

# Annual report

by the Board of Directors to the partners on  
the 2018 annual accounts



**De Watergroep**  
WATER. VANDAAG EN MORGEN.



## **2018 | Annual financial report | Board of Directors 29 March 2019**

This report provides an explanation of the 2018 accounts and the various movements on the balance sheet and the profit and loss account, so that these can be viewed in the right context.

To improve the readability of this report, amounts in the overviews are occasionally shown in x € 1,000. An indication on whether amounts are shown in euros or in x 1,000 euros is given in each instance.

# Introduction

Several major events have occurred that have left a visible impact on the accounts and their presentation:

- 11 municipalities and 57 Vivaqua employees switched to De Watergroep:
  - On 1 January 2018, De Watergroep gained a further 64,500 take-off points and 193,000 new customers.
  - 11 municipalities in the Brussels Periphery left I.W.V.B./Vivaqua and opted for De Watergroep as their new drinking water supplier.
  - This constituted the **largest takeover in the history of De Watergroep**. To offer these new customers the best possible service, 57 Vivaqua employees also moved to De Watergroep.
  
- The **drought problem**
  - It was an unavoidable fact of life during the summer: the combination of a prolonged spell of hot weather and several weeks without rain coloured Flanders green, yellow and orange — the colour codes against wasting water. The fact that this was happening for a second consecutive summer meant it was **all hands on deck** for water companies like ours, especially to secure **future water supplies**.
  - Climate change is exerting significant pressure on the supply and demand of our drinking water.
  - On a sector-wide level, the water companies developed an **action plan** based on five basic principles to safeguard the supply of high-quality drinking water, even in challenging times. The plan contains five main action points:
    - work on sources
    - cooperation between drinking water suppliers
    - adapting infrastructure
    - innovation for the future and ensuring nothing is wasted
  
- Through **Meander**, we're working towards a **more flexible organisation**:
  - To cope with the major challenges that lie ahead for us as a water supplier, we need a more flexible organisation. That is exactly what we are working towards through Meander, the process in which we are evolving from a provincially controlled to a process-oriented organisation.
  - One of the main drivers behind Meander is the need to **streamline our working methods** across the regions. By implementing a single working method, we will not only become more efficient; we will also free up the organisational space to commit to better methods and new technologies with the ultimate purpose of providing better service to our customers.

These and other points will be covered extensively in the remainder of the annual report.

De Watergroep's annual accounts for the financial year ending on 31 December 2018 concluded with a balance sheet total of 1,670 million euros and profits of 28 million euros.

# Discussion of the 2018 annual accounts

## BALANCE SHEET

The balance sheet total rose by 85 million euros.

This change in the balance sheet total can largely be attributed to the events discussed above.

2018 BALANCE SHEET – shown in x 1,000 euros									
ASSETS	Code	2017	2018	<> 2017	LIABILITIES	Code	2017	2018	<> 2017
<b>Fixed assets</b>	<b>21/28</b>	<b>1,355,496</b>	<b>1,467,831</b>	<b>112,335</b>	<b>Shareholders' equity</b>	<b>10/15</b>	<b>1,126,794</b>	<b>1,180,695</b>	<b>53,901</b>
Intangible assets	21	20,656	29,178	8,521	Capital	10	662,389	691,552	29,163
Property, plant and equipment	22/27	1,322,952	1,426,305	103,353	Revaluation gains	12	127,677	118,103	-9,574
Land and buildings	22	258,120	254,835	-3,285	Reserves	13	155,554	188,091	32,537
Plant, machinery and equipment	23	886,909	964,602	77,692	Profit/loss carried forward	14	79,998	85,050	5,052
Furniture and rolling stock	24	6,203	7,057	854	Capital subsidies	15	101,177	97,900	-3,277
Assets under construction and advance payments	27	171,719	199,811	28,092	<b>Provisions and deferred taxes</b>	<b>16</b>	<b>20,683</b>	<b>26,699</b>	<b>6,016</b>
Non-current financial assets	28	11,888	12,349	461	<b>Debts</b>	<b>17/49</b>	<b>437,577</b>	<b>462,944</b>	<b>25,368</b>
<b>Current assets</b>	<b>29/58</b>	<b>229,558</b>	<b>202,508</b>	<b>-27,050</b>	Liabilities due over more than one year	17	240,402	255,552	15,150
Receivables due over more than one year	29	1,021	899	-122	Financial liabilities	170/4	240,402	255,552	15,150
Stocks and orders in progress	3	5,654	7,906	2,251	Advance payments for orders	176	0	0	0
Receivables due within one year	40/41	157,169	163,674	6,505	Liabilities due within one year	42/8	176,291	191,862	15,572
Trade receivables	40	111,786	113,004	1,218	Liabilities over more than one year due within one year	42	20,511	21,661	1,150
Other receivables	41	45,383	50,670	5,287	Trade payables	44	102,065	107,380	5,314
Cash investments	50/53	51,941	5,000	-46,941	Advance payments received	46	31,348	31,875	527
Cash and cash equivalents	54/58	11,765	23,257	11,492	Liabilities relating to taxes, remuneration and social security	45	7,661	8,137	476
Deferred liabilities	490/1	2,008	1,772	-236	Other liabilities	47/48	14,705	22,809	8,104
					Accruals and deferrals	492/3	20,884	15,530	-5,354
<b>Total ASSETS</b>	<b>20/58</b>	<b>1,585,054</b>	<b>1,670,339</b>	<b>85,285</b>	<b>Total LIABILITIES</b>	<b>10/49</b>	<b>1,585,054</b>	<b>1,670,339</b>	<b>85,285</b>

## Takeover of I.W.V.B. and Vivaqua municipalities

As a consequence of the dissolution of I.W.V.B. and the withdrawal of Vivaqua, De Watergroep took over the drinking water supply of 11 municipalities in the Brussels Periphery on 1 January 2018. Two further municipalities joined as Riopact partners and entrusted De Watergroep with all aspects of their waste water management.

This takeover has an impact on the position of our capital, fixed assets (water grid and commercial undertaking) and financial position:

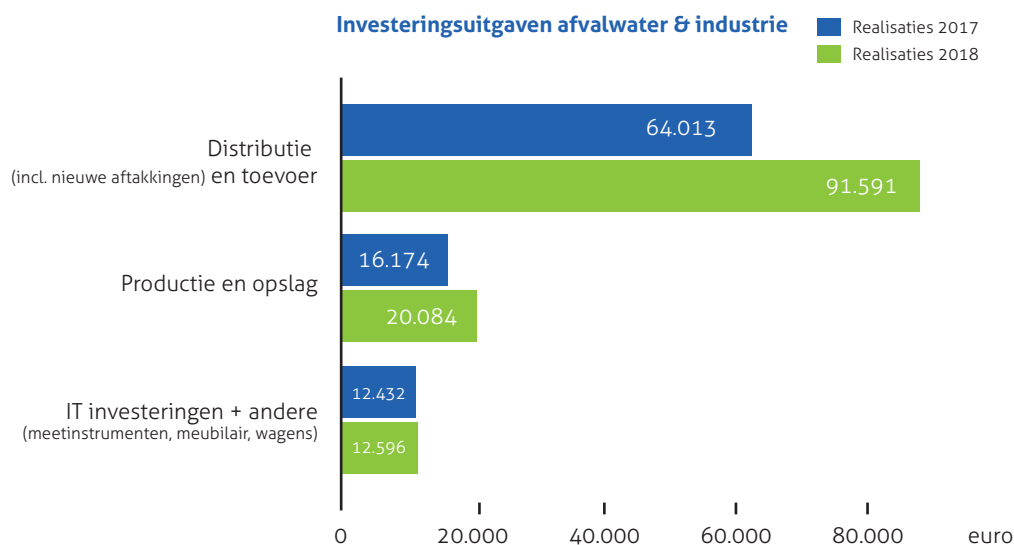
SECTION	VIVAQUA/I.W.V.B. TAKEOVER	AMOUNTS IN X 1000 EUROS
23/24	Infrastructure taken over — Carrying value on 1/1/2018	73,354
21	Commercial undertaking	17,230
	<b>Total takeover price</b>	<b>90,584</b>
55/17	Cash payment	61,893
10	Fully paid-up shares	28,366
4893x	Bonus	325

The value of the infrastructure taken over has been determined at 73.4 million euros. The commercial undertaking is worth 17 million euros and will be depreciated over five years. The partners were paid partially in equity (28.4 million euros), with the lion's share paid in cash (61.9 million euros). Thanks to De Watergroep's healthy cash position, a large part of the takeover price could be paid from available resources. An additional loan of 15 million euros was arranged to pay for the remainder of the cost.

## 21/22/27 Intangible (+ 8.5 million euros) and tangible fixed assets (+ 103.4 million euros)

The rise in intangible and tangible fixed assets can for the largest part be attributed to the **takeover** of the I.W.V.B./ Vivaqua municipalities (see 'Takeover of I.W.V.B. and Vivaqua municipalities').

In addition, De Watergroep operates an ambitious **investment programme**. To be able to guarantee the quality and quantity of drinking water for the future, we will need to invest heavily in drinking water infrastructure over the next few years.

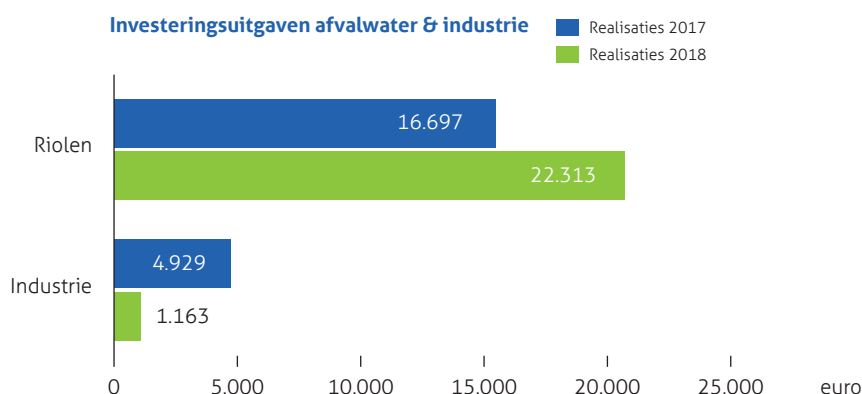


As far as **distribution and supply** are concerned, we are aiming to **replace ageing pipes in good time**. In 2018, our investment outlay for distribution and supply pipes (including new take-off points) rose to 91.5 million euros. Our investment rhythm has accelerated significantly over the past few years.

