**	
Taxes and withholding taxes due or paid	9135	1,149,462	

	Codes	Period	Preceding period
THE TOTAL AMOUNT OF VALUE ADDED TAX AND TAXES BORNE BY THIRD PARTIES			
Value added tax charged during the period			
To the enterprise	9145	113,661,328	128,977,121
By the enterprise	9146	68,864,540	68,004,483
Amounts retained on behalf of third parties for			
Payroll withholding taxes	9147	11,398,789	10,694,444

STATEMENT

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

	Period
SUBSTANTIAL COMMITMENTS TO ACQUIRE FIXED ASSETS	
Granted projects not yet activated	308,963,728
Obligations to purchase land	1,251,099

RELATIONSHIPS WITH AFFILIATED ENTERPRISES

	Codes	Period	Preceding period
AFFILIATED ENTERPRISES			
Financial fixed assets	280/1	691,974	689,557
Investments	280	691,974	689,557
Amounts receivable	9291	96,907	188,019
Within the year	9311	96,907	188,019
Debtors	9351		605
Within the year	9371		605

	Codes	Period
FINANCIAL POSITIONS WITH THE COMPANY AUDITOR AND THE PERSONS CONNECTED TO HER		
Auditor's fees	9505	58,952
Remunerations for exceptional activities or special assignments executed within the company by the company auditor		
Other missions external to the audit	95063	25,000

	Period
DERIVATES NOT MEASURED AT FAIR VALUE	
Hedging Strategies	44,578,052

The enterprise itself is a subsidiary of an enterprise which does prepare and publish consolidated accounts, in which her yearly statement of accounts is included. On 20 April 2010 the General Meeting unanimously decided to make use of the exemption for consolidation as included in the Company Code in article 113.

Mother company
Vlaamse Miliueuholding NV
Oude Graanmarkt 63
1000 Brussel 1
0440.019.813

SOCIAL BALANCE SHEET

STATEMENT OF EMPLOYEES

	Codes	Full-time	Part-time	Total or total in full-time equivalents (FTE)	
		Period	Period	Period	Preceding period
REGISTERED EMPLOYEES					
During the period and the preceding period					
Average number of employees	100	698.5	169.8	827.3 (FTE)	808.8 (FTE)
Number of actual working hours	101	1,166,963	207,161	1,374,124 (T)	1,336,174 (T)
Personnel charges	102	47,682,283	8,213,693	55,895,975 (T)	53,896,584 (T)
Amount of the benefits in addition to wages	103			522,229 (T)	454,132 (T)

	Codes	Full-time	Part-time	Total in full-time equivalents
As at the closing date of the period				
Number of employees recorded in the personnel register	**105**	**704**	**178**	**837.9**
By nature of the employment contract				
Contract of unlimited duration	110	697	174	828.5
Contract of limited duration	111	7	4	9.4
By sex				
Male	120	582	68	634.7
Secondary education	1201	347	46	384.7
Higher education (non-university)	1202	153	14	165.1
University education	120	82	8	84.9
Female	121	122	110	203.2
Secondary education	1211	34	36	59.6
Higher education (non-university)	1212	41	51	80
University education	1213	47	23	63.6
By professional category				
Employees	134	704	178	837.9

TEMPORARY PERSONNEL

	Codes	Temporary personnel
DURING THE PERIOD		
Average number of personnel employed	**150**	**4.4**
Number of actual working hours	**151**	**8,593**
Charges to the company	**152**	**252,505**

SOCIAL BALANCE SHEET

LIST OF PERSONNEL MOVEMENTS DURING THE PERIOD

	Codes	Full-time	Part-time	Total in full-time equivalents
ENTRANTS				
Number of employed persons recorded in the personnel register during the financial period	**205**	**49**	**8**	**54.4**
By nature of the employment contract				
Contract for an indefinite period	210	43	3	45.2
Contract for a definite period	211	6	5	9.2
LEAVERS				
Number of employed persons of which the date of termination of the contracts has been recorded in the personnel register during the financial period	**305**	**22**	**7**	**27.8**
By nature of the employment contract				
Contract for an indefinite period	310	13	5	17.2
Contract for a definite period	311	9	2	10.6
By reason of termination of contract				
Pension	340	1		1.0
Prepension	341		1	0.8
Dismissal	342	2		2.0
Other reasons	343	19	6	24.0

