

A passion for
dunes and water

Unofficial Translation

Annual Report 2019

At a glance

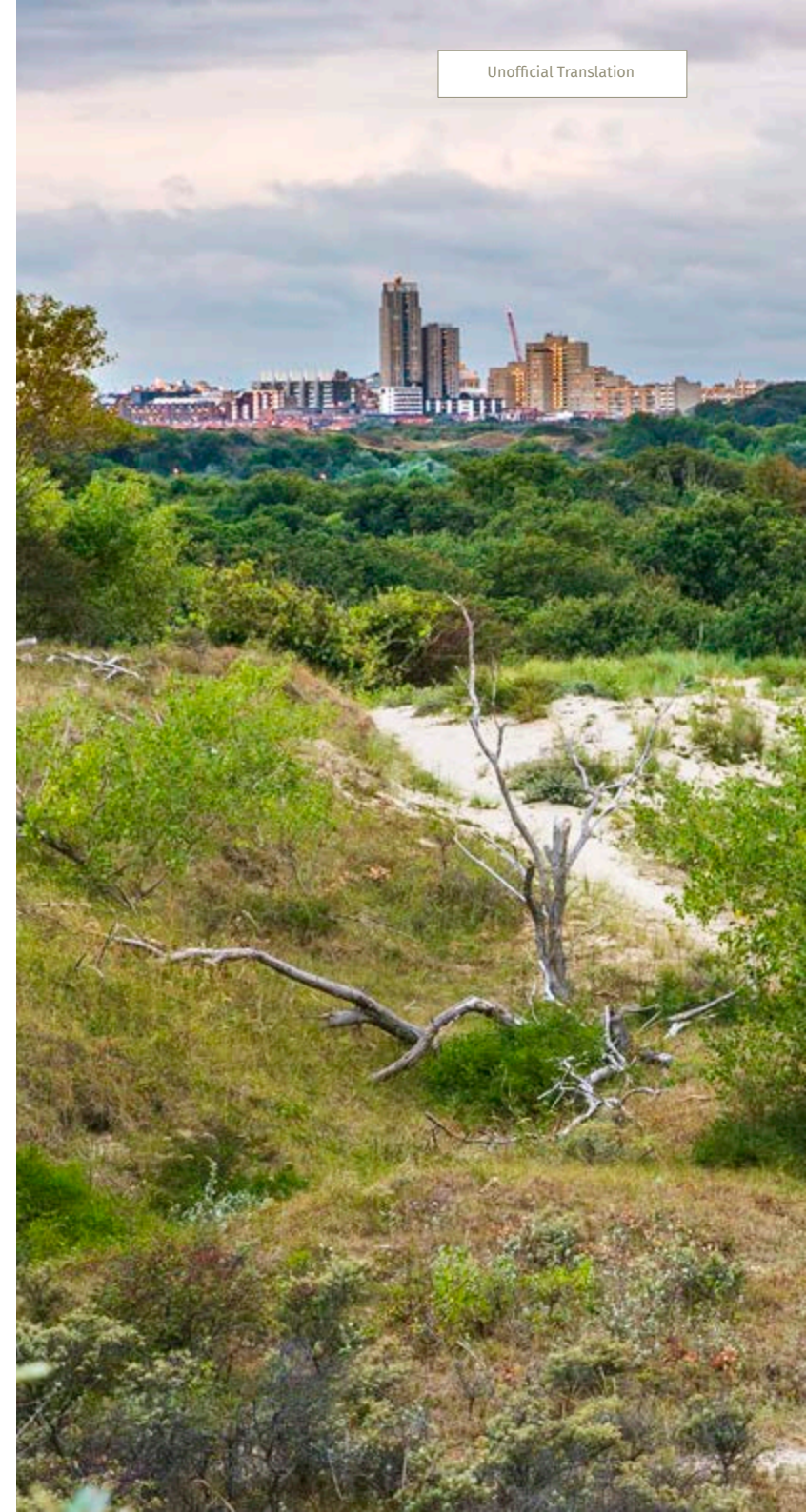
Profile

As a company that supplies drinking water, Dunea is at the heart of the community. Over 1.3 million people in the western part of the Dutch province of Zuid-Holland (South Holland) rely on us for one of life's most vital necessities: tasty, reliable drinking water.

The provision of drinking water is an essential service. We are doing everything we can, in every way that we can, to ensure safe drinking water continues to remain available in the future.

We also have a social task as a dune manager. Not only are the dunes crucial to the process of providing drinking water, they are also a vital recreational area for many residents in the busy Randstad area. And it's not just people who enjoy the dunes: our dune area is an important nature reserve that is home to a wide range of animals and plants. We have been managing this beautiful natural area and protecting the extraction of drinking water for over 145 years.

Supply area



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A passion for dunes and water



Highlights 2019



Vulnerable

The Maas is very **vulnerable** to contamination, especially in periods of drought, and yet seven million people in the Netherlands and Belgium drink the water from this river. Dunea, together with RIWA Maas (Association of river water companies – Maas section), has drawn **public attention** to this situation. Our message: international agreements in respect of the **division** of the River Maas must be reached quickly, because too little water flowing through the Maas will put the quality of the water under pressure.



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A multi-source programme

To reduce our dependence on the Maas and Lek rivers, for a number of years we have been exploring different ways to produce drinking water. In 2019 our shareholders approved the **multi-source programme**. Over the next five years it will become clear which combination of sources and **water extraction methods** ultimately has the most future.

The Growing Value of Water

Over the past two years, Dunea and the Rijnland District Water Control Board have explored what the water company of the future should look like. We shared our findings during the symposium **‘The Growing Value of Water’** that took place in June 2019. The movement that has arisen from this is now continuing under the name Value4Water, which we hope will result in additional parties from both within and outwith our sector joining.



Infiltration

Research has shown that 20 years of infiltration of pre-treated river water has had **no negative effects** on the wet dune valleys in Meijendel. In fact, some very special plant species have returned. While water extraction in our dune areas provides extra protection for biodiversity, **nitrogen deposition** poses an increasing threat. This topic was discussed intensively in 2019.

WAVE

The **organisational change** we started in 2016 was completed during 2019, while the WAVE Werken aan Verbinding (working on connection) programme that involved phased implementations of process-oriented working will be completed in 2020. This has further embedded the principle of efficient collaboration with the client within the organisation.



Dune Campus

The aim of the **education policy** developed in 2019 is to increase support for and awareness of drinking water and nature. In the Dune Campus in Meijndel, which opened in 2019, children and their parents can work together on assignments and learn, in a playful way, about the importance of water production and nature.

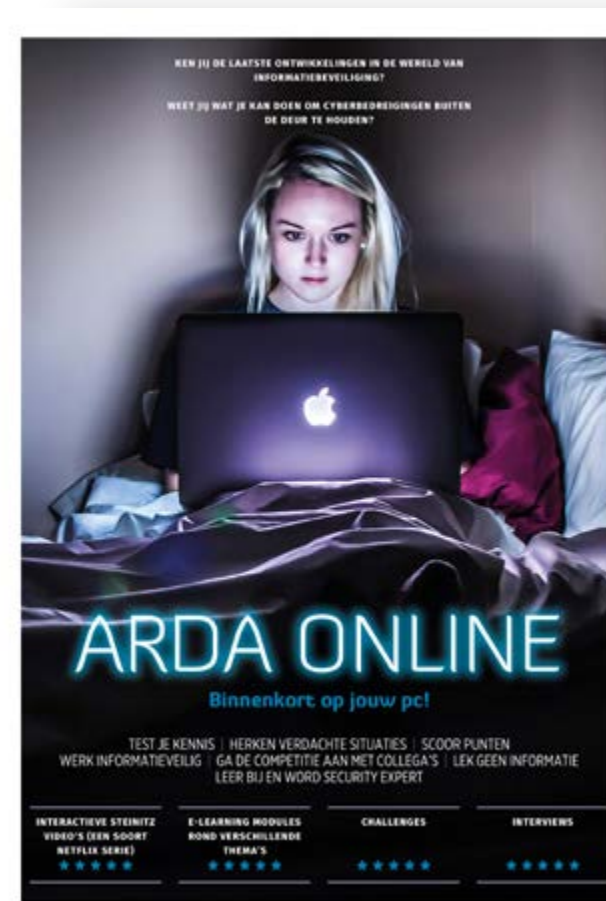


Dunea Warmte (Dunea Heat)

In 2019 our shareholders authorised the establishment of **Dunea Warmte**, through which we will play a role in the **energy transition** by extracting heat and cold from drinking water or surface water as an alternative source of heating or cooling. Not only does this fulfil a social need, it also increases the value of our piping schemes and thereby enhances our strategic position.

Digital security

The government considers drinking water provision to be a vital sector. The (digital) security of our systems, processes and people is, therefore, essential. In addition to all the measures and actions in this area, in 2019 we started a security awareness campaign to make our employees even more **aware** of the risks related to physical and digital security.



Mission, vision and strategy

Mission

Every day, our customers can rely on us to provide natural, high-quality drinking water, and tranquillity and space within the Randstad. We take care of dunes and water.

Vision

We believe water and dunes contribute towards a good life. In a changing world, we are working to future-proof ourselves. But we can only achieve this by cooperating with others. Which is why we listen to those around us, defend the interests of our customers, and work to continuously improve the services we offer.

Strategy

In the longer term we want to remain a healthy and growing company that is at the heart of the community. This is why our strategic route Course 2020 focuses on four key areas:

- We are there for our customers: our service quality and provision are outstanding;
- We are a world-class dune manager;
- We fight to ensure the Lek and Maas rivers remain reliable sources of drinking water;
- We are better prepared for the future by offering customers a broader range of products and services.

Core values

Involved, reliable, invigorating and resilient.

Value creation model

In 2018 we created our first value creation model, which highlights the relationship we have with our environment and how we create value for our stakeholders and society. The model indicates the capital sources we input to our business model, the outputs we deliver, and the impact these have on our stakeholders and our surroundings. Climate change, urbanisation, energy transition and digitalisation are key trends that influence every component of the value creation model.

In 2020 we will revise our materiality analysis, based on the updated strategy that will follow from the strategic route Course 2020. This could impact the value creation model, which we will also review.



- > Involved
- > Reliable
- > Invigorating
- > Resilient

Value creation model

Trends



Materiality matrix

The process

In 2019, in the context of the new strategic Course, we began further developing our materiality analysis. Using desk research, we first drew up a long list of topics relevant to Dunea. We then cut this list down to 20 priorities, guided by discussions with internal stakeholders. We presented these priorities to employees and external stakeholders in a survey, and interviewed five external stakeholders for their input. At the beginning of 2020, we set up three customer panels to discuss any issues customers had. The final outcome of the analysis will be published in the 2020 Annual Report.

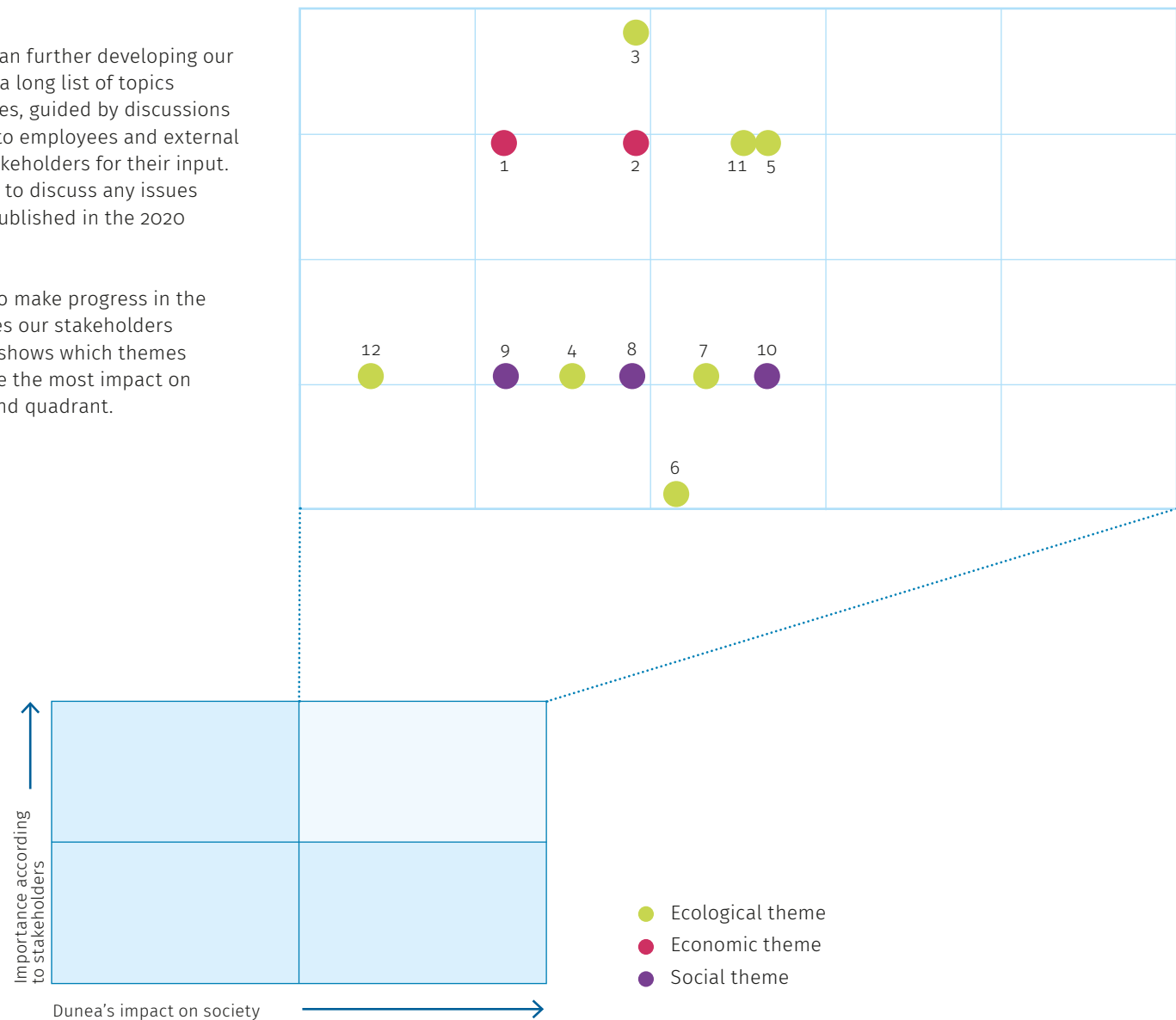
The materiality matrix included here relates to our goals to make progress in the field of sustainability. The vertical axis shows which themes our stakeholders consider the most relevant for Dunea. The horizontal axis shows which themes Dunea's management board and management believe have the most impact on sustainability. The material themes are in the top right-hand quadrant.

Material themes

1. excellent service provision
2. innovation
3. water source protection
4. dune protection
5. in-house generation of sustainable energy
6. energy usage
7. water production
8. employee diversity
9. impact on local municipalities
10. water supply and disconnection policy
11. biodiversity
12. climate adaptation

Dunea has defined the following stakeholders groups:

shareholders
provinces
water companies
customers
employees
key partners



Key figures

	2019	2018	2017	2016	2015
Financial					
Operating income (x € 1,000)	140,716	144,111	148,256	147,948	143,463
Result after tax (x € 1,000)	8,533	15,651	11,974	8,820	9,239
Current ratio	0.139	0.103	0.112	0.145	0.147
Interest coverage ratio	2.590	3.924	2.383	1.824	1.182
Solvency (%)	39.5	38.1	35.6	33.6	32.0
Return on total capital (%)	2.3	3.5	3.2	3.1	3.4
Investments (x € 1,000)	33,145	33,443	39,505	26,685	47,310
WACC (Weighted Average Cost of Capital) (%)	2.34	3.56	3.07	3.17	3.64
Customers					
Number of residents (x 1,000)	1,327	1,315	1,301	1,289	1,278
Number of administrative connections	639,756	632,000	633,919	628,663	616,217
Sub-standard supply minutes	8.68	12.61	8.43	7.20	11.40
Integral drinking water tariff per m ³ (€)	1.62	1.63	1.67	1.69	1.70
Employees					
Number of employees	500	506	513	537	537
Absence due to sickness (%)	4.9	6.6	3.8	3.7	3.7

	2019	2018	2017	2016	2015
Water production and distribution					
River water intake (x 1,000 m ³) ¹	80,598	82,652	81,985	62,468	77,963
Drinking water produced (x 1,000 m ³)	80,438	81,474	79,862	79,042	78,068
Sales of drinking water in own supply area (x 1,000 m ³)	73,570	74,374	73,190	72,894	72,862
Sales of drinking water in own supply area per administrative connection (x m ³)	115	118	115	116	118
Length of main pipeline network (in km)	4,470	4,439	4,411	4,387	4,369
Length of transport pipeline network (in km)	283	283	283	285	284
Number of installed water meters	564,934	557,813	555,975	549,971	541,937
Dunes					
Dune areas under own management (ha)	2,428	2,250	2,250	2,250	2,250
Number of visitors to Meijendel Visitor Centre	143,320	141,199	128,279	119,282	117,191

¹ From 2018 stated m³ of river water intake means the total of water taken from the Afgedamde Maas and the Lek. Previously only the Maas water was included.

Indicators

River water intake (x mln m³)

80.6

2018: 82.7

Number of km¹

4,470

2018: 4,439

Number of hectares

2,428

2018: 2,250

Number of residents

1,326,756

2018: 1,315,306

Number of connections

639,756

2018: 632,000

Sub-standard supply minutes²

8.68

2018: 12.61

Water tariff (€)

0.98

2018: 1.00

Average number of employees (FTEs)

465

2018: 473

¹ Number of kilometres relates to the main pipeline network.² Sub-standard supply minutes: the average number of minutes per year during which customers have no water.

Foreword

The value of water is growing. Trends and developments in the field of climate change, urbanisation, energy transition, digitalisation, subsidence, raw materials scarcity and the circular economy will affect both the short and long(er) term availability of safe drinking water in our region. This is why securing the future of our drinking water process was a key topic in 2019.

The Maas is very vulnerable to contamination, especially in periods of drought, and yet seven million people in the Netherlands and Belgium depend on it as the source of their drinking water. Dunea, together with RIWA Maas, has drawn public attention to this situation. During periods of drought the River Maas carries very little water. Contaminants are hardly (if at all) diluted and the flow is very slow, which means pollutants remain at the intake point for a long time. To limit the risk of long-term intake stoppages, effective international agreements in respect of the division of the Maas water must be reached. I am pleased that we have managed to get this topic on the public and political agenda both nationally and internationally.

To reduce our dependence on the Maas and Lek rivers, since 2015 we have been exploring different ways to produce drinking water. In 2019 our shareholders approved the multi-source programme and in 2020 two pilot trials will start. Over the next five years it will become clear which combination of sources and water extraction methods ultimately has the most future.

For the past two years, together with the Rijnland District Water Control Board, we have explored what the water company of the future should look like. In June 2019 we organised a symposium, 'The Growing Value of Water'. The aim was to share our findings, to call on others to also think about the future and, first and foremost, to. The movement that has arisen from this is now continuing under the name Value4Water.

Our service to customers has been raised to a higher level. Our online customer portal for water customers has been improved and new channels, such as chat and SMS, have been developed. Having completed the first phase of the Wave programme (Working on connection) in 2018, 2019 was all about the further adjustment and stabilising of the associated ERP system and working on the following phase. We will be going live with it during the first half of 2020 – once again no small feat, but one from which both we and our customers will reap the benefits.

We began a number of projects aimed at improving facilities for recreational visitors in Meijendel. We began refurbishing our visitor centre De Tapuit, improving the visitor experience in the Meijendel valley, and renovating lookout points in the area. We also opened the new Dune Campus, so that children and their parents can learn more about nature and the relationship with water extraction.

In 2019, the government introduced a more stringent national nitrogen policy, which put nature very clearly in the spotlight. We have witnessed how nature has come under increasing pressure in recent years, which is why we want to further improve the protection and strengthening of the dune areas. We were pleased that recent research shows that the wet dune valleys in Meijendel have been enriched by 20 years of infiltration of pre-treated river water. One of the ways to better protect nature is to collaborate with partners within the Hollandse Duinen (Dutch Dunes) National Park. In 2020 we will be applying



“ The growing value of water will remain high on the agenda in 2020.

for the official (New Style) National Park status, which will be the crowning achievement of our efforts.

We want Dunea to play its own role in the energy transition by extracting heat and cold from drinking water or surface water as an alternative source of heating or cooling. This is not only a social contribution, it will also protect our position below the ground. Our shareholders have authorised the establishment of Dunea Warmte.

Increasing awareness related to physical and digital security is very important. In 2019 we started a company-wide security awareness campaign focused on information security and I and other management team members made a number of site visits focused on physical security.

The growing value of water will remain high on the agenda in 2020, through pilot trials and measures within the framework of the multi-source programme, as well as by drawing more attention to the (worsening) quality of our current sources. We are prioritising education and

awareness about both water and nature in our contacts with our customers. Internally, physical and digital security remain of essential importance. Finally, in mid-2020, we will present our new vision and Course, in which the strengthening of nature and water will take centre stage. There are great challenges ahead and, as a company, we are ready to take them on in partnership with others.

At the beginning of 2020, Dunea was also confronted with the stringent measures related to the COVID-19 pandemic. As Dunea we are able to keep the essential processes, and with them our operations, running and organised, taking into account the measures implemented by the government. Many of our employees are working from home and the employees carrying out the essential processes are continuing to ensure not only the supply of drinking water but also that progress is made by implementing our projects. We are, therefore, proud of all our employees and the agility that we as Dunea are showing in these difficult times.