For investments in **production and storage** the **emphasis lies on renovation and source protection**. This is completely in line with our action plan to prevent future drinking water shortages. The investment outlay on production and storage is higher than in 2017. Several major works that were temporarily stopped or delayed finally got off the ground in 2018:

- The **De Blankaart** water production centre, which produces 22% of the water supplied in West Flanders, is due for redevelopment. A masterplan has been drawn up that envisages a complete renovation of the infrastructure at this site: new water treatment using state-of-the-art technology, the renovation of the reservoir and a logistics building with a visitor centre and office space. The building works part of the initial phase of the masterplan were continued by THV Persyn following the bankruptcy of the initial contractor, Gabecon (2.7 million euros).
- The **water production centre** in Eeklo (3 million euros) has been thoroughly renovated.
- Major works were also carried out at our largest water production centre in **Kluizen**. The concrete structures of the intake, sedimentation and pumping canals of Reservoir 1 date back to the 1970s. As such, the concrete was due for renovation (1 million euros). The intake pumps for this reservoir were also replaced (0.7 million euros).

For **waste water**, the investment outlay rose to 22.3 million euros.

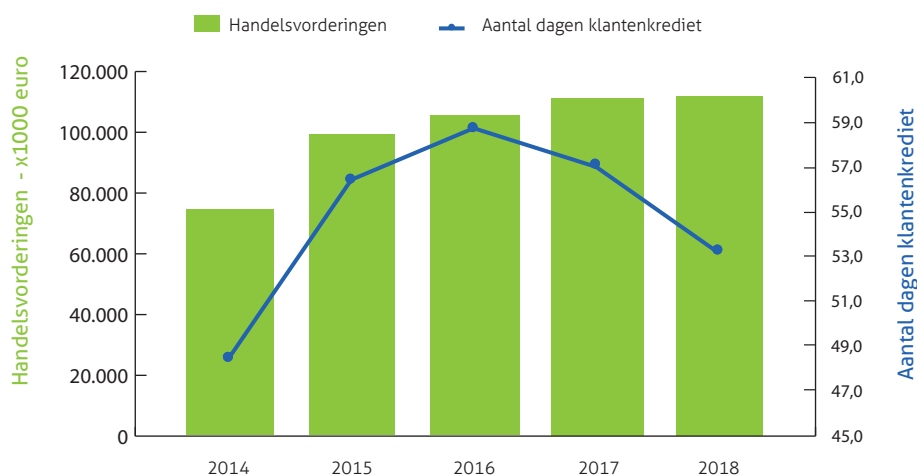


We witnessed large fluctuations in our outlay on **industrial projects**. These should not be taken as a parameter to gauge the success of this division. Depending on the type of contract, investments either are or are not pre-financed by De Watergroep. In 2017, the Agristo installation was built; this entered service in 2018. In 2018, a new project at AB Inbev was started.

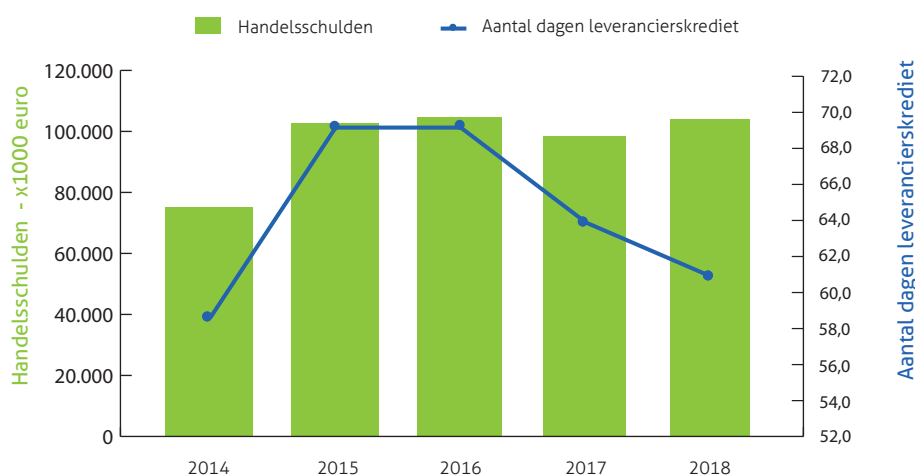
#### 40 Trade receivables (+ 1.2 million euros) – 44 Trade liabilities (+ 5.3 million euros)

The outstanding **trade receivables** have risen by 1.2 million euros compared to the end of 2017. Given the 9% increase in revenue largely resulting from the takeover, one might expect the increase in trade receivables to be greater than the current figure of 1.1%. In 2018, a **'clean-up initiative'** was undertaken regarding old outstanding trade receivables that had progressed to a judicial collection stage. 8,633 cases were identified as being non-recoverable and 4.5 million euros of **non-recoverable trade receivables were written off**. Of course, this action had a positive impact on the outstanding trade receivables balance.

However, the clean-up action did not have any effect on De Watergroep's results. Given the fact that the cases identified were all historic, the value of these trade receivables had already been depreciated previously. In accordance with the valuation rules, trade receivables older than one year were depreciated at a rate of 50%, with trade receivables older than two years depreciated at 100%.



The company's **trade liabilities** rose by 5.3 million euros, bringing them back to 2016 levels.



The number of days of customer credit (53) remains lower than the number of days of supplier credit (61), which has a positive impact on the liquidity of the company.

## 50/58 Cash investments and cash (-35.5 million euros)

De Watergroep's cash position has decreased by 35.5 million euros compared to 2017, mainly as a result of the takeover.

2018 CASH FLOW - Amounts in x 1000 euros		
Profit	9905	28,014
Depreciation	63	93,187
Provisions and impairments	16	6,016
Trade receivables	40, 41, 490/1	-6,269
Trade payables	44, 46, 45, 47/48, 492/3	9,068
Stocks	3	-2,251
<b>Operating cash flows</b>		<b>127,765</b>
Intangible assets	21	-8,521
Property, plant and equipment	22/27	-103,353
Non-current financial assets	28	-461
Depreciation		-93,187
<b>Investment cash flow</b>		<b>-205,522</b>
Liabilities due over more than one year	17	15,150
Liabilities due within one year	42, 43	1,150
Capital / capital subsidies	10, 15	25,887
<b>Financial cash flow</b>		<b>42,186</b>
<b>CASH FLOW</b>		<b>-35,571</b>



As mentioned earlier, De Watergroep faces major future challenges. A multi-year plan has been developed to help the company stay on top of these challenges, and an ambitious investment plan forms part of this. In 2016, the Water Regulator permitted an average rate increase of 16% to help us fund these investments. This rate was fixed for a period of 6 years. In 2017, higher revenues generated a positive cash flow, meaning we could conclude the year with a cash surplus of 63.7 million euros.

In 2018, De Watergroep once again generated a **positive operating cash flow** (129.5 million euros). This enabled the company to finance its **takeover** of municipalities in the Brussels Periphery, as well as its increasing **investment outlay**, using its own resources.

## 10 Capital (+29.2 million euros)

The I.W.V.B./Vivaqua municipalities **taken over** by De Watergroep were not only paid for in cash; equity in the share capital of the company was also granted (28.4 million euros).

The municipality of Aarschot, which joined as a **Riopact** partner in 2014, was given additional equity of 0.8 million euros, as per the agreement.

## 12 Revaluation gains (- 9.5 million euros) – 13 Reserves (+ 32.5 million euros)

To gain a more accurate picture of the company's capital, the drinking water take-off points were capitalised in 2012. The revaluation of the take-off points dating back prior to 2012 was processed under shareholder's equity (code 12). In accordance with Article 57, §3, 1° of the Companies Code, the revaluation gains (code 12) were transferred to the available reserves (code 13), up to the amount of the depreciation on the gain (9.5 million euros). The Accounting Standards Committee recommends this transfer because it provides a more accurate picture of the company's assets position. The balance of the revaluation gains on the take-off points amounted to 118 million euros on 31-12-2018.

The **results of the drinking water division** (+23 million euros) have been added to the **unavailable reserves**. Generally speaking, the 'unavailable reserves' category includes those reserves the General Meeting cannot freely dispose of by simple majority, according to the Articles of Association, or to which the partners are not entitled in the event of resignation or exclusion. These special formalities emphasise the permanent nature of the reserves and signal De Watergroep's commitment to **invest** the accrued income in infrastructure that will continue to guarantee the **quality and quantity** of drinking water **for the future**.

## 14 Profit/loss carried forward (+ 5 million euros)

The results of our sewage activities (4.7 million euros) and the Industry and Services business unit (0.3 million euros) have been added to the profits carried forward.

## 16 Provisions and deferred taxes (+ 6 million euros)

Over the course of 2017, the impact of the phosphate that has built up over time in the sludge of the **reservoirs** became clear. An internal study, supported by measurements performed by VITO, showed that the phosphate that has been deposited over time in the sludge has a major impact on water extraction operations. Any measures to reduce the supply of phosphate will have no effect as long as the internal source of phosphate is not tackled. As a consequence, De Watergroep has decided to **clear this sediment** over the coming years. The total price of this clearance is

estimated at 27 million euros. As it was initially assumed these works would start within three years, a provision of 9.5 million euros was allocated as early as 2017.

However, given the complexity of the matter, the ongoing studies and the fact that the works need to be planned properly to guarantee the continuity of drinking water supply at all times, the necessary works will now only start in 2021 at the earliest. As such, a decision was made to spread the provision across 4 years instead of 3 years, as initially proposed. In accordance with this decision, an additional **provision for major repair and maintenance works of 4.6 million euros** was set aside in 2018.

Another notable provision is the one created in relation to **'budget neutrality'**. When the new rate structure was introduced in 2016, Minister Schouffoutier decreed that this should be done in a 'budget neutral' manner. Using the available information, De Watergroep produced the best possible estimate of rates that would comply with the condition of budget neutrality. Following a recalculation, it became apparent that the company's revenues were 2.3 million euros higher than in 2015. In consultation with the Water Regulator, it was decided that De Watergroep should compensate for **2016's 'surplus revenues'** by **applying a reduced indexation to the 2019 drinking water rates**. Given the fact that this one-off reduced indexation was a known element for the near future with a clearly defined impact, a **provision for other costs and risks of 2.3 million euros** was set aside in 2018.

## 170/174 -42 -43 Financial liabilities (+ 16.3 million euros)

In 2018, a total amount of 33.7 million euros was spent on repaying credit facilities. This amount includes a loan of 15 million euros, which was settled early. This loan was replaced by another loan on more favourable terms. A further two additional loans were taken out for a total amount of 35 million euros.

