



MAKING THE MOST OF WATER



## Managing water together

2018 Annual Report

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# Foreword

It was a year full of challenges for Vitens. Extreme weather conditions with storms and freezing temperatures in the winter, a prolonged drought in the summer, a strong increase in water demand due to the economic recovery and an increased risk of cyber attack. Even so, we managed to supply top-quality drinking water to our customers. At the same time, we succeeded in implementing significant measures that will guarantee the continuity of our company far into the future. We are proud of our employees' passion and expertise and recognise that their 24/7 commitment made it possible to supply water to our customers.

## More intensive cooperation with stakeholders

The prolonged period of drought is the main theme of 2018. It hammered home something that we have known for years: an adequate supply of good drinking water is by no means self-evident in the Netherlands. The situation is even more acute when you factor in climate change. Our drinking water system as a whole, which seems extremely robust on the face of it, is far more vulnerable than most people think. This means that drinking water utilities, water boards, national government, provincial authorities, municipalities and all the other stakeholders in the water sector must collaborate to ensure that we will still have adequate clean water sources and a dependable supply of affordable drinking water in 100 years' time. In 2018, we took the first steps to achieve this goal by intensifying our cooperation with our stakeholders. For example, we are collaborating with water boards to investigate how we can store more water to ensure a robust and climate-proof water system. We also want to jointly focus attention on using water sparingly.

## Improving our infrastructure

Obviously, we are also looking closely at our own role and our infrastructure. The fact that the extreme weather conditions forced us to operate at the limit of our capabilities in several locations has not escaped our attention. So we have decided to accelerate investment in our infrastructure. We are expanding our reserve capacity, extending our network of extraction sites and implementing digital solutions that make our network and drinking water supply system 'smarter'. This makes us more resilient and more flexible, and better able to cope with these extremes in the future.

## Closer collaboration with contractors

In addition, we also had to invest substantially in building infrastructure for new connections due to the economic recovery in 2018. These projects are increasingly associated with higher costs and longer turnaround times. On the one hand, this is due to lack of capacity in the contractor market. A further factor is that we are less often able to share costs with a supplier of gas. In response, we have taken action this year to put work out to tender more intelligently and transparently and collaborate more intensively with contractors and other network operators.

## Investing in security, safety and integrity

The threat to society posed by cyber crime and terrorism continues to grow. As a consequence, we have once again invested this year in both physical security to protect our installations and in cyber security. We do our utmost to prevent disruptions and have prepared action plans that come into effect if an emergency occurs despite all our precautions. We anticipate the need to invest increasingly in security in the coming years.

This focus is not only directed at the outside world. In 2018, we worked hard to put the issue of integrity and ethical behaviour on the map and to encourage discussion of this topic within Vitens. This seems to be bearing fruit: seven reports of non-ethical behaviour were submitted in 2018. No reports were submitted in 2017 and preceding years.



## Protecting our drinking water resources

Environmental pollution is a further threat to our business operations. Nitrates are a particular problem and we are playing an active role in providing support and encouraging agriculture to reduce emissions of these chemicals, which are extremely harmful to our groundwater resources. This is a matter of absolute urgency. Much more needs to be done to achieve the objectives of the Framework Directive on Water (KRW). In the light of this, we are supporting several projects that increase operating revenues in agriculture while at the same time reducing the environmental footprint. We are investing in development in this area in the expectation that the agricultural sector will roll out these best practices on an extensive scale. We actively monitor these projects to ensure that the money is well spent.

## Continuity of our business operations is our main priority

When added together, these developments bring our investment expenditure to a structurally higher total amount. This puts negative pressure on the return on investment for our shareholders and will lead to a slight price increase for our customers in the years to come. We have neither the resources nor the capacity to tackle the full range of issues immediately. So, we have decided to prioritise investments that fundamentally contribute to ensuring the continuity of our business operations. Such as building new extraction facilities and reserves, standardising processes and making our water supply network 'slimmer'.

## Process optimisation

In Friesland, we have already equipped part of our network with sensors and smart meters. These tools give us constant information about what is going on in our network. On the one hand, that information helps us detect disruptions in our network faster. Faster detection allows us to intervene more quickly and leads to more effective communication with customers. On the other hand, the sensors and smart meters also deliver a wealth of data that we can use to optimise our processes. During the course of 2019, we will complete a plan for applying the lessons learned in the rest of our network. Those investments will make our organisation more agile, more flexible and more robust at the same time. They will give us the capability of responding more effectively to the changing conditions that will arise as a result of climate change, the energy transition and population growth.

## Investing in our people

In addition to process optimisation in our network, we have made significant progress in digitising our administrative processes. All these developments will enable us to work even more efficiently and effectively in the near future. An essential step, because natural wastage due to employees reaching retirement age is high in our organisation. So we are taking action to recruit new people and encourage internal mobility within the organisation. Good progress has been made in both areas in 2018. We want to put our employees' qualities to the best possible use by allowing them to do what they are good at, in a way and place that suits them best.

## Affordable and reliable drinking water 24/7

Looking back on the past year, we are especially proud of two achievements: not only did we deliver what we promised our customers in a challenging year, we also took essential action to safeguard our continuity far into the future and preserve our ability to create value.

## Proud of our people

On a final note, although Vitens is increasingly becoming a data-driven company, our people are still our most important resource. Without them, supplying reliable and affordable drinking water 24/7 would not be possible. Our operational people in particular braved storms, intense cold and intense heat in 2018 in order to keep the water supply at the desired level and keep customers happy. A fantastic performance. As the Executive Board, we are extremely proud of each of our nearly 1400 employees.

Jelle Hannema and Marike Bonhof

Vitens Executive Board

‘The prolonged period of drought is the main theme of 2018. It hammered home something that we have known for years: an adequate supply of good drinking water is by no means self-evident in the Netherlands.’





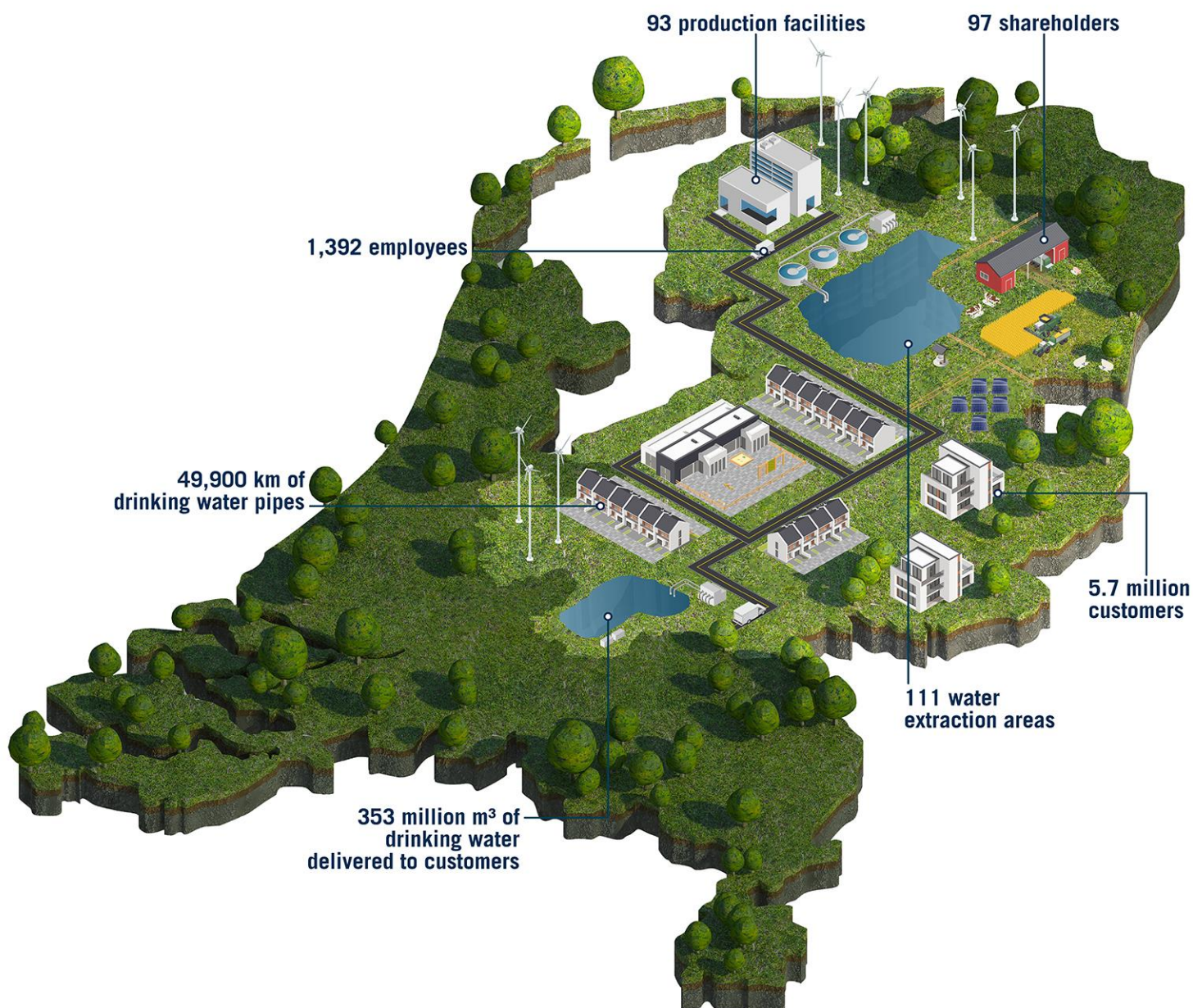




# Who we are and what we do

## Who we are

Vitens' primary mandate - both now and in the future - is to deliver high-quality, affordable drinking water to everybody in our supply area in the Netherlands, twenty-four hours a day and seven days a week. That is our *raison d'être* and we wish to accomplish our mission as well as possible: fairly and as a sustainable business in a circular economy.



# The world around us

We extract, purify and deliver drinking water for no less than 5.7 million customers today - and for the generations that will follow. Our most demanding challenges, but also the greatest opportunities, are associated with ensuring our ability to supply future generations. We have identified six major developments that have an impact on our ability to supply drinking water. Some of these developments gained momentum at an extraordinary pace in 2018. In order to guarantee our ability to supply drinking water in the future, we have therefore brought forward a number of plans identified in our long-term water supply strategy:

1. Economic recovery.
2. Population growth to 2040.
3. Energy transition.
4. Cyber threats.
5. Soil pollution.
6. Climate change.

## 1. Economic recovery: more connections and a lack of capacity in the building contractor sector

The economic recovery led to two important developments. A strong increase in the demand for drinking water from consumers and business customers on the one hand. This means that we have to deliver more drinking water and install 25,000 new connections per year. In total, an extra 16.4 million m<sup>3</sup> of drinking water will be required in 2021, in comparison to 2017.

On the other hand, actually installing those connections is becoming increasingly challenging due to a shortage of staff on the labour market and an overheated construction market. Infrastructure and building contractors are very busy. As a result, the turnaround time for these projects is increasing. We have renegotiated the agreements we have with contractors in order to realise possible new connections in our network as quickly as possible. Furthermore, we increasingly seek collaboration with other network operators. This approach keeps our costs manageable and ensures more effective planning and coordination of the activities.

## 2. Population growth: investing in our network and reserves

The most recent national population growth forecast issued by Statistics Netherlands predicts that the population in the Netherlands will increase by 6.5% during the period from 2018 to 2040. That scenario means an addition of 1.1 million people. Quite modest compared to the maximum growth scenario, which is three times higher. In response, we are expanding our reserves, extending our network of extraction sites, asking municipalities to authorise greater extraction capacities and implementing digital solutions that make our network 'smarter'. All this gives us greater resilience and flexibility. And ensures continuity.

## 3. Energy transition: mitigation of the threats to our groundwater supply

The Netherlands has ramped up its efforts to find and commercialise the use of fully renewable energy sources such as solar energy and wind power. The subsurface domain in the Netherlands is also affected by soil surveys, tests and (deep) geothermal energy pilot projects. While these initiatives often have a green character, they also pose risks to our groundwater resources. We actively seek dialogue with relevant stakeholders to mitigate those risks and also consider legal action to protect our resources where appropriate.

## 4. Cyber threats: investing in security

The threat to society posed by cyber crime and terrorism continues to grow. As a consequence, we have once again invested this year in both physical security to protect our installations and in cyber security. We do our utmost to prevent disruptions and have prepared action plans that come into effect if an emergency occurs despite all our precautions. We anticipate the need to invest increasingly in security in the coming years.

## 5. Soil pollution: investing in sustainable solutions

Nitrate, in particular, is a direct threat to our groundwater resources. Despite the intensive efforts of the government, nature organisations and agricultural organisations, the farming sector still generates excessive nitrate emissions. Because this poses a threat to our continuity, we invest a great deal of energy and money in numerous projects that are designed to increase farmers' operational profits while reducing their environmental footprint. We see ourselves as a catalyst. The farming sector remains responsible for its own actions.

## 6. Climate change: optimally prepared for weather extremes

An extremely cold winter, followed by an extremely dry summer. We expect the increasing occurrence of weather extremes to have a major impact on our business operations. There was even a net water shortage in August 2018. The degree to which our society depends on water has become clearer than ever. The delivery of drinking water in our supply area was not the only water-related activity that came under pressure. Nature, agriculture and shipping were also severely affected by the drought. At times, the demand for drinking water rose to 140 percent. Vitens had to proactively reduce the supply pressure on occasion in order to carry on delivering an adequate supply of water to all our customers, and we even exceeded our authorised extraction capacity at some sites. The prolonged drought was seen as an exceptional event last year. However, climate change is making this type of extreme weather increasingly likely. Last year clearly demonstrated that the drinking water system in the Netherlands, which seems very robust on the face of it, is more vulnerable than we thought. And that poses a threat to the continuity of our business operations.

### Embracing our responsibilities

We voluntarily embrace our responsibilities by optimising our operational capacity and preparing changes to our extraction system that will reduce our environmental footprint. But we need outside help. Good collaboration with other partners within the water system is essential. We work closely together with provincial authorities, water boards and the government to develop integrated solutions. For example, we aim to build sufficient strategic groundwater reserves and we urge the water boards to stockpile more water to make the water system more robust and climate-proof. We also actively look for ways of saving water, both in the context of our own business operations and externally in collaboration with partners. Furthermore, we are aware of the impact our activities have on third parties, such as the damage caused to farmers by groundwater extraction.

# What we do: 2018 - 2020 strategy

Last year, we formulated our 'Coordinated action on behalf of People and their Living Environment' strategy in order to guarantee 24/7 delivery of reliable and affordable drinking water, both now and in the future. This strategy sets out the guidelines for everything we do at Vitens.

## Reliable and affordable drinking water 24/7

Vitens has defined an unshakeable continuity objective for its primary task: 'extracting, producing and distributing and delivering drinking water'. In addition, Vitens strives to ensure that its customers can rely on a dependable supply of drinking water, optimal quality and the lowest possible price. This continuity objective is the wide and solid base under our company and we refuse to make concessions in this respect.

## Greater convenience for the customer

We attach great importance to customer satisfaction at Vitens. During the coming years, we will focus on further initiatives in this respect to increase convenience for customers; a flexible and frictionless way of arranging all their water-related affairs. We achieve this through a new initiative (Convenience for the customer) that will accommodate customer requirements regarding convenience.

## Vitality at Work

The enormous changes in the world around us are going to radically change the way we work. We also face high natural wastage as experienced employees reach retirement age. So we are investing in the development of our people under our Vitality at Work 2.0 programme ('Vitenser sterk in je werk'). With the ultimate objective of having the right people in the right place at all times.

## Adequate availability of clean water sources

We depend on a robust and future-proof freshwater system to supply sufficient top-quality drinking water. Only then will we, as a drinking water utility, have sufficient clean groundwater resources at our disposal. However, we cannot achieve this in isolation. The expected increase in weather extremes due to climate change and the major changes in infrastructure that will be required for the energy transition have led to growing awareness that all water consumers in the Netherlands have a shared responsibility for the freshwater system.

The drinking water utilities, water boards, nature organisations, provincial authorities and agriculture must all collaborate in order to create a sustainable water system. This means that we must protect the large freshwater reservoirs to the greatest possible extent and use our freshwater more wisely. For example, measures that are designed to store and protect water, and measures that help businesses and consumers reduce their water consumption. We want to move to a water system that benefits agriculture, guarantees the continuity of our drinking water supply and preserves the natural habitat.

## Choices in the order of implementation

The challenges are substantial. We cannot roll out all the required initiatives at once. So we must make choices and determine the order in which we will initiate the activities. We have chosen this approach because of the available capacity and because focusing on one thing at a time will help us to act more decisively and speedily. As a result, we will be able to move on more quickly to the next initiative on our list.

## Data-driven production and delivery of water

We will increase our agility by focusing first on standardisation, data and digitisation. The information this generates gives us a better understanding of problems and, more importantly, their solutions. We can work more sustainably and more efficiently because we are better able to predict when a pipe requires replacement and receive an immediate alert when a leak occurs and a pipe needs to be repaired. Rolling out data-driven production and delivery of water across our entire network will give us a better understanding and overview of our assets and processes, and also allow us to serve our customers better and offer them greater convenience.

## The human element

Data-driven - that sounds as though computers and software will do most of the work. The opposite is true however; this can only succeed in combination with the skill and expertise of our people. Digitisation is only possible and relevant if it is guided by our knowledge of our processes. So our people will play an indispensable role in ensuring that clean drinking water is as self-evident in the future as it is today.

We are investing in the mobility of our people in preparation for this future. We and our employees are jointly considering how each individual can further develop his or her talents and qualities. In addition, we are working to develop Vitens as an organisation. Our ambition is to become an organisation where we learn with and from each other, where we make clear agreements and adhere to them. An organisation where making mistakes, within logical limits, and being accountable are the most natural thing in the world.



**Finance**

The shareholders of Vitens are 92 municipalities and 5 provincial authorities. The capital position, revenues, investments and capital/loan liabilities are described in the annual accounts.

**Produced**

In 2018, our 93 production facilities produced 370.4 million m<sup>3</sup> of drinking water.

**Intellectual**

In 2018, Vitens invested in innovation, entrepreneurship in a circular economy, robustly linking data and digitising its service provision.

**People**

With 1,392 employees, we have a diverse organisation in which we prioritise flexible and safe working. Output-based management gives employees greater responsibility.

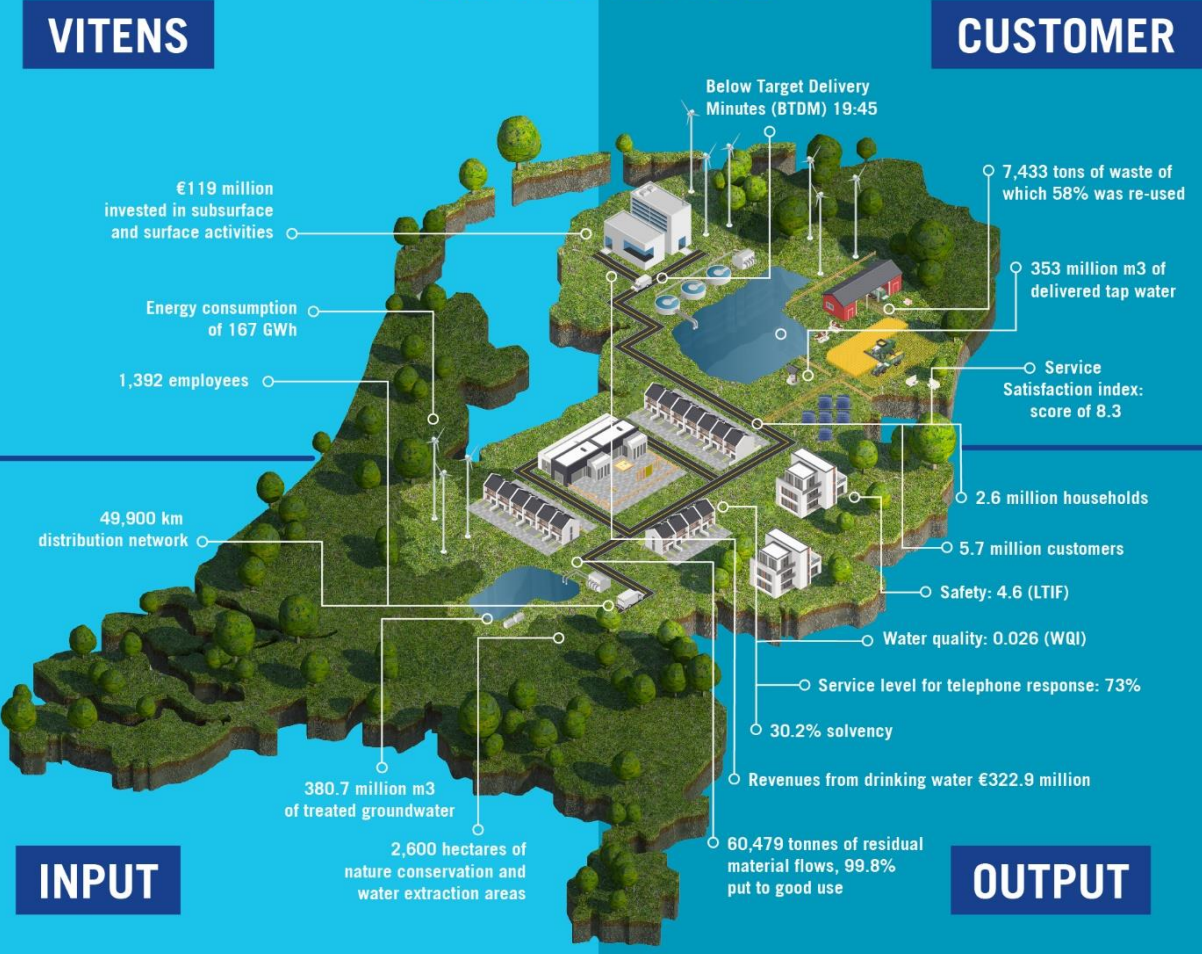
**Social role and relationships**

We demonstrate social involvement through our international activities and education programmes. We work together and seek to initiate a dialogue with our stakeholders in order to jointly act to protect our groundwater resources.

**Habitat**

We require 167 GWh of energy for our operations. This is generated by Dutch wind turbines. We manage approximately 2,600 hectares of water extraction territory in a sustainable manner.

Our Value Creation Model  
**VITENS MAKES A DIFFERENCE**



**Finance**

Our investments and the salaries we pay have a positive economic impact. In addition, we have the lowest net operating costs in the Dutch water sector. We offer our customers the lowest drinking water rates.

**Produced**

Customers can depend on a continuous supply of top-quality drinking water and good service provision. We provide softened water in more and more areas and keep the price as low as possible.

**Intellectual**

We have set up collaborations and created new technologies through innovation projects; i.e. the heat map and the human sensor. We succeed in putting our residual materials to good use.

**People**

Our programmes in the area of safety, sustainable employability and DNA have an impact on the organisation's capacity to learn and the development of our employees.

**Social role and relationships**

Through our collaborative initiatives, we have made good progress in the Netherlands in promoting awareness of tap water and protecting our groundwater resources. Our international activities contribute to the quality of life of people in developing countries.

**Habitat**

By re-using 99.8% of our residual material flows and reusing our waste flows to a greater extent, we make a significant contribution to the circular economy and local biodiversity within our sustainable land management framework.

**Vitens**  
 LAAT WATER VOOR JE WERKEN

**Primary task:**  
 Produce, distribute and deliver top-quality drinking water to our customers and provide the associated services.



Comparative figures for the value creation model	2018	2017
Water Quality Index (WQI)	0.026	0.017
Below target delivery minutes (BTDM)	19:45	22:20
Delivered tap water (m <sup>3</sup> millions)	353.0	337.9
Drinking water production (m <sup>3</sup> millions)	370.4	354.0
Treated groundwater (m <sup>3</sup> millions)	380.7	364.9
Solvency (%)	30.2%	30.9%
Drinking water revenues (€ millions)	322.9	351.5
Investments in surface and subsurface* (gross**, € millions)	119	101
Shareholders: municipalities and provincial authorities (number)	92 en 5	93 en 5
Customers (millions, number)	5.7	5.7
Households (millions, number)	2.6	2.6
Service level for telephone response (%)	73%	55%
Service satisfaction index (score)	8.3	n/a
Employees (number)	1,392	1,378
Safety, Lost Time Injury Frequency (LTIF)	4.6	2.8
Production facilities (number)	93	93
Water extraction areas (in hectares)	2,600	3,300
Distribution network (in kilometres)	49,900	49,600
Residual material flows put to good use (%)	99.8%	99.9%
Residual material flows (tons)	60,479	69,165
Waste (tons)	7,433	6,863
Waste reused (%)	58%	63%
Energy consumption (GWh)	167	160

*\*The investments in subsurface and surface infrastructure amounted to 119 million euros gross. Including the other gross investments amounting to 11 million euros gross, the resulting total is a gross amount of 130 million euros. The investments recognised in the annual accounts under the intangible and tangible fixed assets amount to 122 million euros. The difference of 8 million euros between these two amounts is accounted for by the 'Contributions to reconstruction and main pipelines', amounting to 5 million euros, and 'Other contributions' of 3 million euros.*

*\*\*Gross investments in this context relates to the investments excluding contributions.*

Vitens

IN UTRECHT  
DRINK JE WATER  
UIT LOKALE BRON



GROENKAN

DUIK IN  
JOUW BRON OP  
VITENS.NL

beyond





# How we create value

## Supplying high-quality drinking water

Our primary mission is clear: Vitens must reliably deliver affordable drinking water. Drinking water is important for a healthy and economically strong society. So Vitens must provide an adequate supply of high-quality drinking water. Both now and in the future.

Performing this task starts with active protection of our groundwater resources. We do this primarily by lobbying to raise support for legislation and regulations that protect drinking water areas against harmful effects. This activity is handled by a specially created Public Affairs team, which reports to the Executive Board via a steering group. In addition, we protect our resources by monitoring and improving biodiversity in our extraction areas, and by re-using sustainable residual product flows that are generated during the water treatment process.

The next step in the process is to guarantee drinking water quality through targeted water treatment. In the area of water treatment, we apply a quality policy that exceeds the requirements imposed on us by legislation in many aspects. After water treatment, quality has to be monitored on a continuous basis. Our Extraction & Purification Department is responsible for monitoring outgoing drinking water quality. In addition, samplers from our laboratory take water samples in customers' homes on a daily basis. These samples are tested for quality in our laboratory so that we can quickly take action if we detect variances. Key Performance Indicators (KPIs) have been defined based on our quality policy, and performance against these indicators is reported quarterly in our group dashboard. The first line managers are responsible for progress and the KPI results and ongoing performance are regularly discussed with the Executive Board.

Vitens measures and manages based on five themes in order to ensure that our customers can continue to rely on a reliable and affordable supply of drinking water, both now and in the future:

- Drinking water quality.
- Drinking water delivery dependability.
- Protection of groundwater resources.
- Nature management and conservation.
- Material flows.

## Drinking water quality

We assign a high priority to excellent water quality in connection with the health, perception and satisfaction of our customers.

### KPI

•WQI score <0.020

### Result

•WQI score 0.026 ✘



### Higher WQI score

The Water Quality Index (WQI) as one of the main indicators attesting to the quality of our drinking water. The WQI is a measure of the extent to which water complies with statutory standards as determined in the Drinking Water Act. The lower the score on the single-point WQI scale, the higher the quality of the water. A score of 0 indicates the highest possible quality and we try to approach this value as closely as possible. Our objective is to achieve a WQI of 0.020. In 2018, we achieved a WQI score of 0.026 (compared to 2017: 0.017, 2016: 0.018).

The reason for the higher WQI score this year was a positive Legionella count at the Fledite production facility near Zeewolde and the Weerselo production facility. In addition, enterococci were discovered at the Vlieland production facility.

### More ILT reports

A further measure of water quality is the number of reported instances of failure to comply with statutory standards that were submitted to the Inspectorate for Habitat and Transport (ILT). We submit these reports based on the provisions of the [Drinking Water Act](#). We have set ourselves a target of no more than 40 ILT reports each year. In 2018, we submitted 70 ILT reports (compared to: 2017: 45, 2016: 50).

There are several reasons why the number of ILT reports this year exceeds the target: contamination while carrying out works, the consequences of a cold winter and storm damage. The ILT reports this year mainly related to bacteria: *E. coli* and *Enterococcus*.

## Introduction of new measurement methods

We use bacteria cultivation methods to determine the presence of E. coli bacteria in drinking water after maintenance work or repairs to our pipeline network. One disadvantage of this approach is that a definite answer regarding the presence of E. coli is only available after 16 to 18 hours. Partly for this reason, we have collaborated with other water utilities since 2014 to develop a new and faster test method: the Real-Time PCR method (RT-PCR). This method indicates the presence of E. coli in the water after only four hours. In April 2018, the Inspectorate for Habitat and Transport formerly approved use of the Real-Time PCR method as a way of indicating compliance with statutory requirements for a period of one year. In 2018, we tested and evaluated this new method by analysing samples taken in practice. Starting from the beginning of 2019, this new method will be used for (urgent) samples when circumstances demand the fastest possible detection of E. coli in drinking water. In addition, the drinking water laboratories will work on an extension to the RT-PCR method to include Enterococcus during the course of 2019.

Moreover, from 2019 onward, we will routinely use new measurement methods to detect new threats to drinking water quality. This involves broad Non Target and Suspect screening, which detects unknown organic substances. This new technique will help us find answers to the increasing presence of new substances in the environment and our groundwater.

A new water treatment plant was put into service at the Noardburgum production facility in 2018.

## Investments in water softening

The degree of limescale deposition significantly affects the scores for water quality and how customers experience water. In response, we are investing in water softening plants at a number of production facilities. Construction work for water softening plants at the Sijmons site (expected completion in 2021) and Goor-Herikerberg site (expected completion in 2020) started in 2018.

In addition, we are installing a membrane filtration system at the Ceintuurbaan production facility in Deventer. This system removes chloride from the water. The project started in 2018 and the system will be operational in 2021. A new water treatment system was also put into service at the Noardburgum production facility in order to expand our capacity in Friesland.



# Drinking water delivery dependability

Water is a basic human need. Consequently, top-quality water must be available 24 hours a day, and seven days a week.

## KPI

•UTDM <14:00 minutes

## Result

•UTDM 19:45 minutes ❌



## Better BTDM performance than in 2017 and 2016

The number of below-target delivery minutes (BTDM) is the main KPI for delivery dependability. This as an indication of the average number of minutes per year during which our customers are cut off from the water supply. Our objective is to achieve a BTDM of no more than 14 minutes. In 2018, we achieved a BTDM of 19:45 minutes (compared to 2017: 22:20, 2016: 19:52).

### Under target delivery minutes (UTDM)



In other words, our BTDM performance in 2018 was better than in the preceding two years. Even so, we have still not achieved our target. The main reasons for this shortfall were the damage to our network following the severe storm in January and a breakdown at the Spannenburg production facility at the end of December.

### Drinking water demand occasionally at 140 percent

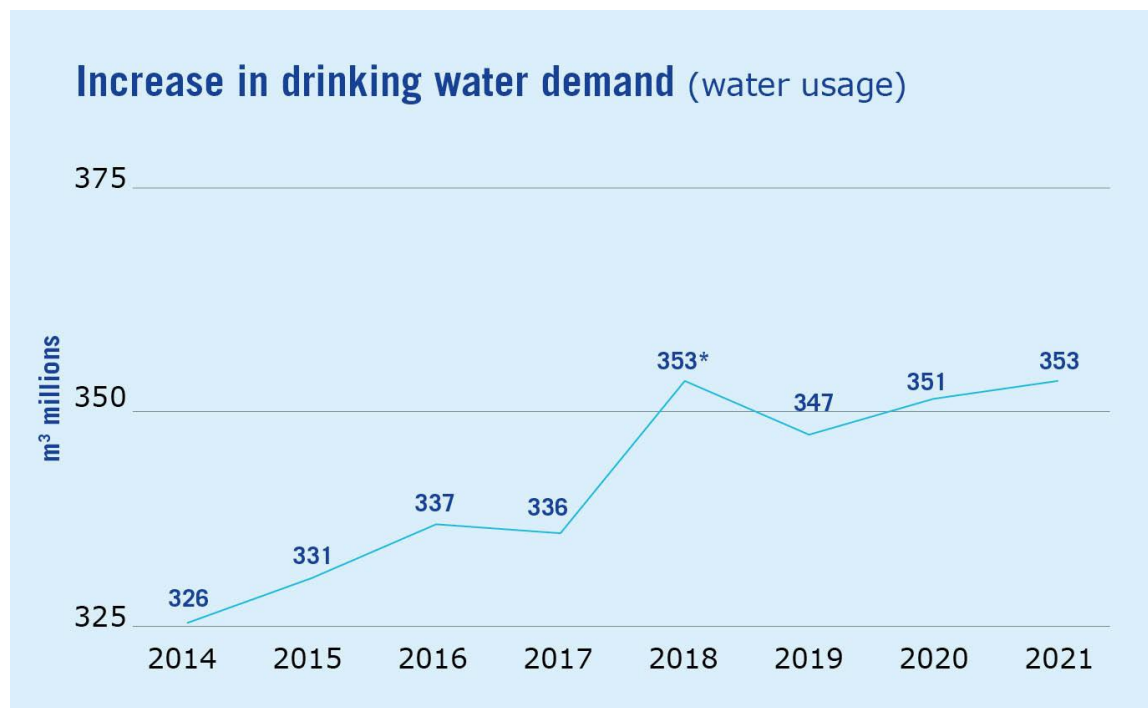
The delivery dependability is affected by external factors. We experienced this at first hand in 2018 during an extremely dry and warm summer. At times, the demand for drinking water rose to 140 percent during the summer months. Vitens had to respond by proactively reducing the supply pressure on some occasions to ensure an adequate supply of water to all our customers.

We also had to reduce the water pressure for a number of customers in Friesland during the summer months. In the light of this, we will investigate whether we need to install larger pipes in some areas, or booster stations to raise the water pressure locally in 2019. These investments, or regular management and maintenance tasks, will be carried out as required in 2019 or later years.

At times, the demand for drinking water rose to 140 percent during the summer months.

## Increasing demand for drinking water, higher level of investment

Based on our strategic analyses, we expect the annual drinking water demand in 2021 to exceed 2017 by 16.4 million m<sup>3</sup> (2021 plan: 352.5 m<sup>3</sup>, 2017 actual based on 99.4 percent invoiced: 336.1 m<sup>3</sup>). Investments in our extraction and distribution capacity are required in order to meet increasing demand.



\* This relates to actual consumption during 2018; 43.9 percent of the deliveries have been invoiced to customers. The figures for 2019, 2020 and 2021 have been taken from the 2019 - 2021 plan.

- In 2017, the (subsurface, surface and other) investments amounted to 108 million euros gross, in 2018, this figure was 130 million euros and in 2019, we expect to invest more than 150 million euros.
- The dry summer led to additional analysis of our extraction and distribution capacity. The results highlighted a number of bottlenecks in Friesland, Overijssel and Gelderland.

## Optimised valve management

As part of our Effective Asset Management programme, we started to optimise our valve management procedures this year. The objective is to limit the number of supply interruptions. We determined the most optimal maintenance regime for each valve based on a trade-off analysis of performance, costs and risks. The general conclusion was that maintenance will be intensified in 2019 relative to previous years. We identified how often each valve would have to be maintained, and in which year. This extended maintenance regime will be introduced at the beginning of 2019 and further optimised in future years.

## Protection of groundwater resources

Everybody should have access to clean and reliable drinking water, not just today but also in one hundred years' time. So protecting our groundwater resources is one of our most important tasks. This requires a strong focus on action to maintain healthy soil conditions and a healthy ecosystem in our water extraction areas. Drinking water is filtered by the soil in the infiltration area. This is why we refer to the soil as 'filter 0'.



### Implementation of 'Control over natural resources'

In order to effectively protect our groundwater resources, we introduced a method for evaluating the quality of our extraction sites in 2017 - 2018, as part of the 'Control over natural resources' programme. As a result, we can focus on protecting and even improving the quality of our resources in 2018 and in future years. Because 2018 was a transition year, we have not yet formulated a suitable KPI for measuring and managing performance in this area. We have, however, taken action in a number of areas to protect our resources and make them cleaner. We will report on this based on a KPI in the 2019 annual report.

### Early Warning Model

Together with provincial authorities and other water extraction utilities, we developed an Early Warning Monitoring system in 2018. This system analyses how possible pollutants spread in groundwater so that water management authorities and water extraction utilities can put policies in place and take early and effective action to prevent drinking water resources from becoming polluted. All those involved will start to jointly implement the monitoring system in 2019.

### Focus on integral collaboration

In the interests of protecting our resources and limiting the risk of pollution, our policy in the past was to exclude other activities (such as agriculture) to the greatest possible extent in our water extraction areas. In 2018 however, we started exploring an alternative approach. This approach is based on an integral analysis. We and the stakeholders in an area jointly determine the most optimal management approach based on the total spectrum of interests in that area, in a way that does justice to the specific interests of the stakeholders.

## Cooperation with farmers

In order to ensure continuity in the supply of drinking water, protecting our water resources against contamination by pesticides, medicinal product residues and fertilisers such as nitrate is of vital importance.

This year, we cooperated with farmers to limit the risks of nitrate and other pollutants leaching into the groundwater while at the same time boosting the farmers' operating profits. This specifically involved the 'Farmers for Drinking Water' (in Overijssel) and 'Fertile Closed-loop Recycling' (in the Achterhoek area) programmes. These farmers are researching and experimenting with different forms of fertilisation. Vitens contributes funding for the research, provides expertise and delivers lime pellets at a discounted price in order to support them. The programmes will continue in 2019. Vitens has also signed the Nitrate management covenant, which is one of the initiatives that has been set up in order to achieve the objectives of the European Water Framework Directive.

This year, we cooperated with farmers to limit the risks of nitrate and other pollutants leaching into the groundwater.

## 'Locally Extracted Water' campaign

We opened two pop-up Vitens Water Shops this year, one in Utrecht and one in Leeuwarden, as part of the 'Locally Extracted Water' campaign. The campaign and the temporary shops were designed to make our customers more aware of the origin of their tap water. This is because two thirds of the population in the Netherlands does not know where their tap water comes from. Both shops resulted in worthwhile discussions with our customers.



## Nature management and conservation

Vitens manages 2600 hectares of land. That land includes nature areas. A healthy ecosystem plays an essential role in effectively protecting our natural resources. Furthermore, drinking water extracted from a nature area gives customers confidence in the quality of our product.

### KPI

- Achieve the highest level (Gold) on the Barometer for Sustainable Land Management (Barometer Duurzaam Terreinbeheer)

### Result

- We have achieved the highest level on the Barometer for Sustainable Land Management (Gold) ✓



All our land is ecologically managed. This means that we preserve and, where possible, improve nature values in a way that matches the surrounding landscape.

- As in 2016 and 2017, we again achieved Gold-level certification according to the Barometer for Sustainable Land Management (Barometer Duurzaam Terreinbeheer) this year.
- In 2019, we will investigate whether compliance with the Barometer for Sustainable Land Management is ambitious enough.
- Based on the consultation sessions with stakeholders in 2018, we know that our stakeholders attach importance to sustainable nature management.

### Land management plans

We inspect the vegetation in each water extraction area every 10 years, and update the management plan for that area.

- The land management plans for eleven water extraction areas expired in 2018 and new management plans were drawn up.
- All our land managers attended a training course on using the Biodiversity Yardstick ('Meetlat Biodiversiteit') created by IPC Groene Ruimte. They will be able to use this tool to draw up structured reports on the biodiversity of our sites from 2019 onwards.

## Nature policy

We drew up our nature policy this year. This document is a formal description of the nature policy that we have implemented for several years. The nature policy focuses on further preserving and developing nature values and biodiversity in our water extraction areas. This is not only important for protecting our groundwater resources, we also fulfil a different social role here: our water extraction areas are often beautiful nature areas where people like to hike and cycle.

The nature policy sets out a framework for the four roles that Vitens has in relation to nature: Vitens as a producer of water, nature-inclusive builder and nature manager, and Vitens as a social partner.

