



ANNUAL REPORT 2016

UNLOCKING THE STRENGTHS
OF DUTCH WATER COMPANIES



Vitens Evides
international



TRUST IS A CONDITION FOR SHARING KNOWLEDGE



"I am delighted to present to you this Annual Report. It describes our progress during 2016 in reaching our mission to impact universal and sustainable water services management, by unlocking the strengths of the Dutch water companies.

We made this Annual Report around the notion of 'people'. People are, in the end, the consumers of more and better drinking water due to VEI's involvement. People are the employees of partner water operators abroad that are supported to deliver universal and sustainable water service. And people are the employees from the Dutch water companies that want to share their knowledge and skills. In this Annual Report we will portray a variety of people making up the success of VEI and her partners.

Partners like Mr. Joseph Theuri, who is the Managing Director of the water operator in Naivasha, Kenya. He, with his staff and in partnership with VEI over the last 4 years, has been able to establish a turn around in his company achieving cost recovery this year from a baseline level of 59% in 2012, doubling the number of connections, and the availability of water for the people.

Our activities abroad are based on our belief in partnerships with local water operators. These partnerships go further than sending our knowledge in a one-way manner. Mutual respect, transparency and trust are at the core of these partnerships.

The partnerships of VEI and local water operators are for the longer term and that makes mutual learning efficient and effective.

Institutions, such as the World Bank and the Asian Development Bank, underscore our vision that through our long term partnerships, we truly ensure sustainable impact. "Operator to operator partnerships are complementary to our interventions aimed to achieve universal sustainable water services," is something the World Bank says about us. And "VEI supports water operators over a longer period of time, and that gives an added value to the work done by others – whether it concerns advice, technical support or financial support."

The six Dutch water companies that make VEI what it is, provide water to no less than 13.5 million people in the Netherlands. This impressive fact reflects the level of trust that VEI receives from the Dutch water sector, and provides the credibility to gain trust from the worldwide water sector. The employees of these six Dutch companies are experts in the field of ensuring continuous confidence in a product that is vital for humans. Through their dedication to the work in the partnerships that VEI has with other companies, each of them makes daily contributions to the mission of VEI: universal and sustainable water services.

We hope you enjoy reading our Annual Report and we welcome your feedback."

“The six Dutch water companies behind VEI are experts in the field of ensuring confidence in providing water”

MARCO SCHOUTEN, PhD – CEO VEI



Lavagem Material

Pot...tria
C...

CD1-ANIL CD4-TITAP CD5-BANUA
CD2-B4 CD6-NMUN CD6-gondolal
CD3-800 CD6-Mabko

1- H. PERV
2- BEM
3- SUNJO
4- 18 Junho
5- C. H. P. R. O.
6- P. I. L. O.
7- N. I. A. N. O.
8- I. A. C.
9- 25 Junho
10- 7 Abril

11- T. A. M. B. A. S.
12- T. A. M. B. A. S.
13- 7 Setembro
14- S. I. N. I. S. T. A.
15- B. L. O. C. O. 9



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ABOUT VEI

It is our firm conviction that everyone around the world deserves a reliable supply of high-quality tap water. As committed Dutch water companies, we embrace our responsibility to make this dream come true.

The Netherlands has a long water history. During the past 160 years Dutch water companies have established themselves as best-in-class water providers. This achievement directly reflects the competence and expertise of the Dutch drinking water companies. Six of these companies - Vitens, Evides Waterbedrijf, WML, Watercompany Groningen, PWN and Brabant Water – share their expertise via VEI (Vitens Evides International BV) with water authorities around the world. Through VEI, they are committed to achieving Sustainable Development Goal 6 of the United Nations: access to water and sanitation for all. With a joint workforce of 3,602 employees, a distribution network that extends for more than 102,000 kilometers, almost 6.5 million connections and a delivery capacity of 887 million m³ of tap water each year in the Netherlands, they have extensive experience and resources at their disposal.

Non-profit vehicle

VEI is the non-profit vehicle for the six Dutch water companies in achieving their shared objective. VEI focuses on providing support for water operators in Africa, Asia and South America, which face immense challenges like an increasing water demand, water quality problems, water shortages and climate change. VEI works together with these water operators to expand their capabilities

and helps them professionalise their operations by actively sharing long-standing Dutch expertise and experience. For example, by improving basic operations such as Non Revenue Water (hereafter: NRW) management and water operations, by setting up stable financial procedures or by creating a better infrastructure.

Kick-starter for economic development

Several donors provide additional financial backing for VEI's partnerships. The combination of additional investment and peer-to-peer support at operational level acts as a kick-starter for local economic development and growth.

On the spot assistance

VEI arranges 'on the spot' assistance by deploying experts employed by the Dutch water companies to the local water authority. Their job is to effectively support and train the water operators. This peer-to-peer interaction ensures that Dutch water knowledge and the wealth of operational expertise can be shared with water authorities abroad. The results are impressive: tangible change, improved operational performance and eventually universal and equitable access to safe and affordable drinking water for more people.



VITENS EVIDES INTERNATIONAL:
GLOBAL WATER OPERATORS
FROM THE NETHERLANDS

In 2016, VEI worked on 44 projects in 19 countries. 19 projects were completed. The leverage on VEI's own contribution in 2016 was 84%.

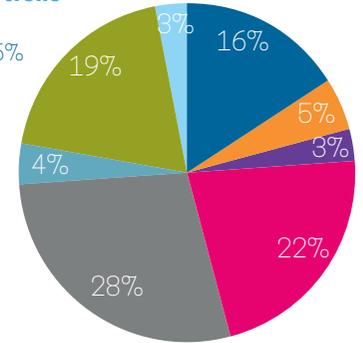
People that gained access to water/
sanitation in 2016

192,846



Contribution to VEI's project portfolio

- Dutch water companies through VEI: 16%
- Water for Life: 5%
- ADB: 3%
- FDW/GWW: 22%
- EKN: 28%
- EU/EIB: 4%
- Partners/local water operators: 19%
- Other: 3%

