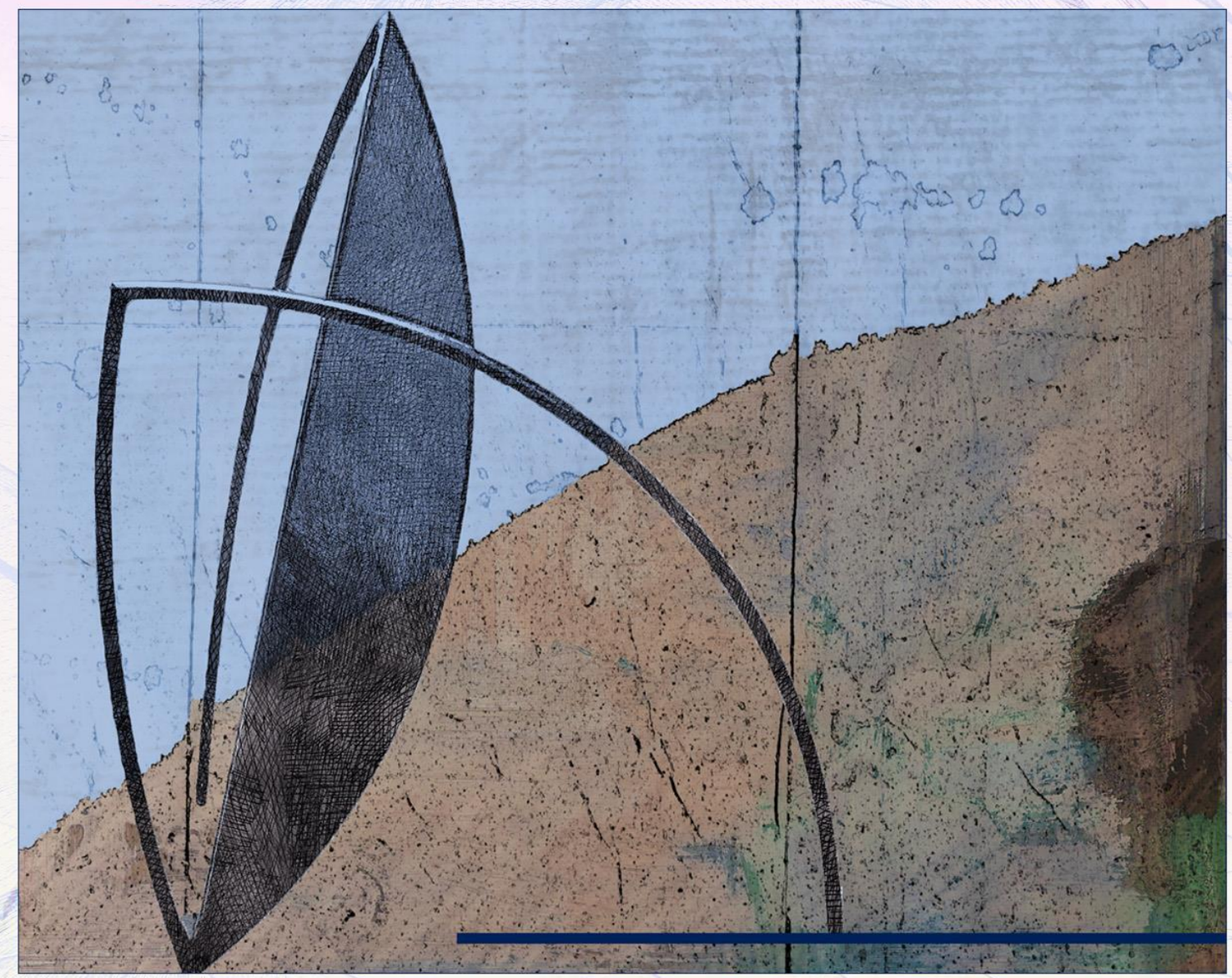
ELINI

annual report

2018



Sign in a landscape

Annual Report 2018
of the Board of Directors and
of the Statutory Auditor
to be presented at
the Annual General Meeting
on 25th April 2019

Insurance company authorised by decision of the Management Committee NBB (formerly CBFA) on the 6th November 2003.
to underwrite "Liability" (branch 13)
(Moniteur Belge 04.12.2003 - Code 2275)

Registered Office:
Av. Jules Bordet, 166 - B 3
B 1140 Brussels
Belgium

Tel. +32 (0)2 702 90 10

Financial Highlights

In euro

Statement of Earnings	2018	2017	2016	2015	2014
Net premium earned	6.466.303	6.476.981	6.132.484	4.995.260	4.921.570
Claims	3.228	82.562	0	16.871	-195.549
Expenses	-2.033.276	-1.732.726	-1.817.647	-1.741.989	-1.452.231
Other income	329.461	268.093	310.013	152.405	197.802
Net investment result	396.408	-110.001	3.195.613	9.461	961.173
Earnings before distribution to reserve for equalisation and catastrophes	**5.162.124**	**4.984.909**	**7.820.463**	**3.432.008**	**4.432.764**
Variation in the reserve for equalisation and catastrophes, net of reinsurance	-4.975.096	-5.169.436	-5.642.010	-3.457.960	-3.776.172
Taxes	-29	-18	-343	-348	-21
Earnings after distribution to reserve for equalisation and catastrophes	**186.999**	**-184.546**	**2.178.110**	**-26.300**	**656.570**

Balance Sheet					
Assets	108.528.593	102.277.362	93.374.321	78.016.247	76.363.388
Liabilities	-1.221.998	-1.121.362	-1.739.075	-1.475.830	-3.265.344
Guarantee fund *(including reserve for equalisation and catastrophes)*	107.306.594	101.155.999	91.635.246	76.540.417	73.098.044

Content

6 Members
7. Board of Directors
8. Advisory Committees
10. Management
11. Letter from the Chairman
12. Description of Activities
15. Report of the Board of Directors
19. Corporate Governance Report
21. Statutory Auditor's Report
27. Balance Sheet and Income Statement
31. Notes to the Financial Statements

Members

Belgium
Belgoprocess NV
Electrabel SA
FBFC International NV
Institute for Radioelements (IRE) (*)
SCK•CEN
Transnubel (*)
Transrad (*)

Canada
Bruce Power Inc.
New Brunswick Power Corporation (*)
Ontario Power Generation (OPG)

Czech Republic
ČEZ a.s.