## New spatial design projects

In 2018, we completed a number of spatial design and nature development projects, including Hammerflie and Soestduinen. The project in Hammerflie involves retaining run-off water for longer in the area before it flows into the surface waters. This keeps the soil moist and helps wet vegetation grow. In Soestduinen, we created an ecological connecting zone between our own site and the sites controlled by other nature managers in the surrounding area.

## Use of lime pellets to help nature recover

In 2018, we were involved in a Forestry Commission pilot project in the Sallandse Heuvelrug area. Lime pellets, a by-product of our water extraction activities, were dispensed across the nature area. These projects will be evaluated in 2019 to determine whether spreading lime has had a favourable effect on the flora and fauna in the target areas.

Lime pellets, a by-product of our water extraction activities, were dispensed across a nature area.

# Material flows

## KPI

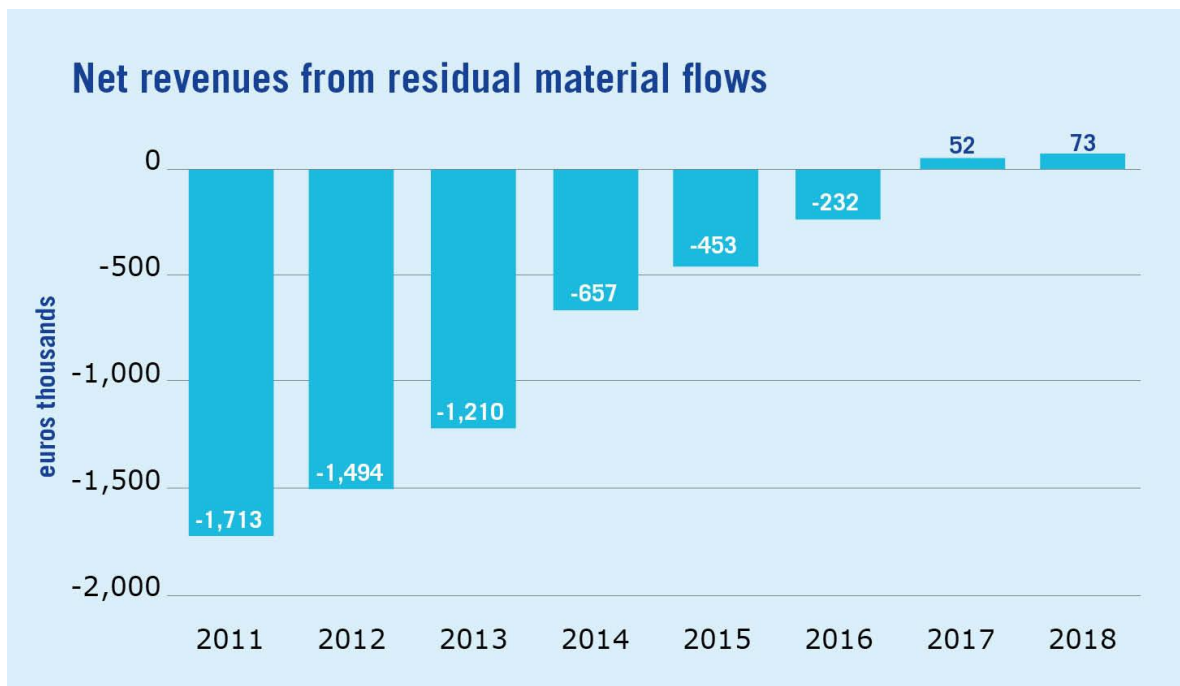
- 100% of residual material flows put to good use

## Result

- 99.8% of residual material flows put to good use ▬



In addition to being a supplier of drinking water, Viteas is also a producer of raw materials. These raw materials - iron sludge, humic acid and lime pellets - are generated as by-products of our drinking water production process. In 2011, processing these residual products cost the company 1.7 million euros, however that situation has now changed. In 2018, sales of our residual products resulted in a profit of 73,000 euros (compared to 2017: 52,000 euros).





## Contribution to a clean habitat

We strive to do business in a sustainable and circular manner in order to contribute to a clean habitat. So we want to fully reuse the substances we extract from nature (water and residual materials), or give them a second life or return them to nature.

The iron sludge, humic acid and lime pellets that are generated during water production were almost completely (99.8%) reused in 2018 (compared to 2017: 99.9 percent, 2016: 99.8 percent). In future years, we intend to completely close the recycling loop by using our residual materials to a greater extent in our own water extraction areas.

In addition to being a supplier of drinking water, Vitens is also a producer of raw materials.

## Raw materials used for fertilisation and animal feed

As in 2017, we were again awarded the GMP+ certificate this year (GMP stands for Good Manufacturing Practices and is a food industry certification label). The certificate demonstrates the high quality of our residual products.

- In 2018, we supplied some of our lime pallets to Agrifirm for use as a fertiliser in the agricultural sector.
- Together with Agrifirm, we took action to optimise delivery of our lime pellets in order to meet the requirements for processing in the factory. This new capability applies from 1 January 2019 and our lime can be used as standard for producing animal feed (until now this was only possible in exceptional cases).
- In 2018, we successfully completed a pilot project for using our lime pellets as a fertiliser in fruit farming. This pilot project was set up in collaboration with CropSolutions and the Centrale Adviesdienst voor de Fruitteelt (Central Advisory Service for Fruit Farming). We will be able to deliver this product to the fruit farming sector from 2019 onward.
- We sold 100% of our humic acid to Humintech in Germany (compared to 2017: 100 percent).

## Residual Materials Information System up and running

We implemented the final improvements in the Residual Materials Information System (RIS) and put the resulting updated version into operation. This system provides information about transport and the quality of the residual flows. Use of RIS as a management tool fits our strategic objective of operating as a data-driven water utility. The process operators in our production facilities attended a training course on residual material management in 2018. We developed a new e-learning module on residual material management to simplify the logistical challenges of training new process operators in 2019.

## Defining the production facility of the future

In collaboration with Metabolic, we carried out a study that aimed to define a circular production facility. The results of that study are documented in an advisory report ('Circulair Spannenburg'). This report offers insights into sustainably embedding production facilities in their surrounding environment by entering into partnerships.

# Stakeholders and our role in the value chain

Customers rely on Vitens to deliver drinking water every day. As an organisation, our ability to achieve this is largely dependent on both internal and external stakeholders. So Vitens actively manages its human capital by setting up sustainable employability initiatives. We have created programmes and internal campaigns that are designed to raise awareness and improve our employees' health, safety and job satisfaction. Vitens formulates annual objectives, following which departments draw up their own plans for achieving those objectives, often with the support of the Human Resources and Communication departments. The first-line managers of the departments concerned have final responsibility for the goals and progress. Progress is reported quarterly in the Vitens-wide reporting cycle. The results are also discussed in the general operations management meeting. This approach reflects our objective of creating a group of employees who are able to respond more quickly and adequately to drinking water supply disruptions. And also forecast supply and demand for drinking water in the short term and long term, and take appropriate anticipatory action, together with external stakeholders.

Collaboration between Vitens and the environment in which it works is crucial. After all, groundwater, which Vitens uses to produce drinking water, is community property and its quality depends directly on all kinds of social developments and functions such as agriculture and the energy transition.

We collaborate closely with regional network operators when excavating below the surface in order to maximise convenience for our customer (the street only needs to be opened up once) and minimise costs. We also collaborate strategically in order to safeguard the future value of the infrastructure. We do this with partners in the Next Generation Infrastructures Foundation.

In addition, provincial authorities issue extraction permits to us. Vitens leverages its relational capital through active stakeholder management. We engage in frequent dialogue with our stakeholders as part of our normal business operations and also regularly organise meetings at director level with important stakeholders. For example, general meetings of shareholders and information and dialogue meetings on a variety of subjects. The Environment Management Team is our regional link at ministerial and provincial/local authority level in respect of our operations. In addition, the Public Affairs Team focuses on stakeholder management at the level of major social themes that can potentially have an adverse effect on drinking water, such as the energy transition. The Public Affairs Team reports directly to the Executive Board. The high-priority topics and issues are discussed in the board meetings every quarter. The Public Affairs Team monitors and evaluates progress of the different initiatives and discusses them with the Executive Board on a regular two weekly schedule and also whenever necessary. The Executive Board also plays an active role in stakeholder management.

Vitens can only deliver affordable and dependable drinking water thanks to (collaboration with) its stakeholders. So we measure performance and manage based on three themes:

- Our people.
- Dialogue and lobbying.
- Partnerships.

# Our people

## KPIs

- Sickness absenteeism < 4,4%
- Lost Time Injury Frequency (LTIF) 0

## Results

- Sickness absenteeism 4.7% ❌
- Lost Time Injury Frequency (LTIF) 4.6 ❌



Viteks employs nearly 1,400 people. They are all committed and enthusiastic employees who contribute significantly to the good working atmosphere within the company. Viteks focuses on their health, commitment, safety and development. After all, employees who enjoy going to work are productive on the shop floor and not off work sick as often. We call this Vitality at Work.

## Opportunities for personal development

The data-driven organisation that Viteks wishes to become means we will be able to do more with fewer people in the future. The short-term challenge is to ensure that employees grow and develop in line with the changing tasks and new knowledge and competences that are required. We create these chances in our strategic staff plan. In addition, as in previous years, our employees were again allocated a personal development budget in 2018, and benefited from personal development plans with ample training opportunities. This approach also gives people responsibility for their own career.

The challenge is to ensure that employees grow and develop in line with the changing tasks and new knowledge and competences that are required.

## Reducing sickness absenteeism

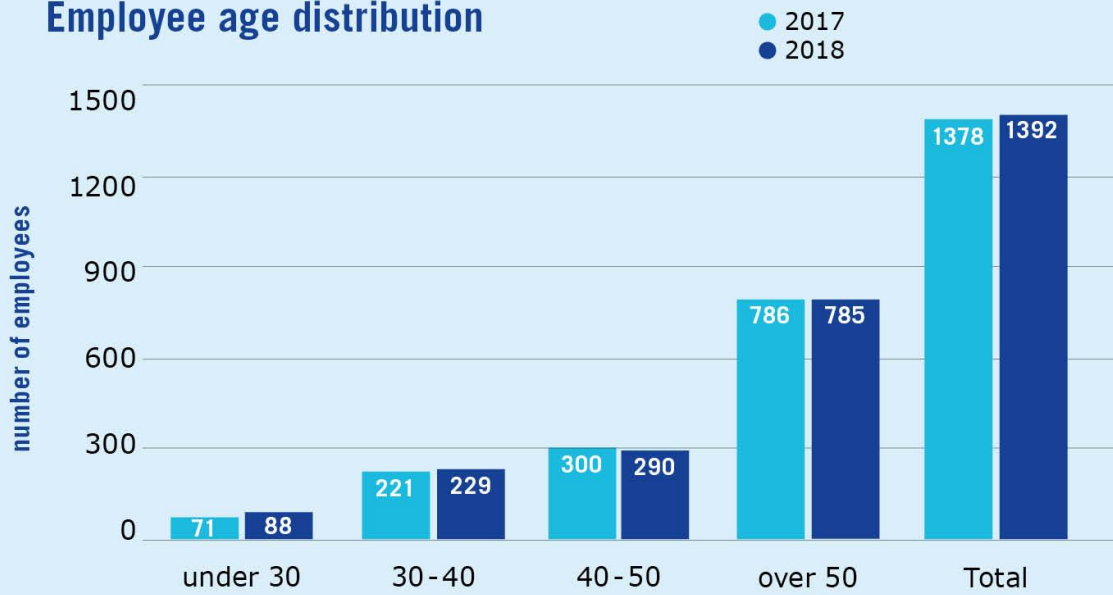
Sickness absenteeism is falling, but still too high. At 4.7 percent, sickness absenteeism remains above the target of 4.4 percent. Reducing sickness absenteeism was a priority for Viteks in previous years and continues to be an area of strong focus in 2019. The newly developed leadership programme is designed to support managers in actively facilitating employees in their efforts to achieve sustainable employability within Viteks in 2019. In combination with a sickness absenteeism registration system and increased awareness among managers with regard to sickness and disability legislation, this should lead to a decrease in the number of sick employees.



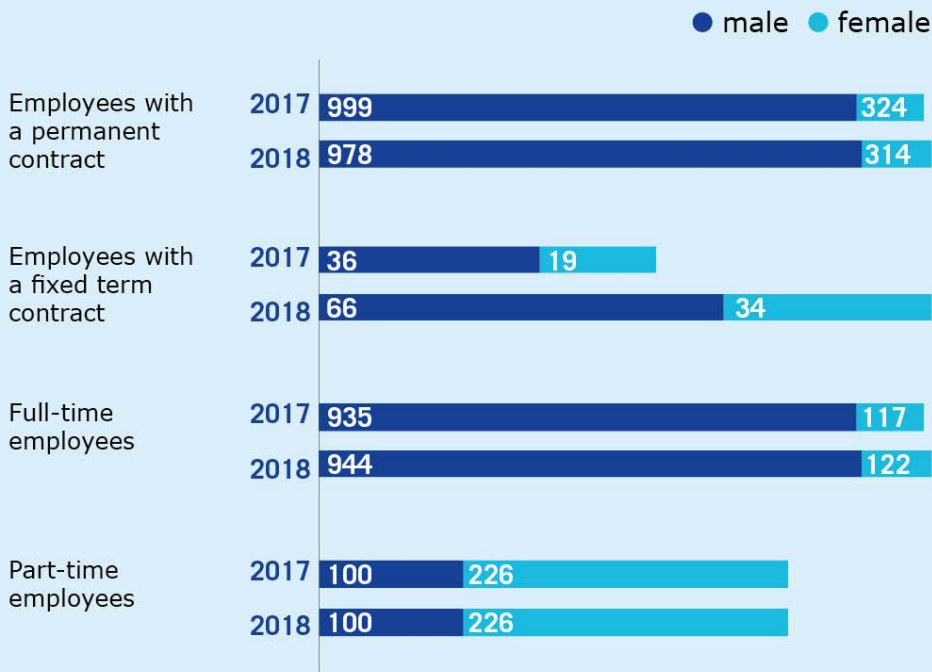
## Sickness absenteeism



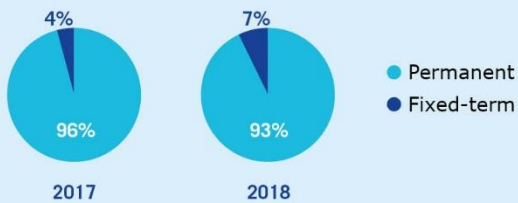
## Employee age distribution



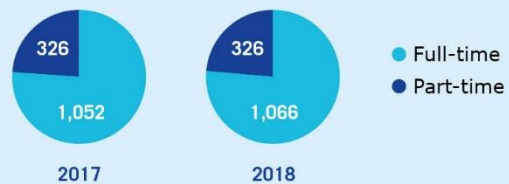
## Gender split male/female



### Split between fixed-term/permanent



### Split between full-time/part-time



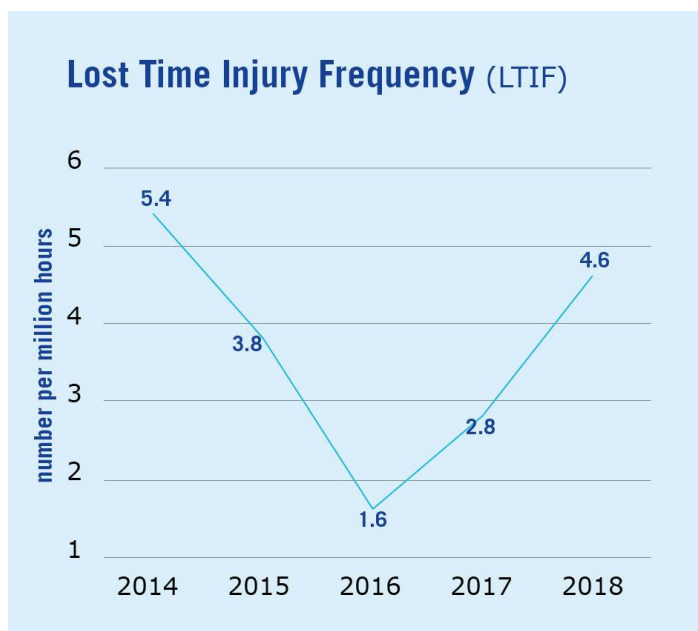
Vitens employs 1,392 people. Of that total, 1,390 employees fall under a collective labour agreement (excluding the Executive Board: 99.86 percent of the total). This applies to all our employees in the Netherlands.

### Limiting health risks

We asked 1,372 employees to complete a questionnaire about health and well-being for the Health Check survey in order to obtain more information about the causes of sickness and absenteeism. We received 887 responses. The overall result improved relative to 2014 (the last occasion on which we performed this survey). Employees smoke and drink less. The increase in excessive body weight (obesity) is less positive. In 2019, we will use the results to reorganise the social and medical teams in order to specifically tackle problems such as obesity or work stress. We encourage a healthy lifestyle by offering more healthy food in the company restaurant and free fruit without invading our people's privacy.

### Safe working

Our Lost Time Injury Frequency (LTIF) is higher than in 2017: the score was 4.6 in 2018 (12 of the 45 accidents resulted in time off work) compared to 2.8 in 2017. The accidents in 2018 mostly involved falls and tripping. So we will work steadily in 2019 to improve our safety culture. Communication between employees and managers plays an important role here. The same applies to the safety ambassadors who circulate throughout the entire organisation within Vitens.



### Ethical working practices

At Vitens, our aim is to work with honesty and in an ethical manner. We have set up an arrangement so that both employees and external stakeholders can report situations where serious wrongdoing is suspected (e.g. an infringement of the law, a waste of public money, manipulation of information).

### Stronger labour market policy

In 2018, we profiled ourselves positively towards (potential) employees with an extensive range of terms and conditions of employment from which employees are largely able to put together a custom package, such as the option of buying extra days of holiday. Due to the shortage of staff on the labour market, we have tailored our labour market policy to match current market circumstances. People want more than just a job and the salary that goes with it. We need to communicate more clearly to the outside world what makes Vitens special as an employer and what Vitens has to offer. Furthermore, we focus on 'onboarding' in order to make good on our promises. Welcoming and training people effectively within your organisation means that they feel involved and reduces the time lag before they can be deployed operationally.

### Shortage on the labour market

People no longer react to our advertisements for vacancies in large numbers. The economic recovery makes it more difficult to find employees. Staff for technical positions in particular are hard to find. That was the case in 2018 and this situation will probably continue in 2019. We have intensified our efforts to employ young technicians because many of our older employees are approaching retirement age. Thinking ahead now will allow us to compensate for that shortfall more effectively in the near future.



## Dialogue and lobbying

Tap water is popular in the Netherlands and we want that to continue. Just as we want water to be available in sufficient quantities in the future. So Vitens actively seeks dialogue with stakeholders and customers in order to highlight the importance of clean and affordable drinking water, and keep this topic firmly on the agenda.

### KPI

Media value for 'leadership'

> 0.4 million euros

### Result

Media value for 'leadership'

1.3 million euros ✓



## Dialogue with customers

In 2018, our goal was to make 20% of our customers aware of where their water comes from. Based on the idea that they would understand the role they play in keeping our water sources pure if they know that their tap water is extracted from local groundwater reserves. For example, by not disposing of medicinal product residues in their washing-up water.

To achieve this, we started a publicity campaign on drinking water in the form of a pop-up store. People who visited the 'Waterwinkel' store were able to taste water from the different sources and listen to our message: the water supplied by Vitens is special and we need to protect it. Both shops resulted in worthwhile discussions with our customers.

Customers are more likely to understand the role they play in keeping our water sources pure if they know that their tap water is extracted from local wells.

## Dialogue with stakeholders

We engaged in dialogue with our stakeholders at various times. In the 'Waterwinkel', we arranged a debate about the energy transition with Ed Nijpels (Chairman of the Climate Council) and local stakeholders. Vitens supports the goal of halving the CO2 emissions in the Netherlands by 2030, but is also committed to keeping the subsurface domain clean. For example, we find the combination of drinking water reservoirs and sustainable geothermal energy projects at the same location hard to reconcile. We are open to dialogue with all parties, with clean drinking water as our priority.

## Protest on behalf of customers

In October, we protested on behalf of our customers together with the other drinking water utilities in the Netherlands under the motto of 'De maat is vol' (Enough is Enough) in an advert against the VAT increase on water. We were unanimous in our view that a tax element of roughly 30% in the water tariff for consumers from 2019 on, is just not acceptable. This campaign, which was supported by the entire water sector, was unusual but very necessary in an ultimate attempt to stop the VAT increase. Although it triggered a discussion in the political arena, we did not achieve our objective. Nevertheless, the affordability of water remains an important issue for Vitens.

## Early debt arrears identification through collaboration

In 2018, we signed an early detection covenant with the municipality of Utrecht. We now have agreements of this type with seventeen municipalities. We collaborate with the municipalities in order to identify debts at an early stage within the framework set out by the covenants. Drinking water is a necessity of life. The drinking water bill is generally one of the last bills that people can no longer afford to pay. So when this bill remains unpaid, the situation is often dramatic. Early debt arrears detection plays an important role in taking action to help these people, and Vitens is happy to facilitate this.

## Media value based on leadership

In 2018, our target was to achieve a media value of 0.4 million euros with news items that focused on leadership. We achieved 1.3 million euros, far in excess of our target (compared to 2017: 0.7 million euros). Vitens featured in many (online) newspaper articles and television programmes due to the debate on sufferance tax in the first quarter and the dry summer.

## Lessons learned in a long, dry summer

We learned an important lesson in communication during the long period of drought in the summer of 2018. We asked customers to spread their water consumption through the day and, in consultation with the water boards, also asked them to refrain from irrigating their gardens. The fact that not all drinking water utilities asked their customers to save water led to some confusion among consumers. The communication was fragmented because the national and regional messages were not always the same. In future years, Vitens intends to approach this issue together with all the parties involved to ensure a clear message for customers.

## Greater name familiarity among stakeholders thanks to Drinkwaterplatform.nl

To even more effectively raise awareness of the importance of good and sufficient drinking water, Vitens, together with nine other drinking water utilities in the Netherlands, and VEWIN created the [Drinkwaterplatform.nl](https://www.drinkwaterplatform.nl) website: an editorial online platform that focuses on the quality of drinking water in the Netherlands. When the site was launched in the autumn of 2017, we expected to reach about 1000 people a month. The end of 2018, the site was used by an average of 5,000 visitors a month.

# Partnerships

Our ambition as a water utility is to supply drinking water via data-driven methods. That requires external expertise. We are not only interested in how other water utilities manage their operations, we also need partnerships outside the water sector in order to implement our digital strategy. And our customers, who encourage and help us with their insights.

## KPI

Number of partnerships for clean water sources: 2

## Result

Number of partnerships for clean water sources: 2 ✓



## Collaboration outside the water sector

In order to produce and deliver water in a data-driven manner, Vitens requires the assistance of external partners such as IT specialists, technology companies and consultancies. So we collaborated with parties outside the water sector in 2018. For example a company specialising in data management helped us understand the meaning of our data and how to use it. And a consultancy provided support and guidance as we prepared a digital data-driven strategy.

## Collaboration within the water sector

Within the water sector, we created or continued valuable collaborations, with international partners in some cases. We shared knowledge with a Spanish and English water utility about the role of data and digitisation in relation to drinking water production, distribution and customers. We all have different approaches in this area and can consequently learn from each other. These knowledge-sharing activities help us to shape the digital approach chosen by Vitens more effectively and substantiate investment decisions. In 2019, these collaborations will continue to play an important role in Vitens' transition to a data-driven company.

We also collaborate extensively with VEWIN, the association of water utilities in the Netherlands. This collaboration focuses mainly on highlighting the importance of drinking water in the political arena. And on strongly focusing attention on the importance of drinking water in decision-making processes in The Hague and Brussels. These themes include the National Policy Strategy for Subsurface Spatial Planning (Structuurvisie Ondergrond/STRONG), the production of geothermal energy and achieving the objectives of the European Water Framework Directive.

Within the water sector, we created or continued valuable collaborations, with international partners in some cases.



## Collaboration with customers and partners

In order to find solutions relating to clean soil and groundwater, Vitens joined an alliance that supports levying a deposit on PET bottles and cans in March 2018. This objective fits in well with our environmental positioning and strong commitment to a clean habitat. At the end of 2018, we started a project to focus attention on the problem of people not putting their dogs on a leash in water extraction areas. By involving the media and initiating a dialogue with local residents, we hope to make people aware of the adverse effects of dog faeces on the quality of drinking water. This is one of the projects that we will continue in 2019, in collaboration with customers and other partners.

## Contribution to a sustainable and circular economy

Vitens wishes to contribute to a sustainable and circular economy. To achieve this, we aim to reuse our residual flows to the greatest possible extent. Thanks to a collaboration with a knowledge partner in agriculture in 2018, we were able to set up a supply arrangement for lime pellets produced from by-products generated during water production.

## National Soil Hack

At the end of November, we organised a National Soil Hack ('Nationale Bodemhack') in collaboration with a.s.r. bank and Rabobank. The aim was to determine the quality of agricultural soil and water systems in the Netherlands and monitor the quality of their management. Improvements made in the area of soil cleanliness lead to cleaner groundwater, and therefore higher quality drinking water. This exercise resulted in a dynamic soil index, which will help shape a new approach to how we use the subsurface domain.

# Future-proof

Innovation is required to guarantee the supply of drinking water in the future. For example, new substances in the environment and groundwater require new inspection methods and water treatment techniques. In addition, we are investing in innovative upgrades to our pipeline network in order to maximise our speed of reaction in response to deviations or disruptions. Finally, our centrally controlled water supply operations require the continuous availability of reliable data.

We manage our innovation projects via the Innovation & Research Agenda ('Innovatie- en Onderzoeksagenda' /I&O-agenda). An innovation committee led by an innovation manager determines the direction and content of the agenda and formulates objectives that are reported on a quarterly basis in the Vitens-wide reports. The innovation manager reports to the manager of Business Development. Eight research areas have been defined in the Innovation & Research Agenda. All the themes are associated with a theme ambassador for a relevant (core) process, annual objectives and a specific project structure. The theme groups report to the innovation committee. The themes cover the entire water production process: they focus on protecting our groundwater resources better, improving water treatment and monitoring techniques, guaranteeing delivery of drinking water to our customers and increasing our customer satisfaction score.

In addition to our primary process, we also innovate by standardising and optimising the different data processes and systems that are used within Vitens. Separate programmes have been set up for this purpose, each of which has its own programme structure and plan. These programmes are multidisciplinary and overarching in respect of the processes within Vitens. They are led by programme managers, who report to steering committees and the Executive Board. Their purpose is to improve the reliability and accessibility of the data used by Vitens. As a result, we can work (together) more efficiently and more effectively within Vitens.

In order to guarantee our ability to deliver clean and affordable drinking water to all our customers, both now and in the future and further improve our service, we measure two themes and manage based on the results:

- Innovation.
- Data-driven processes.

# Innovation

We have unleashed a wave of innovations in order to achieve even smarter control of our water process and overcome the associated challenges. For example, we are introducing smart water meters, working on innovative projects with our employees and deploying cutting-edge technology as it becomes available.

## KPI

Number of developments originating from the company-wide innovation process implemented in Vitens' operations: > 2

## Result

Number of developments originating from the company-wide innovation process implemented in Vitens' operations: 3 ✓



## Implementation of the innovation & research agenda

Vitens set up the Innovation & Research agenda in January 2018. This agenda covers eight themes: extraction, the circular economy and circular society, integral asset management, hydroinformatics, distribution, safe and healthy drinking water, water treatment and customers. The agenda is demand-driven and focuses on resolving challenges and implementing systems in the organisation that will make a contribution to strategy realisation and the agility and resilience of Vitens within five years. Matching our needs to external knowledge is crucial to ensuring the success of this agenda.

## Creating support through theme ambassadors

Each theme of the Innovation & Research agenda has its own ambassador. The ambassador, who is a project manager and theme specialist, is responsible for setting up and maintaining an internal and external network. People from every department within Vitens are involved to ensure shared responsibility for innovation. There is room for experiments and making mistakes, to jointly arrive at the best solutions.

## Results of the Innovation & Research agenda

We exceeded our target of implementing two projects per year. Projects relating to automatic control of production facilities, the lifespan of pipelines and a data project for detecting leaks were all implemented within the organisation. We also exceeded our ambition of starting up 70% of the planned projects identified within the Innovation and Research agenda by the end of 2018. Our actual achievement was 91 percent.

## Collaboration agreements

The collaboration agreements and partnerships with external parties were also successful. In 2018, we set up collaborations with two water utilities in Europe and with the Deltares knowledge institute in the Netherlands. In 2019, we will continue work on the more than fifty projects that we started up in 2018. Some of those projects will be discontinued, but others will be completed and transferred to our operational environment. They in turn will lead to the identification of new requirements within the organisation, and generate new projects for 2020.

## Smart water meters and virtual reality

There were also other initiatives in the area of innovation, in addition to the Innovation & Research agenda. For example, we completed the preparations for a pilot project in Leeuwarden in 2018, which involved installing smart water meters in a complete neighbourhood. The information they will deliver regarding private water use will allow us to quantify and possibly influence the behaviour of our customers. We will install the smart meters in 2019. The final results of this project will be published in four years' time. We also experimented with a virtual reality-model of a water production facility that allows you to go on a tour through the plant. Vitens uses this model to help train our process operators. It can also be used as an information tool for consumers, e.g. in our Waterwinkel (pop-up store). In 2019, we will enrich the model by adding real-time data.

There is room for experiments and making mistakes, to jointly arrive at the best solutions.



## Data-driven processes

We are standardising and streamlining our processes to create a drinking water supply system that is as automated and data-driven as possible. We are focusing on continuity and affordability, creating the preconditions for this and laying the foundation stones for the transition to a data-driven water utility.

Following a strategic re-prioritisation exercise, the action plans for this theme have been extended over a longer period. Because no measurable plans have been implemented as yet in 2018 and 2019, we have not been able to formulate a KPI and monitor progress. In 2019, our objective is to prepare a business case and then implement it. A KPI will be formulated based on this business case.



## Raising information security to the next level

In the recent past and in coming years, we will implement our roadmap for raising cyber security to the next level. In 2018, we took significant action in the area of information security, in response to an annually increasing threat assessment in relation to vital infrastructure. Our focus lies above all on cyber security in relation to our production facilities. Vitens concluded the tender procedure for a security operations centre. Security staff in the centre's control room will monitor whether we are under attack day and night. In the coming years, we will continue to implement (technical) measures to improve our ability to defend ourselves against cyber crime even further. To raise awareness among our staff, we sent phishing emails to employees every quarter in 2018.

## SAP transformation

We are going to store all the data we work with in the most recent SAP software version. The advantage of this change is that all the processes are handled within the same tool and our employees will be able to access the information they need to carry out their work autonomously without outside assistance. To achieve this, we have set up a programme for converting the operating processes used by Vitens into the processes that are already set up as standard in SAP. Those processes will be implemented in that form. Keeping everything within a single standard system will allow us to generate an integral picture of our customers and assets with less effort. This gives us the capability of managing our operations more agilely and resiliently.

## Innovations for customers






In 2018, we made improvements to our website to further facilitate customers in handling their digital affairs with Vitens. SAP is the basis for this. We also introduced a chat facility and WhatsApp for our customers in 2018. This addition fits in well with our objective of combining customer satisfaction with a high degree of digitisation and automation.

The ambition is to combine customer satisfaction with a high degree of digitisation and automation.

## Our impact



Vitens, together with its joint venture, Vitens Evides International (VEI), contributes to achieving the Sustainable Development Goals (SDGs). These Global Goals are part of the UN's 2030 Agenda for Sustainable Development and provide a universally accepted international framework for sustainable development up to the year 2030. As in previous years, we have highlighted the SDGs in which we invest. They reflect our policy and the impact we want to achieve through our objectives.

SDG	Vitens' contribution (including Vitens Evides International)	Link to materially important topics
 <p><b>6</b> CLEAN WATER AND SANITATION</p>	<p>Clean drinking water and good sanitation facilities  This goal is our primary focus and our core task. In the Netherlands, we supply high-quality water at a low cost to society twenty-four hours a day and seven days a week. Internationally, we and our partners help local organisations provide clean drinking water in developing countries (VEI). We are actively involved in 46 projects in twenty countries, scattered across three different continents.</p>	<ul style="list-style-type: none"> <li>• Protection of groundwater resources.</li> <li>• Drinking water quality.</li> <li>• Drinking water delivery dependability.</li> <li>• Partnerships.</li> <li>• Nature management and conservation.</li> </ul>
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Innovative and sustainable infrastructure  The infrastructure for water is an essential precondition for prosperity and well-being in our country. Each year, we invest approximately €130 million (gross) in replacing and developing our infrastructure. New technology is tested within the 'Infrastructure of the future' (Infrastructuur van de toekomst) programme. Such as our project in Friesland, where we are testing innovative technology for a data-driven infrastructure. In 2018, we also took action together with our suppliers of pipe material in order to adapt our network to the requirements of the circular economy. They have prepared raw material passports that identify the materials used in our infrastructure, in support of circular innovations.</p>	<ul style="list-style-type: none"> <li>• Drinking water delivery dependability.</li> <li>• Dialogue and lobbying.</li> <li>• Innovation.</li> <li>• Material flows.</li> <li>• Data-driven processes.</li> </ul>
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Sustainable cities and a sustainable living environment  Water is a basic human need, and therefore an important factor in a sustainable community or city. In the Netherlands, we are actively pursuing infrastructure innovations in this field. In our international work, we are active in rapidly urbanising areas such as Nairobi and Bangladesh, where we focus on creating a balance between the living environment and water management.</p>	<ul style="list-style-type: none"> <li>• Drinking water delivery dependability.</li> <li>• Dialogue and lobbying.</li> <li>• Innovation.</li> <li>• Partnerships.</li> <li>• Nature management and conservation.</li> <li>• Data-driven processes.</li> </ul>
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Responsible consumption and production  Vitens sustainably manages and ensures efficient use of natural resources. Our residual materials, by-products that are directly generated during the drinking water production process, are sold as a high-value raw material wherever possible. If the residual materials cannot be sold as a high-value raw material, they are put to good use. We try to reduce our production of waste as much as possible. If waste is unavoidable, we investigate how it can be recycled or utilised in some way.</p>	<ul style="list-style-type: none"> <li>• Material flows.</li> </ul>
 <p><b>15</b> LIFE ON LAND</p>	<p>Repairing ecosystems and preserving biodiversity  Natural processes and biodiversity provide a strong defence for our groundwater resources. Our sites are managed in accordance with the requirements of the Sustainable Land Management Certificate.  We have been awarded Gold-level Sustainable Land Management certification. We actively invest in increasing our nature values and protection through nature area development to store water or create water catchment areas.</p>	<ul style="list-style-type: none"> <li>• Protection of groundwater resources.</li> <li>• Nature management and conservation.</li> </ul>
 <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>	<p>Partnerships for our goals  We collaborate with various parties in order to carry out our primary mandate. For example, we jointly participate in campaigns for a clean habitat. In support of this, we also work together with parties that share the same concerns or have the same ambition, even though they may be motivated by other interests. Such as our participation in the soil coalition with a.s.r. and Rabobank. Our shared concerns about the soil are the common factor and this activity also helps us achieve SDG 6 and SDG15. We also collaborate internationally with local water utilities in order to implement projects.</p>	<ul style="list-style-type: none"> <li>• Protection of groundwater resources.</li> <li>• Nature management and conservation.</li> <li>• Dialogue and lobbying.</li> <li>• Innovation.</li> <li>• Partnerships.</li> </ul>







# Guaranteeing our continuity

## Continuity

### Indicators

#### Trading result

We achieved a profit of 13 million euros in 2018. This is a significant but explainable drop relative to previous years (47.7 million euros in 2017, 48.5 million euros in 2016). The decrease in profitability can be attributed on the one hand to the reduced drinking water rate. The price for a cubic metre of drinking water was lower in 2018 than in previous years: 0.96 euro per m<sup>3</sup> in 2018 versus 1.04 euros in 2017 and 2016 (for an explanation, see Rate).

In addition to a lower turnover as a result of the lower drinking water rate, our production costs in 2018 were higher than in previous years. This was partly due to the prolonged drought during the summer. The drought caused a peak in drinking water demand and we had to produce more drinking water than usual. In addition, market tightness led to increases in the prices charged by building/infrastructure contractors and temporary staff agencies.

#### Solvency

The solvency ratio is the most important indicator of an organisation's continuity. Solvency is expressed as the ratio of shareholders' equity to total assets, as shown on the balance sheet. According to the continuity objectives set out in its Financial Policy, Vitens aims to achieve a solvency of at least 30 percent. In 2018, we achieved a solvency ratio of 30.2 percent (2017: 30.9 percent), and therefore met the target. This means that we will be able to pay a dividend to shareholders over 2018, as we did over 2017.

#### Rate

As a drinking water utility, we strive to offer our customers an affordable drinking water rate. As stated, the drinking water rate in 2018 was eight cents lower than in previous years: 0.96 euro per m<sup>3</sup>. This rate is based on a fixed component (irrespective of consumption) and a variable component (linked to average household consumption). Based on an average consumption of 110 m<sup>3</sup>, the rate per m<sup>3</sup> in 2018 was 0.96 euro.

The rate reduction reflects the excess profit compensation for 2016 and a lower permitted maximum operating result due to the reduction of the WACC (Weighted Average Cost of Capital). The Drinking Water Act limits the maximum operating result that a drinking water utility may achieve, expressed as a percentage. That percentage depends on the pre-determined Weighted Average Cost of Capital, in other words the desired return on loan capital and shareholder equity.

The WACC percentage set by the government was 4.2 percent in 2016 and 2017, and 3.4% in 2018 and 2019. If our profit exceeds that percentage - as was the case in 2016 - we reduce the drinking water rate to compensate two years later. As we did not generate surplus profit in 2018 (the WACC is 2.6 percent), the drinking water rate is likely to increase in 2020. However, this will also depend on cost price developments in 2020.

## Investments

In 2018, we invested a total of 122 million euros. This amount is considerably higher than in previous years (2017: 103.1 million euros, 2016: 100.1 million euros). Our investments focus primarily on delivery dependability to safeguard our ability to offer our customers an adequate supply of clean drinking water, now and in the future.

### Mainstream investments

Some of the investments in 2018 were associated with normal operations. For example, we expanded the capacity of our water supply network in response to increasing demand for drinking water as a result of positive economic developments and population growth.

In addition, we completed a number of ongoing projects such as the upgrade exercise at the Nijverdal extraction facility, pipeline remediation work and repairs, and invested in process automation (End Of Life) and cyber security.

### New insights

At the same time, the increasingly frequent weather extremes in recent years are forcing us to invest more in measures designed to safeguard future groundwater supplies. The prolonged drought in 2018 has given us new information about our current production capacity and extraction permits. The key questions here are whether we can deliver sufficient drinking water during a prolonged drought at times of peak demand, and whether we have adequate reserve capacity at our disposal.

### Search for additional reserves

Exploratory studies indicate that the reserves we currently have at our disposal in some sub areas are not adequate for guaranteeing delivery dependability in the future. To remedy this, we must search more actively for additional reserves. We do so on the one hand by expanding our capacity at existing extraction locations, and, on the other hand, by looking for new extraction locations in different regions. The procedure for finding new extraction locations, requesting permits and building the production facility takes several years.

### Future investments

The level of investment will increase further in coming years. In addition to mainstream capacity expansion (new production locations and connections) and ongoing projects, we will focus our efforts on safeguarding future groundwater reserves in 2019. We will continue and extend our water procurement arrangement with Waterleiding Maatschappij Drenthe (WMD), and we will continue the SAP transformation.

In addition, we will look more critically at our Not Invoiced (NI) percentage, i.e. water losses due to leaks, cleaning pipeline sections (flushing) or water used by fire services. At present, 6 to 7 percent of the total volume of drinking water we process is not invoiced. Our goal is to reduce that percentage.

# Risk management

Risks are inevitably associated with managing an organisation. In view of our activities as a drinking water utility, risk management is of great importance within Vitens. Risk management within our organisation relates to two levels: strategic and operational.

- Strategic level. This involves identifying, managing and mitigating risks that affect our strategic agendas. Specifically: reliable and affordable 24/7 delivery of drinking water, adequate available and clean water sources, greater convenience for customers and Vitality at Work 2.0 (Vitens sterk in het werk).
- Operational level. This relates to the risks associated with carrying out our work.