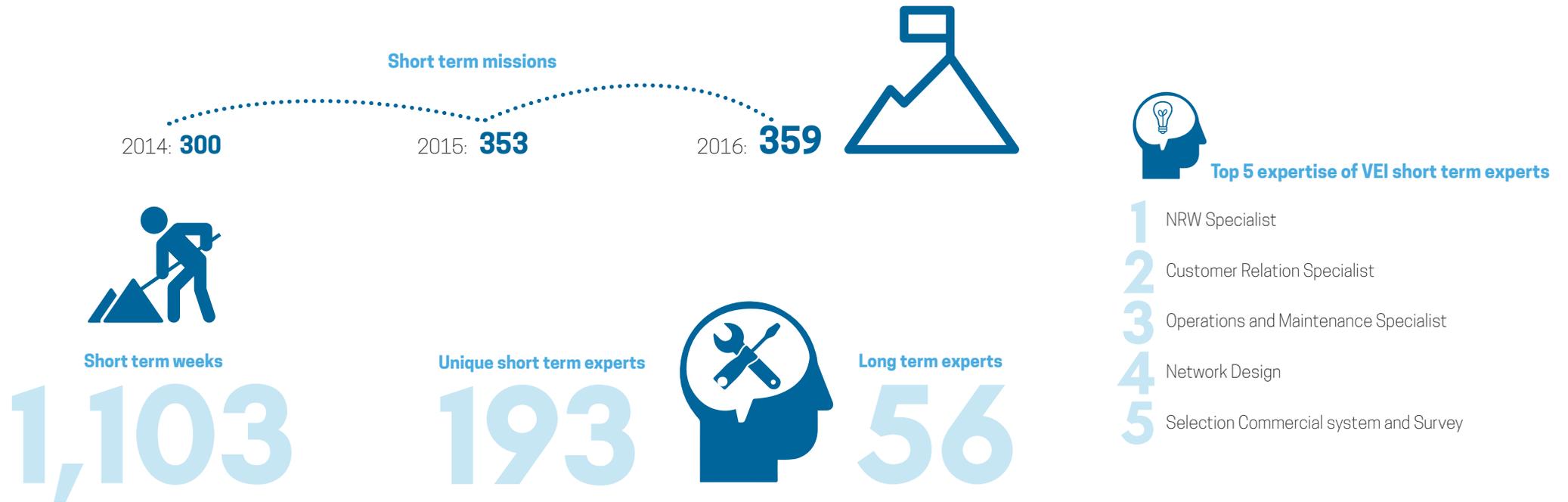


Turnover

Year	Turnover (€)
2014	€ 16,299,000
2015	€ 21,388,000
2016	€ 21,475,000

RESULTS 2016

The input of knowledge sharing: deployment of staff of six Dutch water companies



The output of knowledge sharing: capacity building of staff of local water operators and their partners



A SELECTION OF THE VEI HIGHLIGHTS IN 2016



VEI kicks off the year in which it celebrates 10th year of its existence



JANUARY



Renewal of VEI's contract with Bonaire for another year



FEBRUARY



The signing of a partnership agreement proves the PEWAK project Kenya is heading from inception towards execution



FEBRUARY



European Union applauds VEI project in Mozambique in evaluation report



MARCH



VEI and Brabant Water sign partnership agreement



APRIL



Memorandum of Agreement: VEI supports Saba in improving its operational and financial performance



MARCH



EU assessment appreciates VEI supported benchmarking programme in Kenya



MARCH



Workshop about resilience of water supply Ho Chi Minh City



APRIL



VEI signs 18-month Technical Assistance contract with Zimfund in Zimbabwe



MAY



Closing seminar to celebrate implementation of VEI project in Oromia, Ethiopia



JULY



VEI wins 1-year WOP contract and joins forces with FIPAG in Angola



OCTOBER



Cooperation VEI and UNESCO-IHE in the spotlights in UPDATE magazine



DECEMBER



WASA and VEI organise close-out workshop for UDDP project and WOP in Bangladesh



DECEMBER



FIPAG and VEI sign contract for another 5 years partnership



NOVEMBER



Dutch water sector, including VEI, well represented at Kenya Water Week



NOVEMBER



KNOWLEDGE SHARING BY VEI: TANGIBLE AND EFFECTIVE

VEI arranges 'on the spot' assistance by sending Dutch water experts to water operators in Africa, Asia and South-America. It is their goal to effectively support and train the water operators. VEI transfers expertise, provides advice, shares best practices and collaborates with the local water operators to help them set up and run their operations in a business-like and efficient manner. The results are impressive: tangible change, improved operational performance and better service delivery.

VEI uses different ways to share knowledge:



Training on the job

VEI arranges 'on the spot' assistance by deploying experts employed by the Dutch water companies to local water operators, usually for a period of three weeks. Their goal is to effectively support and train local staff by transferring expertise, providing advice and sharing best practices through intensive collaboration on the job.



Classroom training

A short term expert shares his knowledge with a local water operator by organising a training or workshop to a group of participants in a structured way. This is often done within a more limited time frame than training on the job.



Awareness training

Together with the local water company training materials are developed and a training is organised. The audience usually consists of an entire community. The goal is to raise awareness of communities about subjects like hygiene, water and sanitation. In the end awareness trainings aim at affecting behaviour. Awareness activities usually take a couple of hours to one day.



VEI HELPS LOCAL WATER COMPANIES
TO RUN THEIR OPERATIONS IN A
EFFICIENT AND EFFECTIVE MANNER

DUTCH WATER EXPERTS IN THE SPOTLIGHT

Meet a few of the Dutch water experts who shared their knowledge with local water operators in Africa and Asia in 2016. On the next pages, they tell all about the why, the how and the impact of their work in the VEI project countries.

Wilco van der Wal is Resident Project Manager in Mozambique and shared his HR knowledge with HR Coordinator Elton Beirão and staff of drinking water operator FIPAG.



Birgitta Kramer is Sustainability Manager and travelled to Ho Chi Minh City to host a workshop about the integration of sustainability in the business processes of drinking water operator SAWACO.



Simon in 't Veld is Manager Microbiology and trained the laboratory staff of drinking water company GWCL in Ghana on (the monitoring of) water quality.



Martijn Kersten is Manager Data Quality and trained the Bengali staff of drinking water company Dhaka WASA in operating procedures for work on the distribution network.



Adriaan Mels (Regional Manager VEI) and Klaas Schwartz (Associate Professor of Urban Water Governance, UNESCO-IHE) meet each other in educational and training activities for water operator professionals worldwide.



WHAT IS THE IMPACT OF THE DUTCH WATER EXPERTS ON LOCAL WATER OPERATORS?

INTERVIEW

Wilco van der Wal (Resident Manager) and Elton Beirão (HR Coordinator)

What On-the-job knowledge-sharing and organised HR training

Where Water operator FIPAG, Mozambique

Wilco: “My colleague Elton Beirão is HR coordinator with drinking water company FIPAG. While sharing a room at the office, we developed a personal relationship. We discuss such issues as commitment, responsibility, performance management, and leadership. The in-depth conversations we had and the sharing of my own experiences pertaining to people and HR was a learning process in and of itself for both Elton and myself. It also formed the basis for this training.”

Elton: “At FIPAG, we could use some help with HR-related matters. Personally, I am interested in learning more about people and performance management. I think performance management is the best way for plans and activities to be defined in a transparent way. For a company, this is the key to success.”

Wilco: “I discussed our ideas with Stefan Hemmer, a Vitens colleague with theoretical and practical experience. Together, we developed a training programme for FIPAG’s staff. We had to take into consideration the unruly reality of implementing knowledge in Mozambique, with its different communication and management styles. People here sometimes find it hard to take responsibility. In the exploratory work Elton and I did, we talked about this issue extensively. We also discussed the importance of performance plans for organisations. These involve defining goals and objectives at the beginning of the year, monitoring progress halfway through the year, and conducting evaluations at year’s end. In the Netherlands, such performance plans are common, but in Mozambique they are rarely implemented.”

Elton: “The first staff members to be trained were HR managers and a few first-line managers. The participating managers learned to look at their own management style from a different perspective and how to motivate their own staff to perform better. We asked for feedback after the training, which we immediately used to revise the training materials for the next group of participants, namely the operational directors and regional coordinators. I also learned a lot myself, for example about the importance of knowing how to lead a team. I learned that good leaders focus on the common good by raising individual potential, and that leadership can be taught. With this knowledge, I was able to improve the way I deal with the department heads of the various Operational Areas, especially in terms of communication and giving feedback.”

Wilco: “Having worked with FIPAG for over ten years now, I can say that sharing of knowledge becomes possible as trust grows, and trust grows over time. The long-term commitment between VEI and FIPAG is key in the sharing of knowledge. This training programme is a good example.”