An overview of the evolution of the outstanding loan amounts and terms over the past 5 years is provided below.

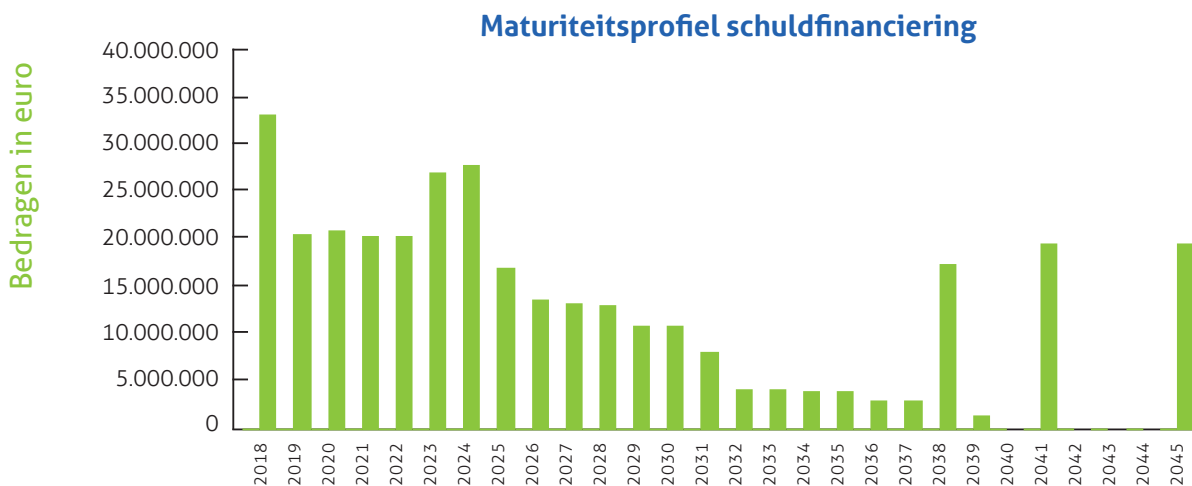
OUTSTANDING LOAN AMOUNTS AND TERMS IN X 1000 EUROS					
Term	2014	2015	2016	2017	2018
Floating	33,835	23,960	22,340	20,720	19,100
Annual	-	12,000	10,800	9,600	8,400
Every 3 years	25,191	23,592	21,987	20,399	24,911
Every 5 years	73,181	66,287	60,010	53,746	47,508
Ethias Var 10y	80,000	60,000	-	-	-
Fixed10	18,439	37,325	34,211	31,097	26,921
Fixed12	-	-	20,000	18,333	31,667
Fixed15	24,000	22,500	41,000	38,167	35,333
Fixed20	-	20,000	19,000	28,000	42,563
Fixed25	-	-	20,000	20,000	20,000
Fixed30	-	20,000	20,000	20,000	20,000
Total	254,647	285,663	269,349	260,063	276,402

Following an increase in liabilities in 2015 to finance the takeover of IWM, the company was able to reduce its liabilities in 2016 and 2017 as a result of its positive cash flow. In 2018, a credit facility was arranged to finance the takeover of the I.W.V.B. municipalities. As mentioned earlier, it should be noted that De Watergroep did not borrow the entire takeover amount, but paid a major share of it using its own cash resources.

To make the most of the favourable market conditions, the company fixed its loans over the long term, being 12 and 20 years. In doing so, the average weighted term of the entire loan portfolio was increased.

Term	2014	2015	2016	2017	2018
Weighted average term	6.29	7.21	9.51	9.30	9.93

The graph below shows the spread of repayments of currently outstanding liabilities over the years. The peak visible in 2018 relates to the early repayment of the 15 million euros facility mentioned above.



#### 48 Other liabilities (+ 8.1 million euros)

Since 2005, the drinking water companies are no longer just responsible for the production and supply of drinking water; they also have a statutory obligation to treat the drinking water supplied to customers. To meet this treatment obligation, the drinking water companies are cooperating with several partners. The drainage of waste water (municipal treatment) happens in partnership with the sewage managers, who largely consist of municipalities and intermunicipal utility companies. For the treatment of waste water (supra-municipal treatment), a contract has been entered into with Aquafin NV.

To cover the costs of drainage and treatment of the water supplied, **customers** are charged a **treatment fee**. This fee is included as an element of the overall price for water supply on the water bill. Through their water bills, consumers are paying for both the production and supply of drinking water and the drainage and treatment of waste water. **Private water producers** are asked to contribute to the cost of treatment by means of a **fee**.

The **unit rate of the treatment contribution/fee** is set under the supervision of the economic supervisor, the Flanders Environment Agency, taking into account Aquafin's costs, the expected revenues and the forecast operating grants.

The supra-municipal contributions paid by customers do not suffice to cover the costs of water treatment. To make good this shortfall, an annual **operating grant is provided by the MINA fund**. This is done on an advance payment basis, with an actual figure calculated at the end of each operating year. This actual figure may result in an additional claim or liability towards the MINA fund. In the past, the favourable or unfavourable **balance was transferred** to the next operating year.

The Flemish Government Decree of 18 March 2016 on the general operating grants to the operators of the public water grid now governs the advance operating grant payments as well as the settlement of the actual figure. This Decree expressly states that the operating grant must be **settled separately every year**. Any balances will be settled as part of future advance payments of the operating grant. In accordance with the new rules specified in the aforementioned Decree, **the historical balance amounts from 2005 up to and including 2016 were offset against the advance payments made in 2018**. The total outstanding liability to the MINA fund at the end of 2017, being the cumulative sum of the operating years of 2005 up to and including 2017, stood at 2.4 million euros. At the end of 2018 and following a provisional calculation of the actual figure for the 2017 and 2018 operating years, the company's liability towards the MINA fund amounted to 10.4 million euros. This amount will be offset against the advance payments for future years.

### 492/3 Other accounts (-5.4 million euros)

At the end of 2017, a decision was made to allocate a further 1.9 million euros to the pension fund. The actual payment of this sum took place in 2018 (code 492).

In some cases, a **third-party contribution** is requested to finance the laying of pipes. Prior to the start of the works, and advance payment is requested (code 46). At the end of the works, this advance payment is set off and deducted from the investment cost.

At the end of 2017, a large number of **'old' advance payments** were settled. These were provisionally entered under the accruals and deferrals category on the liabilities side of the balance sheet (code 493 - 2.8 million euros). In 2018, the settled amounts were deducted from the purchase value of the corresponding assets according to the valuation rules (23).

## PROFIT AND LOSS ACCOUNT

De Watergroep has concluded its profit and loss account for the 2018 financial year with **profits of 28 million euros**.

### OPERATING PROFIT

De Watergroep realised an **operating profit of 27 million euros**. The lower result compared to 2017 (30.7 million euros) can mainly be attributed to the waste water division (see 'Profit and loss account per division' below). The results of both the Riopact partners, Riopact (Sewers business unit (BU) and silent partnership (SHV)) and the water treatment by non-partners are lower than last year (-3.1 million euros).

2018 PROFIT AND LOSS ACCOUNT - SHOWN IN X 1,000 EUROS	CODE	REAL. 2017	REAL. 2018	<> 2017
<b>REVENUE</b>	<b>70/76A</b>	<b>703,064</b>	<b>755,878</b>	<b>52,814</b>
<b>Revenue</b>	<b>70</b>	<b>613,983</b>	<b>669,064</b>	<b>55,082</b>
Drinking water		283,400	311,098	27,698
Drinking water standing charges		41,244	43,529	2,285
Drinking water consumption		215,586	238,196	22,610
Other drinking water revenues		26,570	29,373	2,803
<b>Water treatment</b>		<b>316,749</b>	<b>339,459</b>	<b>22,710</b>
Water treatment contribution/fee		305,942	328,311	22,370
Water treatment service provision		10,808	11,148	340
Waste water (excl. water treatment)		10,333	14,906	4,573
Industry & services		3,501	3,602	101
<b>Stocks: unfinished goods</b>	<b>71</b>	<b>-210</b>	<b>668</b>	<b>877</b>
<b>Fixed assets produced</b>	<b>72</b>	<b>7,032</b>	<b>5,216</b>	<b>-1,816</b>
<b>Other operating income</b>	<b>74</b>	<b>78,094</b>	<b>80,078</b>	<b>1,984</b>
MINA fund operating grant		57,438	60,923	3,485
Miscellaneous operating income		20,656	19,155	-1,501
<b>Non-recurring operating income</b>	<b>76A</b>	<b>4,165</b>	<b>851</b>	<b>-3,314</b>
<b>OPERATING COSTS</b>	<b>60/66A</b>	<b>-672,384</b>	<b>-728,895</b>	<b>-56,511</b>
<b>Trade goods, raw materials and auxiliary materials</b>	<b>60</b>	<b>-6,581</b>	<b>-6,497</b>	<b>84</b>
<b>Services and other goods</b>	<b>61</b>	<b>-446,913</b>	<b>-495,401</b>	<b>-48,488</b>
Water treatment expenses		-348,284	-372,762	-24,478
Other services and miscellaneous goods		-98,630	-122,639	-24,009
Water for resale		-28,999	-38,694	-9,694
Contractor works		-17,971	-23,143	-5,172
Chemical products		-4,753	-5,490	-738
Infrastructure and electronics maintenance		-15,086	-15,766	-680
IT		-8,709	-9,594	-885
Other services and miscellaneous goods		-23,112	-29,951	-6,839
<b>Remuneration, social security and pensions</b>	<b>62</b>	<b>-103,276</b>	<b>-110,270</b>	<b>-6,994</b>
<b>Depreciation on fixed assets</b>	<b>630</b>	<b>-81,923</b>	<b>-88,047</b>	<b>-6,124</b>
<b>Depreciation on stocks and trade receivables</b>	<b>631/4</b>	<b>-2,224</b>	<b>876</b>	<b>3,100</b>
<b>Provisions for risks and expenses</b>	<b>635/7</b>	<b>-13,077</b>	<b>-6,016</b>	<b>7,061</b>
<b>Other operating expenses</b>	<b>640/8</b>	<b>-18,319</b>	<b>-23,068</b>	<b>-4,749</b>
Water supply and surface water tax		-8,670	-9,326	-656
Losses on trade receivables		-3,974	-8,784	-4,809
Miscellaneous operating expenses		-5,675	-4,958	717
<b>Non-recurring operating expenses</b>	<b>66A</b>	<b>-70</b>	<b>-473</b>	<b>-403</b>
<b>OPERATING RESULT (INCL. NON-RECURRING EXPENSES &amp; INCOME)</b>		<b>30,681</b>	<b>26,983</b>	<b>-3,698</b>

The results of the drinking water division have remained at the same level as in 2017, but when we look at the profit and loss account, there have been several notable movements. These are due to a number of major events that took place in 2018, a brief explanation of which has already been provided in the introduction. We will look at these movements in more detail below.

