



Contents

Introduction	3
• Water Operator Partnerships: transferring our knowledge and experience	
Facts and figures of Vitens-Evides International	4
International projects in 2008	5
• Vietnam	
• Mozambique	
• Ghana	
• Mongolia	
• Suriname	
• Yemen	
All about Water Operator Partnerships	8
Financial statements 2008	10
• Company balance sheet for allocation of profits	
• Company profit and loss account	
• Cash flow statement	
• Explanatory notes to the company balance sheet and company profit and loss account	
Auditor's report	14
Colophon	15



Water Operator Partnerships

Transferring our knowledge and experience

Various forms of partnerships exist in the international water sector. There are Public Private Partnerships, Water Utility Partnerships and, since recently, Water Operator Partnerships.

In recent years, Vitens-Evides International has become increasingly focused on Water Operator Partnerships: a partnership between public water companies that is targeted towards improvement of operational performance. The special features of this partnership are that the duration is at least three years, that mandate and authority remain with the supported water company and that the partners are public companies. The partnership deals with more than traditional technical assistance, because it encompasses the entire operational management of the supporting company and is not limited to specific pre-determined parts or processes.

The majority of water companies worldwide are public companies. There is a huge potential for well-developed water companies to assist their counterparts in less-developed countries to improve their operational management and results. International Financial Institutions should become more aware of the dormant potential of the public water sector. They should develop mechanisms and facilities to make use of it. After all, the processes related to large capital investment programmes offer great opportunities to improve the sustainability and effectiveness of the investment programmes. Collaborating in this manner creates a wealth of opportunities for taking the best approach: improving the processes related to large capital investment programmes - preparation, guidance of construction, start up and subsequent development of sound maintenance and operational practices to operate these new facilities. Vitens-Evides International will take up the challenge to extend the concept of Water Operator

Partnerships. I believe that it is our duty as public water company to share our knowledge and experience. We will do that by developing new projects in which we are involved ourselves, as well as by propagating the concept to other water companies and by making our current experience available. The partnerships we have undertaken to date are already showing promising results.

April 2009

Jan Hoffer

Director of Vitens-Evides International



Vitens-Evides International: Facts and figures

Staff (number of employees)



	Vitens-Evides International	Local water companies
The Netherlands	9	
Mozambique	5	550
Yemen	1	700
Vietnam-Danang	1	450
Vietnam-Ho Chi Minh City	2	3,600
Mongolia	1	1,400
Ghana	3	2,800
Other	2	
	24	9,500

Involved in the supply of water to 20.6 million inhabitants (number of inhabitants benefitting from the projects, in millions)



Mozambique	1.0
Yemen	0.8
Vietnam-Danang	0.8
Vietnam-Ho Chi Minh City	8.0
Mongolia	1.5
Ghana	8.0
Other	0.5
	20.6

Project scope (in millions of euros)



	Vitens-Evides International contracts	Third-party investments contracts
Mozambique	11.8	50
Yemen	1.7	25
Vietnam-Danang	2.4	75
Vietnam-Ho Chi Minh City	4.2	160
Mongolia	1.4	35
Ghana	10.5	250
Other	0.5	15
	32.5	610

Facts and figures of the parent companies 2008



Turnover	€ 414.8 million	€ 299.8 million
Connections	2.3 million	1.0 million
Mains network	47,500 km	13,700 km
Drinking-water production installations	100	9
Revenue from water sales	350 million m ³	239 million m ³
Customers	5.4 million	2.0 million
Staff	1,487 (FTE)	561 (FTE)
Average price of drinking water (consumers)	€ 1.28 per m ³ *	€ 0.95 per m ³ **

* Amount includes fixed charged and taxes. ** Amount excludes fixed charges and taxes.

International projects in 2008

Vitens-Evides International is active in countries such as Suriname, Yemen, Vietnam, Mozambique, Ghana and Mongolia. In brief, the projects we worked on in 2008.