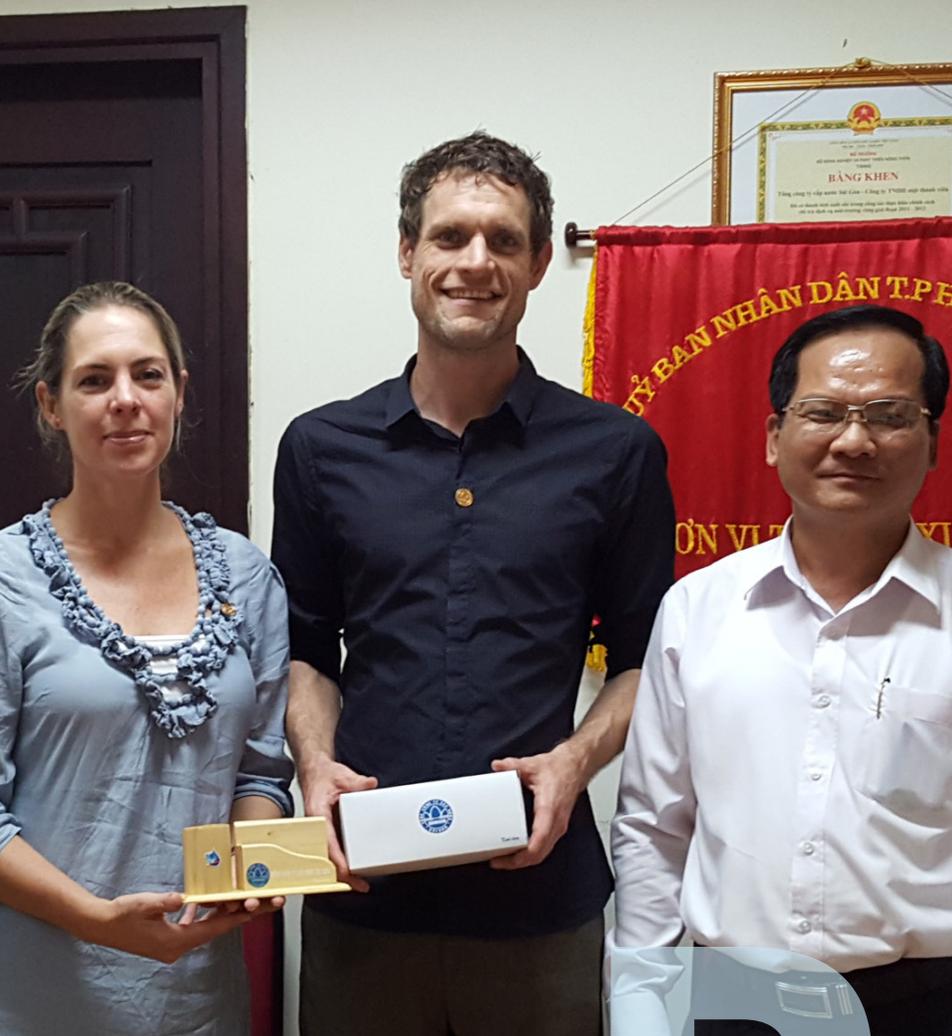
“Sharing knowledge becomes possible as trust grows”



INSTITUTIONAL STRENGTHENING OF FIPAG

IN PARTNERSHIP WITH THE MOZAMBIKAN ASSET HOLDING AND INVESTMENT FUND (FIPAG) AND THE DUTCH MINISTRY OF DEVELOPMENT COOPERATION, VEI OFFERS TECHNICAL AND MANAGEMENT ASSISTANCE TO FIPAG’S CITIES REGARDING DRINKING WATER INFRASTRUCTURE SINCE 2004. FIPAG SUPPLIES DRINKING WATER IN THE 21 MAJOR CITIES OF MOZAMBIQUE.

INTERVIEW



Birgitta Kramer (Sustainability Manager)

What Workshop on sustainability

Where Water operator SAWACO, Vietnam

“The workshop I hosted at SAWACO – the municipal water company in Vietnam’s Ho Chi Minh City – was about advising the water company on how to integrate sustainability in their business processes. Simply put, it was about the question of where to begin and – once a policy is in place – how to ensure there is support for sustainability and that it leads to tangible results for the company. The concepts of sustainable entrepreneurship and corporate social responsibility are not yet properly understood or widely supported within SAWACO. They do not know what benefits it can bring them or how to go about implementing these concepts. In order to create understanding of what it can bring to the organisation, I took the participants in my workshop on a journey through the history of sustainable entrepreneurship in Europe. I specifically focused on how we put this concept into practice in our own drinking water company, Vitens. Furthermore, I emphasised the common developments that are taking place in both the Netherlands and Vietnam, such as climate change and consumer behaviour. Hosting the workshop was an exciting experience for me; the presentation that was shown had been translated into Vietnamese, so I was not able to follow along. Luckily, everything went well.

The Vietnamese are very friendly and eager to learn. However, it can be difficult to notice when information is unclear. It is also easy to assume that concepts we find very important, such as safety, sustainable energy, energy reduction, or the fight against corruption, are equally important to your audience.

As someone who conducts these brief missions for VEI, it is important to detach yourself from a Western mindset and related assumptions. When you do that, you can really make a difference. The transfer of knowledge is based on trust, mutual dependence, and a good relationship. VEI and its partners have all of that. The great thing is that we transfer knowledge in a usable and applicable manner. We can help people avoid the mistakes we have made in the past, which speeds up the whole process considerably. My goal was to have SAWACO realise that Vietnam cannot avoid embracing sustainable entrepreneurship. I gave them examples that we also used within Vitens to increase awareness regarding water usage.

I truly felt their understanding of the issue grow.”

“We transfer knowledge in an applicable manner”



CLIMATE CHANGE MITIGATION AND ADAPTATION IN HO CHI MINH AND THE MEKONG DELTA

THIS PROJECT AIMS TO INCREASE THE RESILIENCE OF WATER OPERATORS IN THE MEKONG DELTA AND THE WATER COMPANY OF HO CHI MINH CITY, SAIGON WATER CORPORATION (SAWACO), IN VIEW OF IMPACTS OF CLIMATE CHANGE. IN ADDITION, THE FINANCIAL AND ENVIRONMENTAL SUSTAINABILITY OF THE WATER OPERATORS WILL BE ENHANCED AND THE COVERAGE OF WATER SUPPLY SERVICES WILL BE EXTENDED. VEI HAS A LONG PARTNERSHIP WITH SAWACO SINCE 2008.

INTERVIEW

Simon in 't Veld (Manager Microbiology)

What Laboratory training

Where Water operator GWCL, Ghana

“Three of the Ghana Water Company Limited (GWCL) public national water company’s laboratories in Ghana received new equipment with the help of our project and co-financing from the European Union. These laboratories worked with outdated equipment, which meant water quality measurements did not yield the right information anymore. In fact, some measurements were not conducted at all. This made it impossible to safeguard the quality of the drinking water. Furthermore, a large number of analyses were being outsourced to other labs and the quality of those measurements was not being verified in any way. All together, plenty of reason to take action.