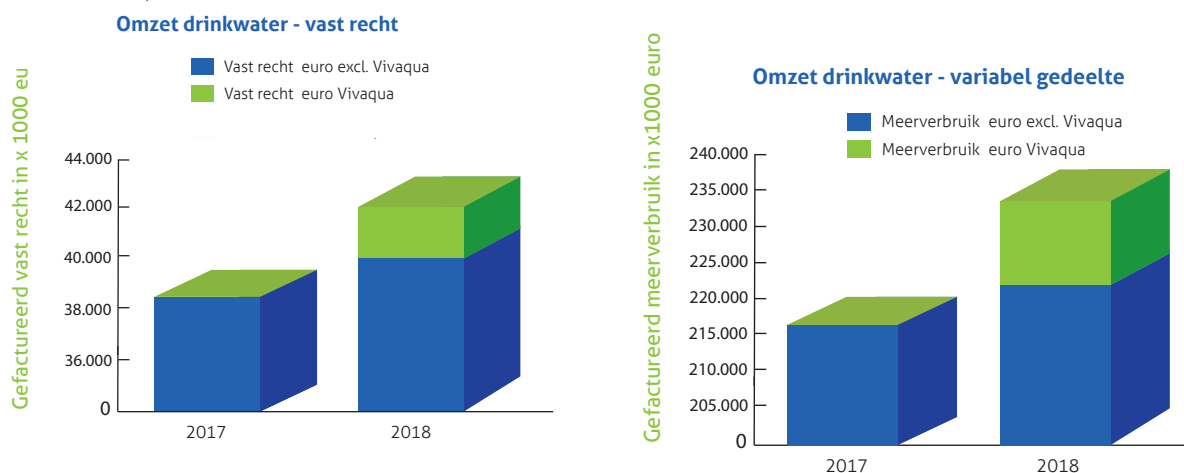
## TAKEOVER OF I.W.V.B. AND VIVAQUA MUNICIPALITIES

An increase of around 8% can be seen on both the cost and income side. This increase is largely attributable to the takeover of the 11 municipalities in the Brussels Periphery.

### 70 Revenues

Drinking water revenues rose by 27.7 million euros compared to 2017.

The 11 municipalities taken over have added an additional 2.2 million euros of **standing charges** to the coffers, and the I.W.V.B./Vivaqua municipalities can take credit for 6.62 million m<sup>3</sup> out of the extra 7.05 million m<sup>3</sup> of water billed in 2018 (+12.5 million euros of **extra consumption**). The rest of the increased revenue from the variable drinking water component is almost fully due to the **higher rates** resulting from the application of the 3.21% **indexation** specified in the rate plan.



### 70 Water treatment income – 74 MINA – 61 Water treatment costs

As a consequence of the takeover for the 11 municipalities, **revenues from water treatment** have risen by 18.9 million euros (municipal water treatment: +10.7 million euros, supra-municipal water treatment: +8.2 million euros). The costs of water drainage and treatment (code 61 – water treatment) and the operating grant from the MINA fund (code 74 – MINA fund operating grant) have also increased proportionally.

### 61 Other services and miscellaneous goods – 62 Personnel costs

The municipalities taken over have not just generated additional income: it goes without saying that supplying a large number of new customers with drinking water also involves certain costs.

The additional **water** volume required to supply these customers was taken care of through **purchases from Vivaqua**

(+6.9 million euros – code 61 - Water for resale). An agreement was concluded for the next 18 years.

**Fifty-seven Vivaqua employees were also transferred** to De Watergroep. These employees remained employed by Vivaqua up to 31 March 2018. The costs incurred by Vivaqua to keep water supplies operational during this transition period (personnel costs, water analysis etc.) were charged to De Watergroep (+2.6 million euros – code 61 - Other services and miscellaneous goods). With effect from 1 April, the employees were definitively transferred and added to De Watergroep's payroll. The direct impact on the company's wage bill for 2018 can be estimated at 3.7 million euros (code 62 - Remuneration, social security charges and pensions). The **remainder of the increase in personnel costs** was caused by an increase in **pension contributions** from 52.5% to 54.5%, the **indexation** of wages at a rate of 2% with effect from 1 October 2018 and the regular pay scale rises.

## 630 Depreciation on fixed assets

We cannot supply drinking water without a water grid. The drinking water infrastructure taken over carried a value of 57 million euros on 1 January 2018, and this sum was added to De Watergroep's accounts. Depreciation on the **pipes taken over** stood at 1.8 million euros for 2018.

The commercial value (client base, future revenues etc.) was also compensated for as part of the takeover. An amount of 17.2 million euros in **goodwill** was added to the books. This amount will be depreciated over 5 years, adding an additional depreciation cost of 3.4 million euros in 2018.

## DROUGHT PROBLEM

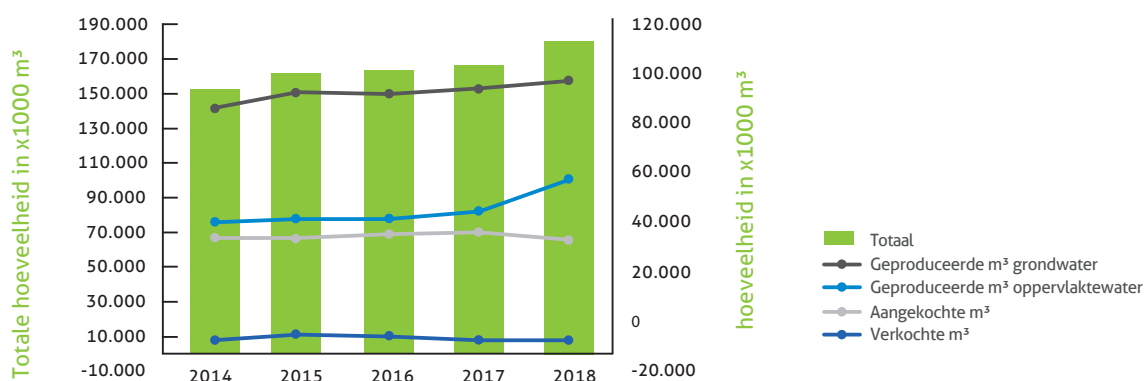
### 61 Services and miscellaneous goods – 64 Other operating costs

Climate change is exerting significant pressure on the supply and demand of our drinking water. Periods of significant drought, like the one we witnessed last summer, increase demand for drinking water while making it harder for us to replenish our sources.

De Watergroep is taking precautions to guarantee the supply of high-quality drinking water through difficult periods like these. Aside from the optimal management of our various sources (both groundwater and surface water) and the renovation of our water production centres, smooth cooperation between the various drinking water companies is also essential.

Below, you can see the evolution of the available volume of drinking water between 2014 and 2018. Several increases stand out: in 2015, the available volume rose from 153 million m<sup>3</sup> to 162 million m<sup>3</sup>. This increase was mainly due to the takeover of I.W.M. on 31 December 2014. The rise in 2017 clearly shows the consequences of the extended period of drought. The need for 'additional' water was met by driving up groundwater production (+2.6 million m<sup>3</sup>) and by purchasing more water from our fellow water companies (+2.6 million m<sup>3</sup>). The 2018 increase is largely down to the **takeover of the I.W.V.B./Vivaqua** municipalities. As mentioned above, the required drinking water was purchased from Vivaqua.

### Beschikbaar volume drinkwater



Aside from an increase in volume, a **shift between the various sources** is also visible in 2018.

As a result of renovation works on several surface water plants (Kluizen, Dikkebus), less drinking water was produced from surface water. These volumes were compensated for by additional purchases from third parties and additional groundwater production. This shift is also evident in the profit and loss account:

- Code 61 – Chemical products: Even though the prices of chemicals rose by nearly 30% in 2018, costs did not rise proportionally. This was due to lower production of drinking water from surface water.
- Code 61 – Water for resale: Additional water was bought from our fellow water companies, mainly in the West Flanders and East Flanders regions.
- Code 640/8 – Water supply tax: As there was a decrease in the volume of groundwater produced in 2017 and 2018, there is a clear rise in taxes on pumped drinking water (+0.6 million euros).

## MEANDER

### 61 Services and miscellaneous goods

The Meander project started in 2017. As part of this project, the provincial structures will be abandoned and replaced by a more process-oriented organisation.

The development of a **process-oriented organisation** is an intensive process that comprises various aspects such as process renewal, organisational changes, IT adjustments and the introduction of a new culture amongst all employees. As the Meander project requires a highly specific approach and knowledge in terms of business analysis and transformation, **external support** was enlisted. A budget of 0.3 million euros was set aside to pay for these services (code 61 – Other services and miscellaneous goods).

The existing **IT applications** are being affected by the new organisational structure and the cost of the necessary adjustments amounted to 558,000 euros (code 61 – IT) in 2018.

## FINANCIAL RESULT

De Watergroep's financial result stands at +1 million euros, which is largely in line with the previous financial year.

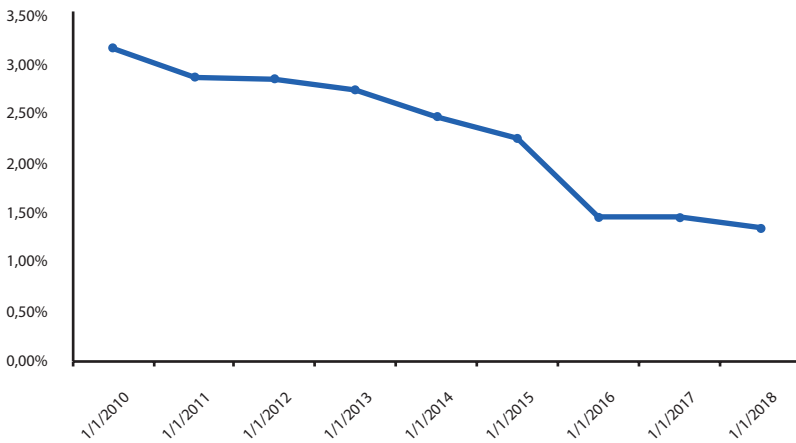
PROFIT AND LOSS ACCOUNT 2016 – shown in x 1,000 euros	Code	2017	2018	<> 2017
<b>FINANCIAL REVENUES</b>	<b>75/76B</b>	<b>4,897</b>	<b>4,865</b>	<b>-32</b>
Income from current assets	751/7	170	146	-24
Capital subsidies	753	4,727	4,719	-8
<b>FINANCIAL COSTS</b>	<b>65/66B</b>	<b>-3,852</b>	<b>-3,833</b>	<b>18</b>
Costs of credit	650	-3,821	-3,811	9
Other financial costs	652/9	-31	-22	9
<b>FINANCIAL RESULT (incl. non-recurring financial costs/revenues)</b>		<b>1,045</b>	<b>1,031</b>	<b>-14</b>

The increase in outstanding liabilities of 16.3 million euros (see Section 17-42 on the balance sheet) was fully compensated for by a reduction in the average interest rate, in particular due to the refinancing on more favourable terms of a loan of 15 million euros at an interest rate that is reviewable every 3 years.



