



**Vitens Evides**

international

**Annual report 2010**

sustainable water services



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## Getting down to work together

“Vitens and Evides Water Company are recognised drinking water experts, not just nationally but internationally too. Donors and financial backers, including the Ministry of Development Cooperation, the European Investment Bank and the World Bank, are familiar with Vitens-Evides International and hold our partnerships with urban drinking water companies in developing countries in high regard. Nevertheless, despite our efforts 5,000 children all over the world still die every day due to insufficient and unsafe drinking water. We have the know-how and expertise to enable water companies in developing countries to provide more people with access to safe drinking water and sanitation facilities. These facilities are key to tackling this dramatic number of victims and helping people get out of the poor conditions in which they live. This will enable them to embark on the path towards a healthier and more prosperous future.”

“Our business involves working together with our colleagues in developing countries to achieve a wonderful objective: providing more people with access to clean drinking water and good sanitation facilities. Drinking water experts help other drinking water experts by sharing their expertise and ensuring that local water companies improve their operational management. In my opinion, Dutch companies working together with their counterparts in developing countries to provide efficient help to the people in these countries is international cooperation at its most effective.

Our expertise embraces the various disciplines required to ensure a sustainable supply of water. One major indicator for the quality of operational management is the percentage of Non-Revenue Water (NRW). This percentage of NRW is often more than 50% in developing countries! To address this problem, we send people out who are specialised in extracting, purifying, transporting and distributing drinking water. Rather than immediately increasing the production of drinking water, we first map out the production, quality, mains network and connections in collaboration with our colleagues in order to analyse how we can tackle these losses together. In such cases, the first step is often improving measurements, installations and maintenance. However, we can also do a great deal with respect to customer management, financial management and planning & control.

2010 was definitely a good year. We made considerable progress once again in all the cities we operate in. In Ghana, the water company’s income increased and we were able to reduce costs. In Vietnam, we organised an extremely successful meeting with a large number of local water companies to discuss Non-Revenue Water in 2010, during which we shared our effective approach in Da Nang and Ho Chi Minh City. In Mozambique, we joined forces with our local partner FIPAG and took the first step towards developing regional drinking water companies. We also extended our support to include the cities in the north.

In 2010, we also invested in achieving our goal to double the number of people with access to improved drinking water and sanitation facilities as a result of our efforts. In this respect, we entered into a new partnership with the water company in Davao, which is the third largest city in the Philippines in terms of population. In addition, we submitted proposals to various donors and financial institutions for new programmes in countries like Ethiopia, Zambia, Kenya and Uganda. Last year we took an important step towards professionalising the way in which we transfer and supervise people before, during and after their posting to a partner company. This will enable us to achieve our growth objectives.

The first major results of this are a new registration and selection system for postings, the setting up of knowledge groups, and a new service focusing on health and safety for staff posted overseas.

What was the biggest challenge we faced in 2010? There had been uncertainty for some time about the Netherlands’ future contributions and focus with respect to international cooperation. The Netherlands is renowned all over the world for its water expertise. Fortunately, we now know that water will be one of the issues on which the Netherlands will be concentrating with regard to international cooperation during the next few years. However, we must not focus on Dutch bilateral funds alone. A more businesslike approach to international cooperation also means that we should seek additional flows of funds from local operational management as well as from multilateral channels. Fortunately we have already gained experience in this respect at Vitens-Evides International from our programmes in Ghana and Malawi.

Finally, we will be seeking new partners in developing countries and in Europe in 2011. This will not only serve to broaden the foundations of our partnerships, but it will also enable us to improve sanitation facilities more quickly, as well as ensuring water supplies.

In conclusion, I would like to add that change will come from young and ambitious people who are creative and daring, not only here but also in developing countries. It is always wonderful to discover these people and to see them working enthusiastically at our partner water companies. Their job will be to continue our work after we withdraw from the projects after a few years. Besides involving technology, processes and systems, working on improving the supply of water is above all about people. A fantastic challenge which we will continue to address with professionalism, passion and pleasure in 2011 as well.”

August 15, 2011

**Gerhard van den Top**  
***Director Vitens-Evides International***

How Vitens-Evides International operates

# Three partnership options

Vitens-Evides International is responsible for a large number of projects. In countries like Mozambique, Vietnam, Mongolia, Ghana, Malawi, Nicaragua, Surinam, Russia, Moldavia and the Philippines, staff at the Vitens and Evides Water Company parent companies work hard to improve operational management, infrastructure and the quality of drinking water. We also work on improving sanitation facilities. There are three types of partnerships with local water companies.