## Three yearly strategic cycle and annual planning process

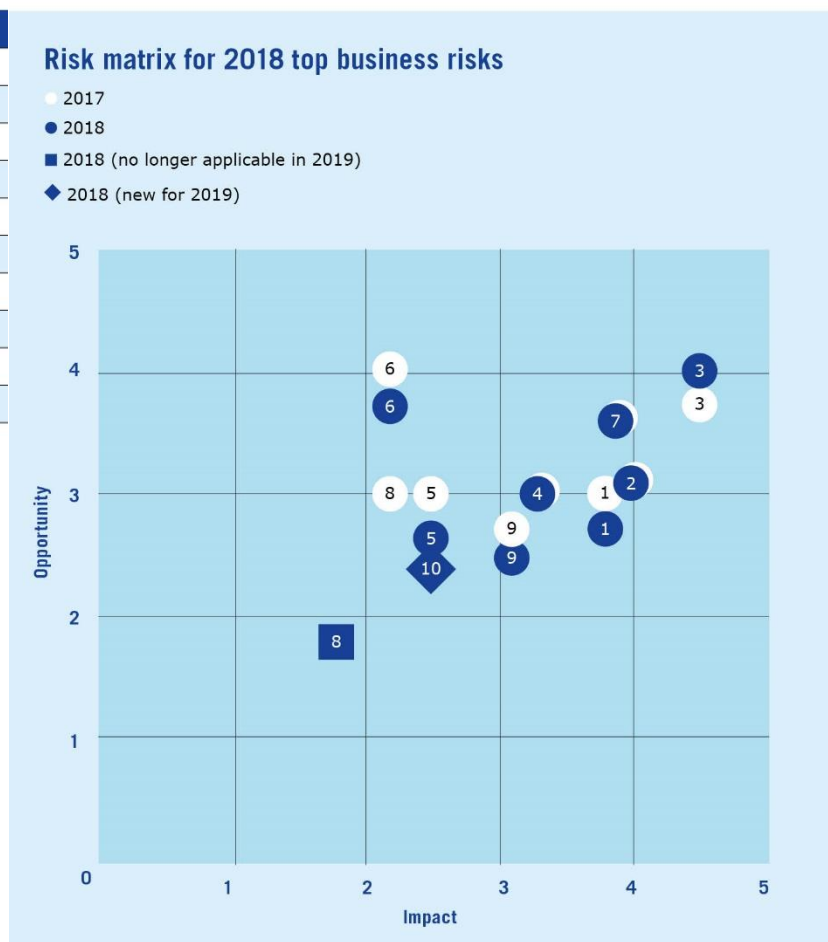
We review our business strategy every three years. This exercise involves updating our mission and vision, redefining our strategic objectives and reassessment of the top business risks. This was last done in 2017. The strategy and top business risks are set out in the 2018- 2020 Vitens Strategy document ('Coordinated action on behalf of People and their Living Environment').

This three yearly review cycle also includes an annual planning process. Each year, we determine whether the list of top business risks is still current or needs to be amended. The 2018 annual plan contains a number of adjustments (see 2018 risk matrix below). After preparation, the annual plan is approved by first-line management and the Executive Board, and then discussed by the Supervisory Board. A first-line manager is appointed as the risk owner for each top business risk in the annual plan. The manager concerned reports on progress in relation to the relevant improvement initiatives in the quarterly report.

## Updated top business risks and relationship with materially important aspects

The 2018 risk matrix is an updated overview of the top business risks. The matrix identifies the probability of a risk occurring and assesses its impact on our business objectives and strategic agendas. Consideration is given to measures that have already been implemented when estimating the probability of occurrence and assessing the impact.

#	Top business risk
1	Reliability of data and data access.
2	Availability of production capacity/water sources
3	Cyber Security
4	Organisation's ability to change
5	Efficient and effective operational management
6	Employees' health and job satisfaction
7	Outsourced work
8	Contract management ( <i>no longer applicable</i> )
9	Physical security in relation to assets
10	Ethical working practices ( <i>new</i> )



The connectivity matrix (see [Connectivity Matrix](#)) shows the relationship between the top business risks and the materially important aspects within Vitens.

## Investments in cyber security and physical security at production facilities

This year, we invested in cyber security and made improvements to physical security at our production facilities.

- In 2018, we decided to set up a Security Operations Centre (SOC). The centre will be operational in 2019. The SOC monitors cyber security and takes action whenever necessary to control risks. Specially trained Vitens employees work in the SOC, together with external parties.
- We also erected new security fencing and renewed existing security fencing at our production facilities in 2018.

## Emphasis on ethical working practices

This year, we identified 'Ethical working practices' as a top business risk for 2019. Due to the importance of this topic, we addressed it in several ways in 2018.

- For example, we created an internal Ethics Work Group in 2018. The work group prepared a response procedure that identifies what action should be taken in the event of suspected fraud.
- All our managers participated in a one-day ethics workshop. The workshop focused mainly on our 'ethical dilemma game'. This role-play activity concretely highlights ethical considerations and dilemmas and encourages discussion.



- During the course of the year, all our employee teams played this ethical dilemma game. The ethical dilemma game was also played during the annual meeting between the Supervisory Board, Executive Board and Works Council.
- Furthermore, the main risks of fraud that apply within Vitens were identified and analysed during several fraud risk workshops in 2018. A plan of action will be drawn up for a number of these risks in order to further reduce the risk of fraud.
- In December 2018, Vitens actively took part in the national Ethics Week. As part of this exercise, a Statement on Ethics was posted on our Intranet and the Executive Board presented its views on this subject in a blog.

### Production capacity under pressure

In 2017, we identified ‘availability of production capacity and water sources’ as a top business risk. The dry summer of 2018 emphasised the relevance of this theme. The operational drinking water reserves proved to be insufficient in a number of regions. This means that we will focus on expanding our production capacity in future years (see [Drinking water delivery dependability](#)).

### Focus on the organisation’s ability to change and strategic staff management

The average age of Vitens employees is 49. We expect a large outflow of employees as they reach retirement age during the coming three years (2019 - 2021). This underlines the importance of Strategic Staff Planning (SSP), to ensure that we are able to actively manage and set up targeted projects to keep our workforce in good shape, in terms of both quantity and quality.

- Safeguarding the expertise and knowledge of departing employees is one of the challenges we face.
- On the other hand, the transition to a data-driven drinking water utility calls for investment in and the acquisition of new knowledge.

### Updated top business risks for 2019

We analysed the top business risks this year based on current developments. The following risks have been identified for 2019:

1. Reliability of data and data access.
2. Availability of production capacity/water sources.
3. Cyber security and ensuring physical security of our assets (merged).
4. The organisation’s ability to change.
5. Efficient and effective operational management.
6. Employees’ health and job satisfaction.
7. Outsourced work.
8. Ethical working practices (new).

# Governance

## Governance Code

Vitens fulfils a social role. So we attach great importance to ensuring full transparency when disclosing how we work. We achieve this by adhering to the Dutch Corporate Governance Code. This code sets out guidelines for good and responsible governance. For further details, see the section on [Governance](#) elsewhere in this annual report.

The Executive Board is responsible for day-to-day management. Its activities and the general course of affairs are monitored by the Supervisory Board. The Supervisory Board has two committees: the Audit Committee and the Remuneration and Appointments Committee.

Vitens is owned by public shareholders who have appointed a Committee of Shareholders. The Committee of Shareholders convenes at least twice a year and has an advisory function for the General Meeting of Shareholders, the Executive Board and the Supervisory Board. This involves topics outside the operational sphere, such as appointing and dismissing members of the Executive Board, the remuneration policy for the Executive Board and the Supervisory Board and policy on rates and dividend.

## Legislation and regulations

To ensure compliance with the legislative framework, Vitens has appointed a compliance officer who focuses on two key issues: does Vitens comply with legislation and regulations? And: 'how can we structure our organisation to ensure that we continue to comply with those legal provisions and regulations'. The compliance officer is the point of contact for and liaison between the organisation, external parties, the Executive Board and the Supervisory Board with regard to the application of legislation and regulations. The Drinking Water Act is particularly relevant to Vitens. The Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT), acting on the authority of the Minister of Infrastructure & Water Management, monitors whether we comply with that legislation.

In line with the legal obligations of the Drinking Water Decree, Vitens' quality management system is certified in accordance with NEN-EN-ISO 9001. Vitens' quality management system has been certified since 1 January 2017 as compliant with the latest ISO standard relating to quality management: NEN-EN-ISO 9001:2015. The environmental and occupational health & safety management system also achieved certification in accordance with the most recent standards. For more information, see [Environment](#). We strive to improve and act in accordance with [human rights](#) through dialogue with suppliers and appropriate terms and conditions in our procurement policy.

In addition to the above, Vitens has also drawn up a code of conduct that establishes guiding principles on ethical business practices, safety and how we interact with our customers, with each other and with our environment.







# Independent auditor's assurance report

## Assurance report relating to the sustainability information in the 2018 Annual Report

To: The Executive Board of Vitens N.V.

### Our conclusion

Based on our activities, we have made no discoveries that would lead us to conclude that the information provided in the 2018 sustainability report prepared by Vitens N.V. does not, in all materially important aspects, provide a reliable and adequate picture of:

- the policy and operational management in relation to corporate social responsibility; and
- the events and the performance in that area during the year ending on 31 December 2018

in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applicable internal reporting criteria as explained in the section on 'reporting criteria'.

### The scope of our review

We have reviewed the sustainability information presented in the annual report for the year ending on 31 December 2018, as included in the following sections of the annual report (hereinafter: "the sustainability information"):

- 'Drinking water quality' (page 18);
- 'Drinking water delivery dependability' (page 20);
- 'Protection of groundwater resources' (page 23);
- 'Nature management and conservation' (page 25);
- 'Material flows' (page 27);
- 'Dialogue and lobbying' (page 34);
- 'Partnerships' (page 36);
- 'Innovation' (page 39);
- 'Data-driven processes' (page 41);
- 'Stakeholder management' (pages 83 - 90);
- 'Connectivity matrix' (pages 92 - 95);
- 'Reporting criteria for non-financial information' (page 101);
- 'GRI index' (pages 104 - 110).

The sustainability information includes a description of the policy and operational management of Vitens N.V. in Zwolle (hereinafter: "Vitens N.V.") with regard to corporate social responsibility and the events and performance in that area during 2018.



## The basis for our conclusion

We have performed our review in accordance with Dutch legislation, which includes the Dutch 3810N Standard for 'Assurance engagements relating to social reports'. Our responsibilities pursuant to the above are described in the paragraph entitled 'Our responsibilities in respect of the sustainability information audit'.

We feel that the assurance information we have gathered is sufficient and suitable as the basis for our conclusion.

### Independence and quality control

We are impartial and not dependent on Vitens N.V., in accordance with the 'Regulation on the independence of auditors in respect of assurance engagements' (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten/ViO) and other relevant requirements regarding independence in the Netherlands. In addition, we have satisfied the Regulation on conduct and professional rules for auditors (Verordening gedrags- en beroepsregels accountants/VGBA).

We apply the Detailed requirements for quality systems (Nadere voorschriften kwaliteitssystemen/NVKS). Based on the above, we apply a cohesive quality control system, which includes established guidelines and procedures relating to compliance with ethical requirements, professional standards and other relevant legislation and regulations.

### Reporting criteria

The sustainability information must be read and understood in the context of the reporting criteria. The Executive Board of Vitens N.V. is responsible for selecting and applying these reporting criteria based on the applicable legislation and regulations relating to reporting.

The reporting criteria that have been used to prepare the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internal reporting criteria, as identified in the section entitled 'Reporting criteria for non-financial information' on page 101 of the annual report. The lack of established practices for reviewing and measuring non-financial information allows the use of various, acceptable measurement techniques. This may have an effect on comparability between entities and over time.

### Limitations on the scope of our review

The sustainability information in the annual report includes forward-looking information in the form of expectations relating to objectives, strategy, plans and estimates and risk assessments. The possibility that the actual outcomes in the future will most probably differ from these expectations due to changes in the assumptions is inherent to this forward-looking information. The resulting differences may be of material importance. We do not give any assurance relative to the suppositions and feasibility of forward-looking sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information itself, as reviewed by us. We therefore do not provide any assurance regarding this information outside the annual report.

# Responsibilities in relation to the sustainability information and the review

## Responsibilities of the Executive Board

The Executive Board of Vitens N.V. is responsible for preparation of the sustainability information in accordance with the reporting criteria, as stated in the paragraph entitled 'reporting criteria', including identifying the intended users, determining materially important topics and the applicability of the criteria used for the objectives of the intended users. The choices made by the Executive Board in relation to the scope of the sustainability information and the reporting policy are set out in 'Scope', on page 100 of the annual report. The Executive Board is responsible for determining whether the reporting criteria that have been used are acceptable in this situation.

The Executive Board is also responsible for exercising internal controls to the extent considered necessary by the Executive Board in order to prepare the sustainability information in a form free of misrepresentations of material importance resulting from fraud or errors.

## Our responsibilities in relation to the review of the sustainability information

Our responsibility is to plan and perform a review engagement in a way that generates adequate and suitable assurance information for the opinion we have been asked to provide.

The activities performed to obtain a limited level of assurance focus on establishing information plausibility and vary in terms of their nature and timing, and are less in-depth, compared to those carried out for an audit engagement aimed at obtaining a reasonable level of assurance. The level of assurance obtained through review engagements is therefore lower than the assurance obtained through audit engagements.

Misrepresentations can arise as a result of fraud or errors and are materially important if it is reasonable to expect that these misrepresentations, either individually or collectively, may affect the economic decisions taken by users based on the sustainability information. The materiality affects the nature, timing and scope of our review activities and the evaluation of the effect of any identified misrepresentations on our opinion.

## Our activities

We have performed this review in a professional and critical manner and, where relevant, have exercised professional judgement in accordance with the Dutch 3810N standard, ethical requirements and the independence requirements.

Our activities included the following:

- Performing an environmental analysis and gaining an understanding of the sector, relevant social themes and issues, and the characteristics of the entity.
- Evaluating the suitability of the reporting criteria that have been used, consistent use thereof and the explanatory notes in that respect included in the sustainability information. This includes evaluating the outcomes of the dialogue with stakeholders and evaluating the reasonableness of estimates made by the Executive Board.
- Gaining an understanding of the reporting processes that underpin the sustainability information, including a brief analysis of the internal controls, insofar as this is relevant to our review.

- Identifying areas in the sustainability information where there is a greater risk of misleading or unbalanced information, or misrepresentations, that are of material importance and result from fraud or errors. Based on this risk assessment, determining and carrying out tasks that aim to establish the plausibility of the sustainability information. These tasks included the following:
  - Conducting interviews with managers (or relevant employees) responsible for sustainability strategy & policy, and performance.
  - Conducting interviews with relevant employees responsible for the delivery of data, performing internal data controls and consolidating data in relation to the sustainability information.
  - Obtaining assurance information indicating that the sustainability information correlates correctly to the entity's underlying administrative records;
  - Assessing relevant internal and external documentation based on limited observations;
  - Analytically evaluating data and trends.
- The scope of our review does not include an evaluation of the consistency of the sustainability information in relation to the other information in the annual report.
- Evaluating the presentation, structure and content of the sustainability information.
- Determining whether the sustainability information as a whole reflects the intention of the reporting criteria used.

Amsterdam, 24 April 2019

PricewaterhouseCoopers Accountants N.V.

A.L. Koops-Aukes RA



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## Code

Transparency is one of Vitens' guiding principles, so we apply the Dutch Corporate Governance Code (the Code), which sets out guidelines for good and properly accountable management and administration. In addition, the Code provides a framework for the relationship with a company's stakeholders, such as the shareholders, employees, customers and society as a whole. Vitens has implemented the best practices recommended in the Code in its operational management procedures, insofar as they are applicable to a drinking water utility with public shareholders. One best practice that has not been adopted relates to the appointment of a director for a maximum period of four years, subject to reappointment for a period of no more than four years on each future occasion (2.2.1 of the Code). The current directors have been appointed for an indefinite term. The annual performance review procedure, which may result in dismissal in the event of an unfavourable assessment, is considered to be adequate. The different regulations and other relevant documents relating to corporate governance at Vitens can be referenced via [Vitens.nl](https://www.vitens.nl).

## Executive Board

Vitens N.V. (referred to in this report as Vitens) is a public limited company that is managed on a daily basis by the Executive Board. In 2018, the Executive Board consisted of two directors. The composition of the Executive Board is presented in the [Report of the Supervisory Board](#).

The Supervisory Board is responsible for the Executive Board's remuneration structure. The remuneration consists of a basic salary, pension, social charges and other expense allowances and complies with the requirements of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet Normering Topinkomens/WNT and WNT2).

## Supervisory Board

The Supervisory Board is responsible for supervision of the Executive Board and the general course of affairs at Vitens. The members are appointed by the annual General Meeting of Shareholders (AGM). The regulation relating to the Supervisory Board includes a provision governing the maximum period of office of Supervisory Board directors in accordance with best practice 2.2.2 of the Code. The composition of the Supervisory Board is presented in the [Report of the Supervisory Board](#).

## Committee of Shareholders

A Committee of Shareholders has been appointed by the General Meeting of Shareholders. This committee convenes at least twice a year and has an advisory function for the AGM, the Executive Board and the Supervisory Board. It considers topics such as the appointment and dismissal of executive directors and supervisory directors of Vitens and remuneration policy in relation to the Executive Board and the Supervisory Board. In addition, policy-related issues such as rate-setting and dividend determination are also considered.

# Legislation and regulations

Our country is governed by hundreds of laws and thousands of underlying provisions. In order to comply with this legal framework, Vitens appointed a compliance officer with responsibility for process control in mid-2015. Process control focuses on two issues in our particular case: Does Vitens comply with relevant legislation and regulations? And: 'how can we structure our organisation to ensure that we continue to comply with those legal provisions and regulations'. The duties of the compliance officer position were assigned to the manager of the Administrative and Legal Support Department. As of 2015, the compliance officer has been the point of contact for and liaises with the organisation, external parties, the Executive Board and the Supervisory Board with regard to applying legislation and regulations.

## Inspectorate for Habitat and Transport

The Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT), acting on the authority of the Minister of Infrastructure & Water Management, monitors whether Vitens complies with the Drinking Water Act. Accordingly, as a drinking water utility, Vitens has an obligation to report any violations of the standards applying to drinking water quality. In 2018, we reported a potentially avoidable incident to ILT on 70 occasions (Vitens' objective: less than 40). 'Potentially avoidable' means that Vitens is responsible for the circumstances leading to the violation of the standard. The scope of that responsibility includes the production facilities and the water distribution network up to the water meter.

This overrun relative to target is explained in the section entitled 'More ILT reports' in the chapter on [Supplying high-quality drinking water](#).

## Responsibilities

The compliance officer has the task of identifying and clarifying the legislation and regulations which apply to Vitens. There is an operational responsibility - which is assigned to management - and a responsibility for relating all legislation and regulations to the organisation, which lies in the hands of various internal specialists. In addition, descriptions of the process control responsibilities of the managers of all the departments at Vitens, the Executive Board, the Supervisory Board and the shareholders have been drawn up.

## Privacy

The General Data Protection Regulation (Algemene Verordening Gegevensbescherming/AVG) came into force in May 2018. Vitens has drawn up and implemented an overarching policy on this subject and all customer processes have been modified to ensure that they are GDPR-compliant. In addition, all departments have carried out detailed reviews to identify the extent to which the GDPR has an impact on internal processes. Appropriate action has been taken to modify business processes where necessary. Some process modifications require more time for successful implementation: these modifications will be completed in 2019.

# Code of Conduct, corruption and bribery

Our policy on corruption and bribery is set out in our code of conduct. At Vitens, we work in accordance with ‘Zó doen we dat bij Vitens!’, which is the name of our code of conduct. This code of conduct lays down the basic principles for integrity, safety, interacting with customers, with each other and with our environment. We want the relationships we build with employees, suppliers, business partners and customers to be based on trust and fairness. So we expect our suppliers to act in line with our policy. Our code of conduct for suppliers describes the minimum standards and requirements with which they have to comply. Vitens is very conscious that situations arising from corruption and bribery may potentially damage our reputation and therefore represent a risk for our organisation. If a Vitens employee or a supplier infringes the code of conduct, we follow a documented procedure in order to resolve the situation. To the best of our knowledge, no incidents involving corruption or bribery took place at Vitens in 2018.

## Human rights

Respect for human rights is important because human rights are the fundamental social building blocks on which we rely in everyday life. We feel that Vitens has a duty to uphold and strengthen human rights. Vitens collaborates with many partners all over the world. This automatically exposes us (indirectly) to risks associated with the violation of human rights. At a day-to-day business level, for example, if we discover that one of our suppliers acts in contravention of our purchasing standards (which include provisions on human rights), we will terminate the relationship with this supplier. Additionally, violations of human rights by our suppliers may also damage Vitens’ reputation. We try to manage the risks to which we are exposed in the area of human rights and avoid potential problems by maintaining a constant dialogue with suppliers and monitoring whether they comply with our terms and conditions of purchase.

## Environment

Care for the environment is the basis of our strategy and our task of protecting groundwater reserves. We comply with legislation and regulations, but also look at ways in which we can use our activities to strengthen our position relative to the environment and our habitat. Our responsibilities are enshrined in our environmental policy and environmental specialists in each department are responsible for implementing this policy. We work in accordance with an environmental management system, which is also linked to our ISO standards. The environmental aspects are investigated each year and we assess how they are weighed in the environmental aspects register. A number of environmental aspects have been identified as a significant (energy consumption, (direct) emissions to the air, emissions to the soil and water, waste generation). These criteria are based on the guidelines established by the Foundation for the Coordination of Certification of Environmental Management Systems (Stichting Coördinatie Certificatie Milieuzorgsystemen) and occupational health & safety management systems. The significant environmental aspects have been reported to the Executive Board and specifically mentioned as areas requiring attention in the guidelines for the annual plans. They are also prioritised in the environmental management system. Obviously, this does not mean that the other aspects are ignored. The management system applies to these aspects and appropriate action is initiated whenever necessary.







# Risk management

## Integral risk management system

The way in which Vitens has set up its integral risk management system is described in the chapter entitled *Risk management*. This chapter also describes the developments in risk management in 2018 and the planned risk management improvement initiatives in 2019.

## Risk appetite

Risk appetite is an important consideration when assessing and weighing up Vitens' risk management strategy. The risk appetite indicates the extent to which Vitens is prepared to accept risk exposure in order to achieve its organisational goals. The Executive Board has determined and documented the risk appetite in the integral risk management policy. The risk appetite has been determined as follows, split out by risk category.

Risk category	Risk appetite	Explanation
Strategic	Average	Vitens is prepared to accept risks to a certain extent in order to realise its strategic ambitions. When doing so, Vitens strives to find an optimum balance between risks and long-term ambitions.
Operational	Very low to low	Very low: risks impacting the safety of our employees and our ability to dependably deliver high-quality drinking water are avoided as far as possible.  Low: in contrast, Vitens accepts a marginally higher level of risk in order to effectively and efficiently use assets in our operating processes. The willingness to accept risks is also dependent on the effort (time/expenditure) associated with the risk response.
Finance	Very low to low	Very low: risks impacting the basic principles of our financial policy, i.e. continuity, rates and dividend, are avoided as far as possible. This also applies to the financial ratios set by lenders.  Low: Vitens has a marginally higher risk appetite in relation to market, credit and liquidity risks.
Financial reporting	Low	Vitens does not accept risks which might lead to misrepresentations of material importance in the annual accounts.
Compliance	Very low	Vitens strives to comply with legislation and regulations.

## 2018 Strategic Risk Profile

The top business risks identified by Vitens for the 2018 reporting year (see *Risk management*) are explained in greater detail below. The explanation includes a description of the risk as well as the expected implications and/or the actual impact in relation to continuity or achieving our strategic goals and agenda points. In addition, it provides additional information on risk management by identifying the control measures that have already been implemented and those which will be additionally implemented. It includes our assessment of the risk management trend.

# Top business risks

## Risk 1: reliability of data and data access

### Strategic agenda

Sufficient availability of clean water sources, greater convenience for customers and reliable and affordable drinking water 24/7.

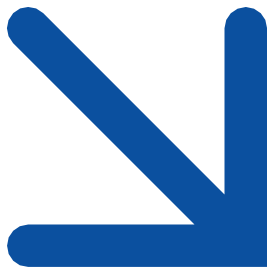
### Risk description and impact

The importance of data continues to increase. If we want to take good decisions and implement our strategic initiatives, we need good data availability and reliable data. We will focus on determining our information requirements, setting up processes to generate the required data and implementing these processes effectively in a way that respects the human element (formal and informal control).

### Risk management

- In 2018, the SAP transformation process made us shift our focus to identifying our future information requirements and we also reviewed and revised the core structure (the asset structure tree).
- The collaboration between the data stewards in the Asset Management Department and the Extraction & Purification and Network Management & Delivery departments was operationalised. This led to concrete improvement actions, which included setting up the process for improving the quality of our pipeline data and making a start on putting our house in order with regard to surface asset registration ('inside=outside').
- We also carried out a risk analysis of our main data flows in 2018. This will be discussed with the Executive Board during the first quarter of 2019 with a view to implementing additional control measures.

### Risk mitigation



The risk profile is more positive. In addition to preparatory work for the SAP transformation, we also worked on data enrichment and data process improvement. The effects of the SAP preparations were clearly evident when we went live, and we expect a further positive improvement in the risk profile.

## Risk 2: availability of production capacity/water resources

### Strategic agenda

Sufficient availability of clean water resources and Reliable and affordable drinking water 24/7.

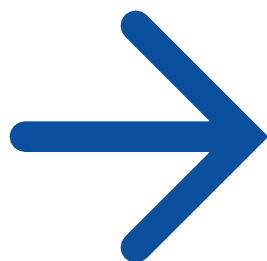
### Risk description and impact

The availability of sufficient (clean) water resources and production capacity is crucial to guaranteeing our ability to deliver sufficient drinking water of the desired quality, both now and in the future. The demand for drinking water is expected to increase in the years to come, so we must adjust our extraction and production capacity in good time. The availability of sufficient clean water resources is a potential bottleneck because we are dependent on other parties, e.g. provincial authorities and water boards, when applying for extraction permits. This requires good coordination with these competent authorities in order to obtain public support for the additional permits we need. Not only do we need to balance demand and supply between Vitens and private consumers and (large) business customers, and also internally between the different departments, we also require more accurate information about the available quantity and quality of water and changes in demand patterns. In addition, we are encouraging large business customers to manage their water consumption better, setting up agreements with local and regional government to ensure adequate and timely extraction capacity and preparing emergency scenarios.

### Risk management

- In 2018, much time and effort was devoted to comparing our current licensed extraction volumes and production capacity to the increase in drinking water demand that we expect to see in future years.
- The result is our Strategic Reserves Initiative. This document specifies the building blocks that are required to bring our reserves up to the policy standard.
- In 2018, we also defined the Strategic Environmental Management (SOM) policy in order to create extra public support and facilitate the process of applying for permits to satisfy our extra demand in both the short and long term.
- Concrete actions designed to increase the licensed capacity and/or production capacity were also implemented in 2018.

### Risk mitigation



As a result of the extremely dry summer in 2018, we temporarily exceeded the licensed capacity in a number of supply areas. Vitens is currently holding discussions with the competent authorities in order to work out a solution. Many actions were launched within the framework of the Strategic Reserves Initiative in 2018. Because of the time required to obtain extra licenced capacity, and build or expand infrastructure, there has been no immediate increase in the performance of our assets.

In addition, we still see increasing demand for drinking water. As a result, the risk profile remains unchanged.

## Risk 3: cyber security

### Strategic agenda

Reliable and affordable drinking water 24/7 and Greater convenience for customers.

### Risk description and impact

Mitigation of cyber security risks has become a permanent consideration within our operational management. Our systems and data must be effectively protected against internal and external attacks. Our dependence on ICT and data continues to increase, so security in these areas is becoming increasingly important. For example, the areas within the Vitens that involve direct interaction with customers (production and delivery of water, customer service), but also personal data held by HR.

### Risk management

- In 2018, Vitens took steps to formalise the Security Organisation further. The information security policy has been updated and a Security Operations Centre (SOC) has been tendered and contractually agreed. In 2019, this will be rolled out across the network.
- In addition, an extra Information Security Officer was appointed in 2018.
- We also organised an awareness programme and targeted actions to draw our employees' attention to cyber security risks.
- The actions planned for 2018 on the cyber security roadmap were implemented, including securing email traffic via Mobile Device management and Network Access Control.
- In 2018, Vitens established that additional technical and organisational measures are required to demonstrate that our process automation security complies with the frameworks set up by VEWIN (the Association of water utilities in the Netherlands).

### Risk mitigation



Vitens used 2018 to more accurately explore these risks. The conclusion is that the current office automation resilience/maturity level has been further improved. Even so, it is clear that Vitens' process automation is not yet fully compliant. Furthermore, the threat assessment remains at the same high level.

In conclusion, process automation is the priority for 2019.



## Risk 4: the organisation's ability to change

### Strategic agenda

Vitality at Work 2.0 ('Vitenser sterk in je werk'), Reliable and affordable drinking water 24/7 and Greater convenience for customers.

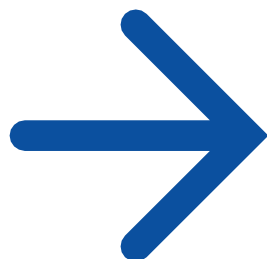
### Risk description and impact

Vitens is exposed to the risk of insufficient control over staff planning in a constantly changing future. Tightness on the labour market also contributes strongly here. This risk has implications for the sustainable employability of Vitens' employees, our management style and our ability to react in good time to (technological) developments.

### Risk management

- In 2018, we set up a Strategic Staff Planning (SSP) steering group and created a strategic staff planning process. One of the tasks undertaken by the steering group was to analyse the challenges that Vitens faces with the current workforce. The process is reported and managed centrally via a quantitative analysis each quarter and a general qualitative report at the end of the year. The standard quarterly reports present the figures by department.
- Vitens once again found it difficult to attract and retain (technically) expert personnel in 2018. This is partly due to tightness on the labour market. A new labour market policy has been developed as a result. We plan to launch this policy in the first quarter of 2019.
- Vitens also started to develop a leadership programme in 2018. Further resource will be devoted to this programme in 2019.

### Risk mitigation



Vitens is of the opinion that the risk at the end of 2018 remains unchanged relative to the estimated risk exposure at the end of 2017. In spite of internal initiatives to improve information about and management of staff planning, Vitens still does not have adequate control over this area due to shortages in the labour market. As a result, the composition of our workforce does not yet adequately reflect external developments and our internal ambitions. During the course of 2018, we did however develop a much better understanding of the recruitment challenge that Vitens faces in the future.

## Risk 5: efficient and effective operational management

### Strategic agenda

Vitality at Work 2.0 ('Vitenser sterk in je werk'), Reliable and affordable drinking water 24/7 and Greater convenience for customers.

### Risk description and impact

Because Vitens' operational management is possibly not as effective and efficient as we would like, decision-making processes are often prolonged and may be perceived as bureaucratic. We often strive to achieve a very high level of quality and tend to adopt a risk-averse attitude even though this may not always be necessary.

We want to work efficiently on the one hand, but on the other hand we also want to be a learning organisation where you are allowed to make mistakes. This can lead to questions among colleagues.

### Risk management

- In 2018, Vitens focused more acutely on the strategic initiatives and prioritised them. Greater management attention was also devoted to the strategic objectives. Our employees were informed of these changes, which were formally documented in a publication called 'Skilfully navigating the rapids together'. We have decided to concentrate on a limited number of initiatives simultaneously. This is more effective and speeds up implementation.
- The SAP transformation is an opportunity for Vitens to decide whether its operating processes are adequately structured. This activity started in 2018 and will be continued in the years to come.
- Vitens is also experimenting with other ways of working. For example, multidisciplinary task forces, pilot projects, Agile and Lean working.
- Vitens' management also looked critically at its leadership performance and working methods in 2018.

### Risk mitigation



In 2018, we reviewed the strategic initiatives for 2019 and narrowed our focus by reducing the number of initiatives. A deliberate choice was made to slow down first in order to accelerate progress in relation to the selected initiatives: skilfully navigating the rapids together.

## Risk 6: employees' health and job satisfaction

### Strategic agenda

Vitality at Work 2.0.

### Risk description and impact

Vitens' employees do not take enough responsibility for achieving and maintaining personal health and happiness. This contributes to a high sickness absenteeism percentage and has an adverse effect on the involvement and commitment of colleagues.

### Risk management

- Vitens organised a health check in 2018. The results show a positive development for Vitens as a whole in comparison to the previous check in 2014. However, there is still room for improvement, particularly in the area of working conditions.
- The results of the health check led to the implementation of two measures. Firstly, we decided to formulate a vision on sustainable employability. Secondly, a list of improvement actions was drawn up for each department based on the results of the health check (and included in the annual planning cycle).

### Risk mitigation



Vitens feels that, on balance, the risk has decreased slightly. This is demonstrated by the results of the health check and a reduction in sickness absenteeism in 2018 relative to the previous year (from 5.3 percent to 4.7 percent). Even so, this risk continues to require extra attention in future years. 'The Right Conversation' is one of the theme elements of the leadership programme (planned for 2019); sustainable employability will be one of the topics within that theme. In addition, we intend to perform a new health check before 2022 in order to determine the extent to which the improvement actions have had the desired effect.

## Risk 7: outsourced work

### Strategic agenda

Reliable and affordable drinking water 24/7.

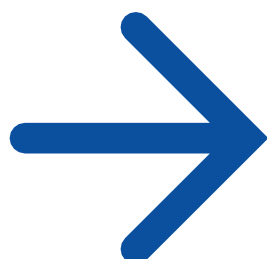
### Risk description and impact

There is a risk that Vitens does not always have sufficient control and grip on work performed by third parties. We have several projects that need to be implemented (as Vitens Design & Construction will tell you), but the contractors are not able to provide adequate personnel. This is a national problem, faced by all network operators, so a national/wide-ranging solution is therefore required. Vitens has adopted a broad-based approach to deal with this risk as it can potentially have an impact on multiple departments. This risk also applies to other clients (not network operators) and other disciplines such as construction, mechanical engineering, electrical engineering and process automation. Here again, tightness on the labour market is one of the main factors contributing to this risk.

### Risk management

- In 2018, we performed an extensive root cause analysis and drew up an overview of the control measures that need to be implemented (including a schedule).
- Targeted action was taken in 2018, both with regard to the availability of technical staff and the shortage of capacity in the contractor market. We have signed contracts with (new) operational contractors for specific sub areas, meaning that better continuity is now assured in those areas.

### Risk mitigation



In our opinion, the risk exposure at the end of 2018 remains practically unchanged relative to the end of 2017. Continuity is better assured in some areas. Vitens has noticed that fewer parties submit bids for project tenders and the bids that are submitted are priced at a higher level: this is a clear indication of a capacity shortage in the contractor market. A plan of action detailing the required control measures has been drawn up and further implementation will take place in 2019.



## Risk 8: contract management

### Strategic agenda

Reliable and affordable drinking water 24/7.

### Risk description and impact

There is a risk that inadequate contract management with regard to large corporate customers and suppliers will result in failure to comply with all the contractually agreed terms and conditions, leading to a potential exposure to financial claims. Internally assessing (the impact of) contractual agreements (beforehand), and clearly documenting and complying with contractual agreements, require good collaboration and a professional attitude/organisation.

### Risk management

- In 2018, Vitens focused on creating uniformity and support by drawing up frameworks. The Purchasing Policy and Supplier Management Policy including tasks, responsibilities and authorities have been communicated throughout the organisation and are now in use.
- The contract management processes have been discussed with the contract managers. The latter are aware of the procedures and the division of roles and responsibilities.
- The contract management process has been updated and included in Vitens' quality manual.
- The purchase department organises a meeting for the buyers and contract managers four times a year in order to discuss bottlenecks and areas requiring improvement in the contract management processes. The processes are then amended as necessary.

### Risk mitigation



Vitens implemented several actions in 2018 to control this risk. As a result, we feel that the risk exposure has reduced further in 2018. The management team has therefore decided to remove this risk from the list of top business risks in 2019.

## Risk 9: physical security of assets

### Strategic agenda

Sufficient availability of clean water resources and Reliable and affordable drinking water 24/7.

### Risk description and impact

There is a risk that inadequate physical security at production facilities could allow deliberate pollution of our drinking water and disrupt delivery and/or drinking water quality (for a prolonged period). Surface asset security is part of our Security programme. The main control measure here is achieving the required level of security, as determined in Vitens' integral security policy. A functional standard for physical security measures to protect Vitens' production facilities has been drawn up based on the policy.

### Risk management

- In 2018, Vitens installed physical site fencing at locations where fencing had not yet been installed. In 2019, we will start the process of bringing the remaining locations up to the desired security baseline level.
- The Security Management System (including the associated organisation) has been specified in detail and approved by the Executive Board. The system will be rolled out in 2019.
- We launched the Secure & Alert campaign to raise security awareness. This campaign encourages employees to report security incidents, wear access passes in a prominently visible place and apply the '10 Golden Rules for Security'. We will continue to implement the plan for systematically raising security awareness in future years.

### Risk mitigation



The risk exposure level decreased in 2018. The external threat remains at the same level. The Security Management System (SMS) is being implemented and actions designed to raise security awareness have been implemented and scheduled. Control measures to bring the production facilities up to the security baseline level were implemented as a matter of priority during 2018. The human factor, i.e. the attitude towards physical security, requires further attention.

# Statement of the Executive Board

The Executive Board is responsible for the design and effectiveness of the internal risk management and control systems. These systems aim to identify and contain the most relevant risks for our organisation. The Executive Board is aware that risk management and control systems neither offer absolute assurance that Vitens' business objectives will be realised, nor can they fully prevent misrepresentations of material importance, financial loss, fraud and violations of legislation and regulations. In consideration of the above, the Executive Board is of the opinion that, in 2018:

- The system for risk management and internal controls for financial reporting provide a reasonable degree of assurance that the financial statements do not contain misrepresentations of material importance. This opinion is partly based on the results of the risk assessment that was updated in 2018, the increased level of maturity of the risk management system and the action taken to further anchor the risk management system in Vitens' line organisation.
- The annual report provides adequate information about the existing deficiencies in terms of the design, existence and operation of the internal risk management and control systems and adequately describes the improvements that are planned for 2019.
- The annual report identifies the material risks and uncertainties that are relevant in the context of the company's continuity for a period of 12 months after preparation of the report, and adequately demonstrates that it has been drawn up on a going-concern basis.



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# Report of the Supervisory Board

## Accountability

As the Supervisory Board, we supervise the Executive Board's actions and give the executive directors solicited and unsolicited advice about the objectives, strategy and policy of Vitens. We also act as the employer of the Executive Board and maintain contacts with internal and external stakeholders. This report provides an account of the way in which we performed our duties and exercised our authorities in 2018.

In 2018, we had to cope with far more extreme weather conditions than in previous years. An extremely severe storm in January 2018 and the prolonged drought in the summer, which lasted several months, had a significant operational impact on Vitens' ability to guarantee delivery of drinking water. The Supervisory Board applauds the way in which Vitens has collaborated with provincial authorities, municipalities, fellow drinking water utilities and VEWIN in order to minimise any adverse effects for customers. The prolonged period of drought has obviously provoked much debate about supply continuity in the long term. The objective of ensuring that customers always have access to an adequate supply of clean drinking water will probably lead to a period of structurally higher investment on the part of Vitens. As the company's Supervisory Board, we will obviously supervise and assess this activity with the greatest care, both in terms of its effectiveness and the financial implications.

## Achievement of the business plan

Each year, Vitens prepares an integral business plan. This plan translates the strategic goals and the continuity objective, the primary mandate, into concrete and measurable operational business objectives. The Supervisory Board has concluded that the quarterly reports contain adequate information for monitoring the progress made in achieving the business objectives. The specific business objectives which Vitens sets itself in the financial year are defined to the greatest possible extent as easily measurable, financial and non-financial performance indicators (KPIs), and course corrections are made as and when required. In the October meeting, the Executive Board presented the integral 2019 business plan and requested the Supervisory Board's approval. This plan is characterised by a higher level of investment than in previous years and will put significant pressure on the organisation due to the SAP transformation. The Supervisory Board has critically assessed the feasibility of this business plan and asked the Executive Board to focus more acutely on monitoring progress in achieving the strategic initiatives. After receiving confirmation from the Executive Board that it will devote adequate management attention to this aspect, the Supervisory Board approved the integral business plan.