The graph below clearly shows a downward trend in the weighted average interest rate over the last 8 years.

### Gewogen gemiddelde rentevoet 2010-2018



## RATIO ANALYSIS

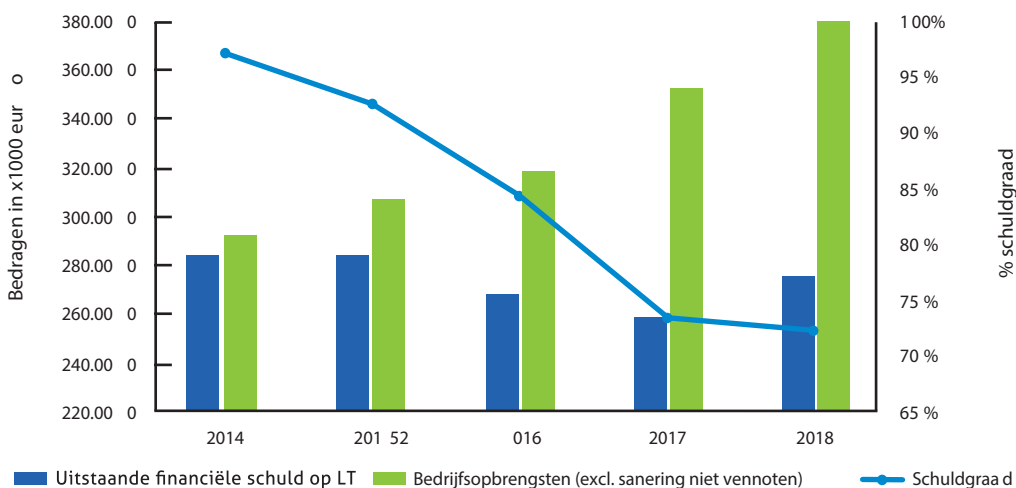
### Debt ratio

Shown in x 1,000 euros	Code	2014	2015	2016	2017	2018
Outstanding financial liabilities	173/4 - 42 - 43	284,646	285,663	269,349	260,063	276,402
Operating income (excl. water treatment by non-partners)	70/74 - Water treatment	293,018	308,224	319,139	353,401	382,264
<b>DEBT RATIO</b>		<b>97.1%</b>	<b>92.7%</b>	<b>84.4%</b>	<b>73.6%</b>	<b>72.3%</b>

By maintaining a **balance** between **investments and income**, De Watergroep is attempting to keep its debt ratio under control. The debt ratio is calculated by dividing De Watergroep's total financial liabilities by its income. The maximum upper threshold for the whole of De Watergroep is 105%.

When we look at the evolution of our debt ratio over the years, we can see it is **evolving in a favourable direction**.

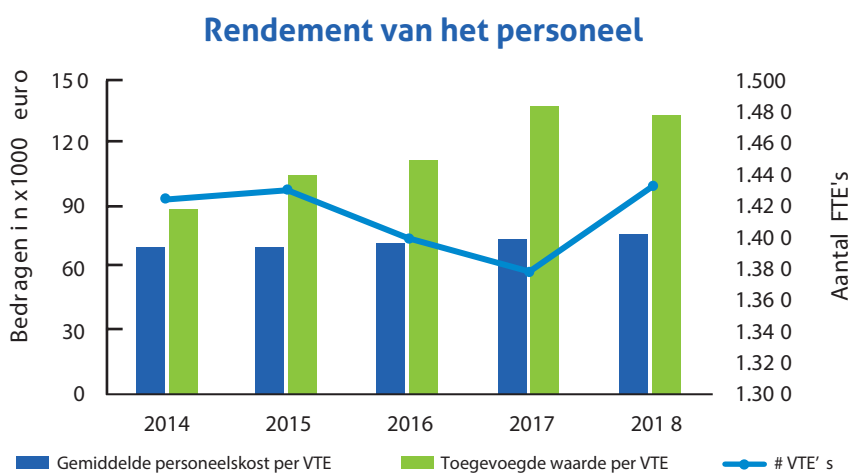
### Evolutie schuldgraad



In 2014, the company's debt ratio stood at 97.1%. On 31 December 2014, Intercommunale Watermaatschappij (IWM)

was taken over by De Watergroep. The loan used to finance this takeover was included in the 2014 accounts. Given the time of the takeover (31 December), there were no revenues to counteract the debt. In 2015, De Watergroep's liabilities remained more or less the same, but income was generated through the bills paid by IWM customers. This caused the debt ratio to fall to 92.7%. Due to an increase in business income and a positive liquidity position, De Watergroep was able to reduce its financial liabilities in 2016 and 2017, which had a positive impact on the debt ratio. The takeover of the 11 municipalities in the Brussels Periphery was largely financed from the company's own resources. The remaining 15 million euros was paid via an additional loan. The resulting increase in revenue is compensating for the increase in liabilities, which has caused the debt ratio to fall even further. Of course, this offers a sound financial basis for the company's planned investments.

## Added value per FTE



In 2018, the average number of Full Time Equivalents (FTE) rose by 54.5 compared to 2017. Personnel costs increased by 6.77% due to the 2% indexation in October, the rise in pension contributions from 52.5% to 54.5% and the Vivaqua employees taken on by De Watergroep. As a result, the average personnel cost per FTE went up from 75,000 euros in 2017 to 77,000 euros in 2018. The added value per FTE, or in other words, the efficiency per member of staff, fell slightly from 138,000 euros to 134,000 euros. One important thing to note is that the added value per FTE remains significantly higher than the average personnel cost per FTE: the average member of staff contributes more to the business than what he/she costs to the business.

## EBIT

DESCRIPTION – shown in < 1,000 euros	Section	2014	2015	2016	2017	2018
Revenue	70	481,902	565,926	567,050	613,983	669,064
Stock expenses	60/71	-7,379	-6,725	-6,782	-6,790	-5,829
Services and other goods	61	-375,587	-429,238	-436,715	-446,913	-495,401
Remuneration, social security charges and pensions	62	-100,551	-100,661	-101,395	-103,276	-110,270
Other operating expenses	640/8	-24,328	-14,805	-15,528	-18,319	-23,068
Other operating income	74	98,619	72,614	80,311	78,094	80,078
Fixed assets produced	72	11,588	9,960	15,422	7,032	5,216
<b>EBITDA</b>		<b>84,264</b>	<b>97,072</b>	<b>102,364</b>	<b>123,810</b>	<b>119,792</b>
<b>EBITDA %</b>		<b>17.5%</b>	<b>17.2%</b>	<b>18.1%</b>	<b>20.2%</b>	<b>17.9%</b>
Depreciation and impairment on intangible and tangible fixed assets	630	-68,044	-74,749	-77,427	-81,923	-88,047
Provisions for risks and expenses	635/7	1,705	5,535	-628	-13,077	-6,016
Impairments on stock and trade receivables	631/4	772	-289	-1,104	-2,224	876
<b>EBIT</b>		<b>18,696</b>	<b>27,569</b>	<b>23,205</b>	<b>26,585</b>	<b>26,605</b>
<b>EBIT %</b>		<b>3.9%</b>	<b>4.9%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.0%</b>
Non-recurring operating expenses/income	66A/76A	-12,726	3,060	669	4,095	378
Financial result	65/75	-2,034	-2,025	-747	1,045	1,031
<b>PROFITS FOR THE FINANCIAL YEAR</b>		<b>3,936</b>	<b>28,604</b>	<b>23,128</b>	<b>31,726</b>	<b>28,014</b>
<b>PROFIT %</b>		<b>0.8%</b>	<b>5.1%</b>	<b>4.1%</b>	<b>5.2%</b>	<b>4.2%</b>

## PROFIT AND LOSS ACCOUNT PER DIVISION

De Watergroep is active in three market segments (drinking water, waste water and industrial water) and reports its results analytically in accordance with these divisions. A set of rules has been agreed to produce a result for each division. Performances delivered between the divisions are charged at agreed rates. The waste water and industrial water divisions use several supporting services provided by the drinking water division. Every year, the divisions agree which services will be used, to which extent and at which price.

The table below shows the results per division:

ANALYTICAL RESULTS – shown in x 1,000 euros	2017	2018
DRINKING WATER	23,338	22,963
WASTE WATER	7,856	4,720
RioP - RR Riopact partners	8,149	6,783
Riopact (Sewers BU & silent partnership)	189	-687
Water treatment - non-partners	-482	-1,376
INDUSTRY & SERVICES	532	332
TOTAL	31,726	28,014

Within the **waste water division**, an **additional breakdown** is applied.

The **RioP** accounts are **not mutual accounts**. An annual result is produced for each Riopact partner. Results attributable to individual municipalities may not be used to eliminate any negative results of other water services.

With effect from 1 January 2015, **De Watergroep and Aquafin** decided to integrate their existing cooperation in relation to waste water in a **silent partnership**, with the results of their activities shared on a 50/50 basis between the partners. As the managing partner, De Watergroep integrated the accounts of the silent partnership into its own accounts. The performance of the silent partnership can be identified through the use of 'specific' financial dimensions. At year end, 50% of the silent partnership's profits are allocated to the silent partner, Aquafin, with the other 50% allocated to De Watergroep. The share of the margin that belongs to De Watergroep (50%) is allocated to the Sewers business unit (waste water division).

The third element within the waste water division relates to the **water treatment** activities of the non-Riopact partners.

## APPROPRIATION OF PROFITS

With regard to the appropriation of profits for the 2018 financial year, which amount to 28 million euros, the Board of Directors of De Watergroep proposes to the Annual General Meeting that the profits are broken down as follows:

- Profits from drinking water operations (23 million euros): to be allocated to the unavailable reserves,
- Profits from waste water operations (4.7 million euros): to be carried forward to the next financial year,
- Profits from the Industry and Services business unit (0.3 million euros): to be carried forward to the next financial year.