At VEI, this challenge was in safe hands. VEI’s Dutch parent water companies have an abundance of knowledge regarding the analysis of drinking water. VEI was perfectly qualified to select the right experts to translate Dutch knowledge for Ghana. We implemented new analysis equipment and introduced a basic quality system. The goal of these measures was to establish a base level for the quality of water sample analysis. With the help of their new equipment, the laboratories can now conduct more measurements on their own. During the laboratory training I hosted, the key message was that quality is not an ad-hoc activity, but rather an aspect that needs to be safeguarded with the help of a system. Employees then received concrete information on how to draw up a work procedure, which inspections to include in the analysis process, and how to properly record data. We also put the theory into practice. Together, implemented the new equipment, allowing the employees to familiarise themselves with the new equipment straight away. Furthermore, we drew up all operating instructions, analysis instructions, logs, and other quality control documentation together. This combination of theory and practice ensured that the participants were highly involved and motivated, which is good, because the subject matter, which can be quite difficult at times, calls for nothing less. The most important result of this training programme is that the quality level was elevated significantly. This has enabled GWCL to produce reliable analysis results and safeguard the quality of the water it provides to its clients. If there is a problem somewhere, the company can now identify where the problem is located and take corrective measures independently.”

“The laboratory knowledge of our Dutch parent water companies was essential”



CAPACITY BUILDING IN WATER QUALITY MONITORING AND SURVEILLANCE

SINCE 2012 VEI HAS BEEN SUPPORTING THE WATER QUALITY DEPARTMENT OF GHANA WATER COMPANY LIMITED (GWCL), THE URBAN WATER SUPPLY COMPANY OF GHANA. THE STRENGTHENING OF THE LABORATORIES HAS LED TO INCREASED CAPACITY OF THE WATER QUALITY DEPARTMENT AND IMPROVED SUSTAINABLE NATIONAL WATER QUALITY TESTING, MONITORING AND SURVEILLANCE.

INTERVIEW

Martijn Kersten (Manager Data Quality)

What Training Standard Operating Procedures

Where Water operator Dhaka WASA, Bangladesh

“Dhaka WASA – the water company in Dhaka, the capital of Bangladesh – did not have any maintenance instructions or standard operating procedures for work on the distribution network in place. This had resulted in poor maintenance and the rapid deterioration of the quality of the pipeline network’s components. In total, I conducted three brief missions with the goal of drawing up standard operating procedures and train operational field staff, technicians, and supervisors on how to implement these procedures.

I have experience with this kind of work at Evides Waterbedrijf, but the operational contexts in Dhaka and Rotterdam are vastly different. A crucial factor for the success of the entire operation was to customise the training to fit local needs and demands. First, I worked with local employees to document the work. I then drew up instructions and recorded videos to illustrate the instructions. I was able to make concrete use of the knowledge and expertise I acquired at Evides Waterbedrijf. At first, I did all my work in English, but the results were insufficient. That is why we opted to translate all written instructions and videos into Bengali. Bangladesh uses a different alphabet, which led to some extra difficulties at times. However, the translation noticeably improved the employees’ involvement with the instructions they received. I also hosted a training for employees in other areas of the water company. This training included a practical and a theoretical component. We went out to learn how maintenance should be conducted in the field and examined the function of maintenance up close with the help of a demonstration. During the theoretical component, we discussed what we had seen out in the field. I not only focused on how to perform certain maintenance work, but also on why it is necessary. It is important to include that aspect, because having people think and make connections on their own, instead of simply doing what they are told, ensures that the new knowledge is retained far better.”

“ We translated the training into Bengali for optimal impact ”

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WATER OPERATOR PARTNERSHIP

VEI HAS BEEN SUPPORTING DHAKA WATER SUPPLY AND SEWERAGE AUTHORITY (DWASA) IN BANGLADESH SINCE 2012. THE PARTNERSHIP FOCUSED ON PROVIDING TECHNICAL SUPPORT TOWARDS THE IMPROVEMENT OF OPERATIONS AND MAINTENANCE PRACTICES, THE EXTENSION OF WASH SERVICES, AND ON THE DEMONSTRATION OF URBAN DREDGING TECHNOLOGIES FROM THE NETHERLANDS. THE WOP ENHANCED DWASA’S OPERATIONAL PERFORMANCE AND OPTIMIZED THE WATER SUPPLY SCHEME.



INTERVIEW

UNESCO-IHE and VEI as complementary capacity building partners

What Sharing knowledge to reach SDG6

Where Worldwide

“VEI and IHE are complementary in their mission and approach,” Adriaan Mels, Regional Manager VEI explains. “VEI’s mandate is to strengthen capacity of water operators in developing countries. As such, the activities of VEI are hands-on, concerning all elements of running a water company. UNESCO-IHE has a mandate to strengthen capacity through research, education and training and takes a more distanced approach to the day-to-day operational challenges of water operators. Both organizations seek to improve the capacity of water operators to provide safe and sustainable water supply and sanitation services to all.” Klaas Schwartz, Associate Professor of Urban Water Governance, UNESCO-IHE: “For the Institute, our collaboration opens up doors to practitioners and to their daily operational challenges, making research and education activities more relevant and up-to-date.” Mels: “For VEI, the added value of our collaboration is very specific. During our work in the project countries we frequently meet the alumni of UNESCO-IHE. We often know them personally from the lecture halls; various VEI colleagues and myself teach at the institute. Thanks to these alumni we find faster access and connect much more quickly to foreign governments and within important networks. Local water operators that we start to work with automatically gain access to the network and the knowledge of UNESCO-IHE. Employees of these water operators get the chance to follow specialized training in the Netherlands at the world’s largest educational institution in the field of water expertise. So for them our collaboration really adds something too. In 2017 and 2018 we will work together in developing six training packages for Water Operator Partnerships. The aim is to work according to a more standardized approach. VEI possesses an enormous wealth of knowledge but can benefit from a structured way of sharing all of this knowledge amongst themselves and with others. UNESCO-IHE adds value by providing structure, testing of all knowledge and by turning all of it into a wonderful and clear knowledge package by means of additional improvement in quality. In our partnerships with the water operators the staff members of the Dutch and foreign water companies involved use these packages and are then in an even better position to transfer the correct knowledge.”

“ UNESCO-IHE structures our knowledge ”



VEI AND UNESCO-IHE HAVE BEEN WORKING TOGETHER FOR MANY YEARS. INITIALLY, THIS COOPERATION WAS MOSTLY AD HOC, BASED ON INDIVIDUAL PROJECT NEEDS, WITH COLLABORATION MAINLY IN EDUCATIONAL AND TRAINING ACTIVITIES FOR WATER OPERATOR PROFESSIONALS. HOWEVER, GIVEN THE SIMILARITIES OF THE TWO ORGANIZATIONS IN VISION, PHILOSOPHY AND APPROACH, IT WAS DECIDED TO FORMALIZE THE ARRANGEMENT WITH A MEMORANDUM OF UNDERSTANDING IN 2012.

As from the 1st of January 2017, IHE Delft Institute for Water Education (formerly UNESCO-IHE) operates as a Foundation under Dutch law, working in partnership with UNESCO.

DIRECTOR'S REPORT

OVERVIEW

2016 was for VEI a record-breaking year in terms of increase in activities and impact. VEI raised its turnover to a high of €21.5 million; we successfully completed 19 projects during the year; involving 56 long term experts in the field, and 193 short term experts; and provided access to almost 200,000 people that before lacked proper access to drinking water.