## Delegated Management Contract

A Delegated Management Contract is funded by an international financial institution like the World Bank or the European Investment Bank, and is usually awarded through an international open tendering process. This type of contract generally forms part of a large loan that enables a drinking water company to invest in improving and extending the urban drinking water infrastructure. In connection with the repayment of this loan, it is obviously important that the relevant drinking water company is run in an economically profitable manner. The partnership between the international partner (Vitens-Evides International) and the local drinking water company ensures that the investor feels confident that the loan will be put to good use, and that the costs of this new infrastructure will be incorporated into the local water company's operational management. In its most radical form, such as the Urban

Water Project in Ghana, a Delegated Management Contract may mean that Vitens-Evides International temporarily takes over the management of the drinking water company. A less drastic variation is the Service Contract, in which Vitens-Evides International advises the local management on a number of issues which are key to improving operational management. Generally speaking, Delegated Management Contracts are not drawn up by the partners themselves, but by an independent advisor temporarily engaged for this purpose by the financial institution. The partners cannot choose each other either, since the performance of these contracts is carried out through open tendering.

In this type of contract, as well as in Water Operator Partnerships (see WOP box), Vitens and Evides experts are posted to the project countries on a long-term basis and build



up a close relationship with local water companies. The power of a Delegated Management Contract lies in the fact that the people involved work towards change within the context of a large-scale investment programme. This creates dynamism in the sector, which in turn provides scope for working on major changes throughout the sector, such as determining the water company's rates and ensuring its independence. A Management Contract provides the scope to rapidly implement what can sometimes be difficult changes, meaning that the initial results can be visible in a very short time. This approach requires additional efforts with respect to the sustainability of the changes, since ownership of these changes remains to a lesser extent in the local partner's hands.

Some examples of Delegated Management Contracts include the projects in Ghana and Malawi. In Ghana, in partnership with the South African company Rand Water Services and commissioned by the national drinking water company Ghana Water Company, Vitens-Evides International is responsible for the urban drinking water supply. This contract is part of a large-scale Urban Water Project funded by the World Bank, which enables Ghana to invest in improving and expanding its urban drinking water infrastructure. Aqua Vitens Rand Limited (AVRL) is responsible for supplying drinking water to eight million

people in Ghana's urban regions. During recent years, AVRL has improved the information systems, charted the mains network (including leakages and customer losses), increased the annual revenues, and reduced the costs of chemicals and electricity.

In **Malawi**, a Service Contract has been concluded between Vitens-Evides International and the local drinking water companies in the cities of Lilongwe and Blantyre. The contract focuses on improving the supply of affordable, sustainable and reliable drinking water, which will benefit one and a half million people. Furthermore, Vitens-Evides International is extending the supply of drinking water further to include the poorer quarters of these cities. In Malawi, Vitens-Evides International is cooperating closely with the Waterleiding Maatschappij Limburg (Limburg Water Company, WML), the Simavi public health organisation, and DHV consulting engineers. Each of these parties is concerned with its own specialisations: Vitens-Evides International and WML provide joint support to the water companies with respect to organisation, finances, planning, reducing Non-Revenue Water (NRW), customer administration, management, maintenance and energy saving. DHV manages the investment programme in which this Service Contract is carried out, while Simavi cooperates with local NGOs in providing information about public health and in maintaining kiosks.

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## Water Operator Partnership

A Water Operator Partnership (WOP) is a partnership between two or more water companies. Vitens-Evides International and local water companies visit each other and decide whether they have sufficient empathy to work together towards improving the local situation. To this end, they devise and carry out joint objectives and the appropriate plans. The financial backer supports these objectives and discusses the performance indicators and reporting with the partners.

Vitens-Evides International's biggest and most successful WOP is its partnership with a drinking water company in **Mozambique**. Here Vitens-Evides International is working on improving the supply of drinking water to 500,000 people in the cities of Tete, Moatize, Chimoio, Manica and Gondola. Its aim is to set up a number of independent water companies that provide their customers with a continuous supply of clean drinking water.