## DISCHARGE

The Board of Directors also proposes that the directors and statutory auditor are discharged from the duties they exercised during the 2018 financial year.

# Additional elements

## IMPORTANT EVENTS THAT OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Not applicable.

## DESCRIPTION OF RISKS AND UNCERTAINTIES

Given its societal role as a drinking water company, risk management is of the utmost importance to De Watergroep. Within De Watergroep, risk management is integrated at several levels of the decision-making process.

Every three years, the main business risks are identified, weighted, prioritised and finally controlled via integrated risk management. This enables De Watergroep to make informed choices that increase the likelihood of our strategy being successful. By balancing our strategic goals against the risks we are prepared to take, we demonstrate our commitment to socially responsible business practices.

To assess risks, De Watergroep has adopted the following risk attitude:

RISK CATEGORY	RISK ATTITUDE	EXPLANATION
STRATEGIC	Medium	De Watergroep is prepared to take a certain extent of risk to achieve its long-term vision. The aim is to achieve an optimal balance between risk and long-term objectives.
OPERATIONAL	Very low to low	Risk in relation of the safety of employees and the security of supply of high-quality drinking water must be kept very low. For processes that do not directly come into contact with drinking water, there is a low willingness to accept risk, depending on the risk control effort involved.
FINANCIAL	Low	Risk relating to financial policy is avoided as much as possible.
COMPLIANCE	Very low	De Watergroep strives to comply with all legislation and regulation.

### Strategic risk

Risk associated with inadequate monitoring of future developments is viewed as a top strategic risk. De Watergroep's current strongly task-oriented focus creates the risk that the company has insufficient knowledge of future developments, and that it will not be able to achieve its vision of being a leading drinking water company as a result.

To be better equipped to deal with this risk, De Watergroep's organisation structure is currently being amended. As a risk management measure, a decision has been made to reorganise De Watergroep from a geographically controlled

organisation to a process-driven organisation with a much greater focus on innovation and the transfer of knowledge. New board members were appointed in 2017, meaning there has been no geographical element at board level since 1 January 2018. A new middle management contingent was appointed in 2018, and the entire reorganisation is scheduled to be completed by the second half of 2019. As a result of a centralised management structure, best practice will be applied regardless of location. In addition, the new Innovation division will support the other divisions, so that the latest developments and evolutions can be adequately implemented within De Watergroep at all times.

## Operational risk

The risk of the continuity of drinking water supplies not being guaranteed at all times is viewed as the greatest operational risk during De Watergroep's large-scale reorganisation from a geographically driven organisation to process-driven organisation. As responsibilities are shifting and roles are being redefined, certain tasks run the risk of falling through the cracks. To mitigate this risk, the reorganisation is being implemented on a project basis (Meander). A temporary project manager has been appointed to steer the project in the right direction. Project Meander provides guidance and support throughout the change process, as well as the necessary communication. The design and implementation of crucial processes is at the heart of the project. The standby duty procedure was given priority, as this will ensure that any emergencies involving the quality and quantity of drinking water can be dealt with quickly.

De Watergroep considers the inability to fulfil its supply duties as its main operational risk. This risk is twofold: firstly, insufficient access to sources of water (both groundwater and surface water and both internal and external) may cause water shortages, which would leave us unable to supply enough drinking water to our customers. Secondly, water contamination at any point between the source and the customer may cause drinking water standards to be breached, meaning the water we supply no longer meets the required quality standards.

To ensure we can supply the required volume of drinking water at any time, supply plans are in place for our entire supply area. To gain a better understanding of how resilient our supplies are, analyses have been drawn up for each installation or mains pipe, showing how any outages can be absorbed via the available reserve capacity and/or via the available connections with other areas. On the basis of this strength/weakness analysis, we have identified the necessary investments to improve the security of our supply, such as the expansion of our extraction capacity from groundwater or surface water, the improvement of our supply network or connections with other drinking water companies.

As a management measure for the quality risk, De Watergroep has drawn up water safety plans identifying all current and future risks to the extraction, treatment and distribution of drinking water. All conceivable threats are meticulously listed in these plans. Groups of experts have assessed the risks inherent in each of these threats. Risk management is an ongoing process, and as such, our water safety plans are regularly assessed and reviewed. A water safety plan coordinator has been appointed to record and monitor this planning and control cycle. This enables us to better guarantee a permanent supply of high-quality drinking water, both now and in the future.

Aside from the water safety plans, a 24/7 standby service, redundant IT and communication systems and a well-developed sampling scheme guarantee optimal control. The conclusion of long-term agreements with other drinking water companies and the development of emergency drinking water supplies in consultation with AquaFlanders also enable us to offer quick solutions in the event of any emergencies and to provide customers with a minimum service.

## Financial risks and the use of financial instruments

De Watergroep considers default risk and interest risk to be its main financial risks.

To limit the risk of default, De Watergroep can rely on a well-developed internal debtor management system. Advance billing at three-monthly intervals is used to ensure that the risk per outstanding drinking water bill remains limited. Where these measures fail to ensure timely collection, an external debtor management system is available, which is split up into an amicable and a judicial phase.

Interest risk is managed by addressing both its cause and its effects. De Watergroep tries to keep its debt burden under control through the creation of a long-term investment plan, an expenditure budget and a comprehensive monitoring system for optimal debt ratio management. Through continuous monitoring of outstanding loans and a maximum spread in relation to loan terms, providers and expiry dates, the company's financial risk remains limited. To gain insight into the maturity profile and the spread of outstanding debts, please refer to the 'Financial liabilities (170/174-42-43)' and 'Debt ratio' sections.

### Financial instruments: Interest rate swap

When specific circumstances cause the sum of interest reviews and the amount to be refinanced to be notably higher than average, an interest risk is created, which can be hedged. In this event, corrective action can be taken in the form of financial instruments. For this reason, an interest rate swap (IRS) was implemented as early as 2012, with an effective date of 30 November 2015. The interest on one of De Watergroep's long-term credit facilities has been fixed by means of an IRS. The facility in question is a 20-year loan, taken out on 30 November 2010 with an initial drawdown amount of 30 million euros and fixed capital repayments.

The annual repayment amount was retained, and the 5-yearly reviewable interest rate based on ISDAFIX 5 years +48 base points was converted into a fixed interest rate of 3.265% per year. Currently, 18 million euros remain outstanding on the loan. The annual repayments stand at 1.5 million euros. The IRS has reduced the interest risk, while contributing to a greater spread in our loan portfolio terms at the same time. It should be noted that this transaction only serves to hedge a risk, and not to speculate. In accordance with the decision by the Board and irrespective of the results, the IRS will be maintained up to its expiry date. This is the reason why no separate reserves need to be allocated.



## ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

De Watergroep continued to be strongly committed to research and developments over the course of 2018. For example, a separate Innovation division has been set up with a special focus on research and development. The Innovation division aims to realise five strategic objectives:



### Cooperation and customer satisfaction

To help De Watergroep strengthen its leading position in Flanders, no fewer than 28 internal experts from various divisions have come together to work on innovative projects. Their knowledge is enhanced through cooperation with external partners. We are working closely with other drinking water companies as part of *Bedrijfstechnische Onderzoek (BTO)*, the joint research programme of the Dutch and Flemish water companies, and *Water In a Circular Economy (WICE)*, with pioneering research on biological and chemical safety, sources, distribution, water treatment and hydroinformatics being performed under both umbrellas. In addition, we are also cooperating with research institutions such as VITO (custom research) and educational establishments such as UGent (bringing together all water research in a single location) and KULeuven (supervision of masters' theses and doctorates). De Watergroep intends to stay fully up to date with the latest developments and has joined a several innovative forums such as TAG/Isle, Swan and WaterCircle for that purpose. De Watergroep is also making its own installations available to SMEs to support them in the development of new technologies. Finally, De Watergroep is taking part in several European subsidy projects to share knowledge and expertise with the rest of Europe.

To better meet our customers' needs, we will shortly be using AI (artificial intelligence) and VR (virtual reality) for educational purposes and a chatbot will provide quicker answers to simple, frequently asked questions from our client base.

### Data and industry 4.0

The large amount of data produced by De Watergroep on a daily basis (measurement data, customer data, laboratory data etc.) is being used to better understand and chart several processes. To name just a few examples, Leakredux is mapping losses due to leaks and data sharing security is being improved by a European H2020 project named 'STOP-IT'.

## Process improvement

To improve the availability and quality of our water, experts from our Water Sources and Process Technology divisions have been working together to combat algal bloom, to find a solution to the presence of nitrate, microplastics and medication in our water and to develop innovative methods for storing water in brackish water soil layers. This latter project was crowned with a BTO implementation prize.

## Decentralised water supply

To meet our customers' demand for water autonomy, De Watergroep is cooperating on both the Circular Flanders project and the European LIFE Local Water Adapt project, under which internal experts are putting their heads together with external partners to develop a sustainable, closed water cycle.

## Circular economy, energy and sustainability

De Watergroep itself is also taking action to produce circular water. As part of the European Interreg project Nure-Drain, iron and aluminium sludge waste flows are being valorised as filter materials. De Watergroep has also invested in the international AluCircle initiative: a project that promotes the valorisation of aluminium sludge by SMEs.

## Financial overview

In 2018, 28 employees were involved in various research projects. Around 11,910 hours (7.3 FTE) was spent on these projects, which corresponds to a wage cost of 834,000 euros. The cost of memberships, laboratory analyses and the purchase of various materials and consumables for the successful completion of the projects stood at 1.263 million euros. Thanks to a corporate tax discount (Belspo) and various subsidy channels (Interreg, Life, H2020, Circular Flanders), an amount of 320,000 euros could be recuperated. In total, 1.777 million euros was made available for research and development, which corresponds to 0.56% of the total drinking water revenues for 2018.

## EXISTENCE OF BRANCH OFFICES

Not applicable.

## MAJOR LOSSES

Not applicable.

## CIRCUMSTANCES THAT COULD MATERIALLY AFFECT THE DEVELOPMENT OF THE COMPANY

Not applicable.

## AUDIT COMMITTEE

At least one member of the Audit Committee must be an independent director who possesses the necessary expertise in the field of accounting and auditing.

## ADDITIONAL INFORMATION

### CAPITAL SUBSIDIES - (Article 100, 5°c of the Companies Code)

In 2018, the Flemish Region awarded 1.7 million euros in capital subsidies for sewer projects. An amount of 1.5 million euros was paid out relating to previously awarded subsidies.