INFORMATION ON VOCATIONAL TRAINING FOR EMPLOYED PERSONS DURING THE PERIOD

	Codes	Male	Codes	Female
Total of training initiatives at the expense of the employer				
Number of participating employees	5801	635	5811	227
Number of training hours	5802	20,678	5812	5,048
Costs for the company	5803	1,217,147	5813	297,135
of which gross costs directly linked to the training	58031	1,275,585	58131	311,401
of which received subsidies (to be deducted)	58033	58,437	58133	14,266
Total number of the less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	141	5831	59
Number of training hours	5822	1,367	5832	520
Costs for the company	5823	56,357	5833	21,438

Valuation rules

1. STARTING-UP COSTS - COSTS OF CAPITAL INCREASES

Starting-up costs are booked at acquisition value in the year in which they are incurred or in which commitments were made.

Costs for capital increases are booked in the year in which the increase has taken place.

2. TANGIBLE FIXED ASSETS

Tangible fixed assets are booked at their acquisition price, i.e. purchase price plus related costs.

As from the 2003 financial period it was stipulated under Article 196, $ 2 WIB 92, that the first depreciation annuity of assets acquired or established during the financial period are considered professional costs proportionally to the part of the financial period in which the assets were required or established.

For the 2003, the 2004 and 2005 financial year an exception was allowed to Aquafin. As from the 2006 financial period this article was fully applied. The investments were proportionally written down on monthly basis.

Following depreciation percentages are applied:

- **for permanent assets proper to the main office:**

- office materials:	linear 20%
- furniture:	linear 15%
- vehicles and mobile equipment:	linear 25%
- telephone installation:	linear 20%
- computer hard- and software:	linear 33%
- installation and furnishing costs of rented buildings:	linear 33%
- machines and equipment:	linear 20%
- establishment of laboratory:	linear 20%
- leased office buildings:	linear 5%
- installation and furnishing costs of leased buildings:	linear 33%
- hydronaut projects after delivery:	linear 6,667%

- **for permanent assets proper to the projects:**

These assets are transferred from work in progress to tangible fixed assets when the project is delivered.

Four classes are distinguished in function of their economic life, for which the following depreciation percentages are applied:

- class 1:	linear 25%
- class 2:	linear 14.25%
- class 3:	linear 6.66%
- class 4:	linear 3.03%

The following investments belong to class 1:

Computers, office machines, software, telemetry equipment, portable equipment, radio transmitters, telecommunication equipment, sampling equipment, measuring equipment, lawn mowers, laboratory equipment, private cars, light company vehicles. This list is non-limitative.

Also to class 1 belong the expenses activated since 1 January 2010, concerning improvements and adaptations, part light equipment.

The following investments belong to class 2:

Portable pumps, aerators, mixers and generators of < 25 KW, agricultural machinery, renovation of the buildings, furniture, heavy mobile equipment such as vehicles for transporting sludge, lorries, tractors and small bulldozers. This list is non-limitative.

Also to class 2 belong the expenses activated since 1 January 2010, concerning improvements and adaptations, part heavy equipment.

The following investments belong to class 3:

Fences, sampling and measuring instruments, workshop machinery, movable cranes, or pumps and generators > 25 KW, steel storage tanks, immovable electrical and mechanical equipment of new installations. This list is non-limitative.

Also belonging to class 3 are the once-made costs (as called till 1 January 2005) except insurance costs, claim costs, costs control office and site description.

Also to class 3 belong the expenses activated since 1 January 2010, concerning

- replacement investments
- improvements and adaptations, part EM

The following investments belong to class 4:

Roads, constructions for wastewater treatment plants and pumping stations, buildings, discharging constructions, sewers, collector sewers, priority sewers, pressure pipelines, manholes, roller bridges, plants. This list is non-limitative.

Also to class 4 belong the expenses activated since 1 January 2010, concerning improvements and adaptations, part construction.

Annual account related costs - except for land - are taken into P & L in the year of delivery.

- **For permanent assets of the Operations department:**

The following depreciation percentages are applied:

- for investments with regard to the renovation of buildings at Aquafin's disposal: linear 14.25%
- for investments with regard to the construction of service or office buildings: linear 3.03%

Moreover, two classes are distinguished in function of their economic life, for which the following depreciation percentages are applied:

- class 1: linear 25 %
- class 2: linear 14.25 %.

