

## Featured Investment: Waterleau Group N.V.

### Investment in a sustainable global environmental solutions and services company in Europe

In April 2010 Aqua Resources Fund Limited ("Aqua") announced that it completed its subscription for five-year convertible bonds ("Bonds") of Waterleau Group N.V. ("Waterleau") for a total cash consideration of EUR 20 million.

Waterleau, a privately held company headquartered in Belgium, is already providing successful global environmental technology solutions and services in the field of waste-to-energy, wastewater, water reuse, drinking water and clean air projects for both industrial and municipal clients. The company is a market leader in wastewater treatment for the food and beverage industry, one of the fastest growing sectors in the wastewater market. Waterleau currently employs 225 people across offices in Belgium, France, Morocco, Egypt, India, China and Brazil.

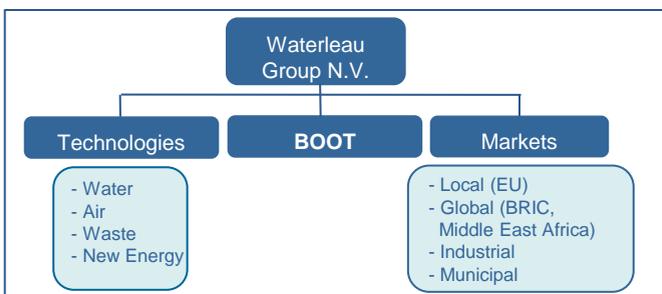
The proceeds of the subscription for the Bonds will provide Waterleau with growth capital to invest alongside its clients in Build Own (Operate) Transfer ("BO(O)T") wastewater projects, make selective add-on acquisitions and further expand into new markets.

Waterleau will continue to invest in its existing Design & Build business, now complemented with recurring revenues from BO(O)T activities, such as start-up and maintenance services, and full operation on behalf of the client (e.g. in the frame of a BO(O)T contract).

### Waterleau

Waterleau is one of the world leaders in the anaerobic waste water treatment sector via its subsidiary Biotim, which it acquired in 2004. Waterleau is a one-stop-shop solution provider with over 1,500 references around the world with a complete portfolio of water, air and waste treatment and energy recovery application.

The wide range of product/solutions that are applicable across a number of different industrial and municipal markets allows the company to adjust its focus quickly and with flexibility in times of changing market conditions. The company has also expanded into high growth emerging markets with some large project wins against major global environmental players.



### Renewable energy from wastewater: biogas

It may be hard to believe but wastewater can be a source of renewable energy. Indeed, anaerobic treatment of wastewater converts the organic pollution in an anaerobic environment (i.e. without oxygen) into a mixture of methane (CH<sub>4</sub>) and carbon dioxide (CO<sub>2</sub>), called **biogas**. Some of the plants designed by Waterleau are equipped with electrical generators and heat generators to convert the biogas into electricity or steam.

This process has been traditionally more complex and consequently harder to control than the aerobic biological process used in the classic activated sludge wastewater treatment. Better understanding of the microbiology of anaerobic processes has resulted in the successful development of new, improved and practical systems.

Waterleau's track record is well established in the wastewater sector, and the company has built a global reputation with many industrial and municipal clients based on its experience with multinational companies worldwide.

Waterleau is particularly renowned for its expertise in the brewery sector, making it a clear leader in this area. Besides wastewater, renewable energy is also produced by Waterleau through its biomass and waste-to-energy projects.

### Industrial - Wastewater Treatment Plants for Heineken, (worldwide)

- Number of projects for the client: >25
- Contract value EUR >30 million
- Electricity 4.3 MWe



Heineken (Spain)



Heineken (Holland)

### Municipal - Wastewater Treatment Plant Marrakech, Morocco

- Contract value EUR 60 million
- System used Biotim®
- Population equivalent 1.300.000



Marrakech (Morocco) – Biotim® wastewater treatment plant with energy production and water re-use

**Build own operate transfer (BOOT) : the future**

Build-Own-Operate-Transfer (BOOT) projects are becoming more and more common in certain parts of the water industry, e.g. anaerobic digestion, biogas generation, desalination, and there is still room for BOOT projects to grow in the future as they often provide a win-win situation for both the company supplying wastewater treatment equipment and its client.