## REMUNERATION REPORT (Article 100, 6°/3 of the Companies Code)

### EXECUTIVE REMUNERATION

#### Board of Directors

The remuneration paid by De Watergroep to its directors is in line with the Flemish Government Decree of 9 March 2007 governing the remuneration of directors of the privatised external agencies under public law of the Flemish Government and the government delegates tasked with the supervision of these agencies.

#### Fixed annual remuneration

Members of the Board of Directors receive a fixed annual remuneration. For the months of January to September 2018, this annual amount stood at 2,987.76 euros, and for the months of October to December 2018, the annual amount stood at 3,047.50 euros. The remuneration amount is determined in monthly tranches. If the mandate of a member of the Board of Directors runs for fewer than 12 months in any given year, the fixed remuneration amount is calculated in months.

#### Attendance fee per meeting

For the months of January to September 2018, the attendance fee per meeting stood at 298.78 euros. For the months of October to December 2018, the attendance fee per meeting stood at 304.76 euros. This fee only applies to formal meetings of the statutory executive bodies, for temporary and permanent committees and for performances delivered by the members of the Board of Directors in relation to official assignments.

The fees are doubled for the Chair of the Board of Directors.

Committee members receive a fee equal to the attendance fee for meetings of the Board of Directors for each committee meeting attended. The attendance fee is doubled for the director chairing the committee.

## Members of the provincial committees and/or the provincial offices

The attendance fee for participation in the meetings of the provincial offices and the provincial committees stood at 209.15 euros for the months of January to September 2018. For the months of October to December 2018, the attendance fee per meeting stood at 213.33 euros. Fees were doubled for the Chairs of these bodies. The attendance fee also applies to members of the Board of Directors who formed part of the provincial executive boards.

### Travel expenses

Participants in meetings are entitled to the reimbursement of their travel expenses. Any such expenses are reimbursed in accordance with the rules for employees of De Watergroep and the public sector in general. Travel expenses were reimbursed at a rate of 0.3460 euros per kilometre for the months of January to September 2018 and at a rate of 0.3573 euros per kilometre for the months of October to December 2018.

### Remuneration report

2018 REMUNERATION REPORT - SHOWN IN EUROS						
Name	Mandate term	Role	Fixed remuneration	Attendance fees	Expenses	Tax sheet total
Kristel Gevaert	full year 2018	Manager	3,003	11,747	870	15,620
Mieke Offeciers	full year 2018	Manager	3,003	7,190	0	10,193
Luc Asselman	full year 2018	Manager	3,003	16,294	836	20,133
Danny Deneuker	full year 2018	Manager	3,003	13,642	2,012	18,657
Christel Verlinden	full year 2018	Manager	3,003	6,714	664	10,381
Dirk Claes	full year 2018	Manager	3,003	7,424	476	10,903
Luc Van De Caveye	full year 2018	Manager	3,003	14,309	1,866	19,177
Eric De Keyser	full year 2018	Manager	3,003	8,443	1,757	13,203
Hedwig Kerckhove	full year 2018	Manager	3,003	9,758	591	13,351
Annie Mervillie	full year 2018	Manager	3,003	7,606	894	11,504
Francis Bosmans	full year 2018	Manager	3,003	7,271	984	11,257
Mieke Van Hootegem	full year 2018	Chair	6,005	22,461	4,705	33,172
Dirk Robbeets	full year 2018	Manager	3,003	7,933	300	11,236
Charlotte Van Strydonck	full year 2018	Manager	3,003	6,413	819	10,235
Gerald Kindermans	full year 2018	Manager	3,003	6,300	1,002	10,305
Laurence Battaille	full year 2018	Manager	3,003	7,489	741	11,232
Gunther Coppens	full year 2018	Manager	3,003	8,001	487	11,491
Pieter De Cuyper	full year 2018	Government Commissioner	3,003	3,001	69	6,073
Michiel Van Peteghem	full year 2018	Government Commissioner	3,003	4,495	0	7,498

Approved by the Board of Directors on 29 March 2019

**Mieke Van Hootegem**  
Chair of the Board of Directors

**Hans Goossens**  
Director-General

# Notes to the annual accounts

The following pages represent the abridged version of the annual accounts of De Watergroep. The full annual accounts will be published by the Central Balance Sheet Office of the National Bank within one month following their approval by the General Meeting. The auditors have approved the annual accounts of De Watergroep without qualifications.



## De Watergroep balance sheet – assets

ASSETS	Code	2018	2017
<b>Start-up costs</b>	<b>20</b>	<b>0.00</b>	<b>0.00</b>
<b>Fixed assets</b>	<b>21/28</b>	<b>1,467,830,888.87</b>	<b>1,355,496,048.61</b>
Intangible assets	21	29,177,665.13	20,656,416.51
Property, plant and equipment	22/27	1,426,304,640.43	1,322,951,580.39
A. Land and buildings	22	254,834,555.40	258,119,993.83
B. Plant, machinery and equipment	23	964,601,511.71	886,909,037.56
C. Furniture and rolling stock	24	7,057,233.52	6,203,387.79
D. Leases and similar entitlements	25	0.00	0.00
E. Other property, plant and equipment	26	0.00	0.00
F. Assets under construction and advance payments	27	199,811,339.80	171,719,161.21
Non-current financial assets	28	12,348,583.31	11,888,051.71
<b>Current assets</b>	<b>29/58</b>	<b>202,507,862.95</b>	<b>229,557,894.05</b>
Receivables due over more than one year	29	898,540.46	1,020,594.38
Stocks and orders in progress	3	7,905,906.34	5,654,444.61
Amounts receivable within one year	40/41	163,673,787.51	157,168,823.63
A. Trade receivables	40	113,003,811.95	111,785,754.32
B. Other receivables	41	50,669,975.56	45,383,069.31
Cash investments	50/53	5,000,469.10	51,941,338.74
A. Treasury shares	50	0.00	0.00
B. Other investments	51/53	5,000,469.10	51,941,338.74
Cash and cash equivalents	54/58	23,257,016.13	11,764,553.87
Deferred liabilities	490/1/5	1,772,143.41	2,008,138.82
<b>Total ASSETS</b>	<b>20/58</b>	<b>1,670,338,751.82</b>	<b>1,585,053,942.66</b>

## De Watergroep balance sheet – liabilities

LIABILITIES	Code	2018	2017
<b>Shareholders' equity</b>	<b>10/15</b>	<b>1,180,695,418.88</b>	<b>1,126,794,401.44</b>
Capital	10	691,551,946.43	662,388,578.82
A. Paid-up capital	100	931,803,650.00	902,640,250.00
B. Uncalled capital	101	-240,251,703.57	-240,251,671.18
Revaluation surpluses	12	118,102,664.90	127,676,782.15
Reserves	13	188,091,066.26	155,554,381.83
Profit/loss carried forward	14	85,049,536.80	79,997,912.70
Capital subsidies	15	97,900,204.49	101,176,745.94
<b>Provisions and deferred taxes</b>	<b>16</b>	<b>26,698,915.95</b>	<b>20,682,700.61</b>
<b>Debts</b>	<b>17/49</b>	<b>462,944,416.99</b>	<b>437,576,840.61</b>
Liabilities due over more than one year	17	255,551,756.83	240,402,210.78
A. Financial liabilities	170/4	255,551,459.36	240,401,913.31
B. Trade payables	175	0.00	0.00
C. Advance payments for orders	176	0.00	0.00
D. Other liabilities	178/9	297.47	297.47
Amounts payable within one year	42/8	191,862,259.28	176,290,700.86
A. Liabilities over more than one year due within one year	42	21,661,415.65	20,511,481.28
B. Financial liabilities	43	0.00	0.00
C. Trade payables	44	107,379,595.45	102,065,321.07
D. Advance payments received	46	31,874,869.38	31,347,723.85
E. Liabilities relating to taxes, remuneration and social security	45	8,137,394.88	7,661,216.05
F. Other liabilities	47/48	22,808,983.92	14,704,958.61
Deferred liabilities	492/3	15,530,400.88	20,883,928.97
<b>Total LIABILITIES</b>	<b>10/49</b>	<b>1,670,338,751.82</b>	<b>1,585,053,942.66</b>

## De Watergroep profit and loss account

PROFIT AND LOSS ACCOUNT	Code	2018	2017
<b>Revenue</b>	<b>70/76A</b>	<b>755,877,935.63</b>	<b>703,064,257.22</b>
Revenue	70	669,064,470.30	613,982,854.43
Drinking water		289,392,901.66	263,534,211.48
Drinking water standing charges		43,528,672.95	41,243,885.66
Drinking water consumption		238,196,324.22	215,585,976.20
Capacity fee		7,667,904.49	6,704,349.62
Water treatment		328,311,361.12	305,941,742.18
Water treatment standing charge		15,852,438.49	14,962,455.09
Waste water standing charge		23,796,600.86	22,485,355.48
Water treatment contribution/fee		127,045,803.19	115,632,530.23
Waste water contribution/fee		161,616,518.58	152,861,401.38
Other revenues		51,360,207.52	44,506,900.77
Water supplies to third parties		10,214,082.32	9,378,467.27
Other water supplies (industrial water, grey water etc.)		3,515,377.61	2,818,978.24
Take-off point performances (installation and repair of water meters etc.)		6,446,330.17	6,010,768.61
Inspections		3,095,504.40	2,763,773.19
Water treatment service provision		11,147,704.77	10,807,593.29
Sewers		14,667,680.74	10,066,888.70
Other revenues		2,273,527.51	2,660,431.47
Stocks: unfinished goods	71	667,739.26	-209,748.24
Fixed assets produced	72	5,216,465.59	7,032,173.17
Other operating income	74	80,078,183.41	78,093,884.32
MINA fund operating grant		60,923,313.06	57,438,187.75
Debtor monitoring		7,494,954.65	7,162,293.45
Recovered costs		8,047,114.44	10,058,676.51
Miscellaneous operating income		3,612,801.26	3,434,726.61
<b>Non-recurring operating income</b>	<b>76A</b>	<b>851,077.07</b>	<b>4,165,093.54</b>



