



An Open View

Financial Results 2009

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Financial results

Financial policy

Vitens N.V.'s financial policy aims to create a balance between drinking water rates, the solvency of the enterprise and the dividend paid to shareholders. In order to effect this balance three financial objectives have been formulated:

1. *Rates*: Vitens N.V. aims to keep drinking water rates as low as possible subject to the condition that the continuity objective is respected. The aim here is to maintain steadiness in order to avoid major fluctuations over the years.
2. *Continuity*: Vitens N.V. strives an operating result that is sufficient to pay the interest and dividend due to its capital providers. Furthermore, Vitens wants to create adequate solvency as a buffer against unexpected circumstances. The size of this buffer is formulated as follows: "The shareholders' equity equal to at least 20% of the balance sheet total and a guarantee capital (equity + subordinated loans) at least equal to 25% of the balance sheet total".
3. *Dividend*: Vitens N.V. maintains a conservative dividend policy that, provided that the above-mentioned continuity objectives are met, results in a dividend yield on the equity's carrying value that is equal to the yield of a 10-year government loan + 1% (up to a maximum of 50% of the net result).

In 2010 Vitens will present a proposal to adjust the current dividend policy during the general shareholders' meeting on 17 June 2010.

IFRS

The 2009 annual accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The IFRS was applied as of 1 January 2006.

Cooperation

Legyon B.V. was established at the beginning of 2009, whereby Vitens Watermanagement B.V. (99.9% subsidiary of Vitens N.V.) and TNO Technostarters B.V. are participants in a 60%/40% ratio. The object of the company is to set up and implement the operation, production, sale, distribution and sublicensing of a legionella chip in The Netherlands and abroad.

Net result

Water supplies to customers in the entire Vitens service area remained virtually on a level in 2009 (329 million m³) with 2008 (328 million m³); this was due to the fact that the summer period of both years showed the same consumption pattern. 334 million m³ was reported in the 2008 annual accounts. The difference was caused by the fact that at the end of 2008, the provision for water consumption still to be settled was overestimated.

This is partly inherent in the system of turnover determination used, whereby a significant part of the water sales in the current financial year (approximately 60%) is determined on the basis of simulation of use. The definitive invoicing takes place in the following financial year.

As a result of this, turnover in 2009 was € 6.8 million lower than in 2008. The correction to the turnover for 2008, reported in 2009, is € 4.1 million.

The percentage of 'uninvoiced' quantities for 2008 comes to 6.2% as a result of the definitive settlements (2008 annual accounts: 4.5%). For 2009, the provisional uninvoiced quantity comes to 5.7%. The definitive uninvoiced percentage for 2009 will be determined in 2010.

Drinking water rates rose slightly as a result of the rate increase of 2.5 cents per m³ in the Central Netherlands service area. There was no increase in 2009 for the other service areas.

The balance of operating expenses and other income decreased by € 2.6 million compared to 2008. This can be explained on the one hand by the disappearance of incidental items from 2008 (buyout sum NUON N.V. and reorganisation facility for the laboratory) and on the other hand by an increase in energy costs in 2009 by € 2.9 million.

The income from analyses and consultancy decreased in 2009 by € 2.0 million as a result of the loss of a contract for analysis work for third parties and pressure on the rates at the Laboratory. This was compensated by an increase in the income from fire hydrants and sprinklers and a surplus on new connections.

The interest charges in 2009 were € 3.2 million lower due to the decrease in short-term interest and the raising of new financing later in the year. This was counterbalanced by a provision for guarantees issued for the loans granted by financial institutions to the Water Museum in Arnhem of € 2.8 million.

The net result to be allocated to Vitens N.V. shareholders is € 25.0 million in 2009 (2008 annual report: € 28.6 million).

The merger objectives as formulated at the time of the merger with Hydron Midden Nederland and Hydron Flevoland in 2006 were successfully realised in 2009. The synergy effects in 2009 compared to base year 2006 amounted to a total of approximately € 17 million.

Equity

Equity capital increased by € 11.7 million in 2009 to a level of € 353.8 million. The increase was due primarily to the result to be allocated to the shareholders of Vitens N.V. 2009 amounting to € 25.0 million and the dividend of € 14.3 million for 2008 paid in 2009.

The hedge reserve for non-realised adjustments to the fair value of financial instruments as the result of applying 'cashflow hedge accounting' increased in 2009 by € 0.1 million to a negative value of € 19.5 million (2008: € 19.6 million).

The legal reserve of € 3.0 million (2008: € 2.1 million) was created as a result of revaluation of the service dwellings and for the capitalised development costs.

The revaluation reserve of € 0.8 million was created as the result of a revaluation of office buildings.

From 2009 Legyon B.V. is fully consolidated in the figures of Vitens. Vitens has a 60% stake in Legyon B.V. This gives rise to a third-party share (year-end 2009: € 0.1 million).

Solvency therefore came to 21.2% at 31 December 2009 (2008: 20.9%).

After determining the profit, € 12.5 million will be added to the reserves for 2009 and an ordinary dividend of € 12.5 million will be paid after discussion of the dividend decision in the general shareholders' meeting.

Provisions

The provisions primarily consist of provisions for employee benefits. These can be categorised as restructuring provisions and long-service bonuses. The employee benefits at 31 December 2008 amounted to € 14.1 million (2008: € 18.7 million), € 3.0 million of which (2008: € 4.0 million) is regarded as current.

Cashflow/financing

Cashflow from operational activities amounted to € 109.8 million (2008: € 116.4 million) and was not enough to finance the investment activities of € 114.7 million. The cashflow from operational activities fell by € 6.6 million, which was mainly caused by a decrease in the turnover.

The net investments in 2009 amounted to € 115.5 million. This was 35% higher than in 2008 (€ 85.6 million) and also higher than forecast in the year plan for 2009. As such Vitens was one of the parties that contributed to stimulating the economy in the difficult economic year of 2009. It is expected that the total investment amount will remain at the same level in 2010 (approximately € 110 million).

In contrast to 2008, more new loan facilities were taken in 2009 (2009: € 80.1 million (2008: € 30.0 million) than were paid off on loans (2009: € 71.7 million (2008: € 66.2 million), primarily as the result of higher investments in 2009. The amount in dividend paid fell slightly compared to 2008 by 0.9 million to € 14.3 million.

Interest-rate levels are fixed for terms of several years for 81% (2008: 79%) of the borrowed capital. This lends stability to the interest expenses over the years and diminishes the effect of fluctuations in the market interest rate. The effects of the credit crisis for Vitens N.V. have consequently been limited to date.

Rates and harmonisation

For Vitens, drinking water rates have remained the same over the past three years except for in the Central Netherlands service area, where there was a minimal increase to the variable rate in the context of rate harmonisation. With effect from 2010, there will be rate harmonisation for low-volume use. This means another rate increase in 2010 for the Central Netherlands service area of 2.5 cents per m³ (2010 price: € 1.055). The rate will increase by 0.4% compared to 2009 for the average low-volume user in the service area. This is markedly lower than the inflation expected for 2010 (forecast to be around 1%).

The rates for wholesale use will be harmonised from 2010 onwards. By 2015 at the latest there will be full harmonisation of all rates in the service area.

Consolidated annual accounts

Consolidated balance sheet as of 31 December

Assets <i>In millions of euros</i>		31-12-2009	31-12-2008
Fixed assets			
3	Tangible fixed assets	1,609.2	1,576.3
4	Intangible fixed assets	0.2	-
5	Joint ventures and associates	7.3	7.0
6	Other financial assets	1.2	1.4
		1,617.9	1,584.7
Floating assets			
7	Inventories	5.1	4.7
8	Trade and other receivables	45.4	47.0
9	Cash and cash equivalents	0.3	1.1
		50.8	52.8
10	Assets held for sale	-	0.7
	Total assets	1,668.7	1,638.2
Liabilities <i>In millions of euros</i>		31-12-2009	31-12-2008
Equity			
	Share capital	5.5	5.5
	Share premium reserve	132.8	132.8
	Revaluation reserve	0.8	-
	Legal reserve	3.0	2.1
	Hedge reserve	-19.5	-19.6
	Other reserves	206.1	192.7
	Profit for the year	25.0	28.6
	Shareholders' equity for allocation to shareholders of Vitens N.V.	353.7	342.1
	Third party interests	0.1	-
	Total equity	353.8	342.1
Liabilities			
Non-current liabilities			
12	Subordinated loans	138.3	150.8
13	Long-term loans	904.1	880.9
14	Derivative financial instruments	19.5	19.6
15	Provisions for employee benefits	11.1	14.7
16	Other provisions	6.9	5.6
		1,079.9	1,071.6
17	Current liabilities		
	Trade and other payables	145.0	144.1
	Tax liabilities	14.6	14.2
	Interest-bearing liabilities	46.3	36.3
	Short-term provisions for employee benefits	16.1	16.7
	Accrued liabilities	13.0	3.2
		235.0	224.5
	Total equity and liabilities	1,668.7	1,638.2

Notes in the left margin of tables refer to the notes starting on page 13.

Consolidated Profit & Loss account

In millions of euros		2009	2008
19	Turnover from the supply of goods and services	408.0	414.8
20	Other operating income	37.9	35.5
	Total operating income from continuous business activities	445.9	450.3
	Operating expenses		
21	Contracted work and temporary staff	39.9	45.8
	Groundwater tax and levies	71.9	71.2
23	Other operating expenses	98.3	97.1
24	Employee benefits expenses	70.8	69.3
25	Depreciation and impairments	83.5	81.2
	Total operating expenses	364.4	364.6
	Operating profit	81.5	85.7
26	Financial income	0.1	0.1
27	Financial expenses	-57.1	-57.5
28	Share in result of joint ventures and associates	0.4	0.3
		-56.6	-57.1
	Result after taxes	24.9	28.6
	Of which:		
	Result to be allocated to third parties	-0.1	-
	Result to be allocated to shareholders of Vitens N.V.	25.0	28.6

Consolidated overview of realised and non-realised results

In millions of euros		2009	2008
	Consolidated result after taxes due to the legal entity	24.9	28.6
	Change in effectively covering interest swaps	0.1	-32.7
	Revaluation of office buildings	0.8	-
	Total realised and non-realised results	25.8	-4.1

Notes in the left margin of tables refer to the notes starting on page 13.

31 Consolidated cashflow statement

In millions of euros		2009	2008
	Result after taxes	24.9	28.6
	Adjustments for:		
	Financial income and expenses	57.0	57.4
	Depreciation and impairments	83.5	81.2
	Revaluation of tangible fixed assets	0.8	-
	Provisions for changes	-3.3	-0.7
	Other changes in financial fixed assets	-0.4	-0.4
		137.6	137.5
	Changes in working capital:		
	Trade receivables, prepayments and accrued income	0.9	9.6
	Inventories	-0.4	-1.1
	Trade debts and accrued liabilities	2.1	0.5
		2.6	9.0
	Cashflow from operational business activities	165.1	175.1
	Interest received	0.1	0.1
	Interest paid	-55.4	-58.8
		-55.3	-58.7
	Cashflow from operational activities	109.8	116.4
	Received repayments on loans	0.2	0.3
	Loans granted	-	-0.3
	Sale of participating interests	0.1	4.6
	Investments in tangible and intangible fixed assets	-115.5	-85.6
	Disposals	0.5	5.0
	Cashflow from investing activities	-114.7	-76.0
	Increase in long-term loans	80.1	30.0
	Repayments on long-term loans	-59.2	-53.6
	Repayments on subordinated loans	-12.5	-12.6
	Dividend paid	-14.3	-15.2
	Cashflow from financing activities	-5.9	-51.4
	Net cashflow	-10.8	-11.0
	Changes in cash and cash equivalents	-0.8	0.2
	Changes in interest-bearing liabilities	-10.0	-11.2
	Changes in cash	-10.8	-11.0

Notes in the left margin of tables refer to the notes starting on page 13.