## Annual accounts and dividend proposal

In addition to the Executive Board's report, this annual report also includes the annual accounts of Vitens, which have been approved by the Supervisory Board following PwC's unqualified audit report. The Supervisory Board proposes that the General Meeting of Shareholders adopt the 2018 annual accounts as presented and grant discharge to the members of the Executive Board for their implementation of management policy, and to the members of the Supervisory Board for their supervisory activities, as evidenced by the annual accounts and the annual report.

The net result for the 2018 financial year amounted to 13 million euros. The Supervisory Board and Executive Board propose adding an amount of 7.8 million euros to the reserves for the purpose of achieving our solvency objective. Consequently, the amount available for distribution to the shareholders is 5.2 million euros. We propose paying out this amount as dividend over 2018, resulting in a dividend per share of 0.90 euro.

## Composition of the Executive Board and Supervisory Board

We see diversity as one of the preconditions for proper performance of the duties of the Executive Board and the Supervisory Board. Diversity not only relates to expertise and background, it also includes aspects such as gender and age. The gender ratio in the Executive Board is 50-50 and the female contingent of the Supervisory Board equates to 67 percent. This satisfies the legal provision that calls for a balanced gender split (at least 30 percent male and at least 30 percent female), pursuant to the Management and Supervision Act (Wet Bestuur en Toezicht). When filling vacancies on the Supervisory Board and the Executive Board, consideration is given to the importance of a balanced composition. The make-up of the Executive Board did not change during the reporting year. However, there were changes in the Supervisory Board: Mr De Man's second term of office came to an end at the time of the General Meeting of Shareholders in April 2018, and we had to take leave of this committed and collegial member of the Supervisory Board after eight years of service. Ms Setz replaced him on 1 September 2018. The Supervisory Board is strengthened by her expertise in entrepreneurship, business operations, digitisation and customer processes. Additionally, the General Meeting of Shareholders of November 2018 appointed Ms Van Dijk as the sixth member of the Supervisory Board. Her expertise lies in HRM, change management, social relations and social policy. She will take over the responsibilities of Ms Poulussen, who will step down from her position as a member of the Supervisory Board of Vitens after the General Meeting of Shareholders of June 2019. This marks the end of the total period in office of nine years. Vitens has set up an induction programme for new members of the Supervisory Board. The Board Members in question received extensive information about the governance structure, the operational processes and business-specific financial topics such as WACC, the drinking water rates, treasury considerations and supervision. During the Supervisory Board meeting of October 2018, Ms De Groot announced that she would step down from her position as a member of the Supervisory Board of Vitens at the end of her first term in office (November 2019). She considers her new position as Chief Risk Officer at a Dutch bank to be incompatible with membership of a Supervisory Board. The Supervisory Board has initiated a procedure to find her successor. The composition of the Executive Board and Supervisory Board and personal details of all members are presented at the end of this chapter.

## Ability to act independently and conflicts of interest

The Supervisory Board is structured in a way that ensures that the members can operate independently and critically with regard to each other, the Executive Board and any particular interests. This is set out in the Supervisory Board regulations. In the opinion of the Supervisory Board, the requirements relating to independence of action, as specified in best practice provisions 2.1.7 to 2.1.9 inclusive of the Corporate Governance Code, have been satisfied. Other positions held by the members of the Supervisory Board are reported to the Chairman of the board and stated in the annual accounts. None of the members of the Supervisory Board hold a different position that might result in conflicts with their duties as a member of the Supervisory Board of Vitens. None of the members of the Supervisory Board hold more than five supervisory directorships with Dutch companies. In addition, none of the members of the Supervisory Board hold more than five 'demanding' supervisory positions in the sense of the Management and Supervision Act (Wet Bestuur en Toezicht). In 2018, no material transactions took place that involved conflicting interests on the part of the supervisory directors.

## Meetings in 2018

In addition to bilateral meetings and the committee meetings, the Supervisory Board came together for plenary meetings on five occasions during the reporting period. The complete Executive Board was also present at all the meetings. None of the supervisory directors were frequently absent. Messrs Staal and Rameau were unable to attend on two and one occasions respectively. Mr Nanninga, who was offered an internship position via Stichting Blikverruimers, attended all meetings of the Supervisory Board throughout 2018. The quarterly meetings focused on the developments within Vitens. Among other topics, these meetings were used to review the year-to-date and quarterly figures, the investment plan, the budget and the drinking water rates for 2019. The external auditor also attended the meeting in which the consolidated annual accounts were reviewed. In addition to coming together during the meetings, the Board also visited the renovation project at the Goor-Herikerberg production facility.

The Board also had (formal and informal) contact with the first line management of Vitens during the year. Mr Schouten, the Managing Director of Vitens Evides International (VEI), was invited to attend the January board meeting and to present VEI's revised strategy. During the July meeting, the Board approved a number of changes to

the portfolios of the Executive Board members. The Supervisory Board meeting of October was devoted to extensive discussion on the SAP transformation, the level of ambition with regard to strategy implementation and methods for measuring strategy implementation progress. The annual meeting of the Works Council, Executive Board and Supervisory Board focused on the theme of ethics and we all played the ethical dilemma game developed by Vitens. We wish to compliment the Works Council on a well-organised and productive afternoon.

## Committees in 2018

The Supervisory Board has two permanent committees: the Remuneration and Appointments Committee and the Audit Committee. These committees prepare decisions within their individual fields of action for adoption by the Supervisory Board and advise the Supervisory Board accordingly. The topics are discussed in detail during the committee meetings. The most important deliberations and findings of both committees are then presented during the Supervisory Board meeting for further considered decision-making. Decisions are only taken by the complete Supervisory Board.

The Remuneration and Appointments Committee, which consists of Ms Poulussen (chairperson) and Mr Staal, convened on two occasions in 2018. In 2018, the Committee concluded two recruitment and selection procedures for vacancies resulting from the departure of Mr De Man and Ms Poulussen's announcement of her intention to step down. The Committee and the Board also considered the lack of progress in the (sector) collective labour agreement negotiations, the potential impact on the organisation and the importance of carefully considered communication to all parties. In addition, attention was given to the culture within Vitens and the importance of continuing to focus adequately on 'human/employee topics', such as Strategic Staff Planning, succession planning, safety, sickness absenteeism and the organisation's ability to handle change. The Committee was pleased to see that the Executive Board had assigned greater priority to developing and professionalising leadership within Vitens' organisation in 2018. The Committee also requested consideration for the 'soft aspects' of the SAP transformation in 2018. This led to a change in the programme management make-up. Finally, informal consultation took place with the Works Council on a regular basis.

In 2018, the Audit Committee consisted of Ms de Groot (chairperson), Mr Rameau and Mr De Man. Mr De Man was replaced by Ms Setz following his departure. At the beginning of 2018, the Committee decided that both the external and internal auditors should be invited to attend the full meeting. The Committee members came together on three occasions during the reporting year. In addition, the chairperson of the Audit Committee held discussions outside the formal committee meetings with the external auditor, on one occasion, and on two occasions with the internal auditor. In preparation for the meeting of the plenary Supervisory Board, the Audit Committee studied the annual accounts and discussed the auditor's report and the management letter. In addition, the Audit Committee discussed the integral 2019 business plan, the 2019 - 2023 investment plan, the 2018 audit plan, ICT security, the top business risks and the 2019 drinking water rates. The progress made in ongoing major projects was also discussed. Particular attention was given to the SAP transformation programme. Analysis of this project led to scrutiny and strengthening of project governance and the quality assurance role. The Committee will closely monitor the progress of this project in the years to come. During the March meeting, the Committee approved the internal audit function regulations. This also led to a decision, in consultation with the Executive Board, to change the latter function's reporting line. The internal audit function now reports directly to the Executive Board.

The third meeting of the Audit Committee was devoted to ethical practices, compliance, fraud prevention and information security. A draft financial policy document was also discussed during the same meeting. The General Meeting of Shareholders will decide whether or not to adopt this policy in 2019. During the reporting year, the Audit Committee evaluated both the internal audit function and the external auditor.

## Permanent education and self-evaluation

As part of its permanent education programme, the Board received further professional training on the theme of compliance, in specific relation to the Drinking Water Act. In mid-2018, the Board evaluated its own performance. The conclusion is that the Supervisory Board has had a reasonably challenging year due to the arrival of a completely new Executive Board, the departure of Mr De Man and the arrival of Ms Setz and Ms Van Dijk. This required significant extra time and effort on the part of all the board members, especially those on the Remuneration and Appointments Committee. As for the Board's own performance, the members are in general agreement about aspects which the Board handles well and points which can be improved. The Supervisory Board is satisfied with the composition and quality of the Board (and its chairperson), the way in which open and honest discussion takes place, and the usefulness of the preliminary and follow-up discussions. Its roles as a supervisory authority, advisory body and employer are properly assured and conscientiously fulfilled. The feedback given by the Remuneration and Appointments Committee to the complete Board regarding the personal development of the Executive Board members is one area that can be improved. In addition, the Board would like to add more colour and depth to the Supervisory Board's report in the Annual Report. Finally, the Supervisory Board would also like to hear how the Executive Board experiences the interaction between the two bodies; what goes well in their opinion, and what improvements can be made in relation to how the Supervisory Board functions and the collaboration between the Executive Board and the Supervisory Board.

## Shareholders and General Meeting of Shareholders

In addition to the General Meeting of Shareholders as a decision-making body, a Committee of Shareholders was appointed by and at the instigation of the Meeting of Shareholders. The Committee of Shareholders has an advisory function in respect of the General Meeting of Shareholders, the Executive Board and the Supervisory Board. The Committee of Shareholders convened twice in the reporting year. Immediately following on from these meetings, discussion took place between the Committee of Shareholders, the chairperson of the Supervisory Board and all members of the Executive Board. These meetings were used to discuss the 2017 financial statements, financial policy, and the 2019 annual plans. The Committee of Shareholders reported on its activities during the meetings of the shareholders of April and November 2018. A complete list of the members of the Committee of Shareholders can be found at the end of this chapter.

In the General Meeting of Shareholders of 20 April 2018, the discussions focused on the 2017 financial statements, the 2017 annual accounts were approved and adopted and discharge was granted to the Executive Board and the Supervisory Board. In the same meeting, Ms Poulussen and Mr Rameau were reappointed for a period of one and four years respectively. The General Meeting of Shareholders approved the appointment of Ms Setz as a member of the Supervisory Board of Vitens for a period of four years in mid-August, via a written procedure. The November meeting of the General Meeting of Shareholders discussed the annual plan for 2019 and approved and adopted the proposed drinking water rates for 2019. Ms Van Dijk was also appointed as a member of the Supervisory Board of Vitens for a period of four years at this meeting.

## In conclusion

We wish to express our appreciation for the effort and dedication of the Executive Board, company management and all employees in respect of the business operations and the results achieved during 2018. We look forward to the 2019 results with great interest and with every confidence.

Zwolle, 24 April 2019

The Supervisory Board



## Composition of the Supervisory Board

### Mr B. (Boele) Staal (*mr.*), Chairperson (1947)

Dutch nationality

- Appointed as per 16/5/2013, effective to 2017, reappointed to April 2021.
- Former Queen's Commissioner in the province of Utrecht, Member of the Dutch Upper House, Chairperson of the Nederlandse Vereniging van Banken, Member of the Executive Board of the Confederation of Netherlands Industry and Employers (VNO), member of the Social and Economic Council (SER) and the Bankraad.
- Acting King's Commissioner in Overijssel to July 2018.
- Other positions:  
Chairperson of the Supervisory Board of St. Antonius Ziekenhuis Nieuwegein. Chairperson of the Nationaal Comité Nederlandse Veteranendag.  
Chairperson of the Supervisory Board of Revalidatie Centrum Rijndam. Chairperson of industry association Vebon.  
Adviser to the Helen Dowling Instituut.

### Mr C.J. (Kees Jan) Rameau MBA (*ir.*) (1962) - Vice Chairperson

Dutch nationality

- Appointed as per 24/04/2014, effective to 2018, reappointed to April 2022.
- Member (CSGO) of the Executive Board of Eneco Holding N.V.
- Other positions:  
Member of the Executive Board of KVG (Koninklijke Vereniging van Gasfabrikanten in Nederland). Member of the Strategic Advisory Board of TNO Energie.  
Member of the Board of Stichting de Noordzee.  
Member of the Board of Stichting Toekomstbeeld der Techniek.  
Member of the Supervisory Board of Lichtblick (Holding AG). Member of the Board of Energie-Nederland.

### Ms M.C.J. (Maaike) Poulussen (*drs.*) MSM (1962)

Dutch nationality

- Appointed as per 17/6/2010, effective to 2014, reappointed to 1 May 2019.
- Senior Affiliate Advisor @Aberkyn (co-founded by McKinsey & Company).
- Executive Coach & Consultant MaaikPoulussen.com.
- Other positions:  
Member of the Supervisory Board of Sweco Nederland.  
Member of the Supervisory Board of TecqGroep, since January 2019.

### Mr Th.A. (Tom) de Man (*ir.*) (1948) (to April 2018)

Dutch nationality

- Appointed as per 17/6/2010, effective to 2014, reappointed to 2018.
- Other positions:  
Ambassador of Wageningen University.  
Member of the Supervisory Board of Eucord (an NGO involved in agricultural projects in Africa).

### Ms E.A. (Els) de Groot (*drs.*) (1965)

Dutch nationality

- Appointed as per 26/11/2015, effective to November 2019.
- CRO Rabobank.
- Other positions:
  - Member of the Supervisory Board and Chairperson of the Audit Committee, Beter Bed Holding NV (to December 2018).
  - Member of the Supervisory Board of Hardt Global Mobility (to October 2018).

### Ms H. (Henriëtte) Setz MBA (*drs.*) (1968)

Dutch nationality

- Appointed as per August 2018 to August 2022.
- Director of Customer & Operations at Menzis.

### Ms G.M. (Gerda) van Dijk (*prof. dr. ir.*) (1960)

Dutch nationality

- Appointed as per 28/11/2018, effective to November 2022.
- Director of Zijlstra Center for Public Control, Governance & Leadership, VU University Amsterdam.
- Professor of 'Public Leadership', VU University Amsterdam.
- Independent consultant NOSCERE.
- Other positions:
  - Independent Chairman of the 'Review Board' 'Learning through Evaluation Pilot', Ministry of Health, Welfare and Sport
  - Chairperson of the Scientific Advisory Board of NVTZ (Nederlandse Vereniging voor Toezichthouders in de Zorg).
  - Member of the Supervisory Board of Summa College Eindhoven.
  - Vice-chairperson of the Wadden Fund Quality Committee.

## Composition of the Committee of Shareholders

- Mr S. de Rouwe, chairperson (representing the Provincial Authority of Friesland).
- Mr E. Boerman, Vice Chairperson (Representing the Provincial Authority of Overijssel)
- Mr K. Sloots (representing the other shareholders in Overijssel).
- Mr J. Markink (representing the Provincial Authority of Gelderland).
- Mr A. Baars (representing the other shareholders in Gelderland)
- Mr D. Straat (representing the Province of Utrecht).
- Ms A. Klein (representing the Municipality of Utrecht).
- Vacant (representing the other shareholders in Utrecht).
- Mr J. Lodders (representing the Municipality of Almere).

## Members of the Executive Board

### Mr J.J. Hannema (*drs.*) (1961) - Chairperson

- Background:  
Jelle Hannema studied law at the University of Amsterdam until 1985, specialising in Public Administration Law. After obtaining his degree, he joined international consultancy and engineering firm DHV, now Royal HaskoningDHV. At DHV, he held various positions, such as strategic consultant and senior adviser for environment, management and area development. Mr Hannema then became a director at DHV and held various Executive Board positions during the following 10 years. He was involved in many projects during his period of employment at DHV, including the project for rebuilding the Roombeek district in Enschede, after it was devastated by a huge fireworks explosion. He joined Vitens on 1 January 2014, when he accepted the position of Manager Asset Management.
- Tasks and responsibilities within Vitens:  
Jelle Hannema has been Chairperson of Vitens' Executive Board since 1 September 2017. This portfolio includes Extraction & Purification, Network Management & Delivery, Laboratory, Administrative & Legal Support, Business Development, Communication, Human Resources and Vitens Evides International.
- Other positions:  
Member of the Audit Committee and member of the Supervisory Board of Wetsus. Member of the Board of VEWIN.  
Member of the Board of Water for Life.

### Ms M. Bonhof (1974) (*drs.*)- member of the Executive Board

- Background:  
Marike Bonhof studied Public Administration at the University of Twente and Business Economics at Erasmus University. Between 1997 and 2005, she held various positions at the Ministry of Finance before continuing her career with the Municipality of Amsterdam, where she rose through the ranks to become Director of the Land and Development cluster with specific responsibility for Finance and Operations. After leaving Amsterdam to join the Municipality of Utrecht for a while, she returned to the Municipality of Amsterdam in 2015 as Cluster Director of Resources and Control. In this position, she had final responsibility for the Municipality of Amsterdam's finances and controlling activities. She was also responsible for overall purchasing and fulfilling the shareholder role for approximately twenty participating interests, including the Port Authority and Amsterdam's Waste-to-Energy facility (Afvalenergiebedrijf).
- Tasks and responsibilities within Vitens:  
Marike Bonhof has been a member of Vitens' Executive Board since 1 September 2017. Her portfolio includes Asset Management, Design & Construction, Finance & Control, ICT, Customer & Invoicing and Facility Management.
- Other positions:  
Member of the Supervisory Board of Rivas Zorggroep.  
Member of the Supervisory Board of Kunstlinie Almere Flevoland. Member of the Board of NG Infra.

### Mr G. (Gert) van Beek MBA (*ing.*) - Company Secretary

- Other positions:  
Chairperson of Stichting Sociaal Fonds Vitens.  
Chairperson of Kennisnetwerk NIVE for Company Secretaries in semi-public organisations.







# Statement of the Executive Board

The Executive Board of Vitens declares to the best of its knowledge and belief:

- That the 2018 annual accounts provide an accurate picture of the assets, capital and liabilities, the financial position as at 31 December 2018 and the 2018 result of Vitens and the businesses included jointly in the consolidated accounts.
- That the annual report provides an accurate picture of the situation at the balance sheet date of 31 December 2018 and the course of affairs at Vitens during the financial year.
- That the materially important risks to which Vitens is exposed have been identified in the annual report.

Zwolle, 24 April 2019

Jelle Hannema, Chairperson  
Marika Bonhof, Member of  
the Executive Board



# Stakeholder management

## Introduction

Vitens has close social ties. After all, we provide a basic necessity of life. In fulfilling our task as a reliable supplier of water, we are directly dependent on the quality of the soil and the (living) environment. So we take whatever action we can to protect these assets via various channels; we participate in the political and social debate on issues related to water and our drinking water areas. The fact that customers are not at liberty to choose their drinking water supplier means that we feel even more responsible for quality of service and general customer satisfaction.

We closely follow social trends and developments and take them into consideration when making decisions. After all, they directly and indirectly shape the markets in which we are active and influence the strategy and expectations of our stakeholders. We become aware of the importance of some trends or developments because they are directly associated with our area of knowledge and expertise; for example, groundwater quality. However we also face and have to anticipate and act to mitigate broader and more general challenges, such as digitisation, climate change and terrorist threats.

In addition, stakeholders' views and expectations (information which we obtain through stakeholder surveys) relating to service provision, business management or our social role are further factors which require our consideration.

Based on our own analyses and stakeholder surveys, Vitens identified and described the following nine trends, developments and stakeholder expectations in 2017:

1. The quality of drinking water resources is affected by external factors.
2. Customers see a reliable supply of high-quality drinking water as self-evident.
3. Customers expect continuous availability of water and there is an increasing need to protect business operations against (digital) threats.
4. Customers increasingly expect high customer focus. This also entails further digitisation in our interaction with customers.
5. More and more activities, such as geothermal energy harvesting, are being implemented below the surface in order to satisfy social needs. So Vitens must continue to exercise vigilance and protect its drinking water resources in both the short and long term.
6. A strong safety culture is an important element in ensuring employee health.
7. As a public company, we have a duty to prioritise ethical conduct and compliance with legislation and ensure transparency in this area.
8. Consumers increasingly choose to drink tap water as part of a healthy and sustainable lifestyle.
9. Sustainable and circular business management offers opportunities for controlling costs and innovating. Stakeholders also increasingly expect this of us.

These nine trends help us shape our strategy. We either explore these themes further through strategy, or we use them to tailor our communication activities in respect of stakeholders and customers.

# Materiality

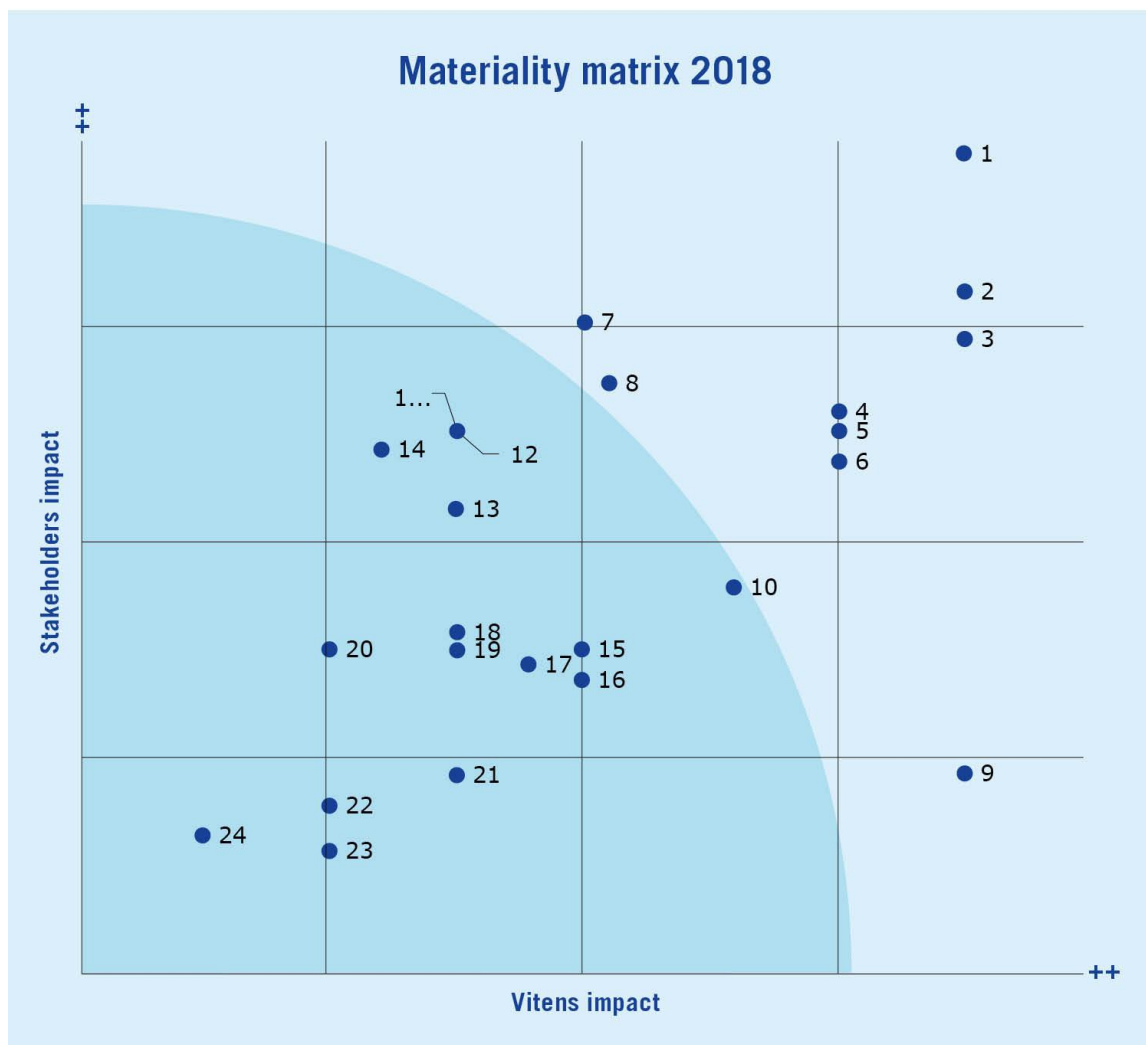
Vitens has prepared its reports in accordance with G4 guidelines for several years. In 2018 (reporting year 2017), Vitens switched to the more recent Global Reporting Initiative (GRI) standards. Materiality is an important element of GRI and application of the GRI standards requires a detailed description of how materiality is determined and the materially important aspects. In this report, we identify the materially important aspects and use information from the materiality analysis to determine the report's depth and scope. The scope for each materially important aspect covers the entities in which Vitens has a controlling interest. We updated the materiality analysis in 2018. This update ensures that the analysis accurately reflects the environment in which we currently work and that the annual report meets the information needs of our (external) stakeholders.

Vitens contracted an external party to provide expertise and support for updating the materiality analysis. This party drew up an exhaustive list of topics based on documentation, social trends and sector-specific trends. A shortlist was then created by using a software matching tool to compare the exhaustive list with relevant trend reports produced by local and central government, and strategy documents produced by Vitens and fellow water utilities. A definition was created for each of these shortlist topics (see the list of definitions for the materially important aspects). The shortlist was then presented in an online survey to a broad cross-section of stakeholders that included government representatives, suppliers, social organisations, lobby groups, expert consultants, private customers, shareholders and fellow water utilities. Our internal stakeholders also completed the same questionnaire. The results of the survey were discussed during a board meeting in which the Executive Directors decided which aspects would appear on the X-axis of the materiality matrix.

One striking difference compared to previous years is the omission of materially important aspects relating to our customers and the safety of our employees. Vitens implements a long-term strategy that prioritises customer satisfaction and the well-being of our employees. In recent years, Vitens has invested a great deal and achieved much in these areas. As of 2018, the strategic focus has shifted to themes associated with guaranteeing the continuity of our water supply capabilities in the short and long term. This change in focus has resulted in a lower internal score for the themes associated with customers and safety.



#	Topic
1	<b>Protection of groundwater resources</b>
2	<b>Drinking water quality</b>
3	<b>Drinking water delivery dependability</b>
4	<b>Dialogue and lobbying</b>
5	<b>Partnerships</b>
6	<b>Innovation</b>
7	<b>Nature management and conservation</b>
8	<b>Material flows</b>
9	<b>Data-driven processes</b>
10	Ethical behaviour
11	Emissions reduction
12	Energy
13	Legislation and regulations
14	Transparency
15	Safe working
16	Speed of response and service provision
17	Occupational health
18	Image of drinking water
19	Involved and committed employees
20	Training, schooling and development
21	Proactive customer contact
22	Financial health
23	Aid for developing countries
24	Affordable drinking water



## Definitions of materially important aspects

**Protection of groundwater resources:** We do everything in our power to keep our groundwater sources clean in order to deliver drinking water of the highest quality. Vitens takes action to keep pollutants out of the supply chain and protects its water resources against the effects of agricultural and drilling activities.

**Drinking water quality:** Obviously, our customers need to be able to depend on a supply of safe drinking water. Vitens goes to great lengths every day to guarantee the quality of the drinking water. As a result, customers can rely on water of impeccable quality.

**Drinking water delivery dependability:** Vitens wants customers to be able to rely on dependable water delivery. This means that they must have access to water 24 hours a day and 7 days a week. Consequently, our objective is to minimise the number of supply interruptions and resolve them as quickly and efficiently as possible with minimum nuisance for our customers.

**Dialogue and lobbying:** Protection of our vulnerable drinking water resources and guaranteeing a low price is only possible if drinking water has a place on the political agenda as a specific and important topic. This is why we are making our voice heard in the Hague, in regional and local politics and in the social debate.

**Partnerships:** Collaboration with strategic partners is important to Vitens. Collaboration helps us to resolve issues such as those associated with protecting our resources. In addition, collaboration is crucial to achieving and accelerating change.

Innovation: Our focus lies on innovation and improvement in order to guarantee our continued ability to deliver clean drinking water in the future. This is why we use programmes such as Effective Asset Management to deploy, manage and maintain our drinking water infrastructure.

Nature management and conservation: Our activities are often performed in nature areas. Protecting these areas is an important task for Vitens. Through nature management and conservation, we create value for society in the form of high-quality recreational areas that are also favourable habitats for plants and animals.

Material flows: This involves sustainable management of all our material flows. These are the materials we require for our processes and the resulting residual material flows.

Data-driven processes: More widespread use of data-driven systems gives us the ability to react faster to supply disruptions and other problems. In some cases, the use of data also helps us optimise our operating processes.

## Dialogue with our stakeholders

Vitens engages in talks with a wide range of stakeholders that have diverse interests. These talks take place at all levels within the organisation and are part of our daily work. The Environmental Management and Communication departments actively interpret stakeholder interests. The Executive Board is directly involved in consultation with stakeholders and public authorities (general meetings of the shareholders and planning consultation at provincial and municipal level), employees, lobby groups, and knowledge institutes such as LTO, VNO-NCW and VEWIN. These discussions focus on our strategy, objectives and future outlook. We regularly investigate whether (and which) stakeholders, organisations or institutions might be an interesting additional dialogue partner for Vitens, based on our materially important aspects and our existing consultation structures. The table below lists the stakeholders with whom we had contact in 2018 and the type of contact. The results of these dialogues are also included in this table. We intend to continue our current dialogue in 2019 and later years, and implement the ensuing plans, ambitions and actions.

Stakeholder	Expectations	2018 Dialogue	Plans for the 2019 Dialogue and future years
Employees.	<ul style="list-style-type: none"> <li>• Safe working environment.</li> <li>• Attractive terms and conditions of employment</li> <li>• Open communication.</li> <li>• Development possibilities.</li> <li>• Pleasant working atmosphere.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous consultation between management and employees and annual performance and appraisal reviews.</li> <li>• Meetings and internal communication (intranet, Vitens' Roundtable, BRON staff magazine, team meetings).</li> <li>• Training courses and schooling.</li> <li>• Safety and personal development.</li> <li>• Co-determination and Central Works Council.</li> <li>• On-the-way-home talks with the Executive Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Permanent focus on safety and the organisation's capacity to learn.</li> <li>• Action to reduce absenteeism.</li> <li>• Long-term employability through DNA project programmes and Strategic Staff Planning.</li> <li>• On-the-way-home talks with the Executive Board.</li> <li>• Discussions on ethical working practices.</li> </ul>

Stakeholder	Expectations	2018 Dialogue	Plans for the 2019 Dialogue and future years
<p>Customers:</p> <ul style="list-style-type: none"> <li>• Households.</li> <li>• Corporate customers.</li> <li>• Customer laboratory</li> <li>• Vulnerable parties, such as hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>• Low cost to society (rates).</li> <li>• Delivery dependability.</li> <li>• High quality drinking water.</li> <li>• Services and knowledge-sharing.</li> <li>• Communication relating to maintenance and faults.</li> <li>• Customer-friendly and service-oriented support.</li> <li>• Fast and adequate complaint handling.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication about drinking water rates, sufferance tax charges and the VAT increase.</li> <li>• Communication via Facebook and Twitter.</li> <li>• Improved communication in relation to supply interruptions via waterstoring.nl (including WhatsApp).</li> <li>• Digital newsletter.</li> <li>• Customer satisfaction panel.</li> <li>• Relationship meetings with business customers.</li> <li>• Communication on Stichting Water for Life.</li> <li>• Meter changes.</li> <li>• Campaigns on softened water, water from local sources and medicinal product residues.</li> <li>• Early warning system and assistance for customers with payment difficulties.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Maintain low drinking water rates.</li> <li>• Improved service via Internet Self-service.</li> <li>• Further development of the customer journey.</li> <li>• Communication on sparing use of water.</li> </ul>
<p>Regional and local government:</p> <ul style="list-style-type: none"> <li>• Shareholders (provincial authorities and municipalities).</li> </ul>	<ul style="list-style-type: none"> <li>• Continuity and delivery dependability.</li> <li>• Solvency.</li> <li>• Long-term and short-term Return On Investment (ROI).</li> <li>• Sustainable regional area development.</li> <li>• Transparent reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with shareholders and the Supervisory Board.</li> <li>• Annual report.</li> <li>• Dividend payment over 2017 and proposed dividend over 2018.</li> <li>• Low costs for the public.</li> <li>• Compliance with legislation and regulations.</li> <li>• Consultation on and/or implementation of financial structures such as sufferance tax and other taxes.</li> <li>• Area development.</li> <li>• Rate setting.</li> <li>• Committee of Shareholders.</li> <li>• VAT increase.</li> <li>• Social developments such as climate extremes, the economic recovery, tightness in the contractor market, the expected increase in drinking water demand and the energy transition.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Working visit involving a number of Provincial Councils to discuss the long-term vision on drinking water supply.</li> <li>• Working visit to high-priority municipalities.</li> <li>• Continued discussion of social developments such as climate extremes, the economic recovery, tightness in the contractor market, the expected increase in drinking water demand and the energy transition.</li> </ul>
<p>Public authorities and companies with which we cooperate:</p> <ul style="list-style-type: none"> <li>• Regulatory authorities (Ministries).</li> <li>• Other government authorities and safety regions.</li> <li>• Regulatory authorities.</li> <li>• Partners in the</li> </ul>	<ul style="list-style-type: none"> <li>• Continuity and delivery dependability.</li> <li>• Spatial planning.</li> <li>• Compliance with legislation and regulations.</li> <li>• Soil protection.</li> <li>• Safety (Fire Service).</li> <li>• Cooperation in creating the infrastructure of the future.</li> <li>• Knowledge exchange and active shaping and implementation of sustainability initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular contact with civil servants and elected officials at European, national, provincial and local level.</li> <li>• Company visits, presentations, local communication.</li> <li>• Contact via industry associations such as VEWIN.</li> <li>• Consultation with municipalities and the competent authorities about water depletion, biodiversity, sustainable area development, water quality, protection of water resources and legislation.</li> <li>• Contribution to formulating the sixth Nitrate Directive Action Programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Cooperating with partners to drive the public campaign on groundwater protection.</li> <li>• Meetings for provincial authorities and municipalities on relevant themes such as implementation of the new Environment and Planning Act.</li> </ul>



Stakeholder	Expectations	2018 Dialogue	Plans for the 2019 Dialogue and future years
the water value chain (utility companies, water boards, infrastructure partners)		<ul style="list-style-type: none"> <li>• Participation in activities organised by municipalities.</li> <li>• Coalition building to defend common interests such as the Soil Coalition with a.s.r. and Rabobank.</li> </ul>	
Suppliers.	<ul style="list-style-type: none"> <li>• Collaboration possibilities.</li> <li>• Business and product development.</li> </ul>	<ul style="list-style-type: none"> <li>• Open and continuous consultation between buyers and suppliers.</li> <li>• Discussions on circularity in tenders (e.g. purchase policy for sustainable materials and raw materials passport).</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> </ul>
Lobby groups.	<ul style="list-style-type: none"> <li>• Compliance with legislation and environmental regulations.</li> <li>• Cooperation opportunities and joint initiatives to protect nature, flora &amp; fauna and a clean habitat.</li> <li>• Exchanging knowledge.</li> <li>• Collaboration in the area of infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular consultation and exchange of ideas for our projects and service provision.</li> <li>• Participation in the 'Statiegeldalliantie'.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Contribute positively to biodiversity.</li> <li>• Set up partnerships to ensure a clean habitat.</li> </ul>
Schools and knowledge institutes: <ul style="list-style-type: none"> <li>• Secondary vocational education, colleges and universities.</li> <li>• Schoolchildren in primary and secondary education.</li> <li>• Kiwa Water Research.</li> <li>• Wetsus.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration.</li> <li>• Knowledge transfer.</li> <li>• Research within the water sector.</li> <li>• Internships and research opportunities.</li> <li>• Training courses and schooling.</li> <li>• Research and development</li> <li>• Inspire schoolchildren.</li> </ul>	<ul style="list-style-type: none"> <li>• Work experience and graduation projects.</li> <li>• Trainee programme.</li> <li>• Collaboration and research with other water utilities and Kiwa Water Research.</li> <li>• Participation in seminars.</li> <li>• Guided tours.</li> <li>• Kraanwaterdag event.</li> <li>• Educational programmes and guest lectures via waterkennis.nl and introduction of the Kraanwaterdag event.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Knowledge, Research and Innovation agenda.</li> <li>• Extension of the 'Tap Water Schools' (Kraanwaterschool) programme to include primary schools.</li> <li>• Sector collaboration to promote water education.</li> </ul>
Media.	<ul style="list-style-type: none"> <li>• Up-to-date information on the company's activities, views and ambitions.</li> <li>• Giving interviews and providing reports.</li> </ul>	<ul style="list-style-type: none"> <li>• National, regional and local media.</li> <li>• Articles in trade magazines.</li> <li>• Meetings and guided tours at company locations.</li> <li>• 'Enough is Enough' campaign against the VAT increase.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the current dialogue.</li> <li>• Stronger position in the debate on soil management, the subsurface domain and the energy transition.</li> </ul>

# Dilemmas

Vitens interfaces with a broad spectrum of stakeholders. Making choices and weighing up the different courses of action as a company and social partner inevitably leads to dilemmas. Which themes required our attention in 2018 and what approaches did we adopt?

## Discussion on increasing the low VAT rate

In 2018, it became clear that the low VAT rate, currently 6 percent, would be increased to 9 percent in 2019. This makes drinking water more expensive. Vitens holds the opinion that drinking water should be taxed as little as possible as it is a basic necessity of life. Furthermore, Vitens believes that the tax burden on tap water is too high. In Vitens' view, this measure is contrary to the government's policy of promoting sustainability and a healthy lifestyle. So Vitens, fellow drinking water utilities and VEWIN placed newspaper adverts and launched debates on social media calling for exemption of tap water from the tax increase.

## Delivery commitment versus extraction permit

The summer of 2018 was very hot and dry. As a result, the demand for water was much higher than normal. In order to maintain an adequate supply of water to all its customers, Vitens was, in some places, forced to exceed the volume of water it was authorised to extract according to the permit. Nevertheless, Vitens chose to prioritise its delivery commitment in these cases. The National Heat Wave Response Plan was in force in the Netherlands and good access to drinking water is essential under those circumstances.

## Disconnection policy

Vitens charges its customers a cost-covering rate. Consequently, if customers fail to pay their bills, other customers have to pay instead. By law (the Regulation on policy for disconnecting small consumers of drinking water), Vitens is authorised to disconnect defaulting water consumers to prevent this situation. We try to avoid this as far as possible. We know better than anyone that tap water is a basic necessity of life. So Vitens has operated a policy of agreeing early warning covenants to help prevent problematic debt with municipalities for many years.