An affordable rate must be established for drinking water, and this must also cover the costs. Vitens-Evides International provides technical and management-related support for improving operational management in the widest sense. Vitens-Evides International also works in the cities of Chokwé, Xai-Xai, Inhambane and Maxixe, giving a further 500,000 people access to drinking water.

Vitens-Evides International supports the local drinking water company FIPAG in its day-to-day operational management, drawing up business plans and implementing technical and financial systems.

Vitens-Evides International has also entered into Water Operator Partnerships in Vietnam and Mongolia. In 2010, Vitens-Evides International concluded a new small-scale partnership with the drinking water company in the city of Davao in the Philippines. Both partners intend to expand this partnership during the coming years in conjunction with one of the Asian Development Bank's investment programmes.



## Technical Assistance

Technical Assistance provided by Vitens-Evides International is an extremely practical type of assistance. Numerous tangible solutions ensure improvements to the situation in the short term. Technical Assistance may be a stepping stone to a more structural relationship. In such cases, a local water company has a very specific question and is therefore seeking an expert from another water company. This expertise can then be deployed to resolve the problems together.

The contract with Moldavia, concluded by Vitens-Evides International with Aquario and Water is our World, is a good example of the Technical Assistance provided by Vitens-Evides International. The Moldavian drinking water company was unable to supply clean and safe drinking water to a local nursery. Vitens-Evides International was able to give extremely practical assistance for only 50,000 euro – a relatively small amount. Vitens-Evides International also provided Technical Assistance in Nicaragua, Surinam and Russia in 2010.

## Success indicators

The work carried out by Vitens-Evides International in the project countries generates great results for local drinking water companies, as well as for people living in areas which are dependent on these companies. Several success indicators show the extent to which the projects have been a success.

### For the customer

- Improved water quality and services
- Greater security of supply (continuity)
- More people have access to water and sanitation

### For operational management

- Less NRW
- More paying customers
- Higher productivity
- Lower energy consumption
- Improved cash flow
- Monitoring
- Greater capacity
- Increased creditworthiness

## Resident Project Manager in Vietnam

# Sytze Jarigisma

Sytze Jarigisma has been working for Vitens-Evides International in Vietnam since 2007.

Vietnam is a country where many of the 86 million inhabitants have little or no access to clean and safe drinking water or adequate sanitation facilities. We asked this drinking water expert five questions.

### What's the problem in Vietnam?

"The biggest problem in this country is Non-Revenue Water (NRW) or leakage losses: water is produced but drinking water companies don't make any money from it. The water is drawn off illegally by people who don't have a proper connection to the mains, or it gets wasted due to leakages in the water supply system."

### So what did Vitens-Evides International do about this in 2010?

"We set up repair teams to tackle the leakages in the distribution system, and we also appointed a number of Caretakers. These are regional managers at the local drinking water company who are all responsible for their own regions. They establish personal contact with the local people and get to know their own region very well. This personal responsibility is new to them. One of the Caretakers' main objectives is to ensure that people living in the regions where we operate ask the drinking water company to connect them up to the mains network. This will ensure that they stop making illegal use of the drinking water that is produced."

### What changes will this mean for the local inhabitants?

"They can now apply for a decent connection to the mains network, they have a contact point, and they also have someone they can get in touch with if they have any complaints. Despite the fact that 100,000 people are connected to the mains network, the water company only received 120 complaints a year. That's obviously ridiculous – there should be far more complaints with so many connections. Although the Caretakers mainly carry out technical work, they also make sure that people are able to get in touch with the water company."

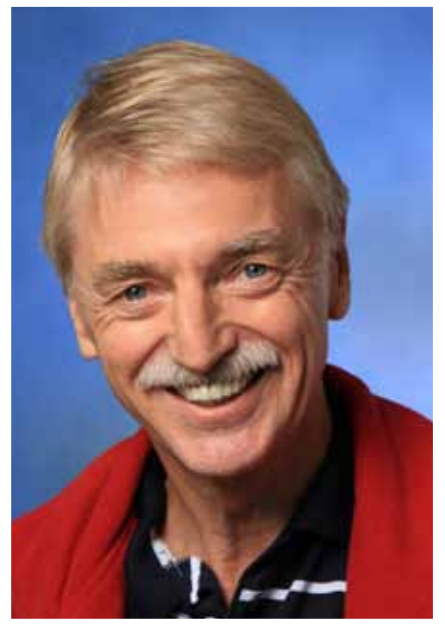
### What's the secret of these positive results?