## De Watergroep profit and loss account (continued)

<b>Operating costs</b>	<b>60/66A</b>	<b>-728,895,173.37</b>	<b>-672,383,694.59</b>
Trade goods, raw materials and auxiliary materials	60	-6,496,519.16	-6,580,686.40
Services and other goods	61	-495,400,800.47	-446,913,244.93
Water treatment expenses		-372,762,193.32	-348,283,737.75
Water treatment expenses		-203,821,554.74	-188,033,173.07
Waste water expenses		-168,940,638.58	-160,250,564.68
Other services and miscellaneous goods		-122,638,607.15	-98,629,507.18
Water for resale		-38,693,664.99	-28,999,216.95
Contractor works		-23,143,036.13	-17,970,542.24
Chemical products		-5,490,487.66	-4,752,685.53
Electricity		-9,218,134.55	-9,336,957.58
Infrastructure maintenance		-6,547,838.52	-5,797,076.18
IT		-9,593,962.71	-8,709,087.31
Postal fees		-5,016,761.95	-4,870,234.38
Vehicles		-3,165,578.83	-2,759,332.47
Other services and miscellaneous goods		-21,769,141.81	-15,482,729.50
Remuneration, social security charges and pensions	62	-110,269,799.48	-103,275,975.86
Remuneration and social security		-81,317,974.31	-75,426,580.15
Pension contributions		-24,894,080.07	-23,999,317.44
Other personnel costs		-4,057,745.10	-3,850,078.27
Depreciation and impairment on fixed assets	630	-88,047,135.26	-81,923,488.75
Impairments on stock and trade receivables	631/4	876,348.51	-2,223,952.44
Provisions for risks and expenses	635/7	-6,016,215.34	-13,077,319.83
Other operating expenses	640/8	-23,068,180.88	-18,319,057.72
Water supply and surface water tax		-9,326,063.69	-8,669,837.73
Demolition		-1,419,144.78	-1,569,070.80
Losses on trade receivables		-8,783,631.09	-3,974,152.79
Miscellaneous operating expenses		-3,539,341.32	-4,105,996.40
Non-recurring operating expenses	66A	-472,871.29	-69,968.66
<b>OPERATING PROFIT(loss - )</b>		<b>26,982,762.26</b>	<b>30,680,562.63</b>
<b>Financial revenues</b>	<b>75/76B</b>	<b>4,864,813.32</b>	<b>4,896,823.63</b>
<b>Financial costs</b>	<b>65/66B</b>	<b>-3,833,384.30</b>	<b>-3,851,546.89</b>
<b>PROFIT (loss - ) for the financial year before tax</b>		<b>28,014,191.28</b>	<b>31,725,839.37</b>

# Coordinated valuation rules

(Royal Decree of 8 October 1976 – Article 15, paragraph 2)

(approved by the Board of Directors at its meeting of 22 December 2017)

## A. Depreciation

As from 1 January 1998, all assets are depreciated on a pro rata temporis basis.

### Start-up costs (20xxxx)

Start-up costs are directly accounted for on the profit and loss account.

### Intangible fixed assets (21xxxx)

- Computer software (**21100X**): depreciated on a straight-line basis over 36 months (33%).
- Knowhow (**21120X**): depreciated on a straight-line basis over a period of 5 years (20%).
- Commercial undertaking (**21200X**): depreciated over a period of 5 years (20%).

### Tangible fixed assets (22xxxx/27xxxx)

#### 1. Land (22000X + 22200X) (including above-ground inlets)

- Land is not depreciated, even if buildings are erected on it at a later stage.
- Land that forms part of any built-up property purchased and for which no separate valuations could be obtained for the land and the building (applicable only to purchases up until 1990) is depreciated as an integral part of the total value of the purchased property.

#### 2. Buildings (221XXX + 222XXX)

##### 2.1. Administrative and operational buildings(22100X + 22200X)

- Realised before 31-12-1995: depreciated on a straight-line basis over 50 years (2%).
- Realised after 1-1-1996: depreciated on a straight-line basis over 30 years (3.33%).

##### 2.2. Production and supply installations (22100X + 22200X) in the drinking water infrastructure (water towers,

#### reservoirs, pressure installations, pumping and treatment stations)

- Realised before 31-12-1990: between 1-1-1991 and 31-12-1995, these were depreciated on a straight-line basis over 60 years (1.67%). From 1-1-1996, they are depreciated at net book value as per 31-12-1995 over 25 years in equal yearly instalments (4%), bringing the total depreciation period to 30 years.
- Realised between 1-1-1991 and 31-12-1995: depreciated on a straight-line basis over 50 years (2%).
- Realised after 1-1-1996: depreciated on a straight-line basis over 30 years (3.33%).

As regards **electromechanical equipment (22110X)** at these production and supply installations in the drinking water infrastructure (pumps, measuring and control equipment, pipes, switchboards, etc. — in short, tangible assets that have become intangible due to their use), these are depreciated on a straight-line basis over 20 years (5%).

As regards **upgrade and renovation works (22120X)** that are considered investments (value greater than 125,000 euros for buildings):

- If the total amount of such works on buildings lies between 125,000 and 750,000 euros, they are capitalised and depreciated on a straight-line basis over 10 years (10%).
- If the amount exceeds 750,000 euros, they are depreciated on a straight-line basis over 20 years (5%) **(22130X)**

### 2.3. Sewer pumping stations (22150X)

The investment in the construction part of sewer pumping stations is depreciated on a straight-line basis over 30 years (3.33%).

As regards electromechanical equipment (22160X) at these sewer pumping stations (pumps, measuring and control equipment, pipes, switchboards, etc. — in short, tangible assets that have become intangible due to their use), these are depreciated on a straight-line basis over 15 years (6.67%).

## 3. Assets acquired under leasehold title or any other right in rem (22300X)

Depreciated on a straight-line basis over the term of the leasehold or right in rem.

## 4. Contractual water-bound installations (224XXX)

Contractual water-bound installations **(22400X)** are depreciated over the term of the contract.

Membranes that are part of contractual water-bound installations are depreciated over 5 years (ultrafiltration membranes) **(22410X)** and 3 years (reverse osmosis membranes) **(22420X)**.

## 5. Reservoirs (225XXX)

The De Blankaart and Kluizen reservoirs are depreciated on a straight-line basis over 20 years (5%).

## **6. Pipes (23010X) and sewers (23030X)**

- The distinction between supply pipes and distribution pipes is made on the basis of the nominal pipe diameter: pipes with a nominal diameter of up to 150 mm are distribution pipes.
- Drinking water pipes (23010X) are depreciated on a straight-line basis over 45 years.
- Sewers (23030X) are depreciated on a straight-line basis over 45 years.
- Any change to the pipes (both new investments and replacement investments and decommissioning) is recorded based on the records in the project accounting module, which is continuously reconciled with the GIS.

## **7. Chambers (on pipes or sewers) (23020X)**

Chambers are depreciated on a straight-line basis over 20 years.

## **8. IBAs (23040X)**

Depreciated on a straight-line basis over 15 years (6.67%).

## **9. Drinking water take-off points (2306XX)**

Take-off points are depreciated on a straight-line basis over 30 years.

## **10. Excavators (231XXX)**

Depreciated on a straight-line basis over 5 years (20%).

## **11. Large plant (compressors, dammers, construction site pumps etc.) (232XXX)**

Depreciated on a straight-line basis over 5 years (20%).

## **12. IT equipment (hardware and system software) (233XXX)**

Depreciated on a straight-line basis over 36 months (33%).

## **13. Precision instruments (234XXX)**

Including devices used for surveying: depreciated on a straight-line basis over 5 years (20%).

## **14. Telecommunications equipment (radio equipment, modems, PABXs and telephone sets, fax machines, data transmission lines etc.) (235XXX)**

All new equipment is depreciated on a straight-line basis over 5 years (20%).

### **15. Furniture (chairs, cabinets, desks etc.) (24000X)**

Depreciated on a straight-line basis over 10 years (10%).

### **16. Laboratory equipment (24020X)**

Depreciated on a straight-line basis over 5 years (20%).

### **17. Vehicles (heavy and light-duty trucks, passenger cars and dual use vehicles) (24100X+24110X)**

Depreciated on a straight-line basis over 5 years (20%).

### **18. Leases (25XXXX)**

Depreciated over the term of the contract.

## **B. Capitalisation of tangible fixed assets**

### **Purchased tangible fixed assets**

These assets are capitalised at their purchase price, increased by the notary fees, the registration fees and, where applicable, the land acquisition costs. Other expenses such as loss of crops, measurements, provisional commissioning etc. are included in the results.

### **Fixed assets produced in-house (to be depreciated as purchased tangible fixed assets)**

These assets are valued at their manufacturing price. In addition to the acquisition costs of raw materials, this price includes consumables and auxiliary materials, as well as the production costs that can be directly assigned to the individual product or product group (direct costing). For the period from 2012 to 2016, the valuation rules stipulated that the costs for design, study, monitoring the progress of the work and assistance in the acceptance process (in short, 'engineering costs') were also to be capitalised (full cost).

As long as these assets have not been completed, they are recorded under the 'fixed assets under construction' category.

### **Third-party contributions**

Third party contributions towards the financing of tangible fixed assets are deducted at the corresponding acquisition value.

The depreciation is calculated on the net value (acquisition value - third party contributions).

## C. Receivables due over more than one year

### Other receivables (291XXX)

Depreciated in accordance with the contractual terms.

## D. Stocks

### Warehouse stocks (30XXXX)

Stocks are valued when the annual inventories are conducted.  
As from 1 January 2000, stocks are valued according to the FIFO method.  
A 100% impairment is recorded for stock older than three years.

### Work in progress (32XXXX)

These goods are valued at manufacturing price and include direct costs only.

## E. Cash investments and cash equivalents

Sums owed to banks are valued at nominal value. An impairment is recorded if the repayment value at the closing date is lower than the book value.

### Payments in foreign currency

The conversion from euros to foreign currency is based on the official exchange rates on the day of the transaction. Considering the small volume of transactions with foreign countries, no provisions have been allocated for exchange rate fluctuations.

## F. Provisions for risks and expenses

A provision for risks and expenses has been set up for known risks at the closing date and any losses that have arisen in the course of the financial year or previous financial years.

## G. Receivables due within one year

The provision for doubtful debts is calculated as follows:  
(total trade receivables older than one year at 50%) + (total trade receivables older than two years at 100%).

## H. Research and development

Expenses related to research and development are included in the profit and loss account for the financial year in which they are incurred.

## I. Revenues from water sales

Given the billing system used within the sales process and its regular frequency, the bill date is used as basis for determining revenues.



**De Watergroep**

WATER. VANDAAG EN MORGEN.

[www.dewatergroep.be](http://www.dewatergroep.be)

Vlaamse Maatschappij voor Watervoorziening cvba 

**Maatschappelijke zetel**

Vooruitgangstraat 189 • 1030 Brussel

T 02 238 94 11 • F 02 230 97 98

[info@dewatergroep.be](mailto:info@dewatergroep.be)

BTW BE 0224 771 467