# Connectivity matrix

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	Materially important aspects	Strategic agenda	Risk identified in the risk assessment	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	Result
1	Protection of groundwater resources.	Adequate availability of clean water sources.	Availability of production capacity/(clean) water sources.	We protect our water resources and take steps to increase the information available to us on water quality trends, the available quantity and the demand for water to ensure that we can match supply and demand more effectively in the future.	Qualitative.	N/A	Dutch water consumers can rely on reliable and affordable drinking water, both now and in the future.	SDG 6 6.3 improve water quality by limiting pollution, halve the amount of untreated waste water and increase recycling. 6.6 protect and restore water-based ecosystems to health. SDG 12 12.2 Achieve sustainable management and efficient use of natural resources.	Customers.	N/A
2	Drinking water quality.	Reliable and affordable drinking water 24/7.		We use the right water treatment and research methods.	Water quality index (WQI).	WQI < 0.020.	Vitens' customers can blindly trust in the availability of high-quality drinking water.	SDG 6 6.1 universal and equal access to safe and affordable drinking water for all.	Customers.	<b>✗</b> 0.026



Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	Materially important aspects	Strategic agenda	Risk identified in the risk assessment	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	Result
3	Drinking water delivery dependability.	Reliable and affordable drinking water 24/7.	Availability of production capacity/(clean) water sources.	We invest in maintenance, replacement and security with regard to our production facilities and distribution network.	Below-target delivery minutes (BTDM).	< 14:00 minutes.	Customers can depend on a continuous supply of drinking water.	SDG 6 6.1 universal and equal access to safe and affordable drinking water for all.	Customers.	 19:45 minutes.
4	Dialogue and lobbying.	Adequate availability of clean water sources.	Availability of production capacity/(clean) water sources.	Together with the water sector, regional and local government and the industry Association VEWIN, we actively lobby for adequate protection of surface water and groundwater resources.	Media value (in terms of leadership).	> €0.4 million.	Politicians are aware of the problems associated with groundwater resources and the critical nature of groundwater resources has been well anchored in the legislation and regulations.	SDG 11 11.a promote positive links between rural areas by making national and regional development plans more robust. SDG 17 17.17 encourage public, public-private and community partnerships.	Public authorities (at national/provincial/municipal level). Society. Customers.	 €1.3 million
5	Partnerships.	Adequate availability of clean water sources.	Availability of production capacity/(clean) water sources.	We constantly look for unconventional new win-win partnerships to raise awareness about water and protect our water resources.	Number of partnerships for clean water sources.	≥ 2 partnerships.	Vitens participates in creative collaborations that work to achieve sufficient and clean water sources.	SDG 11 11.a promote positive links between rural areas by making national and regional development plans more robust. SDG 17 17.17 encourage public, public-private and community partnerships.	Cooperation partners and society.	 2 partnerships.

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	Materially important aspects	Strategic agenda	Risk identified in the risk assessment	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	Result
6	Innovation.	Adequate availability of clean water sources. Greater convenience for the customer. Reliable and affordable drinking water 24/7.	Reliability of data and data access. Availability of production capacity/ (clean) water sources. Efficient and effective operational management.	We focus on innovation and improvement, so that we can continue to optimise deployment, maintenance and management of our drinking water infrastructure in the future.	Number of developments resulting from the company-wide innovation process implemented within Vitens' business operations.	≥ 2 developments.	The customers of Vitens can rely fully on continuous delivery of high quality drinking water in combination with tailored service and support.	SDG 9 9.4 modernise infrastructure and adapt industrial activities to make them more sustainable, with a focus on the effective use of raw materials.	Customers and collaborative partners.	✓ 3 developments.
7	Nature management and conservation.	Adequate availability of clean water sources.	Availability of production capacity/ (clean) water sources.	We protect our nature areas to create value for society in the form of high-quality recreational areas, we create habitats for plants and animals and we protect our resources.	Gold-level certification under the Barometer for Sustainable Land Management (Barometer Duurzaam Terreinbeheer).	100%	Vitens creates high-quality recreational areas and habitats for society, plants and animals and protects its resources.	SDG 6 6.6 protect and restore water-based ecosystems to health.	Customers and society.	✓ 100%
8	Material flows.	Adequate availability of clean water sources.		We try to minimise the negative impact of drinking water extraction by putting the by-products to good use and recycling waste.	Percentage of by-product flows put to good use.	100%	The production and supply of drinking water has the smallest possible adverse effect on the environment.	SDG 12 12.5 reduce waste generation through prevention, reduction, recycling and re-use.	Customers. Society. Collaborative partners	⚡ 99.8%

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No .	Materially important aspects	Strategic agenda	Risk identified in the risk assessment	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	Result
9	Data-driven processes.	Reliable and affordable drinking water 24/7. Greater convenience for the customer.	Reliability of data and data access. Cyber security. Efficient and effective operational management. Organisation's capacity to change.	We set up processes to reliably and securely generate, manage and optimise (strategic) data.	Qualitative.	N/A	Vitens can make the right strategic decisions based on complete and reliable data.		Customers.	N/A







# Report of the Works Council

A new Works Council was elected in March. Those who voted were spoiled for choice, as there were 22 candidates for the fifteen seats. The level of interest was high; 846 of the 1,569 employees holding voting rights (54%) did in fact cast a vote. Ten new members were welcomed, five members were elected for a further term. Ensuring a seamless transfer of knowledge and dossiers is one of the most important activities during the first year in office. However, developing a unique vision and determining priorities are also key activities. As is striking a healthy balance between critical assessment and actively contributing ideas. Through its composition, the Works Council is a good representation of all employees and capable of acting effectively to resolve possible conflicts between company interests and employee interests. The important thing here is to listen to the views of as many colleagues as possible. In 2018, attention was paid to team development within the Works Council.

## Sustainable employability

Sustainable employability of employees remains a priority for the Works Council. Our challenge is to ensure continuous investment in the people behind our product. More details are available in the PanORama 2018 - 2021 manifesto. The designated contacts liaise between the Works Council and the employees and managers.

## Dialogue

Listening to each other and building bridges also applies to the relationship between the Executive Board and the Works Council. Listening, an open discussion and mutual respect are descriptions that typify this dialogue. In 2018, the Works Council regularly advised the Executive Board on organisational changes, also in instances not included in the scope of the Works Councils Act. In many cases, this advice was adopted by the Executive Board. The SAP Transformation Programme (converting the current ERP systems to SAP S/4 HANA) was one of the main projects for which the Executive Board requested the opinion of the Works Council.

## Consent

During 2018, discussions focused on a number of topics that required the Works Council's consent. Among other topics, the Works Council granted its consent for formalisation of the prevention officer's role within the organisation, performing a health check, various amendments to the privacy regulations (adding absenteeism registration and training administration) and the HR protocols. The Works Council did not agree to a number of on-call schedules.

## Annual meeting of the Boards and Works Council

At the instigation of the Works Council, a high-level consultation meeting referred to as the 'Radenbijeekkomst' is arranged every year. The Works Council, Supervisory Board and Executive Board discuss current themes during this meeting. On 30 August 2018, the Works Council played the Ethical Dilemma Game together with the Executive Board and Supervisory Board. To discuss and learn from each other. Because, although we all want to work ethically, this cannot yet be taken for granted. There was also regular consultation between the Works Council's day-to-day executive team and the employee representative appointed to the Supervisory Board, Ms M. Poulussen. The Works Council looked for a successor to Ms Poulussen during the latter part of the year, in close collaboration with the Supervisory Board. That successor has now been found and Ms Gerda van Dijk was appointed by the General Meeting of Shareholders as a new member of the Supervisory Board. We expect to continue our excellent collaboration with the Executive Board and the Supervisory Board in 2019.

## Composition of the Works Council

Hans Teunisse - Chairperson

Stef van Beusekom - Vice Chairperson

Bas de Gier - member of the

executive team Jenny Schreuder -

secretary in office Bas van Harten

Ronald Haverkamp

Marlies Hillebrand

Marieke Hoekstra

Hasret Karaca

Raymond Klein

Gunnewiek Carolien

Koopman Massius

Linnebank

Reijer Roelofsen

John Saelmans

Carlie Verhoef

Marvin van Wijnen







# About this report

## Scope

We provide an account of our financial and strategic performance in our annual report. Each year is characterised by significant development and we always attempt to improve on the previous year's performance and further optimise our data and systems. Vitens exclusively publishes the annual report online. Since 2015, it has been possible to download the annual report as a printer-friendly and environmentally friendly PDF. This file does not contain any photographs; only text and important graphs and infographics in black and white.

The reporting period for the 2018 annual report runs from 01 January 2018 to 31 December 2018. After approval by the auditor, the report was sent to the shareholders and published on 12 June 2019.

Please refer to the explanatory notes to the consolidated annual accounts for details of our financial performance (see [Consolidated annual accounts](#)). In respect of our non-financial performance, Vitens reports on the entities in which it has a controlling interest. These are Vitens NV, Watermanagement B.V. and Industriewater B.V.. The report also touches on a number of initiatives that are related to Vitens' involvement and additional explanations are provided as an explanatory note. Vitens Evides International (VEI) produces its own annual report, which is therefore not consolidated in these annual accounts. No significant acquisitions or disinvestments were made in 2018.

The definitions and reporting principles remain unchanged relative to the previous year, unless stated otherwise in the explanatory notes. Wherever possible, we compare quantitative information with comparative figures from previous years. Most Key Performance Indicators (KPIs) are discussed every quarter with the departments involved and subsequently reported to the Executive Board. The data relates to Vitens' own performance and not to that of our customers and partners in the value chain. Wherever possible, we have expressed information in terms of financial and non-financial data in this integrated report.

Each year, we have a greater level of confidence in the accuracy of the reported data. Even so, although we apply internal and external assurance, we acknowledge that we cannot guarantee one hundred percent accuracy. We have tried as far as possible to eliminate the uncertainties associated with qualitative research or with quantitative calculations. The feedback provided by our auditor helps us to become more proficient at reporting non-financial information each year.



# Reporting criteria for non-financial information

Since 2017, Vitens has reported in accordance with the new GRI Sustainability Reporting Standards (hereinafter: GRI standards). The GRI standards are the most widely accepted guidelines worldwide for preparing non-financial annual reports. The sustainability information in the 2018 annual report has been presented based on the Core option of the GRI standards and internal reporting criteria.

In accordance with the requirements of the GRI standards, a materiality analysis has been used to determine the content of the report. Materiality is an important element of GRI and application of the GRI standards requires a detailed description of how materiality is determined and the materially important aspects. In 2018, Vitens decided to update the materiality analysis. This update ensures that the analysis accurately reflects the environment in which Vitens currently operates and that the annual report meets the information needs of (external) stakeholders.

This annual report contains both qualitative and quantitative information. Where possible, the quantitative information has been taken from systems operated by Vitens to which all internal control measures apply. The Finance & Control department is responsible for collecting and validating this non-financial data. The qualitative information is gathered selectively based on the main themes identified in Vitens' strategy. The information on these subjects is provided and substantiated by the responsible managers within the organisation.

## Terms and reporting definitions

This overview provides a simplified explanation of the (industry-specific) terms that are used in this annual report.

Number of reported incidents: the number of reported incidents includes unforeseen, unintended and sudden events or series of events that have, or might have, resulted in injury or illness and/or damage to (loss of) materials/equipment or the company's reputation.

Number of developments from the company-wide innovation process implemented within Vitens' business operations: the number of developments (products or services) generated by the company-wide innovation process that were implemented in (one of) the core departments of Vitens in 2018.

Number of partnerships for clean water sources: the number of partnerships entered into in 2018 for the purpose of realising Vitens' 'Coordinated action on behalf of People and their Living Environment' strategy.

Number of ILT reports: the annual number of potentially avoidable incidents reported to the Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT) involving water quality limit infringements.

Valve: point in the main pipeline or transport pipeline that is used to depressurise sections of the pipeline for monitoring activities or repair work. Monitoring involves inspecting the inside of the pipe for iron and manganese deposits. Small sections of the pipe are flushed through for this purpose and the flushing water checked. If significant deposits are detected, the pipeline is fully flushed.

Valve policy: policy based on weighing up performance, costs and risks to determine the most optimal maintenance plan for each valve (frequency and year of maintenance per valve).

Gold-level certification under the Barometer for Sustainable Land Management: a valid certificate for land management according to the Barometer Duurzaam Terreinbeheer, gold-level.

CO<sub>2</sub>: carbon dioxide. This gas is largely generated by the combustion of fossil fuels such as natural gas and coal and is one of the factors that magnify the greenhouse effect. We report in accordance with the Greenhouse Gas Protocol (GHG Protocol) for emissions reporting. Scope 2 emissions (for the energy we purchase) are completely green and covered by renewable energy certificates.

Committee of Shareholders: this committee has an advisory function in respect of the General Meeting of Shareholders, the Executive Board and the Supervisory Board.

Corporate governance: the relationships between the Executive Board, the Supervisory Board and the General Meeting of Shareholders. The basic principles of Corporate Governance are good entrepreneurial practice (the ethical nature and transparency of the Executive Board's actions) and good supervision (including accountability for supervision).

Data-driven organisation: organisation that is controlled using business-critical data, to support fast and smart decision making.

(Drinking water/groundwater) resources: groundwater resources which are used for drinking water extraction.

Global Reporting Initiative (GRI): global organisation that produces guidelines for sustainability reporting.

Innovation and research agenda: an agenda based on innovation and research activities that we use to help us achieve our strategic goals.

Intelligent water supply system: equipping a water distribution network with sensors to allow online gathering of qualitative and quantitative data in relation to the water supply.

Leakage losses: loss of drinking water through functional impairment of the pipes and production facilities (technical), or through errors in water consumption registration (administrative).

Lost Time Injury Frequency (LTIF): the number of accidents resulting in more than one day of absenteeism from work multiplied by one million and divided by the number of hours worked.

m<sup>3</sup>: one cubic metre (1000 litres) of water. The average water consumption per standard customer is approximately one hundred and ten cubic metres per year.

Material flows: materials that we require for our processes and the resulting residual material flows.

Materiality: the degree to which internal and external stakeholders find a subject or theme relevant.

Media value in terms of Leadership: the total publicity value of news releases in which Vitens expresses its opinion, both solicited and unsolicited, on topics or situations that do not relate to Vitens' business operations. Leadership is understood to mean that Vitens expresses its opinion on a general topic or a specific situation which does not relate to Vitens' business operations.

Not invoiced (NI): water that has been delivered but not invoiced to an end-user, due to a pipe breakage for example. We also call this an economic leakage loss.

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Below-target Delivery Minutes (BTDM): the number of minutes on average during which a resident in our supply area has been cut off from the water supply during the past year.

Softening: partial removal of the lime naturally present in water during the treatment and purification process.

Control over our Natural Resources programme: this programme focuses on setting up control methods to ensure more effective safeguarding of our water extraction areas. The future viability of our water extraction areas has been assessed for this programme.

SAP-transformation: new SAP systems (SAP S/4HANA) that help implement Vitens' strategy by directly contributing to achievement of the strategic goals relating to reliable and affordable drinking water 24/7, Vitality at Work and Greater convenience for customers. The programme has a positive effect on most strategic business risks. The objectives include supporting efficient business processes, providing integrated information about assets and our customers, providing real-time information to allow immediate response and creating a modern user experience.

Stakeholders: individuals and groups that have a stake in Vitens in one way or another. For example, employees, shareholders, customers, providers of finance, suppliers and (local) government authorities.

Fault: temporary loss of drinking water supply due to a fault in the distribution network or at a production facility, or a process automation problem.

Water Quality Index (WQI): this index shows the extent to which water complies with statutory standards as determined in the Drinking Water Act.

Water extraction sites: areas where groundwater is extracted (from river banks) in order to produce drinking water.

(Water) extraction well: a well where groundwater is extracted from below the surface (of river banks) using a pump.

% of the total residual materials put to good use and total tonnage: the amount of residual materials in kilogrammes/tonnes that can be reused as a raw material, additive, or secondary building material (residues that are not incinerated or disposed of as a landfill).

Residual materials are the substances that are directly generated when purifying and softening drinking water (HumVi, lime pellets and ferric oxide/hydroxide in solid and liquid form). The entries for waste and residual material flows are not related to each other. The residual materials generated by Vitens are fully reused and documented in a separate accounting system.

Extraction sites: areas where groundwater is extracted in order to produce drinking water.



# GRI index

## GRI Content Index - In accordance with the GRI standards: Core option

GRI Code	Indicator	Explanation	Reference (chapter)
GRI 102: General disclosures			
1. Organisation profile			
102-1	Name of the organisation.	Vitens' profile.	Who we are
102-2	Main brands, products and/or services.	Vitens' profile.	Who we are
102-3	Location of the organisation's headquarters.	Oude Veerweg 1, 8019 BE Zwolle.	
102-4	Number of countries where the organisation is active.	Vitens' profile.	Who we are
102-5	Ownership structure and legal status.	Corporate governance.	Governance
102-6	Markets.	<p>Corporate governance</p> <ul style="list-style-type: none"> <li>i Vitens supplies drinking water to all the municipalities in the provinces of Friesland, Gelderland, Overijssel, Utrecht (except Vianen) and Flevoland. In addition, Vitens supplies water in the municipalities of Hilversum and Wijdmeren (Loosdrecht, Breukeleveen), Bodegraven-Reeuwijk (Bodegraven), Nieuwkoop, Giessenlanden (Arkel), Meppel (Nijeveen) and the municipality of Westerveld (Havelte, Darp, Havelterberg, Uffelte, Diever, Wapserveen, Vledder, Frederiksoord, Nijensleek, Wilhelminaoord, Vledderveen DR, Doldersum, Boschoord, Zorgvlied, Wateren);</li> <li>i Sectors that we serve; all sectors in our supply area</li> <li>i Types of customers and beneficiaries: private and business customers in our supply area.</li> </ul>	Who we are and Governance
102-7	Size of the reporting organisation.	Vitens' profile, table of key metrics and financial results.	Who we are, key metrics and financial results
102-8	Workforce composition.	These figures relate to Vitens employees and not to supervised workers, such as self-employed workers, student interns or people in work-experience positions. We cannot report these metrics because they were not measured. The data relating to Vitens employees was registered in SAP HR.	Our people
102-9	Description of the organisation's supply chain.	Value creation model.	Our value creation model

GRI Code	Indicator	Explanation	Reference (chapter)
102-10	Significant changes during the reporting period.	No significant changes occurred in terms of the organisation's size, structure, ownership or supply chain.	Scope
102-11	Explanation of the application of the precautionary principle by the reporting organisation.	Vitens applies the precautionary principle in relation to its non-financial risks. These risks and their management are described in the risk management section.	Risk management
102-12	Externally developed economic, environment-related and social charters, principles that are endorsed by the organisation.	Global Reporting Initiative; ISO standards for safety, quality, environment, risk management; Duurzaam Terreinbeheer quality label (sustainable land management certification), GMP+.	Nature management and conservation, About this report, and Risk management
102-13	Membership of associations (such as sector associations) and national and international lobby groups.	Sector association: VEWIN, WWb. Knowledge institutes/associations: Kiwa Water Research, Wetsus, Maatschappelijk Verantwoord Ondernemen Nederland, Next Generation Infrastructure.	Websites of the relevant associations and Vitens.nl
2. Strategy			
102-14	Statement by the highest person/body in the organisation with decision-making authority.	Foreword.	Foreword
3. Ethics and integrity			
102-16	Description of the organisation's values, principles, standards and behavioural norms, such as a code of conduct.	Corporate governance and risk management.	Governance and Risk management
4. Governance structure			
102-18	The organisation's governance structure.	Corporate governance.	Who we are, Risk management and Governance
5. Consultation with stakeholders			
102-40	List of stakeholder groups.	Stakeholder dialogue overview.	Stakeholder dialogue overview
102-41	Employees subject to a collective labour agreement.		Stakeholders and our role in the value chain
102-42	Basic principles for identifying and selecting stakeholders.	The stakeholders are selected based on an assessment of mutual interest between the stakeholders and Vitens.	Stakeholder management
102-43	The way in which stakeholder engagement is obtained.	The stakeholder dialogue overview indicates the way in which the stakeholders are involved. The frequency of contact varies depending on the group or dialogue structure and is stated in the table where relevant. A separate engagement process was used to prepare the annual accounts.	Stakeholder dialogue overview

GRI Code	Indicator	Explanation	Reference (chapter)
102-44	The main aspects and issues that have emerged from the consultation with stakeholders.	Stakeholder dialogue overview.	Stakeholder dialogue overview
6. Report profile			
102-45	Overview of all companies included in the consolidated annual accounts and which do not fall within the scope of this report.	Recording and scope.	Scope (about this report)
102-46	Process for determining the content and the specific boundaries of the report and the principles that apply in this area.	Materiality matrix.	Materiality (stakeholder management)
102-47	Materially important aspects identified during the process for determining the content of the report.	In the case of materially important aspects for which the available GRI KPIs are considered insufficient, we have referred to our own KPI. These KPIs are generally reported each quarter and used for management purposes.	Stakeholder management
102-48	The consequences of possibly reformulating information that has been provided in an earlier report and the reasons for reformulating that information.	A new strategic focus was launched in 2018, and the stakeholder needs were reassessed. As a result, other materiality indicators were selected.	The world around us and Stakeholder management
102-49	Significant changes in scope and boundaries compared to previous reporting periods.	2018 is the first year of our new 3-year strategy. The stakeholder needs have been reassessed, leading to a shift in focus. As a result, the materially important aspects have changed relative to the 2017 reporting year. However, there are no significant changes in respect of the organisation.	What we do: Strategy 2018-2020, Dialogue with our stakeholders, About this report and Materiality
102-50	Reporting period to which the published information relates.	This report relates to the period from 1 January 2018 to 31 December 2018.	About this report
102-51	Date of the most recent previous report.	2017 annual report, published in April 2018.	About this report
102-52	Reporting cycle.	Annually.	About this report
102-53	Contact details for questions about the report or its contents.	communicatie@vitens.nl.	About this report
102-54	GRI application level.	CORE application level. We have added separate 'MORE' reports.	Reporting criteria for non-financial information
102-55	GRI Content Index.	CORE application level.	Reporting criteria for non-financial information
102-56	Policy relating to assurance.	Corporate governance, scope and reporting criteria for non-financial information.	About this report, Risk management and Governance
GRI 103: Management approach			



GRI Code	Indicator	Explanation	Reference (chapter)
103-1/2/3	Management approach.	The materially important aspects are explained in About this report. The management approach is explained in the introductory text on delivering high-quality drinking water, stakeholders and our role in the value chain, and future-proofing the organisation.	Stakeholder management

#### Materially important indicators reported by Vitens in accordance with GRI

##### Nature management and conservation

DMA		Our way of working: Management approach in relation to materially important aspects.	Supplying high-quality drinking water (introduction)
304-1	Locations in nature areas.		Nature management and conservation
303-2	Areas affected by water extraction.		Protection of groundwater resources.
304-3	Protected or restored areas or habitats.	We protect our groundwater resources and take action to keep the soil healthy and preserve a healthy ecosystem.	Protection of groundwater resources.
SDG 15	Life on land.	We use the biodiversity yardstick and report on biodiversity in our nature areas.	Nature management and conservation

#### Materially important indicators which Vitens reports and which either partially overlap GRI aspects, or are not included in GRI

##### Protection of groundwater resources

DMA		Our way of working: Management approach in relation to materially important aspects.	Supplying high-quality drinking water (introduction)
In-house KPI	No KPI defined.	Because 2018 was a transition year, we have not yet formulated a suitable KPI for measuring and managing performance in this area. We have, however, taken action in several areas to protect our resources and make them cleaner. We will report on this based on a KPI in the 2019 annual report.	Protection of groundwater resources.

##### Drinking water quality

DMA		Our way of working: Management approach in relation to materially important aspects.	Supplying high-quality drinking water (introduction)
In-house KPI	Water quality index (WQI).	The GRI indicators do not include an indicator which reflects the quality target in an effective manner. GRI indicators 301, 302, 305 and 301-3 focus on environmental effects and not on quality. GRI indicators 417-1 and 417-2 focus on the provision of information relating to products and therefore do not allow us to describe the aspect in terms of content or quality. The WQI is an externally defined monitoring method which can be used appropriately under the Drinking Water Act and is therefore an excellent indicator for this goal.	Drinking water quality

Drinking water delivery dependability			
GRI Code	Indicator	Explanation	Reference (chapter)
DMA		Our way of working: Management approach in relation to materially important aspects.	Supplying high-quality drinking water (introduction)
In-house KPI	Below-target delivery minutes (BTDM).	The GRI indicators do not include an indicator which reflects the quality target in an effective manner. GRI indicators 301, 302, 305 and 301-3 focus on environmental effects and not on quality. GRI indicators 417-1 and 417-2 focus on the provision of information relating to products and therefore do not allow us to describe the aspect in terms of content or quality. BTDM is an externally defined monitoring method which can be used appropriately under the Drinking Water Act and therefore an excellent indicator for this goal. In order to provide adequate transparency in respect of this indicator, we have also chosen a KPI which allows us to state the most negative/undesirable situation for the organisation.	Drinking water delivery dependability
SDG 6	Clean water and sanitation.		Supplying high-quality drinking water
Dialogue and lobbying			
DMA		Our way of working: Management approach in relation to materially important aspects.	Stakeholders and our role in the value chain (introduction)
In-house KPI	Media value in terms of Leadership.	The GRI has no indicators at this level which provide an adequate qualitative and quantitative measure of the degree to which Vitens raises the political and social importance of drinking water to a higher level. We have decided to measure this performance via an indicator which indicates how often and the manner in which our name and activities are profiled by the media in the area of leadership.	Dialogue and lobbying
Partnerships			
DMA		Our way of working: Management approach in relation to materially important aspects.	Stakeholders and our role in the value chain (introduction)
In-house KPI	Number of partnerships for clean water sources.	Vitens collaborates with partners and customers to ensure a clean living environment and preserve clean water sources. Vitens uses this KPI to assess the number of collaboration partners that focus on preserving and creating favourable conditions for clean water sources.	Partnerships
SDG 17	Partnerships to achieve objectives.		Partnerships
Innovation			
DMA		Our way of working: Management approach in relation to materially important aspects.	Future-proof organisation (introduction)

GRI Code	Indicator	Explanation	Reference (chapter)
In-house KPI	Number of developments resulting from the company-wide innovation process implemented within Vitens' business operations.	The number of developments resulting from the innovation process indicates the extent to which Vitens engages in innovative projects for smarter control and better information about our processes, so that we can work more sustainably and efficiently and provide better service to our customers.	Innovation
SDG 9	Industry, innovation and infrastructure.		Innovation
Material flows			
DMA		Our way of working: Management approach in relation to materially important aspects.	Supplying high-quality drinking water (introduction)
In-house KPI	Percentage of by-product flows put to good use.	Vitens aims to do business sustainably and in a circular manner and therefore strives to fully reuse or find a second life for the substances we take from nature, or give them back to nature. In other words: Vitens uses the KPI to measure its success in achieving a 100 percent efficient usage of our residual material flows.	Material flows
SDG 12	Responsible consumption and production	Vitens aims to reduce waste generation through prevention, reduction, recycling and re-use.	Material flows
Data-driven processes			
DMA		Our way of working: Management approach in relation to materially important aspects.	Future-proof organisation (introduction)
In-house KPI	No KPI defined.	In 2018, Vitens started to implement a new automated system to ensure that our drinking water supply is automated and data-driven to the greatest possible extent, and streamline and standardise our processes within a single system. This will allow us to implement innovations quickly and in a data-driven manner in the future.	Data-driven processes.
SDG 9	Industry, innovation and infrastructure.		Data-driven processes.
Non-material indicators reported by Vitens in accordance with GRI.			
About our employees			
DMA		Our way of working: Management approach in relation to materially important aspects.	Stakeholders and our role in the value chain (introduction)
403-2	Type and number of accidents.	The annual report only reports the LTIF, sickness absence and, in the event of their occurrence, work-related fatalities in relation to Vitens' employees in the Netherlands. We measure the ODR, LDR and AR indicators, but do not report them. You can request this information from us. Because our work is carried out in the Netherlands, reporting statistics in relation to accidents which take place in other countries	Our people, text on safe working

GRI Code	Indicator	Explanation	Reference (chapter)
		is not relevant. We do not state the LTIF for subcontractors in the annual report. This issue is however discussed with management. Gender is not taken into account when reporting the LTIF in order to avoid discrimination.	
405-1	Diversity	Composition of the workforce by gender and type of employment contract (indefinite/fixed-term, full-time/part-time).	Our people (visuals)
Economic performance			
201-1	Economic contribution.		Financial results (key metrics)
Energy			
302-1	Energy consumption.	Value creation model.	Our value creation model





# Financial results

## Key metrics

		2018	2017	2016	2015	2014
<b>Customer</b>						
Number of connections as at 31 December (x 1000)	quantity	2,596	2,571	2,550	2,531	2,497
<b>Average drinking water price per m3, small consumers</b>	€	0.96	1.04	1.04	1.09	1.09
Consumption per small consumer connection	m3	112	109	110	110	109
<b>Staff</b>						
Number of people in permanent employment as at 31 December	quantity	1,392	1,378	1,399	1,383	1,403
<b>Company results</b>						
Turnover	€ millions	361.0	385.8	384.3	390.7	388.9
Drinking water turnover	€ millions	322.9	351.5	349.4	356.9	353.8
Trading result before depreciation and amortisation (Ebitda)	€ millions	135.9	172.0	176.2	186.1	180.7
Trading result (Ebit)	€ millions	45.3	82.0	82.7	93.3	77.6
Result to be distributed to shareholders of Vitens N.V.	€ millions	13.0	47.7	48.5	55.4	42.1
Profit margin	%	3.6	12.4	12.6	14.2	10.8
Interest coverage	ratio	4.2	5.1	5.1	4.9	5.1
<b>Equity capital</b>						
Equity capital	€ millions	533.0	533.7	489.1	471.7	421.2
Total capital	€ millions	1,766.5	1,728.1	1,738.3	1,714.4	1,713.7
Total interest-bearing liabilities	€ millions	936.0	920.4	976.7	992.6	1,027.6
Investments	€ millions	122.0	103.1	100.1	102.3	106.8
Solvency	%	30.2	30.9	28.1	27.5	24.6
Weighted Average Cost of Capital (WACC)	%	2.6	4.7	4.8	5.1	4.6
<b>Tangible fixed assets per connection</b>						
Tangible fixed assets per connection	€	658	654	656	661	666
<b>Costs per connection 1</b>						
Operational costs	€	-	76	74	74	72
Taxes	€	-	5	3	3	2
Depreciation and amortisation	€	-	35	36	36	40
Borrowing costs	€	-	13	14	14	15
Result	€	-	19	19	19	15
Cost of capital	€	-	31	33	33	30
Total costs	€	-	147	146	146	144
<b>Non-financial</b>						
Production and purchase, exclusive of bulk	m3 millions	376.6	359.8	357.7	352.1	346.2
Deliveries to customers	m3 millions	353.0	336.1	336.7	330	325.1
Not invoiced (NI)	%	6.3	6.6	5.9	6.3	6.1
Number of active production facilities	quantity	93	93	93	96	96

1. Calculated in accordance with VEWIN benchmark definitions. Benchmark information for 2018 becomes available in September 2019.

# Explanatory notes to the results

## Financial policy

Our financial policy, which was adopted by the Meeting of Shareholders of 24 November 2016, complies with legislation and regulations, serves the best interests of our customers and shareholders and sets challenging but realistic targets for Vitens. Continuity is a primary focus in our financial policy.

## Continuity

The continuity objective has been expressed as follows: the solvency target has been defined as an equity capital of at least 30% of the balance sheet total and the amount of interest-bearing debt must be equal to or less than that of the previous year.

## Rates

Vitens strives to offer low drinking water rates without compromising the business continuity objective. The guiding principle here is a trading result (EBIT) that is budgeted annually based on the maximum permitted WACC (*Weighted Average Cost of Capital*).

## Dividend

Vitens wants to pay its shareholders a reasonable return on their invested capital:

- The dividend is related to the net result.
- The amount of dividend paid out amounts to a minimum of 40% and a maximum of 75% of the net result. The relevant factor here is the mandatory addition to the reserves in order to guarantee the company's continuity (for investments in fixed assets or for strengthening solvency).
- Each year, a dividend proposal that complies with the above rules is submitted to the Supervisory Board for approval and to the General Meeting of Shareholders for final adoption. This dividend proposal is structured in line with the company's specific financial situation.

As a result of the 2019 annual planning process, which identified a need for increasing investment in future years in order to guarantee our ability to supply drinking water 24/7 now and in the future, our current financial policy has also been reassessed. The proposed changes have been discussed with the Supervisory Board and the Committee of Shareholders. Final adoption of any changes will take place during the course of 2019.

## Compliance

Increasing regulation is being introduced into the drinking water sector in line with public demand for transparency. Transparency relates to openness, accountability and accessibility.

The Drinking Water Act, which came into effect in 2011, lays down extensive financial frameworks for controlling rates and solvency. For example, a maximum limit applies to the cost of capital that can be charged to customers by the drinking water utilities (rate control) and a maximum has been set for the permissible percentage of equity capital in the total capital (solvency). Every two years, before 1 November, the government sets the levels that will apply for both financial frameworks for the following two calendar years. For 2018 and 2019, the weighted average cost of capital has been set at 3.4% (2016 and 2017: 4.2%) and the maximum permissible solvency at 70%. In 2018, the actual weighted average cost of capital for Vitens was lower than the established standard. At the end of 2018, solvency was 30.2% (2017: 30.9%).

Rate transparency is a further aspect of rate control. Vitens submitted the 2017 Operating Report in 2018. In addition, at the end of 2018, Vitens submitted the justification for the 2019 rates to the relevant regulatory authorities: the Inspectorate for Habitat and Transport (ILT) and the Authority for Consumers and Markets (ACM). This justification provides further details of the cost price model which clarifies cost allocation and the underlying products and services.

In December 2018, the Minister informed the Lower House of his positive assessment of the 2017 company reports and the procedure used to set the drinking water tariffs for 2018; an important milestone for Vitens and the drinking water sector. Vitens is confident that this will also apply to the rates in 2019.

The drinking water companies created a voluntary benchmark in 1997 at the instigation of the water sector association, VEWIN. This benchmark compares the performance of the drinking water companies in the area of the environment, water quality, service provision and finance. The new Drinking Water Act calls for mandatory implementation of this type of performance comparison every three years. The mandatory benchmark for 2019 will be published in 2020. The (voluntary) benchmark information published in 2018 related to the year 2017. This comparison shows that Vitens, at €147 per connection (sector average: €176), offers the best value for money of all the drinking water utilities in the Netherlands. Furthermore, Vitens has led in the area of operating costs for several years, reporting €76 per connection in 2017 (sector average: €101).

As per 1 January 2016, Vitens is liable to pay corporation tax, compared to the previous situation in which public companies were only liable to pay corporation tax under exceptional circumstances. Based on this legislation, public limited companies such as Vitens are considered to use their entire capital in order to run a business.

At the end of 2016, VEWIN signed a settlement agreement with the Dutch Tax and Customs Administration regarding the way in which the basic criteria relating to public companies that are liable to pay corporation tax apply to the drinking water sector. In 2018, Vitens engaged in discussions with the Dutch Tax and Customs Administration regarding specific implementation of this obligation to pay corporation tax and the first return for 2016 was submitted. The effective tax burden for 2018 was agreed at zero.



## Rates

As a result of a permanent focus on optimising our internal processes and exploiting synergies and economies of scale, Vitens has succeeded in maintaining its drinking water rates at the same level during a number of years and even managed to reduce them further in 2018. Based on the 2019 - 2021 plan, Vitens has reduced its standing charge rates for 2019 and increased its consumption-related rates for 2019. This means that the annual bill will not increase for an average household that consumes 100 m<sup>3</sup> of water. Based on these changes, we expect Vitens to comply with the maximum weighted average cost of capital (WACC) target for 2019 (3.4%).

## Investments

During 2018, investments were realised for an amount of €122.0 million (2017: €103.1 million), excluding third-party contributions. Significant projects that were completed in 2018 included the Wierden Production Facility/Dennenkamp extraction field, the renovation of the Nijverdal extraction field and the capacity increase in Noardburgum. In addition, the End Of Life (EOL) control automation process was completed at a large number of locations. In 2018, Vitens invested significant amounts in the water supply network. Several primary pipes and branch pipes were reconditioned and extensive new infrastructure, which included many new connections, was built in response to strong economic growth. The investments in reconstruction projects and revised pipe routing due to work being performed by municipalities (or other public authorities) were significant.

The level of investment in 2019 is expected to exceed that of 2018. In 2019, Vitens intends to invest significant amounts in the water supply network. Vitens will purchase water from Waterleiding Maatschappij Drenthe (WMD): this will require investment in a transport pipeline. In addition, Vitens will carry out combined renovation work that involves simultaneous replacement of gas and drinking water pipelines together with other network operators. The construction projects in 2019 include the new Sijmons production facility, renovation of the Weerseloseweg/Enschede production facility, a new run-off water treatment plant at the Amersfoortseweg extraction field and new underground service water storage tanks in Putten. The project for replacing the filter arrays at the Engelse Werk production facility will continue in 2019.

In 2018 Vitens, repaid an amount of €69.5 million against existing loans and arranged new loans for an amount of €75 million. The negative current account balance increased by €9.8 million to €46.8 million (2017): €37.0 million). The total interest-bearing liabilities (liquid assets, subordinated loans, outstanding loans and current interest-bearing liabilities) increased by €15.3 million in 2018 to €935.7 million (2017: €920.4 million).

## Treasury

At the end of 2018, Vitens had a loan portfolio worth €851.1 million (2017: €833.1 million). This figure excludes subordinated loans. Interest rate swaps (financial instruments) were used for normal trading operations in order to avoid interest rate exposure risks resulting from (major) fluctuations in the interest rate on the variable loan portfolio. These instruments are not used for speculative or trading purposes.

# Consolidated results

Vitens lowered its rates in 2018 and the operating costs increased, as a result of which the result after tax was €34.7 million lower than in 2017, at €13.0 million (2017: €47.7 million).

The price paid by customers (consumers) for drinking water in 2018 reduced relative to 2017 (€0.63 per m<sup>3</sup> and a standing charge of €45). The taxation rates for tap water increased slightly in 2018. A number of municipalities levied sufferance tax on underground pipes. Vitens passes this levy on to its customers in the municipalities in question.

As a publicly owned organisation, Vitens is expected to contribute to reducing social costs. Our unique position as a drinking water utility with a natural monopoly is automatically associated with a moral duty to spend our customers' money and the money invested by public shareholders in a responsible manner.

## Turnover

Overall water consumption in 2018 (353.0 million m<sup>3</sup>) increased significantly compared to 2017 (336.1 million m<sup>3</sup>), mainly due to a hot and dry summer. The average consumption per small-consumer connection increased to 112 m<sup>3</sup> (2017: 109 m<sup>3</sup>). The revenues from drinking water were €28.6 million lower at €322.9 million (2017: €351.5 million), mainly due to the rate reduction.

Delivery to the network during 2018 amounted to 376.6 million m<sup>3</sup> (2017: 359.8 million m<sup>3</sup>). As a result, the provisional 'Not Invoiced' percentage (NI) is 6.3%, which is lower than the final NI percentage for 2017 (6.6%).

The turnover for other items in 2018 increased by €3.8 million to €38.1 million (2017: €34.3 million).

## Operating costs

The total operating costs increased by €11.9 million relative to 2018 to €315.7 million (2017: €303.8 million). This was mainly caused by an increase in the costs of subcontracted work and the costs of hiring temporary staff from third parties amounting to €9.8 million, an increase of €1.8 million in the price of raw materials and additives and an increase in taxation amounting to €2.1 million. On the other hand, staff costs fell by €3.8 million.

## Depreciation and amortisation

Depreciation in 2018 increased to €90.6 million (2017: €90.0 million). In addition to normal depreciation, Vitens also reported €0.5 million for (positive) fair value changes (2017: €0.8 million negative) and disinvestments amounting to €1.2 million (2017: zero). The fair value changes (€0.5 million) reflect a revaluation of the office buildings. The disinvestments (€1.2 million) mainly related to write-downs on production buildings, offices, pipelines and other fixed assets.

## Trading result

The trading result for 2018 amounts to €45.3 million (2017: €82.0 million).

## Financial income and expenses

The financial income and expenses balance reduced in 2018 to €32.6 million (2017: €34.2 million). This was due to the low market interest rate and the decline in average interest-bearing liabilities in 2018. Vitens took out new loans to an amount of €75 million in 2018. The interest rates for 74% (2017: 75%) of the loan capital are fixed for several years. This stabilises the borrowing costs over time and reduces the effect of fluctuations in the market interest rate.

## Result to be distributed to shareholders

The net result for distribution to the shareholders of Vitens in 2018 amounted to €13.0 million (2017: €47.7 million).

## Equity capital

The equity capital reduced in 2018 by €0.7 million to €533.0 million. This decrease is the result of the dividend for financial year 2017, which was paid out in 2017 (-/- €19.1 million). On the other hand, the equity capital increased due to the addition of the 2018 result (€13.0 million) and an increase in the hedging reserve as a result of a positive development in the value of the derivatives (€5.5 million).

The hedging reserve for unrealised adjustments to the fair value of financial instruments as a result of applying 'cash flow hedge accounting' increased in 2018, due to a slightly lower market interest rate, by €5.5 million to a negative value of €76.5 million in 2018 (2017: €82.0 million).

The solvency (equity capital) as at 31 December 2018 was 30.2% (2017: 30.9%) and therefore higher than the target of 30% as formulated in the financial policy.