Consolidated statement of changes in shareholders' equity

<i>In millions of euros</i>	Share capital	Share premium reserve	Revaluation reserve ²	Legal reserve ³	Hedge reserve ¹	Other reserves ¹	Profit for the year	Shareholders' equity to be allocated to shareholders of Vitens N.V.	Third party interests ⁴	Total equity
As of 1 January 2008	5.5	132.8	-	-	13.1	167.9	42.1	361.4	-	361.4
Total realised and non-realised results 2008	-	-	-	-	-32.7	-	28.6	-4.1	-	-4.1
Allocation of 2007 profit	-	-	-	-	-	42.1	-42.1	-	-	-
Creation of legal reserve	-	-	-	2.1	-	-2.1	-	-	-	-
Payment of dividend on ordinary shares	-	-	-	-	-	-15.2	-	-15.2	-	-15.2
As of 31 December 2008	5.5	132.8	-	2.1	-19.6	192.7	28.6	342.1	-	342.1
Total realised and non-realised results 2009	-	-	0.8	-	0.1	-	25.0	25.9	-0.1	25.8
Allocation of 2008 profit	-	-	-	-	-	28.6	-28.6	-	-	-
Creation of legal reserve	-	-	-	0.9	-	-0.9	-	-	-	-
Payment of dividend on ordinary shares	-	-	-	-	-	-14.3	-	-14.3	-	-14.3
Other changes	-	-	-	-	-	-	-	-	0.2	0.2
As of 31 December 2009	5.5	132.8	0.8	3.0	-19.5	206.1	25.0	353.7	0.1	353.8

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

2 The revaluation reserve pertains to the revaluation of the office building in Leeuwarden.

3 The legal reserve relates to the revaluation of service dwellings at € 2.8 million and the capitalised development costs of € 0.2 million.

4 The third-party interests relates to the establishment of Legyon B.V. Legyon B.V. was established on 6 January 2009. Vitens has a 60% share in the company.

Notes to the Consolidated annual accounts

General

Vitens N.V. is a public company with registered office in Utrecht whose shares are held by municipalities and provinces in its service area. The most important activities of Vitens N.V. are pumping groundwater, purifying this water and distributing treated water.

These 2009 annual accounts were signed on 16 April 2010 by the Board of Directors and Supervisory Board. The Supervisory Board will put the annual accounts before the general shareholders' meeting for adoption on 17 June 2010.

IFRS

The annual accounts of Vitens N.V. have been prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS contains both the IFRS standards and the International Accounting Standards published by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards published by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), respectively.

The most important accounting policies applied in preparing the consolidated annual accounts are described below. The historical cost principle is used. In deviation from this, certain assets and liabilities, in particular service dwellings, office buildings and derivative financial instruments, are stated at fair value. Unless stated otherwise, these accounting policies are consistently applied for all financial years included in these annual accounts. The annual accounts are presented in millions of euros (functional currency) and rounded to the nearest whole number.

New and/or amended IFRS standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRIC) published new and/or amended standards and interpretations in 2008/2009 which apply to Vitens N.V. from the 2009 financial year onwards. The changes are further explained below:

Effect of new accounting standards

The following standards and interpretations are effective as of 1 January 2009:

- IFRS 2 Share-based payment: Vesting conditions and cancellations
- IFRS 7 Financial instruments: Disclosures (amendment)
- IFRS 8 Operating segments
- IAS 1 Presentation of annual accounts
- IAS 23 Borrowing costs (Revised)
- IFRIC 13 Customer loyalty programmes
- IFRIC 16 Hedges of a net investment in a foreign operation

With the exception of IAS 1, the aforementioned standards and interpretations have no material effect on the annual accounts of Vitens N.V. The application of IAS 1 has resulted in an additional explanation in the form of the consolidated statement of realised and non-realised results, as included on page 10.

Vitens N.V. has not opted for the early introduction of new standards, amendments to standards or new interpretations, for which application is mandatory for financial years starting on or after 1 July 2009 or later years.

The following standards and interpretations have been published but not yet taken effect for the 2009 annual accounts:

- IFRS 2 Share-Based Payment: Group cash-settled share-based payment transactions
- IFRS 3 Business Combinations - Revised
- IAS 27 Consolidated and separate annual accounts
- IAS 39 Financial instruments: Recognition and measurement – Eligible hedged items
- IFRIC 9 Remeasurement of embedded derivatives
- IFRIC 18 Transfers of assets from customers

With the exception of IFRIC 18, the standards and interpretations above are not expected to have any material effect on the 2010 annual accounts. IFRIC 18 provides further explanation of amounts from third parties for investments in fixed assets. The company is currently investigating what effects this might have on the 2010 annual accounts.

Basis of consolidation

The consolidated annual accounts include the financial data of Vitens N.V. and its group companies in which Vitens N.V. directly or indirectly exercises a decisive influence on commercial and financial policy.

These companies' assets, liabilities and results are fully included in the consolidated results. In the event that the share in the consolidated company is less than 100%, the third-party share in the equity and in the result is stated. The results of the group companies acquired or disposed of in the course of the financial year are included in the consolidated Profit & Loss account from the date of joining the group until the date of disposal, respectively. The policies for determining the balance sheet and result of the group companies, as well as the financial year of the group companies, are the same as that of Vitens N.V. Interests in joint ventures and associates are not included in the consolidation.

Inter-company transactions, balance sheet items and non-realised profits on transactions with group companies are eliminated.

Accounting policies

Tangible fixed assets

The tangible fixed assets item is divided into the following categories:

- Business premises and land.
- Office buildings.
- Service dwellings.
- Plant and machinery.
- Pipelines.
- Other fixed operating assets.
- Work in progress.

Business premises and land, plant and machinery, pipelines and other fixed operating assets are stated at acquisition price or manufacturing cost. Upon first valuation with the application of IFRS (2006), these items were stated at fair value. This fair value is presumed as 'deemed cost' whereby depreciation is deducted annually.

Office buildings are stated according to the fair value method in accordance with IAS 16.31. Corrections for a lower fair value of the office buildings are first deducted from a positive valuation reserve and the excess is directly deducted from the Profit & Loss account. Adjustments after a higher valuation of the office buildings are, insofar as they are an adjustment to write-downs acknowledged in previous years, credited to the Profit & Loss account; the remaining adjustment to the revaluation is acknowledged in a revaluation reserve. Office buildings are assessed once every four years.

Service dwellings are residences at the water extraction locations of Vitens N.V. and are rented out to (former) Vitens employees at rental prices in line with the market. Vitens N.V. designates these residences as a property investment in accordance with IAS 40, whereby valuation takes place at fair value and changes to the fair value are acknowledged in the Profit & Loss account. The fair value is derived from, among other things, the WOZ-value (value for the purposes of the Valuation of Immovable Property Act). A revaluation reserve is created for the non-realised changes in value.

Investments during the financial year are stated at purchase price less any subsidies and third-party contributions received. The purchase price is defined as the acquisition price or the manufacturing cost, or valuation on the basis of fair value in the case of acquired companies. The cost price of self-manufactured assets consists of direct costs of manufacture and mark-up for production overheads.

Tangible fixed assets, with the exception of service dwellings, are depreciated according to the straight-line method over the expected useful life of the various components of which the relevant asset is comprised. The depreciation starts when the relevant asset is taken into use.

The useful life of the components of which the asset categories consist is structured as follows:

- Office buildings 40 years.
- Production locations for civil engineering 40 years, electrical engineering and mechanical engineering 15 years.
- Other plant and machinery 15 years.
- Pipelines 50 years.
- Other fixed operating assets 3-5 years (including ICT).
- Work in progress is not depreciated.

The expected useful life, the residual value and depreciation methods are evaluated annually and adjusted, if necessary. Profits or losses from disposals are determined on the basis of the proceeds and applicable book value at the time of disposal.

From 1 January 2009, interest costs will be allocated to projects under construction in accordance with IAS 23. Vitens applies this standard prospectively. Interest costs are allocated to projects started after 1 January 2009 with an expected duration of more than 12 months and an expected investment amount of more than € 1 million. Allocation of the interest costs takes place on the basis of the weighted average interest on the interest-bearing debts. (2009: 4.75%).

Impairments

If circumstances make this necessary, it is determined whether an impairment must be taken for tangible fixed assets. If such an indication exists, the asset's realisable value is estimated. The realisable value of the asset is equal to the higher of the fair value less selling costs and the value in use. The value in use is determined on the basis of the present value of the estimated future cashflows.

The amount of the impairment is reported separately as a deduction on the Profit & Loss account. After a loss is acknowledged due to an impairment, the annual depreciation is adjusted in line with the revised book value decreased by the residual value. If the amount of the impairment is greater than the asset's book value, a decision on whether a provision must be created is considered. An impairment may be reversed, if there are valid indications that the loss acknowledged previously no longer exists or has decreased.

In 2009 the management did not identify any indications for possible impairment. As a result of this, there were no impairments.

Intangible fixed assets

The intangible fixed assets comprise research and development costs. Research costs are included in the costs as soon as they occur. Development costs are only included as an intangible asset, if it can be demonstrated that the asset will probably generate economic advantages in future. Capitalised costs are depreciated from the moment development is complete and the asset is available for use and over the period in which expected future sales are realised.

Joint ventures and associates

Associates are those entities in which Vitens N.V. directly or indirectly has significant influence, but no control over their financial and operating policies. In general, this is the case if Vitens N.V. can exercise between 20 and 50% of the voting rights.

Joint ventures are agreements in which Vitens N.V., together with one or more other parties, performs activities whereby all parties jointly exercise control. Investments in associates over which Vitens N.V. exercises significant influence and interests in joint ventures are stated according to the 'equity method'. The book value of the associates or the joint venture includes the goodwill paid upon the takeover and the share of Vitens N.V. in the changes in the shareholders' equity of the associate or joint venture respectively, after the moment of takeover.

Other financial assets and other participations

The other financial assets are loans granted to other parties and are stated at amortised cost price less by any write-downs.

Other participations are stated at cost price (being the fair value) upon acquisition and at fair value from that moment on, whereby value changes are directly reported in the Profit & Loss account. If the fair value cannot be reliably determined, subsequent valuation is done at cost price.

Derivative financial instruments

Derivative financial instruments are used in the normal conduct of business to limit interest-rate risks. The purpose of this is to limit the effect of changes in interest rates on the results. Interest-rate derivatives are used to manage the loan portfolio in line with the desired risk profile. These instruments are never used for speculative or commercial purposes. These derivative financial instruments are stated at fair value from the moment that the contract is concluded. The fair value is a result of the developments in the market interest rate and the set interest rate of the underlying derivative financial instrument. Vitens N.V. stipulates in its treasury charter that the interest-rate risk may not exceed 25% of the total borrowed capital position. The interest-rate risk is the sum of the interest-rate revisions (including interest-rate instruments) and the new financing needed (novation) in a particular year.

The interest swaps concluded are regarded as a perfect hedge. These interest swaps were concluded with the sole purpose of keeping the interest-rate risk within the 25% standard as described in the Articles of Association regarding the treasury. The interest-rate risk is defined as follows in the Articles of Association regarding the treasury: For assessing the size of the risk, the annual risk position (novation and interest swaps) is divided by the total financing at the end of the year to which this risk relates (= relative risk). The total financing comprises the total of loans taken (excluding subordinated loans) plus the annual novation, less any fixed-interest investments and available cash or cash equivalents.

Applying the aforementioned instruments realises a fixed cash outflow. Vitens N.V. pays a fixed interest rate on the swap, while the short-term interest paid on roll-over loans is offset by the receipt of the short-term interest on the swap.

A hedge is deemed to be effective if changes in the cashflows of the hedged item are expected to be virtually entirely hedged by changes in the cashflows of the hedge instrument from the beginning and throughout the term of the hedge relationship.

If this is the case, the fluctuations in the fair value of the interest swaps are credited to/debited from the hedge reserve (hedge accounting).

Inventories

The inventories are stated at historical cost price (or realisable value, if this is lower), with deduction of a provision for unsalable stock.

Receivables, prepayments and accrued income

Receivables, prepayments and accrued income are stated at amortised cost price with deduction of a value adjustment in connection with possible bad debts. Netting and presentation of trade receivables on and prepayments received from users is done on the basis of settlement groups: a method of grouping customers based on meter readings spread over time to determine the water consumption to be invoiced. Receivables are no longer included if the funds have been received or bad debts have been ascertained.

Cash and cash equivalents

The item cash and cash equivalents consists of bank balances and cash and is stated at fair value, which is the same as the face value. Debts to banks are reported under the interest-bearing liabilities.