Finland
Fortum Power & Heat Oy
Teollisuuden Voima Oyj (TVO)

France
EDF
Eurodif SA
ORANO SA

Germany
RWE Power AG (*)

Great-Britain
British Energy Ltd
Nuclear Decommissioning Authority (NDA) (*)
Urenco Ltd (*)

Hungary
MVM Paks Nuclear Power Plant Ltd (*)
RHK Puram

(*) non insured member

Italy
ENEL S.p.A. (*)
Sogin S.p.A. (*)

Romania
Societatea Nationala Nuclearelectrica SA (SNN)

Slovak Republic
Slovenské Elektrárne a.s.

South Africa
Eskom Holdings SOC Ltd

Spain
Endesa (*)

Sweden
AB SVAFO
Forsmarks Kraftgrupp AB
OKG Aktiebolag
Ringhals AB
Svensk Kärnbränslehantering AB (SKB)
Studsvik AB
Sydkraft Nuclear Power AB

Switzerland
Axpo Power AG
BKW Energie AG (*)
Kernkraftwerk Gösgen-Däniken AG
Kernkraftwerk Leibstadt AG
Zwischenlager Würenlingen AG (ZWILAG)

The Netherlands
Elektriciteits-Produktiemaatschappij Zuid-Nederland NV (EPZ) (*)

Board of Directors *

B. Svensson	*Chairman*
K. Kelly	*Vice-Chairman*
C. Legrain	*Vice-Chairman*
B. Alleman	
M. Beyens	
R. Muscogiuri	
A. Shuttleworth	
B. Strýcek	
J. Toroska	
J. Machtelinckx	*Executive Committee*
D. Vanwelkenhuyzen	*Executive Committee*

* Status at the time of the Annual General Meeting
The external mandates of the Board members can be found on our website.

Advisory Committees *

Insurance Advisory Committee

B. Svensson *Chairman*
A. De Bruycker
T. Erb
N. Feldman
P. Haenecour
V. Hronek
J. Javanainen
B.P. Jobse
B. Kockum
M. Laguna
M. Mooser
J.D. Treillard
D. Vanwelkenhuyzen
S. Yvon

Legal Advisory Committee

A. Shuttleworth *Chairman*
M. Beyens
R. Danielsson
S. Elhaut
B.R. Hilbers
M. Laguna
J. Lasry
L. Luchetti
J. Ortman
J.D. Treillard
G. Vandeputte

* Status at the time of the Annual General Meeting

Advisory Committees *

Finance and Investment Advisory Committee

B. Strýcek	*Chairman*
J. Machtelinckx	
L. Piekkari	
B. Rifaï	
A. Roefs	
J. Tasker	
M. Vercammen	

Audit Committee

C. Legrain	*Chairman*
K. Kelly	
R. Muscogiuri	
J. Toroska	

Risk Committee

J. Toroska	*Chairman*
R. Muscogiuri	

Internal Auditor

W. Gemis

* Status at the time of the Annual General Meeting

Management *

Executive Committee

D. Vanwelkenhuyzen	*Managing Director*
J. Machtelinckx	*Financial Manager*

Auditors

Deloitte
Réviseurs d'Entreprises SC s.f.d. SCRL
Gateway Building, Luchthaven Nationaal 1 J
BE - 1930 Zaventem
Represented by
Mr. R. Neckebroeck

Actuarial function

Nicolaï & Partners
Duboisstraat 43
BE - 2060 Antwerpen
Mrs. V. Nicolaï

* Status at the time of the Annual General Meeting

Letter from the Chairman

Dear Members,

It is a pleasure to present ELINI's 2018 Annual Report.

First of all, it would be fair to give a special tribute to the work performed by the Management of ELINI in making sure that Solvency II requirements are implemented within the Mutual. Those matters are still a major part of our agendas during the different committees and the Management is committed on those aspects to allow ELINI to stand at a World Class position with regard to its internal governance and the control of their Members' financial securities.

On the business activity side during 2018 I would like to point out the following:

- The first is an ongoing growth of activity driven by our management, which has a positive impact on the capacity.
- ELINI got four new members during 2018 being NDA, IRE, Transnubel and Transrad.
- The own funds of ELINI reached € 107million by the end of 2018.
- ELINI managed to achieve a small positive net financial income during 2018 of € 396thousand.
- ELINI is also proud to inform you that our rating A- with AM Best was renewed during 2018.
- The CHS platform has been upgraded successfully and marketing it to our members and the Pools continues.
- ELINI can now offer a cover for calls protection in cooperation with OTPP.
- General proxies for the members representatives have been introduced in order to simplify the procedures.

ELINI´s specific loss prevention program, which aims to be systematically tuned amongst the candidates and existing Members, in order to preserve the Mutual as a whole, and each Member's participation individually has continuously been performed during 2018.