After adoption of the proposed appropriation of profit for 2018, an amount of €7.8 million will be added to the reserves and dividend on ordinary shares amounting to €5.2 million will be paid out, subject to discussion and adoption of the dividend resolution by the General Meeting of Shareholders.

## Cash flow and financing

The cash flow from operations of €122.4 million (2017: €166.4 million) was more than adequate for financing the investment activities (including third-party contributions), which amounted to €119.6 million (2017: €92.0 million). In 2018, an amount of €69.5 million was repaid against existing loans (2017: €45.0 million) and Vitens took out new loans to an amount of €75 million. The current account balance increased by €9.8 million to €46.8 million at the end of 2018. On balance, the interest-bearing debt (including liquid assets) increased by €15.3 million in 2018 to €935.7 million as at 31 December 2018.

# Consolidated annual accounts

## Consolidated balance sheet as at 31 December

### Assets

	In millions of euros		31/12/2018		31/12/2017
	Fixed assets				
[1]	Intangible fixed assets	4.0		-	
[2]	Tangible fixed assets	1,708.7		1,682.1	
	Associate companies and joint ventures				
[3]		5.6		5.4	
[4]	Other financial assets	0.5		1.5	
			1,718.8		1,689.0
	Current assets				
[5]	Trade debtors and other receivables	47.2		39.1	
	Liquid assets	0.3		0.1	
[6]	Fixed assets held for sale	0.2		-	
			47.7		39.2
	Total assets		1,766.5		1,728.2



## Equity and liabilities

	In millions of euros		31/12/2018		31/12/2017
[7]	Equity capital				
	Shareholders' capital	5.8		5.8	
	Share premium reserve	147.2		147.2	
	Hedging reserve	-76.5		-82.0	
	Other reserves	443.6		415.0	
	Result for the financial year	13.0		47.7	
			533.0		533.7
	Liabilities				
	Long-term liabilities				
[8]	Equalisation account - contributions received from third parties	86.2		73.0	
[9]	Subordinated loans	25.2		37.8	
[10]	Long-term loans	794.8		776.1	
[11]	Derivatives	75.6		82.0	
[12]	Provisions for employee remuneration	2.8		4.2	
[13]	Other provisions	4.5		2.7	
			989.1		975.8
[14]	Current liabilities				
	Trade creditors and other payables	144.0		130.1	
	Tax liabilities	15.7		13.9	
	Interest-bearing liabilities	47.1		37.1	
	Short-term employee remuneration	30.9		30.4	
	Accrued expenses and deferred income	6.7		7.2	
			244.4		218.7
	Total liabilities		1,766.5		1,728.2

Notes in the left-hand margin of tables relate to the explanatory note to the consolidated balance sheet and following.

# Consolidated profit and loss account and summary of the total result

## Consolidated profit and loss account

	In millions of euros		2018		2017
[16]	Drinking water turnover	322.9		351.5	
[17]	Other turnover	38.1		34.3	
	Total operating income from ongoing operating activities		361.0		385.8
	Operating costs				
[18]	Work contracted out and temporary staff	43.1		33.3	
	Groundwater taxes and levies	5.2		5.1	
[19]	Other costs	96.1		90.9	
[20]	Staff costs	80.7		84.5	
[21]	Depreciation, fair value changes and impairment of tangible and intangible fixed assets	90.6		90.0	
	Total operating costs		315.7		303.8
	Trading result		45.3		82.0
[22]	Financial expenses	-32.6		-34.2	
[23]	Share in the result of associate companies and joint ventures	0.2		0.1	
			-32.4		-34.1
	Result before tax		12.9		47.9
[24]	Taxations		0.1		-0.2
	Result after tax		13.0		47.7
	Of which:				
	Result to be distributed to shareholders of Vitens		13.0		47.7

## Consolidated summary of the total result

In millions of euros	2018	2017
Result after tax	13.0	47.7
Change in interest-rate derivatives offering effective coverage	5.5	16.3
Total result	18.5	64.0
Of which:		
Result to be distributed to shareholders of Vitens	18.5	64.0

We do not expect future changes in interest-rate derivatives offering effective coverage to be reclassified and reported in the profit and loss account.

Notes in the left-hand margin of tables relate to the [explanatory note to the consolidated profit and loss account sheet](#) and following.

# Consolidated cash flow statement

	In millions of euros		2018	2017
	Result after tax		13.0	47.7
	Adjustments for:			
[22]	Financial expenses	32.6		34.2
[21]	Depreciation, fair value changes and impairment of tangible fixed assets	89.3		89.5
[8]	Equalisation account amortisation - contributions received from third parties	-2.7		-2.3
[8]	Receipts, equalisation account - contributions received from third parties	15.9		13.5
[12.13]	Addition to provisions	7.4		1.0
[4]	Other changes in financial fixed assets	-0.2		-0.1
			142.3	135.8
	Changes in working capital:			
[6]	Trade debtors and other receivables	-8.1		11.8
	Trade creditors, accrued expenses and deferred income	9.9		9.1
			1.8	20.9
[12.13]	Withdrawals from provisions		-2.0	-3.0
[25]	Cash flow from operating activities		155.1	201.4
	Interest paid		-32.7	-35.0
	Cash flow from operating activities		122.4	166.4
[1,2,22]	Investments in tangible and intangible fixed assets	-120.6		-101.8
[2.21]	Disinvestments	1.2		3.0
[6]	Change in assets available for sale	-0.2		6.8
	Cash flow from investment activities		-119.6	-92.0
[10]	Long-term loans drawn down	75.0		-
[10]	Repayment against long-term loans	-57.0		-32.4
[9]	Repayment against subordinated loans	-12.5		-12.6
[4]	Repayments received against loans	1.0		1.3
[7]	Dividend payment	-19.1		-19.4
[25]	Cash flow from financing activities		-12.6	-63.1
	Net cash flow		-9.8	11.3
	Liquid assets and interest-bearing liabilities as at 01 January		-37.0	-48.3
	Liquid assets and interest-bearing liabilities as at 31 December		-46.8	-37.0
	Change in liquid assets and interest-bearing liabilities		-9.8	11.3



# Consolidated statement of changes in equity capital

In millions of euros	Share capital	Share premium reserve, ordinary capital	Hedging reserve 1	Other reserves 1	Result for the financial year	Equity capital attributable to shareholders of Vitens
As at 01 January 2017	5.8	147.2	-98.3	385.9	48.5	489.1
Result for financial year 2017	-	-	-	-	47.7	47.7
Other comprehensive income in 2017	-	-	16.3	-	-	16.3
<b>Total result in 2017</b>	-	-	16.3	-	47.7	64.0
Appropriation of 2016 result	-	-	-	48.5	-48.5	-
Dividend payment on ordinary shares	-	-	-	-19.4	-	-19.4
As at 31 December 2017	5.8	147.2	-82.0	415.0	47.7	533.7
Result for financial year 2018	-	-	-	-	13.0	13.0
Other comprehensive income in 2018	-	-	5.5	-	-	5.5
<b>Total result in 2018</b>	-	-	5.5	-	13.0	18.5
Appropriation of 2017 result	-	-	-	47.7	-47.7	-
Dividend payment on ordinary shares	-	-	-	-19.1	-	-19.1
As at 31 December 2018	5.8	147.2	-76.5	443.6	13.0	533.0

1. The balance of the hedging reserve and the other reserves is freely distributable.

# Explanatory Notes to the Consolidated Annual Accounts

## General

Vitens is a public limited company that is registered in Zwolle (Chamber of Commerce 050.69.5 81), with its office at the following address: Oude Veerweg 1, 8019 BE Zwolle. The shares in the company are owned by municipalities and provincial authorities in its supply area. The main activities of Vitens are pumping up and purifying groundwater and subsequent distribution of service water as drinking water. These 2018 annual accounts were signed on 24 April 2019 by the Executive Board and the Supervisory Board. The Supervisory Board will present the annual accounts for the purpose of adoption to the General Meeting of Shareholders on 12 June 2019.

## IFRS

The Annual Accounts of Vitens have been drawn up based on the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). IFRS includes both the IFRS standards and the International Accounting Standards, which are issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards as issued by the International Financial Reporting Interpretations Committee (IFRIC), or the Standing Interpretations Committee (SIC).

The main principles for valuation and result determination as used when drawing up the consolidated annual accounts are described in the following sections. The historical cost convention applies. In deviation from this, certain assets and liabilities, mainly company-owned housing, offices, fixed assets held for sale and derivatives have been valued at their fair value. Unless stated otherwise, these valuation principles have been consistently used for all financial years that are included in these annual accounts. The annual accounts are presented in millions of euros (operational currency that is also used for reporting purposes) and rounded to the nearest whole number.

## New and/or amended IFRS standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued new standards and interpretations in 2018 and made changes to existing standards. A number of these apply to Vitens, specifically IFRS 9, IFRS 15 and IFRS 16.

IFRS 9 and IFRS 15 are effective for financial years starting after 1 January 2018 and have therefore been used when drawing up these consolidated annual accounts. The new IFRS 16 standard will be applied with effect from 1 January 2019. The standards and interpretations referred to above may have an impact on the consolidated annual accounts of Vitens. The (expected) impact of the new standards is as follows:

## IFRS 9

In July 2014, the IASB published the complete version of IFRS 9 'Financial Instruments'. This final version brings together the different parts of the IASB project to replace IAS 39. This includes recognition and measurement, impairment and possible hedge accounting in relation to financial instruments. These mainly replace the basic elements of IAS 39. IFRS 9 is applicable from 1 January 2018.

For Vitens, IFRS 9 mainly leads to changes in the accounting policies for (other) financial assets and recognition of the provision for trade debtors and other receivables. For Vitens, this means that the financial assets are valued at the (amortised) cost price. The amended standard does not change how financial liabilities are recognised and handled.

The financial assets are classified as assets that, after initial recognition, are valued based on the entity's business model for managing the financial assets, and the characteristics of the contractual cash flows associated with the financial asset, at:

- amortised cost price;
- fair value including recognition of value changes in the other parts of the total result, or;
- fair value including recognition of value changes as profit or loss.

The expected credit losses for trade debtors and other receivables are based on historical data that Vitens has built up over time. Future economic developments, which may have an impact on Vitens' trade debtors and other receivables, have also been taken into account.

Vitens used cash flow hedge accounting during the 2018 financial year. The introduction of IFRS 9 has no financial impact on the recognition of cash flow hedges during 2018. However, in 2018, Vitens revised its hedging documentation and adapted it to the standards of IFRS 9.

The impact of IFRS 9 on Vitens means that Vitens' hedging documentation has been revised and the principles relating to the provision for trade debtors and other receivables have been revised. As a result, the percentages used for provisions have changed in 2018 compared to 2017. The financial impact on the result and equity in 2018 is < €0.1 million.

## IFRS 15

IFRS 15 replaces the IAS 11 'Construction Contracts' and IAS 18 'Revenue Recognition' standards as at 1 January 2018. In essence, IFRS 15 means that contracts with customers are broken down according to the products/services that are to be delivered. Recognition of the associated entitlements and commitments and revenue recognition are derived from the transaction prices determined for those products/services.

The underlying principle of IFRS 15 is that revenues should be recognised based on the transfer of goods and services to customers. The amount must reflect the fee that the supplier believes it is entitled to in return for supplying the agreed goods and services. IFRS 15 specifies five steps for this:

1. identify the contract;
2. identify the individual delivery obligations;
3. determine the transaction price;
4. allocate the transaction price to the delivery obligations;
5. recognise the revenue when the delivery obligation has been fulfilled.

Vitens' revenues are based on the supply obligations in the contract with the customer. The revenue is recognised when control over a product or service is transferred. Vitens has prospectively applied the new IFRS 15 standard from the 2018 financial year.

IFRS 15 is associated with extensive disclosure requirements, including segmentation of revenues from contracts with customers. Vitens has chosen to use the same segmentation as in previous years, specifically:

- turnover from delivering goods and services related to the core activities of Vitens;
- other turnover that is not directly related to the core activities of Vitens.

This initial application of IFRS 15 has no impact for Vitens.

#### IFRS 16

The IASB published the new standard for leases on 13 January 2016. In 2018, Vitens started to review the impact of introducing IFRS 16. This review has progressed to the stage where Vitens now has a clear idea of how to implement it organisationally and in relation to systems.

Vitens will implement IFRS 16 as of 1 January 2019 based on a *modified retrospective approach*. This means that, from 1 January 2019, the difference in the way financial lease and operational lease are recognised in the accounts will not apply in relation to existing lease contracts under which Vitens is the lessee. New lease contracts will be treated according to IFRS 16 from 1 January 2019.

The consequence for Vitens as the lessee is that the entitlements and commitments relating to operational lease contracts will be recognised in the balance sheet. The main principle is that Vitens has a right to use the leased or rented object. With the exception of low-value assets (value of the asset is less than \$5,000) and short-lease assets (lease term is less than 12 months) which are recognised directly in the profit and loss account.

The following principles are used to determine the present discounted value of the asset:

- Contractual term of the leased item exceeds 1 year;
- The value of the leased item if greater than \$5,000;
- The discounted rate of return used to calculate the present value of the lease commitment is the 2018 WACC percentage (3.4%), with the exception of the vehicle fleet. In the latter case, the percentages stated by the lease company are used;
- Service and maintenance costs are not considered when calculating the present discounted value of the lease commitment.



As a result, at the time of introduction, there was an initial balance sheet increase and a shift effect between depreciation costs and the lease costs, resulting in a shift in the profit and loss account from operating costs to depreciation and financial expenses. In 2019, as a result of the introduction of IFRS 16, Vitens expects a €14.2 million impact on the balance sheet in respect of recognisable assets for which it has a right of use. The expected impact on the 2019 result/equity is €0.2 million negative as a result of the shift from operating costs (€4.4 million) to depreciation (€4.3 million) and interest charges (€0.3 million). In the case of the 2019 cash flow statement, IFRS 16 will lead to an increase in the operational cash flow of approximately €4.0 million and a reduction in the financing cash flow of approximately €3.8 million.

The preliminary financial impact of IFRS 16 on Vitens is estimated as follows:

In millions of euros	Liability (OBS items)	Present discounted value (right of use assets)	Short-lease assets (< 1 year)	Low-value assets	Depreciation (2019)	Interest (2019)
Vehicle fleet	11.9	7.4	-	-	2.5	0.1
Buildings	7.0	5.4	0.6	-	1.7	0.2
Other	2.4	1.4	-	0.5	0.1	-
Total	21.3	14.2	0.6	0.5	4.3	0.3

The difference between the liability mentioned above (OBS items) and note [15] Off-balance sheet liabilities is attributable to the fact that price indexation is not taken into account in the above table.

## Principles used for consolidation

The consolidated annual accounts present the financial information for Vitens and the group companies in which Vitens exercises direct or indirect influence on business and financial policy. The assets, liabilities and results of these group companies are fully accounted for in the consolidated accounts. In cases where the holding in the consolidated company amounts to less than 100%, a third-party share is included in the equity capital and in the result. The results of the group companies that were acquired or sold during the year are included in the consolidated profit and loss account from the date of joining the group, respectively up to the date of sale. The same principles as those that apply to Vitens are used to determine the balance sheet and result of the group companies. The same financial year is also used. Interests in associate companies and joint ventures are not included in the consolidation.

Intercompany transactions, balance sheet entries and unrealised profits on transactions between group companies have been eliminated.

## Comparison with the previous financial year

The valuation principles and method for determining the result are unchanged compared to the previous financial year. The comparative figures for financial year 2017 have been adjusted in one respect in the annual accounts.

In 2018, the potential compensation payable for drought damage in extraction areas around a number of production facilities was reclassified in the annual accounts. This provision was treated as a current liability up to and including financial year 2017.

The provision has been split into a long-term and current component for financial year 2018. This presentation more closely matches the time required to process the individual dossiers. The long-term component is shown under other provisions and the current component under trade creditors and other payables. The comparative figures for financial year 2017 have been adjusted accordingly.

## Valuation principles and method for determining the result

### Intangible fixed assets

The intangible fixed assets are categorised as follows:

- software, development costs and licences;
- work in progress.

The investments in software, development costs and licences during the financial year have been valued at the purchase price. The acquisition price is understood to be the purchase price, which is either the manufacturing price, or valuation at fair value in the case of companies that have been acquired. The cost price of intangible assets made by the company consists of the direct costs of manufacture and supplements for indirect production costs. The costs of intangible assets made by the company are recognised on the balance sheet as assets in the development phase and the costs relating to the research phase are recognised in the profit and loss account.

Intangible fixed assets are depreciated based on the straight-line method, taking into account the expected service life, if the service life can be determined. An intangible asset is not depreciated if a service life cannot be determined for it. An impairment assessment will be made each year for intangible fixed assets without a specified service life and which have not yet been put into operation. Depreciation starts from the time when the asset in question is put into operation.

The service lives of intangible assets are as follows:

- software, development costs and licences 3 - 5 years;
- work in progress is not depreciated;

### Tangible fixed assets

The tangible fixed assets are categorised as follows:

- production buildings, outbuildings and equipment on sites and land;
- office buildings;
- company-owned housing;
- plant and machinery;
- pipes;
- other fixtures, fittings, tools and equipment;
- work in progress;
- raw materials and process additives (stocks).

Company buildings and grounds, plant and machinery, pipes and other fixtures, fittings, tools and equipment are valued at the purchase price or manufacturing price. When first-time adoption of IFRS was implemented (2006), the assets were valued based on fair value. This fair value was assumed at the '*deemed cost*', subject to annual depreciation.

Office buildings are valued according to the fair value method as specified in IAS 16.31. Corrections for a lower fair value of the office buildings are initially deducted from a positive revaluation reserve and any remaining excess is accounted for as a direct expense via the profit and loss account.

Adjustments resulting in a higher valuation of the office buildings are accounted for as an income item via the profit and loss account insofar as they apply to devaluations that have been applied in previous years; any remaining adjustment to the valuation is accounted for via a revaluation reserve. The office buildings are periodically valued.

Company-owned housing comprises residential properties situated in the water extraction areas of Vitens and let at market rental rates to (former) Vitens employees. Vitens handles these properties as tangible fixed assets in accordance with IAS 16, values them at their fair value and recognises any changes in equity capital (revaluation reserve). The fair value is based on the value in accordance with the Valuation of Immovable Property Act (WOZ) and other factors. A revaluation reserve is accrued for unrealised changes in value.

Investments made during the financial year are valued at the acquisition price less any subsidies and other contributions that have been obtained. The acquisition price is understood to be the purchase price, which is either the manufacturing price, or valuation at fair value in the case of companies that have been acquired. The cost price of assets made by the company consists of the direct costs of manufacture and supplements for indirect production costs.

Tangible fixed assets are depreciated based on the straight-line method, taking into account the expected service life of the different components that make up the asset in question. Depreciation starts from the time when the asset in question is put into operation.

The other plant and machinery also contain filter materials, membranes and water meters.

The useful lives of the items in the different asset categories are as follows:

- production buildings 40 years, outbuildings and equipment in the grounds 15 years, the grounds themselves (land) are not depreciated;
- office buildings and company-owned housing 40 years;
- production facilities, civil engineering 40 years, electrical engineering and mechanical engineering 15 years;
- other plant and machinery 5 - 15 years;
- pipes: main pipes 50 years and connection pipes 33 1/3 years;
- other fixtures, fittings, tools and equipment 3 - 5 years;
- work in progress is not depreciated;
- raw materials and process additives (stocks) are not depreciated.

The expected useful life, residual value and depreciation methods are assessed each year and amended if necessary. Profit or loss at the time of sale is determined based on the proceeds and the valid carrying amount on that date.

Borrowing costs are allocated to projects under construction in accordance with IAS 23. Borrowing costs are allocated to projects that started after 1 January 2009 with an expected completion time exceeding 12 months and an expected investment amount of more than €1 million. The borrowing costs are allocated based on the weighted average interest rate that applies to the interest-bearing loans (2018: 3.50%; 2017: 3.50%).

Stocks are valued at historic cost (or the realisable value if lower), subject to deduction of a provision for obsolescence.

## Impairment of fixed assets

If circumstances require, analysis takes place to determine whether impairment of tangible fixed assets is required. If there are indications for this, an estimate is made of the realisable value of these assets. In the case of assets, the realisable value is the higher of two valuations: the fair value minus sales costs, or the going-concern value. The going-concern value is determined based on the present discounted value of the estimated future cash flows.

The impairment loss is accounted for as an expense in the profit and loss account and specified in note [21] relating to depreciation. After processing an impairment loss, the annual amount of depreciation is amended in line with the revised carrying amount minus the residual value.

If the impairment amount exceeds the carrying amount for the asset, consideration must be given to creating a liabilities-based provision.

## Associate companies and joint ventures

Associate companies are entities where Vitens, either directly or indirectly, exercises influence on the financial and operational policies but does not have a final say when taking decisions. In general, this applies in cases where Vitens can exercise voting rights of between 20% and 50%. Associate companies are valued at cost price at the time of acquisition (which is the fair value) and, from that time on, changes in the value of the associate companies are accounted for directly in the profit and loss account (equity method).

Joint ventures are contracts where Vitens, together with one or more parties, performs activities subject to joint control of all the parties. Investments in associate companies on which Vitens exercises significant influence, and interests in joint ventures, are valued according to the equity method. The carrying value of the associate company or of the joint venture includes the goodwill that was paid at the time of acquisition and the share of Vitens in the changes in the equity capital of the associate companies, or joint venture, after the date of acquisition.

## Other financial assets

The other financial assets relate to loans that have been issued and receivables that have been valued at the amortised cost price minus any impairment losses.

## Derivatives

Derivatives (financial instruments) are used during normal trading operations to limit interest rate exposure risks. The objective of this form of control is to limit the effect that changes in interest rates have on the results. Interest-rate derivatives are used to manage the loan portfolio based on the desired risk profile and are not used for speculative or trading purposes. These interest rate derivatives are valued at fair value from the time when the contract is entered into (*trade date*). The fair value is determined based on developments in the market interest rate and the defined interest rate for the underlying derivative. Changes in the fair value of derivatives are recognised in the profit and loss account as standard. The interest-rate derivatives that have been contractually agreed are referred to as hedge instruments.



Vitens applies the following valuation hierarchy:

- level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities;
- level 2: other methods where all variables have a significant effect on the recognised fair value, and are directly or indirectly observable;
- level 3: methods where variables are used that have a significant effect on the fair value measurement, but which are not based on observable market information.

The derivatives are valued according to the level 2 method in the valuation hierarchy: i.e. variables that have a significant effect on the fair value measurement are directly or indirectly observable. Vitens applies a net present discounted value calculation that takes credit risk into account. The following are relevant variables that apply to the valuation of derivatives: (i) present discounted values of interest payments; and (ii) forecast yield curves.

The use of interest-rate derivatives results in a fixed *cash outflow*. Vitens pays a fixed interest rate on the derivative, whereas the short-term interest paid on rollover loans is paid from the short-term interest receipts on the derivative. A hedge is considered to be effective from the start and during the term of the hedge relationship. Changes in the cash flows for the hedged item are expected to be almost completely covered by changes in the cash flows from the hedge instrument. If this is the case, the fluctuations in the fair value of the derivatives are accounted for as debit/credit transactions against the hedging reserve (equity capital). This is known as hedge accounting. If the derivative no longer qualifies as a hedge instrument, the fluctuations in the fair value are accounted for as debit/credit transactions in the profit and loss account.

## Impairment of financial fixed assets

In the case of financial instruments, the company determines whether there are objective indications for impairment of a financial asset or group of financial assets as at the date of each balance sheet. If objective reasons for impairment exist, the company determines the degree of impairment loss and accounts for this loss directly in the profit and loss account.

In the case of financial assets that are valued at amortised cost price, the degree of impairment is calculated as the difference between the carrying amount of the assets and the best possible estimate of the future cash flows, expressed as the discounted value using the effective interest rate for the financial assets as determined when the instrument was first recognised. The impairment loss that was recorded for this must be corrected if the reduction in impairment is associated with an objective event after writing-down. The recovery is limited to no more than the amount that would be required to value the asset at the amortised cost price at the time of recovery, if no value impairment had been involved. The correction made to the loss is recognised in the profit and loss account.

## Valuations at fair value

Vitens applies the following valuation hierarchy for determining the fair value:

- level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities;
- level 2: other methods where all variables have a significant effect on the recognised fair value, and are directly or indirectly observable;
- level 3: methods where variables are used that have a significant effect on the fair value measurement, but which are not based on observable market information.

The table below details the financial assets and liabilities that are valued at fair value. For an explanation of office buildings and company-owned housing that are valued at fair value, please refer to the explanatory note on the accounting principles for 'tangible fixed assets'. For an explanation relating to derivatives that are valued at fair value, please refer to the accounting principles for 'Derivatives'.

Valuations at fair value as at 31/12/2018	Level 1	Level 2	Level 3	Total
In millions of euros				
Assets				
Office buildings.	-	17.5	-	17.5
Company-owned housing	-	-	5.3	5.3
Total assets	-	17.5	5.3	22.8
Equity and liabilities				
Derivatives	-	76.5	-	76.5
Total liabilities	-	76.5	-	76.5

Valuations at fair value as at 31/12/2017	Level 1	Level 2	Level 3	Total
In millions of euros				
Assets				
Office buildings.	-	17.9	-	17.9
Company-owned housing	-	-	5.1	5.1
Total assets	-	17.9	5.1	23.0
Equity and liabilities				
Derivatives	-	82.0	-	82.0
Total liabilities	-	82.0	-	82.0

## Trade debtors and other receivables

Trade debtors and other receivables are valued at amortised cost price subject to deduction of a value correction for possible bad debts. Netting and presentation of trade debtors and other receivables, and advances from water consumers are based on billing groups: a customer grouping based on time-staggered submission of meter readings for determining the billable water consumption. Trade debtors and other receivables are no longer included when payment has been received, or bad debt has been established.

## Fixed assets held for sale

Fixed assets that are held for sale, and liabilities associated with those assets, are shown separately on the balance sheet. Assets are classed as such if Vitens has committed to selling the assets in question, the sales process has been initiated and the asset is expected to be sold within one year. These assets are no longer depreciated and they are devalued to their fair value minus the expected sales costs if this value is less than the carrying value.

## Liquid assets

The liquid assets item relates to bank credit balances and cash in hand and is valued at fair value, which is equivalent to the nominal value. Debts owed to banks are accounted for under interest-bearing liabilities.

## Equalisation account - contributions received from third parties

The equalisation account for contributions received from third parties is valued in accordance with IFRS 15 as the amount received from third parties when laying connection pipes minus amortisation. Equalisation account amortisation takes place over a period of 33 <sup>1</sup>/<sub>3</sub> years and is seen as equivalent to the depreciation period for investments in connection pipes. The annual amortisation is accounted for under other turnover.

## Interest-bearing liabilities

The interest-bearing liabilities are valued at fair value after deduction of transaction costs at the time of drawing down. They are valued subsequently at the amortised cost price using the effective interest method. Repayment obligations relating to long-term liabilities that fall due within a period of one year are presented under the current liabilities.

## Provisions for employee remuneration

The reorganisation provision was created to cover liabilities resulting from the social plan. The costs ensuing from the social plan are largely attributable to the expenses associated with finding new positions for employees who are surplus to requirements. The calculation is based on the number of employees surplus to requirements, the total wage costs, a realistic estimate of the (average) age and the expected period required for guidance and coordination.

The anniversary provision has been created for future anniversaries and calculated in accordance with actuarial principles. The 2012 period life table for men and women, future staff turnover and salary increases have been taken into account in this respect.

The provisions for employee remuneration have been converted to discounted present value at a nominal interest rate of 3.50% (2017: 3.50%). The short-term component of the employee remuneration provision is accounted for under the current liabilities.

## Other provisions

The stated provisions are created if:

- a legally enforceable and/or actual liability exists as at the balance sheet date, which ensues from events before the balance sheet date;
- it is reasonable to expect that settling the liability will require an outflow of financial resources;
- the size of the liability can be estimated reliably;
- the provisions are valued at the nominal value of the projected expenditure that will be required, unless the time value of money has a significant effect. In the latter case, the provision is valued at the present discounted value;
- the short-term component of the other provisions is recognised under the current liabilities.

## Collective schemes

Vitens operates a Pension and Flexible Early Retirement scheme (Pensioen- en Flexibele Uittredingsregeling) for existing and former employees. The pensions are administered by Stichting Pensioenfonds ABP and the Flexible Early Retirement scheme by Stichting Flexibel Uittreden Nutsbedrijven, which is consequently indirectly administered by Pensioenfonds ABP. These are collective schemes in which multiple employers participate and are essentially defined-benefit pension schemes where the amount of pension is based on the length of service and average salary enjoyed by the employee during the period of employment.

The pension schemes comply with the definition of 'multi-employer funds'. IAS 19 requires certain information relating to defined-benefit schemes to be explained in the annual accounts. In particular, the balance of the assets and liabilities associated with the scheme must be shown in the balance sheet as a receivable or payable. Both pension funds have indicated that they are unable to provide the information that is required in relation to defined-benefit pension schemes to the participating businesses. Therefore, both schemes are handled as defined-contribution schemes and the pension premiums owed for the financial year are accounted for as pension expenses in the profit and loss account. The expected pension expenses for 2019 amount to €10.1 million (2018: €10.0 million actual).

ABP's 12-month average funding ratio as at 31 December 2018 was 103.8% (31 December 2017: 101.5%). Due to the current financial situation, ABP is unable to increase the (accrued) pensions in 2019. However, the pensions will not be reduced in 2019 either. The total premium for the retirement and surviving dependants pension via ABP will amount to 24.9% as at 1 January 2019 (2018: 22.9%).

## Current liabilities

The current liabilities are valued at the amortised cost price. A current liability is included in the balance sheet as soon as Vitens becomes a contract partner and/or a concrete service has been provided, or goods have been delivered.

## Lease contracts

Vitens has entered into operational lease contracts for a large part of the vehicle fleet. The risks and benefits associated with ownership of the assets in question do not transfer to the lessee. As a result, payments made for these lease contracts are recognised as an expense in the profit and loss account on a straight-line basis. From financial year 2019, the lease agreements will be accounted for in accordance with IFRS 16.

## Drinking water turnover

The drinking water turnover consists of the standing charge (fixed fee) and the charge for delivering drinking water. The revenues from drinking water are recognised based on the total amount of water delivered to third parties. The turnover data is obtained via meter readings at customers' premises and, in respect of the amount that has not yet been finally invoiced, via estimates based on historical statistics. The turnover tax and levy on tap water charged based on the drinking water turnover are not included in the turnover figure. The drinking water turnover is recognised at the time when the benefits of ownership have transferred to the buyer.



## Other turnover

The other turnover section is used to account for revenues that are not directly related to the core activities. The other turnover includes the following items (among others):

- Revenues from home relocations/new connections and collection. In the case of home relocations/new connections, Vitens charges an amount to cover the associated administrative activities;
- The revenues from fire hydrants relate to a one-off contribution and an annual payment for maintenance.
- The revenues from work for third parties relate to various activities that Vitens performs for third parties;
- The revenues from rental and leasehold contracts relate to leases and rent income from office buildings and company-owned housing (present on land where production facilities are located or where extraction takes place). This entry also includes revenues from land leasehold contracts;
- ‘Hitch-hiking’ payments are made primarily by municipalities for the inclusion of their water pollution levies/home occupant-based cost allocation and sewerage levies on the invoice sent by Vitens;
- The revenues from analyses and consultancy relate to analyses performed in Vitens’ laboratory on behalf of third parties.
- The revenues from services provided to third parties relate to front-office and back-office work carried out for other drinking water utilities.
- The amortisation on contributions from third parties relates to contributions for laying connection pipes. The equalisation account is amortised over 33 1/3 years;
- The revenues from standpipe rental relate to renting standpipes to third parties.
- The revenues from residual materials relate to sales of the residual materials that are generated during the water treatment process;
- The activities associated with other revenues are recognised as revenue insofar as delivery of goods and services has taken place and insofar as the contractual obligations have been fulfilled. The other revenues include revenues from services provided to Vitens Evides International B.V. and other incidental revenues.

## Work contracted out and temporary staff

These are the costs incurred by Vitens for its operations and relate to work that is contracted out and the costs of hiring temporary staff from third parties. These costs are allocated to the period to which they relate.

## Groundwater taxes and levies

These are the costs incurred by Vitens for its operations and relate to taxes and levies associated with extracting groundwater. These costs are allocated to the period to which they relate.

## Other costs

These are costs incurred by Vitens for its operations and consist (among other things) of raw materials and process additives, electricity, vehicle costs, IT costs, facility costs and other costs. These costs are allocated to the period to which they relate.

## Capitalised own-account production

Direct salary and wage costs and indirect other costs are incurred for manufacturing tangible fixed assets which relate to the infrastructure activities of the business within the framework of Vitens' capitalised own-account production. This capitalised own-account production is deducted from the salaries and wages and the other costs.

## Financial income

The financial income consists of interest income, i.e. loans, calculated based on the effective interest method. This income is allocated to the period to which it relates.

## Financial expenses

The borrowing costs relate to interest-bearing liabilities, calculated based on the effective interest method and are allocated to the period to which they relate. The interest-bearing liabilities include fixed interest loans, subordinated loans, rollover loans, interest-rate derivatives and current-account overdraft facilities. In addition, they include a release of the difference between the fair value and nominal value of the loan portfolio of parties that have been acquired, costs associated with unwinding provisions and other financing costs such as commitment fees, guarantees and bank charges.

## Share in the result of associate companies and joint ventures

This relates to the result of associate companies and joint ventures.

## Taxation

From 1 January 2016, publicly owned Dutch legal persons are liable to pay corporation tax. Based on this legislation, public limited companies such as Vitens are considered to use their entire capital in order to run a business. Activities performed by Vitens under the Drinking Water Act, such as supplying drinking water, are exempted from corporation tax.

## Suppositions, estimates and assumptions in the annual accounts

When drawing up a set of annual accounts, use is made of assumptions, suppositions and estimates based on historical data and factors that are considered acceptable by management in view of the specific circumstances. These assumptions, suppositions and estimates affect the valuation and presentation of the reported assets and liabilities, and the result achieved during the financial year. The actual figures may differ from the estimates and suppositions that have been used. These items are examined in detail below.

## Provisions for employee remuneration

The stated provisions have been determined based on suppositions relating to future trends in the area of salaries, social legislation, staff turnover and statistically substantiated assumptions relating to life expectancy. This set of assumptions, together with the discounted rate of return that have been used, has a major effect on the valuation of the provisions and the results.

## Other provisions

The other provisions relate to possible compensation payable for drought damage in extraction areas around some of our production facilities, a provision for possible incorrect standing charges billed to some of our customers and a number of legal disputes and current rental commitments. The provisions have been determined based on management's best estimate of the amounts at which these liabilities can be settled.

## Valuation of tangible fixed assets

When determining the carrying value for tangible fixed assets, use has been made of estimated depreciation periods: these are based on expectations relating to the technical and economical useful life of the underlying assets. The useful life of the assets may change due to future changes in the area of technological development, or in the use of the assets, which may then result in impairment losses. An increase/decrease of 10% relative to the amount of depreciation (depreciation percentages) results in higher/lower depreciation of approximately €9.0 million.

If circumstances require, analysis takes place to determine whether impairment of tangible fixed assets is required. If there are indications for this, an estimate is made of the realisable value of these assets. In the case of assets, the realisable value is the higher of two valuations: the fair value minus sales costs, or the going-concern value. The going-concern value is determined based on the present discounted value of the estimated future cash flows. An increase/decrease in the tangible fixed assets of 1% results in a revaluation/devaluation of approximately €17.1 million in relation to the tangible fixed assets.

## Debtors

Vitens periodically assesses the recoverability of receivables based on historical data relating to past payment behaviour. Possible devaluations are deducted from the debtor balance. Vitens applies the following bad debt provision percentages in relation to its internal and external outstanding accounts receivable for water (which have been transferred to a collection agency):

Age category	% debtors being processed internally at Vitens	% debtors transferred to collection agency
- outstanding trade debtors 0 - 30 days	1%	0%
- outstanding trade debtors 31 - 60 days	2%	0%
- outstanding trade debtors 61 - 90 days	5%	0%
- outstanding trade debtors 91 - 180 days	15%	25%
- outstanding trade debtors 181 - 365 days	35%	50%
- outstanding trade debtors > 365 days	60%	75%

In respect of the outstanding administration costs balance for customers, Vitens has made a provision of 44% for internal debtors and 36% for debtors being handled by the collection agency.

The provision for non-water-related amounts is statically determined. At the end of each year, Vitens assesses the recoverability/non-recoverability of the outstanding debtor based on the individual cases.

## Fair value measurement in relation to financial instruments

Derivative financial instruments are recognised at fair value in the balance sheet.

In the case of other financial instruments, including drawn-down and issued loans, the fair value is indicated in the explanatory notes to the annual accounts.

## Turnover recognition

Recognition of the drinking water revenues is based on the total amount of water delivered to third parties (taxation on tap water is not counted as turnover). Vitens applies a system for determining turnover where the actual recorded consumption is allocated to months/years in the following three-step process:

1. The actual invoiced quantities, expressed as m<sup>3</sup>/turnover.  
The actual invoiced m<sup>3</sup>/turnover is allocated to the calendar years for each customer. In 2018, 43.9% of the deliveries to customers were invoiced in 2018.
2. The quantities still to be invoiced, expressed as m<sup>3</sup>/turnover up to and including the end of the calendar year (annual forecast). In relation to the period during the financial year for which customers have not yet received a final account, an estimate is made based on historical meter readings in relation to current purified water delivery. A higher/lower estimate of the turnover still to be invoiced of 1% results in a higher/lower net turnover of approximately €1.9 million. Note [28] includes a detailed explanation with regard to recognition of accrued balance sheet turnover items from previous years and the actual 'Not Invoiced' (NI) amount as a percentage.
3. Total reconciliation check between customer information in SAP IS-U and drinking water delivery figures. The customer data is compared to the water balances (production facility delivery figures) as a reconciliation check. Movements are analysed, as is the trend in NI.

## Accounting policy for the cash flow statement

The cash flow statement has been drawn up according to the indirect method where the result after tax according to the profit and loss account is used to infer the movement in cash. When used in the cash flow statement, the term cash refers to the interest-bearing liabilities (equals banks) shown on the balance sheet.



# Explanatory notes to the consolidated balance sheet

## [1] Intangible fixed assets

In millions of euros	Software, development costs and licences	Work in progress	Total
Balance as at 31 December 2017			
Acquisition value	-	-	-
Cumulative depreciation, impairment and fair value changes	-	-	-
Carrying value as at 31 December 2017	-	-	-
Changes during 2018			
Investments	-	3.2	3.2
Transfer from intangible assets	-	1.2	1.2
Work in progress put into service	-	-	-
Disinvestments	-	-0.4	-0.4
Depreciation and amortisation	-	-	-
Total	-	4.0	4.0
Balance as at 31 December 2018			
Acquisition value	-	4.0	4.0
Cumulative depreciation, impairment and fair value changes	-	-	-
Carrying value as at 31 December 2018	-	4.0	4.0

The investments in intangible fixed assets in 2018 relate to re-implementation of ERP software and rolling out uniform functional standards for process automation.