Vietnam

Danang

Project: Water Operator Partnership between Danang Water Supply Company, the municipal government of Danang and Vitens-Evides International

Duration: 2007 - 2010

Population: 800,000 people

Budget: € 2.4 miljoen

Third-party investments: € 75 million

Financiers: Embassy of the Netherlands in Hanoi, Vitens-Evides International and Danang Water Supply Company

Goal: improvement of the operational and financial operations of the water company and the supply of water to poorer inhabitants

The drinking water company of Danang (Danang Water Supply Company or DAWACO) is responsible for the supply of water to the city's 800,000 residents. Only 65% of the population have access to piped water supply. The remaining inhabitants use shallow and unsafe groundwater. In addition, the demand for piped water exceeds the production capacity. The water pressure drops on a regular basis, resulting in discontinuous supply of tap water.

Project Manager Gerard Soppe: "2008 was the first full year of cooperation between DAWACO and Vitens-Evides International. Two stages were concluded in 2008. During the initial stage, an overview of the key information on the company was made and the approach needed to become a healthy water company within the next few years was formulated. The second stage focused on reinforcing the existing partnership by implementing a strategic plan, investment plans and a tariff study. The initial stage

was concluded and approved in March. The partnership agreement was signed by all the relevant parties on 2 October. By signing the agreement, the municipality and the water supply company confirmed their support for the proposed improvements and changes.

In the past year, we successfully tested an approach to reduce water leakage losses in four sections of the distribution network. In a specific section of the network, we even managed to reduce the losses due to leakage from more than 60% to less than 10%. The emphasis in 2009 is to extend this approach in the organisation of DAWACO. That is why we are working together with DAWACO on the introduction of the 'Dutch concept' of a neighbourhood fitting shop, but then adapted to Vietnamese conditions. We are also supporting DAWACO in the introduction of a new invoicing system and a financial package. We have also started to provide training programmes on how to manage and maintain the water treatment plants and the distribution networks."

Ho Chi Minh City

Project: Water Operator Partnership between the Saigon Water Supply Corporation, the municipal government of Ho Chi Minh City and Vitens-Evides International

Duration: 2008 - 2011

Population: 8 million people

Budget: € 4.2 million

Third-party investments: € 160 million

Financiers: Embassy of the Netherlands in Hanoi, Vitens-Evides International and Saigon Water Supply Corporation

Goal: improvement of the operational and financial operations of the water company and the supply of water to poorer inhabitants

With a population of eight million, Ho Chi Minh City is the largest city in Vietnam. The local drinking-water company Saigon Water Supply Corporation (SAWACO) is responsible for producing sufficient drinking-water for all the inhabitants of Ho Chi Minh City. SAWACO produces approximately 325 million m³ of drinking-water annually. One of the main problems the company faces is that a significant part of the produced water, 140 million m³ per year, does not generate income because of leakages or other losses. The distribution network is below standard and is managed only minimally, if at all. Vitens-Evides International supports the management of SAWACO in implementing improvements in the production and distribution of drinking-water.

Sytze Jarigsmas, Project Manager: "We started with management support in 2008. In the first year, we mainly concentrated on two planning stages - the initial stage and the partnership building stage. The third stage, the implementation stage, has already started during the partnership building stage, when a number of SAWACO's most urgent problems were tackled. Eight special working groups were created to focus on issues such as the organisation of SAWACO and losses due to leakage. Pilot studies were launched to reduce these losses due to leakage and a plan focusing on the supply of water to the poorer inhabitants of Ho Chi Minh City was drafted. We furthermore took the lead in drawing up a comprehensive master plan for the supply of water and the main distribution system of Ho Chi Minh City. Another problem was that the current water charges were too low to cover the overall costs, leading to insufficient revenues for maintenance and expansion. We worked out proposals in consultation with SAWACO to arrive at the ideal rate structure.



In 2009, we will continue the route we have been taking. The main distribution system is in need of improvement. Special attention will be devoted to so-called 'caretakers' who will mainly focus on the problem of losses due to leakage. We also intend to assist SAWACO in setting up a central operations centre. A great deal of time will be devoted to the introduction of the new water charges, management information systems, improved maintenance in distribution and purification activities and, last but not least, training on many elements."