ELINI has been recognised as having one of the most advanced Claims Handling System of the Nuclear Third Party Liability insurance market. This aspect is key in the ongoing discussions with some national authorities.

ELINI has also during 2018 continued to put a lot of effort into the project ENEB 2020 which aims to create a common IT platform for all the mutual, the project was implemented during 2018 but is currently being further developed in the area of reporting to hopefully be operational at the next renewals.

Beside the mere business activities, ELINI is continuously recognised as one of the major actors representing the World's Nuclear Industry Community with regard to Nuclear Third Party Liability matters and some of its staff members are regular speakers at seminars related to Nuclear Third Party Liability matters.

2019 will be a challenging year to face more and more governments' decisions to increase the limits of liability for their national nuclear operators, for which ELINI represents one of the key actors.

Yours sincerely,

Bengt Svensson
Chairman of the Board of Directors.

Description of Activities

ELINI is a Belgian mutual insurance association formed in December 2002 to provide insurance capacity for nuclear liability risks to its Members. The present Members of ELINI include nuclear facilities in Belgium, Canada, Czech Republic, Finland, France, Germany, Great-Britain, Hungary, Italy, Romania, Slovak Republic, South Africa, Spain, Sweden, Switzerland and the Netherlands.

The capacity provided by ELINI is independent of that provided by the various nuclear Pools.

The main benefits to Members of ELINI include:

- Additional insurance capacity in view of the Revised Paris and Brussels Supplementary Conventions;
- Alternative insurance capacity for terrorism cover and 30 years prescription period;
- Potential for contribution savings;
- Information exchange and data center for nuclear insurance matters.

Underwriting & Claims Handling

ELINI's current portfolio is based on nuclear liability risks cover, in accordance with the decision of the Member, with the existing Pools and any other markets as coinsurer, reinsurer or leader with the exception in those countries where a 100 % policy is taken out by the Member.

The prices of the insurance coverages are in accordance with own rating tables so that Members of the Mutual will derive immediate benefit from reduced contributions.

Few years ago, ELINI has been working on a rating model, based on TPL surveys on-site. In 2011 the Board of Directors agreed to link the results obtained from these surveys to the contribution calculation. The strengths and weaknesses of a site are incorporated in the contribution calculation and represent an incentive for each Member to improve the site safety. This model is applied as of January 1st, 2012.

If there is a nuclear incident resulting in offsite release of radiation, ELINI will offer its services to, and in close collaboration with the local competent Authority and its Member, and act in accordance to the instructions given and the expectations formulated by them. It is ELINI's view that, in such a crisis situation, the entire insurance market should show solidarity.

As an insurer, ELINI will contribute to the cost in accordance with the provisions of the Member's insurance policy.

In order to be prepared for a potential nuclear incident, ELINI decided to develop a unique web based platform for claim handling allowing to register claims, manage claims and report in a detailed way to all parties involved and this both on a national and trans boundary basis.

ELINI contracted with highly specialised companies for the set-up of dedicated call centers and dispatching of claim experts and loss adjusters. The individual approach of the Members allows ELINI to take into consideration their expectations.

The implementation of the system is realised in close collaboration with the Members having decided to organise their post incidental management together with ELINI.

Article 25 of the Articles of Association provides for additional contributions from Members if required to meet claims.

Reinsurance

ELINI can purchase reinsurance cover to supplement capacity and to spread risk as the Board deems appropriate.

Management Structure

ELINI is a mutual association constituted in Brussels under Belgian law and authorised by decision of the Management Committee of the NBB (formerly CBFA) on the 6th November 2003.

The strategic management of the Association is the responsibility of the Board of Directors which, with the exception of those powers expressly reserved for the General Meeting, has full managerial authority.

The administration and day to day management of the Association is the responsibility of the Managing Director together with the Executive Committee.

Membership

Only companies or authorities in the private or public sector operating, controlling or owning nuclear installations, or their representatives, and which have an insurable interest, can be Members of the Association.

Election of a new Member shall be submitted to the Board of Directors and shall become effective when ratified by the General Meeting.

A new Member must take out or have the intention to take out at a later stage at least one insurance policy with unreserved acceptance of the rights and obligations included in the Articles of Association.

There are three kind of Members:

- Non Insured Members who do not take part in the constitution of the guarantee fund but pay an administrative fee;
- Non Insured Members who take part in the constitution of the guarantee fund (Supportive Members);
- Insured Members who have an insurance policy and have contributed to the constitution of the guarantee fund.

Loss Prevention Services

The ELINI loss prevention division supports the underwriting team as well as the Members to identify potential loss exposures and to assess the adequacy of existing loss prevention measures. Based on on-site evaluations, review of technical documentation and discussions with site responsibles and technical staff, detailed risk reports are made up. The surveyor will evaluate and compare the facility with good engineering practices, legal requirements, insurance standards and similar risks. Strengths and weaknesses of each site will be highlighted. Where required a comprehensive list of suggestions and recommendations will be drawn up with a view to improve safety and to prevent or mitigate losses. An in-house developed grading system supports the underwriting process by contribution rate adjustment and can support the Members' loss prevention programs through contribution reduction.

Report of the Board of Directors
to be presented to the Annual General Meeting of 25th April 2019

Dear Member,

We are pleased to present for your approval the financial statements of our Mutual for its sixteenth year of operations, which ended on 31st December 2018.

The financial statements include the figures from the ELINI branch in Switzerland.

The Board of Directors of ELINI is responsible for the information contained in the financial statements and other sections of the annual report. The Board considers that the financial statements and related information have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances. These financial statements include amounts that are based on the Board's judgment and best estimates.