The non-limitative list with the contents of classes 1 and 2 can be found above.

- **For the renovation of VMM (Flemish Environment Agency) installations:**

The reparation works for which a technical plan is being established will be reactivated. These are the reparation works with an estimated minimum life of more than 7 years, in accordance with the agreement with the Flemish Region.

These assets are transferred from 'works in progress' to 'other tangible fixed assets' when the project is delivered.

The division into classes and the relating depreciation rates correspond to the rates for permanent assets proper to the projects.

No depreciation is applied to tangible fixed assets under construction.

Additional or exceptional depreciation is allowed for material fixed assets when their utility for the company is below the book value due to economical or technological conditions.

Fixed assets which are no longer used or no longer permanently contribute to the activity are depreciated so that the book value corresponds to the estimated disposal value.

Invoices of assets with a value of less than € 2500 are immediately taken into P & L, except for:

- assets that are acquired under an approved technical plan,
- advance invoices,
- invoices related to parts or expansions of assets.

Assets bought for specific projects are written down linearly over the course of these projects.

The assets, except land, bought from the VMM (Flemish Environment Agency), related costs inclusive, are depreciated linearly over a 20 year period.

3. FINANCIAL FIXED ASSETS

Participations, shares and fixed income securities titles are booked at purchase price. Related costs are immediately taken into P & L. In case of permanent depreciation or devaluation, the reduction in value of participations and shares may be written off when this is warranted by the status, the probability or the prospects of the company concerned.

4. LONG-TERM RECEIVABLES

Receivables are booked at nominal value except for fixed rate instruments which are booked at the lowest of the following values: purchase price or repayment price. Related costs are immediately booked against P & L. A depreciation is applied when repayment at the expiry date becomes uncertain.

5. RECEIVABLES WITHIN ONE YEAR

Receivables are shown in the account at their nominal value. Fixed rate instruments are booked at the lowest of the following values: purchase price or repayment price. Additional costs are immediately booked at the charge of the result.

Depreciations are applied when for the whole or a part of the receivable payment on the expiry date is uncertain.

6. DEPOSITS

Deposits at financial institutions are booked at nominal value. Paper instruments are booked at the lowest of either purchase price or repayment price. Related costs are immediately booked at the charge of the result.

At the closing of the financial year depreciation is booked when the market value is lower than the booked value.

7. CASH

Cash is booked at nominal value. At the closing of the financial year depreciation is booked when the market value is lower than the booked value.

8. DEBTS

Debt are booked at nominal value.

9. FOREIGN CURRENCY

Debts and receivables in foreign currency are converted at the exchange rate of the last day of the financial year when closing the financial year.

10. ACCRUALS

Accruals are booked at acquisition value and posted to the balance sheet for the part which refers to the following financial year(s).

11. ORDERS IN PROGRESS - VALUATION OF PROJECTS BEYOND THE EXECUTION OF THE AGREEMENT WITH THE FLEMISH REGION

Costs incurred in the framework of projects beyond the agreement with the Flemish Region are booked as orders in progress. Orders in progress are booked at manufacturing price.

The positive difference between the selling price and the manufacturing price (profit) is only taken into P & L once the order has been fully executed.

Upon the closing of the financial year orders in progress are depreciated if their manufacturing price plus the estimated amount of the costs still to be made are higher than the net purchasing price or the price stipulated in the contract.

Additional information

EQUITY CAPITAL: CAPITAL SUBSIDIES REPLACED BY REIMBURSEMENTS FLEMISH REGION/ DRINKING WATER COMPANIES

The reimbursements received from the Flemish Region/drinking water companies are the reimbursements assigned by the Flemish Region to the company by virtue of the wastewater treatment plants completed by the company to the Flemish Region during the past fiscal year. This reimbursement will be to the credit of the result for the same amount of the depreciation cost to which the reimbursement is related.

- **Rights and obligations not included in the balance sheet**

  Claims on the drinking water companies/Flemish Region: 1,331,006,011.94 euros

These claims are the investment costs that are not yet reimbursed by the Flemish Region of projects that were already completed to the Flemish Region.

TRANSFER OF ASSETS UPON THE EXPIRY OF THE MANAGEMENT AGREEMENT WITH THE FLEMISH REGION

Aquafin NV shall keep the full ownership of the wastewater treatment plants which will be established on terrains forming part of the public domain, because the Flemish Region relinquishes its right of accession for the full period of the management agreement.