Wim Drossaert, Managing Director

Report of the Management Board

Global trends are increasingly impacting our activities. Climate change is, naturally, one of these trends, but urbanisation, energy transition and digitalisation are playing an increasing role in the way Dunea can and must do its job now and in the future. Access to sufficient drinking water and the enjoyment of the beautiful nature in the dunes are at the centre of what we do, but constantly demand attention. In addition, the reorganisation we started in 2016 is virtually complete. This has enabled us to take a major step towards a more efficient way of working, in which the customer is the starting point.

Business progress in 2019

Accent 1 – We are there for our customers

Dunea wants to be future-proof in a fast-changing world. We champion the interests of our customers and continuously improve our service provision. We want to be involved with our customers, to know what they want and then act accordingly as a trusted partner.

A good image

It's taken 10 years, but the name Dunea is now almost as familiar as the company's previous name - Duinwaterbedrijf Zuid-Holland. But our score for spontaneous name recognition is significantly better: 7 out of 10 can name Dunea as their drinking water company. The image survey held around the end of 2019 also showed that most people consider Dunea to be reliable, professional and sustainable. Customers find it easy to get in touch with us and feel they are receiving good help.

Customer satisfaction

In 2019 we carried out customer research on a larger scale than ever before. The score for overall satisfaction was 7.3, but first and foremost we wanted to measure the ease or effort customers experience when taking so-called 'customer journeys': what do they feel during their contacts with Dunea? These scores, together with a lot of feedback, are used to improve our service. For example, almost 80% of our (potential) customers now use the self-service option for applications and cancellations. We test the quality of the customer contact together with the ITO Foundation. The measurements provide targeted

improvements, for example in the personal approach and conversational skills. The experiences with the chat channel have been very positive for both us and our customers.

WAVE is into the final phase

In recent years the WAVE project (working on connection) has introduced a new way of working throughout the organisation. The transformation into a process-oriented organisation in which we work more efficiently, starting with the customer, was an intensive process. Now, our customers are also noticing the results of the better connection between the various processes.

In 2019, our focus was on further adjusting and stabilizing the first phase of the new Umax ERP system and building phase two, which will go live in the first half of 2020. This will mean a better connection between office-based and customer-facing roles, because activities such as at-the-door collection and occupancy checking will also be planned and carried out through Umax. In addition, better coordination with contractors and other network operators in respect of new connections will also be possible through the Digitaal Samenwerkingsplatform (DSP) (Digital Cooperation Programme). Having customer data, as well as work on pipelines and the availability of technical staff and materials, clearly organised in a single system will enable us to provide customers with a better pipeline management service. Finally, Umax will soon be providing insight into inspection planning and reporting.

Replacing lead pipes

Measurements by the RIVM (National Institute for Public Health and the Environment) have shown that old lead pipes in houses cause more daily exposure to lead through drinking water than is healthy. It is even recommended that pregnant women and young children drink bottled water. Owners of buildings built before 1960 must investigate whether the property still contains lead pipes. Dunea has already replaced virtually all the lead pipes in its distribution network, but we have no control behind the front door. Which is why we advise our customers to check whether there are any lead pipes in their building. (<https://youtu.be/1zoDcoSV5kY>).

Pilot trial – smart water meters

Dunea has introduced a pilot using smart water meters with a number of its large consumers. The meter, which is a small box installed on top of the existing water meter, transmits water consumption information to Dunea every five minutes. There are advantages for both parties. Because the water consumption is very closely monitored

any deviations, such as leaks, loss of pressure and peak usage, can be signalled and dealt with quickly. And the consumption data gives the customer a better understanding of the company's usage, which could enable business processes to be improved. In addition, in the future it will be possible to invoice actual usage on a monthly basis.

Help with late payment

As a socially-involved organisation, Dunea is always reluctant to cut off the drinking water supply. We believe everyone has the right to access drinking water, but also that everyone should pay for it. This is why we encourage customers to contact us if they cannot pay their drinking water bill. We work with the municipalities of Den Haag, Zoetermeer, Rijswijk, Pijnacker-Nootdorp, Leidschendam, Voorburg and Leiden on signalling payment problems early and thus prevent customers getting into debt. In consultation we can generally come to a suitable arrangement. In 2019 7,127 payment arrangements were set-up (2018: 5,022).



More and more public water taps

More and more public drinking water taps are being installed. For example, in cooperation with the NS (Dutch railways) we have installed drinking water taps at many of the train stations within our supply area (Den Haag Hollands Spoor, Den Haag Laan van NOI, Den Haag Mariahoeve, Den Haag Moerwijk, Hillegom, Leiden Centraal, Nieuwerkerk aan de IJssel, Rijswijk, Voorburg and Voorhout). We have also opened three public drinking



Dunea is a partner of the Dutch Veterans' Day

Since 2018 Dunea has been a proud partner of the Dutch Veterans' Day (NLVD). During the event we provided fresh drinking water and all the invitees received a specially-designed Veterans' Day Doppler, a reusable drinking bottle. Dunea also had a stand on the Malieveld in Den Haag and our reusable bottle sales' campaign resulted in the Dutch Service Dog organisation receiving € 10,000 for training dogs especially to assist veterans.

water taps along the promenade in Scheveningen as a memento of the Feest aan Zee (party by the sea) event.

Accent 2 – A world-class dune manager

We are leading the way in dune management and our customers know that. This means we can depend on the strong basis we need for our business operations and on the understanding of and support for our nature conservancy. Our stakeholders and other parties know our reputation in the field of dune management and come to us for advice and assistance.

Protecting dune areas

Nature was high on the agenda in 2019. The nitrogen problem caused fierce political and social discussions. Dunea, as the manager of Natura2000 areas, was directly involved. We have also noticed nature coming under increasing pressure in recent years. Which is why we want to do an even better job of protecting our dune areas.

National Park Hollandse Duinen (NPHD)

In 2019, the collaboration agreement between the NPHD Foundation, Dunea, the Dutch Forestry Commission and the Province of South-Holland came into force. This made it possible to put together a programme team and work on an implementation programme that in 2020 must lead to an application for new style National Park status being submitted to the Ministry of Agriculture, Nature and Food Quality. Important building blocks for this application have been set in motion, such as the drawing-up of a landscape strategy in which the long-term (50 years) plan for the landscaping of the entire area is laid-down, a sustainable

governance and financing strategy, a communication and marketing strategy and an education strategy. We are doing this together with all the partners in the area: the 14 municipalities, land managers, marketing organisations, water boards and NGOs.

Improvements for recreational users

Dunea doesn't only have water customers to look after, we also have to take the many visitors to our dune areas into consideration. In 2019 we began a number of projects in Meijndel aimed at improving the facilities for recreational users, including the optimisation of the Meijndel valley and the renovation of the lookout points in the area.

The De Tapuit visitor centre is our focal point – it's where our customers meet Dunea. Currently, we are working on a new, sustainable concept for the centre; it will become a place in which our visitors can marvel at the dunes, and will arouse their curiosity to discover more about the area, its nature and our company. The renovated interior will be opened in 2021.

Education offering broadened

In 2019 we developed a new educational policy. Education creates awareness of and a support base for dunes and water, and it reinforces our image and reputation. By offering educational activities Dunea is laying a foundation with its customers, visitors and surroundings that will mean other messages from Dunea are received better. In Meijndel we opened the doors of the Dune Campus; a place in which children and their parents can be



involved in and work on three different theme routes. A wide variety of questions and assignments teach children, in a fun way, all about Meijendel's history and culture, about water production and about the area's nature. The Dune Campus is an attractive addition to Dunea's current educational offering.
<https://www.dunea.nl/duinen/duincampus>.

A positive effect on nature

Research has shown that 20 years of pre-treated river water infiltration no longer negatively impacts the wet dune valleys in Meijendel. In fact, it has even resulted in some very special plant species, which hadn't been seen in the area for over a century, returning. It would appear that water extraction in our dune areas is providing extra protection for biodiversity.

Accent 3 – Striving for the drinking water interests of the Lek and Maas

The source of the drinking water that comes out of the taps in the western region of South-Holland lies on the border between North-Brabant and Gelderland: the Afgedamde Maas at Brakel and the Lek at Bergambacht. The cleaner our source, the less treatment is necessary and the lower the final cost of our drinking water. We work with all the parties that have an influence on the Lek and the Maas that could contribute towards a good water quality.

The Maas – vulnerable to contamination

Dunea and RIWA Maas drew media attention to the worrying development that the Maas is very vulnerable

to contamination, especially during periods of drought, and yet the water from this river is drunk by seven million people in the Netherlands and Belgium. Considerable national media attention was paid to this. Our message was clear: effective international agreements regarding the division of the Maas water must be reached very quickly. The campaign succeeded in getting this topic on the public and political agenda – including at an international level. It is desperately needed, because once again in 2019 the water level in the Maas was extremely low at times. When the water levels are low the water in the Maas isn't sufficiently refreshed and contaminants stay in the same place and are hardly diluted. This can cause long-lasting intake stoppages.



We are working to improve the quality of the Maas water and river basin with partners in the Schone Maaswaterketen (clean Maas water chain). Water Boards, drinking water companies and the Ministry are combining their knowledge and expertise of micro-pollutants that end up in the environment via waste water flows. The approach covers the entire chain from the source of the contamination to the supply of drinking water from the tap.

Multi-source programme approved

We must become less dependent on the Maas and Lek rivers. The lack of effective (inter)national agreements regarding water distribution means that in times of drought the quantity of water that remains for us is considerably reduced. This also reduces the quality of the water. Our 1.3 million customers in South-Holland must not be dependent on what happens upstream.

That means we must find new, additional ways to produce drinking water. We began this search at the end of 2015 when three times, in fairly quick succession, we were shocked by massive contamination that resulted in the intake of Maas water being stopped for a long period.

During a strategy meeting in the summer of 2019 we took the shareholders and relevant stakeholders on a journey through time. We explained key strategic choices Dunea had had to make during its 145 years history in order to safeguard drinking water extraction for the future. Based on the forecasts available at the time investments were made that are still producing returns. The meeting also discussed the climate-driven trends we foresee, and why



we need to make choices to be able to guarantee the supply of drinking water in the future. In 2019, our shareholders and the Supervisory Board agreed the implementation of a multi-source programme and associated investments.

The multi-source programme is a package of research initiatives and measures through which we will safeguard water availability and quality in both the short and long term. There are four projects, two of which are pilot trials:

1. Pilot trial brackish ground water Meijendel: pumping up subterranean brackish water to convert into fresh water with the help of a new technology – reverse osmosis;
2. Pilot trial Valkenburgse Meer (lake): extraction and pre-treatment of surface water from the Valkenburgse Meer for infiltration into the dunes, also with membrane filtration;
3. Blending plant: the Lek will become a fully-fledged source and water from the Lek and the Maas will be blended in a blending plant;

4. Bridging capacity in the dune areas: increasing the fresh water buffer under the dunes to a 3-month supply. Starting in Berkheide.

Accent 4 – Better prepared for the future

We want to be a healthy and growing company, now and in the future. This is why we encourage innovation and develop new products and services that will lead to long-term benefits. We do this for both current and new customers.

Research & development

Dunea focuses on demand-driven research. Our research has two main aims: to solve day-to-day problems and to prepare us for the future. Finding answers to questions that arise while carrying out our everyday operations makes it more likely that the outcomes of research will be implemented and will reinforce our status as an expert in supplying water and conserving nature. Research can also bind together. Whenever possible Dunea carries out research in collaboration with other parties, for example industry branch research or research in cooperation with the four dune water companies. The multi-source programme mentioned earlier is also ongoing. The next five years will provide us with greater clarity as to which combination of sources and water extraction methods has the most future.

Removing pharmaceutical residues from water

With river water quality coming under pressure more frequently and for longer periods, Dunea is conducting large-scale investigations of an extra treatment step: an

“ Eric Van Can, Process Manager
Project Installations, Pipelines &
Nature, talking about multi-utility
Other managers of gas and electricity
networks are our natural cooperation
partners because we work – literally –
in the same hole, have the same
customers and use the same scarce
technical labour force.

advanced oxidation method (project GOBAM) developed in-house that, among other things, removes pharmaceutical residues from the water before it is pumped to the dunes. In 2019, Dunea investigated the effect this extra purification step has on the dunes. This investigation will continue in 2020. The first results are promising. A larger-scale use of this technology is included in the scenario studies related to new sources.

Investigating filtration

In 2019 Dunea and water company Vitens began a joint filtration research programme. The Dutch Organisation for Scientific Research (NWO) doubled the research budget with subsidies. This has allowed 10 PhD students to start research into filtration. The Partnership's goal is to increase knowledge about the working mechanisms of sand filters in order to produce large quantities of drinking water in a robust and (cost) efficient way. Our classical

purification methods are an essential component of the Dutch way of making water: filtration makes water stable for distribution, which is why we can supply excellent water throughout our supply area without adding chlorine.

The value of water is growing

The all-encompassing consequences of climate change, population growth, working towards the energy transition and the circular economy, the digitalisation and the arrival of new players due to globalisation, will radically change the layout of the West-Netherlands. For the past two years Dunea and the Rijnland District Water Control Board have been exploring this future in the Water Companies of the Future project. This has taught us to look at ourselves and the way we work in a different way. Improvement alone is no longer enough: major changes are needed. In June 2019 we organised a symposium - 'The Growing Value of Water' - during which we raised awareness of the growing value of water by sharing our findings with around 400 visitors and through the media. We can only meet future challenges if we work together with others who share our living environment. The movement will now continue under the name Value4Water, which hopefully will be joined by more and more parties from both within and outside our sector. Take a look at www.value4water.nl for all the information.

Going further together

Energy transition and the high demand for new-build homes is leading to an increase in underground infrastructure. But carrying out this work in good consultation and coordination with other parties is becoming increasingly difficult, especially as we are also

confronted with an increasing scarcity of technical staff. Together with Stedin and Liander, we are looking for ways to work closer together when carrying out infrastructure projects. Our future aim is to plan and prepare our work together and then have it carried out by the same contractors. This will increase the efficiency of our planning, and could lead to earlier improvements to our infrastructure, and will considerably reduce inconvenience to our customers. By working on the basis of this multi-utility concept we will endeavour to do everything right the first (and only) time.

Dunea Warmte gets the green light

Climate changes and the energy transition are creating new dynamics in underground infrastructures. This presents us with both threats and opportunities. The threats are pressure on existing infrastructure and a higher temperature in the pipeline network which could adversely affect drinking water quality. At the same time the energy transition also offers an opportunity to protect our drinking water pipeline network, keep drinking water temperature low enough during warm weather and limit social costs.

If we extract heat and cold from drinking water we can use it as an alternative source for heating or cooling houses and/or business premises. This aquathermy solution is not covered by the Drinking Water Act and will, therefore, be kept separate from Dunea NV. At the end of 2019 Dunea's shareholders authorised the establishment of a subsidiary company to handle these activities.



A new concept for fire extinguishing water

Dunea, the Central Netherlands Safety Region (Veiligheidsregio Hollands Midden), the Oasen and PWN drinking water companies and all the municipalities in the Hollands Midden region are working together very closely on a new concept that will guarantee the availability of water used to fight fires for the coming 20 years. We are also working closely with the other safety regions in our supply area. In Rotterdam Rijnmond, for example, we have signed a maintenance contract for all the fire hydrants in the municipality of Lansingerland. And in the Haaglanden Safety Region we have signed a maintenance contract for all the fire hydrants that remain necessary for fire-fighting after 1 January 2020.

Expanding production capacity

In October, Dunea applied for an environmental permit that will allow us to expand our production capacity in Katwijk in the near future. One component of the permit application is the removal of 14 of the 18 barracks at the former Valkenburg airbase. The four remaining barracks will be repurposed as part of the development of the area which will include giving the public more access to the natural environment.

Sustainable Dunea

In 2019, Dunea once again put considerable effort into implementing its CSR policy. This policy is being integrated into the new strategic Course. In 2020, Dunea will be CO₂ neutral, our energy usage will be reduced (an average usage reduction of 2% per year), while 14% of the energy we use we will generate sustainably ourselves. These goals

“In 2019 Dunea was once again fully involved in the implementation of its CSR policy that will be integrated into the new strategic Course.

are based on the National Climate Agreement. Although results are being achieved in many areas, this goal will not be reached in 2020.

Dunea's CSR policy has three spearheads. First and foremost, we will continue investing in healthy drinking water, the biodiversity of the dune areas and clean energy. The second spearhead is sustainable innovation; we won't achieve a more sustainable future without new methods, technologies and materials. Strengthening local communities is our third spearhead; we are aware that we fulfil an important utility function for 17 municipalities in South Holland. When implementing our CSR policy, we constantly seek dialogue and cooperation with our customers and partners.

We are working on our ambition and spearheads along three lines: saving, greening and compensating. A selection of the measures we are taking is explained below.

Saving

Energy monitor for further savings

Producing drinking water takes a lot of electricity. To gain a better insight into the electricity consumption of our production processes, in 2019 we installed dozens of

electricity meters. These meters will help us understand whether our treatment processes are as energy efficient as possible. The objective is to reduce unnecessary electricity consumption. Now that we are measuring our actual energy usage, in 2020 we expect to be able to draw-up concrete proposals to achieve our goal of average annual energy savings of 2%.

Circularity of residual flows

AquaMinerals is a cooperation between all the water companies and several water boards that ensures the collective processing and sustainability of our residual flows. Through AquaMinerals, we are working on reusing our waste streams and the further 'greening' of the materials and chemicals we need. For more information see www.aquaminerals.com.

Savings in projects

We take sustainability into account in all projects around our installations, dunes and pipe networks. For example, introducing the so-called Helko technology has reduced material requirements. Re-lining existing pipes in the dunes avoids a lot of earth moving (less CO₂) and the use of new pipes. The multi-utility concept mentioned earlier will also increase efficiency.

Greening

Solar energy generated on our own sites

Generating our own energy from solar panels on our own sites is a direct way to generate clean energy locally.

In 2018 Dunea expanded the solar park in Scheveningen: Solar panel Project 1.0. The over 10,000 square metre park



is expected to be complete in mid-2020. It will then provide 3.5% of our energy requirement and generate 1.6 GWh each year.

In 2019 we also started on Solar Panel Project 2.0 – the installation of solar panels at other Dunea locations. At the end of December we were awarded a subsidy for the other roof surfaces of the sand filters at the Scheveningen production facility. Dunea still has other options available, such as Bergambacht, Bergschenhoek and Zoetermeer, but also wants to see whether there is a way to make a greater impact collectively through Blauwe Netten, a cooperation agreement between all Dutch drinking water companies.

Making our vehicle fleet sustainable

Work busses, pool cars, vans and all-terrain vehicles: with over 150 vehicles Dunea is a visible presence in its region. Although the vehicle fleet is responsible for just a small portion of Dunea's CO₂ emissions, this visibility makes it important that we set a good example. Our target is a totally CO₂ neutral Dunea vehicle fleet in 2025.

The acquisition of electric cars means Dunea also needs a charging point infrastructure and this is scheduled for completion in spring 2020. We have also started a pilot trial of fully electric dune buggies and 10 e-bikes have been purchased for the dune keepers.

A package of small measures

Dunea also implements a package of small measures that stimulate awareness and greening. In 2018, coffee cups made of recycled material that could be remanufactured into hand-wipes were introduced. This increased our

employees' awareness and lowered our CO₂ footprint. By purchasing 750,000 cups we compensated 107 tons of CO₂. We also started recycling work clothing, and in 2019 the catering was re-tendered with sustainability being a key decision factor.



Blue Nets

Dunea is an active participant in Blue Nets (*Blauwe Netten*) – the umbrella platform of all 10 Dutch drinking water companies that is aimed at making the drinking water sector sustainable and is

supported by MVO Nederland. In 2019 a roadmap for 2020-2022 was drawn up of the way Blauwe Netten will work on accelerating the transition to a sustainable drinking water sector. The coalition will achieve this through collaboration with the chain partners.

New water-saving policy

The new water-saving policy Dunea adopted in September 2019 focuses on four tracks:

- Raising the awareness of and/or influencing the behaviour of the household consumer
- Water savings and cooperation aimed at the remaining customers and stakeholders
- Optimising Dunea's internal water management
- Following developments and trends in the field of household water, decentralised solutions, etc.

Compensating

Purchase of green electricity

In 2019, 75% of the electricity Dunea used was generated by wind turbines in Zeeland. The remaining electricity, apart from the around 3% that Dunea generated from its own solar panels, was generated by wind turbines elsewhere in Europe.

CO₂ footprint

A CO₂ footprint is calculated over a whole year. It shows a declining trend primarily because each year our total electricity usage includes a larger percentage of Guaranteed Origin Dutch Wind energy. The CO₂ footprint is calculated in accordance with NEN-EN-ISO 14064-1: 2012, the Greenhouse Gas Protocol and the SKAO CO₂ Performance Ladder.

WBCSD membership

Since 1 July 2019, Dunea has been a member of the World Business Council for Sustainable Development (WBCSD) – a global organisation of nearly 200 companies that are playing a leading role in the field of sustainable innovations that will accelerate the transition to a more sustainable world. The knowledge this is bringing us will help further our sustainability agenda.

Dunea International

One drop of water can set a pond in motion. One helping hand can make a world of difference. With this in mind, we are using our specialist water knowledge to help others outside the Netherlands. Together with our partners,



“ In April 2019 an improved drinking water treatment plant and pipeline network went into service in Kendu Bay, Kenya.

we help people in a number of countries, including Mozambique and Kenya, to gain access to clean drinking water and better living conditions. Because water out of the tap should be normal for everyone.

Water purification in Kenya

WaterWorX is a joint programme of all the Dutch drinking water companies, supported by the Ministry of Foreign Affairs. It was set up in 2017 with the aim of giving 10 million people around the world access to clean water and sanitation by the end of 2030. Within the framework of WaterWorX, in the Homa Bay county, Dunea is working with the local water company, HomaWasco, and Amref Health Africa. One key aspect of the project is transferring knowledge and experience in the workplace. Not only

technical know-how, but also expertise in important business processes such as finance, human resources and communications. The ultimate goal is a water company that functions well, supplies water to everyone and can also support itself financially.