ELINI maintains a system of internal accounting controls to provide reasonable assurance that our assets are safeguarded against loss from unauthorized use or disposal and that the accounting records provide a reliable basis for the preparation of the financial statements.

We engaged Deloitte, with your approval, as the independent auditors to audit the financial statements and to express their opinion thereon. Their opinion is based on procedures considered by them to be sufficient to provide reasonable assurance that the financial statements present fairly, in all material respects, the financial position, cash flows and results of operations. Their report is joint with the annual accounts.

Capacity

The maximum insurance capacity per policy increased from € 130.000.000 in 2017 to € 142.000.000 in 2018. Our own retention increased from € 87.300.000 in 2017 to € 95.000.000 in the same period.
As from 31 March 2016 onwards, one Member takes a supplementary capacity to bring the total capacity for this Member to 240.212.000 €. This additional capacity which amounts to € 98.212.000 in 2018 is fully reinsured.

Contributions

The contributions written, and reinsurance premiums ceded are reflected in the earnings on a pro-rata basis over the terms of each policy. Unearned contributions represent the portion of contributions written, which are applicable to the non-expired term of the policies in force.

Gross earned contributions increased from € 8.822.019 in 2017 to € 8.996.894 in 2018. This growth can be attributed to the elevated gross insurance capacity.

Reinsurance costs also increased from € 2.345.038 to € 2.530.591 of which € 1.524.911 was attributed to BlueRe compared to € 1.226.828 in 2017. The capacity ceded to BlueRe increased from € 23.000.000 in 2017 to € 27.000.000 in 2018.

Claims

Provisions are made for the estimated cost of incurred losses following management estimates. These estimates are based on information from the members, their brokers, nuclear pools, claims adjusters, independent consultants and other relevant sources.

The total outstanding claims reserve at the end of the year amounts to € 397.887, a reduction of € 13.987 compared to the end of 2017. This reduction results partly from a payout of fees for the Socatri claim (€ 10.759) which was deducted from the claims reserve. The other part (€ 3.228) results from the deduction for internal and external claim handling costs which are each calculated as 15% of the claims reserve. The calculation of this additional reserve remains subject to an annual review but has not been changed since its introduction in 2014.

The claims reserve relates to the same 9 notified incidents at the end of 2017.

General expenses

General expenses increased from € 1.732.726 in 2017 to € 2.033.276 in 2018 or an increase of +17%. The new IT platform contributed for around 12% and another 6% could be attributed to the increase in acquisition costs after an exceptional reversal of acquisition fees was accounted for in 2017.

Investments

The total book value of the investments and liquidities increased from € 96.381.916 in 2017 to € 103.457.162 in 2018.
The investment strategy of 10% in shares and the remaining 90% in a mix of fixed income and money market products remained unchanged throughout the year.
The investment yield on the portfolio was calculated at -1.64% for 2018, well underperforming the target of Euro Area inflation which came out at 1,60% in December 2018.
The accounting financial income amounted to € +396.408,36 and does not include the unrealized gains as per 31 December 2018. This positive result is thanks to the realization of the latent added value on certain assets and a gain on the position of Canadian dollar that remained unhedged for a short period.

Book value and estimated fair market value of investments as of 31 December 2018 :

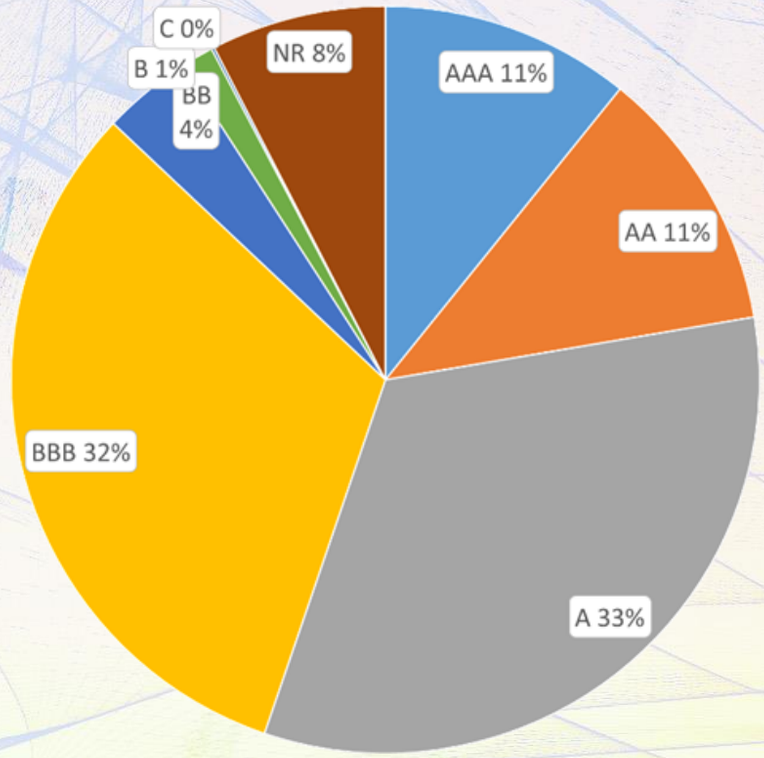
Euro	Book value	Unrealized capital gains/losses	Market value
Corporate bond funds	67.372.114	369.645	67.741.759
Money market funds	20.307.890	-81.408	20.226.482
Deposits	100.957	0	100.957
Cash	5.193.027	0	5.193.027
Equity fund	10.483.174	-606.353	9.876.821
	103.457.162	-318.116	103.139.045

Weighted average credit rating and duration of the total portfolio as of 31 December 2018 :

The overall average credit rating of the portfolio (including equities) is A-.