Fixed assets held for sale

Assets that are held for sale, as well as liabilities that can be allocated to these, are shown on the balance sheet separately. Assets are classified as held for sale, if Vitens N.V. has undertaken to sell the relevant asset, the sales process has been put in motion and the presumed sale is realised within a year. These assets are no longer depreciated, but written down according to fair value, less the expected selling costs, if this value is lower than the book value.

Interest-bearing liabilities

Upon inclusion, the interest-bearing liabilities are stated at fair value with deduction of transaction costs. These liabilities are subsequently stated at amortised cost price using the effective interest method. The repayment liabilities on long-term liabilities falling due within one year are presented under the current liabilities.

Provisions for employee benefits

The item provisions for employee benefits includes:

- The provision resulting from the 2002 reorganisation merger – this was created to cover the liabilities from the social plan. Important components include the 56+ scheme and redundancy.
- The provision resulting from the 2006 reorganisation merger – this was created following the merger between Vitens N.V., N.V. Hydron Flevoland, N.V. Hydron Midden-Nederland and Coöperatie Hydron U.A. This was to cover the liabilities under the social plan. The social plan has a term of three years, after which the collective entitlement converts to an individual entitlement. The costs arising from the social plan are primarily due to the costs involved in finding placements for redundant workers. The calculation is based on the number of redundancies and the total wage costs per employee, a real approximation of the number of years of service and the (average) age. The payment flows were converted into cash at a nominal notional interest rate of 4.25% (2008: 4.97%).
- A reorganisation provision – this was created as a result of the integration of the laboratory activities from Utrecht with those in Leeuwarden. This was to cover the liabilities under the social plan. The social plan has a term of three years, after which the collective entitlement converts to an individual entitlement. The costs arising from the social plan are primarily due to the costs involved in finding placements for redundant workers. The calculation is based on the number of redundancies and the total wage costs per employee, a real approximation of the number of years of service and the (average) age. The payment flows were converted into cash at a nominal notional interest rate of 4.25% (2008: 4.97%). All the redundancies occurred in 2008.
- A reorganisation provision – this was created as a result of closing the call centres in Lelystad and Zwolle. This was to cover the liabilities under the social plan. The social plan has a term of three years, after which the collective entitlement converts to an individual entitlement. The costs arising from the social plan are primarily due to the costs involved in finding placements for redundant workers. The calculation is based on the number of redundancies and the total wage costs per employee, a real approximation of the number of years of service and the (average) age. The payment flows were converted into cash at a nominal notional interest rate of 4.25%. All the redundancies occurred in 2009.

The nature and level of severance packages resulting from the decision by Vitens N.V. to terminate the employment relationship with an employee before retirement date or from an employee's decision to voluntarily consent to termination of the employment relationship were laid down in the social plan and as such were included in the creation of the reorganisation provision.

- The long-service provision – this was created for future long-service bonuses and is calculated according to actuarial principles. In this context, the 1995-2000 mortality table for men and women, future staff turnover and salary increases were all taken into account. The provision was converted into cash at a nominal notional interest rate of 4.25% (2008: 4.97%). The short-term portion of the provision for employee benefits is reported under the current liabilities.

Other provisions

The provisions mentioned above are created, if:

- As of the balance sheet date there is a legally enforceable and/or actual obligation that stems from events before the balance sheet date.
- It is reasonable to assume that there will be an outflow of funds in order to settle the obligation.
- A reliable estimate of the liability can be made.

The provisions are stated at the nominal value of the expenditures expected to be necessary, unless the effect of the time value of money is significant. In that case the provision is stated at present value.

The short-term portion of the other provisions is reported under the current liabilities.

Collective schemes

Vitens N.V. has a Pension and Flexible Retirement Scheme for current and former employees. The pensions are administered by the Stichting Pensioenfonds ABP and the Flexible Retirement scheme is administered by the Stichting Flexibel Uittreden Nutsbedrijven. These are collective schemes involving a number of employers and are in essence defined benefit schemes, whereby the pension payment is based on the length of the employment relationship and the employee's average salary during that employment relationship.

The pension schemes can be designated as 'multi-employer funds.' IAS 19 requires that particular information concerning defined benefit schemes be explained in the annual accounts. In particular, the balance of the assets and liabilities related to the scheme must be included in the balance sheet as a receivable or liability. Both pension funds have indicated that they are unable to provide the participating companies with the necessary information concerning defined benefit schemes. That is why both schemes are treated as defined contribution schemes and the pension premiums owed for the financial year are reported as pension charges in the result.

Current liabilities

The current liabilities are stated on the balance sheet at amortised cost price.

A current liability is included on the balance sheet as soon as Vitens N.V. is a contract party and/or a service has actually been provided or goods supplied.

Lease agreements

Vitens N.V. has entered into operational lease agreements for a large part of its fleet. The risks and benefits related to ownership of the related assets are not transferred to the lessee. As a result of this, payments under these lease agreements are acknowledged on a proportional basis as a charge in the result.

Turnover from the supply of goods and services

The turnover consists of standing charges and the supply of drinking water. The reporting of drinking water turnover is based on the total quantity of water supplied to third parties. The turnover data are obtained from measurements at customers' off-take points and, with respect to the part not yet settled, from estimates based on empirical figures. The turnover tax and tap water tax levied on the turnover are not included in the turnover. The turnover is included at the moment when the benefits of ownership and risk of decrease in value are transferred to the buyer.

Other income

Other income includes income that is not directly related to the core activities. Other income consists of, among other things, the following items:

- Income from changes to service addresses /new connections and collection. Vitens N.V. charges an additional administration fee when customers move to a new address / request a new connection.
- Income from fire hydrants. This consists of a one-off contribution and an annual maintenance fee.
- Income from work for third parties.
- Income from rentals and leases. Rental income from service dwellings on land where production locations are located or extraction takes place. There is also income from the leasing out of land.
- Free-rider compensation. Compensation particularly from water boards and municipalities for the inclusion of pollution levies/water board assessments and sewerage charges on the bill from Vitens N.V.
- Income from analyses and consultancy. Income from analyses performed by Vitens Laboratorium B.V. for third parties.
- Income from services rendered to Evides N.V., Vitens-Evides International B.V and Stichting Aansluitingen.nl.

The income from services is included proportionately to the actual service provided.

Contracted work and temporary staff

These are costs incurred by Vitens N.V. for its operations and include contracted work and temporary staff from third parties and are allocated to the period to which they relate.

Groundwater tax and levies

These are costs incurred by Vitens N.V. for its operations and include taxes related to groundwater extraction and are allocated to the period to which they relate.

Other expenses

These are costs incurred by Vitens N.V. for its operations and consist of, among other things, raw materials and consumables, electricity, car costs and other expenses. These expenses are allocated to the period to which they relate.

Employee benefits expenses

These are costs incurred by Vitens N.V. for its own personnel and include, among other things, salaries and social charges, pension charges and allocations to employee benefits. These expenses are allocated to the period to which they relate.

The work performed by the company for its own purposes and capitalised concerns direct staff costs which are incurred in order to manufacture plant and equipment related to the company's infrastructure works. This capitalised work is deducted from the staff costs.

Financial income

The financial income consists of interest received on financial assets, being loans and liquid assets, which is calculated on the basis of the effective interest method and allocated to the period to which it relates.

Financial expenses

The financial expenses relate to interest-bearing liabilities, calculated on the basis of the effective interest method, which are allocated to the period to which they relate. The interest-bearing liabilities include fixed-interest loans, subordinated loans, roll-over loans and current account. They also include a release of the difference between the fair value and nominal value of the loan portfolio of acquired parties, interest accrual costs of provisions and other financing expenses, such as commitment fees, guarantees and bank fees.

Share in results of joint ventures and associates

This concerns the results from joint ventures and associates and any book profit/loss from the sale of securities.

Tax

Pursuant to Section 2 (3) and (7) of the Corporation Tax Act, the supply of drinking water is not subject to the levies under this law. Corporation tax on the results of corporation tax-liable subsidiary Vitens Watermanagement B.V. is calculated at the applicable rate on the result of the participations for the financial year, whereby account is taken of differences between the commercial and fiscal calculation of profits and any fiscal pre-consolidation losses present.

Deferred tax assets that are not stated relate to tax-offsettable losses and pre-consolidation losses. These are not stated since they are not likely to be realised in the short term.

Assumptions and estimates in the annual accounts

The preparation of annual accounts involves the use of assumptions and estimates that are based on historical experiences and factors which are considered acceptable by the management, given the specific circumstances. These assumptions and estimates have an effect on the valuation and presentation of the reported assets and liabilities as well as the result for the financial year. The actual outcomes may deviate from these estimates and assumptions used. Below we discuss the aforementioned items.

Provisions for employee benefits

The aforementioned provisions are determined on the basis of presumptions concerning future trends in salaries, social legislation, staff turnover and statistically supported assumptions concerning mortality. This complex of assumptions, in combination with the discount percentages used, results in a significant influence on the valuation of the provisions and results.

Valuation of tangible fixed assets

In determining the book value of tangible fixed assets, use is made of estimated depreciation terms which are derived from expectations concerning the technical and economic useful life of the underlying asset. As a result of future changes concerning technological development or the use of the assets, the useful life of assets may change and this may prompt impairments.

Accounts receivable

Vitens N.V. periodically evaluates the extent to which receivables can be expected to be received based on historical data on payment behaviour. Any downward-value adjustments are deducted from the balance of accounts receivable. Actual amounts may deviate from the assumptions mentioned above.

Reporting of turnover

The reporting of drinking water turnover is based on the total quantity of water supplied to third parties (tap water tax is not included in turnover). Vitens N.V. uses a system to determine turnover whereby the actual measured consumption is allocated to the months/years in accordance with the following three steps:

1. The quantities of m³/turnover actually invoiced. The actual quantity of invoiced m³/turnover is allocated to the calendar years.
2. The quantities of m³/turnover still to be reserved up to the end of the calendar year (annual prognosis). The average actual daily consumption per customer is determined for the period in the financial year for which the customer has not received a bill. The consumption ascertained is subsequently corrected for trends and seasonal patterns.
3. Total monitoring of relationship between customer data in SAP-ISU and sales figures for treated water. As a means of monitoring, the customer data is lined up next to the water balances (delivery figures from pumping stations). Changes are analysed, as is the development in usage that is not invoiced.

Accounting policies for the cashflow statement

The cashflow statement is prepared according to the indirect method, whereby the result after tax according to the Profit & Loss account is used for tracing the change in cash.

The term cash and cash equivalents' used in the cashflow statement includes the liquid assets less the interest-bearing liabilities as stated on the balance sheet.

Notes to movements in joint ventures and associates

A Facturatie B.V.

Facturatie B.V. was established on 2 January 2008 with a contribution of assets in the amount of € 9.2 million. Vitens N.V. holds 180 shares. On the same date, Vitens N.V. sold 50% of the share package, being 90 shares, to Evides N.V., at a price of € 4.6 million. The company has the object of facilitating the invoicing and collection of water charges, maintaining customer contacts related to this and managing and maintaining the computer software and accompanying documentation used in that context; as well as holding and financing activities.

B Brinck Meter Control Services B.V.

On 13 November 2008 Vitens N.V. sold its shares in Brinck Meter Control Services B.V. to Brinck Groep B.V. This involved 47 shares, representing 25% of the total, for an amount of € 1. The transaction was effected in 2009.

C Geas Beheer B.V.

On 30 May 2008 Vitens N.V. sold its shares in GEAS Beheer B.V. to GEAS Beheer B.V. This involved 10 shares, representing 2% of the total, for an amount of € 50,400. The relevant participation had already been classified as fixed assets held for sale in 2007.

D Aquanet B.V.

On 3 September 2008 Vitens N.V. sold its shares in Aquanet B.V. This involved 2,000 shares, representing 38.5% of the total, for an amount of (rounded off) € 180,000. The relevant participation had already been classified as fixed assets held for sale in 2007.