The 12-year project started in 2018 and has already achieved tangible results. In April 2019 local municipalities gained access to drinking water when an improved drinking water purification and pipeline network went into service in Kendu Bay. In November the midterm review was published. This is an independent assessment commissioned by WaterWorX and the Ministry of Foreign Affairs to verify the objectives and results of the projects that were started in 2017 and to give recommendations for

the following two years. The Homa Bay project scored well on all points – an average of 4 on a scale of 1 – 5.

Inhambane in Mozambique

In Inhambane, Mozambique, water is scarce. In cooperation with Wetterskip Fryslân (Friesland province Water Board) and three local parties we are helping the local water board to manage and unlock the water supply as efficiently as possible. The source, located in the dunes, is in many ways similar to our own water extraction area.

Albania

In 2017, Dunea and the Delfland Water Authority began a project with the drinking water company in Tirana. Dunea's role was to help reduce the amount of non-revenue water. This project delivered good results in 2018, but was terminated early because a further deepening of our input did not fit in the planning due to changes to the local strategy.

Personnel and organisation

Dunea in transition

In the summer of 2019, we completed the three-year project to transform Dunea into a process-oriented organisation by implementing organisational changes in successive stages. The most dramatic changes in 2019 were implemented within the Pipeline Installations and Nature Management process. These changes to the way of working, combined with the effects of the Wave programme and the implementation of the ERP system, led to additional redundancies in a number of areas. The Dunea Dune and Water Social Plan 2017 – 2019 was

also applicable for these reorganisations. The financial settlement of the reorganisation will continue until 2024.

The transition has demanded a lot from our colleagues. They are being expected to increasingly think in total-chain terms, to seek cooperation within the chain and to work with new systems and applications. Such a change demands sufficient time and support, in addition to the realisation that changes will continue to be the order of the day in the future.

At the end of 2019, we began preparing an employee survey that we will roll out in 2020. This will ask employees about their working experience at Dunea, and will help us empower our workforce to improve themselves within the company.

Inflow, through-flow and outflow

The 2017-2019 reorganisations, as well as initiatives such as Dunea's contribution towards the energy transition and the search for new sources, once again led to recruitment, promotions and lateral career moves across the company in 2019.

Dunea also noticed the effects of a labour market in which demand exceeded supply in many areas. In 2019 the natural outflow increased further. In total around 70 vacancies were filled in 2019 of which 30 vacancies were filled by colleagues flowing through Dunea, by work placement students returning to Dunea at the end of their studies and by temporary staff or people who previously



worked for Dunea on an external staff basis. The remaining 40 vacancies were filled with new inflow.

In a leaner labour market the 'dunes and water' proposition has proven its strength; in general, vacancies were filled relatively quickly. To enable us to continue approaching the labour market properly, in 2019 our recruitment processes were made more professional and we invested in the appointment of a Corporate Recruiter.

To enable us to continue recruiting sufficient qualified personnel to meet our needs in the future, in 2019 considerable attention was paid to strategic personnel planning (SPP). The aim of strategic personnel planning is to gain an insight into the gap between available and required (quantitative and qualitative) capacity at both the (sub)-process level and the company level, and to minimise this gap through timely interventions. SPP will become a permanent HR tool for the coming years.



“ Gamification helped, and is still helping, make employees aware of the risks in the field of cyber security.

In 2019, a total of 10 colleagues with a distance from the labour market were employed in various departments within Dunea, most of them as a result of the cooperation with the Haeghe Groep (since 1 January 2020 part of Den Haag Werkt). Their jobs vary from producing technical drawings of connection pipelines to distributing the materials to our pipe installers, and from maintaining office equipment to emptying litter bins in our dune areas and removing non-native species.

Increasing employability

In 2019 – as in previous years – a great deal of attention was paid to employee development. Many employees worked on broadening their employability, for example through internal secondments, RAC (Recognising Acquired Competencies) routes and in-company routes. A group of employees followed the Lean Green Belt training courses. Development and employability is an integral component of the assessment and development cycle, which was revamped in 2019 and which, in addition to recording result

agreements, also pays a great deal of attention to development agreements.

A start was made on increasing awareness of physical safety. The employment conditions policy has been updated, site visits by management that focus on safety now take place on a regular basis, and the importance of reporting safety incidents is communicated repeatedly. Working together safely on good drinking water is essential. In the context of information security, a security awareness campaign was launched and will continue in 2020. With the help of gamification employees are being made aware of the risks in the field of cyber security.

Absence due to sickness showed a clear downwards trend in 2019 and was 2% lower than in 2018. Whereas in 2018 Dunea's sick leave figure was above the water sector average, in 2019 it was once again below the sector average. As in previous years the sickness notification frequency was below average. Unfortunately, in 2019 the

long absences from 2018 in particular led to a higher influx of people into the WIA (Work and Income according to Capacity for Work Act).

Collective employment agreement (CEO)

In 2019 negotiations regarding a new collective employment agreement (CEO) between the employers' organisation, WWb, and the trade unions, which had been discontinued in 2018 after a long and difficult negotiation process, were resumed. This consultation led to a one-year CEO effective from 1 January 2020. In 2019 a one-sided wage increase of 2.5% was applied and the stipulations as laid-down in the CEO Water Companies 2015–2017 continued to be applied in full.

Financial developments

General

Duneia believes in the principle that there must be balance between income and costs. In the Drinking Water Act it was decided to standardise tariff setting in an indirect way. This legal standard is the maximum allowed average cost of capital, or the so-called WACC (weighted average cost of capital). This WACC is fixed for two years by the Minister of Infrastructure and the Environment. For 2018 and 2019 this was set at 3.4% (including 1% for foreign activities) and for 2020 and 2021 it has been set at 2.75%. The WACC for 2019 is expected to amount to 2.3%, which is under the set standard of 3.4%. The definitive WACC is fixed by means of the Company Report submitted to the Ministry of Infrastructure and the Environment before 1 October 2020. To be able to meet the covenants included in the external financing conditions, both a minimum profit to cover the interest charges and also a minimum solvency of 30% must be achieved. In 2019 the interest coverage ratio was 2.6 (2018: 3.9), which meant the covenant conditions were comfortably met. At the end of 2019 Duneia's solvency (the ratio between shareholders' equity and total assets in percent) was 39.5% (2018: 38.1%).

Result

The result after tax for 2019 amounted to € 8.5 million (2018: € 15.7 million), a decrease of € 7.2 million. Most of this decrease was due to lower income from water sales, and an increase in operating costs.

Operating income

In 2019, 96.3% of operating income came from water revenues (2018: 96.0%). At € 140.7 million this income was € 3.4 million lower than in 2018 (2018: € 144.1 million). The 2 cents decrease of the m³ water tariff (see drinking water tariff development) resulted in a € 1.5 million reduction in drinking water income. In addition, drinking water income was lower because 1.2 million m³ less drinking water was supplied in 2019 than in 2018 when the long drought drove sales up. This effect was offset to an extent by the reduction of the not-billed water. In 2019 the income from the sale of water to other drinking water companies fell by around € 1 million, once again due to the long drought in 2018 increasing sales in that year.

Operating costs

Operating costs rose by € 3.4 million to € 127.1 million (2018: € 123.7 million). One of the causes of the increase in 2019 was the extra € 1.0 million expense for the further implementation of the new ERP system. After the standard ERP (customer processes, projects, finances and logistics) went live at the beginning of 2018, in 2019 we worked on integrating another part of the organisation (field sales team, pipelines and related logistics) into the ERP. This second phase of the implementation is scheduled to go live in 2020.

Energy costs in 2019 increased by € 1.3 million due to the additional purchase, and rising price, of wind Guarantee of Origin Certificates. In addition, in 2019 the depreciation costs were € 1.7 million higher than in 2018, primarily due to the completion and entire year depreciation of a





number of specific projects, including GOBAM. Purchases of water from other water companies fell by around € 1.1 million in line with the income from sales to other drinking water companies. Due to a change in Accounting policies in the provision for major maintenance there was no addition to the € 1.6 million provision. In 2019, we began capitalising major maintenance costs as a component of the assets. In 2019 the costs of impairment and the sale of fixed assets were € 1.5 million lower than in 2018. This was because in 2018 an impairment was recognised for buildings that were not of service to the process. In 2019 this impairment was partially reversed. The drawing-up of a new collective labour agreement for 2020 meant that in 2019 the provision of € 0.5 million formed to cover any agreements that could apply retroactively was released. In 2018 € 1.0 million was released from the reorganisation provision. Finally, wages and salaries costs rose by € 1.7 million compared to 2018 due to supplementary hiring for the second phase of implementing the new ERP system, professionalization and temporary staff to cover open vacancies and sick leave.

Drinking water tariffs 2019

In 2019 the tariff structure did not change. Each customer pays a standing charge for the supply of drinking water. The level of this standing charge is based on the water supply capacity at the consumer's consumption address. All customers pay a uniform variable tariff for the drinking water they actually use.

From 2018 the principle of costs being covered by the tariffs was implemented and the tariff for drinking water and the standing charges were calculated using the 'cost

price plus method': cost price + a (profit) margin to improve among other things solvency and the desired relationship between fixed and variable drinking water income. In 2019 the margin for the standing charge was set at 10% (2018: 18%) and for the drinking water tariff was set at 7% (2018: 5%). As in 2018 the other tariffs included in the tariff structure were based on the cost price + a profit margin of 10%.

The (profit) margin of the standing charge is higher because Dunea strives for drinking water income that is based for 40% on fixed income (standing charge: supply volume tariff) and for 60% on variable income (drinking water: m³ water tariff). This brings the income from fixed and variable components more in-line with the costs that must be covered. Dunea is a capital-intensive company: maintaining both the production and distribution facilities involves incurring many fixed costs. Every year a multi-year investment plan is drawn-up that includes the investments in infrastructure required to safeguard the quality and supply security of drinking water in the coming years. To make that possible a stable, healthy income structure is necessary. In line with this policy the margin (the difference between the cost price and the tariff) incorporated in the standing charge is higher than the margin for the variable tariff. The margin policy depends on the development of a 40:60 standing charge / variable income ratio, the solvency development, the future investments and the permitted WACC. Dunea strives for stable tariffs, which means the margins can fluctuate from one year to the next. In 2019 the lowest standing charge (QN 1.5), which was applicable for more than 95% of our



customers, was increased from € 59.21 to € 59.47 and the variable tariff was reduced by € 0.02 from € 1.00 to € 0.98. (Tariff scheme 2019: <https://www.dunea.nl/klantenservice/tarieven>)

Supervision of drinking water tariffs

The drinking water tariffs must be set in a transparent manner, must be non-discriminatory and must cover the relevant costs for drinking water tasks stipulated in the Drinking Water Act, the Drinking Water Decree and the Drinking Water Regulations. The Ministry of Infrastructure and Water Management's Living Environment and Transport Inspectorate (ILT) is charged with supervising compliance with the legal stipulations. The ACM (Consumer and Market Authority) is the legal advisor of the Living Environment and Transport Inspectorate (ILT) and advises the ILT about the setting of the drinking water tariffs. For the 2019 drinking water tariffs the ILT, on the basis of the advice report from the ACM, concluded that Dunea had acted in accordance with the legal provisions when setting the 2019 drinking water tariffs.

Investments

In 2019, investments in tangible fixed assets amounted to € 39.1 million, € 0.5 million lower than in 2018. Furthermore work in progress has been finalized and capitalized for an amount of € 40.6 million. At the end of 2019 the item 'Work in progress' amounted to € 33.2 million, € 1.6 million lower than at the end of 2018.

“ In 2020 and the following years the search for new ways to extract water will be at the top of the agenda.

Financing

At the end of 2019, the ratio between shareholders' equity and total assets (solvency) was 39.5% (2018: 38.1%), and the current ratio was 0.139 (2018: 0.103). Solvency was, therefore, better than in 2018 and this ratio is expected to rise further despite an anticipated increase in the level of investments and a lower budgeted net result for 2020 compared to 2019. If the investments and net result develop as budgeted, in the coming years solvency will rise further, which will mean Dunea can be well prepared for attracting interest-bearing loan capital in combination with the investment plan for our multi-source strategy until 2040. For the current financing, use is being made of the financing facilities of several Dutch banks and the European Investment bank (EIB). In 2019 one new fixed loan was taken out with the EIB (€ 70 million). This loan was used to settle debts in the current account and for regular and final repayments of current borrowings. Net debt was reduced by around € 0.4 million.

Outlook

Implementation of the multi-source programme

In 2020 and the following years the search for new forms of water extraction will be at the top of the agenda. In parallel with these pilot trials and measures we will also increase the production capacity in Berkheide.

Setting-up of Dunea Warmte

As mentioned earlier, the shareholders have authorised the setting-up of a subsidiary company in which all the new heat activities will take place. We will begin working on this in 2020, including in the Mall of the Netherlands shopping complex in Leidschendam and possibly in the new Valkenburg neighbourhood in Katwijk. We also have project opportunities in Zoetermeer, Den Haag, Rijswijk and Lansingerland, but will be very selective about which projects we initiate. With the establishment of Dunea Warmte, we are contributing towards the energy transition and creating value for the local environment.

Multi-utility cooperation

Dunea operates in an urban and rapidly changing environment in which the various network operators all have similar interests. One of the major customer annoyances is road works, especially when the road or pavement is dug up several times in quick succession. In 2019 Dunea signed a cooperation agreement with Stedin and Liander the aim of which is to work together as much as possible in order to reduce the nuisance caused and increase efficiency. In the coming years we want to have this type of agreement with other gas and electricity network managers.

Making the drinking water sector more sustainable

We are working with fellow drinking water companies in the Blauwe Netten (Blue Nets) umbrella platform to implement the roadmap 2020–2022, which is aimed at accelerating the transition to a sustainable drinking water sector.

Implementing the water saving policy

With the help of various communication channels, we are going to raise household water users' awareness of the possibilities for saving water. Measures to optimise our internal water management are also planned.

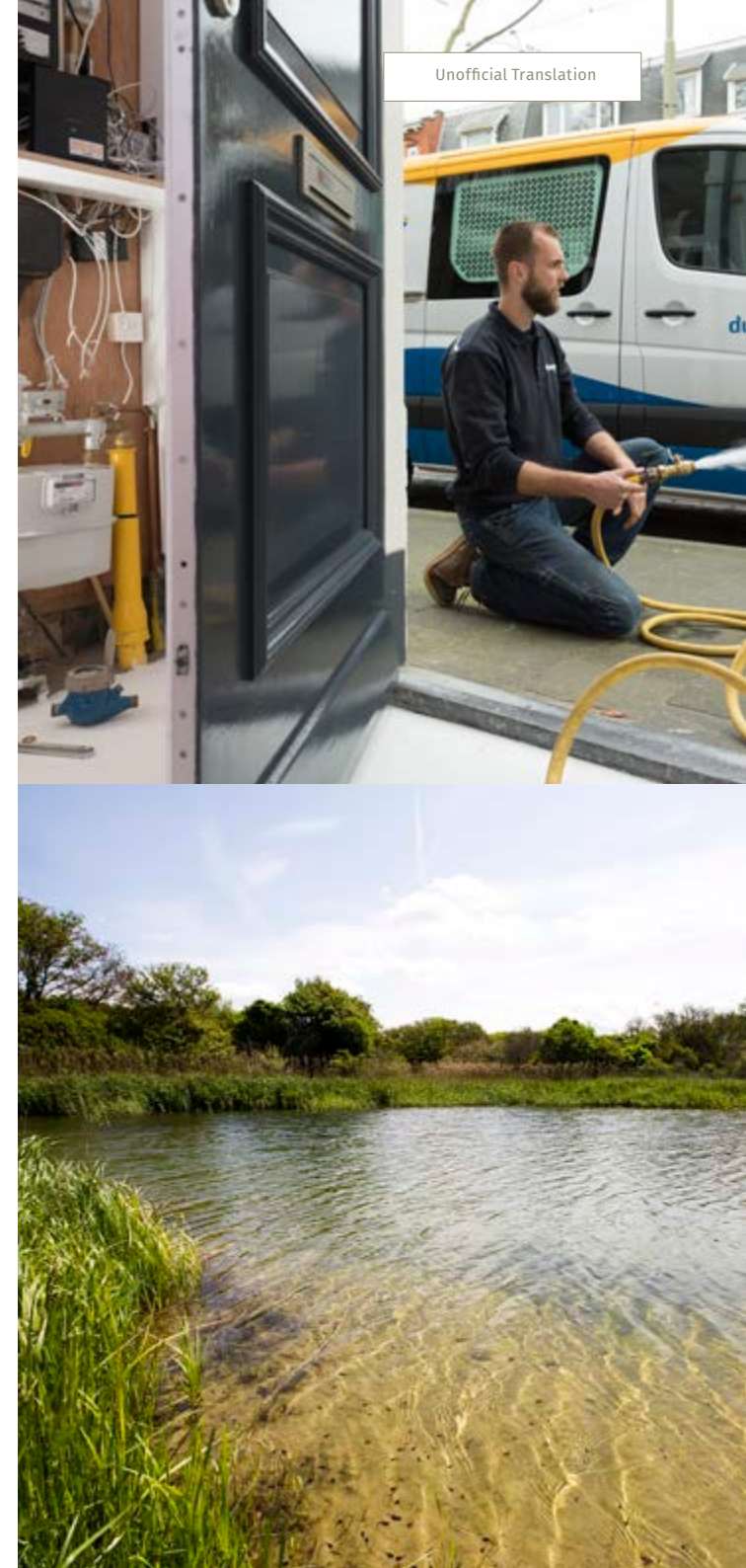
Banking on education

The more people who understand the relationship between nature and water extraction, the more support there will be for water extraction. Which is why we invest in education. In the coming year we are going to focus even more on education in both the water and nature fields. If we want to be able to take good care of the dunes and water extraction now and in the future, it is essential that we continue passing on our passion for dunes, water, the environment and health.

The final phase of Working on Connection

Phase two of the ERP system that underlies the working on connection programme, WAVE, will go live during the first half of 2020. This will mean a new challenge for the organisation. Once this phase has been fully implemented, which we expect will be towards the end of 2020, the WAVE programme can be closed, as working on connection will be embedded in our day-to-day work.

Unofficial Translation



Drinking water tariff development

The integral drinking water tariff per m³ for an average household, excluding the surcharge on the standing charge, the pre-tax, the tax on mains ater and VAT, has gone down from € 1.70 in 2015 to € 1.62 in 2019. In 2020 the lowest standing charge will remain the same as in 2019 (€ 59.47) as will the variable tariff (€ 0.98). On balance the 2020 integral drinking water tariff will remain the same at € 1.62 per m³. (Tariff Regulation 2020: <https://www.dunea.nl/klantenservice/tarieven>). The answer to the question whether Dunea's drinking water tariffs will also comply with the legal stipulations in 2020 is not yet known. The investigation by the ILT in cooperation with the ACM is still ongoing. The outcome will be known in the second half of 2020.

Investments

The investment level for the period 2020–2024 amounts to around € 218 million. Investments comprise the expenditure on the investments related to installations (water quality and replacement programmes), the distribution programme (mains pipelines, connections and transport pipelines), investments in CSR and innovation, investments in the natural environment and customers and investments in research and pilot trials for the exploration of new sources. The multi-source strategy will require investments amounting to € 22 million in the period 2020–2024. These investments comprise the development costs for the pilot trials related to brackish water extraction, the enlargement of the buffer capacity, the blending plant and the Valkenburgse Meer.

Financing

Improving solvency remains necessary to prepare for the future financing of the substantial investments Dunea's multi-source strategy will require in the coming years. The substantially higher investment level will also mean a higher statement of financial position total. The financial policy and resulting tariff policy for the coming years is aimed at increasing solvency by an average of 1% per year to at least 40%. In 2020 additional financing of around € 57 million will be needed for the refinancing of expired loans and ongoing investments. For this financing we can use a number of Dutch banks and the European Investment Bank. One permanent area of attention is interest rate development. Interest rates have been low in recent years and the banks expect that in 2020 interest rates will remain low with a slight chance of an increase. No substantial increases are anticipated in the subsequent years either, although this will depend on the state of the economy and any major measures taken by the European Central Bank or governments. We are keeping a very close eye on the interest rates so we can anticipate developments in good time.

Employees

In 2020, we will implement the second phase of the ERP system across various parts of the organisation. This means that many employees will have to learn to work with new systems and devices. We are investing in training and coaching so the transition can be as smooth as possible.

Labour market scarcity is expected to lead to natural outflow and the recruitment of new colleagues. We are, therefore, continuing to build on our employer brand and also using the Dunea employees' network to recruit new colleagues. The initiatives in the field of cooperation with partners, energy and the multi-source programme will also lead to new activities, functions and development opportunities. In view of these initiatives we expect the workforce will increase slightly in 2020.

The new Course

The current strategic route Course 2020 will come to an end in mid-2020. Since September 2019, we have been working on a new strategic Course, which will be introduced in July 2020. Dunea will make an increasing contribution towards a sustainable society, including by making its own processes more sustainable by greening its energy usage, making its vehicle fleet CO₂-free and increasing the sustainability of its catering. But there are many more developments in the CSR field, as you can read elsewhere in this Annual Report and in particular in the 'Sustainable Dunea' section. Our CSR goals are integrated in the new Course. In this Course, we will further strengthen our core of water and nature so that from there we can create added-value for our surrounding area.

The impact of COVID-19

In response to the COVID-19 pandemic, in 2020 Dunea has followed the advice of the RIVM and implemented various measures to ensure the continuous supply of safe drinking water for our customers and a safe working environment for our employees. We have analysed the possible effect on our income, debtors, projects, financing and cash flow.