"The secret is to always be there and to keep going."

The positive results are due to the tremendous improvements in looking after the distribution systems in the Caretaker regions, and also due to regular contact with the company's customers. Of course, it's still uphill work, and you need to persevere. The work doesn't get done by itself."

### What role does targeted action play in your activities?

"It's a bit like trying to throw a ball uphill: the ball keeps rolling back a bit each time. Our aim is to get the ball on the flat. A clear plan for achieving this is absolutely essential!"



## Resident Project Manager in Mongolia in 2010

# Folkert de Jager

Vitens-Evides International has been using its expertise to improve the drinking water situation in Mongolia ever since November 2007. Folkert de Jager was Resident Project Manager there until quite recently. He has meanwhile left the country and is currently working in Mozambique. De Jager looks back on a successful period in Mongolia.



### What was the problem in Mongolia?

"Many people living there depended on drinking water that had to be transported to water kiosks by lorries. Due to the terrible weather and the bad roads, it was very difficult for these lorries to get to the kiosks, and people often had to wait a long time. Another problem was that the water was not sealed up properly during transport in the lorries, so it was often bacteriologically contaminated."

### What did Vitens-Evides International do about this?

"One of the things we did was to connect 30 water kiosks to the drinking water network. This means that thousands of people now have continuous and simple access to clean drinking water. Fortunately, the Asian Development Bank has made funds available for 2011 as well, in response to a proposal by Vitens-Evides International. These funds will be used to set up an operational management centre, among other things. The existing water network can be controlled and managed from this centre. The centre is necessary for improving the mains network in the city and for making sure that the pressure's high enough all over the city. Once we've mastered this process properly, we can extend the mains network to the ger areas on the edge of the cities so that people living there have access to water as well. The size of these ger areas keeps increasing, and the average daily water consumption of 8 litres per person is very low. We'd like to increase this consumption rate. If we can have pipelines laid in the future, we may even be able to connect water up to people's homes."

### What's the secret of the positive results in Mongolia?

"In my experience, it only works if the local drinking water company itself sees the point of cooperating, and is willing to change. Since it's partly up to us to make this point clear, this is one of the most important reasons for our success. In this respect, it's essential to explain everything in detail and give lots of demonstrations. People in Mongolia are used to planning for half a day instead of a week or a month, which doesn't give the best results. I've bought diaries for a couple of my colleagues there, and I've shown them how to work systematically and make long-term plans."

### How important was targeted action as far as you were concerned?

"You have to persevere, and you mustn't give up if the going gets rough. Formulating clear objectives is crucial in this respect. Our aim was to make sure that the drinking water company would be able to manage on its own after we leave. To achieve this aim, I often took company staff members with me if I was meeting potential financial backers, so they could see for themselves how a negotiation process is actually conducted. It was at times like these that they learnt the most. I'm very proud of the fact that a mature relationship has developed between Vitens-Evides International and the USUG water company, and that this relationship and cooperation are still continuing now I've left. Our relationship is based on trust, and we started working on new options together as a result of this relationship. Although we originally went there to provide technical assistance, we've achieved a lot more than that."

# Financial statements 2010

## Company balance sheet before allocation of profits

<i>x € 1,000</i>	<i>31-12-10</i>	<i>31-12-09</i>
<i>Assets</i>		
<b>Financial fixed assets <sup>(1)</sup></b>	<b>268.0</b>	<b>268.0</b>
<b>Fixed assets</b>	<b>268.0</b>	<b>268.0</b>
Debtors, prepayments and accrued income <sup>(2)</sup>	1,038.8	1,912.6
Cash at bank and in hand <sup>(3)</sup>	2,748.2	2,348.9
<b>Current assets</b>	<b>3,787.0</b>	<b>4,261.5</b>
<b>Total assets</b>	<b>4,055.0</b>	<b>4,529.5</b>
<i>Shareholders' equity and liabilities</i>		
Paid-up and called-up share capital	36.0	36.0
Other reserves	619.0	115.4
Un-appropriated profit	181.9	503.6
<b>Shareholders' equity <sup>(4)</sup></b>	<b>836.9</b>	<b>655.0</b>
<b>Provision for participating interests <sup>(1)</sup></b>	<b>20.0</b>	<b>186.3</b>
<b>Current liabilities <sup>(5)</sup></b>	<b>3,198.1</b>	<b>3,688.2</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,055.0</b>	<b>4,529.5</b>