Mozambique

South

Project: Water Operator Partnership between FIPAG (National Asset Holding and Investment Fund) and Vitens-Evides International aimed at improving the supply of water in the cities of Chokwé, Xai-Xai, Inhambane and Maxixe

Duration: 2005 - 2008 (1st phase)/2008 - 2012 (2nd phase)

Population: 500,000 people

Budget: € 5.3 million

Third-party investments: -

Financiers: Embassy of the Netherlands in Maputo and Vitens-Evides International

Goal: improvement of business operations at local drinking-water companies and the establishment of a new organisational structure; expansion of the supply of water to poorer inhabitants

Vitens-Evides International has been working with FIPAG on improving the daily operation of three water companies in Mozambique since 2004. FIPAG is the national and independent government institution responsible for improving the urban drinking water supply in Mozambique. The goal of the cooperation with FIPAG is to set up independent and sustainably functioning water companies. Many cities in Mozambique have only small water companies, if any. The project devotes a great deal of attention to the further expansion of capacity. The employees of the local water companies receive training in the maintenance of purification facilities,

the establishment of distribution networks and the repair of leaks, as well as financial administration and invoicing. New, skilled personnel are actively recruited.

Project Manager Peter van den Horn: "We helped a lot of people to gain access to water in 2008. We achieved not only an increase in the number of people with access to water, but also a significant rise in the number of people with a household connection. This group is crucial for the income of the water companies in order to keep the infrastructure going. Considerable improvements were realised in 2008, on both the technical and organisational level and in terms of the capacity of the local employees. The three water companies have become much more professional and able to take the initiative with regard to the developments. Work is underway on reinforcement through expansion, with the three companies being merged into a single regional water company."

Central

Project: Water Operator Partnership between FIPAG (National Asset Holding and Investment Fund) and Vitens-Evides International aimed at improving the supply of water in the cities of Tete, Moatize, Chimoio, Manica and Gondola

Duration: 2006 - 2009

Population: 500,000 people

Budget: € 6.5 million

Third-party investments and infrastructure: € 50 million

Financiers: Embassy of the Netherlands in Maputo and Vitens-Evides International

Goal: improvement and expansion of drinking-water infrastructure, optimisation of business operations at local drinking-water companies; expansion of the supply of water for poorer inhabitants

Since 2006, Vitens-Evides International has been providing support in the cities of Tete, Moatize, Chimoio, Manica and Gondola, in central Mozambique. The goal is to set up independent, sustainably functioning water companies. Van den Horn: "In the cities in Central

Mozambique, various projects are still in the initial stage. A small-scale investment programme was already launched in 2007 to be able to guarantee the continuity of the limited infrastructure in the long run. In 2008, we laid the foundation for the water companies in these cities by training and recruiting employees and by improving and setting up the organisation and administration. In 2009, we will continue with the processes already introduced and will start implementing a large-scale investment programme for the expansion of the infrastructure to be able to supply water to as many urban inhabitants as possible."

Ghana

Various cities

Project: Management contract aimed at improving the supply of drinking-water Ghana's cities through a joint venture with Rand Water Services (Pty) Ltd

Duration: 2006 - 2011

Population: 8 million people

Budget: € 10.5 million

Third-party investments: approximately € 250 million

Financiers: World Bank, Embassy of the Netherlands in Accra

Goal: improved access to safe and reliable drinking-water, improvement of operational management through reduction of physical and administrative losses, better customer service and increase in operational cash flows, expansion of water and sanitation facilities for poorer inhabitants

Ghana Water Company Ltd. (GWCL) is responsible for the drinking water supply for eight million people in the urban areas of Ghana. Vitens-Evides International and the South African Rand Water Services Pty (RWS) have concluded a five-year management contract with GWCL. Aqua Vitens Rand Water Ltd. (AVRL) - a subsidiary of the joint venture between Vitens-Evides International and RWS - acts as the local operator. The project aims at improving the urban water supply system. GWCL must become a financially healthy organisation. Vitens-



Evides International also works on the reduction of losses due to leaks and reduction in the use of chemicals and electricity.