3 Tangible fixed assets

<i>In millions of euros</i>	Business premises and land	Office buildings	Service dwellings	Plant and machinery	Pipelines	Other fixed operating assets	Work in progress	Total
Balance as of 1 January 2008								
Purchase price	502.0	39.6	14.9	446.2	1,726.1	83.7	39.9	2,852.4
Accumulated depreciation and impairments	-174.4	-0.1	-	-269.1	-778.8	-53.1	-	-1,275.5
Book value as of 1 January 2008	327.6	39.5	14.9	177.1	947.3	30.6	39.9	1,576.9
Changes 2008								
Revaluation	-	-	2.1	-	-	-	-	2.1
Impairments	-	-1.5	-	-	-	-	-	-1.5
Investments	5.4	2.2	0.1	7.6	38.4	13.8	18.1	85.6
Disposals	-1.9	-0.7	-0.6	-1.1	-	-0.7	-	-5.0
Depreciation	-10.9	-1.0	-	-21.1	-35.2	-13.6	-	-81.8
Total	-7.4	-1.0	1.6	-14.6	3.2	-0.5	18.1	-0.6
Balance as of 31 December 2008								
Purchase price	505.4	39.6	16.5	452.5	1,764.5	94.0	58.0	2,930.5
Accumulated depreciation and impairments	-185.2	-1.1	-	-290.0	-814.0	-63.9	-	-1,354.2
Book Value as of 31 December 2008	320.2	38.5	16.5	162.5	950.5	30.1	58.0	1,576.3
Changes 2009								
Reclassification	-	-0.7	-	0.5	-	0.2	-	0.0
Reclassification as assets held for sale	0.7	-	-	-	-	-	-	0.7
Revaluations	0.9	-0.1	0.7	-	-	-	-	1.5
Impairments	0.9	-3.1	-	-	-	-	-	-2.2
Investments	9.4	0.5	-	26.0	56.4	12.4	10.6	115.3
Disposals	-0.4	-	-	-0.1	-	-	-	-0.5
Depreciation	-10.7	-1.0	-	-20.8	-36.4	-13.0	-	-81.9
Total	0.8	-4.4	0.7	5.6	20.0	-0.4	10.6	32.9
Balance as of 31 December 2009								
Purchase price	516.9	36.0	17.2	478.8	1,820.9	106.5	68.6	3,044.9
Accumulated depreciation and impairments	-195.9	-1.9	-	-310.7	-850.4	-76.8	-	-1,435.7
Book value as of 31 December 2009	321.0	34.1	17.2	168.1	970.5	29.7	68.6	1,609.2

From 1 January 2009, interest costs will be allocated to projects under construction in accordance with IAS 23. Vitens applies this standard prospectively. Allocation of the interest costs is done on the basis of the weighted average interest on the interest-bearing debts (2009: 4.75%) for projects started after 1 January 2009 with a duration of more than 12 months and a minimum investment of € 1 million. In 2009, € 8,400 was allocated to projects under construction.

4 Intangible fixed assets

<i>In millions of euros</i>	Research & development
Book value as of 1 January 2008	-
Changes 2008	-
Book Value as of 31 December 2008	-
Changes 2009	
Investments	0.2
Total changes	0.2
Book Value as of 31 December 2009	0.2

The investments in intangible fixed assets relate to product development and validation of the legionella chip. Capitalised costs are depreciated from the moment development is complete and the asset is available for use and over the period in which expected future sales are realised.

5 Joint ventures and associates

Below is an overview of the group companies, joint ventures and associates.

<i>As of 31 December 2009</i>	Location	Interest (in %)
Group companies (consolidated)		
Vitens Laboratorium B.V.	Leeuwarden	100
Vitens Watermanagement B.V.	Zwolle	99.9
Vitens Industrierwater B.V.	Leeuwarden	100
Aqua Oud B.V.	Zwolle	100
Legyon B.V.	Leeuwarden	60
Rioolwerken Friesland B.V.	Leeuwarden	100
Associates (not consolidated)		
Reststoffenunie Waterleidingbedrijven B.V.	Rijswijk	36.9
Kiwa Water Holding B.V.	Nieuwegein	31.4
Joint ventures		
Vitens-Evides International B.V.	Zwolle	50
Aquario Watermanagement B.V.	Leeuwarden	50
Facturatie B.V.	Utrecht	50

In 2008 Vitens N.V. and Evides N.V. entered into a joint venture agreement called Facturatie B.V., which took over the invoicing and collection of water charges, the maintenance of the customer contacts related to that and the management and maintenance of the computer software and accompanying documentation used in that context.

On 10 December 2008, a shareholder agreement was signed for Legyon B.V. (in formation) by Vitens Watermanagement B.V. (60%) and TNO Technostarters B.V. (40%). This company was definitively established on 6 January 2009 and its object is to set up and implement the operation, production, sale, distribution and sublicensing of a legionella chip in The Netherlands and abroad.

Vitens Laboratorium B.V. was discontinued as of 1 January 2010 and will continue as a department within Vitens N.V.

<i>In millions of euros</i>	Associates		Joint Ventures	
	2009	2008	2009	2008
Book value as of 1 January	2.0	1.9	5.0	0.1
Changes				
Contribution of assets to Facturatie B.V.	-	-	-	9.2
Sale of interest	-0.1	-	-	-4.6
Share in result	0.4	0.1	-	0.3
Total	0.3	0.1	-	4.9
Book value as at 31 December	2.3	2.0	5.0	5.0

Facturatie B.V. was established on 2 January 2008 with the contribution of assets in the amount of € 9.2 million. Vitens N.V. holds 180 shares. As of the same date, Vitens N.V. sold 50% of the share package, being 90 shares, to Evides N.V., at a price of € 4.6 million.

On 13 November 2008 Vitens N.V. sold its shares in Brinck Meter Control Services B.V. to Brinck Groep B.V. This involved 47 shares, representing 25% of the total, amounting to € 1. The transaction was effected in 2009.

Financial information on joint ventures and associates

In millions of euros	Assets	Liabilities	Turnover	Profit/Loss	% share	Share in net assets
2008						
Aquario Watermanagement B.V.	1.1	0.5	1.3	0.1	50.0%	0.3
Vitens-Evides International B.V.	3.1	2.9	6.0	0.1	50.0%	0.1
Reststoffenuie Waterleidingbedrijven B.V.	1.9	1.6	4.6	-	36.9%	0.1
Kiwa Water Holding B.V.	16.7	6.6	16.7	1.1	31.4%	3.2
Facturatie B.V.	9.7	0.5	0.0	0.0	50.0%	4.6

2009

No 2009 annual accounts were received from the joint ventures and associates above before publication of the 2009 Vitens Annual Report.

The amounts stated in the table above relate to the whole set of entities.

6 Other financial assets

In millions of euros	Receivables
Book value as of 1 January 2008	1.4

Changes 2008	
Received repayments on loans	-0.3
Loans granted	0.3
Total changes	-

Book value as of 31 December 2008	1.4
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Changes 2009	
Received repayments on loans	-0.2
Total changes	-0.2

Book value as of 31 December 2009	1.2
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The other financial assets are loans granted to third parties.

7 Inventories

In millions of euros	2009	2008
Raw materials and consumables	5.1	4.7

8 Trade and other receivables

In millions of euros	2009	2008	
Trade receivables	30,7	28,7	
Depreciation on receivables	1,0-	1,0-	
Free riders	4,8	4,4	
Net trade receivables		34,5	32,1
Taxes and national insurance premiums		2,2	2,3
Amounts invoiced in advance		1,3	5,3
Other receivables		0,2	0,2
Accrued income		7,2	7,1
Total	45,4	47,0	

The balance of the trade receivables is primarily water receivables in the commercial and consumer markets. Approximately 80% is collected by automatic debit within two weeks after invoicing. The remaining amount largely follows within a period of three months.

At the end of the financial year, the depreciation of receivables came to € 1.0 million (2008: € 1.0 million). The charge in the Profit & Loss account for 2009 amounted to € 1.5 million (2008: € 1.1 million). An overview of the development in receivables provisions is given below.

In millions of euros	2009	2008
Balance as of 1 January	1.0	1.0
Changes		
Allocations	1.5	1.1
Withdrawals	-1.5	-1.1
Total changes	-	-
Balance as of 31 December	1.0	1.0

Below is an overview of the outstanding trade receivables according to age. This includes the receipts of -/- € 0.4 million (2008: -/- € 0.3 million) not yet linked and excludes the receivables from free riders in the amount of € 4.8 million (2008: € 4.4 million), since Vitens N.V. does not run any bad-debt risk on this.

	0 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
2009	26.8	1.9	1.3	0.7	30.7
2009 (including depreciation)	26.8	1.6	1.0	0.3	29.7
2008	24.2	1.9	1.6	1.0	28.7
2008 (including depreciation)	24.2	1.7	1.3	0.5	27.7

9 Cash and cash equivalents

In millions of euros	2009	2008
Bank balances	0.3	1.1

The effective interest rate on the demand deposits is based on one-day interest level (EONIA) plus a surcharge. This surcharge is determined per bank.

10 Fixed assets held for sale

In millions of euros	
Book value as of 1 January 2008	1.9

Changes 2008	
Decrease due to sale	-1.2
Book value as of 31 December 2008	0.7

Changes 2009	
Transfer to tangible fixed assets	-0.7
Book value as of 31 December 2009	-

Buildings and sites were sold in Harderwijk, Ruurlo and Zwolle in 2008. The participations in GEAS B.V. and Aquanet B.V. were also disposed of.

The fixed assets held for sale as of 31 December 2008 consist of various sites. In 2009 these sites were once again transferred to tangible fixed assets, since no sale was realised within a year and there were no concrete sales plans as of 31 December 2009.

11 Shareholders' equity

Authorised capital

Number of shares	Ordinary shares		Total
	Number of issued shares	Shares in portfolio at Vitens N.V.	
Balance as of 1 January 2008	5,022,404	546,497	5,568,901
Balance as of 31 December 2008	5,022,404	546,497	5,568,901
Balance as of 31 December 2009	5,022,404	546,497	5,568,901

The authorised capital of the company amounts to € 18,000,000 divided into 18,000,000 ordinary shares of € 1.

Consolidated statement of changes in shareholders' equity

The authorised capital of the company amounts to € 18,000,000, divided into 18,000,000 ordinary shares of € 1. At year-end 2009, 5,568,901 of these were subscribed and paid up.

The share premium reserve is a reserve resulting from the establishment of Vitens N.V. in 2002. Per subscribed share (4,475,439), this amounted to € 9 per share (in total € 40.3 million). As a result of the merger, 1,887,685 shares were issued in 2006 and € 52.80 per share was added to the share premium reserve (total of € 99.7 million). In 2006 and 2007, the shares of Nuon N.V. (total number of shares: 1,615,655) were purchased in three tranches. Of these, 619,223 shares were withdrawn in 2006 and 175,000 in 2007. Per share, € 9 was deducted from the share premium reserve (in total € 7.1 million). In 2007 Nuon N.V. sold some of the shares to municipalities and provinces (total number of shares 274,935).

The revaluation reserve of € 0.8 million was created as the result of a revaluation of office buildings. Office buildings are stated according to the fair value method in accordance with IAS 16.31. Office buildings are assessed once every four years.

The legal reserve of € 3.0 million was created as a result of revaluation of the service dwellings and for the capitalised development costs. The service dwellings are designated as a property investment and stated at fair value.

The hedge reserve is created by non-realised adjustments in the fair value of the financial instruments (interest swaps) as the result of applying cashflow hedge accounting under International Financial Reporting Standards (IFRS). In concrete terms this means that the interest paid on the swaps/FRAs is higher than the current market interest, which gave rise to a negative value of € 19.5 million (2008: € 19.6 million) in 2009. These swaps/FRAs have been concluded because Vitens has set itself the goal of controlling interest-rate risks. The relevant negative value will not be reported by Vitens N.V. in the Profit & Loss account, because the hedge is qualified as effective.

The other reserves involve a reserve resulting from accumulated retained profits.

The third party interests of € 0.1 million relates to the third-party share in Leygon B.V. Leygon B.V. was established as of 6 January 2009. Vitens has a 60% share in the company.

12 Subordinated loans

In millions of euros	2009	2008
Balance as of 1 January	150.8	163.4
Repayment obligation, financial year	12.6	12.6
	163.4	176.0
Changes		
Repayments	-12.5	-12.6
	150.9	163.4
Repayment obligation, next financial year	-12.6	-12.6
Balance as of 31 December	138.3	150.8

Repayments are made in 15 annual tranches with the possibility of suspending payment if solvency is lower than 25% in the financial year. Interest is paid on that part of the principal not yet repaid. This percentage corresponds to the average interest rate on 10-year Dutch State Loans for the 5 previous calendar years, increased by 100 basis points (1%) and came to 4.79% for 2009 (2008: 4.94%). The loans are subordinated with respect to other debt liabilities.