## Company profit and loss account

<i>x € 1,000</i>	<i>2010</i>	<i>2009</i>
Other operating income	9,655.5	6,652.0
<b>Total operating income <sup>(6)</sup></b>	<b>9,655.5</b>	<b>6,652.0</b>
Work contracted out and other external costs <sup>(7)</sup>	6,167.8	3,814.9
Secondment of staff	3,485.6	2,125.4
<b>Total operating expenses</b>	<b>9,653.4</b>	<b>5,940.3</b>
<b>Operating result</b>	<b>2.1</b>	<b>711.7</b>
Interest income and similar income	13.5	15.0
Interest costs and similar costs	0.0	0.0
<b>Financial income and expenses</b>	<b>13.5</b>	<b>15.0</b>
<b>Result on ordinary activities before taxation</b>	<b>15.6</b>	<b>726.7</b>
Result of non-consolidated participating interests <sup>(8)</sup>	166.3	-223.1
<b>Result <sup>(9)</sup></b>	<b>181.9</b>	<b>503.6</b>

# Cash flow statement

<i>x € 1,000</i>	<i>31-12-10</i>	<i>31-12-09</i>
<b>Operating result</b>	<b>2.1</b>	<b>711.7</b>
Movement in debtors, prepayments and accrued income	873.8	128.0
Movement in current liabilities, accruals and deferred income	-490.1	787.7
Movement in working capital	383.7	915.7
<b>Cash flow from business operations</b>	<b>385.8</b>	<b>1,627.4</b>
Financial income and expenses	13.5	15.0
Result of group companies	166.3	-223.1
	<b>179.8</b>	<b>-208.1</b>
<b>Cash flow from operating activities</b>	<b>565.6</b>	<b>1,419.3</b>
Movement in financial fixed assets	-166.3	-44.9
<b>Cash flow from investing activities</b>	<b>-166.3</b>	<b>-44.9</b>
<b>Movement in cash and cash equivalents</b>	<b>399.3</b>	<b>1,374.4</b>
Cash at bank and in hand at 1 January	2,348.9	974.5
Cash at bank and in hand at 31 December	2,748.2	2,348.9
<b>Movement in cash at bank and in hand</b>	<b>399.3</b>	<b>1,374.4</b>

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

### General

Vitens-Evides International B.V. is a joint venture of Vitens N.V. and Evides N.V., Vitens-Evides International B.V. receives contributions from its shareholders and other benefactors within the framework of development cooperation. It uses these contributions to finance its not-for-profit activities in the field of management support of water companies in developing countries. Vitens-Evides International B.V. has its registered office in Apeldoorn. The activities of Vitens-Evides International B.V. qualify as drinking water activities, and the organisation is consequently exempt from corporate income tax.

**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. A provision equal to the shareholder's equity is made for investments in participating interests with negative asset values, or so far liabilities arise as a result from its role as shareholder. 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 and provision for Participating interests <sup>(1)</sup></i>	<i>Participating interests</i>	<i>Debtors</i>	<i>Total 2010</i>
<b>Balance at 1 January</b>	<b>-186.3</b>	<b>268.0</b>	<b>81.7</b>
<i>Movements</i>			
Result	166.3	0.0	166.3
Movement	166.3	0.0	166.3
<b>Balance at 31 December</b>	<b>-20.0</b>	<b>268.0</b>	<b>248.0</b>

Participating interests includes Vitens-Evides International's 51% interest in the share capital of Vitens Rand Water Services B.V., 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. The result of participating interests include a VAT liability on the received management fee on the Management Contract in Ghana for the years 2006 till 2008. The directors of Aqua Vitens Rand Limited have taken actions in 2009 to recover the loss as a result of the VAT liability in the coming years till the end of the Management Contract in June 2011. The loss has been reduced with € 166,300 in 2010 to an amount of € 20,000. The Management Contract in Ghana expired on the 6th of June 2011.

<i>Debtors, prepayments and accrued income <sup>(2)</sup></i>	<i>31-12-10</i>	<i>31-12-09</i>
Taxes and social security contributions	199.0	141.3
Other debtors	839.8	1.771.3
<b>Total</b>	<b>1,038.8</b>	<b>1,912.6</b>

### *Cash at bank and in hand <sup>(3)</sup>*

Cash at bank and in hand is at the company's free disposal, except for a Performance Guarantee for the Malawi Service Contract of € 0.5 million. Vitens Evides International B.V. has a bank credit of € 1.0 million, Vitens N.V. and Evides N.V. stand surety for this credit facility.