From the moment when the management agreement expires, the title to ownership of these plants and other constructions shall be transferred to the Flemish Region, for which transfer the Flemish Region shall not be due any payment whatsoever.

If Aquafin NV erects all kinds of installations or other buildings on its own terrains which are indispensable for the execution of a technical plan, such installations and/or buildings shall be transferred to the Flemish Region after the expiry of the agreement, for which transfer the Flemish Region shall not be due any payment whatsoever.

Major risk factors

This section gives an overview of developments in those dossiers that include any risk to the company.

LEGAL DISPUTES

Flooding in a residential area

This dossier deals with water damage to approximately four hundred residents of a residential neighbourhood in 1998. In the final report of the court-appointed expert, submitted in 2006, two technical causes were identified. On the one hand, insufficient run-off capacity of the Grote Schijn, which is the property of the Flemish Region, and on the other side, the failure of the overflow functioning of the Ring collector, which Aquafin operates, on the Schijn. The judge issued a ruling at the end of 2010. The primary elements of the ruling were:

- statute of limitations: 107 claims were ruled to be unfounded because they were submitted too late;
- inadmissible: the claims of specific (factual) associations (of owners) were found to be inadmissible;
- unfounded: the rains in September (first sinister) 1998 were found by the court to be force majeure. It is the opinion of the court that no sewer system would have been able to handle that level of flooding;
- further study: the court wanted to have more clarification about the rains of October and November (second sinister).

In view of the foregoing and the existing insurance coverage, it is not necessary to make a provision in regard to this matter at the present time.

Flooding in a company

A court proceeding took place with regard to flooding at a company in 1998. Based on the decision of the Court of Appeal to the effect that the run-off system was liable, the insurance company of Aquafin and the client (the Flemish Region) bore the full payment for damages in the amounts of approximately €3 million and €2.5 million respectively. The Cassation appeal against the previous decision, which was filed jointly with the Flemish Region, was denied on 11 March 2010. The file can therefore be finally closed.

INSURANCE CLAIMS

Insufficient concrete reinforcement at the Deurne WWTP

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 armoured. According to Aquafin this damage claim is partially covered by our ABR (all construction risks) insurance policy and largely by the professional liability insurance policy of the study firm concerned.

In 2008, an investigation was held with regard to a suitable repair method, the most obvious repair period and a suitable contractor. Repair work started effectively in 2009. The work has largely been completed at the time of writing. The requests for repayment of the repairs costs, that have been submitted thus far, were effectively compensated by the ABR insurance company. There is no reason to assume that any claims still to be filed would not be covered by the insurer. In the circumstances just outlined, it is therefore not necessary to make a provision with regard to this matter.

Problems with concrete at the Bruges WWTP

At the time of the provisional delivery of the renovated wastewater treatment plant in Bruges, an outline of the armouring in the concrete was detected in one of the aeration basins. It was determined later that the damage continued to spread, and not only in this basin. An analysis commissioned by Aquafin identified two causes: insufficient concrete coverage and increased chloride values. Based on the study, a repair methodology was developed in consultation with the contractor. Where necessary, the concrete must be repaired and augmented and a so-called cathodic protection must be applied. The actual repairs were carried out in the course of 2009, 2010 and are being continued in 2011. The costs for the first part of these repairs will be borne by the contractor, and the costs of the last part by Aquafin. In the meantime, the ABR insurer has issued a statement of willingness in principle to cover a substantial amount of the costs. An agreement still to be drawn up between the contractor, Aquafin and the insurance will clarify how much Aquafin may have to pay and what provision should be made.

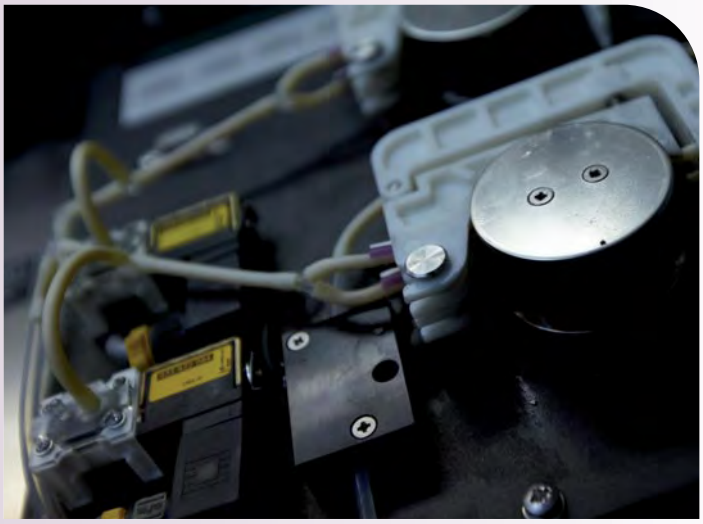
ADVICE OF THE ECONOMIC OVERSIGHT AUTHORITY WITH RESPECT TO THE FINANCIAL REPORTS 2008 AND 2009