Ability to finance projects for clients allows the equipment supply company to capture new business that might not be available on a turnkey basis. As clients increasingly turn to BOOT solutions to upgrade their ageing wastewater treatment infrastructure, companies that cannot offer such solutions will be excluded from these business opportunities.

Equipment sales business is heavily reliant on the overall level of investment in the economy and is hence highly cyclical. Strong order backlogs and pipelines can, to a certain extent, mitigate revenue declines during economic troughs, but a strong BOOT business can further stabilise the equipment supply company cash flows.

By investing in clients' wastewater treatment works, Waterleau can build long-term future cash flows to support the business in downturns. In addition to providing attractive returns on capital, BOOT projects also bring stable O&M (Operation and Maintenance) and spare parts revenues throughout the life of the contract.

Wastewater treatment systems can be optimised to not only clean the effluent of an industrial process, but also to generate valuable revenue streams, for instance, green energy (biogas) or fertilizers. What historically used to be seen as a cost centre is increasingly appreciated as an underutilised asset that can turn into a profit.

Many countries support green energy projects via renewable energy incentive schemes that increase the profitability of BOOT projects.

Clients are receptive to BOOT offerings because they often lack the capital and technological expertise to invest in and run the wastewater treatment plants themselves. In today's capital constrained environment, a lot of companies lack good access to credit and hence take a cautious approach to their investment programmes. Wastewater treatment works are usually only a small part of a client's industrial process and are viewed as non-core assets. All too often, wastewater treatment assets are under-maintained and are run sub optimally. In extreme cases, problems with wastewater treatment assets can result in environmental fines and disrupt the core industrial processes of these companies. By partnering with Waterleau, clients can ensure that their wastewater treatment assets receive the right level of investment and are properly maintained.

BOOT projects have a number of advantages for both the equipment supply company and its clients as long as they are carefully structured and fair to both parties. An equipment supply company needs to earn an attractive risk adjusted return on capital and its client needs to receive a high quality service for a competitive price. As this trend spreads in the water industry, companies such as Waterleau stand to benefit.



Valmass, Belgium, biomass to energy and wastewater treatment



Shanghai, China, waste-to-energy , BOOT, 18 MWe

**About FourWinds Capital Management (Aqua's investment manager)**

FourWinds is a specialist in global commodities and natural resources with products investing across energy, metals, agriculture, timber, water, waste, and alternative energy.

FourWinds Capital Management (UK) Ltd.  
105 Wigmore Street, London W1U 1QY  
United Kingdom  
Tel: + 44 20 7518 7970

FourWinds Capital Management (HK) Ltd.  
Level 8, Two Exchange Square  
8 Connaught Place, Central, Hong Kong  
Tel: + 852 2297 2475

Website: [www.FourWindsCM.com](http://www.FourWindsCM.com)

Email: [info@fourwindscm.com](mailto:info@fourwindscm.com)

**About the Fund**

Aqua Resources Fund Limited is an LSE-listed investment fund (H2O) managed by FourWinds Capital Management, investing in the full value chain of global water. The strategy combines direct investments in projects, companies, and infrastructure across water-related business areas. [www.AquaResourcesFund.com](http://www.AquaResourcesFund.com)

**Fundamentals of Aqua Resources Fund**

Listing date:	24 <sup>th</sup> July 2008
Ordinary shares outstanding:	72,464,340
Latest audited NAV (31 December 2009):	EUR 1.0219
Number of investments/continents:	5 / 3
Total invested:	EUR 48.6 million (78% of portfolio)
Total committed:	EUR 51.0 million (80% of portfolio)

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