The weighted average duration of the total portfolio (excluding equity) is 2,68 years. The weighted average duration of the overall portfolio is 2,43 years.

ELINI Credit quality of total portfolio 31/12/2018



Country Allocation as of 31 December 2018.

Overall portfolio:
AT 0,56% • BE 8,42% • BM 0,08% • CA 6,23% • CH 0,62% • CN 0,39% • DE 7,03% • DK 0,74% • ES 4,64% • FI 0,69% • FR 15,17% • GB 8,67% • IE 3,11% • IT 5,98% • LU 3,14% • NL 9,17% • NO 0,43% • RU 0,59% • Europe others 3,57% • US 12,28% • MX 0,87% • Latin America others 0,73% • AU 0,90% • NZ 0,06% • JP 0,81% • Asia others 2,82% • Africa/Middle East others 1,21%

Result

The € 5.162.124 surplus for 2018 after taxes and before allocation to the equalization fund compares with a € 4.984.909 surplus for 2017.

The technical profit for 2018 of € 4.975.096, which includes the part of the financial surplus earned on the technical reserves amounting to € 141.130, will be allocated to the reserve for equalization and catastrophes.

In accordance with our Articles of Association, the Board of Directors proposes to the Annual General Meeting that the financial result related to the Belgian activities for 2018 of € +266.171 shall be allocated to the guarantee fund, whereas the loss of € -79.172 in the Swiss branch is deferred to the next financial year, in accordance with the local regulations.

Guarantee Fund

The guarantee fund and reserve for equalization now available to the members to be used as insurance capacity, if you agree to our proposal, will be € 108.153.236 compared to € 101.155.999 at the end of the previous year. However, it should be mentioned that it was agreed that the capital from the Swiss Members will not be used as capacity as long as the insurance license in Switzerland is not granted.
The amount of the Guarantee Fund also includes subscribed but not paid capital amounting to € 4.048.312 which is due for around 30% in 2019 and the remainder over the next six years.

Discharge from liabilities

The Board of Directors recommends to the Annual General Meeting to grant discharge to each member of the Board of Directors and to the Statutory Auditor from all liability in respect of the exercise of their duties related to the financial year 2018.

We look forward to a good operational year in 2019 and I would like to take this opportunity to thank you for your support.

Bengt Svensson
Chairman of the Board of Directors
On behalf of the Board of Directors

Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE

ELINI continues to believe that Corporate Governance is extremely useful and effective in stimulating the use of best governance practices.

All the principles described are covered in the document "Corporate Governance Memorandum". A yearly revision is desirable to account for the changing legal and cultural environment, the new aspirations of our stakeholders and the conduct of Members, Directors and Staff. This Corporate Governance Report is entirely applicable for ELINI and the Swiss Branch.

Following the new EU–wide regulatory regime, known as Solvency II, the company also needs to disclose specific information on their Corporate Governance in the framework named Solvency Financial condition report (SFCR). This Report can be found on our website.

The relevant principles of governance are applied to the Mutual in the following way:

MANAGEMENT STRUCTURE

The General Meeting has the powers vested in it by Law and by the Articles of Association, without any prejudice to the laws and regulations in force regarding the control of ELINI.

The Board of Directors is the management body who jointly oversees the activities of the Mutual. There are currently twelve Board members, eight of them are representing the Members and two members are Executive Directors composing the Executive Committee.

The composition of the Board is balanced considering the respective skills, experience and background of each of the Board members. Board members undertake that they have sufficient time to exercise their duties, taking into consideration the number and importance of their other commitments.

The Executive Committee has full authority to undertake the daily management of the Association.

In addition, the Board has appointed specific Advisory Committees being the Risk Committee, Audit Committee, Finance & Investment Advisory Committee, Insurance Advisory Committee and Legal Advisory Committee. These Committees are composed out of representatives of the Members and members of staff. All Advisory Committees have charters that explain their purpose and role as well as their responsibilities.

The mission of these Committees is to analyze specific topics, to prepare matters for consideration and recommendation towards the Board. The existence of the Committees does not replace the ultimate responsibility of the Board.

The Board of Directors and the Committees meet as frequently as the interests of the Mutual require. For instance, the Board meets normally four times a year. Minutes are kept of every meeting.

In line with the requirements applicable in the fit and proper policy, both Board of Directors and Committees perform annually a self-assessment.

OPERATIONAL STRUCTURE AND KEY FUNCTIONS

The scope of work of the Internal Auditor, is to determine whether ELINI's network of risk management, internal control and governance processes, as designed and represented by management, is adequate and sufficient.

The Compliance Officer acts as an adviser close to the management to take measures within the scope of the integrity policy and ensure the development of the deontology of the Mutual.

The Board of Directors and Executive Committee decide on the risk strategy and design of the risk structure. The Risk Manager, deploys practices to identify, assess, monitor and mitigate various risks to ELINI's business.

The Actuarial function is in charge of the control on the calculations made by the ELINI and to give a level of comfort to the Board of Directors on actuarial processes.

In accordance with Articles 44, 46, 47 and 48 of Solvency II Directive, the Mutual has implemented the following key functions: risk management function, compliance function, internal audit function and actuarial function. Each key function discloses a report as well as for the year to come a plan and are in direct contact with the Board of Directors.

All key functions have a separate policy explain their role and responsibilities. Each key function needs to comply with the fit & proper policy and conducts a self-assessment. In case the key function is outsourced, a check is performed to comply with the guidelines of the outsourcing policy.

MONITORING AND CORRECTIVE ACTIONS

The Mutual has internal procedures which provides practical guidance for all staff (1st line of defense).