## [2] Tangible fixed assets

In millions of euros	Production buildings and land	Office buildings	Company-owned housing	Plant and equipment	Pipes	Other fixtures, fittings, tools and equipment	Work in progress	Total
Balance as at 01 January 2017								
Acquisition value	595.9	29.1	7.3	627.2	2,262.5	157.0	26.1	3,705.1
Cumulative depreciation, impairment and fair value changes	-279.8	-7.6	-2.4	-466.0	-1,144.4	-138.3	-	-2,038.5
Carrying value as at 01 January 2017	316.1	21.5	4.9	161.2	1,118.1	18.7	26.1	1,666.6
Changes during 2017								
Impairment	-	-	-	-	-	-	-0.2	-0.2
Fair value changes	-0.2	-0.8	0.2	-	-	-	-	-0.8
Investments	-2.0	-	-	1.4	71.8	-	31.9	103.1
Work in progress put into service	4.4	0.0	-	15.5	1.9	4.6	-26.4	-
Disinvestments	-0.3	-2.0	-	0.0	-0.1	-	-	-2.4
Depreciation and amortisation	-11.7	-0.7	-	-23.7	-46.6	-6.4	-	-89.1
Total	-9.8	-3.5	0.2	-6.8	27.0	-1.8	5.3	10.6
Balance as at 31 December 2017								
Acquisition value	594.1	25.5	7.3	639.7	2,335.9	162.3	31.4	3,796.2
Cumulative depreciation, impairment and fair value changes	-287.8	-7.6	-2.2	-485.3	-1,190.8	-145.3	-	-2,119.0
Carrying value as at 31 December 2017	306.3	17.9	5.1	154.4	1,145.1	17.0	31.4	1,677.2
Changes during 2018								
Impairment	-	-	-	-	-	-	-	-
Fair value changes	-0.2	0.5	0.2	-	-	-	-	0.5
Investments	1.7	-0.1	-	-0.2	74.8	-0.1	42.7	118.8
Work in progress put into service	2.5	-	-	10.6	2.2	2.7	-18.0	-
Transfer from intangible assets	0.0	-	-	0.0	0.0	0.0	-1.2	-1.2
Classified as fixed assets held for sale	-0.1	-	-	-	-	-	-	-0.1
Disinvestments	-0.2	-0.1	-	-	-0.4	-0.1	-	-0.8
Depreciation and amortisation	-11.5	-0.7	-	-23.4	-47.6	-6.7	-	-89.9
Total	-7.8	-0.4	0.2	-13.0	29.0	-4.2	23.5	27.3
Balance as at 31 December 2018								
Acquisition value	597.9	25.0	7.3	650.1	2,412.3	164.5	54.9	3,912.0
Cumulative depreciation, impairment and fair value changes	-299.4	-7.5	-2.0	-508.7	-1,238.1	-151.7	-	-2,207.4
Carrying value as at 31 December 2018	298.5	17.5	5.3	141.4	1,174.2	12.8	54.9	1,704.6

In millions of euros	2018	2017
Production buildings and land	298.5	306.3
Office buildings	17.5	17.9
Company-owned housing	5.3	5.1
Plant and equipment	141.4	154.4
Pipes	1,174.2	1,145.1
Other fixtures, fittings, tools and equipment	12.8	17.0
Work in progress	54.9	31.4
Subtotal for tangible fixed assets	1,704.6	1,677.2
Raw materials and process additives (stocks)	4.1	4.9
Total for tangible fixed assets	1,708.7	1,682.1

The borrowing costs (IAS 23) are allocated based on the weighted average interest rate that applies to the interest-bearing loans (2018: 3.50%; 2017: 3.50%) for projects which started after 1 January 2009 involving a minimum investment of €1 million and a completion time exceeding 12 months. In 2018, €0.6 million (2017:€0.3 million) in borrowing costs were allocated to projects in progress.

In 2018, the fair value changed by €0.5 million (2017: €0.8 million). Of this amount, €0.3 million positive related to office buildings and grounds (2017: €1.0 million negative) and €0.2 million positive (2017: €0.2 million) to company-owned housing. The fair value of the company-owned housing is based on the value in accordance with the Valuation of Immovable Property Act (WOZ) and other factors.

The disinvestments in 2018 include the write-downs on production buildings, offices, pipelines and other fixed assets.

## [3] Associate companies and joint ventures

The group companies, associate companies and joint ventures are shown below.

As at 31 December 2018	Town/city	Participating interest (%)
Group companies (consolidated)		
Vitens Watermanagement B.V.	Zwolle	99.9
Vitens Industriewater B.V.	Leeuwarden	100
Associate companies (not consolidated)		
AquaMinerals B.V.	Rijswijk	25.6
KWH Water B.V.	Nieuwegein	26.4
Joint ventures (not consolidated)		
Vitens Evides International B.V.	Zwolle	50
Facturatie B.V.	Utrecht	50

In millions of euros	Associate companies		Joint ventures		Total	
	2018	2017	2018	2017	2018	2017
Carrying value as at 01 January	2.7	2.7	2.7	2.6	5.4	5.3
Movements						
Share in the result	0.2	-	-	0.1	0.2	0.1
Received from associate companies	-	-	-	-	-	-
Total movement	0.2	-	-	0.1	0.2	0.1
Carrying amount as at 31 December	2.9	2.7	2.7	2.7	5.6	5.4

## Financial information for associate companies and joint ventures

In millions of euros	Assets	Liabilities	Turnover	Profit/Loss	% Holding	Share in net assets
2017						
Vitens Evides International B.V.	12.1	10.5	17.5	-	50.0%	0.8
AquaMinerals B.V.	2.9	2.0	7.2	0.1	25.6%	0.2
KWH Water B.V.	35.1	21.7	21.4	0.5	26.4%	3.5
Facturatie B.V. (2018)	8.1	4.3	1.1	-	50.0%	1.9



The 2018 annual accounts for the associate companies and joint ventures listed above will not be available before publication of the 2018 Vitens Annual Report. The expected 2018 result for the associate companies and joint ventures has however been included. The amounts stated in the table above relate to the entities in their entirety.

## [4] Other financial assets

In millions of euros	2018	2017
Carrying value as at 01 January	1.5	2.8
Movements		
Repayments received against loans	-1.0	-1.3
Total movement	-1.0	-1.3
Carrying amount as at 31 December	0.5	1.5

At the end of the financial year, the other financial assets amounted to €0.5 million (2017: €1.5 million); these relate to loans that have been issued. Of this amount, €0.4 million (2017: €1.4 million) relate to vehicle fleet funding. That amount includes a loan of €0.4 million (2017: €1.3 million) in the form of a loan to the lease company. The term for this loan is a maximum of five years. The short-term component of this loan amounts to approximately €0.4 million.

## [5] Trade debtors and other receivables

In millions of euros		2018	2017
Trade debtors	30.2		27.5
Impairment loss on debtors	-1.0		-1.1
Hitch-hikers	0.3		0.4
Net trade receivables		29.5	26.8
Taxes and social security premiums		3.5	1.1
Amounts invoiced in advance by third parties		-	0.1
Accrued income and prepaid expenses		14.2	11.1
Total		47.2	39.1

The trade debtors balance relates to water debtors in the business and consumer markets at €17.1 million (2017: €17.7 million) and other non-water debtors at €12.6 million (2017: €9.8 million). The fair value for the debtors is identical to the carrying amount.

At the end of the financial year, the bad debt write-down on debtors amounted to €0.5 million (2017: €1.1 million). The expense in the profit and loss account for 2018 amounted to zero (2017: €0.5 million) as a result of applying the new regulations (IFRS 9).

The movement in the debtor provisions is shown below.

In millions of euros	2018	2017
Balance as at 01 January	1.1	1.5
Movements		
Additions	0.5	0.5
Withdrawals	-0.6	-0.9
Total movement	-0.1	-0.4
Position as at 31 December	1.0	1.1

An aged trade debtor analysis is included below. This includes receipts that have not yet been allocated, amounting to €0.1 million (2017: €0.2 million) and excludes the receivables due from hitch-hikers at an amount of €0.3 million (2017: €0.4 million), in view of the fact that Vitens has no payment default exposure in this respect.

The trade debtors balance as at 31 December 2018 does not include individual receivables which would have a material impact on the result of Vitens in the event of non-recovery. The debtors do not include receivables that cannot be classified as outstanding under the *expected credit loss model* (IFRS 9).

## Water debtors

In millions of euros	0 - 90 days	91 -180 days	181 - 365 days	> 365 days	Total
2018	15.9	0.6	0.5	0.6	17.6
2018 (including bad debt)	15.7	0.3	0.4	0.4	16.8
2017	16.0	0.7	0.5	0.5	17.7
2017 (including bad debt)	16.0	0.5	0.2	0.1	16.8

## Non-water debtors

In millions of euros	0 - 90 days	91 -180 days	181 - 365 days	> 365 days	Total
2018	11.6	0.3	0.1	0.5	12.5
2018 (including bad debt)	11.6	0.3	-	0.4	12.3
2017	8.9	0.3	0.1	0.5	9.8
2017 (including bad debt)	8.9	0.3	0.1	0.3	9.6

## [6] Fixed assets held for sale

In millions of euros	2018	2017
Carrying value as at 01 January	-	6.8
Movements		
Assets classified as available for sale	0.2	-
Sale of assets	-	-6.8
Total movement	0.2	-6.8
Position as at 31 December	0.2	-

The fixed assets held for sale relate to a water tower that will be sold in 2019.

## [7] Equity capital

Authorised capital	Ordinary shares		
Number of shares	Number of issued shares	Shares in portfolio with Vitens	Total
Balance as at 31 December 2017	5,777,247	-	5,777,247
Balance as at 31 December 2018	5,777,247	-	5,777,247

## Authorised capital

The authorised capital of the company amounts to €18,000,000 divided up into 18,000,000 ordinary shares of a nominal value of €1 per share.

## Consolidated statement of changes in equity capital

The authorised capital of the company amounts to €18,000,000 divided up into 18,000,000 ordinary shares of a nominal value of €1 per share. At the end of 2018, 5,777,247 of these shares were issued and paid up.

The share premium reserve is a reserve resulting from the establishment of Vitens in 2001. This amounted to €9 per share for each issued share (4,475,439), equating to a total of €40.3 million. In 2006, 1,887,685 shares were issued as a result of the merger and an amount of €52.80 per share was added to the share premium reserve (total of €99.7 million). In 2006 and 2007, the shares in Nuon N.V. were purchased in three transactions (1,615,655 shares in total). Of these shares, 619,223 were withdrawn in 2006 and a further 175,000 in 2007. The share premium reserve was reduced by €9 per share (total of €7.1 million). In 2007, part of the shareholding in Nuon N.V. was sold to municipalities and provincial authorities (274,935 shares in total). In 2011, Vitens issued 208,346 shares as a result of the merger and an amount of €69 per share was added to the share premium reserve (total of €14.4 million).

The other reserves relate to a reserve resulting from cumulative retained profit.

## Profit appropriation

The Executive Board proposes the following appropriation of the result after tax for adoption by the shareholders (approved by the Supervisory Board on 24 April): payment of an amount of €5.2 million as dividend on ordinary shares and addition of the remaining amount of €7.8 million to the other reserves. This complies with the dividend policy.

## [8] Equalisation account - contributions received from third parties

In millions of euros	2018	2017
Balance as at 01 January	73.0	61.8
Amounts received during installation phase	15.9	13.5
Amortisation recognised as income in the profit and loss account	-2.7	-2.3
Position as at 31 December	86.2	73.0

Vitens applies IFRS 15 (Revenue from Contracts with Customers) in respect of the contributions that Vitens receives from third parties for laying connection pipes.

Amortisation takes place over a period of 33 1/3 years and is seen as equivalent to the depreciation period for investments in connection pipes.

## [9] Subordinated loans

In millions of euros		2018		2017
Balance as at 01 January		37.8		50.3
Repayment obligation during the financial year	12.5		12.6	
		50.3		62.9
Movements				
Loan repayments	-12.5		-12.6	
		37.8		50.3
Repayment obligation during next financial year	-12.6		-12.5	
Position as at 31 December		25.2		37.8

Repayment of the subordinated loans takes place in fifteen annual instalments subject to an option to suspend payment if solvency falls below 25% in the financial year. Interest is paid over the part of the principal sum that has not been repaid. The percentage applied is the same as the average interest rate percentage for 10-year Dutch government bonds during the five preceding calendar years, plus one hundred basis points (1%). This amounted to 1.92% in 2018 (2017: 2.12%). The loans are subordinated relative to other debt liabilities. The fair values of the subordinated loans are included in note [29].



## [10] Long-term loans

In millions of euros		2018		2017
Balance as at 01 January		776.1		833.1
Repayment obligation during the financial year	57.0		32.4	
		833.1		865.5
Movements				
New loans	75.0		-	
Loan repayments	-57.0		-32.4	
		851.1		833.1
Repayment obligation during next financial year	-56.3		-57.0	
Position as at 31 December		794.8		776.1

The long-term liabilities relate to private loans and rollover loans. Guarantees amounting to a total of €6.8 million (2017: €7.4 million) have been issued by 46 municipal shareholders in respect of one private loan. The fair values of the long-term liabilities are included in note [29].

In 2018, new loan capital was attracted to an amount of €75 million (2017: zero).

Type of long-term loan	Long-term component		Current component	
	2018	2017	2018	2017
Rollover loans	356.4	383.6	27.3	2.3
Private loans	438.4	392.5	29.0	54.7
Total	794.8	776.1	56.3	57.0

The interest on the rollover loans is fixed on each occasion between the 1-month and 12-month Euribor rate and therefore fluctuates depending on trends in the capital market.

## Other information relating to long-term and subordinated loans

In millions of euros	2018	2017
Average interest rate %	3.50%	3.50%
Total equity per 31 December	888.9	883.4
Repayments < 1 year	68.9	69.5
Repayments > 1 year and < five years	255.2	244.7
Repayments > 5 years	564.8	569.2

No collateral (pledge, mortgage, ownership of securities, etc.) has been provided for the loan portfolio referred to above.

## [11] Derivatives

As at 31 December 2018, Vitens held the following financial instruments, recognised at fair value.

In millions of euros	2018	2017
Financial instruments as at 01 January	82.0	98.3
Change in value due to realised and unrealised results	-5.5	-16.3
Financial instruments as at 31 December	76.5	82.0
Short-term financial instruments (< 1 year)	0.9	-
Long-term financial instruments (>1 year)	75.6	82.0

The market value of the derivatives depends on unrealised changes to the fair value resulting from changes in the yield curves. In concrete terms this means that the payable interest on the derivatives exceeds the current market interest rate, which results in a negative value. In 2018 this was €76.5 million (2017: €82.0 million negative). These derivatives have been taken out in order to compensate for interest rate risk exposure caused by major fluctuations in the market interest rate. The negative value in question will not be recognised directly by Vitens in the profit and loss account because the hedge is considered effective.

At the end of 2018, Vitens had eight ongoing interest-rate derivative contracts for a principal sum of €295 million (2017: eight interest rate derivatives for €295 million) where the variable interest on the rollover loans is fixed for between one and thirty years. The fair value of these interest-rate derivatives amounted to a negative amount of €76.5 million at the end of 2018 (2017: €82.0 million negative). Of the derivatives referred to above, Vitens has two interest-rate derivatives (2018: €18.9 million; 2017: €18.4 million) with a remaining term of 24 and 25 years (both for a principal sum of €25 million), with a break clause after each ten years (for both parties). In the case of both derivatives, the credit risk (CVA/DVA), which is included in the valuation, is determined up to the break clause and not for the entire term.

Vitens has agreed derivatives with one party where a deposit can be made above a certain negative market value (threshold). Vitens has taken out a single derivative for a value of €25 million subject to this arrangement. The negative market value as at 31 December 2018 amounted to €8.0 million (in 2017, the negative market value was €7.7 million; the 'threshold' is €20 million). A possible drop of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a negative effect of €6.8 million on the value of the derivative. A possible increase of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a positive effect of €5.4 million on the value of the derivative.

## [12] Provisions for employee remuneration

Movement summary for employee remuneration	Reorganisatio n provision	Anniversary provision	Total
In millions of euros			
Balance as at 01 January 2017	4.3	1.7	6.0
Addition	0.7	0.3	1.0
Interest added	0.2	0.1	0.3
Amount released	-	-	-
Withdrawals	-1.4	-0.5	-1.9
Balance as at 31 December 2017	3.8	1.6	5.4
Addition	-	0.1	0.1
Interest added	0.1	-	0.1
Amount released	-0.7	-	-0.7
Withdrawals	-0.8	-0.4	-1.2
Balance as at 31 December 2018	2.4	1.3	3.7
Short-term employee remuneration liabilities	0.6	0.3	0.9
Short-term employee remuneration liabilities	1.8	1.0	2.8

Long-term component of the employee remuneration provisions		
In millions of euros	2018	2017
Reorganisation provisions	1.8	2.9
Anniversary provision	1.0	1.3
Total long-term component of the employee remuneration provisions	2.8	4.2

In respect of the long-term component in the employee remuneration provisions, €2.3 million (2017: €3.4 million) relates to expected expenditure during a period of one to five years and €0.5 million (2017: €0.8 million) relates to expected expenditure after five years. The short-term component of the employee remuneration provisions is recognised under current liabilities, see note [14].

Current component of the employee remuneration provisions		
In millions of euros	2018	2017
Reorganisation provisions	0.6	0.9
Anniversary provision	0.3	0.3
Reservation for holiday pay and outstanding leave	10.2	9.5
Pension premiums to be paid	1.2	1.1
Other short-term employee remuneration	18.6	18.6
Total current component of the employee remuneration provisions	30.9	30.4

## Reorganisation provisions

The reorganisation provisions have been created to cover commitments resulting from the social plans that are still in effect. The calculation is based on the number of redundant employees, the total wage costs per employee, a realistic estimate of the number of years in service and the (average) age.

The outgoing payment flows have been converted to discounted value at a nominal interest rate of 3.50% (2017: 3.50%). No allowance has been made for mortality. At the end of 2018, the remaining provision was €2.4 million (2017: €3.8 million).

## Anniversary provision

The main factors used to determine the anniversary provision are detailed below:

Suppositions	2018	2017
Period life table/mortality table	period life table 2012	period life table 2012
Discounted rate of return	3.50%	3.50%
Expected salary increases	1.50%	1.50%

## [13] Other provisions

In millions of euros	2018	2017
Balance as at 01 January	4.7	5.0
Movements		
Addition	8.4	0.9
Interest added	1.0	0.3
Amount released	-0.4	-0.4
Withdrawals	-0.8	-1.1
Total movement	8.2	-0.3
Position as at 31 December	12.9	4.7
Short-term component of other provisions	8.4	2.0
Long-term component of other provisions	4.5	2.7
Total	12.9	4.7

The other provisions relate to possible compensation for drought damage in extraction areas around a number of production sites, provision for possible incorrect calculation of the standing charges invoiced to some of our customers, a number of legal disputes and the current lease/rental commitments arising from our business operations. Insofar as considered necessary, provisions have been made as detailed in the above movement summary.



## [14] Current liabilities

In millions of euros	2018	2017
Trade creditors and other payables	66.3	52.3
Repayment obligations in relation to long-term liabilities	68.9	69.5
Tax liabilities	15.7	13.9
Interest-bearing liabilities (= banks)	47.1	37.1
Short-term employee remuneration	30.9	30.4
Invoices still to be received	8.8	8.3
Accrued expenses and deferred income	6.7	7.2
Total	244.4	218.7

Trade creditors and other payables, tax liabilities, employee remuneration payable in the short-term, invoices that are still to be received and accrued expenses and deferred income are non interest-bearing liabilities. The fair value of these items is taken as the nominal value in view of the short duration. In principle, trade creditors and tax liabilities are paid within 30 days. The tax liabilities consist of payable groundwater and tap water levies amounting to €12.0 million (2017: €10.2 million), payable wage tax and social insurance contributions amounting to €3.6 million (2017: €3.5 million) and payable corporation tax at €0.2 million (2017: €0.2 million).

The current interest-bearing liabilities, amounting to €115.7 million at the end of 2018 (2017: €106.5 million), consist, in addition to the repayment obligations relating to long-term liabilities of €68.9 million (2017: €69.5 million), of interest-bearing liabilities owed to banks amounting to €47.1 million (2016: €37.1 million). The interest-bearing liabilities relate to a current account overdraft facility. Interest is paid on this amount at a variable rate. This is based on the 1-month Euribor rate including an agreed mark-up percentage.

The employee remuneration payable in the short term amounted at the end of 2018 to €30.9 million (2017: €30.4 million) and relates to all commitments to employees such as the current component of the reorganisation provisions and anniversary provision, pension premiums that are payable, reserves for outstanding unemployment contributions, reserves for long-term sickness, and outstanding holiday and holiday pay.

## [15] Off-balance sheet liabilities

### Lease liabilities

Commitments pursuant to operational lease	31/12/2018	31/12/2017
In millions of euros		
Within one year	4.2	4.0
Between 1 and 5 years	8.2	6.5
More than 5 years	1.4	1.3

These liabilities ensue from operational lease contracts for company vehicles.

## Rent liabilities

Commitments pursuant to rent	31/12/2018	31/12/2017
In millions of euros		
Within one year	2.8	2.9
Between 1 and 5 years	4.3	5.9
More than 5 years	0.7	1.1

These liabilities ensue from rental contracts for office buildings, building contents, parking spaces and support facilities.

## Energy supply liabilities

Commitments pursuant to energy supply contracts	31/12/2018	31/12/2017
In millions of euros		
Within one year	7.3	6.1
Between 1 and 5 years	7.5	3.6
More than 5 years	-	-

These liabilities ensue from energy supply contracts for office buildings.

## Water purchase liabilities

Commitments pursuant to water purchase	31/12/2018	31/12/2017
In millions of euros		
Within one year	3.3	3.5
Between 1 and 5 years	11.4	8.7
More than 5 years	63.5	8.2

These liabilities ensue from water purchases for a period of up to 43 years.

## Liabilities pursuant to the Drinking Water Act (WACC)

The Drinking Water Act defines important financial frameworks for controlling rates and solvency. For example, it sets a maximum for the cost of capital that can be charged to customers by the drinking water utilities (WACC). In 2018, based on preliminary figures, Vitens achieved the permitted WACC (2017 overrun: €16.2 million). The surplus profit generated in 2017 will be returned to customers in the form of lower drinking water rates in 2019. The final WACC will be presented in the Operating Report that will be submitted to the Ministry of Infrastructure & Water Management before or on 1 October 2019. As at 31 December 2018, Vitens had a liability of €16.2 million (2017: €27.5 million).

In millions of euros	31/12/2018	31/12/2017
2016	-	11.3
2017	16.2	16.2
2018	-	-
Total	16.2	27.5

## Contingent liabilities

Vitens and Vitens Watermanagement B.V. together are classed as a tax group in relation to levying turnover tax; each of the companies is severally liable to pay the tax owed by all of the companies included in the tax group.

# Explanatory Notes to the Consolidated Profit and Loss Account

## [16] Drinking water turnover

In millions of euros	2018	2017
Supply of drinking water	196.4	208.7
Standing charge	126.5	142.8
Total	322.9	351.5

The average customer's annual bill (small consumer) has reduced in 2018 to €106 (excluding taxes) relative to 2017 (€114 excluding taxes).

The amount of the provision for possible incorrect calculation of standing charges has been deducted from the turnover for standing charges in 2018.

## [17] Other turnover

In millions of euros	2018	2017
Revenues from home relocations and collections	2.1	2.4
Revenues from fire hydrants and sprinklers	8.3	7.4
Revenues from work for third parties	0.8	0.6
Revenues from rental and leasehold contracts	0.6	1.2
'Hitch-hiking' payments	0.2	0.2
Revenues from analyses and consultancy	3.5	3.8
Revenues from services provided to third parties	6.8	5.4
Equalisation account amortisation	2.7	2.3
Revenues from connections	5.0	4.7
Revenues from standpipe rental	0.8	0.7
Revenues from by-products	1.2	1.2
Other revenues	6.1	4.4
Total	38.1	34.3

The other turnover section is used to account for revenues that are not directly related to the core activities. The other turnover includes the following items (among others):

- Revenues from home relocations/new connections and collection. In the case of home relocations/new connections, Vitens charges an amount to cover the associated administrative activities;
- The revenues from fire hydrants relate to a one-off contribution and an annual payment for maintenance.
- The revenues from work for third parties relate to various activities that Vitens performs for third parties;
- The revenues from rental and leasehold contracts relate to leases and rent income from office buildings and company-owned housing (present on land where production facilities are located or where extraction takes place). This entry also includes revenues from land leasehold contracts;
- 'Hitch-hiking' payments are made primarily by municipalities for the inclusion of their water pollution levies/home occupant-based cost allocation and sewerage levies on the invoice sent by Vitens;
- The revenues from analyses and consultancy relate to analyses performed in Vitens' laboratory on behalf of third parties.
- The revenues from services provided to third parties relate to front-office and back-office work carried out for a different drinking water utility;
- Amortisation on contributions from third parties. This relates to contributions for laying connection pipes. The equalisation account is amortised over 33 1/3 years;
- The revenues from standpipe rental relate to renting standpipes to third parties.
- The revenues from residual materials relate to sales of the residual materials that are generated during the water treatment process;
- The activities associated with other revenues are recognised as revenue insofar as delivery of goods and services has taken place and insofar as the contractual obligations have been fulfilled. The other revenues include revenues from services provided to Vitens Evides International B.V. and other incidental revenues.



## Operating costs

### [18] Work contracted out and temporary staff

In millions of euros	2018	2017
Work contracted out	24.3	22.2
Temporary staff provided by third parties	18.8	11.1
Total	43.1	33.3

### [19] Other costs

In millions of euros	2018	2017
Raw materials and process additives	12.7	10.9
Other staff costs	6.1	5.5
Water purchases	4.0	3.7
Electricity	11.3	11.1
Vehicle costs	6.7	6.9
IT costs	16.8	15.6
Telecommunication costs	1.7	2.0
Facility costs	21.2	20.9
Taxation, benefits and insurance	8.5	6.4
Demolition costs	2.1	2.2
Other costs	8.8	9.3
Minus: indirect costs related to capitalised own-account production	-3.9	-3.6
Total	96.1	90.9

The other staff costs largely relate to travel and accommodation costs and costs incurred for training. The vehicle costs relate to lease costs for the vehicle fleet, fuel and other vehicle costs. The lease costs in 2018 amounted to €4.8 million (2017: €4.9 million).

The facility costs largely relate to the rent paid for office buildings and maintenance costs associated with plant, office buildings and grounds. The costs for maintaining plant, buildings and grounds during 2018 amounted to €15.8 million (2017: €15.4 million). The rent paid for office buildings and machines in 2018 amounted to €2.5 million (2017: €2.3 million).

The costs included under capitalised own-account production are own-account costs incurred for manufacturing tangible fixed assets that relate to the company's infrastructure activities (production facilities and pipes). In addition to staff costs, these relate to sundry other costs and in 2018 amounted to €3.9 million (2017: €3.6 million).

## [20] Staff costs

In millions of euros	2018	2017
Salaries	74.7	75.1
Social security premiums	8.9	9.3
Premiums paid into collective schemes that are handled as a defined-contribution scheme	10.0	9.4
Minus: staff costs related to capitalised own-account production	-12.3	-10.3
	81.3	83.5
Reorganisation provisions	-0.7	0.7
Anniversary provision	0.1	0.3
Total	80.7	84.5

The costs included under capitalised own-account production are own-account costs incurred for manufacturing tangible fixed assets that relate to the company's infrastructure activities (production facilities and pipes). These consist mainly of direct staff costs and in 2018 amounted to €12.3 million (2017: €10.3 million). The staff costs for reorganisations and anniversaries are shown below:

In millions of euros	Reorganisation provision	Anniversary provision	Total 2018	Total 2017
Addition to provisions	-	0.1	0.1	1.0
Release from provisions	-0.7	-	-0.7	-
Total	-0.7	0.1	-0.6	1.0

Headcount	2018	2017
Number of people in permanent employment as at 31 December	1,392	1,378
Number of FTEs in permanent employment as at 31 December	1,308	1,293

## [21] Depreciation, fair value changes and impairment of tangible and intangible fixed assets

In millions of euros	2018	2017
Depreciation and amortisation	89.9	89.1
Depreciation costs associated with Facturatie B.V.	0.5	0.5
Accounting result associated with the sale of assets	-0.5	-0.6
Disinvestments	1.2	-
Impairment	-	0.2
Fair value changes	-0.5	0.8
Total	90.6	90.0

## [22] Financial expenses

In millions of euros	2018	2017
Interest paid on bullet and linear loans	18.7	20.3
Interest paid on derivatives	12.9	12.9
Interest paid on rollover loans	-0.4	-0.4
Interest paid on subordinated loans	0.8	1.2
Addition to provisions for interest	1.2	0.5
Other financial expenses	-	-
Borrowing costs charged to investment projects (IAS 23)	-0.6	-0.3
Total	32.6	34.2

## [23] Share in the result of associate companies and joint ventures

In millions of euros	2018	2017
Result of associate companies and joint ventures	0.2	0.1

## [24] Taxation

Vitens is liable to pay corporation tax from 1 January 2016. Activities performed by Vitens under the Drinking Water Act, such as supplying drinking water, are exempted from corporation tax.

Taxation on the result from ordinary operations amounted to zero (2017: €0.2 million). Reconciliation with the effective tax rate is as follows:

In millions of euros	2018	2017
Result before tax	12.9	47.9
Non-taxable activities	13.4	47.1
Taxable result	-0.5	0.8
Corporation tax	-0.1	0.2

Corporation tax is calculated based on the current tax rate in the Netherlands (25%). The effective tax burden on the result to which corporation tax applies amounted to 0%.

## Dividend tax

Vitens withholds and pays dividend tax over the dividend payment.

# Explanatory notes to the consolidated cash flow analysis

## [25] Cash flow from operating activities

The cash flow from operations amounted to €122.4 million (2017: €166.4 million) and, as in 2017, was more than sufficient for financing the investment activities, amounting to €119.6 million (2017: €92.0 million). The cash flow from operating activities is €44.0 million lower than in 2017, mainly due to the €35.3 million drop in the result in 2018, the addition to provisions of €6.8 million and a decrease in net working capital.

## [25] Cash flow from investment activities

The cash flow from investment activities increased by €27.6 million (2018: €119.6 million; 2017: €92.0 million) due to an increase of €18.4 million in the investment volume. In addition, the change in assets available for sale reduced by €7.0 million.

## [25] Cash flow from financing activities

The surplus cash flow from operating and investment activities reduced by €71.6 million (2018: €2.8 million; 2017: €74.4 million) and is insufficient for paying out dividend (€19.1 million) and the decrease in the long term loans (repayment of €69.5 million). Consequently, new loans for an amount of €75 million were arranged in 2018.

The net cash flow for financial year 2018 was €9.8 million negative, meaning that the interest-bearing loans increased by the same amount.



# Other explanatory notes to the consolidated annual accounts

## [26] Dividend

In 2018, the General Meeting of Shareholders adopted the proposed profit appropriation for the 2017 result. As a result, the associated dividend was paid in June 2018 and the remainder added to the other reserves.

In millions of euros	2018	2017
Dividend over financial year 2016	-	19.4
Dividend over financial year 2017	19.1	-
Number of ordinary shares with dividend entitlement	5,777,247	5,777,247
Dividend per share (in euros)	3.30	3.36

The Executive Board has submitted a proposal to the shareholders to pay a 2018 dividend on ordinary shares amounting to €5.2 million in 2019 (approved by the Supervisory Board on 24 April 2019).

On a total of 5,777,247 shares with dividend entitlement, this equates to a dividend of €0.90 per share.

## [27] Related parties

The shares in Vitens are held by shareholders in the public sector (provincial authorities and municipalities). Vitens has holdings in associate companies and joint ventures, where it either has significant influence but not a majority holding, or has joint control of operations and financial policy. Transactions with these parties are performed on an *arm's-length* basis.

## Vitens Evides International B.V.

In 2018, the two shareholders, i.e. Vitens (50%) and Evides N.V. (50%), jointly paid in an amount of €3.8 million (2017: €3.8 million) as a contribution to Vitens Evides International B.V.'s activities in developing countries. In addition, Vitens invoiced an amount of €1.1 million in 2018 (2017: €1 million). This relates to the hours worked by Vitens employees who participated in the projects set up by Vitens Evides International B.V. and costs ensuing from *service level agreements*.

## Facturatie B.V.

Each year, Facturatie B.V. charges the depreciation costs to the shareholders, which are Vitens (50%) and Evides N.V. (50%). The depreciation costs for Vitens in 2018 amounted to €0.5 million (2017: €0.5 million). At the end of 2018, an amount of €0.2 million (2017: €0.2 million) was still shown on Vitens' balance sheet as chargeable depreciation costs.

A list of the other related parties has been included below.

Related party	Company city	Participating interest (%)
AquaMinerals B.V.	Rijswijk	25.6
KWH Water B.V.	Nieuwegein	26.4

At the end of the financial year, the receivables and payables in respect of related parties amounted to:

In millions of euros	2018	2017
Receivables due from related parties	5.2	3.7
Payables owed to related parties	0.1	0.3

## [28] Water balance sheet

In millions of m3	2018	2017
Total water requiring processing	380.7	364.9
Production losses	-10.3	-10.9
Total purified water production	370.4	354.0
Purified water purchases	6.2	5.8
Production and purchase,	376.6	359.8
Sales of purified water outside supply area	-	-
Delivered in supply area	376.6	359.8
Distribution losses and measurement variances	-23.6	-23.7
Deliveries to customers	353.0	336.1
% Not invoiced (NI)	6.3%	6.6%

The actual NI for 2017 (after invoicing 99.4% of the deliveries to customers) was found to be higher than the figure reported in the 2017 annual accounts (6.6% versus 6.1%). The total estimated water consumption and standing charge at the end of 2017 that would be invoiced in 2018 exceeded the actual invoiced amount by 0.3% (€207.7 million in comparison to a total of €208.2 million). The NI for 2018 (43.9% of the deliveries to customers have been invoiced) is calculated at 6.3%.

Result after processing accrued balance sheet items and NI effect	2018	2017	2016	2015	2014
Result after processing accrued balance sheet items in respect of turnover in previous years (in millions of euros)	-0.8	0.2	-0.5	-0.7	-1.0
NI reported in annual accounts	6.3%	6.1%	5.7%	6.1%	5.9%
Actual NI		6.6%	5.9%	6.3%	6.0%

## [29] Financial risk management

### Management of capital

The financial policy was tightened up in 2016. The financial policy of Vitens states the following objective with regard to solvency: 'An equity capital at least equal to 30% of the balance sheet total' (previously 25%). This primary objective is focal to managing the financial risks. At the end of 2018, the solvency was 30.2% (2017: 30.9%).

Vitens states in its Treasury Statute that the interest rate exposure risk may not exceed 25% of the total loan capital. The interest rate exposure is the sum of the interest rate resets (including interest rate derivatives) and the requirement for new loans (loan renewal) in any year.

Vitens has agreed credit arrangements with various lenders. These credit arrangements describe the conditions (financial ratios) set by the lenders, which Vitens must satisfy.

In October 2017, the WACC for 2018 and 2019 was set at 3.4%. The maximum permissible solvency for these years remains at 70%.

In 2018, Vitens satisfied the financial ratios set by its lenders with the exception of the Interest Coverage ratio. Vitens has received written confirmation from the bank in this respect, stating that the situation is temporary and that the bank is prepared to tolerate the situation.

The WACC achieved by Vitens in 2018 has provisionally been assessed at 2.6%. The final WACC will be presented in the Operating Report that will be submitted to the Ministry of Infrastructure & Water Management before or on 1 October 2019. The actual WACC is lower than the set standard of 3.4%. As a result of the 'surplus profit for 2016', Vitens applied a correction of €11.3 million to the maximum permissible operating result for 2018, in line with the Drinking Water Act. The level set for 2018 will therefore reduce from 3.4% to roughly 2.6%.

Financial ratios	Target values	2018	2017	2016	2015	2014
Solvency (equity capital/total capital)	> 20%	30.2	30.9	28.1	27.5	24.6
Solvency (capital base/total capital)	> 25%	32.3	33.8	31.8	31.9	29.7
Leverage ratio	> 7%	11.4	16.6	12.4	13.8	11.8
Interest Coverage ratio (EBIT/(interest expenses and income + dividend paid out in current financial year))	> 1.0	0.87	1.53	1.46	1.70	1.52
Debt ratio (interest-bearing liabilities (excluding subordinated loans)/EBITDA)	< 7.0	6.6	5.1	5.2	4.9	5.2
Weighted Average Cost of Capital (WACC) 2	< 3.4%	2.6%	4.8%	4.8%	5.1%	4.6%

- 1 The target values are the values defined by the lenders for the various credit arrangements.
- 2 The target value is established once every 2 years and has been set at 3.4% for 2018 and 2019 (for 2016 and 2017: 4.2%; for 2014 and 2015: 4.8%).

## Calculation method for financial ratios and explanation of abbreviations

- Solvency (equity capital): equity capital x 100% divided by the balance sheet total;
- Solvency (capital base): (equity capital + subordinated loans) x 100% divided by the balance sheet total;
- Leverage: net cash flow from operations divided by interest-bearing loans (including the subordinated loans);
- EBIT: trading result plus result from joint ventures and associate companies;
- EBITDA: EBIT plus depreciation and impairment/amortisation;
- WACC: trading result plus contribution generated by foreign activities designed to promote a good drinking water supply divided by the average balance sheet total.

Financial risks are controlled within Vitens by the Treasury Committee, which reports to the Executive Board. The primary objectives of the Treasury policy include guaranteeing permanent access to the capital market, controlling financial risks, achieving the lowest possible level of cost and guaranteeing adequate liquidity.

Vitens is exposed to the following financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

## Market risk

### (i) Price risk

Price risk is understood to be the risk of changes in value as a result of changes in market prices.

Fair value of financial assets and liabilities In millions of euros	Carrying value		Fair value	
	2018	2017	2018	2017
Assets				
Trade debtors and other receivables	47.2	39.0	47.2	39.0
Long-term financial assets	0.5	1.5	0.4	1.3
Amounts invoiced in advance	-	0.1	-	0.1
Liabilities				
Subordinated loans	37.8	50.3	38.3	51.3
Long-term loans	851.1	833.1	928.6	937.7
Trade creditors and other payables	66.3	52.3	66.3	52.3
Invoices still to be received	8.8	8.3	8.8	8.3
Interest-bearing liabilities	47.1	37.1	47.1	37.1
Other current financial liabilities	53.3	51.5	53.3	51.5

The above table shows the fair values of the financial assets and liabilities. The derivatives are not reported here as these are recognised at fair value in the balance sheet.

The fair value of the financial assets and liabilities has been determined as follows:

- 1 Trade debtors, other receivables and amounts invoiced in advance: in view of the short duration of these receivables, the fair value is the same as the carrying amount.
- 2 Long term financial assets: this item relates to a loan issued for the purpose of funding the vehicle fleet and mortgage loans to (former) employees. The fair values have been determined by converting the future cash flows to the discounted value;
- 3 Subordinated and long-term loans: the fair values for these loans have been determined by converting the future cash flows to the discounted value using the yield curve that applies in the case of Vitens as at 31 December.
- 4 Trade creditors and other payables, invoices still to be received, interest-bearing liabilities and other current financial liabilities: the fair value of these items is taken as the carrying amount in view of the short duration.
- 5 Interest-bearing liabilities: the fair value of the interest-bearing liabilities is identical to the carrying amount.



## (ii) Exchange rate risk

This is the risk that the value of a financial instrument will change as a result of exchange rate fluctuations. Vitens Evides International B.V. is a joint venture of Vitens and Evides N.V. and implements projects designed to improve the water supply in developing countries. Both Vitens Evides International B.V. and its subsidiaries/associate companies use the euro as their functional currency. Possible exchange rate fluctuations are calculated for each transaction and credited/debited to the profit and loss account. Vitens itself has no exposure to currency risk in its activities because all trading activities take place in the Netherlands.

## (iii) Interest rate risk

During the course of its normal trading operations, Vitens uses derivatives (*interest rate swaps*) to limit interest-rate risk exposure. The objective of this form of control is to limit the effect that changes in interest rates have on the results. Derivatives are used to manage the loan portfolio based on the desired risk profile. These instruments are not used for speculative or trading purposes. Vitens has stated in its Treasury Statute that no more than 25% of the total loan capital (excluding subordinated loans) may be subject to interest rate risk. At the end of 2018, the interest rate risk calculated in this manner amounted to 26.3% (2017: 24.6%).

This does not comply with the defined standard and is mainly due to the expected level of investment in 2019. In 2019, Vitens expects to comply with the 25% limit again. Only a small part of the loan portfolio is exposed to interest-rate fluctuations and the effect on interest costs is limited.

A possible increase/decrease in the short-term interest rate (3-month Euribor) of one hundred basis points (1%) means an increase/decrease in borrowing costs for Vitens of €1.4 million per annum (2017: €1.3 million). The increase/decrease relates to the rollover loans, which are not covered by the derivatives, and the current account balance.

A possible decrease of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a negative effect of €29.3 million on the value of the derivative. A possible increase of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a positive effect of €26.1 million on the value of the derivative. A negative or positive effect on the value of the derivatives results in changes to the equity capital.