13 Long-term loans

In millions of euros	2009	2008
Balance as of 1 January	880.9	912.6
Repayment obligation, financial year	60.3	53.5
	941.2	966.1
Changes		
New loans	80.1	30.0
Repayments	-59.2	-53.6
Release of difference between market value and face value	-1.1	-1.3
	961.0	941.2
Repayment obligation, next financial year	-56.9	-60.3
Balance as of 31 December	904.1	880.9

The non-current liabilities relate to private loans. A total of € 34.6 million in guarantees has been issued by 48 municipal shareholders on a number of private loans.

In 2009, three loans were raised from credit providers amounting to € 80 million in total (2008: € 30 million).

Leygon B.V. also entered into a private loan in 2009 amounting to € 0.1 million.

Types of long-term loans	Long-term part		Short-term part	
	2009	2008	2009	2008
In millions of euros				
Roll-over loans	429.6	384.5	5.0	9.5
Private and green loans	474.5	496.4	51.9	50.8
Total	904.1	880.9	56.9	60.3

The interest on each of the roll-over loans is fixed at between 1-month and 12-month Euribor and therefore fluctuates depending on developments in the capital market interest.

Other information relating to long-term loans.

	2009	2008
Average interest rate as %	4.75%	4.99%
Balance as of 31 December	1,111.9	1,104.6
Repayments < 1 year	69.5	72.9
Repayments > 1 year and < 5 years	238.5	273.0
Repayments > 5 years	803.9	758.7

No securities (pledge right, mortgage right, fiduciary ownership, etc.) have been issued with regard to the loan portfolio cited above.

14 Derivative financial instruments

In millions of euros	2009	2008
Interest-rate instruments	19.5	19.6

As of 31 December 2009, Vitens N.V. held the financial instruments stated below at fair value. Vitens N.V. uses the following hierarchy in determining and reporting financial instruments, distinguished according to valuation method.

Level 1: listed (unadjusted) share prices on active markets for identical assets or liabilities.

Level 2: other methods whereby all variables have a significant effect on the fair value reported and are directly or indirectly observable.

Level 3: methods whereby variables that have a significant effect on the fair value reported are used, but which are not based on observable market data.

The interest-rate instruments are valued in the valuation hierarchy according to the level 2 method, whereby variables that have a significant effect on the fair value reported are directly or indirectly observable. Relevant variables that apply for the valuation of interest-rate instruments are (i) present values of interest payments; and (ii) forecast interest-rate curves.

The market value of the derivative financial instruments is created by non-realised adjustments in the fair value of these financial instruments (interest swaps) as the result of applying cashflow hedge accounting under International Financial Reporting Standards (IFRS). In concrete terms this means that the interest paid on the swaps/FRAs is higher than the current market interest, which gave rise in 2009 to a negative value of € 19.5 million (2008: negative € 19.6 million). These swaps/FRAs have been concluded to counter interest-rate risks due to significant movements in the market interest rate. The relevant negative value will not be reported by Vitens N.V. in the Profit & Loss account, because the hedge is qualified as effective.

At year-end 2009, 9 interest swaps with a principal of € 281.0 million were concluded, whereby the variable interest on the roll-over loans was fixed for periods of 3 to 20 years. The fair value of these swaps amounted to a negative € 19.2 million at year-end 2009 (2008: negative € 16.6 million).

At the end of 2008 and beginning of 2009, five roll-over loans with a principal of € 220 million were adjusted to 1-month Euribor and Vitens N.V. subsequently entered into three interest swaps with a term of one year. As a result of this, a discount on the interest to be paid was realised. The market value of these basic swaps amounted to a negative € 0.3 million at year-end 2009 (2008: negative € 2.0 million).

In October 2008, 24 future rate agreements (FRAs) were concluded on a principal of € 75.0 million, whereby the interest for 2009 was fixed at an average of 3.6%. At year-end 2009, there were still 2 FRAs present which expire in January 2010. The market value of these FRAs was zero at year-end 2009 (2008: negative € 1.0 million).

15 Provisions for employee benefits

In millions of euros	Restructuring 2002 merger	Restructuring 2006 merger	2008 laboratory integration	2009 integration of Lelystad and Zwolle call centres	Total restructuring provisions	Long-service provision	Total
Balance of the liabilities under the promised entitlements as of 1 January 2008	2.4	12.5	-	-	14.9	5.9	20.8
Allocation	0.6	0.8	2.9	-	4.3	0.6	4.9
Interest allocation	0.1	0.5	-	-	0.6	0.3	0.9
Release	-0.1	-2.7	-	-	-2.8	-	-2.8
Withdrawals	-1.3	-3.3	-	-	-4.6	-0.5	-5.1
Balance of the liabilities under the promised entitlements as of 31 December 2008	1.7	7.8	2.9	-	12.4	6.3	18.7
Allocation	1.0	1.3	0.4	0.6	3.3	-	3.3
Interest allocation	0.1	0.5	0.1	-	0.7	0.8	1.5
Release	-0.8	-0.8	-0.6	-	-2.2	-1.1	-3.3
Withdrawals	-0.8	-3.1	-1.1	-0.5	-5.5	-0.6	-6.1
Balance of the liabilities under the promised entitlements as of 31 December 2009	1.2	5.7	1.7	0.1	8.7	5.4	14.1
Current liabilities for employee benefits	0.4	1.4	0.5	0.1	2.4	0.6	3.0
Non-current liabilities for employee benefits	0.8	4.3	1.2	-	6.3	4.8	11.1

Provisions for employee benefits long-term and short-term parts	2009	2008
<i>In millions of euros</i>		
Long-term part		
Restructuring provisions	6.3	9.1
Long-service provision	4.8	5.6
Total for long-term part	11.1	14.7

Of the long-term part of the provisions for employee benefits, € 6.6 million (2008: € 9.2 million) relates to expected expenditure in 1 to 5 years and € 4.5 million (2008: € 5.5 million) relates to expected expenditure after 5 years.

Short-term part	2009	2008
Restructuring provisions	2,4	3,3
Long-service provision	0,6	0,7
Reserved holiday allowance and leave not taken	10,4	10,6
Pension premium to be paid	1,1	1,2
Other short-term employee benefits	1,6	0,9
Total current part	16,1	16,7
Total liabilities for employee benefits	27,2	31,4

The employee benefits and other (deferred) payments are reported in accordance with IAS 19.

Restructuring provisions

The item 'restructuring provisions' consists of four components - i.e. restructuring as the result of the 2002 merger amounting to € 1.2 million (2008: € 1.7 million), restructuring as the result of the 2006 merger amounting to € 5.7 million (2008: € 7.8 million), restructuring as the result of the 2008 laboratory integration amounting to € 1.7 million (2008: € 2.9 million) and restructuring as the result of the 2009 closing of the call centres in Lelystad and Zwolle amounting to € 0.1 million.

The provision serves to cover the liabilities under the social plans still in effect. The calculation is based on the number of redundant employees and the total wage costs per employee, a real approximation of the number of service years and the (average) age.

The payment flows were converted into cash at a notional interest rate of 4.25%. Mortality is not taken into account. At year-end 2009, an amount of € 8.7 million remained (2008: € 12.4 million).

Long-service provision

This provision was created for future long-service bonuses and is calculated according to actuarial principles. It involves bonuses after 10, 20, 30 and 40 years of service. In this calculation, the 1995-2000 mortality tables for men and women, future staff turnover and salary increases were all taken into account. The provision was converted into cash at a notional interest rate of 4.25%.

The main fundamentals used in determining the long-service provision are given below:

Assumptions	2009	2008
Mortality tables	1995-2000 mortality tables for men and women	
Discount rate	4.25%	4.97%
Expected salary increases	2.00%	3.00%

Vitens N.V. is self-insurer for the Unemployment Insurance Act (WW). If an employee of Vitens N.V. becomes unemployed, the benefit is at Vitens N.V.'s expense for a period of 6 months to a maximum of 3 years, depending on the employment history of the relevant employee.

16 Other provisions

In millions of euros	
Balance as of 1 January 2008	4.2
Changes 2008	
Allocation	1.4
Balance as of 31 December 2008	5.6
Changes 2009	
Allocation	1.3
Balance as of 31 December 2009	6.9

Vitens N.V. is involved in a number of legal disputes that arise from its business operations. Insofar as deemed necessary, provisions are created for this as stated in the overview of development above.

17 Current liabilities

In millions of euros	2009	2008
Trade and other payables	68.3	59.9
Repayment liabilities on non-current liabilities	69.5	72.9
Tax liabilities	14.6	14.2
Interest-bearing liabilities (= banks)	46.3	36.3
Short-term provisions for employee benefits	16.1	16.7
Goods/services still to be received	7.2	11.3
Accrued liabilities	13.0	13.2
Total	235.0	224.5

Trade and other payables, tax liabilities and accrued liabilities are not interest-bearing liabilities. Trade payables and tax liabilities are, in principle, made payable within a period of 30 days. The tax liabilities consist of groundwater and tap water tax to be paid, amounting to € 11.7 million (2008: € 11.7 million) and outstanding income tax and national insurance premiums, amounting to € 2.9 million (2008: € 2.5 million).

The short-term interest-bearing liabilities, on balance € 115.8 at year-end 2009 (2008: € 109.2 million), consist of both the short-term part of the non-current liabilities and current account debts at banks.

Interest-bearing liabilities relate to the current account credit, on which variable interest is paid. This is determined on the basis of Eonia and includes a surcharge rate.

The item short-term employee benefits amounted to € 16.1 million at the end of 2009 (2008: € 16.7 million) and includes all liabilities to employees, such as the current part of the restructuring provisions and the long-service provision, pension premium to be paid, vacation days / holiday allowance to be paid and profit distributions.

As of 31 December 2009 Vitens N.V. has a current account facility amounting to € 65.0 million and two long-term credit facilities of, in total, € 240.0 million available.

18 Liabilities and receivables not reported on the balance sheet

Lease liabilities In millions of euros	2009	2008
Liabilities related to operational leases		
Within a year	5.0	4.5
1 to 5 years	7.3	6.8
More than 5 years	0.3	0.3

The liabilities mentioned relate to operational leases for company cars.

Rental liabilities In millions of euros	2009	2008
Liabilities related to rent		
Within a year	2.2	2.2
1 to 5 years	7.9	10.8
More than 5 years	10.9	12.6

The liabilities mentioned relate to rental contracts for office buildings.

Energy liabilities In millions of euros	2009	2008
Liabilities related to energy contracts		
Within a year	13.0	15.9
1 to 5 years	14.5	17.7
More than 5 years	-	-

The liabilities mentioned relate to energy contracts for the production locations.

Water purchasing liabilities In millions of euros	2009	2008
Liabilities related to the purchase of water		
Within a year	3.3	3.3
1 to 5 years	10.6	8.2
More than 5 years	23.4	8.1

The liabilities mentioned relate to the purchase of water for a period of up to 20 years.

Conditional liabilities

Vitens N.V. unconditionally guarantees all payments to which the entitled parties of Stichting Inkomstegarantiefonds are entitled under the regulations.

Vitens N.V. and its subsidiaries (Vitens Laboratorium B.V., Vitens Watermanagement B.V. and Roolwerken Friesland B.V.) constitute a fiscal unit for the levying of turnover tax; according to the standard conditions, each of the companies is jointly and severally liable for the tax owed by all companies involved in the fiscal unit. Vitens N.V. has issued guarantees for two employees of Aquanet B.V. In 2008 Vitens N.V. sold its interest in Aquanet B.V.

Deferred tax assets

Deferred tax assets which are not valued relate to tax-offsettable losses and pre-consolidation losses in the amount of € 5.8 million (2008: € 5.9 million). These have not been given a value, since they are not likely to be realised in the short term.