The second line of control performed by the risk management function & compliance function, assures the follow-up of the control of the risks and that corrective actions are taken.

The internal auditor reports to the Audit committee on the effectiveness of the procedures as 3rd line of defense.

In achieving its business objectives, ELINI emphasizes the adherence to the highest standards of business integrity and ethics, as well as the respect of and compliance with all applicable national and supra-national laws and regulations.

Employees have the obligation to inform rightful concerns or threats on violation of these values and codes and about unethical or unlawful behavior to the management. Denunciators will be protected against any disciplinary measures.

ELINI has also put in place efficient and transparent procedures for handling complaints. Complaints are considered a vital and essential source of information to improve the internal control systems. Therefore, they are recorded and handled accordingly.

Concerning the IT-infrastructure, a continuity policy and implementation process including proper securities is in place. The IT-department certifies that security, privacy and all other IT management requirements are adequately addressed by the cloud computing vendor. In respect of GDPR, personal data is mapped in a register with restricted access and a privacy policy is put into place.

Statutory auditor's report to the shareholders' meeting of European Liability Insurance for the Nuclear Industry AAM for the year ended 31 December 2018

In the context of the statutory audit of the annual accounts of European Liability Insurance for the Nuclear Industry AAM (the "company"), we hereby submit our statutory audit report. This report includes our report on the annual accounts and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 22 October 2015, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the annual accounts for the year ending 31 December 2018. We have performed the statutory audit of the annual accounts of European Liability Insurance for the Nuclear Industry AAM for 16 consecutive periods.

Report on the annual accounts

Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2018 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 108 529 (000) EUR and the income statement shows a profit for the year ended of 187 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2018 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
The valuation of investments and their accounting treatment Per 31 December 2018, the other financial investments amount to 98 264 (000) EUR and represent 91% of the total balance sheet. The investments are valued at acquisition cost, which is based on the information received from the investments bank. Taking into account the importance of these financial investments on the balance sheet, we consider that the financial investments are a key audit matter. We refer to « C.III.Other financial investments » of the balance sheet, disclosure « N° 3 Market value of the investments » and disclosure « N° 20 Valuation rules - 6. Other ».	We have conducted audit procedures over the valuation and accounting treatments of the financial investments held by the company in accordance with to the company's valuation rules and the accounting principles applicable in Belgium. For a sample of purchase transactions, we have tested the acquisition value based on the reports provided by the investment banks in order to assess the valuation of the financial investments. Additionally, for a sample of transactions, the results accounted for are validated with the settlement documents received from the investment banks, in order to verify the accuracy of the gains and losses recorded. The market value of the financial investments, which is based on the valuation reports provided by the investment managers, are compared against the acquisition value in the company's books, in order to verify if there is any impairment risk. The market value reports provided by the investment managers were validated with readily, external and independent market information.

Key audit matters	How our audit addressed the key audit matters
The methodology and assumptions used in setting the insurance reserves The insurance reserves includes the company's nuclear claims for 398 (000) EUR. The determination of the insurance reserves requires judgements in the selection of assumptions and methodologies. Due to the chosen assumptions and the methodologies in determining the amount of the reserves, we consider these assumptions and methodologies to be a key audit matter. We refer to « C.III. Provisions for insurance claims » of the balance sheet and disclosure « N° 20 Valuation rules — 3. Reserve for risks and charges ».	We have identified and tested the relevant key internal controls with respect to the insurance reserve business cycle to assess the appropriateness of the insurance reserves and the claims being recognized. We have tested all outstanding claims with the underlying documentation to support the insurance reserves, which has been accounted for. The insurance reserves are set up based on the available information from external parties, which are considered as experts in the field, and management estimates and assumptions. For all new nuclear claims, we have: • analyzed the appropriateness and validity of the assumptions used by management to determine the provision; • challenged the management estimates with the report from the experts; • reviewed consistency of the procedures with respect to the calculation of the insurance reserves from year to year. For outstanding reserves, we examined the updated external parties' reports and discussed with the management the changes in the insurance reserves. In addition, we requested all members to confirm the outstanding claim(s) towards ELINI. We performed an examination of these confirmations and compared the confirmed claims with the current insurance reserve.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of annual accounts in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium in accordance with the law of 27 June 1921 on non- profit organizations, foundations and European political parties and foundations.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (revised in 2018) to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify compliance with certain legal and regulatory obligations, without prejudice to the opinion expressed above.

Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 100, § 1, 6°/2 of the Companies Code, includes, both in form and in substance, all of the information required by the Companies Code and is free from any material inconsistencies with the information available to us in the context of our mission.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the annual accounts, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the annual accounts.

Other statements

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.
- We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association or the law of 27 June 1921 on non-profit organizations, foundations and European political parties and foundations.
- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.

Zaventem, 18 April 2019

The statutory auditor

Deloitte Réviseurs d'Entreprises SCRL
Represented by Rik Neckebroeck

Balance sheet as of 31 December 2018 and 2017

(Currency - Euro)

ASSETS	31/12/2018	31/12/2017
C. Investments		
III. Other financial investments		
1. Parts in investment funds	98.163.178	89.273.232
2. Bonds and other fixed interests	0	0
6. Term deposits	100.957	100.957
	98.264.135	**89.374.189**
D. bis. Part of reinsurance in the technical reserves		
I. Reserve for non-earned premiums and current risks	73.521	28.261
III. Reserve for claim receivable	1.860	1.860
	75.381	**30.120**
E. Receivables		
I. Receivables from direct insurance		
1. Insurers	32.620	46.696
2. Intermediaries	8.846	6.485
II. Receivables resulting from reinsurance	5.442	8.250
III. Other receivables	306.514	108.186
IV. Subscribed capital, not paid	4.048.312	5.288.768
	4.401.733	**5.458.385**
F. Other assets		
I. Tangible Assets	499.331	345.015
II. Liquidities	5.193.027	7.007.728
	5.692.357	**7.352.743**
G. Transitory accounts		
I. Interest and rent	94.987	61.925
	94.987	**61.925**
TOTAL ASSETS	**108.528.593**	**102.277.362**

The accompanying notes are an integral part of these balance sheets.