The interest-rate derivatives relate to rollover loans that expire in the long term. In respect of a principal sum of €245 million, the term (to 2027) of the interest-rate derivatives is the same as the term of the rollover loans. In respect of a principal sum of €50 million, the term (€25 million to 2042 and €25 million to 2043) differs from the rollover loans. In view of the nature of the trading activities, Vitens considers it probable that, for the period after expiry of the current rollover loans, continued funding that is at least equal to the principal sum and term of the related interest-rate derivatives will be required and need to be arranged.

The table below shows the expiry date or, if earlier, the contractual review date for the loan portfolio as at 31 December 2018. This shows the extent to which Vitens is exposed to changes in the interest rate percentages for financial liabilities.

Interest-rate risk	Effective interest rate percentage	< 6 months	> 6 < 12 months	1 - 5 years	> 5 years	Total
In millions of euros						
As at 31 December 2017						
Subordinated loans	2.16%	-	12.5	37.8	-	50.3
Bullet and linear loans	4.28%	0.7	54.0	148.0	245.2	447.9
Rollover loans (linked to 'interest rate swaps, resulting in fixed-interest loans)	4.23%	-	-	50.0	245.0	295.0
Rollover loans	0.00%	-	2.3	9.1	79.5	90.9
Banks (current account)	one-month EURIBOR	37.0	-	-	-	37.0
Total financial liabilities		37.7	68.8	244.9	569.7	921.1
As at 31 December 2018						
Subordinated loans	1.95%	-	12.6	25.2	-	37.8
Bullet and linear loans	4.11%	0.3	28.7	121.1	318.0	468.1
Rollover loans (linked to 'interest rate swaps, resulting in fixed-interest loans)	4.21%	-	25.0	100.0	170.0	295.0
Rollover loans	0.00%	-	2.3	9.1	77.2	88.6
Banks (current account)	one-month EURIBOR	47.1	-	-	-	47.1
Total financial liabilities		47.4	68.6	255.4	565.2	936.6

## Credit risk

Vitens is exposed to debtor risk in that customers may be unable to pay their bills. At the end of 2018, the debtor balance for which this risk applies amounted to €30.2 million (2017: €27.5 million), see note [5].

The remaining current receivables of €18.0 million (2017: €12.7 million) consist of receivables owed by 'hitch-hikers' at €0.3 million (2017: €0.4 million), tax and social insurance contributions at €3.5 million (2017: €1.1 million), expenses paid in advance at zero (2017: €0.1 million) and revenues still to be received at €14.2 million (2017: €11.1 million). Vitens is not exposed to credit risk in respect of the payables owed by 'hitch-hikers' and tax and social insurance contributions. Vitens has no significant credit risk concentrations.

## Liquidity risk

The liquidity risk consists of the risk that Vitens may (temporarily) not have access to financial resources in order to fulfil its obligations. In order to minimise this risk, Vitens regularly assesses the expected and potential cash flows over a time horizon of several years. In addition, a detailed liquidity forecast is drawn up every year in order to identify in good time possible fluctuations in the need for liquid funds and take appropriate action as necessary.

As of 31 December 2018, Vitens has at its disposal a current account overdraft facility up to an amount of €65 million, a cash facility up to an amount of €55 million (of which €25 million relates to an uncommitted facility), a long-term credit facility of €65 million (facility of €300 million, of which €235 million has been used in the period from 2006 to 2018) and a long-term credit facility of €50 million (facility of €150 million, of which €100 million has been used in the period from 2016 to 2018).

The contractually agreed (undiscounted) payments against financial liabilities are shown in the table below:

Liquidity risk	< 1 year	> 1 < 5 years	> 5 years
In millions of euros			
Calculation of long-term financial liabilities including interest			
Subordinated loans	13.1	25.6	-
Bullet and linear loans	46.3	172.9	400.6
Rollover loans	27.6	117.6	252.1
Derivatives	12.2	38.6	29.7
Other long-term financial liabilities	17.5	29.7	80.9
Total long-term financial liabilities	116.7	384.4	763.3
Current financial liabilities			
Trade creditors and other payables	66.3	-	-
Invoices still to be received	8.8	-	-
Interest-bearing liabilities	47.1	-	-
Other current financial liabilities	53.3	-	-
Total current financial liabilities	175.5	-	-
Total long-term and current financial liabilities	292.2	384.4	763.3

Vitens is also exposed to liquidity risk in the form of additional deposit obligations pursuant to the negative market value of derivatives. As at 31 December 2018, Vitens did not have to make any additional deposits.

Vitens has agreed a derivative with one party where a deposit can be made above a certain negative market value (threshold). Vitens has taken out a single derivative for a value of €25 million subject to this arrangement. The negative market value as at 31 December 2018 amounted to €8.0 million (2017: €7.7 million; 'threshold' of €20 million). A possible drop of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a negative effect of €6.8 million on the value of the derivative. A possible increase of one hundred basis points (1%) in the yield curve relative to 31 December 2018 has a positive effect of €5.4 million on the value of the derivative.

## [30] Netting financial assets and financial liabilities

At the end of 2017 and 2018, Vitens did not include any netted financial assets and financial liabilities on the balance sheet. Furthermore, no conditional set-off rights apply that might lead to recognition of financial assets and financial liabilities in netted form.

## [31] Events after balance sheet date

No events occurred after the balance sheet date.

# Non-consolidated annual accounts

## Non-consolidated balance sheet as at 31 December

### Assets

	In millions of euros		31/12/2018		31/12/2017
	Fixed assets				
	Intangible fixed assets	4.0		-	
	Tangible fixed assets	1,708.7		1,682.1	
[32]	Investments in subsidiaries	1.1		1.1	
[32]	Investments in associate companies and joint ventures	5.6		5.4	
	Other financial fixed assets	0.5		1.5	
			1,719.9		1,690.1
	Current assets				
[33]	Trade debtors and other receivables		47.3		39.2
	Liquid assets		0.3		0.1
	Fixed assets held for sale		0.2		-
	Total assets		1,767.7		1,729.4



## Equity and liabilities

In millions of euros			31/12/2018		31/12/2017
[34]	Equity capital				
	Shareholders' capital	5.8		5.8	
	Share premium reserve	147.2		147.2	
	Revaluation reserve for derivatives	-76.5		-82.0	
	Revaluation reserve for IFRS transition	22.9		25.5	
	Other reserves	420.7		389.5	
	Result for the financial year	13.0		47.7	
			533.0		533.7
	Liabilities				
	Provisions				
[35]	Provisions for employee remuneration	2.8		4.2	
[36]	Other provisions	4.5		2.7	
			7.3		6.9
	Long-term liabilities				
	Equalisation account - contributions received from third parties	86.2		73.0	
	Interest-bearing liabilities	820.0		813.9	
	Derivatives	75.6		82.0	
			981.8		968.9
[37]	Current liabilities		245.6		219.9
	Total equity and liabilities		1,767.7		1,729.4

## Non-consolidated profit and loss account

In millions of euros			2018		2017
	Own result (excluding associate companies) after tax	12.8		47.6	
	Result from shareholding after tax	0.2		0.1	
	Net result		13.0		47.7

# Explanatory notes to the non-consolidated annual accounts

## Valuation principles for the non-consolidated annual accounts

The non-consolidated annual accounts of Vitens have been drawn up in accordance with the relevant provisions of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) with the exception of the principles used for valuation and determining the result as explained below.

The valuation principles that have been applied are largely the same as those used for the consolidated annual accounts in accordance with the provisions of Section 362, subsection 8, Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), where investments in subsidiaries are recognised at the net capital value of the assets in accordance with the equity method. The non-consolidated profit and loss account of Vitens has been drawn up in a simplified form pursuant to Section 402, Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek). Vitens applies the International Financial Reporting Standards (IFRS) as adopted within the European Union as the principles for valuation and result determination. For details of these principles, please refer to the 'Valuation principles and method for determining the result' for the consolidated annual accounts.

The following balance sheet items are valued at fair value; office buildings, company-owned housing, fixed assets held for sale and derivatives. Pursuant to application of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), a revaluation reserve has been formed to allow for the effect of fair value changes on capital. For other explanatory notes, please refer to the consolidated annual accounts.

### [32] Investments in associate companies

In millions of euros	Investments in subsidiaries	Investments in associate companies and joint ventures	Total
Carrying value as at 01 January 2017	1.1	5.3	6.4
Changes during 2017			
Share in the result	-	0.1	0.1
Result for the financial year	-	-	-
Total movement	-	0.1	0.1
Carrying value as at 31 December 2017	1.1	5.4	6.5
Changes during 2018			
Share in the result	-	0.2	0.2
Result for the financial year	-	-	-
Total movement	-	0.2	0.2
Carrying value as at 31 December 2018	1.1	5.6	6.7

Holdings in subsidiaries are valued at net capital value, which is determined based on IFRS principles as used in the consolidated annual accounts.

## [33] Trade debtors and other receivables

In millions of euros		2018		2017
Trade debtors	30.2		27.5	
Impairment loss on debtors	-1.0		-1.1	
Hitch-hikers	0.3		0.4	
Net trade receivables		29.5		26.8
Taxes and social security premiums		3.5		1.1
Amounts invoiced in advance		-		0.1
Amounts receivable from group companies		0.1		0.1
Accrued income and prepaid expenses		14.2		11.1
Total		47.3		39.2

## [34] Equity capital

In millions of euros	2018	2017
Balance as at 01 January	533.7	489.1
Movements		
Result for the financial year	13.0	47.7
Change in revaluation reserve for derivatives	5.5	16.3
Change in revaluation reserve for the IFRS transition	-2.5	-2.5
Change in general reserve	2.5	2.5
Dividend payment on ordinary shares	-19.1	-19.4
Total movement	-0.7	44.6
Position as at 31 December	533.0	533.7

The revaluation reserve for derivatives relates to the negative derivative market value of €76.5 million (2017: €82.0 million), see note [11].

The revaluation reserve for the IFRS transition was created for the value increase in 2006 in relation to the transport pipes and main pipes, and raw water and site-based pipe systems at production locations. In the case of the transport pipes and main pipes, a weighted average age (or investment year) of 1977 applies, meaning that this revaluation will reduce to 0 during the coming 8 years. In the case of the raw water and site-based pipe systems at production locations, a weighted average age (or investment year) of 1996 applies, meaning that this revaluation will reduce to 0 during the coming 17 years.

For further explanatory notes on equity capital, please refer to the consolidated annual accounts, see note [7].

## [35] Provisions for employee remuneration

For a summary of the changes in the employee remuneration provisions, please refer to the consolidated annual accounts. See note [12].

## [36] Other provisions

For a summary of the changes in the other provisions, please refer to the consolidated annual accounts. See note [13].

## [37] Current liabilities

In millions of euros	2018	2017
Trade creditors and other payables	66.2	51.5
Repayment obligations in relation to long-term liabilities	68.9	69.5
Tax liabilities	15.7	13.9
Interest-bearing liabilities	48.3	38.3
Short-term employee remuneration	31.0	30.3
Invoices still to be received	8.8	8.3
Accrued expenses and deferred income	6.7	8.1
<b>Total</b>	<b>245.6</b>	<b>219.9</b>

## [38] Remuneration of the Executive Board and Supervisory Board

Pursuant to Section 1.3, first paragraph, part d of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT of 15 November 2012), Vitens has a duty to comply with the provisions of the Act when drawing up the report included below.

### Remuneration of the Executive Board

The Executive Board is responsible for all management tasks at Vitens. The Supervisory Board is responsible for the Executive Board's remuneration structure. The remuneration consists of a basic salary, pension, social charges and other expense allowances (representation allowance and social charges paid by the employer for state health insurance and incapacity for work insurance) and complies with the requirements of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet Normering Topinkomens/WNT and WNT2). The exact split is reported below.

Name	Remuneration (WNT)	Taxable fixed and variable expense allowances (WNT)	Provisions for remuneration payable in the future (WNT)	Total remuneration on 2018 WNT	Total remuneration on norm 2018 WNT	Other remuneration components (outside WNT)	Total remuneration on 2018	Remuneration (WNT) 2017	Provisions for remuneration payable in the future (WNT) 2017	Total remuneration on 2017 WNT	Total remuneration on 2017
drs. J.J. Hannema (Chairperson) 1	169,840	-	19,160	189,000	189,000	9,574	198,574	54,729	5,768	60,497	63,826
drs. M. Bonhof (member of the Executive Board) 2	160,071	-	19,013	179,084	189,000	9,918	189,002	52,333	6,012	58,345	61,438
<b>Total</b>	<b>329,911</b>	<b>-</b>	<b>38,173</b>	<b>368,084</b>		<b>19,492</b>	<b>387,576</b>	<b>107,062</b>	<b>11,780</b>	<b>118,842</b>	<b>125,264</b>

1. Chairperson of the Executive Board: 365 days in 2018, full-time employment contract (2017: 122 days; full-time employment contract).
2. Member of the Executive Board 365 days in 2018, full-time employment contract (2017: 122 days; full-time employment contract).

## Executive Board remuneration policy

The General Meeting of Shareholders adopted the revised 'Executive Board remuneration policy' on 30 April 2015. This remuneration policy reflects the provisions of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT). The WNT was amended as per 1 January 2015 to reduce the statutory maximum remuneration from 130% to 100% of a government Minister's salary (Wet verlaging bezoldigingsmaximum/WNT2). The current Executive Board's remuneration is in line with the valid WNT2 provisions. No loans, advances and guarantees were issued to the Executive Board Members.

## Remuneration of the Supervisory Board

The remuneration of the Supervisory Board Members consists of attendance fees.

Remuneration of top managers and former top managers - without a contract of employment (in euros)

Name	Total remuneration 2018 WNT	Total remuneration norm 2018 WNT	Total remuneration 2018	Total remuneration 2017	In office 2018 (days)
<i>mr. B. Staal</i> <sup>1</sup>	28,050	28,350	28,050	27,150	1/1 - 31/12 (365)
<i>ir. C.J. Rameau MBA</i> <sup>2</sup>	18,700	18,900	18,700	17,900	1/1 - 31/12 (365)
<i>ir. T.A. de Man</i> <sup>2</sup>	5,696	5,696	5,696	17,900	1/1 - 20/4 (110)
<i>drs. M.C.J. Poulussen MSM</i> <sup>2</sup>	18,700	18,900	18,700	17,900	1/1 - 31/12 (365)
<i>drs. E.A. de Groot</i> <sup>2</sup>	18,700	18,900	18,700	17,900	1/1 - 31/12 (365)
<i>drs. H. Setz MBA</i> <sup>2</sup>	6,233	6,317	6,233	-	1/9 - 31/12 (122)
<i>prof. dr. ir. G. van Dijk</i> <sup>2</sup>	1,558	1,605	1,558	-	1/12 - 31/12 (31)
Total	97,637		97,637	98,750	

1. Chairperson of the Supervisory Board.
2. Member of the Supervisory Board.

The remuneration of the Supervisory Board was adapted in line with the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT) on 1 January 2013, and again on 1 January 2015 in line with WNT2. The General Meeting of Shareholders adopted the revised Supervisory Board remuneration policy on 30 April 2015.



## [39] Audit fees

In accordance with Section 382 (a) of Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), this note explains the auditor's fees in relation to the services provided by the external accountancy organisation in 2018. These comprise audit fees for the annual accounts amounting to €251 thousand (2017: €212 thousand) and for other review services €9 thousand (2017: €22 thousand).

Zwolle, 24 April 2019

## Supervisory Board

*mr.* B. Staal (Chairperson)

*ir.* C.J. Rameau (Vice

Chairperson) *drs.* M.C.J.

Poulussen MSM *drs.* E.A. de

Groot

*drs.* H. Setz MBA

*prof. dr. ir.* G. van

Dijk

## Executive Board

*drs.* J.J. Hannema

*drs.* M. Bonhof

# Other information

## Profit appropriation

The articles of incorporation state the following with regard to profit appropriation:

### 34.1

The dividend policy is adopted, and may be changed, by a resolution of the Executive Board that has been approved by the Supervisory Board and adopted by the General Meeting of Shareholders. In compliance with the duly adopted dividend policy, the Executive Board determines each year how much profit will be allocated to reserves and how much profit will be paid out as dividend, subject to approval of the Supervisory Board.

### 34.2

Payment of distributable profit occurs after the adoption of the annual accounts in which it is determined that this payment is admissible.

### 34.3

The General Meeting of Shareholders may, in response to a proposal of the Executive Board that has been approved by the Supervisory Board, decide to pay out interim dividend and make payments from the company's reserves.

### 34.4

Payments on shares may only be made up to the amount of distributable equity capital as a maximum and, if an interim payment is involved, subject to demonstration that this requirement has been satisfied in the form of an interim statement of assets and liabilities, as referred to in Book 2, Section 105, subsection 4 of the Dutch Civil Code (Burgerlijk Wetboek). The company shall file the statement of assets and liabilities at the office of the Commercial Register within a period of eight days from the date on which the decision to make payment is announced.

### 34.5

A shareholder's entitlement to a payment on shares lapses after a period of five years. The Executive Board proposes the following appropriation of the result after tax for adoption by the shareholders (approved by the Supervisory Board on 24 April): payment of an amount of €5.2 million as dividend on ordinary shares and addition of the remaining amount of €7.8 million to the other reserves. This complies with the dividend policy.

# Independent auditor's report

## Statement relating to the 2018 annual accounts

To: the General Meeting of Shareholders and the Supervisory Board of Vitens N.V.

### Our opinion

In our opinion, the annual accounts of Vitens N.V. present a true and accurate picture of the size and composition of the assets and liabilities of the company and the group as at 31 December 2018 and of the result and the cash flows during 2018, in accordance with the International Financial Reporting Standards, as adopted within the European Union (EU-IFRS), and Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) and the provisions and application of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet Normering Topinkomens/WNT).

### The scope of our audit

We have audited the 2018 annual accounts of Vitens N.V. in Zwolle ('the company') as presented in this annual report. The annual accounts include the consolidated annual accounts for Vitens N.V. and its subsidiaries ('the group') and the non-consolidated annual accounts.

The consolidated annual accounts consist of the following:

- the consolidated balance sheet as at 31 December 2018;
- the following statements relating to 2018: the consolidated profit and loss account, the consolidated summary of the total result, the consolidated statement of changes to equity capital and the consolidated cash flow statement; plus
- the explanatory notes and a summary of the main principles used for financial reporting and other explanations.

The non-consolidated annual accounts consist of the following:

- the non-consolidated balance sheet as at 31 December 2018;
- the non-consolidated profit and loss account for 2018; and
- the explanatory notes with a summary of the main principles used for financial reporting and other explanations.

The financial reporting system used to draw up the consolidated annual accounts is EU-IFRS and the relevant provisions of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) and the provisions and application of the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet Normering Topinkomens/WNT).

## The basis for our opinion

We have performed our audit in accordance with Dutch legislation, which includes the Dutch audit standards and the 2018 WNT audit protocol in relation to standardisation of the remuneration of top managers in the publicly and semi publicly financed sector. Our responsibilities pursuant to the above are described in the paragraph entitled 'Our responsibilities in respect of the annual accounts audit'.

We feel that the assurance engagement information we have gathered is sufficient and suitable as the basis for our conclusion.

### Independence

We are impartial and not dependent on Vitens N.V., in accordance with the Accounting Organisations (Supervision) Act (Wet toezicht accountantsorganisaties/Wta), the Regulation on the independence of auditors in respect of assurance engagements (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten/ViO) and other relevant requirements regarding independence in the Netherlands. In addition, we have satisfied the Regulation on conduct and professional rules for auditors (Verordening gedrags- en beroepsregels accountants/VGBA).

## Our audit approach

### Summary and context

Vitens N.V. is a drinking water utility whose main activities comprise: pumping up, purifying and treating groundwater and subsequent distribution of drinking water. The group consists of different entities and we have therefore given consideration to the scope of and approach to the group audit, as explained in the section entitled 'The scope of our group audit'. We have paid particular attention to the areas that are related to the company's specific operating activities.

We design our audit approach by determining materiality and identifying and assessing the risk of materially important misrepresentations in the annual accounts. We pay particular attention to areas where the Executive Board has made subjective assessments, for example significant estimates that are linked to assumptions about future events which are inherently uncertain, such as the estimates relating to the value of the tangible fixed assets, derivatives, debtors, provisions and recognition of the net turnover based on the meter readings and annual bills, which are respectively taken and drawn up at various times during the year.

The group's ability to ensure continuity of business activities is largely dependent on the IT infrastructure. We have assessed the reliability and continuity of the automated data processing procedures insofar as these have an impact on our audit activities for the 2018 annual accounts. We have involved internal IT specialists in this task and used aids such as data analyses in relation to transactions.

Vitens N.V. provides details of the estimated amounts and main areas associated with estimation uncertainty in 'Suppositions, estimates and assumptions in the Annual Accounts', starting on page 136 of the annual accounts. Due to the significant estimation uncertainty associated with recognition of the drinking water revenues, we have highlighted this as a key point as explained in greater detail in the section entitled 'The key points of our audit'.

In addition to the key points referred to previously, our audit activities also included close scrutiny of the operating result in relation to the maximum WACC of 3.4% specified by the Drinking Water Act (the maximum weighted average cost of capital for drinking water utilities) in financial year 2018. As a result of this overrun of the maximum WACC, Vitens has an obligation under the Drinking Water Act to ensure that consumers are compensated for the overrun in the rates set for the following calendar year. Based on the provisionally calculated WACC of 2.6% in 2018 and the overrun of €11.3 million in 2016, which was allowed for in the 2018 rates, Vitens has fully compensated for the surplus profit realised in 2016 during 2018. Because Vitens also realised surplus profit in 2017, the company has a future conditional obligation to compensate for an amount of roughly €16.2 million in the rates set for 2019. The final

WACC and the future conditional obligation will be determined based on the 2018 Operating Report, which will be submitted to the Ministry of Infrastructure & Environment before 1 October 2019. In accordance with IFRS regulations, this remaining future conditional obligation of €16.2 million has not been recognised as a liability in the 2018 annual accounts. The explanation relating to exceeding the WACC is provided in notes 15 and 29 to the annual accounts.

During our audit, we assess the risk of breaching internal control measures on the part of the Executive Board, including an assessment of the risks of material misrepresentations due to fraud based on analysis of the possible interests of the Executive Board.

We have ensured that the audit team possessed adequate specialised knowledge and expertise for auditing a drinking water utility. We also included specialists in the fields of IT and financial instruments in our team. All the work carried out in the group entities was performed by the same audit team.

Our approach mainly concentrated on the following areas:

#### Materiality

- Materiality: €4.6 million, based on 1.5% of the total costs.

#### Scope of the audit

- We performed all our audit tasks at the group's head office in Zwolle, based on a consolidated perspective.

#### Key points

- Recognition of drinking water revenues.



## Materiality

The scope of our audit is influenced by the application of materiality. The concept of ‘materiality’ is explained in the section entitled ‘Our responsibility in respect of the annual accounts audit’.

Based on our professional expertise, we determine quantitative limits for materiality, including the materiality in relation to the annual accounts as a whole, as detailed in the table below. These limits, in combination with the qualitative considerations, help us to determine the nature, timing and scope of our audit activities for the individual items and explanations in the annual accounts and evaluate the effect of any identified misrepresentations, both individually and collectively, on the annual accounts as a whole, and on our opinion.

<i>Materiality for the group</i>	€4.6 million (2017: €4.6 million).
<i>How materiality is determined</i>	1.5% of the total costs
<i>The considerations relating to the chosen benchmark</i>	We have used this generally accepted benchmark based on our analysis of the common information needs of users of the annual accounts. On this basis, we are of the opinion that the total costs are an important indicator of the company's financial performance.

We also take into account misrepresentations and/or possible misrepresentations which are, in our opinion, materially important based on qualitative reasons.



In accordance with our agreement with the Supervisory Board, we report misrepresentations amounting to more than €230,000 (2017: €230,000) that are detected during our audit, and smaller misrepresentations which we feel to be relevant for quantitative reasons.

### The scope of our group audit

Vitens N.V. stands at the head of a group of entities. The financial information for this group is included in the consolidated annual accounts of Vitens N.V.

It is important to note here that the group carries out its activities exclusively in the Netherlands and that the operating processes and internal controls within the group are set up and applied centrally.

Our audit is performed by one central team and is set up based on a consolidated perspective, meaning that we see the group as a single entity in administrative terms. This means that we have included all the transaction flows and financial positions that are materially important for the consolidated annual accounts in the scope of our audit. We have audited the consolidation of the group and the explanatory notes in the annual accounts.

By performing the above-mentioned activities, we have generated enough suitable audit information relating to the financial information for the group in order to express an opinion about the consolidated annual accounts.

### The key points of our audit

In the key points of our audit, we describe the items which, in our professional opinion, were the most important during the audit of the annual accounts. We have informed the Supervisory Board of the key points, however they do not constitute a full report of all risks and points which we identified and discussed during our audit. We have described the key points in this paragraph and included a summary of the activities we performed in relation to these points.

We determined our audit activities in relation to these key points within the framework of the annual account audit as a whole. Our findings and observations relating to the key points must be seen within that framework and not as separate opinions about these key points or about specific elements of the annual accounts.

## Key points

*Recognition of drinking water revenues* The explanation relating to recognition of the drinking water revenues can be found in 'Suppositions, estimates and assumptions in the Annual Accounts' on page 138, notes 16 and 28 to the annual accounts.

The net turnover generated by the delivery of drinking water amounted to €322.4 million as at 31 December 2018 and is therefore a significant component in the consolidated profit and loss account (89% of the total operating income).

The revenues from drinking water are recognised based on the total amount of water delivered to third parties (in m<sup>3</sup>). Due to the large number of customers (5.7 million), the meters are read (particularly in the case of consumers and small business customers) at various times spread throughout the year and (final) settlement therefore also takes place at various times spread throughout the year.

The actual invoiced amount of water in m<sup>3</sup> for all active connections is allocated to the calendar years. In 2018, 43.9% of the deliveries to customers were invoiced in 2018 based on a final settlement invoice. In relation to the period during the financial year for which customers have not yet received a final account, an estimate (turnover simulation) is made for the period from the last final account to the date of the balance sheet, based on historical meter readings in relation to current service water delivery. This means that, as at 31 December 2018, €181 million (56.1%) of the deliveries to customers is based on simulated turnover.

In view of this estimate and the inherent degree of estimation uncertainty associated with it, combined with the significance of the amount of the estimated drinking water revenues relative to the total drinking water revenues for 2018, we see this as a key point in our audit.

## Our audit activities and observations

We performed audit activities in relation to the recognised drinking water revenues, paying particular attention to the total delivery of service water, the completeness of the information relating to active connections, the NI% (Not Invoiced), the quality of the turnover estimate and the invoicing process.

We have assessed the internal control measures applied by Vitens in relation to turnover simulation and invoicing in terms of their design, existence and, where possible, effectiveness. We involved IT specialists in order to validate the automated controls in the IT system that is used for invoicing.

We validated the completeness of the service water delivery (number of m<sup>3</sup> of water used to simulate the turnover) based on the primary registrations of the 'Central Water Distribution' department in relation to each production site in Vitens' supply area. In doing so, we assessed the reliability of the service water delivery information based on flow meter test reports and the conversion factor. In addition, we cross-checked the number of flow meters referenced when specifying the total service water delivery against the actual number of flow meters on the outfeed pipes at each production location.

We performed audit activities in relation to the completeness of the number of active connections in the customer administration and have determined that all active connections have been included in the turnover simulation via a link between the customer administration and the customer data used in the turnover estimate.

We benchmarked the NI, as specified in note 28, Water Balance sheet, against the NI information for previous years and the NI information that is available for the entire drinking water sector in the Netherlands. In addition, we assessed Vitens' analysis of the impact of NI fluctuations.

Finally, we assessed the explanatory notes to the annual accounts.

## No audit activities performed regarding compliance with the anti-overlapping provision of the WNT

In accordance with the 2018 Audit Protocol for the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT), we did not perform any audit activities with regard to the anti-overlapping provision, as specified in Section 1.6a of the WNT and Section 5, paragraph 1, sub paragraph j of the WNT Implementing Regulation. This means that we neither investigated a possible breach of standards by a senior executive due to employment as a senior executive at other institutions subject to the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT), nor whether the explanation required in this context was correct and complete.

## Statement in relation to the other information included in the annual report

In addition to the annual accounts and our audit opinion on those accounts, the annual report contains other information, namely:

- Foreword (pages 6 - 8);
- Who we are and what we do (pages 10 - 15);
- How we create value (pages 17 - 43);
- Guaranteeing our continuity (pages 45- 50);
- Governance (pages 57 - 59);
- Risk management (pages 61 - 71);
- Report of the Supervisory Board (pages 73 - 79);
- Statement of the Executive Board (page 81);
- Stakeholder management (pages 83 - 90);
- Connectivity matrix (pages 92 - 95);
- About this report (pages 100 - 103);
- Financial results: the sections entitled key metrics, explanatory notes to the results and the consolidated results (pages 112 - 117);
- The other information (page 175);
- The summary of outstanding shares (page 185).

Based on the activities detailed below, we are of the opinion that the other information:

- is consistent with the annual accounts and does not contain any materially important misrepresentations;
- presents all the information required pursuant to Title 9, Book 2 of the Dutch civil code (Burgerlijk Wetboek/BW).

We have read the other information and, based on our knowledge and understanding gained from the annual accounts audit or otherwise, assessed whether the other information contains materially important misrepresentations. The activities we have performed comply with the requirements of Title 9, Book 2 and NBA Standard 720. These activities are not performed to the same level of detail as our audit activities for the annual accounts. The Executive Board is responsible for preparing the other information, including the Executive Board report and the other date in accordance with Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek/BW).

## Statement in relation to other requirements imposed by the law and regulations

### Our appointment

We were appointed as the external auditors for Vitens N.V. on 12 December 2012 by the Supervisory Board, following a resolution of the General Meeting of Shareholders of 12 December 2012. This appointment has been assessed and reinstated by the shareholders each year since. We have now acted as the external auditors for the company for a continuous period of 6 years.

# Responsibilities in relation to the annual accounts and the audit

## Responsibilities of the Executive Board and the Supervisory Board in respect of the annual accounts

The Executive Board is responsible for:

- drawing up and accurately presenting the annual accounts in accordance with EU-IFRS and Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek/BW) and the provisions of and pursuant to the Act for standardisation of the remuneration of top managers in the publicly and semi publicly financed sector (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT); and for
- exercising internal controls to the extent considered necessary by the Executive Board in order to draw up the annual accounts in a form free of misrepresentations of material importance resulting from fraud or errors.

When preparing the annual accounts, the Executive Board must consider whether the company is capable of continuing its activities in the long term. The Executive Board must prepare the annual accounts pursuant to the stated reporting systems based on a going-concern assumption, unless the Executive Board intends to liquidate the company or terminate the operating activities, or if termination is the only realistic alternative. The Executive Board must include explanatory notes in the annual accounts relating to events and circumstances that give rise to reasonable doubt about the company's ability to continue its operating activities in the long term.

The Supervisory Board is responsible for monitoring the company's financial reporting process.

## Our responsibilities in relation to the annual accounts audit

Our responsibility is to plan and perform an audit assignment in a way that generates adequate and suitable audit information for the opinion we have been asked to provide.

Our audit opinion aims to provide a reasonable degree of certainty that the annual accounts do not contain misrepresentations of material importance. A reasonable degree of assurance is a high level of certainty, but not an absolute degree of certainty, meaning that we may not discover all misrepresentations during our audit.

Misrepresentations can arise as a result of fraud or errors and are materially important if it is reasonable to expect that these misrepresentations, either individually or collectively, may affect the economic decisions taken by users of these annual accounts. The materiality influences the nature, timing and extent of our auditing work and the evaluation of the effect of identified deviations in our judgement.

A more detailed description of our responsibilities is included in the appendix to our audit report.

Amsterdam, 24 April 2019

PricewaterhouseCoopers Accountants N.V.

A.L. Koops-Aukes RA

## Appendix to the independent auditor's report relating to the 2018 annual accounts of Vitens N.V.

This appendix contains complementary information to our audit report in the form of more detailed explanation of our responsibilities relating to the annual accounts audit and the activities comprising an audit of this nature.

### The auditor's responsibilities in relation to the annual accounts audit

We have performed this audit in a professional and critical manner and, where relevant, have exercised professional judgement in accordance with the Dutch audit standards, the 2018 WNT audit protocol regulation, ethical requirements and the independence requirements. Our objective is to attain a reasonable degree of assurance that the annual accounts are free of material misrepresentations resulting from errors or fraud. Our audit included the following:

- Identifying and estimating the risk of misrepresentations of material importance in the annual accounts as a result of errors or fraud, determining and performing audit activities based on these risks and obtaining audit information that is adequate and suitable for forming our opinion. In the case of fraud, there is a greater risk of misrepresentations of material importance going undetected than in the case of errors. Fraud may involve collusion, falsification of documents, purposely neglecting to record transactions, purposely misrepresenting facts or breaching internal controls.
- Obtaining an understanding of the internal controls that are relevant for the audit in order to select the audit activities that are most suitable under the circumstances. These activities are not intended to reflect an opinion about the effectiveness of the company's internal controls.
- Evaluating the suitability of the principles that are used for financial reporting and the reasonableness of the estimates made by the Executive Board and the associated explanatory notes in the annual accounts;
- Determining that the going-concern assumption applied by the Executive Board is acceptable. In addition, based on the audit information that has been obtained, determining whether events and circumstances exist that give rise to reasonable doubt about the company's ability to continue its operating activities in the long term. If we conclude that a materially important degree of uncertainty exists, we have an obligation to focus on the relevant related explanatory notes in the annual accounts in our audit report. If the explanatory notes are inadequate, we have a duty to amend our report. Our conclusions are based on the audit information that was obtained up to the date of our audit report. Future events or circumstances may however mean that a company can no longer continue to operate.
- Evaluating the presentation, structure and content of the annual accounts and the explanatory notes to the annual accounts and evaluating whether the annual accounts provide an accurate picture of the underlying transactions and events.

In view of the fact that we have final responsibility for the opinion, we are responsible for managing, supervising and performing the group audit. In this respect, we have determined the nature and scope of the activities that are to be performed for the group entities in order to guarantee that our audit activities are far-reaching enough for coming to an opinion about the annual accounts as a whole. The determining factors here are the geographical structure of the group, the scope and/or risk profile of the group entities or the activities, the operating processes and internal control measures and the sector in which the company operates. Based on this, we have selected group entities where there was a need for an audit or assessment of the financial information, or of specific accounting entries.



We consult with the Supervisory Board about the planned scope and timing of the audit and the significant findings revealed by our audit, including possible significant deficiencies in the internal controls.

We determine the key points of our audit of the annual accounts based on all issues that we have discussed with the Supervisory Board. We describe these issues in our audit report, unless this is prohibited by law or regulations or, in extremely rare cases, if not disclosing this information is in the best interests of society.

# Summary of outstanding shares

Shareholder	no.	Ordinary shares	Percentage
1	Provincial authority of Overijssel	774,096	13.399%
2	Provincial authority of Friesland	755,043	13.069%
3	Provincial authority of Gelderland	387,231	6.703%
4	Municipality of Almere	366,175	6.338%
5	Provincial authority of Utrecht	285,896	4.949%
6	Municipality of Utrecht	285,896	4.949%
7	Municipality of Amersfoort	131,691	2.279%
8	Municipality of Dronten	98,457	1.704%
9	Municipality of Lelystad	98,457	1.704%
10	Municipality of Zeewolde	98,457	1.704%
11	Municipality of Hilversum	89,569	1.550%
12	Municipality of Hof van Twente	66,713	1.155%
13	Municipality of Hardenberg	63,007	1.091%
14	Municipality of Nieuwegein	61,246	1.060%
15	Municipality of Steenwijkerland	60,227	1.042%
16	Municipality of Zeist	60,035	1.039%
17	Municipality of Doetinchem	58,752	1.017%
18	Municipality of Stichtse Vecht	58,097	1.006%
19	Municipality of Veenendaal	56,404	0.976%
20	Municipality of Kampen	50,961	0.882%
21	Municipality of Zutphen	50,739	0.878%
22	Municipality of Zwolle	46,329	0.802%
23	Municipality of Woerden	45,042	0.780%
24	Municipality of Soest	44,542	0.771%
25	Municipality of Tiel	42,728	0.740%
26	Municipality of De Bilt	41,879	0.725%
27	Municipality of Raalte	41,696	0.722%
28	Municipality of Rijssen-Holten	41,696	0.722%
29	Municipality of De Ronde Venen	40,426	0.700%
30	Municipality of Wijchen	40,058	0.693%
31	Municipality of Oude IJsselstreek	40,057	0.693%
32	Municipality of Houten	38,490	0.666%
33	Municipality of Zwartewaterland	38,453	0.666%
34	Municipality of Meppel	37,526	0.650%
35	Municipality of Lingewaard	37,387	0.647%
36	Municipality of Utrechtse Heuvelrug	36,554	0.633%
37	Municipality of Dalfsen	34,746	0.601%
38	Municipality of Epe	34,717	0.601%
39	Municipality of Nijkerk	34,717	0.601%
40	Municipality of Overbetuwe	34,717	0.601%
41	Municipality of West Betuwe	34,717	0.601%
42	Municipality of Zevenaar	34,717	0.601%
43	Municipality of Montferland	34,716	0.601%
44	Municipality of Noordoostpolder	32,430	0.561%
45	Municipality of Winterswijk	32,046	0.555%
46	Municipality of Lochem	32,045	0.555%
47	Municipality of IJsselstein	31,228	0.541%
48	Municipality of Culemborg	26,705	0.462%
49	Municipality of Duiven	26,705	0.462%
50	Municipality of Westerveld	25,944	0.449%
51	Municipality of Leusden	25,902	0.448%
52	Municipality of Borne	25,480	0.441%
53	Municipality of Baarn	24,207	0.419%
54	Municipality of Beuningen	24,035	0.416%
55	Municipality of Buren	24,035	0.416%

Shareholder	no.	Ordinary shares	Percentage
56	Municipality of Ermelo	24,035	0.416%
57	Municipality of Nunspeet	24,035	0.416%
58	Municipality of Zaltbommel	24,035	0.416%
59	Municipality of Berkelland	24,034	0.416%
60	Municipality of Ommen	23,164	0.401%
61	Municipality of Wierden	23,164	0.401%
62	Municipality of Brummen	21,364	0.370%
63	Municipality of Maasdriel	21,364	0.370%
64	Municipality of Voorst	21,364	0.370%
65	Municipality of Bronckhorst	21,362	0.370%
66	Municipality of Wijk bij Duurstede	20,818	0.360%
67	Municipality of Aalten	18,693	0.324%
68	Municipality of Elburg	18,693	0.324%
69	Municipality of Oost Gelre	18,693	0.324%
70	Municipality of Oldebroek	18,693	0.324%
71	Municipality of Putten	18,693	0.324%
72	Municipality of West Maas en Waal	18,693	0.324%
73	Municipality of Staphorst	18,531	0.321%
74	Municipality of Rheden	16,461	0.285%
75	Municipality of Bunschoten	16,219	0.281%
76	Municipality of Urk	16,215	0.281%
77	Municipality of Druten	16,023	0.277%
78	Municipality of Heerde	16,023	0.277%
79	Municipality of Heumen	16,023	0.277%
80	Municipality of Neder-Betuwe	16,023	0.277%
81	Municipality of Westervoort	16,023	0.277%
82	Municipality of Berg en Dal	13,352	0.231%
83	Municipality of Bunnik	13,314	0.230%
84	Municipality of Montfoort	11,861	0.205%
85	Municipality of Lopik	11,619	0.201%
86	Municipality of Doesburg	10,682	0.185%
87	Municipality of Hattem	10,682	0.185%
88	Municipality of Woudenberg	9,683	0.168%
89	Municipality of Oudewater	9,199	0.159%
90	Municipality of Wijdmeren	8,956	0.155%
91	Municipality of Eemnes	7,988	0.138%
92	Municipality of Scherpenzeel	7,746	0.134%
93	Municipality of Renswoude	4,389	0.076%
94	Provincial authority of Flevoland	4,316	0.075%
95	Municipality of Sudwest Fryslan	1,000	0.017%
96	Municipality of Tytsjerksteradiel	200	0.003%
97	Municipality of Apeldoorn	1	0.000%
	Total	5,777,247	100.00%