Notes to the consolidated Profit & Loss Account

19 Nett turnover from the supply of goods and services

In millions of euros	2009	2008
Supply of drinking water	332.8	341.1
Standing charges	75.2	73.7
Total	408.0	414.8

20 Other turnover

In millions of euros	2009	2008
Income from changes to service addresses and collection	7.2	7.7
Income from fire hydrants and sprinklers	6.7	5.6
Income from work for third parties	2.1	2.1
Income from connections	2.2	1.3
Income from rental and lease	0.7	0.6
Free-rider compensations	2.2	2.0
Income from analyses and consultancy	2.9	4.9
Other income	13.9	11.3
Total	37.9	35.5

Customers are charged an additional administration fee when they move to a new address / request a new connection. With regard to the income from connections, this concerns the amount that exceeds the investments made. The income from rentals and leases relate to the lease of land and rental income from service dwellings. These are homes situated in water extraction areas. Free-rider compensations are payments received for providing invoicing services for third parties such as water boards and municipalities. The income from analyses and consultancy relates to analyses performed by the laboratory. Other income includes income from services rendered to Vitens-Evides International B.V., Evides N.V. and Stichting Aansluitingen.nl and other incidental income.

Operating expenses

21 Costs of contracted work and temporary staff

In millions of euros	2009	2008
Contracted work	26.3	31.8
Temporary staff hired from third parties	13.6	14.0
Total	39.9	45.8

22 Auditor's costs

In accordance with Section 2:382a of the Dutch Civil Code, this note explains the auditor's costs relating to the services received from the auditing organisation in 2009. These consisted of the audit of the annual accounts € 0.2 million (2008: € 0.3 million) and other non-auditing services € 0.1 million (2008: € 0.1 million).

23 Other expenses

In millions of euros	2009	2008
Raw materials and consumables	9.9	9.6
Other staff costs	8.1	8.8
Purchase of water	3.3	3.1
Electricity	20.5	17.6
Car expenses	7.4	7.4
Computerisation expenses	13.2	13.6
Telecom expenses	3.8	4.0
Facilities expenses	13.9	14.6
Taxes, payments and insurance	5.3	4.3
Removal expenses	0.7	0.5
Other expenses	12.2	13.6
Total	98.3	97.1

The other personnel costs largely relate to travelling and hotel expenses and costs incurred for training courses. The car expenses are leasing costs for the fleet, fuel and other car-related costs. The leasing costs for 2009 amounted to € 7.2 million (2008: € 7.2).

The facilities expenses largely relate to rental costs for office buildings and the maintenance of installations, office buildings and sites. An additional provision of € 0.8 million was included in 2009 in connection with a current rental agreement (2008: € 1.9 million).

24 Staff costs

In millions of euros	2009	2008
Salaries	66.2	64.4
National insurance charges	6.6	5.1
Premiums paid to collective schemes treated as committed contribution schemes	8.2	8.0
Deducted: work performed by the company for its own purposes and capitalised	-10.2	-10.3
	70.8	67.2
Restructuring provisions	1.1	1.5
Long-service provision	-1.1	0.6
	-	2.1
Total	70.8	69.3

The work performed by the company for its own purposes and capitalised includes business expenses for the manufacture of plant and equipment related to the company's infrastructure works (drinking water production companies and pipeline work). These primarily involve direct staff costs and amounted to € 10.2 million in 2009 (2008: € 10.3 million).

The staff costs for restructuring and long-service bonuses are as follows:

In millions of euros	Restructuring provision	Long-service provision	Total 2009	Total 2008
Allocation to provisions	3.3	-	3.3	4.9
Release of provisions	-2.2	-1.1	-3.3	-2.8
Total	1.1	-1.1	-	2.1

Number of employees	2009	2008
Number of permanent employees as of 31 December	1,485	1,487

25 Depreciation and impairments

In millions of euros	2009	2008
Depreciation	81.9	81.8
Depreciation costs charged on to Facturatie B.V.	1.0	0.9
Book profit on divestments	-0.9	-0.9
Revaluation of service dwellings	-0.7	-2.1
Exceptional write-down on office buildings	2.2	1.5
Total	83.5	81.2

26 Financial income

In millions of euros	2009	2008
Loans granted	0.1	0.1

27 Financial expenses

In millions of euros	2009	2008
Interests costs on bullet and straight-line loans	27.2	27.5
Interest costs on roll-over loans	16.2	18.6
Interest costs on subordinated loans	7.6	8.5
Interests costs on current account	0.2	0.6
Interest allocation provisions	1.5	0.9
Concession payments	1.6	1.4
Costs of guarantees	2.8	-
Total	57.1	57.5

In the past Vitens N.V. issued guarantees amounting to € 2.8 million for the Water Museum in Arnhem. Considering the Water Museum's financial position and the viability study, Vitens N.V. made a maximum provision for the expected costs.

28 Share in result of joint and ventures associates

In millions of euros	2009	2008
Result of joint ventures and associates	0.4	0.3

Tax

Vitens N.V. withholds and pays dividend tax on the dividend paid. Because the shareholders are government bodies and not liable for corporation tax, they can ask that the dividend tax paid be refunded to them. On balance therefore no dividend tax is paid.

29 Remuneration of directors

The remuneration consists of a basic salary, pension and other compensations. The breakdown is reported below:

	Salary	Pension	Other	Total 2009	Total 2008
R.H. van Terwisga (as of 1-11-2008)	208,220	33,377	24,184	265,781	41,979
Prof.dr.ir. W.G.J. van der Meer (as of 23-9-2009)	48,162	6,087	3,069	57,345	-
W.H.J. Oding (per 23-9-2009)	48,315	7,098	3,037	58,450	-
J.C. van Winkelen (resigned)	-	-	-	-	473,673
Chr.P. Bruggink (resigned)	-	-	-	-	585,473
Total	304,697	46,562	30,317	381,576	1,101,125

Professor W.G.J. van der Meer and W.H.J. Oding joined the Board of Directors on September 23, 2009. The remuneration mentioned on page 36 relates to the moment at which the individual joined the Board of Directors.

The column 'Other' includes the costs paid for social charges and holidays paid.

Vitens N.V. Executive Board remuneration policy

The Dijkstal Committee guideline was followed in establishing the remuneration policy applying to the Vitens N.V. Board of Directors. The general shareholders' meeting consented to the following remuneration policy at the meeting on December 17, 2009.

Fixed salary

- The chairman of the board receives an annual salary, including holiday bonus and end-of-year payment in accordance with the salary maximum as set down by the Dijkstal Committee (index-linked to salaries in Central Government)
- The other members of the Executive Committee receive an annual salary in accordance with the salary maximum – 15%. This is based in a jointly agreed corporate model.

Variable salary

- None

No loans, advances or guarantees are provided to the directors.

30 Remuneration of supervisory board members

The remuneration of the members of the Supervisory Board consists of an attendance fee, expense reimbursement and healthcare insurance contribution.

	2009	2008
A. van der Velden (chairman)	25,126	24,638
R.J.N. Abrahamsen	21,097	21,154
L.V. Elfers	21,097	19,221
Prof. dr. J.C. Looise	21,097	21,151
M.L. Van Kleef	21,097	21,154
J.G. Bijl LLM	21,097	21,154
Chr. Westerlaken	21,097	21,154
A.W.M. Spruit	21,097	21,154
R. Lubbinge (vice-chairman) (until 24-6-2008)	-	11,534
Total	172,805	182,314

The remuneration of the members of the Supervisory Board was adopted by the general shareholders' meeting on 4 June 2007 and can be found at www.vitens.nl. The remuneration of the members of the Supervisory Board will be revised in 2010.

Utrecht, 16 April 2010

Supervisory Board

A. van der Velden (chairman)
R.J.N. Abrahamsen
L.V. Elfers
Professor dr. J.C. Looise
M.L. Van Kleef
J.G. Bijl LLM
Chr. Westerlaken
A.W.M. Spruit

Management Board

R.H. van Terwisga (chairman)
Professor W.G.J. van der Meer
W.H.J. Oding

Company secretary

N.A.M. Rigter (until 31/12/2009)
C.E.A.J. Oerlemans LLM (ad interim)
(from 01/01/2010)

31 Notes to the consolidated cashflow statement

Cashflow from operational activities

The cashflow from operating activities amounted to € 109.8 million (2008: € 116.4 million) and was not enough to finance the investment activities of € 114.7 million (2008: € 76.0 million). The cashflow from operational activities fell by € 6.6 million, which was mainly caused by a decrease in turnover of € 6.8 million.

Cashflow from financing activities

In contrast to 2008, more new loan facilities were taken in 2009 (2009: € 80.1 million; 2008: € 30.0 million) than was paid off on loans (2009: € 71.7 million; 2008: € 66.2 million), primarily as the result of higher investments in 2009. The amount in dividends paid fell slightly compared to 2008 by 0.9 million to € 14.3 million (2008: € 15.2 million).

32 Dividends

In 2009 the general shareholders' meeting approved the proposed appropriation of the 2008 result. As a result of this, the dividend was paid in June 2009 and what remained was added to the other reserves.

In millions of euros	2009	2008
Dividend for 2007 financial year	-	15.2
Dividend for 2008 financial year	14.3	-
Entitled ordinary shares	5,022,404	5,022,404
Dividend per share (in euros)	2.85	3.03

The Board of Directors is proposing to the shareholders that a 2009 dividend in the amount of € 12.5 million be paid out on ordinary shares in 2010 (approved by the Supervisory Board on 16 April 2010). For a total of 5,022,404 entitled shares, this results in a dividend of € 2.48 per share.

33 Affiliated parties

The shares of Vitens N.V. are held by 114 shareholders from the public sector (provinces and municipalities). Vitens N.V. has interests in joint ventures and associates in which it has a significant influence but not control, or in which it exercises joint control in business operations and financial policy. Transactions with these parties are carried out under market conditions and at prices in line with the market.

Vitens-Evides International B.V.

Each year shareholders of Vitens N.V. (50%) and Evides N.V. (50%) jointly deposit an amount of € 2.0 million as a contribution to the development activities of Vitens-Evides International B.V. Vitens N.V. also invoiced a total amount of € 0.3 million in 2009 (2008: € 0.3 million) for hours charged on work by Vitens employees who participated in projects of Vitens-Evides International B.V.

Facturatie B.V.

Vitens N.V. charged a total amount of € 2.4 million in 2009 (2008: € 0.3 million) for projects that were started at Vitens N.V., but which are at the expense of Facturatie B.V. Each year Facturatie B.V. charges the depreciation costs on to the shareholders Vitens N.V. (50%) and Evides N.V. (50%). The depreciation costs for Vitens amounted to € 1.0 million in 2009 (2008: € 0.9 million).

34 Turnover per region

In millions of euros	Turnover		Supply to customers (m³)	
	2009	2008	2009	2008
Friesland	53.8	55.1	44.0	45.2
Overijssel	91.6	93.4	73.1	74.3
Gelderland	149.1	151.4	120.3	121.6
Flevoland	24.8	24.7	19.4	19.5
Central Netherlands	88.7	90.2	72.2	73.5
Total	408.0	414.8	329.0	334.1

The nett turnover is allocated to the regions on the basis of the geographic location of the customers.

Water balance sheet (in millions of m³)	2009	2008
Total water quantity to be treated	351.9	353.0
Production losses	-8.6	-8.7
Total treated water produced	343.3	344.3
Purchase of treated water	5.5	5.7
Production and purchasing	348.8	350.0
Sale of treated water outside service area	-	-
Supplied in service area	348.8	350.0
Distribution losses and measuring differences	-19.8	-15.9
Supply to customers	329.0	334.1
Uninvoiced, as %	5.7%	4.5%

It emerged that the actual amount not invoiced for 2008 (after 99% of supply to customers had been invoiced) was higher than reported in the 2008 annual accounts (6.2% vs. 4.5%). 0.3% of this can be attributed to an erroneous (double) reservation of turnover from apartment buildings as of the end of 2008. The uninvoiced amount for 2009 (40% of supply to customers has been invoiced) is calculated at 5.7%.

35 Financial risk management

In the financial policy of Vitens N.V., the following objective for solvency is formulated: 'shareholders' equity equal to at least 20% of the balance sheet total and a guarantee capital (equity + subordinated loans) at least equal to 25% of the balance sheet total'. This primary objective is the priority in controlling the financial risks. At year-end 2009 solvency was 21.2% (2008: 20.9%) and guarantee capital was 29.5% (2008: 30.1%).