Balance sheet as of 31 December 2018 and 2017

(Currency - Euro)

LIABILITIES	31/12/2018	31/12/2017
A. Equity		
I. Subscribed capital or equivalent fund, net of uncalled capital		
1. Guarantee fund securities	72.504.497	71.378.857
V. Retained earnings		
1. Surplus (Deficit) of the period (Belgium)	0	-129.031
2. Surplus (Deficit) of the period (Switzerland)	-318.012	-238.840
	72.186.485	**71.010.987**
C. Technical reserves		
I. Reserve for unearned premiums and unexpired risks	448.755	360.881
III. Reserve for claim payable	397.887	411.874
V. Reserve for equalisation and catastrophes	35.120.109	30.145.013
	35.966.751	**30.917.767**
G. Payables		
I. Payables resulting from direct insurance business	26.257	0
II. Receivables resulting from reinsurance business	0	0
V. Other payables		
1. Fiscal and Social payables		
a) Property tax and VAT	30.915	22.545
b) Social payables	151.682	100.236
2. Other	71.418	124.460
	280.272	**247.240**
H. Transitory accounts	95.085	101.368
	95.085	**101.368**
TOTAL LIABILITIES	**108.528.593**	**102.277.362**

The accompanying notes are an integral part of these balance sheets.

Income Statement for the year ended 31 December 2018 and 2017

(Currency - Euro)

			31/12/2018	31/12/2017
1. Earned premiums, net of reinsurance				
a) Gross premiums			9.084.768	8.796.615
• Premiums written	9.084.768	8.796.615		
• Rebates to Members	0	0		
b) Reinsurance Premiums			-2.575.852	-2.321.809
c) Variation of the reserve for unearned premiums and unexpired risks, gross of reinsurance (increase -, decrease +)			-87.874	25.404
d) Variation of the reserve for unearned premiums and unexpired risks, reinsurers part (increase +, decrease -)			45.261	-23.229
			6.466.303	**6.476.981**
2bis. Investment Income				
b) Income from other investments			109.986	51.314
c) Write-back of adjustments on investments			191.376	0
d) Realized capital gains			470.260	390.938
			771.621	**442.252**
3. Other technical income net of reinsurance			**329.461**	**268.093**
4. Costs of claims, net of reinsurance				
a) Net amount paid				
aa) Gross amount			-10.759	-276.856
bb) Part of reinsurers			0	0
b) Variation of the claims services reserve, net of reinsurance				
aa) Variation of the reserve for claims, gross of reinsurance (increase -, decrease +)			13.987	359.418
bb) Variation of the reserve for claims, part of reinsurance (increase -, decrease +)			0	0
			3.228	**82.562**
7. Net operating expenses (-)				
a) Acquisition expenses			-100.701	11.220
c) Administrative expenses			-1.932.575	-1.743.946
			-2.033.276	**-1.732.726**

Income Statement for the year ended 31 December 2018 and 2017

(Currency - Euro)

- continued -

	31/12/2018	31/12/2017
7bis. Expenses relating to investments (-)		
a) Expenses for managing investments	-58.163	-34.112
b) Adjustments to investment values	0	-176.955
c) Realized less values	-317.050	-341.186
	-375.213	**-552.253**
SURPLUS/(DEFICIT) OF THE PERIOD BEFORE VARIATION RESERVE FOR EGALIZATION AND CATASTROPHES	**5.162.124**	**4.984.909**
9. Variation in the reserve for egalization and catastrophes, net of	-4.975.096	-5.169.436
Surplus/(DEFICIT) of the period available for Distribution	**187.027**	**-184.528**
15. Taxes	-29	-18
Result of the period	**186.999**	**-184.546**

The accompanying notes are an integral part of this income statement

1. ACTIVITY OF THE ASSOCIATION AND SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

The Association's objective is to insure the civil liability (Branch 13) of its insured members in the context of and limited to the responsibility specified in the Convention of Paris or Vienna on civil liability in the area of nuclear energy and/or specified in the national legislations of the countries where the Convention of Paris or Vienna is not applicable but follow the same principles.

By a decision of the Belgian Prudential Authority taken on 6 November 2003, the Association has been granted the agreement to execute insurance activities of the branch "Civil Liability" (Branch 13).

During the year 2018, the maximum insurance capacity of E.L.I.N.I. is 240.212.000 EUR of which:

- For those Members not using the BlueRe capacity :
  - 100% of any amount in excess of 95.000.000 EUR up to 115.000.000 EUR is reinsured by way of treaty reinsurance contract;
  - 100% of any amount in excess of 115.000.000 EUR is reinsured by way of facultative reinsurance contracts.
- For those Members using the BlueRe capacity :
  - The first layer of 30.000.000 EUR is covered by E.L.I.N.I.;
  - 100% of any amount in excess of 30.000.000 EUR up to 57.000.000 EUR is reinsured by way of treaty by BlueRe;
  - 100% of any amount in excess of 57.000.000 EUR up to 122.000.000 EUR is covered by the E.L.I.N.I. capacity;
  - 100% of any amount in excess of 122.000.000 EUR up to 142.000.000 EUR is reinsured by way of treaty.
  - 100% of any amount in excess of 142.000.000 EUR up to 160.141.000 EUR is reinsured by way of facultative reinsurance contracts.
  - For two contracts, an additional 80.071.000 EUR is reinsured by way of a facultative reinsurance Quota Share contract as part of a total insured limit of 240.212.000 EUR.