“Since September 2019 we have been working on a new Course, which will be presented in June 2020. Dunea is going to make an increasing contribution towards a sustainable society.

The effect on our income is for the time being very slight. There is a risk the amount owed by debtors will increase, but we won't know by how much until later in the year. Several projects have been delayed, but we anticipate being able to catch up again during 2020. For the time being no material effects on financing and cash flow are apparent and we cannot see any other significant risks that could have a material effect on the continuity of our business activities.

Governance

Corporate Governance

As we announced in previous Annual Reports, Dunea has adopted the Corporate Governance Code (the Code), as reviewed in December 2016 as the standard. The Code means that Dutch listed companies are supposed to accept accountability for complying with the revised Code in their management report. Dunea is not a listed company, but has opted to apply the Code on a voluntary basis.

Dunea has made this choice because, in view of the nature of the organisation and Dunea's position in the social playing field, it strives for transparent and honest business operations on a day-to-day basis and good supervision from its Supervisory Board. The Code offers anchor points and guidelines for this through which Dunea can let its day-to-day operations and related processes be guided. Naturally these principles also apply for the activities Dunea carries out in the field of dune area management through the Hollandse Duinen National Park Foundation and the activities that will be carried out through the as yet to be established subsidiary company in the field of heat supply.

General

Transparency and integrity are core values in the Code. The Code and the associated strategic environment management also offer a framework for the way in which Dunea deals with and establishes contact not only with its stakeholders, such as customers and shareholding municipalities, but also in broader terms with the entire environment in which Dunea plays a role. When decisions

are taken the Management Board and Supervisory Board are responsible for weighing up the interests relevant for Dunea. Dunea's continuity as a drinking water company is the priority.

Dunea also strives for open and active communications with its stakeholders. This attitude is in line with the thinking behind the Code, as are a transparent approach in respect of the organisation's values and standards and the internal regulations that must guarantee these values and standards are complied with and are disseminated to our external stakeholders. This transparent approach is evidenced by the fact that since this year Dunea has published all the relevant documents, such as the Supervisory Board Charter, the Code of Conduct and the Whistle-blower's Regulation on its website.

Dunea has sought to follow the Code as closely as possible by adopting the principles and best practices to the extent they are applicable for the organisation. The scope of the adaptation of the Code within Dunea is monitored on a regular basis. However, after an in-depth analysis Dunea has deemed that certain stipulations of the Code, in particular those aimed primarily at listed companies with freely tradable shares, are not or are not in their entirety appropriate for application in a drinking water company with a legal obligation to have shareholders in the public sector. In addition, after due consideration Dunea has opted to declare a number of principles and best practices in the Code to be inapplicable. The aspects in question are as follows.

a) Length of Management Board appointments

The Code states that Board members should be appointed for a maximum of four years, with the option of re-appointment for a maximum of four years at a time.

Dunea has opted to deviate from this stipulation because the Supervisory Board considers it would be undesirable if the appointment period of the Board members was fixed in advance. The Supervisory Board wishes to have more freedom in this respect and wants to allow its choice to be led by the circumstances and its vision at the time.

The current Managing Director of Dunea was appointed for a period of five years. This period dovetails with the cycles of Dunea's long-term goals (profit targets), which are also based on a period of 5 years. With continuity and responsibility in mind the Supervisory Board considers it very important that the Managing Director's appointment term gives him the opportunity to bring the targets he has set himself to a conclusion.

Whether or not the appointment duration of the Managing Director should be reconsidered will not be discussed until the time comes to appoint a new Managing Director.

b) Remuneration report and separate remuneration policy

Dunea has opted to establish a Remuneration Committee, which also has the selection and nomination authorisation usually assigned to a Selection and Nomination Committee. During the past year no remuneration report as specified by the Code was drawn-up.

Dunea is bound by the framework of the Standardisation Top Executive Remuneration Public and Semi-Public Sector Act (WNT). This Act is also applicable for the Boards of drinking water companies. Although this legislation means that drawing up a further remuneration policy is not essential, as the Supervisory Board wants to take the stipulations in the Code into account as far as possible it has decided, also taking into account the appointment of new Board members in the future, to let the Remuneration Committee also monitor compliance with the WNT and the further remuneration policy within Dunea.

Diversity

One stipulation of the Code in respect of the composition of the Management Board and the Supervisory Board is aimed at encouraging as much diversity as possible in both the management team and the Supervisory Board. In concrete terms, within Dunea this means both a balanced division of men and women within the Management Board and the Supervisory Board, and also a balanced composition of the for the company relevant aspects of diversity, such as age, gender and background in terms of both education and professional experience. Dunea has made a balanced participation a component of its selection criteria for future (re)appointments of new members of the Management Board and Supervisory Board and these selection criteria are laid down in documents including the Supervisory Board Charter and profile sketch. Within Dunea there is a balanced participation in both the management team and the Supervisory Board.

Management and Supervision Act

Every year Dunea monitors Corporate Governance and its interpretation within the organisation and reports this in its Annual Report. It does this on the basis of the checks by the AO/IC Officer, the Compliance Officer and the annual audit plan carried out by a team of internal auditors. Dunea has expressly not set-up a fully independent/ external audit department as described in the Code as this would be going too far for an organisation of Dunea's size. In addition to the already mentioned internal controls this role is performed mainly by an external auditor. Essential changes in the Corporate Governance structure are put on the agenda of the General Meeting of Shareholders.

Developments in 2019

Mrs Van der Heem-Wagemakers was a member of Dunea's Supervisory Board for six years (an initial term of four years followed by reappointment as of 1 July 2017 for a term of two years) and during that time fulfilled the role of Supervisory Board Employee Representative. Mrs Van der Heem-Wagemakers' last term ended on 1 July 2019 and she could not be reappointed.

In conformance with the prescribed procedure (and taking into account the stipulations contained in Article 10.2 and 10.3 of the Articles of Association), during the General Meeting of Shareholders on 13 June 2019 the Board nominated a new Board member. The shareholders approved the appointment of Ms P.M. Zorko as a member of Dunea's Supervisory Board effective as of 1 July 2019. For the functioning of the Management Board and Supervisory Board during 2019 please see the Report of the Supervisory Board on page 42.



In control declaration

The Management Board is responsible for the establishment and effectiveness of the risk management and internal control systems and declares that:

- the Annual Report provides sufficient insight into shortcomings in the operation of the internal risk management and control systems;
- the aforementioned systems provide a reasonable degree of assurance that the financial reporting does not contain any material misstatements; the current state of affairs is such that the financial reporting has been drawn-up on a going concern basis; and
- the material risks and uncertainties that are relevant in connection with the expectations regarding the continuity of the company for a period of 12 months after the drawing-up of this report are mentioned in this report.

Risk management

Running risks is inherent to running a business. To map the risks that could influence the achievement of an organisation's goals a risk analysis is carried out. To organise and report its risk management Dunea has opted to use the COSO Enterprise Risk Management Integrated Framework (COSO-ERM). This led to an adjustment to the way of thinking and methods used in 2019.

Risk analysis process

The risk analysis comprises the following steps. First of all, risk analyses identify the most relevant risks for Dunea on the basis of likelihood and impact (gross risks). Next the presence of existing measures to manage individual risks is checked along with the extent to which these measures reduce the risks already present (determination of net risks) and will limit their development. The risk tolerance of the relevant risks is then determined based on their potential development and the extent to which Dunea can influence the development. When doing this use is made of a framework with which the impact of a risk and whether or not this is within or over Dunea's tolerance can be ascertained. Finally, the desired risk response is determined: which of the four possible approaches does Dunea want to apply in response to the risk - acceptance, avoidance, reduction or sharing/passing on (transferring the risk to a third party). The progress of implementing the resulting actions is monitored, including by regularly updating the risk analysis (2x per year).

Risk profile

In accordance with the COSO model the risks are classified in four categories: strategic risks, operational risks, financial risks and compliance risks. The table below summarises the most important gross risks identified within Dunea in each category in 2019 and shows Dunea's level of tolerance for each of these risks.

The company-wide risk analysis carried out in 2019 led to a number of risks included in the 2018 risk summary being removed or adjusted. On the one hand, due to processes being tightened in 2018 and 2019, a number of risks are now adequately managed and the gross risk has decreased. This could include the tariff risk, the (payment) collection risk and the financial (reporting) risks because in these areas the processes related to these risks have been tightened considerably. On the other hand, after further consideration some risks have been moved to a different COSO category or have been added as a result of developments in 2019. Examples are risks related to the impact of activities not related to drinking water and the spatial pressure on the infrastructure. This recalibration was carried out in accordance with the described risk management system.

Risk	Measure	Risk tolerance ¹
Strategic risks		
Security of supply under pressure due to source capacity problems resulting from climate changes and increasing demand	Multi-source programme fully ongoing	Zero/low
Conflict of interest between the short-term and long-term visions of shareholders and Dunea	Create shareholder awareness regarding the public importance of the drinking water provision	Low
The effects on drinking water quality due to the source being contaminated with new, unknown substances	Create awareness among licensing authorities and stakeholders; broaden the treatment process; sampling programme	Zero/low
Supply security under pressure due to problems with the (increasingly busy) spatial infrastructure	Strategy for area management of ground + infrastructure, safeguard business rights	Low
The risk of new products and services having a negative impact on drinking water activity	Strict separation between legal and non-drinking water related activities, assessment of governance Risk Committee; expert staff	Low
Operational risks		
Flooding of the Bergambacht pumping station	Multi-source programme; flooding action plan; strategic area security management and crisis management	Low
Unauthorised/undesirable access to Dunea's systems and data	Create awareness and test for security issues; preventative measures (technical, authorisations, screening), general IT controls function separation and change management	Low
Insufficient qualified personnel and loss of knowledge within the organisation	Recruit early to enable knowledge to be passed on; invest in expanding employee knowledge; strategic employee planning	Low
Supply security under pressure due to outage of critical (IT) systems	Asset management with multi-year plan; Security and crisis management; redundant systems.	Zero/low

Risk	Measure	Risk tolerance ¹
Financial and financial reporting risks		
Accelerated depreciation of assets due to spatial developments /compulsory relocations	Create stakeholder awareness regarding the public importance of drinking water facilities; multi utility cooperation management; safeguard Dunea's business/property rights	Average
Compliance risks		
Non-compliance (new/changing) legislation and regulations	Monitoring; influencing/coordinating in Vewin ² context, Risk Committee assessment of new projects	Low
Entering into (foreign) cooperation agreements	Screening of the other parties and employees' Code of Conduct; local legal support; Risk Committee assessment of projects	Average
Fraud/conflict of interest/corruption due to powers being too broad/insufficient controls	Enough function separation; internal management system; whistle-blower's regulation; awareness of Code of Conduct	Zero/low

¹ The risk tolerance emphasises the impact Dunea is prepared to accept in relation to the risk concerned.

² Vewin is the Association of Dutch Water Companies. Vewin looks after the interests of its members – the 10 Dutch water companies- in Den Haag and Brussels. Primarily in the area of legislation and regulations, but also in respect of proposals and ideas related to the water supply.

In 2019 Dunea looked at the possible impact of Brexit and took measures. No major risks are foreseen in this area. Dunea considers the risk with regard to its financial position to be limited, including currency translation risks, liquidity risks, currency risks, interest rate risks and uncertainties related to the possibilities of attracting financing. For a further explanation of the interest rate, liquidity and credit risk please see page 62 of the financial statements.

Risks and uncertainties related to COVID-19

No additional material strategic, operational or compliance risks have been signalled as a result of the COVID-19 pandemic. We have analysed the possible financial risks for income, debtors, projects, financing and cash flow. Thus far the effect on revenue is very small. There is a risk that the amount of doubtful debt will increase, but by how much will not be known until later in the year. Several projects and the laying of new connections have been

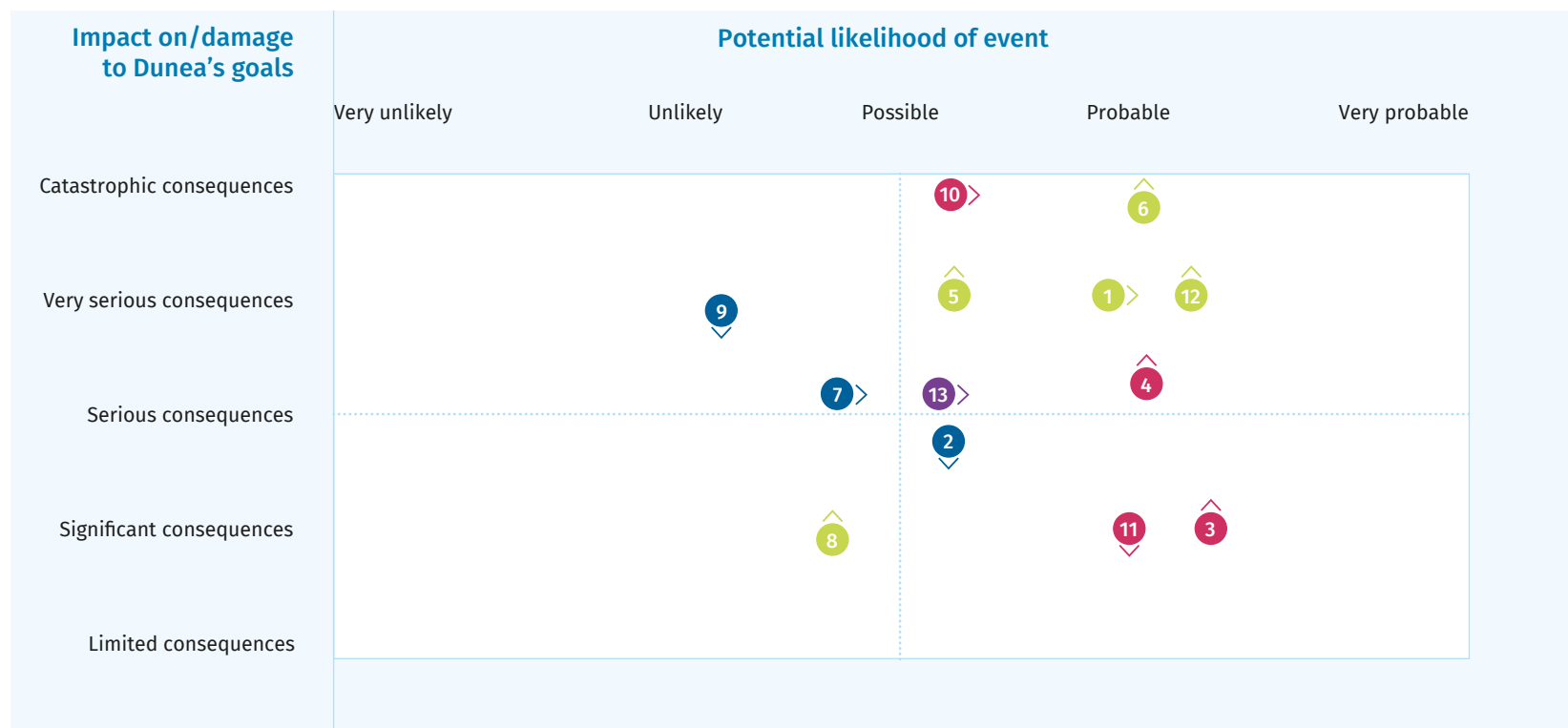
delayed, but it is anticipated that they will be caught up and back on schedule by the end of 2020. No material effects are visible in respect of financing and cash flow. At the present time we are not aware of any other risks that could have a significant effect on Dunea as a whole..

Risk management system

Risk management is a permanent component of the planning & control cycle, with specific attention being paid to the risks of which the impact before taking preventative measures must be considered critical. All risks are entered into the risk register. Which measures have been taken and the impact of the remaining risk are also recorded in broad lines. This register is updated twice a year. New risks are described and existing risks are up-dated in the register based on the monitoring of market developments and the decisions that have been taken. The register is divided into two categories of risks – the so-called business risks and the operational risks. Business risks are the risks that threaten the achievement of Dunea's goals and its operational continuity due to their disruptive character and therefore need to be examined and discussed separately. Towards this end the business risks are included in a risk matrix in order to make the inter-relationship of these risks, their impact and their development clearer. The latest version of this risk matrix is included below.

Risk matrix¹

- Strategic
- Operational
- Financial
- Compliance
- ⤴ Risk has increased
- ⤵ Risk has decreased
- ⤴ Risk level the same



Strategic risks

1. Conflicts of interest between the short-term and long-term vision of the shareholders and Dunea
5. An adverse effect on quality due to contamination of the source by new, unknown, emerging substances
6. Pressure on supply security due to source capacity problems resulting from climate change and increasing demand
8. New products and services (non-drinking water related activities)
12. Pressure on supply security due to spatial (mains) infrastructure issues

Operational risks

3. Insufficient qualified personnel and loss of knowledge within the organisation
4. Pressure on supply security due to the failure of critical (IT) systems (PA)
10. Flooding at Bergambacht pumping station
11. Insufficient control of Dunea's processes

Compliance risks

2. Non-compliance with (new/amended) legislation and regulations
7. Fraud/conflict of interest/corruption/theft
9. Entering into (foreign) cooperation agreements

Financial risks

13. Accelerated depreciation/increased replacement costs of assets due to spatial development/compulsory relocation

¹ The risks listed are net risks.

Once a year the strategy and the related risks to the Company are discussed with the Supervisory Board and the General Meeting of Shareholders. The agenda of the Management and Supervisory Board consultation structure includes risk management at least twice a year.

The risk management and control systems functioned properly during the year under review. No shortcomings that were not already known and for which remedial measures had already been implemented were found in the systems or their functioning. During 2019 additional internal measures were implemented to reduce the risk of system inaccuracies in the ERP system to an acceptable level. With these additional measures, internal control was at an acceptable level.

Cyber security

Information security is an important subject for Dunea. Our business processes are largely digitised, which makes us highly dependent on our IT. In the area of information security, we implement measures to protect our company information. We differentiate between process automation and office automation and have implemented various measures in respect of both. We have drawn-up an information security policy and a roadmap in order to give shape and structure to our Information Security and Information Security organisation.

But implementing a few measures related to information security is not enough, because security relies on the human factor. The responsibility for a secure (digital) working environment rests with every Dunea employee.

Communication is an important tool for making employees aware of this need. Employees must know what is going on in the field of information security. This requires constant attention because of the speed at which developments follow each other. In 2019 we started a new awareness programme with which we want to achieve a number of goals:

- inform employees. We explain why information security is important;
- draw employees' attention to the current situation and developments in the area of information security;
- sketch scenarios to make employees aware of risks and make them realise that their high-risk actions can have consequences for the entire organisation.

One important tool for achieving these goals is an online platform where employees are informed about both the basic topics and the current situation. We measure its effectiveness by measuring the results of phishing mails we send round the organisation. Finally we talk to employees. The dialogue – answering questions, explaining rules and collecting input – makes people feel listened to and creates support. The new awareness programme is working. The Service Desk is receiving more reports of suspicious e-mails. This means people are more alert and more critical of the messages they receive.

Compliance and Integrity Integrity

Integrity, in many areas, is a priority for Dunea. Integrity is essential for customer relations. To encourage integrity in business activities the desired conduct is expressly stimulated. In this respect we are thinking about

“ Integrity is of paramount importance to Dunea, in more ways than one.

transparency in choices we make and the responsibility we accept for these choices. This applies for our dealings with our customers (external) and for our own functioning within the organisation (internal). How the organisation and its employees treat each other and what they can expect from each other are described in Dunea's Code of Conduct - the Deal of Dunea. Dunea's core values are motivated, trustworthy, innovative and resilient.

Dunea employees give each other open and honest feedback and always ask whether the interests of our customers, but also of our other stakeholders, are being considered and served in a responsible way. With regard to conduct within the organisation, the guideline principles of the desired conduct of both employer and employee, as well as for the prevention of undesirable conduct such as fraud, conflict of interest or other actions that overstep the boundaries of acceptable (businesslike) conduct, are attention points in work meetings. They are also permanent attention points in our assessment and remuneration cycle. Any incidents, misunderstandings or questions from employees can be reported to the counsellors designated by Dunea or to the Compliance Officer. Incidents and misunderstandings are analysed in depth to find the kernel of the problem and if necessary appropriate measures are taken. To make Dunea's employees more aware of and clear about the importance

of reporting incidents, the way reports can be submitted and the careful way reports are handled, in 2019 the Dunea Whistle-blower's Regulation was revised and reintroduced. The revised Regulation pays more attention to protecting the rights of the employee who submits the report.

Top Income Standardisation Act

Dunea's remuneration policy in respect of its Managers and Supervisory Board members complies with the Top Income Standardisation Act. The current remuneration policy is also on the agenda of the General Meeting of Shareholders. The actual salaries awarded are controlled in conformance with the controls that exist for that purpose and are accounted for in the financial statements.

Compliance with legislation and regulations

Previous Annual Reports has emphasised the importance Dunea places on compliance. Back in 2016 Dunea was one of the first Dutch drinking water companies to have a Compliance Officer. The Compliance Officer's primary objective is to promote honest and open dealings, both within and outside Dunea and ensure that activities are carried out in a way that is in-line with legislation, regulations, codes of conduct and policy. This means activities of the organisation, its individual employees, and also third parties who are active on the order of or in the name of Dunea either internally or in respect of its external stakeholders. Obviously this is not a goal the Compliance Officer can achieve alone, so ensuring awareness of (compliance) risks and (the importance of) control measures to mitigate such risks throughout the organisation is important. In 2019 the Compliance officer's

goals, task and authorities were laid-down in the Compliance Charter and the Compliance Programme.

To obtain an even better picture of the compliance risks within Dunea, in 2019 the Compliance Officer, in consultation with the Management Board, the Supervisory Board, the management team, the domain and process managers and a number of key officers first reassessed the risk register. The updated risk register was the first step in the further substantiating of the annual compliance cycle. The outcomes of the analysis, along with the findings of the external auditor and the internal audits and findings of the AO/IC officer, were the guidelines for many of the tasks in 2019.