In accordance with the provisions of the management agreement between the Flemish Region and Aquafin, the company prepares a financial report per financial year in which we account for the compensations owed by the Flemish Region and provide the required supporting documentation. The Economic Oversight Authority (AENT) gives advice on those financial reports. For the report for the year 2008, that body advised a withholding of €2,080,578 and for the report for 2009, a withholding of €1,395,833. The final decision with respect to the effective withholding is within the competence of the Flemish Region. It is a possibility to start up the contractually agreed financial expertise.Up to financial year 2004, an average of €100,000 per year was withheld. No withholding was done for financial years 2005, 2006 and 2007. In view of the experience from the recent past, no provision has been made for the financial years 2008 and 2009.

Allocation agreement

Aquafin NV has signed an allocation agreement during the 1994 financial year. The agreement between Aquafin NV, the Flemish Region, the European Investment Bank and Dexia stipulates that, in case Aquafin NV fails to fulfil its obligations to its long-term financiers, the claims on the Flemish Region for the investments and the interests on loans will not be paid to Aquafin by the Flemish Region any longer. These claims will be paid by the Flemish Region as the solvens from Aquafin to Dexia, which acts as the agent of the long-term grantors of Aquafin NV. Long-term credits with an original term longer than or equal to 5 year come under this agreement.

Because of the reorganisation of the water sector an addendum was signed on 31 May 2005 to bring the allocation agreement in line with the Programme decree of 24 December 2004, which became effective on 1 January 2005 and stipulates that Aquafin is paid by the drinking water companies.



AQUAFIN NV

Colophon

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LIST OF TERMINOLOGY USED

BOD or biological oxygen demand
The biological oxygen demand indicates the quantity of oxygen the bacteria need to break down the organic waste in 1 litre of effluent in 5 days at 20° C. At high BOD levels the bacteria develop so quickly that there is a risk that they will absorb all the oxygen from the water through respiration.

COD or chemical oxygen demand
The chemical oxygen demand indicates the quantity of oxygen needed to fully oxidise the waste present.

Disconnections
Rain water and surface water are to be disconnected from the sewer system and transported directly to watercourses.

Dry weather flow
The content of the sewer system at dry weather: mostly wastewater and little rain water.

Effluent
The treated wastewater that is discharged into watercourses.

Influent
The wastewater that is transported via the sewer system for treatment at the wastewater treatment plant.

Overflow
Emergency exit on the sewer system, which discharges strongly diluted wastewater into a watercourse during heavy rainfall.

PE or population equivalent
One population equivalent is the average quantity of wastewater produced by one person per day (150 l). This value is higher than the average of 120 l that every inhabitant of Flanders daily uses, since the sanitary water from schools, hospitals, small companies etc is also included. The treatment capacity of a wastewater treatment plant is expressed in PE.

Pumping station
A pumping station pumps wastewater from a lower to a higher located sewer.

Rain weather flow
When rain weather flow is created rain weather is discharged separately from wastewater in different pipes and transported to a watercourse instead of a treatment plant.

Sludge
At a treatment plant wastewater is mixed with activated sludge, in which billions of microscopically small organisms are living. When the water-sludge mix is aerated enough the micro-organisms become active and break down the organic waste. The activated sludge mass continues to grow. Part of it is reused in the treatment process, the rest is digested or incinerated with energy recovery.