At Vitens N.V., financial risks are controlled by the treasury committee under the supervision of the Board of Directors. Important objectives of the treasury policy are to guarantee permanent access to the capital market, to control financial risks, to keep costs as low as possible and to secure adequate liquidity. The Financial Accounting Manager implements the decisions.

Vitens N.V. is subject to the following financial risks, which are explained in further detail below:

- Price risk.
- Exchange risk.
- Credit risk.
- Liquidity risk.
- Interest-rate risk.

Price risk

Price risk is taken to mean the risk of changes in value as a result of changes in market prices.

Fair value of financial assets and liabilities <i>In millions of euros</i>	Book Value		Fair value	
	2009	2008	2009	2008
Assets				
Cash and cash equivalents	0.3	1.1	0.3	1.1
Trade and other receivables	44.1	47.0	44.1	47.0
Long-term financial assets	1.2	1.4	1.2	1.5
Amounts invoiced in advance	1.3	5.3	1.3	5.3
Liabilities				
Subordinated loans	150.9	163.4	156.3	167.2
Long-term loans	961.0	941.2	1,015.5	999.5
Trade and other payables	68.3	59.9	68.3	59.9
Goods/services still to be received	7.2	11.3	7.2	11.3
Interest-bearing liabilities	46.3	36.3	46.3	36.3
Other short-term financial liabilities	43.7	44.1	43.7	44.1

The table above states the fair values of the financial assets and liabilities. The interest-rate derivatives are not reported here since they are stated at fair value on the balance sheet.

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

- Cash and cash equivalents, The fair value of the cash and cash equivalents is the same as the face value.
- Trade and other receivables; given the short lead-time of these receivables, the fair value is the same as the face value.
- Long-term financial assets; this item includes primarily mortgage loans granted to (former) employees. The fair value of these is determined by converting the future cashflows into cash at the basic swap rate for the average remaining term.
- Subordinated and long-term loans; The fair value of these is determined by converting the future cashflows into cash at the yield interest curve that applies for Vitens N.V. as of 31 December.
- Trade and other payables, interest-bearing liabilities and short-term other financial liabilities; The fair value of the items cited is the same as the face value, given the short lead-time.

Exchange Risk

This is the risk that the value of a financial instrument will change as the result of fluctuations in exchange rates. Vitens-Evides International B.V. is a joint venture of Vitens N.V. and Evides N.V. and carries out projects in developing countries with the goal of improving the water supply. Vitens-Evides International B.V. and its subsidiaries / participations use the euro as the functional currency. Any exchange rate differences are calculated per transaction and credited or debited to the Profit & Loss account. The exchange risk for Vitens N.V. is minimal.

Credit risk

Vitens N.V. is subject to bad debt risks in the event that customers cannot satisfy their liabilities. During the reporting year, numerous measures were taken to further control these bad debt risks. At year-end 2009, the balance of receivables on which this risk is run amounted to € 30.7 million (2008: € 28.7 million). The remaining current receivables amounting to € 13.4 million (2008: € 18.3 million) consist of receivables from free riders € 4.8 million (2008: € 4.4 million), taxes and national insurance premiums € 2.2 million (2008: € 2.3 million) and prepaid costs and income yet to be received € 7.4 million (2008: € 7.3 million). Vitens does not run any credit risk on the receivables from free riders and the taxes and national insurance premiums.

Liquidity risk

Liquidity risk is the risk that Vitens N.V. will not be able to raise the funding it needs to satisfy its liabilities or that it will be unable to do so on time. In order to minimise this risk, Vitens N.V. regularly evaluates the expected and potential cashflows over a time horizon of several years. Each year a detailed liquidity forecast is also prepared in order to identify any fluctuations in the liquidity requirements on time and take appropriate action, if necessary.

Liquidity risk <i>In millions of euros</i>	< 1 year	> 1 < 5 years	> 5 years
Assets			
Trade receivables	30.7	-	-
Amounts invoiced in advance	1.3	-	-

Long-term financial liabilities			
Subordinated loans	12.6	50.3	88.0
Bullet and straight-line loans	51.9	103.1	371.4
Roll-over loans	5.0	85.1	344.5
Other long-term lease and rental liabilities	6.2	12.0	8.0

Short-term financial liabilities			
Trade and other payables	68.3	-	-
Goods/services still to be received	7.2	-	-
Interest-bearing liabilities	46.3	-	-
Other short-term financial liabilities	43.7	-	-

Interest-rate risk

In the context of normal business operations, Vitens N.V. makes use of financial instruments to limit interest-rate risks. The purpose of this is to limit the effect of changes in interest-rates on the results. Interest-rate derivatives (interest swaps) are used to manage the loan portfolio in line with the desired risk profile. These instruments are never used for speculative or commercial purposes. In its articles of association concerning the treasury, Vitens N.V. stipulates that interest-rate risk may be run at a maximum of 25% of the total borrowed capital (excl. subordinated loans). At year-end 2009, the interest-rate risk thus calculated came to 18.5% (2008: 21.3%). The standard stipulated was therefore satisfied. This means that only a small portion of the loan portfolio is subject to interest-rate fluctuations and that the effect on interest charges is limited.

The approach described above is consistent with the desire to ensure that the availability of the financing taken corresponds as much as possible to the relatively long useful life of the assets.

Any increase/decrease in the short-term interest (three-month Euribor) of 1% means an increase/decrease for Vitens N.V. of € 1.6 million in interest charges on an annual basis (2008: € 1.1 million). The increase/decrease relates to the roll-over loans, which are not hedged by means of interest swaps or FRAs (whereby account is taken of the fact that the FRAs expire in mid-January 2010).

At year-end 2009, Vitens N.V. had outstanding 'interest swaps' for a nominal amount of € 281 million, whereby the variable interest on the roll-over loans is fixed for terms of 1 to 20 years and FRAs (Forward Rate Agreements) for € 75 million, whereby the interest is fixed for a (short) future period. The FRAs expire at the end of January 2010. In addition, Vitens N.V. has basic swaps for an amount of € 220 million outstanding, whereby an 'interest swap' takes place from three-month and six-month Euribor to one-month Euribor.

A decline of 1% in the interest curve with respect to 31 December 2009 has a negative effect of € 28.1 million on the value of the swaps. An increase of 1% in the interest curve with respect to 31 December 2009 has a positive effect of € 30.7 million on the value of the swaps.

The table below shows the expiration date or, if earlier, the contractual interest revision date of the loan portfolio as of 31 December 2009. This provides an insight into the degree to which Vitens N.V. is exposed to changes in the height of interest rates for financial liabilities.

<i>In millions of euros</i>	Effective interest rate	Variable/ fixed interest	< 6 months	> 6 <12 months	1-5 years	> 5 years	Total
As of 31 December 2008							
Subordinated loans	4.94%	fixed	-	12.6	50.3	100.5	163.40
Bullet and straight-line loans	5.21%	fixed	33.2	17.6	135.2	361.2	547.20
Roll-over loans (linked to 'interest-rate fixed/swaps', which gives rise to fixed-interest loans)	4.66%	fixed/ variable	-	4.5	47.5	229.0	281.00
Roll-over loans	4.75%	variable	-	5.0	40.0	68.0	113.00
Banks (current account)	Eonia plus surcharge		36.3	-	-	-	36.30
Total financial liabilities			69.5	39.7	273.0	758.7	1,140.9

<i>In millions of euros</i>	Effective interest rate	Variable/ fixed interest	< 6 months	> 6 <12 months	1-5 years	> 5 years	Total
As of 31 December 2009							
Subordinated loans	4.85%	fixed	-	12.6	50.3	88	150.9
Bullet and straight-line loans	5.20%	fixed	19.9	32.0	103.2	371.4	526.5
Roll-over loans (linked to 'interest-rate fixed/swaps', which gives rise to fixed-interest loans)	4.26%	fixed/ variable	-	-	72.5	292.5	365.0
Roll-over loans	2.52%	variable	-	5.0	12.5	52.0	69.5
Banks (current account)	Eonia plus surcharge		46.3	-	-	-	46.3
Total financial liabilities			66.2	49.6	238.5	803.9	1,158.2

Financial ratios	Target values*	2009	2008	2007	2006
Solvency (shareholders' equity / total equity)	> 20%	21.2	20.9	21.7	20.7
Solvency (group equity / total equity)	> 25%	29.5	30.1	31.6	31.0
Leverage ratio	> 4%	9.5	10.2	10.1	10.3
Interest Coverage ratio (EBIT/ (interest costs and income + dividend paid in current financial year)	> 1.1	1.14	1.18	1.56	2.10
Debt ratio (Interest-bearing liabilities (excluding the subordinated loans)/ EBITDA)	< 6.0	6.1	5.8	5.5	5.7

* The target values are the conditions set by credit issuers for the various credit arrangements.

Manner of calculating financial ratios and abbreviations used

Solvency (shareholders' equity): Shareholders' equity x 100% divided by the balance sheet total

Solvency (group equity): (Shareholders' equity + subordinated loans) x 100% divided by the balance sheet total

Leverage: Net operational cashflow divided by interest-bearing debts (including subordinated loans)

EBIT: Operating result plus result of joint ventures and associates

EBITDA: EBIT plus depreciation and exceptional write-downs

Company annual accounts

Company balance sheet as of 31 December

<i>In millions of euros</i>	31/12/2009	31/12/2008
Assets		
Fixed assets		
Tangible fixed assets	1,602.7	1,570.0
36 Investments in subsidiaries	5.9	2.7
36 Investments in joint ventures and associates	7.2	6.9
Other financial assets	1.2	1.4
	1,617.0	1,581.0
Floating assets		
Inventories	5.0	4.6
37 Trade and other receivables	43.7	43.2
Cash and cash equivalents	0.3	1.1
	49.0	48.9
Fixed assets held for sale	-	0.7
Total assets	1,666.0	1,630.6

<i>In millions of euros</i>	31/12/2009	31/12/2008
Liabilities		
Equity		
38 Share capital	5.5	5.5
Share premium reserve	132.8	132.8
Revaluation reserve	-18.7	-19.6
Legal reserve	3.0	2.1
Other reserves	206.1	192.7
Profit for the year	25.0	28.6
	353.7	342.1

<i>In millions of euros</i>	31/12/2009	31/12/2008
Provisions		
39 Provisions for employee benefits	10.8	14.5
Other provisions	6.9	5.6
	17.7	20.1
Liabilities		
Non-current liabilities		
40 Interest-bearing liabilities	1,042.3	1,031.7
Derivative financial instruments	19.5	19.6
	1,061.8	1,051.3
41 Current liabilities	232.8	217.1
Total equity and liabilities	1,666.0	1,630.6

<i>In millions of euros</i>	2009	2008
Abbreviated Profit & Loss Account		
Own result (excl. participations) after tax	21.8	28.2
Result of participations after tax	3.2	0.4
Result after taxes	25.0	28.6

Notes in the left margin of tables refer to the notes starting on page 44.

Notes to the company annual account

Accounting policies for the company annual account

The company annual account of Vitens N.V. has been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code with the exception of the accounting policies as explained below.

The accounting principles used are largely the same as those used for the consolidated annual accounts in accordance with the provisions of Section 362 (8) of Title 9, Book 2 of the Dutch Civil Code, whereby investments in subsidiaries are stated at the net asset value of the assets according to the asset transaction method. The company P&L account of Vitens N.V. has been prepared in a simplified manner on the basis of Section 402, Title 9, Book 2 of the Dutch Civil Code.

Vitens N.V. adheres to the International Financial Reporting Standards (IFRS) as accepted in the European Union with regard to accounting principles. For these principles, see the 'Accounting principles for the consolidated annual accounts.'

As a result of applying IFRS, a number of changes on the balance sheet, in particular to derivatives, have been stated at fair value.

As a result of the application of Title 9, Book 2 of the Dutch Civil Code, a revaluation reserve has been created for the effect of fair value changes on the equity.

36 Investments in participations

<i>In millions of euros</i>	Investments in subsidiaries	Investments in associates and joint ventures	Total
Book value as of 1 January 2008	3.1	2.0	5.1
Changes 2008			
Share in result	-	0.3	0.3
Profit for the year	-0.4	-	-0.4
Purchase of interest	-	9.2	9.2
Sale of interest	-	-4.6	-4.6
Total	-0.4	4.9	4.5
Book value per 31 december 2008	2.7	6.9	9.6
Changes 2009			
Share in result	-	0.4	0.4
Profit for the year	3.2	-	3.2
Sale of interest	-	-0.1	-0.1
Total	3.2	0.3	3.5
Book value as of 31 December 2009	5.9	7.2	13.1

Participations in subsidiaries are stated at net asset value, which is determined on the basis of IFRS policies as applied in the consolidated annual accounts.