Specific Compliance activities in 2019 were the amendment and updating of the regulations for reporting incidents and abuses (Whistle-blower's Regulation), the designing of a compliance register in which the compliance reports and the analysis and handling of the reports are recorded, the setting-up of a compliance programme and 2020 year plan including a monitoring plan, and the establishment of regular compliance and risk reporting for the Management Board and the Supervisory Board. Compliance supported setting-up the document management system in Office 365 (in 2020 Dunea's Document Management System will migrate from Livelink to Office 365) through a 'shelf life' table that differentiates between the different types of document that are kept within Dunea and to which a standard retention period for these categories is linked. The Compliance Officer was also closely involved in the working group on the renewal of ILT supervision of the





drinking water sector (for a more detailed explanation see the section ILT).

Compliance also played a leading role in setting-up the Risk Committee – the Committee formed to assess the legal, operational, financial and compliance risks of new initiatives and projects within Dunea. One of the new activities Dunea wants to develop in 2020 is the supply of heat from drinking water using aquathermy. As both the drinking water task and the heating role are strictly regulated and must be kept totally separate due to legal obligations, Compliance has been explicitly involved in the decision-making regarding the intended organisation of these activities. Compliance has also been closely involved in the preparation of the decision-making process of the Supervisory Board, the General Meeting of Shareholders and the Ministry of Infrastructure and Water Management in respect of the necessary amendment of Dunea's Articles of Association and the establishment of a subsidiary for the heating activities.

The compliance-related monitoring activities that were carried out in 2019 were:

- monitoring the compliance of Dunea's existing Governance with the Corporate Governance Code;
- assessing the design and operation of the procurement procedures;
- monitoring overall compliance with the GDPR;
- checking the declarations of and possible conflicts in respect of the other function of the Management Board and the members of the Supervisory Board as well as any transactions with related parties.

The way the procurement procedures in particular work deserves a separate mention here. In 2019 a procurement policy was drawn up. The aims of the procurement policy include increasing the organisation's procurement maturity by deploying customer-oriented procurement processes without compromising compliance with procurement legislation and regulations. The introduction of the new procurement policy has enabled insight to be gained regarding the total contract expenditure and the existing deviations from the procurement regulations within Dunea. The current contractual obligations have been identified and where deviations from the new procurement policy have been found so-called deviation notifications have been written. Cases that are not compliant with the Public Procurement Act are included in the procurement calendar and must be (re)tendered in accordance with applicable legislation and regulations. In 2020 this process will also once again be a component of monitoring and review in order to further tighten policies and/or procedures and thus ensure that the tenders are brought in line with legislation and regulations as quickly and completely as possible.

Finally, another activity of the Compliance Office in 2019 was the provision of solicited and unsolicited advice, for example in the field of procurement conditions and privacy legislation.

In 2020 the focus of the compliance activities will include the setting-up of a Management Authorisation Matrix in respect of internal decision-making, drawing-up an umbrella archive and retention policy for the further organisation of Office 365 and providing further support / guidance related to the organisation of the heat activities,

also for the purpose of applying for a permit to supply heat. In addition, in cooperation with the AO/IC a fraud risk analysis will be carried out to assess both the external and internal fraud risks within Dunea and the Code of Conduct (the Deal) of Dunea will be reviewed and, if necessary, be clarified and reviewed once again.

ILT supervision

The ILT – the Inspectie Leefomgeving en Transport (Human Environment and Transport Inspectorate) is the designated supervisor of compliance with the rules for drinking water provision in the Netherlands. As one of the 10 Dutch drinking water companies Dunea is subject to the ILT's supervision. Each year the ILT tests the compliance of Dunea's drinking water tariff with the guidelines of the Drinking Water Act and once every three years it assesses the broad benchmark which, in addition to efficiency, also incorporates security of supply, drinking water quality and the environment. This is scheduled for 2020. In its testing of the drinking water tariff setting the ILT is advised by the Authority for Consumers & Markets. The testing was repeated in 2019 and the supervisor deemed that Dunea's drinking water tariffs had been set and presented in a transparent way and therefore complied with the guidelines of the Drinking Water Act. In addition, both the ACM's assessment and the narrow benchmark for 2018 showed that Dunea had improved its cost efficiency and, as a result, its connection rates had become cheaper than in previous years.

At the end of 2018 Dunea, together with Vitens and at the request of the supervisor, gave a presentation about the way in which the Governance within Dunea was given substance in line with the Corporate Governance Code. The challenges for the coming years in respect of achieving the objectives of Dunea and the wider drinking water sector were shared with the supervisor. What supporting role the supervisor could play in this on behalf of the drinking water companies was also discussed. As a result, a working group on the revision of the ILT's supervision of the drinking water sector has been established in a Vewin context. The drinking water sector is represented in this working group by three drinking water companies, including Dunea. These companies and the supervisor are looking at what effective supervision of the drinking water industry could look like in the future. The expectation is that the supervision will focus more on the organisation, existence and operation of the governance within the drinking water companies.

Quality and process management

Quality, process and data management developments

To manage the reliability and continuity of its products and services Dunea has defined its business processes in a quality management system. The quality management system is assessed annually by KIWA for the purpose of ISO 9001 and ISO 14001 certification. Internal audits, process improvement (Lean Management) and data quality improvement are some of the tools used to ensure continuous improvement.

KIWA ISO 9001 and 14001 certification

In 2019 the annual audit by the KIWA took place again and our quality and environment management systems were re-certificated. During a visit lasting several days two KIWA auditors tested samples of our processes against the requirements of the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management.

The audit did not find a single shortcoming and seven outstanding positive points were noted. Dunea was also complimented regarding its transparency during the audit, the enthusiasm of the employees involved and the continuous improvement they saw. Further improvement is always possible and the auditors made four suggestions. Dunea has already started working on them.

Internal Audits and continuous improvement

In 2019 Dunea began the integration and professionalising of Quality, Process and Data Management. This is a major step towards Dunea fulfilling its ambition to be able to steer more integrally on data-driven processes. A Quality, Process and Data Management Manager has joined the company, the role of 'data steward' has been introduced and Lean Management process improvement is being applied more actively. The internal audits have also been modernised. In recent years the audits were aimed primarily at checking compliance with the operating processes and working agreements. The audits now have more depth and the focus is no longer simply on what is 'working' but also on whether 'potential' risks and

“ Land is managed without the use of plant protection products or fertilizers.

improvement potential are being managed. In 2019 there were audits of the purchasing and tendering process and of the complaints process. In addition, as a result of process improvement the mains pipeline materials flow, meter-to-cash, energy management and connecting pipeline processes have been picked up.

Sustainable Land management Barometer Gold level

Since 2007 Dunea has held Milieukeur Barometer Duurzaam Terreinbeheer (*Sustainable Land Management Barometer*) Gold level certification for its management of all its land. With this certification we guarantee the land management activities will be executed in a way that puts the minimum possible pressure on the environment. The management is, therefore, carried out without using plant protection products or artificial fertilizers and with sustainable materials such as FSC hallmarked timber and environmentally-approved paving.

In 2019 the KIWA certification agency once again came along to test our activities against the requirements of the Milieukeur (*Environmental hallmark*). All purchased materials were tested as was whether the hired-in gardeners were aware of our environmental hallmark and worked in accordance with it. Although in the first instance

there were a number of findings in the area of materials purchase, Dunea has implemented a number of control measures and the certification has been renewed for another year.

AO/IC activities

In 2019 an AO/IC cluster was formed within Finance & Control and the AO/IC Officer function was created. The primary focus of AO/IC is the internal management of Dunea's financial reporting processes. Dunea has a risk-control matrix in which a set of control measures are described. In 2019 further progress was made in the implementation as well as in the demonstrable recording of implemented control measures. An implementation plan was also drawn-up to describe and implement Dunea's General IT Controls. In 2019 the areas to which specific attention was paid included the improvement of control measures in the Change Management process and the Identity and Access Management Process in respect of UMAX.

General Meeting

In accordance with the stipulations contained in Article 6, Clause 1 of the Articles of Association of Dunea N.V., the shareholding municipalities and the number of shares each municipality holds as at 31 December 2019 are listed below. Each share has a nominal value of € 5 and, on the grounds of the stipulations contained in Article 14, Clause 8 of the Company's Articles of Association, entitles the holder to one vote. During the year under review the General Meeting met on 13 June and 21 November 2019.

The share distribution as at 31 December 2019 was as follows:

Municipality	Number of shares
Alphen aan den Rijn	11,027
The Hague	1,562,309
Hillegom	66,171
Katwijk	200,327
Lansingerland	186,584
Leiden	383,881
Leidschendam-Voorburg	231,593
Lisse	70,521
Noordwijk	130,955
Oegstgeest	73,286
Pijnacker-Nootdorp	163,460
Rijswijk	158,403
Teylingen	112,044
Voorschoten	78,585
Wassenaar	80,883
Zoetermeer	387,302
Zuidplas	102,669
Total	4,000,000

Members of the Management Board and the Supervisory Board

Management Board



W.M.E. Drossaert (1967)

Nationality: Dutch

Function: Managing Director

Joined Dunea: 1 September 2015

Relevant other functions: Director of Stichting NPHD, Chairman of Water

Companies Employers' Association, Director of Netherlands Water Partnership, Chairman RIWA Maas, General Manager VNO-NCW, Auditor ITK Hoger Onderwijs (Higher Education) at NVAO

Supervisory Board



J.P. Backer (1953)

Nationality: Dutch

Function: Chairman

First appointed: 2017

Current term ends: end of June 2021

Profession: Independent Consultant Legal

and Private Issues at Roodhoorn Consultants B.V.

Relevant other functions: Board member Stichting Luchtmans (Koninklijke Brill N.V.), Chairman Supervisory Board Maag Lever Darm Stichting (Gastro-enterology Society), Member Supervisory Board Stichting Voortgezet Onderwijs Haaglanden, Board member Stichting Fundatie Notelaers, Member Dutch Senate



G.J. Doornbos (1948)

Nationality: Dutch

Function: Water (chain) management expert, Chairman Remuneration Committee

First appointed: 2017

Current term ends: end of June 2021

Profession: Consultant

Relevant other functions: Chairman Stichting Veldleeuwewik (food professionals), Chairman Gebiedscoöperatie Buytenland van Rhoon, Chairman Water Quality Tables Ministry of Infrastructure and Water Management, Chairman Supervisory Board Stichting Brak, Deputy Chairman Hollandse Delta Water Board (interim)



L.A.S. van der Ploeg (1970)

Nationality: Dutch

Function: Vice-chairman and Chairman of the Audit Committee, financial-economic affairs expert

First appointed: 2014

Current term ends: end of June 2022

Profession: CFO VolkerWessels Bouw- en

Vastgoedontwikkeling B.V. (property development)

Relevant other functions: Chairman Supervisory Board Haag Wonen, Chairman Supervisory Board NSI NV, Member of the Board of Trustees CMC faculty Erasmus School of Accounting & Assurance; Member Permanent Education Committee/Association of Housing Association Supervisory Boards



Ms P.M. Zorko (1964)

Nationality: Dutch

Function: Employee relations, automation, digitalisation and robotics expert

First appointed: 2019

Current term ends: end of June 2023

Profession: Deputy National Coordinator Counterterrorism and Security and Director Cyber Security.

Relevant other functions: none



Ms A. van der Rest (1953)

Nationality: Dutch

Function: Energy and nature conservation expert

First appointed: 2018

Current term ends: end of June 2022

Profession: Former Manager Safety, health and Environment at Shell Nederland B.V.

Relevant other functions: Chairman of the Board CE Delft, Chairman of the Environment, Sustainability and Energy Committee of VNO, Treasurer IVN Den Haag

Zoetermeer, 15 May 2020

Management Board

Wim Drossaert



Ms D. van der Heem-Wagemakers (1947)

Nationality: Dutch

Function: Employee Relations

First appointed: 2013

Current term ends: end of June 2019

Profession: Until September 2012 Crown prosecutor, previously Trade Union Director

Relevant other functions: Member Supervisory Board HTM, Member Supervisory Board HES International B.V., Member Supervisory Board RTV Rijnmond

Report of the Supervisory Board to the shareholders

The Supervisory Board's task is to monitor the Management Board's policies and the general state of affairs in the Company. The Supervisory Board supports the Management Board with advice that is aimed at furthering the interests of the company and its activities. In accordance with Article 16 of the Company's Articles of Association we hereby submit to you the Annual Report of Dunea prepared by the Management Board and including the financial statements for 2019.

The 2019 financial statements and the report of the policy followed by the Management Board were presented to the Supervisory Board during its meeting on 13 May 2020. The financial statements have been audited by PricewaterhouseCoopers Accountants NV and given an unqualified opinion. This opinion can be read on page 80. We have discussed the financial statements in the presence of the Management Board and the Auditor.

Result for 2019

The 2019 net profit amounted to € 8.5 million, a decrease of € 7.2 million compared to 2018 (€ 15.7 million). The decrease in the net profit was due primarily to lower water income coupled with higher operating costs.

The positive net result dovetails with the financial policy of strengthening Dunea's financial position, especially in terms of its solvency. As far as the near future is concerned, Dunea sees itself facing challenging choices which will require careful consideration. The choices concern the future-proof investments that revolve around our unaltered core task: to continue supplying our customers with safe and good tasting water on a daily basis. The population growth in our supply area and the energy transition will play an emphatic role in our considerations. In view of these investments and their financial impact the positive result will be added to the reserves.

In addition to the future developments Dunea takes into account when making choices, the Board wants to emphasise the importance of maintaining the tariff policy. The focus remains on keeping tariffs at the same level, or even lower, whenever possible. Both these aspects give tangible form to the way in which Dunea will ensure long-term cost-efficiency in the financial field (for our customers).

Profit appropriation proposal and discharge

We recommend that during the General Meeting of Shareholders on 18 June 2020 the shareholders approve the 2019 financial statements and the profit appropriation proposal contained therein.

We also recommend that during this meeting the Management Board is discharged for its management during 2019 and the Supervisory Board is discharged for its supervision.

Composition of the Supervisory Board 2019

At the beginning of the 2019 calendar year the Supervisory Board comprised the following members:

- J.P. Backer (Chairman)
- Ms D.A.T. van der Heem-Wagemakers
- Ms A. van der Rest
- G.J. Doornbos
- L.A.S. van der Ploeg (Vice-chairman)

The term for which Ms Van der Heem–Wagemakers was appointed ended on 1 July 2019. Ms Van der Heem–Wagemakers was not available for reappointment. Our thanks to Ms Van der Heem–Wagemakers for her many years of involvement, effort and supervision and we wish her every success in the future.

The Remuneration Committee, in consultation with the Works Council, led the process of recruiting and selecting a new Supervisory Board member. The Board was certain that in Ms Zorko a suitable successor had been found and during the General Meeting of Shareholders on 13 June 2019 the shareholders approved the Supervisory Board's proposal that Ms P.M. Zorko be appointed as the new (employees') member of the Supervisory Board as of 1 July 2019 with as her areas of special interest automation, digitalisation and robotising.

With this appointment the Board was complete and equipped for the future challenges. Please see page 40 (Members of the Management Board and Supervisory Board) for the profiles of the Supervisory Board members in 2019 and a summary of their relevant other functions.

In the opinion of the Board the composition of the Supervisory Board throughout 2019 fulfilled the stipulations related to the independence of the Board and its individual members as specified in Article 2.1.7 to 2.1.9 of the Corporate Governance Code.

Tasks of the Supervisory Board

During the year under review essential regular decisions were taken regarding the approval of the Annual Report including the 2019 financial statements, the 2020 budget, the 2020–2024 multi-year budget, the 2020–2024 investment plan, the 2020 financing plan and the 2020 Tariff Regulation.

Meetings of the Supervisory Board

Frequency and attendance

During 2019 the Supervisory Board met nine times. Six of the meetings were, in the presence of the Management Board, of a decision-making nature. One of these meetings took place by telephone: During this meeting all the Supervisory Board members had the opportunity to express their views. Four of the other five decision-making meetings were attended by all the Board members. Two members gave notice in advance of being unable to attend one meeting and passed their views regarding the items on the agenda to the Chairman.

The Supervisory Board also met informally three times to be up-dated regarding the developments within Dunea. All the Board members attended two of these meetings. Two members were unable to attend the third meeting, but were brought up-to-date with the development information at a later date.

Topics

Below we first outline the highlights of the extra, non-decision-making, meetings and then we discuss some of the (other) topics in respect of which the Board fulfilled its supervisory role.

In March 2019 the full Board met in the context of an informative strategy session during which the Board was updated regarding the possibilities in respect of the multi-source strategy, the way in which Dunea can play a role in the energy transition and the 'Water Companies of the Future' symposium that was organised in cooperation with the Rijnland District Water Control Board in June 2019. The Board is pleased to be able to report that the symposium (with the title 'The Growing Value of Water') was well attended and was received positively by the delegates.

The next meeting was in May 2019 and focused on informing the Board about the role Dunea could play in the area of aquathermy in general and, more specifically, in respect of the possibilities of supplying heat / cold to the residential area that will be built on the former Valkenburg airbase. Ahead of this meeting the Board had received a broad memorandum from the organisation in which the background, developments and future possibilities of an integrated water concept for the new neighbourhood were discussed. The Board recognises that Dunea can be expected to make a contribution towards the energy transition. The Board expressed its willingness and intent to manage the expectations, to pay close attention to the projects' feasibility, manageability (and has

“ The Board recognises that Dunea can be expected to make a contribution towards the energy transition.

suggested a number of selection criteria in this regard) and match with Dunea’s ambitions and, of course, the compatibility of these new activities with the core competencies of the existing business operations.

As a follow-up to this meeting, and in preparation for the decision-making General Meeting of Shareholders to be held on 21 November 2019, on 15 July four of the five Board members attended a strategy meeting in Scheveningen to which Dunea had invited its shareholders. During the substantive meeting programme it was explained why Dunea wants to make the strategic choice to develop multiple sources and water production techniques in order to be able to guarantee security of supply in the future (multi-source strategy). The shareholders were also informed about the developments in the context of the energy transition and the possible role Dunea, through its own natural resources, could play in this. The Board would like to express its appreciation to the people who made this interesting day possible. The Board was also pleased to see the shareholders’ commitment.

In September three Board members visited the production site in Katwijk and went from there to the former Valkenburg airbase. The Katwijk production site will be upgraded in view of the expected increase in demand for drinking water. The visit to Valkenburg enabled the Board members to see at first-hand the situation around the residential area that will be developed as well as the possibilities related to, and Dunea’s potential involvement in, aquathermy.



In addition to the topics with a significant impact and that also affect our relationship with our environment, in the broadest sense of the word, The Board has, of course, also paid attention to the processes within the organisation. During the regular meetings the Board was informed about progress in a number of areas including HRM (sick leave, reorganisation and strategic personnel planning) and the implementation of the new Umax ERP system. The Board was also briefed by the Compliance Officer regarding the situation in respect of compliance within the organisation. More information about this can be read elsewhere in this Annual Report. The Board was also delighted to hear the results of the image survey Dunea conducts among its stakeholders on a regular basis.

The nitrogen problem that was explicitly discussed in 2019 has not yet led to project stoppages, but has led to delays. This development is also being closely followed by the Board.

In 2019 the Board also discussed the departure of Mr Melsen, who retired during the year. The Board is very grateful to Mr Melsen for his many years of dedication, support and expertise in his capacity as Company Secretary and Head of the Finance & Control Department.

Future investments: multi-sources and increasing the buffer capacity

As can be seen from the above, one of the main focuses of 2019 was the multi-source strategy. However, whether other sources can be achieved, and if so which, is not the

only question that has to be answered - we must also find a way to increase the current buffer capacity. The Board believes the buffer capacity should be increased so that, in the case of disasters, Dunea can guarantee several months of continuous, uninterrupted drinking water delivery within its supply area. Both investments will have a substantial financial impact, so we must be sensible when making a choice.

Amendment to the Articles of Association –setting-up a heat subsidiary

Dunea's role in the energy transition and the other climate challenges were discussed with the Supervisory Board back in 2018. Following on from (positive) decisions in this regard within the Supervisory Board, during the November 2019 General Meeting of Shareholders agreement was reached regarding an amendment to Dunea's Articles of Association. The change concerned an extension of the statutory objective to enable heating activities to also be developed in the future. After consultation with our shareholders' advisors, an additional change was proposed and incorporated in the Articles of Association. The addition was expressed by adding the word "consolidated" in respect of the statutory provisions relating to the budget documents. This addresses any concerns of the shareholders with regard to the governance of a (possible) future subsidiary.

The Board would like to express its appreciation for all the employees who were involved in the preparations for this decision making. The Board is of the opinion that informing

and consulting stakeholders at an early stage contributed towards the positive attitude shown in this regard by most of the participating municipalities during the November meeting.

An amendment to the Articles of Association was the first step needed in order to be able to arrive at the next step: the setting-up of a subsidiary focused entirely on the heating activities. Of course, where necessary matters must be dealt with in close consultation with the Ministry of Economic Affairs and the ILT supervisor. The Board is confident that interesting projects will arise in which Dunea can play a role. Exploratory talks that have taken place with interested shareholders reinforce the Board's positive feeling in this respect.

To summarise, the Board agrees with the broadening of the statutory objective, but will keep a close eye on safeguarding the interests of our drinking water customers. That core task is not open to question and the Board will work stringently to ensure these customers' interests are not endangered.

Tariff regulation 2020

The 'cost-plus method' that has been used since 2017 remains applicable. Dunea continues to comply with the applicable legislation and regulations which stipulate that tariffs must be cost effective, transparent and non-discriminatory.