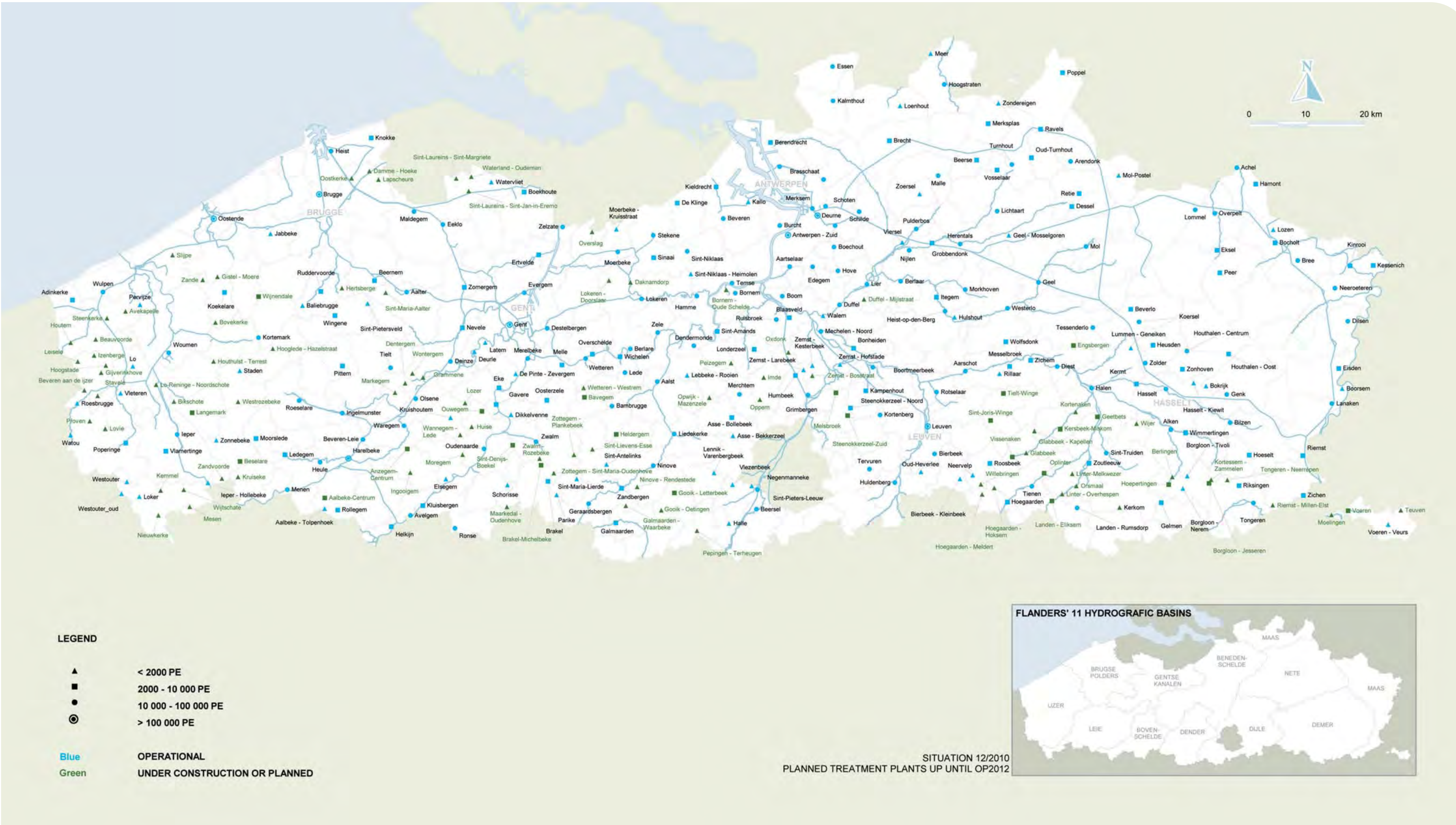
Small-scale wastewater treatment works
A small-scale wastewater treatment works treats the wastewater of less than 2,000 PE.

Total Nitrogen and Total Phosphorus
An excessive load of nitrate and phosphate will result in an excess of nutritional matter, whereby an explosive algal growth will be initiated, which suffocates water organisms.

Wastewater treatment plant or WWTP
A wastewater treatment plant treats the wastewater of more than 2,000 PE.

Wastewater treatment plants in Flanders

Green light for clear water



Aquafin develops and implements effective solutions that provide cleaner watercourses and sustainable water (re)use. We respond pro-actively to expected developments in the water sector. As a result, and in a close relationship with our customers, we bring a customised realisation of European objectives nearer every day.

Aquafin

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