Solvency, expressed as shareholders' equity in relation to the balance sheet total, was 12% (compared to 12% in the previous year). Nevertheless, two factors have influenced the latest solvency percentage. Firstly, the increase in equity caused by the positive result for 2016. Secondly, the audits of a larger number of projects were finalized which resulted in claims on the final donor contribution. Final payments are received when an audit is finalized.

The company's liquidity, expressed as current assets relative to current liabilities, was 1.19 (compared to 1.19 in the previous year). This stabilization of VEI's liquidity was mainly caused by the same factors as described above in respect of solvency. Finally, no unforeseen items of extraordinary expenditure had to be accounted for in relation to 2016.

Noteworthy for 2016 is the 18% increase in contribution from the Dutch water companies from €4.4 million to €5.2 million. This is largely due to the welcoming of the two Dutch water companies PWN and Brabant Water as new partners of VEI, and an increase in the contributions of existing partners WML and Waterbedrijf Groningen. This level of support reflects our Dutch water company partners' continued trust in VEI's financial stewardship. Their generosity and commitment also signal confidence in our ability to effectively and efficiently reach our dream of universal sustainable water services by unlocking the strengths of the Dutch water companies. 2016 was also important strategically for VEI as it marked the first year of the newly formulated Sustainable

Development Goals (SDGs) by the United Nations General Assembly. The SDGs are ambitious as they set the target to end poverty everywhere in all its forms by the year of 2030. As such, the SDGs complete what the Millennium Development Goals did not achieve and will stimulate action in areas of critical importance for humanity and the planet, including drink water. Specifically relevant to VEI in that respect is SDG 6, that set the aim to ensure availability and sustainable management of water and sanitation for all, by the year of 2030. The SDGs will guide the agenda of the world community for the period towards 2030, and as such will also direct our organisation and daily work.

Looking forward to 2017

The project portfolio is expected to stabilize in 2017, which will accordingly result in stable turnover and costs. The deployment of personnel will also stabilize, with an expected shift from flex to fixed personnel (seconded from the Dutch water companies that partner with VEI). Stabilization of the project portfolio is expected to generate a break-even result; which is in line with the non-profit nature of the company's activities. VEI generates positive cash flow from its business operations, so no additional financing requirements are expected.

Looking forward to 2017, a notable exciting development is the start of a new large programme called WaterWorX that culminated from a full year of acquisition in 2016. WaterWorX is the response, under the coordination of VEI, of all ten Dutch water companies to

resigning Minister Ploumen of Foreign Trade and Development Cooperation's pledge to make a significant contribution to the UN's sixth SDG. Ploumen aims to provide 30 million people with sustainable and safe access to drinking water and 50 million people with sustainable access to sanitation facilities by 2030. WaterWorX entails that the Dutch water companies share their knowledge and expertise with local water operators through Water Operator Partnerships (WOPs) in order to prepare them to achieve SDG 6 by 2030, meaning universal and sustainable water service management. WaterWorX is a long-term effort geared towards reducing NRW and improving the financial and administrative systems.

Choices relating to contract types and project sites are key elements in managing the risk profile of the commitments we enter into. Selection is executed through a criterion-based filtering process weighing impact, financial risks, operational risks and risks relating to employees' occupational health and safety. A prime condition to weigh our possible involvement is that there must be a reasonable expectation that our efforts will have a sustainable and lasting impact. The motivation of our foreign partner water company (and its management) is an important indicator in respect of this condition. Other considerations relate to the safety situation of the project site, such as indicated for example by the presence of other international organisations, travel infrastructure and accommodation facilities and advice provided by our partner Control Risks. Control Risks is an independent, global risk consultancy specializing in helping organizations manage political, integrity and security risks in complex and hostile environments. Related to this criterion, is that VEI explicitly condemns (and refuses to participate in) all forms of corruption and the presence of VEI employees in a country in no way indicates VEI's support of a local government's policy or an endorsement of its governance quality. With respect to the type of contract, VEI's policy is not to take a financial interest in local entities. VEI focuses its activities on providing technical support to their partners abroad to enable them to manage their service provision sustainably.

RISK MANAGEMENT

Risk inventory and risk management are important topics at VEI. Generally speaking, VEI is exposed to three categories of risk: risk related to health and safety, operational risk and financial risk.

HEALTH AND SAFETY RISK

Impact on the results and/or financial position: limited

The health and safety of expatriate and short-term staff is the main risk to which VEI is exposed. These risks mainly apply to international travel, local transportation (accidents, material damage), illness (nutrition, malaria, infectious diseases), safety on the streets (theft), incidents (natural disasters, terrorism), and 'Occupational health': even though the expatriate- and short-term employees mainly fulfil an advisory role, many of them are also involved in the operations of the partner water operators. Cases of personal injury resulting from accidents or incidents causes in the first place personal hardship and inconvenience. But it also has a negative effect on the image of VEI and its shareholders, particularly if such situations are not handled professionally and effectively. Anticipating or reacting to these risks may result in the postponement or cancellation of missions. If this situation continues for a prolonged period, it may lead to delays in the implementation of the projects in question.

Among other measures, VEI implements the following controls in order to minimise the risk associated with health and safety.

- The staff members (expatriates and short-termers) receive preventive information on the political, security and health situations in the countries where we are present;
- A Travel Handbook ('Veilig op Reis'), which contains instructions on behaviour and assistance relating to health and safety;
- Compulsory chauffeurs for Short-termers;
- A crisis management organisation has been set up and an annual training is organised;

- A 'Duty of Care' policy clarifying the obligations of the employer and employee, which the employee must sign to indicate that he/she is aware of all the available information and has read the relevant instructions before being issued a ticket;
- VEI cooperates with Control Risk (crisis management) and International SOS (health) in order to optimally inform and prepare employees and, if necessary, provide guidance in the area of health and safety.

OPERATIONAL RISK

Impact on the results and/or financial position: limited

The operational risks relate to the quality and effectiveness of the project effort, issue management (water quality, reliability), political risks (human rights, corruption), and employee conduct (professionalism). These affect the reputation of VEI, the Dutch parent water companies and partners. Most VEI projects are partnerships which are entered into by both parties on a voluntary basis, or contracts that are awarded after a tender procedure. Neither poor performance nor bad publicity serves the interests of either of the parties and a critical selection process minimises the likelihood of occurrences of this nature. We know from experience that, when confronted by disappointing (initial) results, the first reaction of the two partners is to look for ways of improving those results. During VEI's involvement in international collaborative projects during the past 10 years, there has not been a single case of premature termination of a collaborative relationship without mutual consent.

VEI implements the following controls in order to minimise operational risk.

- Contract selection, a number of criteria is used such as country, contribution to the VEI mission, and project partners;
- Limitation in countries where projects are being operated.
- Selection of partners/alliances;
- Use of the KPI dashboard, financial reporting and performance reporting in the context of result accountability in respect of all stakeholders (not only the shareholders and financiers) in order to contribute positively to developing relevant policy and encouraging broader social debate in this area;
- A standardised Financial Planning & Control cycle;
- The communication protocol agreed with the shareholders, which defines an approach and core message for each target audience.
- To reduce the risk of bribery VEI has a "code of conduct" for its staff and has also implemented procurement procedures.