The drinking water tariff for 2020 has been fixed at € 0.98, which means it is the same as for the previous year. Partly in view of the future investments Dunea is facing, a possible reduction of this rate would not have been entirely appropriate at this time. The new tariff also discounts Dunea's exceeding of the WACC boundary in 2018 and, as a result, an amount has been returned to our customers. The impact of this amount on the new rate was minor.

A slight increase in the standing charge is expected in 2020, mainly due to the expected increase in the number of connections. A slight increase in income from water sales is also expected. Water usage from which there is no (direct) income (the so-called not-billed water), will remain an attention point in 2020. This has a negative effect on the final balance of income and expenses and efforts will, naturally, be made to keep this figure as low as possible.

Katwijk barracks

Dunea has been in consultations with the municipality of Katwijk regarding the expansion of the water extraction area for quite some time. The area also contains a number of barracks and the Monument associations have been lobbying for the preservation of all 18 barrack buildings. In October 2019 Dunea submitted an application for a demolition permit based on a scenario that means four of the 18 barracks can be preserved. At the time of writing this Annual Report the demolition permit has been issued by Katwijk municipality. The Board is pleased that after years of consultations a decision has now been taken and

Dunea can continue focusing on its core task – ensuring the daily supply, and the prior extraction, of tasty and reliable drinking water.

Lease of Dutch Forestry Commission land

Dunea has acquired a long-term lease on an area of land in Berkheide from the Dutch Forestry Commission. The acquisition of this land will create more opportunities for drinking water extraction.

Update of the Supervisory Board Charter

At the end of 2019 the Board adopted a revised version of its rules and procedures that is completely up to date and in line with the current Dutch Corporate Governance Code. Dunea has voluntarily declared this Code to be applicable to the Company. The new Supervisory Board Charter went into force on 1 January 2020 and, as is stipulated in the Code, has been published on Dunea's website.

Self assessment

In 2019 the Supervisory Board met once in the absence of the Management Board to discuss the functioning of the Management Board and also, as specified in the Corporate Governance Code, to assess its own functioning. This means the functioning of the Board, the Audit Committee, the Remuneration Committee and the individual Board members. The self-assessment generated no new insights in respect of the way the Board, its Committees and/or its individual members had performed their supervisory tasks.

The Board is satisfied with the way the Management Board has managed the Company's day-to-day operations and appreciates the way the Management Board has involved the Supervisory Board with and kept it informed about the Management Board's choices. The way information has been provided has helped the Board in its performance of its supervisory role and enabled it to advise the Management Board.

Audit Committee meetings

The Audit Committee advises the Board regarding the execution of its supervisory responsibilities. The Audit Committee evaluates the financial reporting process, the internal management system and the management of risks such as the supervision of compliance with the relevant legislation and regulations and the supervision of the effectiveness of codes of conduct and the control process. The Audit Committee is updated twice a year regarding the risks, which information is also shared with the Board and the General Meeting of Shareholders.

For the first six month of 2019 the Supervisory Board members who were members of the Audit Committee were Mr. L.A.S. van der Ploeg (Chairman) and Ms D.A.T. van der Heem-Wage. After the appointment of Ms P.M. Zorko as a member of the Board the Audit Committee was expanded and from 1 July 2019 comprised the Chairman plus Ms van der Rest and Ms Zorko.

In 2019 the Audit Committee met four times. All four meetings were attended by the full Committee. The Audit Committee meeting reports are on the agenda of and discussed in the meetings of the full Board.

The topics discussed by the Audit Committee during 2019 included the external Auditor's findings in respect of 2018. Attention was paid to the way in which Dunea reports the extent of compliance with the stipulations of the Dutch Corporate Governance Code. Good steps were also taken in respect of the way risk management is embedded – further tightening in several areas has made risks even more transparent and raised risk management to a higher level. There is still room for improvement in the roles and rights of the UMAX system as well as the way in which tenders are organised. The Audit Committee will pay these aspects the necessary attention in 2020.

The Compliance Officer explained his year plan and reporting to the Audit Committee. The presence of a Compliance Officer has already led to noticeable results, including an increase in the number of notifications received in 2019. More employees within the organisation have become more aware of compliance and many more employees know how to find the Compliance Officer to ask about possible compliance-risks related to particular tasks and/or types of service. The Audit Committee appreciates this increase in awareness and continues to stay alert for possible risks.

The Audit Committee looked at the value creation model and the associated materiality matrix, which was discussed again at a later meeting of the full Board, and during the first quarter of 2019 the Audit Committee also submitted additions to an updated version of the Treasury Charter. The Audit Committee also submitted the budget for 2020 and the 2020-2024 multi-year budget to the Board, with a positive opinion in terms of financing.

For the sake of completeness it should be remarked that via the information provided by the Audit Committee to the Board, which includes discussions regarding the management letters, the imbedding of AO-IC, the presence of the Compliance Officer and the control of the reporting related to the findings of the external Auditor, Dunea is sufficiently kept up to date with the processes that take place within the organisation. This means that, in the opinion of the Board, the appointment of an internal audit function is unnecessary because the processes can already be sufficiently supervised by the actors and roles mentioned above.

Remuneration Committee

The Remuneration Committee's tasks include the recruitment and selection of members of the Supervisory Board and Management Board, as well as the remuneration policy for the Board members and the Management Board. In 2019 the full Remuneration Committee met twice. In 2019 the members of the Remuneration Committee were Mr Doornbos (Chairman), Ms Van der Rest and Mr Backer.

As in 2019 the term of one of the Board's members ended and this member could not be reappointed, the Remuneration Committee, in cooperation with the Works Council, worked on the drawing-up of the profile sketch for the new Supervisory Board member that needed to be recruited and also in cooperation with the Works Council brought in an external agency to support Dunea in the selection and recruitment process. The new Supervisory Board member was appointed as of 1 July 2019.

The Remuneration Committee also discussed the functioning of the Management Board, in both the absence and presence of the Management Board. The Remuneration Committee is fully satisfied with the functioning of the Management Board.

Consultation with the Works Council

The Supervisory Board meets the Works Council twice a year, in the presence of the Management Board, for an informal consultation. These meetings enable the Supervisory Board to remain involved in (personnel) developments within Dunea and to learn the impact that certain (and sometimes far-reaching) processes and decisions have on the employees as well as the conditions and (sometimes difficult) circumstances in which the people involved with Dunea must carry out their work. The consequences of the reorganisation, the implementation of UMAX and Wave and absence due to sickness were just some of the topics discussed.

The Board appreciates the Works Councils cooperation and the positive and stimulating atmosphere in which this sharing of information is conducted.

Outlook 2020

Development of the new Course 2020 – 2025

Once in five years we set our new Course goals. The Board remains involved in the development of the Course goals and the supervision of their achievement. The Course goals have been discussed during Board meetings. It is interesting to see how Dunea wants to interpret the term sustainability and how this can be implemented. The first impetus for the new Course goals was given during the last quarter of 2019. The further development has taken place in the first quarter of 2020.

Investments in aquathermy

Our shareholders have responded enthusiastically to the plans and (new) heat projects are glowing on the horizon. The establishment of a heat subsidiary is a logical next step. In 2020 the subsidiary company Dunea Warmte BV will be set-up in conformance with the resolution of the General Meeting of Shareholders of November 2019. Approval of the required capital will be put before the June 2020 General Meeting of Shareholders.

The Board is closely involved in the decision-making on this subject. We will be able to benefit from lessons learned from the earlier experiences of colleague drinking water companies and other (market) parties and thus be able to identify and address possible bottlenecks at an

early stage. But, let it be said again – Dunea's core task will never be compromised.

Investments in the multi-source programme

The Board intends to remain closely involved in the investigations and feasibility studies Dunea is going to conduct in the context of the approved multi-source strategy. The Board is confident that in the course of 2020 much will become clear regarding the feasibility of the extra sources. The Board looks forward to sharing this information with its shareholders.

COVID-19

We are already nearly halfway through 2020 and you will certainly be aware that after the statement of financial position date the world was confronted with the COVID-19 outbreak. The Board has been, as is still, following this development very closely and has noted that to date the pandemic has not affected Dunea's business operations, in the sense that up until now the Company's continuity has not been jeopardised. The Board has seen that on as many fronts as possible Dunea's actions have been in-line with governmental measures. Our compliments to everyone who, despite these difficult and exceptional circumstances, has ensured the continuity of Dunea and its services.

Zoetermeer, 15 May 2020

Supervisory Board

Joris Backer, Chairman

A passion for dunes and water

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Statement of financial position as at 31 December 2019

After appropriation of the result; amounts x € 1,000

	31 December 2019	31 December 2018
Assets		
Fixed assets		
Tangible fixed assets 1		
Land and buildings	56,339	54,885
Plant and equipment	477,283	471,979
Other tangible fixed assets	2,080	1,917
Work in progress	33,245	34,848
Tangible fixed assets not used in regular operations	2,051	1,813
	570,998	565,442
Financial fixed assets 2		
Participations	2,619	2,445
Other receivables	186	230
	2,805	2,675

	31 December 2019	31 December 2018
Current assets		
Inventories 3		
Materials	1,164	782
	1,164	782
Contracts in progress 4		
Contracts in progress	64	396
	64	396
Receivables 5		
Trade receivables	6,457	7,048
Taxes	214	802
Other receivables	62	60
Prepayments and accrued income	4,663	2,249
	11,396	10,159
Cash and cash equivalents 6	8	20
Total	586,435	579,474

Statement of financial position as at 31 December 2019

After appropriation of the result; amounts x € 1,000

	31 December 2019	31 December 2018		31 December 2019	31 December 2018
Liabilities					
Shareholders' equity					
Issued share capital 7	20,000	20,000	Short-term part of long-term debt	52,333	14,667
Share premium reserve 8	3,097	3,097	Debt to credit institutions	9,718	65,459
Legal reserve 9	578	0	Debt to suppliers	6,283	9,058
Other reserves 10	207,821	197,826	Taxes and social security contributions	3,485	3,751
	231,496	220,923	Pension obligations	454	405
Provisions					
Provisions 11	5,598	10,238	Deferred income	3,450	2,234
Long-term debts 12					
Debts to credit institutions	187,333	169,666	Other liabilities	552	54
Equalisation account third party contributions	69,612	66,430	Accrued expenses	14,547	14,880
Prepayments	1,574	1,709		90,822	110,508
	258,519	237,805			
Total					
				586,435	579,474

Income statement for 2019

Amounts x € 1,000

	2019	2018
Operating income 14		
Income from sale of water	135,491	138,395
Income from work for third parties	3,108	4,084
Other operating income	2,117	1,632
Sum of operating income	140,716	144,111
Operating costs 15		
Costs of raw materials and consumables	3,158	2,986
Water purchasing	2,008	3,116
Energy costs	3,952	2,650
Costs of contracted-out work	9,590	12,353
Pre-tax municipalities	12,304	12,224
Wages and salaries	23,691	23,572
Social security contributions	7,661	7,159
Depreciation of fixed assets	31,035	29,369
(Reversal of) Impairment and divestment of fixed assets	-296	1,223
Other operating costs	34,009	29,043
Sum of operating costs	127,112	123,695
Operating result	13,604	20,416

	2019	2018
Financial income and costs 16		
Interest income and similar income	7	9
Interest costs and similar costs	-5,252	-5,202
Result from participations 2		
Result from participations	174	428
Financial result	-5,071	-4,765
Result before tax	8,533	15,651
Income tax 16	0	0
Result after tax	8,533	15,651

Statement of comprehensive income 2019

Amounts x € 1,000

	2019	2018
Profit after tax	8,533	15,651
Direct movements in shareholders' equity	0	0
Total profit of the entity	8,533	15,651

Statement of cash flows for 2019

Prepared in accordance with the indirect method, amounts x € 1,000

	2019	2018
Cash flow from operating activities		
Operating result	13,604	20,416
Adjusted for:		
Depreciation and amortisation 15 G	31,035	29,369
Impairment and divestment of tangible fixed assets 1	-296	1,223
Movements in provision for doubtful debts 14 H	250	436
Movements in other provisions 10	-2,600	-1,717
Movements in prepayments 11	-135	-135
	28,254	29,176
Movements in working capital:		
Movements in inventories 3	-382	35
Movements in contracts in progress 4	332	-38
Movements in current receivables 12	-1,486	579
Movements in operating liabilities 12	-1,393	-12,599
Movements in working capital	-2,929	-12,023
Cash flow from operating activities	38,929	37,569
Interest paid 15	-5,464	-5,452
Cash flow from operating activities	33,465	32,117

	2019	2018
Cash flow from investment activities		
Investments in tangible fixed assets 1	-39,061	-39,625
Contributions received 11	5,916	6,182
Other movements in tangible fixed assets 1	32	3,194
Investments in financial fixed assets 2	0	156
Repayment of financial fixed assets 2	44	29
Cash flow from investing activities	-33,069	-30,064
Cash flow from financing activities		
New debts to credit institutions 11	70,000	0
Repayments 11	-14,667	-14,667
New current borrowings 12	0	0
Cash flow from financing activities	55,333	-14,667
Short credit and cash and cash equivalents as at 1 January 12	-65,439	-52,825
Movements in short credit and cash and cash equivalents at 31 December	55,729	-12,614
Short credit and cash and cash equivalents at 31 December	-9,710	-65,439

Notes

General

Dunea N.V. has its registered office at and operates from Plein van de Verenigde Naties 11, 2719 EG, Zoetermeer, the Netherlands and is registered with the Chamber of Commerce under number 27122974.

Activities

Dunea's primary activities comprise:

- answering the need for drinking and industrial water within its supply area as well as drinking water, bulk water and industry water outside its supply area;
- the responsible management of the nature in the dune areas entrusted to Dunea: Solleveld, Meijendel and Berkheide.

Accounting policies for the preparation of the financial statements

General

The financial statements have been prepared in accordance with the stipulations contained in Part 9 Book 2 of the Dutch Civil Code and the Guidelines for the annual reporting. The assets and liabilities have been valued on a going concern basis. For the developments in 2020 as a result of COVID-19 please see 'Events after the balance sheet date'.

References to the Notes are included in the statement of financial position, the income statement and the statement of cash flows.

Change in Accounting policies

During the financial year a change in Accounting policies was introduced with regard to the processing of the costs of major maintenance. Dunea has implemented this change in Accounting policies because it concerns a clarification in respect of its regular business operations. This change provides better insight into when major maintenance is carried out and its scope because the costs are more effectively allocated to the period.

Until 31 December 2018 costs of major maintenance were processed via a major maintenance provision. From 1 January 2019 costs of major maintenance have been included in the carrying value of the tangible fixed asset ('component method'). In accordance with RJ-Expression 2019-14 this change in Accounting policies is applied retrospectively from the current financial year. The release from the provision for major maintenance is charged directly to shareholders' equity. As a result, shareholders' equity as at 1 January 2019 is € 2,040,000 higher and the provisions as at 1 January 2019 are € 2,040,000 lower.

From the current financial year major maintenance that is carried out will be included in the carrying value of the asset and the component method will be applied. The component method will not be applied retrospectively for assets processed before the change in Accounting policies. When major maintenance is carried out the carrying value of the replaced component is divested, even if the components were previously not identified separately as components of the asset concerned. If determining the carrying value of the replaced component is practically not feasible, the cost price of the replacement is used as an indication.

As a result of this change in Accounting policies tangible fixed assets as at the statement of financial position date were € 466,000 higher. The result for the financial year was € 1,398,000 higher.

Measurement

Assets and liabilities are, in general, measured at the acquisition price or the cost price or the current value. If no specific basis of measurement is stated, measurement is at the acquisition price.

Income and expenditure are attributed to the year to which they relate. Profits are only recognised to the extent that they have been achieved on the statement of financial position date. Liabilities and possible losses originating before the end of the year under review are taken into account if they are known before the financial statements are prepared.

Notes

Estimates

When applying the accounting policies for preparing the financial statements Dunea's management makes various judgements and estimates that could be essential for the amounts recognised in the financial statements. If necessary, in order to provide the information required to comply with Article 2:362 Clause 1 of the Dutch Civil Code, the nature of these judgements and estimates, including the related assumptions, are included in the Notes to the relevant items in the financial statements.

Nomenclature

The income statement uses nomenclature customary in the industry sector.

Statement of amounts

Unless stated otherwise, the amounts included in the Notes are in thousands of Euros.

Consolidation

The consolidation includes the financial data of Dunea N.V. together with its group companies and other legal entities over which it can exercise control or over which it has the central management. Group companies are legal entities in which Dunea N.V. can either exercise direct or indirect control due to it holding the majority of the voting rights, or can in some other way control the financial and operational activities. In this respect potential voting rights that could be exercised directly on the statement of financial position date are also taken into account.

Stichting NPHD (National Park Hollandse Duinen Foundation) was established in 2018. Dunea is the Foundation's only Director. As the Foundation's importance in material terms is negligible it may be excluded from the consolidation on the grounds of Article 2:407 Clause 1 of the Dutch Civil Code.

Operational leasing

The Company may hold lease contracts whereby most of the advantages and disadvantages of ownership do not rest with the Company. These lease contracts are recognised as operational leases. Lease payments are recognised in the income statement on a linear basis over the term of the contract and taking into account recompense received from the lessor.

Financial instruments

Financial instruments is understood to cover both primary financial instruments (such as receivables and payables), and financial derivatives.

In the Notes to the individual statement of financial position items the fair value of the instrument concerned is clarified if this deviates from the carrying value. If the financial instrument is not recognised in the statement of financial position the information about the fair value is included in the Note relating to the fixed liabilities.

Primary financial instruments

For the accounting policies related to primary financial instruments please see the treatment per statement of financial position item of the 'Accounting policies for the measurement of assets and liabilities'.

Derivative financial instruments

Dunea has no derivative financial instruments.

Related parties

The identification of related parties is as defined in the RJ. The related parties recognised by Dunea include: shareholders, participations, Directors and Supervisory Board members. Significant transactions with related parties that do not take place under normal market conditions are disclosed in the financial statements.

Notes

Accounting policies for the measurement of assets and liabilities

Tangible fixed assets

Tangible fixed assets are initially measured at the cost price. The cost price comprises the acquisition or manufacturing price plus any additional costs required to bring the asset to the place and condition necessary for its intended use. After initial recognition tangible fixed assets are measured at cost price less accrued depreciation and accrued impairment losses.

The acquisition price comprises the acquisition costs of the ground and consumables used and other costs that can be directly attributed to the acquisition, including construction interest. The construction interest is calculated over the average invested amount up to the moment of going into service.

The contributions Dunea receives from third parties for the installation and movement of connection and mains pipelines are recognised in fixed liabilities under the item 'Equalisation account third party contributions'. These contributions are released during the lifetime of these assets. Contributions received from third parties for the installation and movement of transportation pipelines are deducted from the cost price of the asset.

The annual depreciation of the tangible fixed assets equates to a fixed percentage of the cost price. This percentage is based on the estimated economic lifetime of the asset. Investments are depreciated from the moment they are taken into service. A residual value is not taken into account. Land is not depreciated.

For the method of determining whether there is an indication of impairment of fixed assets please see the relevant paragraph.

The costs of major maintenance are included in the carrying value of the tangible fixed asset ("component method").

Book profits and losses from the incidental sale of tangible fixed assets are included under 'Other operating income'.

All tangible fixed assets are both the economic and legal property of Dunea.

Financial fixed assets (participations)

Participations in which Dunea has a significant influence over the business and financial policies are measured at the net equity value. The net equity value of the participation is determined on the basis of the accounting principles as applied by Dunea in its own financial statements. A significant interest is assumed when 20% or more of the votes can be cast.

When the value of a participation in accordance with the equity method has become nil, the method is no longer applied and the participation –under unchanged circumstances – remains valued at nil. If Dunea is fully or partially responsible for the debts of the participation, respectively has a constructive obligation to enable the participation to pay (Dunea's share) of its debts, a provision is formed for the share in any further losses of the participation. This provision is recognised on the credit side of the statement of financial position.

When measuring participations using the equity method Dunea takes a legal reserve into account. The amount of the reserve equals Dunea's share in the profits and the direct capital appreciation of the participation since its initial measurement at net equity value. The reserve is reduced by the dividend to which Dunea has acquired the rights, direct capital losses and distributions for which Dunea can effect unlimited receipt.

The participations for which Dunea has no influence over the business and financial policy are measured at the acquisition price or lower market value.

Notes

The long-term receivables from, and loans to participations and the other receivables are initially recognised at fair value and subsequently recognised at the amortised cost price. The fair value and amortised cost price are the same as the nominal value. Provisions deemed necessary for possible losses as a result of bad debts are deducted.

Impairment of fixed assets

On every statement of financial position date Dunea assesses fixed assets to ascertain whether there are internal or external indications of an impairment loss. The recoverable amount of the asset is estimated when there is an indication that an asset could be impaired. The recoverable amount is the higher of the asset's realisable value and its value in use. If the recoverable amount of an asset is lower than the carrying value, the carrying value is reduced to the recoverable amount. This reduction is an impairment.

An impairment loss is recognised immediately as a liability in the income statement under other changes in the value of fixed assets.

The realisable value is the maximum amount at which an asset can be sold, less costs still to be incurred. The realisable value is determined on the basis of a binding sale agreement, or is determined on the basis of a market price on a liquid (active) market, corrected for costs still to be incurred.

Value in use is determined by estimating the future net cash flows from the continued use of the asset / the cash flow generating entity; the present value of these cash flows is then calculated with the application of a discount rate.

An impairment is only reversed if there has been a change in the estimates used to determine the realisable value since the last impairment was recognised. The reversal is limited to the maximum amount necessary to measure the asset at the amortised cost price at the moment of the reversal, as if there had not been an impairment. The reversed impairment is recognised directly in the income statement as a gain.