37 Trade and other receivables

<i>In millions of euros</i>	2009	2008
Trade receivables	29.5	28.2
Depreciation of receivables	-1.0	-1.0
Free riders	4.8	4.4
Net trade receivables	33.3	31.6
Taxes and national insurance premiums	2.1	2.3
Amounts invoiced in advance	1.3	2.4
Other receivables	0.1	0.1
Amounts owed by group companies	0.1	-
Accrued income	6.8	6.8
Total	43.7	43.2

38 Shareholders' equity

For a detailed explanation of the shareholders' equity, see the consolidated annual accounts.

The revaluation reserve is made up of two components:

- Negative market value of derivatives of € 19.5 million, see note [14];
- The revaluation reserve of € 0.8 million created as the result of the positive revaluation of office buildings. Office buildings are stated according to the fair value method. Office buildings are assessed once every four years.

The legal reserve of € 3.0 million was created as a result of revaluation of the service dwellings and for the capitalised development costs. The service dwellings are designated as a property investment and stated at fair value.

39 Provisions

For a statement of changes to the provisions, see the consolidated annual accounts. The difference of € 0.3 million (2008: € 0.2 million) in the provisions for employee benefits is due to the long-service provision of € 0.3 million created (2008: € 0.2 million) at Vitens Laboratorium B.V.

40 Interest-bearing liabilities

For a statement of changes to the interest-bearing liabilities, see the consolidated annual accounts. The difference of € 0.1 million (2008: zero) in the interest-bearing liabilities is due to a loan of € 0.1 million taken at Legyon B.V.

41 Current liabilities

<i>In millions of euros</i>	2009	2008
Trade and other payables	67.1	57.7
Repayment liabilities on non-current liabilities	69.5	72.9
Tax liabilities	14.4	12.0
Interest-bearing liabilities	45.4	31.6
Short-term provisions for employee benefits	15.5	15.9
Debts to group companies	0.8	1.4
Goods/services still to be received	7.2	8.4
Accrued liabilities	12.9	17.2
Total	232.8	217.1

Other information

Profit appropriation

The statutory provisions concerning the appropriation of profit read as follows:

Article 34 Profit and dividends

- 34.1 The dividend policy is laid down and may be amended by decision of the Board of Directors that has been approved by the Supervisory Board and general shareholders' meeting. With due consideration for the dividend policy thus approved therefore, each year the Board of Directors determines, with the Supervisory Board's approval, what part of the profits will be added to the reserves and what will be paid out.
- 34.2 Payment of the profits takes place after the adoption of the annual accounts which show justification for such payment.
- 34.3, On the basis of a proposal from the Board of Directors approved by the Supervisory Board, the General Meeting may decide to pay an interim dividend or to make payments at the expense of one of the company's reserves.
- 34.4 Payments on shares may only take place up to a maximum of the distributable shareholders' equity and, if an interim dividend is involved, an interim statement of assets and liabilities as referred to in Section 2:105 (4) of the Dutch Civil Code demonstrates that this requirement is satisfied. The company deposits the statement of assets and liabilities at the offices of the Commercial Registry within eight days after the day on which the decision to make payment is announced.
- 34.5 A shareholder's claim to payment on shares expires after the passage of five years.

The Board of Directors proposes to the shareholders that the result after tax be appropriated is as follows (approved by the Supervisory Board on 16 April 2010): dividends on ordinary shares will be paid amounting to € 12.5 million and the remaining € 12.5 million will be added to the other reserves).

Auditors' statement

To the Annual general shareholders' meeting and the Supervisory Board of Vitens N.V.

Statement regarding the annual accounts

We have audited the 2009 annual accounts in this report of Vitens N.V. in Utrecht. The annual accounts comprise the consolidated accounts and the abbreviated accounts. The consolidated annual accounts consist of the consolidated balance sheet as of 31 December 2009, the P&L Account, the statement of changes in shareholders' equity and the cashflow statement for 2009, as well as a summary of the key principles for financial reporting and other information. The abbreviated annual accounts comprise the abbreviated balance sheet as of 31 December 2009, the abbreviated P&L Account for 2009 and the explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the annual accounts in accordance with the International Financial Reporting Standards as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code and for the preparation of the annual report in accordance with Title 9 of Book 2 of the Dutch Civil Code. This responsibility includes, among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting principles and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The choice of activities to be executed is dependent on the auditor's professional judgement, which includes an assessment of the risk of variances of material significance resulting from fraud and errors. In making this assessment, the auditor takes into consideration the relevant internal control systems used for preparing the annual annual accounts and reliably recording the company's capital position and results, in order to be able to make a responsible choice of audit activities that are sufficient under the given circumstances, but that are not intended to give an opinion on the effectiveness of the company's internal control systems. An audit also includes evaluating the appropriateness of accounting principles and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

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

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of Vitens N.V. as of 31 December 2009 and of its result and its cashflow for that year in accordance with International Financial Reporting Standards as adopted by the European Union and with Title 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the abbreviated annual accounts

In our opinion, the abbreviated annual accounts give a true and fair view of the financial position of Vitens N.V. as of 31 December 2009, and of its result for that year in accordance with Title 9 of Book 2 of the Dutch Civil Code.

Statement regarding other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 (5) (f) of the Dutch Civil Code, we hereby state, to the extent of our competence, that the annual report is consistent with the annual accounts as required by Section 2:391 (4) of the Dutch Civil Code.

Zwolle, 16 April 2010

Ernst & Young Accountants

On behalf of

signed by J. Hetebrij RA

Overview of outstanding shares

No.	Shareholder	Ordinary shares	%
1	Province of Gelderland	387,231	7.710%
2	Province of Overijssel	370,632	7.380%
3	Municipality of Almere	366,175	7.291%
4	Province of Utrecht	285,896	5.692%
5	Municipality of Utrecht	285,896	5.692%
6	Municipality of Amersfoort	131,691	2.622%
7	Municipality of Dronten	98,457	1.960%
8	Municipality of Lelystad	98,457	1.960%
9	Municipality of Zeewolde	98,457	1.960%
10	Municipality of Hilversum	89,569	1.783%
11	Municipality of Hof van Twente	66,713	1.328%
12	Municipality of Hardenberg	63,007	1.255%
13	Municipality of Nieuwegein	61,246	1.219%
14	Municipality of Steenwijkerland	60,227	1.199%
15	Municipality of Zeist	60,035	1.195%
16	Municipality of Doetinchem	58,752	1.170%
17	Municipality of Veenendaal	56,404	1.123%
18	Municipality of Kampen	50,961	1.015%
19	Municipality of Zutphen	50,739	1.010%
20	Municipality of Enschede	46,329	0.922%
21	Municipality of Hengelo (Ov)	46,329	0.922%
22	Municipality of Zwolle	46,329	0.922%
23	Municipality of Woerden	45,042	0.897%
24	Municipality of Soest	44,542	0.887%
25	Municipality of Dinkelland	43,085	0.858%
26	Municipality of Tiel	42,728	0.851%
27	Municipality of De Bilt	41,879	0.834%
28	Municipality of Almelo	41,696	0.830%
29	Municipality of Raalte	41,696	0.830%
30	Municipality of Rijssen-Holten	41,696	0.830%
31	Municipality of Wijchen	40,058	0.798%
32	Municipality of Oude IJsselstreek	40,057	0.798%
33	Municipality of Twenterand	39,379	0.784%
34	Municipality of Houten	38,490	0.766%
35	Municipality of Zwartewaterland	38,453	0.766%
36	Municipality of Meppel	37,526	0.747%
37	Municipality of Lingewaard	37,387	0.744%
38	Municipality of Utrechtse Heuvelrug	36,554	0.728%
39	Municipality of Maarsse	36,069	0.718%
40	Municipality of Dalfsen	34,746	0.692%
41	Municipality of Epe	34,717	0.691%
42	Municipality of Nijkerk	34,717	0.691%
43	Municipality of Overbetuwe	34,717	0.691%
44	Municipality of Zevenaar	34,717	0.691%
45	Municipality of Montferland	34,716	0.691%
46	Municipality of De Ronde Venen	32,438	0.646%
47	Municipality of Noordoostpolder	32,430	0.646%
48	Municipality of Winterswijk	32,046	0.638%
49	Municipality of Lochem	32,045	0.638%
50	Municipality of IJsselstein	31,228	0.622%
51	Municipality of Hellendoorn	30,113	0.600%
52	Municipality of Oldenzaal	30,113	0.600%
53	Municipality of Deventer	28,260	0.563%
54	Municipality of Olst-Wijhe	27,797	0.553%
55	Municipality of Culemborg	26,705	0.532%
56	Municipality of Duiven	26,705	0.532%
57	Municipality of Westerveld	25,944	0.517%
58	Municipality of Leusden	25,902	0.516%

No.	Shareholder	Ordinary shares	%
59	Municipality of Borne	25,480	0.507%
60	Municipality of Losser	25,480	0.507%
61	Municipality of Baarn	24,207	0.482%
62	Municipality of Beuningen	24,035	0.479%
63	Municipality of Buren	24,035	0.479%
64	Municipality of Ermelo	24,035	0.479%
65	Municipality of Geldermalsen	24,035	0.479%
66	Municipality of Haaksbergen	24,035	0.479%
67	Municipality of Nunspeet	24,035	0.479%
68	Municipality of Zaltbommel	24,035	0.479%
69	Municipality of Berkelland	24,034	0.479%
70	Municipality of Ommen	23,164	0.461%
71	Municipality of Wierden	23,164	0.461%
72	Municipality of Brummen	21,364	0.425%
73	Municipality of Maasdriel	21,364	0.425%
74	Municipality of Voorst	21,364	0.425%
75	Municipality of Bronckhorst	21,362	0.425%
76	Municipality of Tubbergen	20,848	0.415%
77	Municipality of Wijk bij Duurstede	20,818	0.415%
78	Municipality of Aalten	18,693	0.372%
79	Municipality of Elburg	18,693	0.372%
80	Municipality of Oost Gelre	18,693	0.372%
81	Municipality of Oldebroek	18,693	0.372%
82	Municipality of Putten	18,693	0.372%
83	Municipality of West Maas en Waal	18,693	0.372%
84	Municipality of Staphorst	18,531	0.369%
85	Municipality of Rhenen	16,461	0.328%
86	Municipality of Bunschoten	16,219	0.323%
87	Municipality of Urk	16,215	0.323%
88	Municipality of Druten	16,023	0.319%
89	Municipality of Heerde	16,023	0.319%
90	Municipality of Heumen	16,023	0.319%
91	Municipality of Neder- Betuwe	16,023	0.319%
92	Municipality of Westervoort	16,023	0.319%
93	Municipality of Breukelen	13,798	0.275%
94	Municipality of Bunnik	13,314	0.265%
95	Municipality of Montfoort	11,861	0.236%
96	Municipality of Lopik	11,619	0.231%
97	Municipality of Doesburg	10,682	0.213%
98	Municipality of Hattem	10,682	0.213%
99	Municipality of Lingewaard	10,682	0.213%
100	Municipality of Woudenberg	9,683	0.193%
101	Municipality of Oudewater	9,199	0.183%
102	Municipality of Wijdmeren	8,956	0.178%
103	Municipality of Loenen	8,230	0.164%
104	Municipality of Ubbergen	8,011	0.160%
105	Municipality of Abcoude	7,988	0.159%
106	Municipality of Eemnes	7,988	0.159%
107	Municipality of Scherpenzeel	7,746	0.154%
108	Municipality of Millingen aan de Rijn	5,341	0.106%
109	Municipality of Renswoude	4,389	0.087%
110	Province of Flevoland	4,316	0.086%
111	Municipality of Wymbritseradiel	1,000	0.020%
112	Province of Friesland	200	0.004%
113	Municipality of Tytsjerksteradiel	200	0.004%
114	Municipality of Apeldoorn	1	0.000%
	Total	5,022,404	100.00%

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