FINANCIAL RISK

Impact on the results and/or financial position: limited

VEI is a project-based organisation and the associated financial risk is therefore typically related to individual projects. For example, risks associated with penalty clauses, bonus/malus agreements in performance-dependent projects, repayment of subsidies, debt-risks, liability for health damage or other damages (injury), unemployment, VEI employees becoming unfit for work and the risk of payment default on the part of the donor.

In the event of early termination of the project, there are also financial consequences in that a suitable position must be found for the permanent staff returning to the parent company or partner company from abroad, or an outplacement procedure has to be initiated.

Based on the assumption that not all projects will end at the same time and that new projects will arise or existing projects will be renewed, this risk is limited.

VEI implements the following control measures to minimise financial risk:

- The further pursuit of operational excellence in Project Management and Finance & Control, through optimisation of the administrative/Finance & Control systems and procedures among other measures;
- Registration/preparation of Utility Support Contracts with realistic performance targets and a good balance between fixed and variable rewards and bonus/malus arrangements;
- Demanding project finance payment in advance;
- A standard cooperation agreement has been drawn up in collaboration with Royal Haskoning DHV, a leading firm of consulting engineers and a VEI partner, which focuses on clearly defining liability;
- Restraint with regard to entering into long-term commitments in relation to rent, vehicles, etc.;
- Not participating or taking any financial position in local water operating partners.
- Externally recruited personnel, who mainly work as self-employed contractors or based on fixed-term contracts (duration is based on the contract period).

More about VEI's financial risk and risk management in chapter 5 of the Financial Statements (page 25).

Utrecht, 15 May 2017

M.A.C. Schouten, PhD - CEO VEI



FINANCIAL STATEMENTS

Company balance sheet as at 31 December 2016 (before proposed appropriation of result)

<i>X EUR 1,000</i>	Ref	31-12-16	31-12-15
ASSETS			
Construction Contracts	1	3,568	2,117
Accounts receivable and amounts to be invoiced	2	1,265	836
Taxes and social security charges	2	336	342
Other receivables, prepayments and accrued income	2	1,665	2,014
Cash and cash equivalents	3	6,209	6,048
Total assets		13,043	11,357
LIABILITIES			
Paid-up and called share capital		36	36
Other reserves		1,297	1,091
Undistributed result		199	205
Shareholders' equity	4	1,532	1,332
Provisions	5	548	436
Construction contracts	6	7,228	6,940
Other current liabilities	7	3,735	2,649
Current liabilities		10,963	9,589
Total equity and liabilities		13,043	11,357

Company income statement for the year ended 31 December 2016

<i>X EUR 1,000</i>	Ref	2016	2015
Net turnover	9	21,475	21,388
Cost of operations	10	-19,219	-18,624
Gross profit		2,256	2,764
General and administrative expenses	11	-2,005	-2,570
Total costs		-2,005	-2,570
Operating profit /(loss)		251	194
Financial income and expenses	12	1	11
Result before taxation		252	205
Corporate income tax	13	53	-
Profit/(loss) for the year		199	205

Cash flow statement for the year ended 31 December 2016

x € 1,000	Ref	2016	2015
Operating profit /(loss)		199	194
Adjustments for:			
Movement in provisions	5	112	-107
		311	87
Movement in receivables	2	-74	1,208
Movement in construction contracts	1&6	-1,163	-1,443
Movement in current liabilities	7	1,086	-1,158
Movement in working capital		-151	-1,393
Cash generated from operations		160	-1,306
Financial income and expenses	12	1	11
Corporate Income tax paid	13	-	-
		1	11
Cash flow from operating activities		161	-1,295
Movement in financial fixed assets		-	-
Cash flow from investing activities		161	-1,295
Movement in cash and cash equivalents		161	-1,295
Cash and cash equivalents as at 1 January		6,048	7,343
Cash and cash equivalents as at 31 December		6,209	6,048
Movement in cash and cash equivalents		161	-1,295

Notes to the company balance sheet and income statement

1 GENERAL NOTES

1.1 Activities

Vitens Evides International B.V. is a joint venture of Vitens N.V. and Evides N.V.. Vitens Evides International B.V. receives contributions from its shareholders and other donors in the context of development aid. It uses these contributions to finance its not-for-profit activities in the area of management support for water companies in developing countries. An own contribution is incorporated within a majority of the project contracts of VEI. This own contribution is sourced through the participating Dutch water companies, legitimized by the 1% CSR contribution of the Dutch drinking water law.

1.2 Registered office

Vitens Evides International B.V. registered office is located in Apeldoorn, the Netherlands. Registered at the Chamber of Commerce under number 634832.

1.3 Group structure

VEI B.V. consists of two legal entities. The head of the group is VEI B.V. The other company, VRWS B.V., is intended to be liquidated in 2017, as a consequence of which the value of the assets and equity is nil. Based on the fact that VRWS is nil, VRWS is excluded in the consolidation.

1.4 Changes in accounting policies:

There are no changes in accounting policies compared to previous year.

1.5 Changes in accounting estimates

No changes in accounting estimates have been made.

1.6 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Entities which can exercise control over the Company are also considered to be a related party. In addition, statutory directors, other key management of Vitens Evides International B.V. or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is necessary in order to provide the required insight.

1.7 Estimates

Preparing annual financial statements involves the use of assumptions, judgment and estimates based on historical experience and factors that are acceptable in the management's opinion given specific circumstances. Such judgment and estimates (including relevant assumptions) affect the valuation and presentation of the assets and liabilities reported and also the result for the year. Actual results may differ from these estimates and assumptions applied. The nature of these estimates and this judgment, including relevant assumptions, are disclosed in the notes to the financial statement. Below we provide more details for specific items.

1.8 Accounting policies for the cash flow statement

The cash flow statement has been prepared on the basis of indirect method. Items disclosed in the cash flow statement comprise the cash and cash equivalents. Cash flows in foreign currency are translated at an estimated average exchange rate. Inflow or outflow of cash related to interest is included in the cash flow from operating activities.

2 GENERAL ACCOUNTING POLICIES

2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Comparative figures

The accounting policies have been consistently applied to all years presented. In presentation two changes have been applied: firstly, due to changes in legislation in 2016 VEI is for the first time subject to corporate income tax. Secondly, the costs of Regional Management are allocated to the cost of Operations. This adjustments does not have any impact on either equity or the results.

2.3. Foreign currency

2.3.1 Functional currency

The items in the financial statements are measured using the currency of the primary economic environment in which the company is based (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of Vitens Evides International B.V.

2.3.2 Translation of foreign currency

Transactions entered into by the company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled assets and liabilities are recognized in the company income statement.

3 ACCOUNTING POLICIES FOR THE BALANCE SHEET

3.1 Financial fixed assets

3.1.1 Associates

Associates are stated at net asset value. Associates with an equity deficit are carried at nil. A provision is accounted for if and when Vitens Evides International B.V. is fully or partially liable for debts of the associate, or has the firm intention to allow the associate to pay its debts.

3.2 Construction contracts

The item construction contracting by third parties consists of the balance of realized project costs, allocated profit and, if applicable, recognized losses and invoiced instalments. Construction contracting's by third parties are presented separately in the balance sheet under current assets. If a credit balance is shown, it is presented under the current liabilities. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

3.3 Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at nominal value.

3.5 Provisions

Provisions are recognized for legally enforceable or constructive obligations that exist on balance sheet date, the settlement of which is probable to require an outflow of resources whose extend can be reliably estimated.