Inventories

The inventories of materials are almost entirely intended for the installation, maintenance and replacement of tangible fixed assets. Inventories are measured at the cost price or lower realisable value. The cost price is the acquisition or production price plus the other directly attributable costs of bringing the materials to their current location and condition. Inventories are measured using the FIFO method (first in, first out). The lower realisable value is the maximum amount for which an asset can be sold, minus still to be incurred costs. The evaluation of whether the realisable value is lower is carried out on an individual basis. A provision has been formed for the difference between the cost price and the lower realisable value. The write-down is included in the result.

Contracts in progress

Contracts in progress are projects that have been agreed with a third party. The projects concern the construction of an asset or a combination of assets on behalf of third parties. Dunea does not receive economic ownership of the asset. When Dunea does receive economic ownership the activity is recognised as work in progress under tangible fixed assets.

Contracts in progress are measured at the realised project costs less the received contributions. Project costs are the costs that are directly attributable to the project, costs that are attributable to project activities and other costs that contractually can be attributed to the client.

Receivables

Receivables are initially recognised at fair value and subsequently measured at the amortised cost price. The fair price and amortised cost price are the same as the nominal value. Provisions deemed necessary for possible losses as a result of receivables being impossible to collect are deducted. These provisions are determined on the basis of individual evaluation of the receivables. In addition, non-payment of water receivables older than two years is written-off.

Notes

Cash and cash equivalents

Cash and cash equivalents are measured at the nominal value and, unless stated otherwise, are at the free disposal of the Company.

Provisions

Provisions are formed for legally enforceable or constructive obligations that exist on the statement of financial position date for which payment is probable and the amount of the payment can be estimated reliably.

Unless stated otherwise the provisions are measured at the nominal value of the amounts that will be required to settle the obligations as at the statement of financial position date.

From 1 January 2019 a change in Accounting policies has been incorporated through which the provision for major maintenance has been released to shareholders' equity. From that moment on the costs of major maintenance have been included in the carrying value of the tangible fixed asset to which the major maintenance relates.

Liabilities

Borrowings and debts are initially recognised at fair value and subsequently measured at the amortised cost price.

Under fixed liabilities Dunea includes the liabilities and received pre-payments with a remaining term of more than one year.

'Equalisation third party contributions' are also included under fixed liabilities. These are measured at the amounts received from third parties for the laying or moving of connection pipes and mains pipelines, less the accrued amortisation. The amortisation of the equalisation account is equal to the write-off periods of the investments in connections and mains pipelines (33 1/3 years) and is accounted for under depreciation and amortisation.

'Amounts received in advance' includes a lump sum payment related to the Pilot Sand Motor Covenant. The lump sum payment is an amount received in advance that will be released in 20 years. This means the lump sum payment will be fully released at the end of 2036. This item will be released over the term of operation in 'Wages and salaries' and 'Costs of outsourced work'. The difference between the net discounted value and the nominal value of the original estimate is recognised as a provision.

Liabilities that fall due within one year or less are included in 'Current liabilities'. This includes fixed loan repayments that fall due within one year.

Accounting policies for the determination of result

General

Income is recognised when it is achieved. Costs are determined on a historical cost price basis and attributed to the reporting year in which they are incurred. Foreseeable obligations and possible losses that originate before the end of the financial year are taken into account if they are known before the financial statements are prepared.

Operating profit

Dunea defines the operating profit as the difference between the sum of the operating income and the sum of the operating expenses.

Operating income

Operating income comprises:

- Water income;
- Income from work for third parties;
- Other operating income.

Water income comprises the income from water usage, the standing charge, the pre-tax contribution, bulk sales (supply to other water companies) and other water income. Water income is exclusive of income tax and the tax on mains water. The water income still to be invoiced for the year under review is estimated on the statement of financial position date.

Notes

This estimated income is recognised in the year under review. The difference between the estimated income and the invoiced income is recognised in the following reporting year.

The income from work for third parties comprises activities carried-out on behalf of third parties including the maintenance of fire hydrants and sewer management.

Other income includes hire and rent income, income from the repair of water meters for third parties, subsidy income and income from the sale of fixed assets.

Operating subsidies are recognised in the income statement in the year in which the subsidised expenditure is recognised, the lost income appears or the operating deficit occurs.

Operating costs

The operating costs comprise:

- The cost price of the income;
- Wages, salaries and social security obligations;
- Depreciation of fixed assets;
- Impairments and divestment of fixed assets;
- Other operating costs.

The cost price of the income comprises the costs of raw materials and consumables, bulk purchase (supply by other water companies), energy costs, the cost of contracted-out work and municipality pre-tax. These are costs that are directly related to:

- The production and distribution of the water;
- The maintenance of the tangible fixed assets involved in the water process;
- The maintenance of the nature conservation areas.

Wages, salaries and social security expenses are on the grounds of the employment conditions in accordance with the CAO-WWB and Dunea's company policies incorporated in the income statement. 'Wages, salaries and social expenses' is corrected for the capitalisation of the hours of employees working on investment projects that, after completion, are capitalised on the statement of financial position and depreciated.

The pension plan is financed through contributions to the ABP pension fund. The pension obligations are measured in accordance with the 'obligations of the pension administrator approach'. In this approach the premium to be paid to the pension administrator is recognised as a liability in the income statement.

On the basis of the implementing agreement it is assessed whether on the statement of financial position date there will be any, and if there are what, obligations in addition to the payment of the annual premium owed to the pension administrator. These additional obligations, including any obligations related to the pension administrator's recovery plans, lead to liabilities for Dunea and are recognised in the statement of financial position in a provision. At the end of 2019 there were no pension receivables and/or liabilities in addition to the payment of the annual premium owed to the pension administrator.

Financial income and expenses

Interest income and expenses are included on a straight-line basis, taking into account the effective interest rate of the assets and liabilities concerned.

Dunea charges construction interest on the average invested amount up to the moment a tangible fixed asset goes into service. The capitalised construction interest is deducted from the recognised financial expenses.

Notes

Result of participations

Result from participations concerns the result from participations in which Dunea has a significant influence over the business and financial policy and dividends from participations in which Dunea does not have a significant influence over the business and financial policy.

Taxes

The tax on the result is calculated over the taxable result. A deferred tax asset is formed for compensatable losses to the extent to which it is probable that these losses can be offset against future taxable profits.

Accounting policies for the preparation of the statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method.

The financial resources in the statement of cash flows comprise the cash and cash equivalents and the short credit, with the exception of deposits with a term of more than three months. The short credit is used for the regular payment traffic within Dunea, which means the balance fluctuates between positive and negative throughout the year.

Interest receivables and payables, dividends received and profit taxes are recognised under 'Cash flow from operating activities'.

Notes to the statement of financial position as at 31 December 2019

Amounts x € 1,000, unless stated otherwise.

Fixed assets

1 Tangible fixed assets

The composition of the tangible fixed assets and the summary of movements in 2019 are as follows:

	Total	Land and buildings	Plant and equipment (incl. pipelines)	Other fixed business assets	Work in progress	Tangible fixed assets not used in regular operations
Acquisition value as at end of 2018	1,320,354	99,021	1,177,170	5,534	34,848	3,781
Cumulative depreciation, impairment and similar	-754,912	-44,136	-705,191	-3,617	0	-1,968
Carrying value as at 31 December 2018	565,442	54,885	471,979	1,917	34,848	1,813
Investments	39,061	0	0	0	39,061	0
Capitalisation	0	3,528	36,443	659	-40,630	0
Depreciation	-33,769	-2,014	-30,796	-859	0	-100
Divestment of fixed assets	-41	-36	0	-5	0	0
(Reversal of) impairment of fixed assets	337	0	0	0	0	337
Other movements	-32	-24	-343	368	-34	1
Carrying value as at 31 December 2019	570,998	56,339	477,283	2,080	33,245	2,051
Acquisition value	1,359,083	102,336	1,213,613	6,108	33,245	3,781
Cumulative depreciation, impairment and similar	-788,085	-45,997	-736,330	-4,028	0	-1,730
Carrying value as at 31 December 2019	570,998	56,339	477,283	2,080	33,245	2,051
Depreciation percentages		3%–20%	2%–20%	5%–33%	n.v.t.	3%–5%

Land is not depreciated.

Notes to the statement of financial position as at 31 December 2019

The composition of the carrying value of work in progress as at 31 December 2019 was (in €):

Property	1.7 million
Land and buildings	31.4 million
Other tangible fixed assets	0.1 million
	33.2 million

Broken down per investment project (in €):

Pipeline network	18.1 million
Katwijk multi-disciplinary programme	4.6 million
Katwijk process automation programme	4.5 million
Sustainable and safe process water	2.9 million
Frequency converters Bergambacht and Zoetermeer	1.3 million
Miscellaneous	1.8 million
	33.2 million

In 2018 the measurement of various premises for fiscal purposes indicated that the business economic carrying value was higher than the market value and resulted in impairments. In April 2019 market valuations were carried out and the estimate of the resale value was changed. The change had an impact on the assumptions used in determining the impairment. This impact has been determined per asset object and has led to a reversal of impairment amounting to € 0.5 million and an additional impairment of € 0.2 million.

In 2019 the duckboards were included as a separate category under other fixed operating assets. This has resulted in a shift between the asset categories as the duckboards were capitalised in different categories. This correction has been included under 'Other movements' and amounts to € 368,000.

The item 'Capitalisation' includes around € 0.5 million construction interest related to completed and already capitalised investments. The item 'Investments' includes a total of € 0.4 million in construction interest at an interest rate of 3.15% relating to work in progress.

As at 31 December 2019 the commitments related to work in progress amounted to € 14.8 million.

2 Financial fixed assets

The composition of the financial fixed assets and the overview of movements in 2019 were as follows:

	Participations	Other receivables	Total
Carrying value as at 31 December 2018	2,445	230	2,675
Movements:			
Repayments on other loans issued	0	-16	-16
Result from participation	174	0	174
Repayments on mortgage	0	-28	-28
Carrying value as at 31 December 2019	2,619	186	2,805

Participations

	Movement in result of participation 2019	Percentage 2019	Percentage 2018	Registered office
AquaMinerals	0	4.88%	4.88%	Nieuwegein
Water Fund Holland BV	0	26.95%	26.95%	Nieuwegein
KWH BV	0	6.71%	6.71%	Nieuwegein
Stichting NPHD	0	100.00%	100.00%	's-Gravenhage
Het Waterlaboratorium NV	174	30.00%	30.00%	Haarlem
	174			

Notes to the statement of financial position as at 31 December 2019

Stichting Nationaal Park Hollandse Duinen (NPHD Foundation) was set-up in 2018. Dunea N.V. is the only Director of the Foundation. In material terms the Foundation is of such a negligible consequence that on the grounds of Article 2:407 Clause 1 of the Dutch Civil Code its consolidation is not necessary.

Other receivables

The composition of other receivables is as follows:

	31-12-2019	31-12-2018
Loans to employees in a mortgage context	130	158
Other issued loans	56	72
Total other receivables	186	230

The repayable portion of the mortgage loans in 2020 amounts to € 28k (2019: € 29k) and is incorporated under 'Other current receivables'.

The repayable portion of the other issued loans in 2020 amounts to € 16k (2019: € 18k) and is incorporated under 'Other current receivables'.

An overview as at the end of 2019 of the issued loans with a term of one year or longer, grouped by remaining term is as follows:

	< 10 years	10-20 years	Total
Loans to employees in a mortgage context	130	0	130
Other issued loans	56	0	56
Total other receivables	186	0	186

The average interest-rate for loans issued in a mortgage context was 1.81% (2018: 2.01%). The mortgage loans have a fixed interest-rate period of five years. The interest-rate is reviewed per mortgage loan every five years if the market interest-rate is lower than the interest payable.

'Other issued loans' comprises two loans with a fixed interest rate of 4.5%. One of the loans with an (original) term of 10 years is secured.

Current assets

3 Inventories

	31-12-2019	31-12-2018
Materials	1,164	782
Total inventories	1,164	782

No provision for obsolescence has been formed for the inventories.

4 Contracts in progress

Contracts in progress are activities for which a contribution has been received from third parties and that will not result in any tangible fixed assets being created. The item 'Contracts in progress' comprises € 0.6 million related to projects with a positive balance and € 0.5 million related to projects with a negative balance.

	31-12-2019	31-12-2018
Contracts in progress expense	1,399	1,005
Received contracts in progress contributions	-1,335	-609
Total contracts in progress	64	396

Notes to the statement of financial position as at 31 December 2019

5 Receivables

The receivables comprise:

	31-12-2019	31-12-2018
Trade receivables	6,457	7,048
Taxes	214	802
Other receivables	62	60
Prepayments and accrued income	4,663	2,249
Total receivables	11,396	10,159

In the 2018 financial statements the item 'Debtors' was divided into unpaid water bills and owed for work carried out. From the 2019 financial statements on 'Debtors' will not be divided.

A provision has been formed for debtors amounting to € 1.3 million (2018: € 1.0 million). In 2019 € 0.4 million was added to this provision and € 0.1 million was charged to this provision.

'Net debtors' includes € 0.3 million (2018: € 0.5 million) in transactions with related parties. This relates to totally open balances with Dunea shareholders. These transactions with related parties were entered into under normal market conditions and come under Dunea's normal business operations.

All the current receivables have a remaining term shorter than 1 year.

6 Cash and cash equivalents

This item is formed as follows:

	31-12-2019	31-12-2018
Cash	8	20
Total cash and cash equivalents	8	20

The cash and cash equivalents total comprises cash money plus the net of various bank accounts. The cash and cash equivalents are at the Company's disposal.

Shareholders' equity

7 Issued capital

The issued and paid up portion (80%) of the registered capital comprises four million ordinary shares that, as at the end of 2019, were held by 17 municipalities. These municipalities form Dunea's supply area. See page 39 of this Annual Report for the distribution of the ordinary shares to the municipalities.

The nominal value of an ordinary share is € 5.-.

Issued and paid up capital	2019	2018
As at 1 January	20,000	20,000
Movements of issued and paid up capital	0	0
As at 31 December	20,000	20,000

Notes to the statement of financial position as at 31 December 2019

8 Share premium reserve

The share premium reserve has developed as follows:

Share premium reserve	2019	2018
As at 1 January	3,097	3,097
Movements of share premium reserve	0	0
As at 31 December	3,097	3,097

The share premium reserve was formed in 1990 when Duinwaterbedrijf Zuid-Holland was established (in 2009 the name was changed to Dunea). After the acquisition of EWR (Energy and Water Provision Rhineland) in 1995 and the revaluation of the shares from fl. 10.00 per share to € 5.00 in 2000, the share premium reserve amounted to the current sum.

9 Legal reserve

The legal reserve comprises only a legal reserve on participations.

The movement of the legal reserve was as follows:

General reserve	2019	2018
As at 1 January	0	0
Movements in general reserve	578	0
As at 31 December	578	0

The legal reserve on participations is formed for the positive results of participations over which Dunea does not have a controlling influence but does have a significant influence. In the past this legal reserve was wrongly not formed. This adjustment is not deemed a material adjustment so the comparative figures have not been adjusted.

10 Other reserves

The other reserve comprises the general reserve and other reserves formed by the Management Board with the approval of the General meeting of Shareholders and the Supervisory Board.

The movement of the other reserve was as follows:

Other reserve	General reserve	Heat activities reserve	2019	2018
As at 1 January	197,826	0	197,826	182,175
Change in Accounting policies 2019	2,040	0	2,040	0
As at 1 January after change in Accounting policies 2019	199,866	0	199,866	182,175
Result appropriation	133	8,400	8,533	15,651
Other movements	-578	0	-578	0
As at 31 December	199,421	8,400	207,821	197,826

The change in Accounting policies is explained under 'Accounting policies for the preparation of the financial statements'.

Other movements comprise the movement from the legal reserve on participations.

The Heat activities reserve has been formed to finance the start-up capital of Dunea Warmte B.V.

Article 17 of the Company's Articles of Association state that no dividend charged to the profit or the reserves may be paid-out to shareholders.

Appropriation of the result for the 2018 financial year

The financial statements were adopted during the General Meeting of Shareholders on 13 June 2019. The General Meeting of Shareholders also approved the proposal to add the 2018 result to the general reserve.

Notes to the statement of financial position as at 31 December 2019

Proposal for the appropriation of the result for the 2019 financial year

The Management Board, with the approval of the Supervisory Board, proposes that the profit for 2019 of € 8,533,000 be appropriated as follows:

- Addition of € 8,400,000 to the Heat activities reserve;
- Addition of € 133,000 to the general reserve.

The proposal has been incorporated in the shareholders' equity in the statement of financial position.

11 Provisions

This concerns provisions for:

	As at 31-12-2018	Change in Accounting policies	As at 01-01-2019	Withdrawal	Release	Addition	As at 31-12-2019
Decontamination costs	3,317	0	3,317	1,186	0	398	2,529
Major maintenance of production facilities	2,040	-2,040	0	0	0	0	0
Provision for management of natural and drinking water area	577	0	577	0	0	0	577
Employee benefits	430	0	430	142	4	25	309
Restructuring	3,874	0	3,874	1,304	602	215	2,183
Total provisions	10,238	-2,040	8,198	2,632	606	638	5,598

The current portion of the provisions amounts to € 2.5 million.

The provision for decontamination costs has been formed for the decontamination of asphalt paths and roads in the dune and water extraction area in order to protect drinking water extraction and for the demolition of buildings and production facilities that are no longer used. In 2019 progress was made in the execution of planned activities, which resulted in a withdrawal of € 1.2 million. The addition of € 0.4 million primarily concerned price increases.

Until 31 December 2018 the costs of major maintenance were processed via a maintenance reserve. From 1 January 2019 the costs of major maintenance have been included in the carrying value of tangible fixed assets ('component method'). The change in Accounting

policies is explained under 'Accounting policies for the preparation of the financial statements'.

The provision for the management of the natural and drinking water area concerns the Zandmotor nature conservation pilot project. The provision is defined as the difference between the net present value and the nominal value of the original estimate of the costs. The lump sum was determined on the basis of the estimated costs of managing and maintaining Zandmotor and is included in the statement of financial position as an amount received in advance under 'Fixed liabilities'.

Notes to the statement of financial position as at 31 December 2019

The provision for employee benefits is to cover future payments on the grounds of the transitional arrangements of the CAO for anniversaries from 1 January 2016 and for severance pay for 2017 to 2020. The employee benefits provision is recognised at present value.

Of the provision for restructuring, € 2.0 million is the estimated expense resulting from employees' individual severance payment claims linked to the social plan.

12 Long-term debts

Total overview long-term debts	Debts to credit institutions	Equalisation account third party contributions	Payments received in advance	Total
As at 1 January Annual Report 2019	169,666	66,430	1,709	237,805
Less: Transferred to current liabilities	-52,333	0	0	-52,333
Plus: Received third party contributions	0	5,916	0	5,916
Less: Release to result	0	-2,734	-135	-2,869
Plus: New debts	70,000	0	0	70,000
As at 31 December	187,333	69,612	1,574	258,519

In 2019 a new fixed loan of € 70 million was taken out with a term of 15 years and an interest rate of 0.495%.

Conditions in respect of the level of solvency (specified minimum 30.0%) and the net debt position: operational cash flow ratio (specified maximum 8.0) are applicable for a number of the fixed loans. Dunea meets these conditions with solvency of 39.5% (2018: 38.1%) and a net debt position: operational cash flow ratio of 6.0 (2018: 5.1).

An overview of the loans with a term of one year or longer, grouped by remaining term and current percentage as at the end of 2019:

Percentages on-going loans	1-5 years	6-10 years	>10 years	Total
<1.0%	0	35,000	69,000	104,000
<4.0%	0	0	23,333	23,333
<4.5%	0	0	60,000	60,000
Total	0	35,000	152,333	187,333

Financial instruments

Interest rate risk

The most important financial risk to which Dunea is exposed is the interest rate risk. The financial policy is aimed in the short term at limiting the effects of interest rate fluctuations on the result and in the long term at following market interest rates. Dunea no longer uses financial derivatives such as interest rate swaps to manage the financial risks that go hand-in-hand with business activities.

Liquidity risk

One of the bases on which Dunea manages is the covenants demanded by its financiers. This gives Dunea continued access to the capital market. In addition, Dunea adheres to a 12-months-ahead liquidity planning, whereby any risks are dealt with immediately, and always maintains an internal buffer within its resources that enables it to meet its payment obligations at any given moment.

Credit risk

Water is sold on the basis of a payment period of 3 weeks. If customers do not pay within this period the procedure laid-down in Dunea's tariff regulations is set in motion. The tariff regulations are published on Dunea's website.

Notes to the statement of financial position as at 31 December 2019

13 Current liabilities

The current liabilities comprise:

	31-12-2019	31-12-2018
Short-term part of long-term debt	52,333	14,667
Debt to credit institutions	9,718	65,459
Debt to suppliers	6,283	9,058
Taxes and social security premiums	3,485	3,751
Pension obligations	454	405
Deferred income	3,450	2,234
Other liabilities	552	54
Accrued expenses	14,547	14,880
Total current liabilities	90,822	110,508

Overdraft facilities amounting to € 90 million have been agreed with the banks.

The interest rate for overdrafts is one-month Euribor with a fixed surcharge.

This percentage can change on a daily basis. For the overdrafts there is a condition regarding the height of the interest coverage ratio. Dunea complies with this condition with an Interest coverage ratio of 2.590 compared to a minimum standard of 1.000 (2018: 3.924).

The net owed to suppliers (accounts payable) includes € 0.6 million (2018: € 0.8 million) in transactions with related parties. The net of related parties comprises for 53% (2018: 65%) transactions with Dunea participations.

'Taxes and social security premiums' comprises the payable property and mains water tax € 2.4 million (2018: € 2.4 million) and wage tax € 1.1 million (2018: € 1.4 million).

'Accrued liabilities' concerns primarily still to be paid interest on monetary borrowings, the costs of supplied goods and services, still to pay pre-tax and the reserve for Dunea employees' holiday days.