Martin Nijssse, Project Manager: "The year 2008 was mainly dominated by the preparations for the reorganisation of GWCL that will be implemented in 2009. We achieved good results in terms of improving the quality of drinking water. We also introduced a system that enables measuring the energy consumption per cubic metre of water produced. This starting point will enable us to make more economical use of energy and work more efficiently. A workshop for repairing and testing water meters was also set up in the past year. The employees of Ghana Water received training to carry out repairs of the meters. They now can test the meters themselves. We also checked every home in every street over the past year for the presence of a connection to the network and a water meter and whether the inhabitants receive an invoice from us. Our aim is to digitally map out all main water distribution networks in Ghana in 2009."

Mongolia

Ulaanbaatar

Project: Water Operator Partnership between Ulaanbaatar Water Supply and Sewerage Authority and Vitens-Evides International

Duration: 2007 - 2010

Population: 1.5 million people

Budget: € 1.4 million

Third-party investments: € 35 million

Financiers: Embassy of the Netherlands in Beijing, Vitens-Evides International and USUG

Goal: improvement of the operational and financial operations of the water company; expansion of water and sanitation facilities for poorer inhabitants

Vitens-Evides International is working with the local water company Ulaanbaatar Water Supply and Sewerage Authority (USUG). The Mongolian capital of Ulaanbaatar has a population of about 1.5 million, of whom

some 45% have no access to proper drinking water and sanitation facilities. Inhabitants of the poorer neighbourhoods purchase their water at kiosks which are supplied by tanker trucks. Facilities for waste water purification are nearly non-existent in the city's suburbs.

Project Manager Folkert de Jager: "USUG requested our input on the institutional reform of the water sector. That is important, because it can help the company become less dependent on the local council and local politicians. Following the intended reforms, USUG will be able to plan its activities and strategies by itself and take responsibility for decisions on investments and appropriate water tariffs.

We will continue our sector reform efforts in 2009. We will invest in the improvement of one of the pumping stations, where we will install a new operating system and train people how to operate it. We will furthermore assist in the plans to set up a groundwater monitoring programme and in protecting the wells. For the drains and sewerage purification plant, we are working on the opportunities for improvement in cooperation with the Groot Salland Water Board in the Netherlands. Last, but certainly not least, we are working on a strategic plan for the required infrastructure for the next five to ten years."

Suriname

Groot-Paramaribo

Project: technical assistance in investment programme in drinking-water projects in Groot-Paramaribo

Duration: 2005 - 2009

Population: 500,000 people

Budget: € 0.5 million

Third-party investments: € 15 million

Financiers: The Netherlands Ministry of Foreign Affairs

Goal: improvement of the production, quality and availability of drinking-water for the inhabitants of Paramaribo, Wanica, Para and Commewijne

The Surinaamsche Waterleiding Maatschappij (SWM) is carrying out an investment programme for drinking-water projects. The purpose of this programme is to improve and expand the groundwater extraction and methods to purify drinking water (expansion through six new purification facilities) and the renewal and expansion of the distribution network and the installation of 30,000 water meters. The purpose of this programme is to improve the quality and availability of drinking-water for some 300,000 people in the coastal areas of Suriname. Vitens-Evides International is providing technical assistance and project management support.

Yemen

Ta'iz

Project: Water Operator Partnership between Ta'iz Water and Sanitation Corporation and Vitens-Evides International

Duration: 2006 - 2009

Population: 800,000 people

Budget: € 1.7 million

Third-party investments: € 25 million

Financiers: Embassy of the Netherlands in Hanoi, Vitens-Evides International and Ta'iz Water and Sanitation Corporation

Goal: improvement of operational management at Ta'iz Water Corporation

The Dutch government asked Vitens-Evides International to support the local water company Ta'iz Water and Sanitation Corporation (TWSC) in Yemen in its operational management. Together with the water company, Vitens-Evides International has been improving the facilities for drinking and waste water for approximately 800,000 inhabitants since the beginning of 2006.