Provisions are measured at best estimate of the amounts that will be necessary to settle the obligation at balance sheet date. Provisions are recognized at nominal value of the expenditure that is expected to be required to settle the obligation, unless stated otherwise. If it is expected that a third party will reimburse the obligation, and if it is likely that this reimbursement will be received when the obligation is settled, this reimbursement is stated in the balance sheet as a separate asset.

3.6 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at amortized cost.

4 ACCOUNTING POLICIES FOR THE INCOME STATEMENT

4.1 General

The result is determined as the difference between the realizable value of goods/services delivered and costs and other expenses over the year. Income from transactions is recognized in the year in which it is realized. The project result is determined as the difference between project income and project costs. Project income is the contractually agreed income and income from supplemental and additional work, claims and fees, if and to the extent likely to be realized and able to be reliably determined. Project costs are costs relating directly to the project, which are generally allocated to project activities and can be apportioned to the project, and other costs that can be contractually allocated to the client. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

4.2 Net turnover

Net turnover consists of contributions and subsidies received. Income is allocated to the relevant period. Subsidies are recognized as income in the income statement in the year in which the subsidized costs were incurred or income was lost, or in which a subsidized operating deficit arose. Income is recognized if it is likely to be received.

4.3 Contract revenue and costs

When the outcome of a contract can be reliably estimated, contract revenue and costs are recognized as revenue and costs in the income statement under the percentage-of-completion method.

The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognized as revenue in the income statement only to the extent of contract costs incurred that are likely to be recoverable.

Contract costs are recognized as expenses in the period in which they were incurred. When the outcome

of a contract can be estimated reliably, revenue is recognized using the percentage-of-completion method by reference to the services provided up to the balance sheet date.

4.4 Cost of operations

Cost of sales is defined as direct and indirect costs that can be allocated to the turnover, which includes costs of raw materials and production supplies, costs of work contracted out and other external costs, personnel costs and other operating expenses that can be allocated to cost of sales.

4.5 General and administrative expenses

General and administrative expenses are defined as those costs chargeable to the year that are not directly attributable to cost of goods and services sold.

4.6 Financial income and expenses

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, recognized transaction expenses for loans received are taken into consideration.

4.7 Exchange differences

Exchange differences that occur in the settlement or translation of monetary items are recognized in the income statement in the period in which they arise.

4.8 Corporate income tax

From 1 January 2016 participations in Dutch public corporate entities are subject to Corporate income tax. Based upon the current interpretation of the legislation all activities of the company are subject to corporate income tax.

5 FINANCIAL RISKS AND RISK MANAGEMENT

Vitens Evides International B.V. is exposed to the following financial risks, which are explained below:

5.1 Market risk

5.1.1 Price risk

The company deems the price risk related to items in the financial statements to be limited. This is mainly caused by the type of contract which enables VEI to pass such effects on to donor parties.

Eligibility of project cost

The company is involved in various projects for which audits are performed in order to check eligibility of project cost incurred. For some projects, audits are performed on a yearly basis, for others an audit is performed in case a new installment is requested and for some projects audits are performed at the end of the project. For the latter ones, for those projects where the subsidy funder may perform an audit after closing the project and for long-term projects, the company risks that, as a result of an audit, costs do not meet the conditions of the grant and can therefore not be claimed.

5.1.2 Currency risk

This is the risk that the value of a financial instrument will change due to fluctuations in the currency exchange rates. The company uses the euro as its functional currency. Exchange differences are calculated on a per-transaction basis and credited/charged to the income statement. For benefit of the projects, bank accounts abroad are held in foreign currencies to facilitate payments in foreign currencies. The company does not use any forward currency contracts.

5.1.3 Interest rate and cash flow risk

The company has an interest-bearing receivable on its 100 % ownership in Vitens Rand Water Services B.V. No measures have been taken to mitigate interest rate risk. The company has no interest-bearing debts.

5.2 Credit risk

The company is exposed to risk in relation to valuation of receivables. The company manages this risk by assessing the recoverability of outstanding receivables periodically and takes adequate measures where necessary.

5.3 Liquidity risk

Vitens Evides International B.V. has a current account credit limit with the bank amounting to € 1 million. Vitens N.V. and Evides N.V. guarantee the current credit facility on this current account. Cash and cash equivalents are at free disposal of the company. Many of the company's projects are financed on basis of prefinancing by financiers/donors.

Notes to the company balance sheet

1 CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise balance of project costs realized, profit attributed, and if applicable, recognised losses and instalments already invoiced. Construction contracts are presented separately in the balance sheet under current assets. If it shows a credit balance, this will be presented under current liabilities.

	31-12-16				31-12-15	
	Received	Project	Balance	Received	Project	Balance
	Instalments	cost		instalments	cost	
Africa	13,404	16,443	3,039	8,138	10,255	2,117
Asia	12,725	13,191	466			
South America	104	113	9			
Other	777	831	54			
	27,010	30,578	3,568	8,138	52,990	2,117

2 RECEIVABLES (OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME)

All receivables have a remaining term of less than one year. The net present value of the receivables approximates the book value, due to their short-term nature and the fact that provisions for bad debt have been created where necessary. The receivable relating to Taxes and social security charges relates to value added tax.

	31-12-16	31-12-15
<i>Other receivables, prepayments and accrued income</i>		
Advances to personnel and projects	350	346
Other receivables and Prepaid costs	1,195	1,470
Loan to VRWS	-	70
Current account WFL	110	116
Interest	-	10
Credit notes to be received	10	2
Total	1,665	2,014

The loan provided to VRWS is on market terms and is subject to an interest rate of 3 months LIBOR + 4%. The company's management decided to form a provision for the accrued interest as per 31 December 2016. No agreements have been made about amortization or any securities have been granted.

3 CASH AND CASH EQUIVALENTS

Cash at banks and in hand are at the Company's free disposal, including a guarantee account:

Nr	Currency	Amount	Beneficiary
K691429	\$	160,668	CROWN AGENTS LIMITED

4 SHAREHOLDERS' EQUITY

	31-12-16	31-12-15
Paid-up and called share capital	36	36
Other reserves	1,297	1,091
Unappropriated result	199	205
Total	1,532	1,332

The authorized share capital amounts to € 90,000 consisting of 1,800 shares with a nominal value of € 50 per share. At the year ended 31 December 2016, 720 shares were issued and paid up.

Movement in shareholders' equity

	Paid-up capital	Other reserves	Undistributed result	Total
Balance as at 1 January	36	1,091	205	1,332
Movements	-	-	-	-
Appropriation of the result previous financial year	-	205	-205	-
Results for the year	-	-	199	199
Other movements	-	1	-	1
Balance as at 31 December	36	1,297	199	1,532

5 PROVISIONS

		31-12-16	31-12-15
Other provisions		548	436
Total		548	436

Other provisions are recognized for employees working abroad and relates to withholding taxes.

Movement in provisions

	Other provisions
Balance as at 1 January	436
Additions	208
Utilisation	-47
Releases	-49
Balance as at 31 December	548

6 CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise the balance of project costs realized, profit attributed, and if applicable, recognised losses and instalments already invoiced. Construction contracts are presented separately in the balance sheet under current assets. If it shows a credit balance, this will be presented under current liabilities.