<i>Shareholders' equity <sup>(4)</sup></i>	<i>31-12-10</i>	<i>31-12-09</i>
Paid-up and called-up share capital	36.0	36.0
Other reserves	619.0	115.4
Un-appropriated profit	181.9	503.6
<b>Total</b>	<b>836.9</b>	<b>655.0</b>

<i>Movement in shareholders' equity</i>	<i>Paid-up share capital</i>	<i>Other reserves</i>	<i>Unappropriated profit</i>	<i>Totaal 2010</i>
<b>Balance at 1 January</b>	<b>36.0</b>	<b>115.4</b>	<b>503.6</b>	<b>655.0</b>
<i>Movements</i>				
Addition to other reserves		503.6	-503.6	0.0
Profit for 2010 financial year			181.9	181.9
Movement	—	503.6	-321.7	181.9
<b>Balance at 31 December</b>	<b>36.0</b>	<b>619.0</b>	<b>181.9</b>	<b>836.9</b>

The authorised share capital amounts to € 90,000 and comprises 1,800 shares with a nominal value of € 50 per share. At the end of 2010, 720 shares were issued and fully paid.

<i>Current liabilities</i> <sup>(5)</sup>	<b>31-12-10</b>	31-12-09
Trade creditors	169.9	44.3
Foreign income tax	249.4	263.2
Other liabilities	849.4	745.1
Accruals and deferred income	1,929.4	2,635.6
<b>Total</b>	<b>3,198.1</b>	<b>3,688.2</b>

The "foreign income tax" is an estimation of an income tax claim for staff members who have been seconded to the project in the different countries. The calculation is based on actual paid tax in the past.

### Commitments not disclosed in the balance sheet

**Guarantee** Vitens N.V. issued a Performance Guarantee of US\$ 3 million for the Management Contract in Ghana in 2006. This amount decreases annually. End of 2010 the guarantee is US\$ 0.5 million. Rand Water Services issued a 49% Counter Guarantee to Vitens. resulting in a guarantee for Vitens N.V. end 2007 of US\$ 0.25 million. The Performance Guarantee for the Management Contract in Ghana expired in June 2011. Vitens-Evides International B.V. issued a Performance Guarantee of € 0.5 million for the Service Contract in Malawi in 2009. This Performance Guarantee has to be extended each year till the end of the Service Contract in 2013.

### Notes to the company profit and loss account

*x € 1.000*

<i>Other operating income</i> <sup>(6)</sup>	<b>2010</b>	2009
Contributions from Vitens	1.262.5	1.000.0
Contributions from Evides	1.262.5	1.000.0
Other contributions and subsidies	7.130.5	4.652.0
<b>Total</b>	<b>9.655.5</b>	<b>6.652.0</b>

<i>Costs of work contracted out and other external costs</i> <sup>(7)</sup>	<b>2010</b>	2009
Consultancy fees	282.0	181.6
Travelling and hotel expenses	1,706.8	1,389.2
Materials and outsourced activities	3,383.2	1,830.0
Reversal of provision for loan	0.0	-268.0
Other costs	795.8	682.1
<b>Total</b>	<b>6,167.8</b>	<b>3,814.9</b>

### Result of non-consolidated participating interests <sup>(8)</sup>

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

### Result <sup>(9)</sup>

The result of 2010 is approximately € 321,700 lower than 2009. In 2009 the result has been positively effected as a result of the reversal of provision for loan of € 268,000 and reversal of provision of foreign income tax previous years of € 357,000.

### Utrecht, August 15, 2011

Vitens N.V.  
Evides N.V.

### 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 2010 of € 181,900 to other reserves.

# Independent auditor's report

To: shareholders of Vitens Evides International B.V.

## Report on the financial statements

We have audited the accompanying financial statements 2010 of Vitens Evides International B.V., Apeldoorn, which comprise the balance sheet as at December 31, 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

## Management's responsibility

Management is responsible for the preparation and fair presentation of these 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. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Vitens Evides International B.V. as at December 31, 2010 and of its result and its cash flows 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 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Zwolle, August 15, 2011

**Ernst & Young Accountants LLP**

*w.g. drs. J. Hetebrij RA*

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