Due to the water company's weak position, great efforts have been made in recent years in terms of institutional improvement, reinforcement of human resources and the improvement of the financial transparency of the water company.



Water Operator



The United Nations (UN) has declared 2008 as the International Year of Sanitation. The UN requested global help to fight poverty and the related problems in water and sanitation. Water Operator Partnerships (WOPs) stand high on this agenda. Siemen Veenstra, Project Director at Vitens-Evides International, explains the WOP approach.

Partnerships

For decades, it has been an enormous problem to provide the earth's entire population with the basic necessities of life: a roof over your head, reliable drinking water and a decent toilet. The absence of these things is often a consequence of poverty in the country. In order to eradicate poverty, in the year 2000 the Millennium Development Goals (MDGs) were developed: a global effort to offer people a decent life. This action programme is made up of eight goals, around which programmes have been organised to fight in the poverty battle. MDG number 7 focuses on environmental sustainability, part of which is the statement that water and sanitation are basic necessities for everyone. "Investing money in water and sanitation improves the population's quality of life. It gives them easier access to clean water and the higher level of hygiene helps reduce the risk of diseases. It also yields enormous socioeconomic benefits such as reduced public health costs, increased productivity, longer lifespans and fewer school drop-outs. On the macro scale, it pays considerably to continue to invest in water and sanitation," says Siemen Veenstra from Vitens-Evides International.

Teamwork

In order to take action with regard to water and sanitation, the UN set up an Advisory Board for Water and Sanitation (UNSGAB). For years, Japanese Prime Minister Hashimoto was the chairman of this group. Under his leadership, the report 'A Call for Action' was created. Veenstra: "That report was a massive appeal to water companies to work together: learn from one another, share and transfer knowledge, work in partnership. This report elaborated on the Water Operator Partnership (WOP) concept." In 2006, Prince Willem-Alexander became the new chairman of the Advisory Board, which reports directly to United Nations Secretary-General Ban Ki-moon.

Non-profit

The basic premise of the WOPs is that the international drinking water sector must collaborate more. Both private and public water companies can offer partnerships to water companies requesting them, in needy countries that qualify. The countries must meet the Ministry of Foreign Affairs/Development Cooperation's 'good governance' criteria. Veenstra: "Vitens and Evides can supply the knowledge and know-how, but what it comes down to is the local will to use it to make the necessary changes. An important aspect of the collaboration is that it takes place on a non-profit basis; that builds trust between the partners."

Improving operations

Vitens-Evides International started making partnerships based on the WOP programme a number of years ago and is currently active in various countries, including Suriname, Yemen, Vietnam, Mozambique and Mongolia. "Starting a partnership can in some ways be compared to starting a personal relationship," says Veenstra. "That both parties need to trust one another and want to start the relationship is also something that applies to WOPs. Moreover, there must be a joint objective, aimed at improving operations. Clear agreements must be made. It is often a question of creatively looking for opportunities to work together as enjoyably as possible. It is a continuous learning process for both parties, one in which cultural, organisational and operational differences make the relationship unique and interesting."

Strength in flexibility

Employees are posted by project on behalf of Vitens-Evides International. Experience shows that a project with a resident project leader is vulnerable; Vitens-Evides International decides more and more often to go with two project leaders. They have the whole possibility package of Vitens-Evides International at their disposal. If they need someone to help with an investment programme, if a course on project management must be given, or if the water quality needs to be examined, the employee contacts Vitens-Evides International in the Netherlands and the right person or team for the task is sent out for a few weeks. Veenstra: "WOP is an honest and sincere programme. The system's strength is its flexibility; there is no commercial interest. We supply what is needed. If another request comes up, then we adjust who or what is available. In that way, we never lose sight of our goal: people and their basic needs: water and sanitation."