			31-12-16			31-12-15
	Received	Project	Balance	Received	Project	Balance
	Instalments	cost		instalments	cost	
Africa	12,044	8,208	3,836	8,672	7,043	1,629
Asia	5,474	4,456	1,018	13,970	11,502	2,468
Other	43	30	13	106	65	41
WFL	3,962	1,601	2,361	4,439	1,637	2,802
	21,523	14,295	7,228	27,187	20,247	6,940

7 OTHER CURRENT LIABILITIES

	31-12-16	31-12-15
Trade creditors	1,432	459
Other payables	2,303	2,190
Total	3,735	2,649

All current liabilities fall due in less than one year. Other current liabilities are recognized at amortized cost.

Debt to shareholders

The trade creditors and other payables include a debt to the shareholders:

	31-12-16	31-12-2015
Vitens N.V.	441	486
Evides N.V.	430	414
Total	871	900

8 CONTINGENCIES AND COMMITMENTS

The company has concluded contracts with an annual rental expenditure of approximately € 367,000 for projects and employees abroad.

Rental contracts	Due within 1 year	Due 1-5 years	> 5 year
as per 31 December 2016			
367,000	176,000	139,000	52,000

Notes to the company income statement

9 NET TURNOVER

Net turnover from The Netherlands is recognised based on contracts and relates to contributions from Dutch partners with which the company cooperates for their projects.

Net turnover from other continents and other parties relate to contracts as well and comprises grants provided by funders like Dutch Embassies abroad, Ministry of Foreign affairs, ADB, EU etc.

	2016	2015
The Netherlands	5,212	4,416
Africa	9,026	8,431
Asia	4,885	6,930
South America	362	404
Water for Life	1,601	1,130
Other	389	77
Total	21,475	21,388
<i>Net turnover - The Netherlands</i>		
Contribution Vitens	2,000	2,000
Contribution Evides	1,750	1,750
Contribution WML	495	310
Contribution PWN	350	-
Contribution Brabant Water	200	-
Contribution WBG	160	125
Other turnover	257	231
Total	5,212	4,416

10 COSTS OF OPERATIONS

The costs of operations relate to the projects performed during the year under review.

11 GENERAL AND ADMINISTRATIVE EXPENSES

The General and Administrative expenses relate to the support departments of Vitens Evides International B.V.

Personnel costs

The company does not have any employees of its own but hires personnel, mainly via its shareholders and partners. Personnel costs associated with this are stated in the income statement and are charged to projects where applicable (cost of operations).

Audit fees

The following audit fees were expensed in the income statement in the reporting period:

	EY	PwC	Others	Totaal
2016				
Audit of annual financial statements	-	28	-	28
Other audit services	-	18	-	18
Other non-audit services	119	-	2	121
	119	46	2	167
2015				
Audit of annual financial statements	-	22	-	37
Other audit services	-	15	-	15
Other non-audit services	63	3	32	98
	82	40	32	135

The fees listed above relate to procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

Average number of employees

The company does not have any employees of its own but hires personnel, mainly via its shareholders and partners.

12 FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest and similar income	1	11

13 CORPORATE INCOME TAX

The Corporate income tax is based on the applicable Corporate income tax rate in the Netherlands (25%). The effective Corporate income tax rate on the company result is 21%. The difference is caused by a different applicable tax rate over the first € 200,000 (20%).

14 OTHER NOTES

Accountability in consideration of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT))

The Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)) is effective as of January 1st, 2013. This statement of accountability has been drawn up based upon the following regulation which applies to Vitens Evides International B.V.: the general WNT-maximum. The maximum remuneration in 2016 which applies to Vitens Evides International B.V. concerns € 179,000. The applicable WNT maximum shown per person or position is calculated prorated based on the number of hours of employment (and for senior officials also on the duration), whereby for the purposes of the calculation the employment contract can never be more than 1.0 FTE.

The management board is charged with managing the company. The authority to determine the remuneration and other employment conditions of the members of the management board accrues to the General Meeting of Shareholders. The remuneration consists of a basic salary, pension, social security and other expense allowances, and is in accordance with the requirements of the Executives' Pay (Standards) Act. No loans, advances or guarantees were provided to the management board member.

Remuneration of senior officials without employment contract:

Name	M.A.C. Schouten, PhD ¹	F.J. Jager, MA ²	Total
Total Remuneration in 2016 WNT	149,870	-	149,870
Total Remuneration in 2016	149,870	-	149,870
Total Remuneration in 2015 WNT	148,274	82,986	231,260
Total Remuneration in 2015	148,278	83,106	231,384
Duration of employment in days	366	0	
Part-time employment factor	1	0	

¹ CEO, in operation 1 November 2014

² Member of directors, out of operation 1 September 2015

Other disclosure requirements based upon the WNT

Besides the senior official mentioned above, there are no other officials who received remuneration in excess of the applicable WNT maximum in 2016 or for whom a report was submitted or should have been submitted in previous years on grounds of the WOPT or WNT. No severance payments were made to other officials in 2016 which must be reported on grounds of the WNT.

Related parties

The company receives an annual contribution from its shareholders, which can be specified as follows:

	2016	2015
Vitens N.V.	2,000	2,000
Evides N.V.	1,750	1,750
Total	3,750	3,750

All costs from related parties are charged to the company based on actuals (e.g. hours and invoices), without profit margin. The company hires personnel from its shareholders, mainly as project-staff. Moreover the company hires staff from Vitens for back-office activities (e.g. accounting, marketing). The specification is as follows:

	2016	2015
Vitens N.V.	2,881	3,398
Evides N.V.	1,883	1,474
Total	4,764	4,872

Events occurring after the balance sheet date

In April 2017 a Kenyan contractor notified VEI of a dispute in the execution of a contract. As the underlying contract was signed between parties other than VEI. VEI considers this dispute as unwarranted.

Utrecht, 15 May 2017

M.A.C. Schouten, PhD - CEO VEI

Other information

Provisions of the Articles of Association governing the appropriation of profits

The provisions of the Articles of Association relating to profit appropriation are as follows (article 18):

- 18.1 The profit achieved in a financial year is at the disposal of the general meeting.
- 18.2 Profits are paid out after adoption of the financial statements which indicate this is permissible.
- 18.3 The general meeting can adopt a resolution for payment of an interim dividend and/or distributions chargeable to a reserve maintained by the company.
- 18.4 Distributions on shares can only take place up to at most the amount of the distributable shareholders' equity.
- 18.5 A resolution aimed at distribution will not have any effect as long as the management board has not given its approval. The management board will only refuse to give its approval if it knows or should reasonably foresee that the company will be unable to continue to pay its eligible debts after the distribution.

Proposed appropriation of result

The board of directors proposes to appropriate the result of 2016 as follows: add an amount of € 199,000 to the other reserves.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting of Vitens-Evides International B.V.

REPORT ON THE FINANCIAL STATEMENTS 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vitens-Evides International B.V. as at 31 December 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Vitens-Evides International B.V., Apeldoorn ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Vitens-Evides International B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information included in the editorial, about VEI, results 2016, a selection of the VEI highlights in 2016, knowledge sharing by VEI and Dutch water experts in the spotlight, and;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the director

The director is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the director is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The director should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Groningen, 15 May 2017

PricewaterhouseCoopers Accountants N.V.

Originally signed by:

A.L. Koops-Aukes RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2016 OF VITENS-EVIDES INTERNATIONAL B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Concluding on the appropriateness of the director's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Vitens Evides
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