The risk for E.L.I.N.I. is limited to 95.000.000 EUR as per 31 December 2018.

The accounting principles of E.L.I.N.I. can be summarized as follows:

a. Overview of the amortization rates applied

Other assets – tangible fixed assets	% per year
Software (upon evaluation executive committee by project)	20% or 33,33%
Installations, electronic equipment and office tools	33,33
Furniture	10
Vehicles	20

b. Technical provisions

The association constitutes technical provisions based on contributions relating to the active, non-expired policies in force at the end of the accounting year, claims payable increased with best estimate of the internal and external claim handling costs and the reserve for equalization and catastrophes in accordance with Articles 10 and 11 of the Royal Decree of 22 February 1991.

c. Fixed Income securities

The fixed income securities (straight and convertible bonds) are valued at their acquisition cost. The incidental costs are expensed as incurred.

The differences, if material, between acquisition cost and redemption value of the securities are amortized pro rata to maturity of the securities.

Unless the intention of the association is to sell the securities in the short term, no adjustment is booked to reflect the market value if this market value is below the net book value determined according to the method described above.

Reduction in value on fixed income securities shall be recorded in the income statement when the reimbursement at redemption date is partly or fully uncertain or compromised

d. Shares and other non-fixed income securities

Shares and other non-fixed interest securities are recorded at acquisition cost. The incidental costs are expensed as incurred.

Unrealized losses are recorded in the profit and loss account if there will be a permanent reduction in the value of these securities. In this case, the security will be depreciated to its lower value.

Permanent impairments are determined based on the two following conditions:

- Market value must be below book value for a period uninterrupted of 12 months;
- And the decrease in market value should be at least equal to 20% of the book value at the end of that period.

e. Foreign exchange rate contracts

The foreign exchange rate contracts are converted in Euro using the exchange rate as of the balance sheet date.

f. Foreign currency translation

The Company maintains its accounts in Euro (EUR) and the annual accounts are expressed in this currency.

The foreign currency denominated accounts, on the balance sheet, are converted in Euro using the exchange rate as of the balance sheet date.

The foreign currency denominated accounts of the income statement are converted into Euro on a monthly basis using the exchange rate in force at the beginning of the month as proxy for the daily foreign exchange rate over the related month.

All exchange gains and losses are recorded in the income statement, as foreign exchanges revenues and charges.

g. The integration of assets and liabilities of branches in foreign currencies:

The assets and liabilities of a branch in foreign currency are integrated at closing rate of the period, while the income statement is converted at prevailing average foreign exchange rate of the related period. The difference is recorded in foreign exchange revenues and charges in the income statement.

2. GUARANTEE FUND

The Board of Directors proposes to the Annual General Meeting to allocate 266.170,74 EUR, i.e. the financial non-technical result of the year 2018, to the Guarantee fund. Note that the result of the year 2018 of the Swiss branch will not be transferred to the Guarantee Fund but will be reported separately as retained earnings (- 79.171,90 EUR).

The evolution of the Guarantee Fund over 2018 is as follows:

Guarantee fund at 31 December 2017	71.249.826,74
Capitalisation members	988.499,60
Transfer of the Surplus of the year	266.170,74
Guarantee fund at 31 December 2018	***72.504.497,08***

Retained earnings at 31 December 2017	-238.840,22
Loss of the Swiss branch	-79.171,90
Retained earnings at 31 December 2018	***–318.012,12***

3. RESERVE FOR EQUALIZATION AND CATASTROPHES

In application to Article 11, §1, A, 3° of the Royal Decree dated 22 February 1991 on the general rules on the control of insurance companies, the association started in 2004 to build a reserve for equalization and catastrophes. The purpose thereof is to create a reserve that would smooth out variations in claims or would cover exceptional risks. Based on the current regulations, the theoretical target amount that should be provided for within the Associations' equalization and catastrophes reserve is 95.000.000 EUR. The yearly movement however depends on the income or loss of the association before (net) investment income (exclusive the result from the Swiss Branch). An income results in an addition to the reserve for the amount of the income, and a loss results in a usage of the reserve for the amount of the loss. The application of this rule resulted in an addition of 4.975.096,48 EUR for the year 2018 which brings the total reserve up to 35.120.109,40 EUR.

It should however be noted that at the end of 2018 the guarantee fund amounts to 72.186.484,96 EUR (including the result of the Swiss branch) and can be used to cover the obligation of the association. Additionally, the association may call under certain circumstances for additional funds of the members (article 25 of the Articles of Association) to be used to cover the obligations of the association.

4. MANAGEMENT

The investment management of the Association is outsourced.

Reinsurance commissions refunded to E.L.I.N.I. are 66.299,36 EUR for 2018 and 46.867,02 EUR for 2017 and are deducted from the reinsurance premium charges.

5. PERSONNEL EMPLOYED

For the year ending 31 December 2018, E.L.I.N.I. employed 10 staff members corresponding to a full time equivalent of 7,2. Previous year, the Association employed 10 staff members with a full time equivalent of 6,4.

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E L I N I

EUROPEAN LIABILITY
INSURANCE FOR THE
NUCLEAR INDUSRTY

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D'ASSURANCES
MUTUELLES

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