Financial statements 2008

Company balance sheet before allocation of profits

<i>x € 1,000</i>	<i>31-12-08</i>	<i>31-12-07</i>
Assets		
Financial fixed assets	36.8	42.7
Fixed assets	36.8	42.7
Debtors, prepayments and accrued income	2,040.6	1,995.4
Cash at bank and in hand	974.5	0.0
Current assets	<u>3,015.1</u>	<u>1,995.4</u>
Total assets	3,051.9	2,038.1
Shareholders' equity and liabilities		
Paid-up and called-up share capital	36.0	36.0
Other reserves	41.8	-0.8
Un-appropriated profit	73.6	42.6
Shareholders' equity	<u>151.4</u>	<u>77.8</u>
Current liabilities	<u>2,900.5</u>	<u>1,960.3</u>
Total shareholders' equity and liabilities	3,051.9	2,038.1

Company profit and loss account

<i>x € 1,000</i>	<i>2008</i>	<i>2007</i>
Other operating income	6,014.1	4,624.0
Total operating income	6,014.1	4,624.0
Work contracted out and other external costs	3,659.4	2,970.5
Secondment of staff	2,284.9	1,687.1
Total operating expenses	5,944.3	4,657.6
Operating result	69.8	-33.6
Interest income and similar income	20.5	26.6
Interest costs and similar costs	10.8	0.0
Financial income and expenses	9.7	26.6
Result on ordinary activities before taxation	79.5	-7.0
Result of non-consolidated participating interests	-5.9	49.6
Result	73.6	42.6

Cash flow statement

<i>x € 1,000</i>	<i>31-12-08</i>	<i>31-12-07</i>
Operating result	69.8	-33.6
Movement in debtors, prepayments and accrued income	-45.2	-372.4
Movement in current liabilities	1,078.3	-585.9
Movement in working capital	1,033.1	-958.3
Cash flow from business operations	1,102.9	-991.9
Financial income and expenses	9.7	26.6
Result of group companies	-5.9	49.6
	3.8	76.2
Cash flow from operating activities	1,106.7	-915.7
Movement in financial fixed assets	5.9	218.4
Cash flow from investing activities	5.9	218.4
Proceeds from issue of shares	-	18.0
Cash flow from financing activities	-	18.0
Movement in cash and cash equivalents	1,112.6	-679.3
Movement in cash at bank and in hand	1,112.6	-679.3
Movement in cash and cash equivalents	1,112.6	-679.3

Explanatory notes to the company balance sheet and company profit and loss account

General

Standards used The financial statements have been drawn up in accordance with the Guidelines for Annual Reporting in the Netherlands and the provisions of Part 9 of Book 2 of the Dutch Civil Code.

Accounting policies

Financial fixed assets Participating interests are carried at net asset value. Other debtors, including loans granted, are carried at face value and provision for doubtful debts where necessary.

Debtors Debtors are carried net of a provision for doubtful debts where necessary.

Cash at bank and in hand Cash at bank and in hand is carried at face value.

Liabilities Liabilities are carried at face value.

Income and expenses

General Income and expenses are recognised at the time the goods or services are provided.

Other operating income Income is based on contributions and subsidies received. Income is allocated to the year to which it relates.

Cash flow statement

The cash flow statement is prepared according to the indirect method.

Notes to the company balance sheet

x € 1,000

<i>Financial fixed assets</i>	<i>Other securities</i>	<i>Debtors</i>	<i>Total 2008</i>
Balance at 1 january	42.7	-	42.7
<i>Movements</i>			
Result	-5.9	-	-5.9
Net loss	-5.9	-	-5.9
Balance at 31 december	36.8	-	36.8

Other securities includes Vitens-Evides International's 51% interest in the share capital of Vitens Rand Water Services BV, a joint venture set up together with Rand Water Services Limited, a company established in South Africa. The joint venture was set up to perform the Management Contract in Ghana. In 2007, a reserve was formed for the loans granted to Vitens Rand Water Services BV for € 268,000 (100% reserve).

<i>Debtors, prepayments and accrued income</i>	<i>31-12-08</i>	<i>31-12-07</i>
Taxes and social security contributions	31.8	90.1
Amounts receivable from group companies	-	14.5
Other debtors	2,008.8	1,890.8
Total	2,040.6	1,995.4

Cash at bank and in hand

Cash at bank and in hand is at the company's free disposal. Vitens-Evides International BV has a bank credit of € 1,0 million. Vitens NV and Evides NV stand surety for this credit facility.