All the current liabilities have a remaining term shorter than one year.

Rights and obligations not included on the balance sheet

The rights and obligations not included on the balance sheet amounted to € 0.5 million (2018: € 0.5 million) and concern the lease income from the pancake house and kiosk.

This amount can be broken down as follows:

- For 2020 € 0.1 million
- For 2021-2024 € 0.4 million
- From 2025 nil

The lease agreements have different terms.

The rights and obligations not included on the balance sheet amounted to € 9.5 million (2018: € 13.8 million) and concern the rental of the office buildings in Zoetermeer (operational lease) and the current maintenance contracts and licence agreements.

This amount can be broken down as follows:

- For 2020 € 3.0 million
- For 2021-2024 € 5.5 million
- From 2025 € 1.0 million

Notes to the statement of financial position as at 31 December 2019

The rental agreements have different terms. At the end of 2019 the obligations amounted to € 4.7 million, of which € 1.4 million concerned 2020. In 2019 the income statement included € 1.4 million for rental costs resulting from these rental agreements.

Bank guarantees totalling € 0.4 million have been provided for the rental of the office buildings. These guarantees were reviewed at the beginning of 2019.

In addition, at the end of 2019 there was € 4.8 million in on-going obligations in connection with maintenance contracts of which € 1.6 million relate to 2020.

On 12 July 2019 Dunea entered into an additional cooperation agreement with the Dutch Forestry Commission, as a result of which Dunea has acquired a 99 year lease on approximately 83 hectares of land from the Dutch Forestry Commission. At the same time the Dutch Forestry Commission has acquired a 99 year lease on around 7 hectares of land. The netted recompense Dunea owes the Dutch Forestry Commission is € 1.5 million and will be paid in 2020. The deed of establishment and waiver of leasehold was executed on 16 January 2020.

Notes to the income statement for 2019

Amounts x € 1,000, unless stated otherwise.

14 Operating income

The operating income was generated in the Netherlands.

A Income from sale of water

	2019	2018
Water sales in own supply area	71,861	73,548
Standing charge	44,232	44,071
Pre-tax contribution	13,063	13,114
Other water companies (bulk sales)	4,831	5,919
Other water income	1,504	1,743
Total water income	135,491	138,395

Sales in own supply area (x 1,000 m³)

	2019	2018
Volume supplied	78,133	79,375
Not billed usage (NIRG)	-4,563	-5,001
Total sales in own supply area	73,570	74,374

Sales of water in own supply area includes € 0.2 million negative (2018: € 1.0 million negative) for the effect of the annual estimates of still to be billed usage and not billed usage.

Bulk sales (Euros)

	2019	2018
Bulk sales	4,831	5,919

Sold to (x 1,000 m³)

	2019	2018
Evides	1,222	2,210
Oasen	3,489	3,597
Other	88	142
Total bulk sales	4,799	5,949

B Income from work for third parties

	2019	2018
Income from work for third parties	3,108	4,084
Total income from work for third parties	3,108	4,084

Dunea executes work for third parties on request. In 2019 this comprised primarily income for the laying of connection pipelines and contributions for fire hydrants.

C Other operating income

	2019	2018
Other operating income	2,117	1,632
Total other operating income	2,117	1,632

Other operating income includes:

- Rental and lease income (2019: € 0.3 million; 2018: € 0.3 million);
- Subsidy income (2019: € 1.4 million; 2018: € 0.8 million);
- Income from the sale of fixed assets (2019: € 0.1 million; 2018: € 0.1 million).

Notes to the income statement for 2019

15 Operating costs

A Costs of raw materials and consumables

	2019	2018
Chemicals and filtration material	2,717	2,581
Groundwater tax	281	273
Disposal of sludge and other waste	160	132
Total raw materials and consumables	3,158	2,986

B Water purchase

	2019	2018
Bulk purchase (Euros)	2,008	3,116

Purchased from (x 1,000 m³)

	2019	2018
Evides	1,292	2,363
Waternet	1,111	1,346
Total bulk purchase	2,403	3,709

C Energy costs

	2019	2018
Electricity costs	3,846	2,534
Costs for gas usage	95	104
Other energy costs	11	12
Total energy costs	3,952	2,650

D Costs of contracted-out work

	2019	2018
Costs of contracted-out work and material usage water process	8,432	9,827
Costs of contracted-out work and material usage nature process	1,158	2,526
Total costs of contracted-out work and materials	9,590	12,353

These costs concern work carried out by third parties and materials supplied to the extent that these materials were directly related to Dunea's primary processes. The primary processes are:

- The water process, being the extraction, transport, infiltration, treatment, distribution and sale of water;
- The nature conservation process.

Notes to the income statement for 2019

E Pre-tax municipalities

	2019	2018
Alphen aan den Rijn (Benthuizen neighbourhood)	40	40
The Hague	4,324	4,229
Hillegom	261	386
Katwijk	791	782
Lansingerland	201	201
Leiden	1,735	1,692
Leidschendam-Voorburg	166	167
Lisse	562	560
Noordwijk	1,228	1,214
Oegstgeest	433	420
Pijnacker-Nootdorp	0	0
Rotterdam (Nesselande)	32	34
Rijswijk	253	257
Teylingen	851	835
Voorschoten	242	240
Wassenaar	522	520
Zoetermeer	255	254
Zuidplas	408	393
Total pre-tax	12,304	12,224

The item 'Pre-tax municipalities' concerns the recompense the municipalities in Dunea's supply area charge Dunea for the right to use municipal land for the pipeline network. The slightly higher pre-tax compared to 2018 was due to an increase in administrative connections and pipelines in municipal land. The decrease for the municipality of Hillegom is a consequence of the reduction of the pre-tax in preparation for it being abolished after 2021.

F Wages, salaries and social security liabilities

	2019	2018
Wages and salaries	27,371	26,806
Pension obligations	4,039	3,564
Other social security obligations	3,622	3,595
Wages, salaries and social security liabilities before correction for capitalised production	35,032	33,965
Capitalised production	-3,680	-3,234
Total wages, salaries and social security liabilities	31,352	30,731

Primarily as a result of the reorganisation, the number of FTEs fell from 471 at the end of 2018 to 465 at the end of 2019.

Hours internal employees spend on investment projects are capitalised and are shown in the table above as 'Capitalised production'.

Pension liabilities

Under the Dutch pension system the pension plan is financed by payments to the ABP Pension Fund. Participation in the ABP Pension Fund is compulsory according to the stipulations of the Cooperative Employment Agreement for the Water Companies, which includes Dunea N.V. The accrual of the pension entitlements are financed each year by means of premiums that (as a minimum) cover the costs of the entitlements in that calendar year. The pension plan is a career average scheme with conditional supplements (indexing) for both active and inactive participants (former employees and retired). The supplements depend on the return on investments.

In 2019 the annual accrual of pension entitlements amounted to 24.9% of the pensionable salary based on the gross wage less a deductible (at € 13,800). In 2019 the maximum pensionable salary was € 107,593. The annual premium paid by the employer was 17.43% of the pensionable salary. The employer is also obliged to pay a premium for the purchase of the conditional pension. The premium for this conditional pension is 2.6% and is paid entirely by the employer. The amount of the premium is fixed annually by the Management

Notes to the income statement for 2019

Board of the industry pension fund on the basis of the coverage level and anticipated return.

As at 31 December 2019 the Fund declared that the ABP policy coverage ratio was 95.8% (2018: 103.8%). On the basis of the implementation regulations, if there is a shortfall in the Fund the Group is not obliged to pay any supplementary contributions other than through higher future premiums.

Average number of employees in FTEs	2019	2018
Management and staff services	18	14
Dune & Water Division	258	272
Customer & Operational Support Division	189	187
Total average number of employees in FTEs	465	473

None of the employees listed above were working abroad (2018: nil).

Management and staff services in 2018 also includes the average number of FTEs for Marketing and Communication. In 2019 staff services covers Marketing & Communication, Strategy, Development and Legal Affairs.

WNT account 2019 Dunea N.V.

The Executive Income Standardisation Public and Semi-public Sector Act (WNT) went into force on 1 January 2013. This account has been prepared on the basis of the following regulation applicable to Dunea N.V.

In 2019 the maximum remuneration for Dunea N.V. was € 194,000. This is applicable proportional to the duration and/or scope of the employment relationship.

Specification of the remuneration of the Management Board members (amounts x € 1)

Name	W.M.E. Drossaert
Function	Managing Director
Dates fulfilling the function started and ended in 2019	1/1 – 31/12
Scope of employment (in FTEs)	1.0
Employee	yes
Individual WNT maximum	€ 194,000

Remuneration 2019

Salary plus taxable expense allowances	€ 172,620
Remuneration payable in time	€ 21,364
Total remuneration	€ 193,984
Applicable WNT-maximum	€ 194,000
Reason for exceeding maximum	n/a

Remuneration 2018

Dates fulfilling the function started and ended in 2018	1/1 – 31/12
Scope of employment (in FTEs)	1.0
Employee	yes
Salary plus taxable expense allowances	€ 169,542
Remuneration payable in time	€ 19,447
Total remuneration	€ 188,989
Applicable WNT-maximum	€ 189,000
Reason for exceeding maximum	n/a

The individual WNT maximum for the members of the Supervisory Board amounts to 15% of the maximum remuneration for the Chairman and 10% for the other members of the Supervisory Board, calculated in proportion to the duration of service.

Notes to the income statement for 2019

Specification of the remuneration of the Supervisory Board members (amounts x € 1)

	J.P. Backer	G.J. Doornbos	D. van der Heem- Wagemakers
Function	Chairman	Member	Member
Dates fulfilling the function started and ended in 2019	1/1-31/12	1/1-31/12	1/1-30/6
Remuneration			
Total remuneration	14,800	12,300	6,150
Individual applicable maximum remuneration	29,100	19,400	9,620
-/- Unduly paid and not yet recovered amount	n/a	n/a	n/a
Reason why the transgression was or was not permitted	n/a	n/a	n/a
Explanation of the receivable due to undue payment	n/a	n/a	n/a
Data 2018			
Function	Chairman	Member	Member
Dates fulfilling the function started and ended in 2018	1/1-31/12	1/1-31/12	1/1-31/12
Remuneration			
Total remuneration	14,400	12,000	12,000
Individual applicable maximum remuneration	28,350	18,900	18,900

	L.A.S. van der Ploeg	A. van der Rest	P.M. Zorko
Function	Member	Member	Member
Dates fulfilling the function started and ended in 2019	1/1-31/12	1/1-31/12	1/7-31/12
Remuneration			
Total remuneration	12,300	12,300	6,150
Individual applicable maximum remuneration	19,400	19,400	9,780
-/- Unduly paid and not yet recovered amount	n/a	n/a	n/a
Reason why the transgression was or was not permitted	n/a	n/a	n/a
Explanation of the receivable due to undue payment	n/a	n/a	n/a
Data 2018			
Function	Member	Member	n/a
Dates fulfilling the function started and ended in 2018	1/1-31/12	1/7-31/12	N.v.t.
Remuneration			
Total remuneration	12,000	6,000	N.v.t.
Individual applicable maximum remuneration	18,900	9,528	N.v.t.

Notes to the income statement for 2019

G Depreciation of fixed assets, (reversal of) impairment and divestment of fixed assets

	2019	2018
Property	2,014	1,978
Plant and equipment including pipelines	30,796	29,010
Other fixed business assets	859	855
Tangible fixed assets not used in regular operations	100	112
Total depreciation excluding amortisation	33,769	31,955
Amortisation equalisation account third party contributions	-2,734	-2,586
Total depreciation costs	31,035	29,369
Divestment of fixed assets	41	32
(Reversal of) impairment of fixed assets	-337	1,191
Total divestment of fixed assets and (reversal) of impairment of fixed assets	-296	1,223

H Other operating costs

	2019	2018
Other personnel costs	7,132	5,426
Mobility costs	746	744
Leases and property rights	35	35
Accommodation costs	2,916	2,532
Taxes, insurance and bank charges	1,130	1,125
Communications costs and postage costs	7,813	7,255
Contributions, donations and subscriptions	1,458	1,254
Office and laboratory costs	3,563	3,071
Hiring of expertise and automation costs	6,869	5,808
Write-off of dubious debts	798	655
Miscellaneous operating costs	1,549	1,138
Total other operating costs	34,009	29,043

'Other personnel costs' also includes the costs of hiring due to the implementation of the ERP system.

'Hiring of expertise and automation costs' and 'Communications costs and postage costs' include the incidental costs for the implementation of the ERP system.

'Write-off of dubious debts' includes a € 0.3 million movement in the provision for dubious debts. The remainder concerns the write-off of uncollectible receivables.

'Miscellaneous operating costs' comprises mainly foreign activities.

In conformance with Article 2:382A of the Dutch Civil Code, the overview below shows the Auditor's fees charged to Dunea:

Amounts x € 1	2019	2018
Audit of Annual Report	222,500	150,216
Other audit related tasks	38,603	11,000
Fiscal advice	0	0
Other non-audit services	0	10,460
Components belonging to the Auditor's network	0	0
Total Auditor's fee	261,103	171,676

The stated fees are based on the total fees for the examination of the financial statements for the financial year to which they apply, whether or not the work of the external Auditor and the Auditor's organisation is carried out during the financial year or afterwards.

The 2019 financial statements were audited by PricewaterhouseCoopers Accountants N.V.

Notes to the income statement for 2019

16 Financial income and expenses

Interest and similar income

In 2019 interest and similar income amounted to € 7,000 (2018: € 9,000). The interest income concerned is received interest on granted (mortgage) loans.

Interest and similar expenses	2019	2018
Interest on other fixed borrowings	5,686	6,016
Other interest expense including current borrowings	64	61
Capitalised construction interest on investment projects	-498	-875
Total interest expense	5,252	5,202

The average interest rate of the loan portfolio was 2.43% (2018: 3.15%). The interest rate of the capitalised construction interest on investment projects was 3.15% (2018: 3.15%).

17 Corporate tax

Dunea has been liable for corporate income tax since 2016.

	2019
Result before tax	8,533
Difference between commercial and fiscal valuation of tangible fixed assets	-287
Difference between commercial and fiscal value of financial fixed assets and fixed debt	2,722
	10,968
Exempt benefits for government enterprises	-10,982
Exempt participation	-174
Fiscal result	-188
Effective tax rate	0.0%
Applicable tax rate	25.0%

There are compensatable losses amounting to € 0.9 million (2018: € 1.0 million) that have not been included as deferred tax receivables as it is not likely that future fiscal profit will be available as compensation. The following overview shows as at 31 December 2019 the year in which the losses occurred and the year in which they expire.

Financial year	Compensatable loss	Can be deducted up to and including
2016	166,524	2025
2017	495,573	2026
2018	-	2027
2019	188,073	2025
Total compensatable losses	850,170	

Events after the balance sheet date

As a result of the COVID-19 pandemic in 2020, in line with the advice of the RIVM Dunea has taken various measures to ensure the continued supply of safe drinking water for our customers and a safe working environment for our employees. We have differentiated between vital processes that are essential for the supply of safe drinking water, and non-essential processes. The measures that have been taken include, for example, working from home when possible, the shutting of the De Tapuit Visitor centre and the postponement of non-essential work for customers. Because hygiene is vitally important, customers who are temporarily cut off from drinking water have been offered the opportunity to be reconnected to the supply.

Notes to the income statement for 2019

At this point in time we cannot make any reasonable estimate regarding the future effects of COVID-19. Despite the uncertainties, at this moment the financial impact of COVID-19 on our company's operations is very limited. There is no reason for doubt regarding the continuity of business operations. The impact of COVID-19 on sales of water, the level of debtors and the progress of the on-going projects will continue to be monitored.

Zoetermeer, 15 May 2020

Supervisory Board

J.P. Backer (Chairman)
G.J. Doornbos
L.A.S. van der Ploeg
A. van der Rest
P.M. Zorko

Management Board

W.M.E. Drossaert

Other information

Statutory provisions in respect of profit appropriation

Article 17 of the Articles of Association includes the following in respect of the profit appropriation:

1. To the extent that the Company's shareholders' equity is less than the amount of the issued and paid-up portion of the capital plus the statutory reserves, the profit is appropriated to redeem shortfalls and to form the statutory reserves.
2. To the extent that the Company's shareholder equity is greater than the amount of the issued and paid-up up portion of the capital plus the statutory reserves, the profit will be added to the general reserve, unless the Supervisory Board approves a proposal by the Management Board to reserve part or all of this profit otherwise.
3. No dividend charged to the Company's profit or reserves may be paid out to shareholders.

Other information

The original Annual Report was drafted in Dutch. This document is an unofficial English translation of the original. In the case of any discrepancies between the English and the Dutch text, the Dutch text will prevail.

The independent auditor's report is included in the Dutch version of the annual report. It should be clearly noted that this opinion relates only to the Dutch version of the financial statements.

Glossary

Number of administrative connections	The total number of user addresses to which Dunea, directly or via a third party, supplies water and to which Dunea bills a standing charge.
Number of visitors to the Meijendel Visitor Centre	The recorded number of visitors to the Meijendel Visitor Centre (de Tapuit).
Number of installed water meters	The total number of installed (present) water meters in properties in Dunea's supply area.
Number of residents (x 1,000)	The most current total number of residents that, according to CBS Statline, were living within Dunea's supply area at the end of the year.
Number of employees	The number of employees at the end of the year with an employment contract for a specific or an unlimited period, excluding work experience placements.
Number of technical connections	The total number of connections for drinking water supply from the transport and mains pipeline network to an address in Dunea's supply area.
Infiltrated pre-treated river water (x mln m ³)	The m ³ of pre-treated river water that is infiltrated into the water extraction areas.
Supply (x 1,000 m ³)	The total m ³ of drinking water pumped into the pipeline network and supplied within Dunea's own supply area.
Construction interest (%)	The expected interest on the fixed loans compared to the expected average fixed loans portfolio, that are attributed to projects in 'Work in progress' before these are capitalised.
Cash flow ratio	The degree to which the cash flow can cover the fixed obligations. This is calculated as the ratio between the cash flow (result after tax and depreciation) and the total loan capital.
Current ratio	The degree to which current obligations can be met. This is calculated by dividing the sum of the current assets by the current liabilities.

Drinking water price per 1,000 litre (€)	The price charged for the variable drinking water tariff per m ³ .
Dune area managed by Dunea (ha)	The number of hectares of dunes managed by Dunea. Dune areas on which production facilities are present have not been included.
Own energy generation	The number of kWh of power generated by Dunea's solar panels compared to the total kWh of purchased power.
PAC (EVC) Trajectory	PAC stands for Previously Acquired Competences (Dutch EVC - Erkenning van eerder Verworven Competenties). This means what a person has learned at school, at work or privately is assessed and recognised. PAC makes the knowledge, expertise and experience a person has gained visible. The result is recorded in an Experience Certificate. The certificate enables a person to demonstrate his or her knowledge and experience.
Average number of employees (FTEs)	The average number of employees (FTEs) is calculated by dividing by 12 the sum of the number of FTEs, belonging to employees with an employment contract for a specific or unlimited period, as at the last day of the month. Employees with a work experience or trainee contract (BBL, BOL) are excluded.
Average interest rate (fixed loans) (%)	The interest rate on the fixed loans compared to the average fixed loan portfolio.
Drinking water produced	The number of m ³ of drinking water produced.
River water intake (x mln m ³)	The number of m ³ of river water that is taken in.
Integral drinking water tariff per m³	The integral price the average customer (in size and usage) pays for one m ³ of drinking water, without the surcharge for pre-tax and Mains Water Tax and excluding VAT.
Interest coverage ratio	The degree to which the operating profit is sufficient to cover the interest expense. This is calculated by dividing the interest expense by the operating profit.

Glossary

Internal financing ratio	The portion of the cash flow used for investments. This is calculated by dividing the net invested amount (invested amount corrected for received contributions) by the cash flow (result after tax and depreciation).
Length of mains pipeline (in km)	The length of the mains pipeline network (in km) as at the balance sheet date. Pipeline that is not in service is excluded.
Length of transport pipeline (in km)	The length of the transport pipeline network (in km) as at the balance sheet date. Pipeline that is not in service is excluded.
Not billed usage (x 1,000 m ³)	The difference between the total number of m ³ pumped into the network and supplied in Dunea's own supply area and the total number of m ³ that can be charged to customers. This concerns not billed usage, such as leak and spray water, fire extinguishing water, own use for cleaning pipelines, temporary non-metered connections and meter differences that cannot be charged.
Sub-standard supply minutes	The number of minutes the supply of water is interrupted per administrative connection per year. When the precise duration of the interruption is not registered, the average number of minutes of interruption per type of interruption is defined.
Return on total assets (%)	The degree to which the achieved operating profit compares to the total equity that the organisation holds in order to be able to carry-out its activities. This is calculated as the ratio operating profit : statement of financial position total.
Solvency (%)	The extent to which the long-term obligations can be met. This is calculated by dividing shareholders' equity by total capital, both inclusive of the result after tax achieved in the year that is added to the general reserves.

Sales in own supply area (x 1,000 m ³)	The total number of m ³ of supplied drinking water billed to customers in own supply area for household use, the small business market and the large business market.
Sales of drinking water per administrative connection in own supply area (x 1,000 m ³)	The average number of m ³ of drinking water that is billed to the customers per administrative connection in own supply area.
WACC (Weighted Average Cost of Capital)	The weighted average cost of the capital employed for drinking water activities. The calculation is the sum of the profit before tax excluding the profits from participations compared to the average statement of financial position total related to drinking water activities.
Sick leave (%)	The sick leave percentage is calculated by dividing the total number of sick leave days (excluding maternity leave) by the total number of available days, taking into account a work sharing factor. Employees with a work experience or trainee contract (BBL, BOL) are excluded.

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Concept & production

Domani B.V.

Photography

Dunea Image Bank

A passion for
dunes and water