<i>Shareholders' equity</i>	<i>31-12-08</i>	<i>31-12-07</i>
Paid-up and called-up share capital	36.0	36.0
Other reserves	41.8	-0.8
Un-appropriated profit	73.6	42.6
Total	151.4	77.8

<i>Movement in shareholders' equity</i>	<i>Paid-up share capital</i>	<i>Other reserves</i>	<i>Unappropriated profit</i>	<i>Total 2008</i>
Balance at 1 january	36.0	-0.8	42.6	77.8
<i>Movements</i>				
Addition to other reserves		42.6	-42.6	-
Profit for 2008 financial year			73.6	73.6
Net profit/(loss)	-	42.6	31.0	73.6
Balance at 31 december	36.0	41.8	73.6	151.4

<i>Current liabilities</i>	<i>31-12-08</i>	<i>31-12-07</i>
Trade creditors	68.9	106.9
Foreign income tax	535.0	158.0
Current other liabilities	690.2	521.3
Accruals and deferred income	1,606.4	1,036.0
Bank credit	-	138.1
Total	2,900.5	1,960.3

The 'Foreign income tax' is a possible income tax claim for staff members who have been seconded to the projects in the different countries. The calculation is based on paid income tax percentages in Ghana. In 2008 an amount of € 214,000 has been added to the liabilities from the profit & loss account. Besides this amount a reserve of € 163,000 that had been formed at Vitens NV for income tax of previous years, has been transferred tot Vitens-Evides International BV.

Commitments not disclosed in the balance sheet

Guarantee Vitens NV issued a Performance Guarantee of US\$ 3 million for the Management Contract in Ghana in 2006. However, this amount decreases annually. End of 2008 the guarantee is US\$ 1.0 million. Rand Water Services issued a 49% Counter Guarantee to Vitens, resulting in a guarantee for Vitens NV end 2008 of US\$ 0.5 million.

Notes to the company profit and loss account

x € 1,000

<i>Other operating income</i>	<i>2008</i>	<i>2007</i>
Contributions from Vitens	1,000.0	1,000.0
Contributions from Evides	1,000.0	1,000.0
Other contributions and subsidies	4,014.1	2,624.0
Total	6,014.1	4,624.0

<i>Costs of work contracted out and other external costs</i>	<i>2008</i>	<i>2007</i>
Work contracted out	230.0	213.6
Travelling and hotel expenses	1,194.3	719.6
Other costs	2,235.1	2,037.3
Total	3,659.4	2,970.5

Result of non-consolidated participating interests

This item relates tot Vitens-Evides International's 51% share in the profit of Vitens Rand Water Services BV.

Events after the balance sheet date None

Utrecht, April 8, 2009

Vitens NV
Evides NV

Other information

Appropriation of profit Under the Articles of Association, the provisions governing the appropriation of profit are as follows:

- profit is at the free disposal of the General Meeting of Shareholders.
- the company has the right to make distributions to the shareholders and other parties entitled to the distributable profit only to the extent that the shareholders' equity exceeds the paid-up and called-up share capital plus the reserves required to be held by law.
- any profit will be distributed after adoption of the financial statements authorising such a distribution.

The Board of Management proposes to add the profit of 2008 of € 73,600 to other reserves.

Auditor's report

To: The General Meeting of Shareholders of Vitens-Evides International BV

Report on the financial statements We have audited the financial statements for 2008 of Vitens-Evides International BV, Utrecht, as included on pages 10 to 13, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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.

Auditor's responsibility Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the financial statements give a true and fair view of the financial position of Vitens-Evides International BV as at 31 December 2008 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements Pursuant to the legal requirement under Section 393(5)(f) of Book 2 of the Dutch Civil Code, we report, to the extent of our competence, that the board report is consistent with the financial statements, as required by Section 391(4) of Book 2 of the Dutch Civil Code.

Apeldoorn, April 8, 2009

*Ernst & Young Accountants LLP
w.g. drs. J. Hetebrij RA*



Colophon

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