



EMMANANI
annual report
2017





Joyfull construction

Robert Piccart 2018

**Annual Report 2017
of the Board of Directors and
of the Statutory Auditor
to be presented at
the Annual General Meeting on
29th June 2018**

Company authorised by Royal Decrees of
20.10.1978 and 07.12.1999
To underwrite "Fire and Natural Hazards",
"Other Property Damage" and "Liability"

(Moniteur Belge 14.11.1978 - 29.12.1999 Code 0921)

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Financial Highlights

in euro

years ended December 31

Statement of Earnings

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net premium earned	22.148.936	23.438.978	22.890.993	22.836.670	22.990.326
Claims	3.471.737	-11.246.762	-286.275	-2.624.921	1.513.702
Expenses	-4.021.743	-3.640.421	-3.712.671	-3.414.077	-3.157.549
Other income	8.078	32.630	641	15.868	-12.747
Net investment result	-1.453.154	1.014.327	1.158.390	6.341.961	-534.805

Earnings before distribution to reserve for equalisation and catastrophes

20.153.853 **9.598.752** **20.051.077** **23.155.502** **20.798.927**

Variation in the reserve for equalisation and catastrophes, net of reinsurance

-21.489.524 -8.550.093 -19.503.347 -16.920.203 -21.389.420

Taxes

-1.041 -1.039 -348 -308 -283

Earnings after distribution to reserve for equalisation and catastrophes

-1.336.712 **1.047.620** **547.382** **6.234.991** **-590.776**

Balance Sheet

Assets	311.510.330	298.849.924	272.136.119	253.910.139	239.000.192
Liabilities	-46.636.733	-47.987.712	-30.901.382	-32.746.529	-41.000.824
Guarantee fund (including reserve for equalisation and catastrophes)	264.873.597	250.862.212	241.234.738	221.163.611	197.999.368



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Members *

Belgium

Belgoprocess NV
European Atomic Energy Community
SCK-CEN

Canada

Bruce Power L.P.
New Brunswick Power Holding Corp. (NB Power)
Ontario Power Generation (OPG)

Czech Republic

ČEZ a.s.

Finland

Fortum Power & Heat Oy
Teollisuuden Voima Oyj (TVO)

France

EDF
Framatome
Orano

Germany

BGZ Gesellschaft für Zwischenlagerung mbH
EnBW Energie Baden Württemberg AG
EnBW Kernkraft GmbH
Gesellschaft für Nuklear-Service mbH (GNS)
Kernkraftwerk Lippe-Ems GmbH
Kernkraftwerk Obrigheim GmbH
PreussenElektra GmbH
RWE Power AG
Vattenfall Europe Nuclear Energy GmbH

Hungary

MVM Paks Nuclear Power Plant (PAKS)

Italy

ENEL **

The Netherlands

Elektriciteits-Produktie­maatschappij Zuid-Nederland (EPZ NV)
Gemeenschappelijke Kernenergiecentrale Nederland BV (GKN)

Romania

Societatea Nationala Nuclearelectrica SA (SNN)

Slovak Republic

Slovenské Elektrárne a.s./ ENEL

South Africa

Eskom Holdings SOC Ltd.

Sweden

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

Switzerland

Axpo Power AG
Axpo Trading AG
BKW Energie AG
Centrales Nucléaires en Participation (CNP)
Kernkraftwerk Gösgen-Däniken AG
Kernkraftwerk Leibstadt AG
Zwischenlager Würenlingen AG (Zwilag)

* Status at the time of the Annual General Meeting

** Non Insured Member



Members *

United Kingdom

British Energy Ltd

Urenco Ltd

Westinghouse Electric UK Holdings Ltd

USA

BWX Technologies Inc.

Comanche Peak Power Company LLC

Energy Solutions

Indiana Michigan Power Company

Northern State Power Company - Minnesota (NSP-M)

Omaha Public Power District (OPPD)

Pacific Gas & Electric Company (PG&E)

South Carolina Electric & Gas (SCE&G)

STP Nuclear Operating Company

Tennessee Valley Authority (TVA) **

Union Electric Company d/b/a Ameren Missouri

Westinghouse Electric Company LLC

* Status at the time of the Annual General Meeting

** Non Insured Member



Board of Directors *

A. Russell

Chairman

C.D. Bölle

Vice-Chairman

B.P. Jobse

Vice-Chairman

M. Blair

R. Danielsson

S. Döhler

N. Feldman

G. Gould

R. Melandri

P. Vandekerckhove

Executive Committee

M. Vercammen

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 *

Underwriting Committee

C. White *Chairman*
L.E. Agrò
I. Annezer
A. Currie
T. Erb
N. Feldman
J. Floras
A. Havris
H. Hefti
L. Hough
S. Kurz
E. Laugier
I. Maciulis
R. Miller
F. Orset
P. Sätmark
K. Sinclair
P. Vandekerckhove
R. Zahmidi

Technical Advisory Committee

G.L. Noferi *Chairman*
I. Annezer
M. Buisset
W. Gemis
F. Orset
S. Savolainen
J. Oechsler

* Status at the time of the Annual General Meeting



Advisory Committees *

Finance and Investment Advisory Committee

M. Vercammen *Chairman*
A. Russell
L. Piekkari
B. Rifaï
A. Roefs
J.W. Thurber

Audit Committee

G. Gould
B.P. Jobse
A. Russell

Risk Committee

G. Gould
T. Houben
B.P. Jobse
A. Russell

Internal Auditor

W. Gemis

Compliance Officer

P. Vandekerckhove

* Status at the time of the Annual General Meeting



Management *

Executive Committee

P. Vandekerckhove
M. Vercammen

Managing Director
Financial Manager

Auditors

Deloitte
Reviseurs d'Entreprise SC sfd SCRL
Gateway Building, Luchthaven Nationaal 1 J
BE - 1930 Zaventem
Represented by
Mr. R. Neckebroeck

Actuarial function

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

* Status at the time of the Annual General Meeting



Letter from the Chairman

Fellow Members


2017 was a very successful year for the mutual with a significant surplus recognized. This is as a result of good underwriting and strong operational performance by the members. This has helped improve our Solvency margin and supported the maintenance of the AM Best rating of A stable. We must also recognize that not all years will be like 2017 but we should celebrate success.

The end of 2017 saw regime change in EMANI with Philippe Vandekerckhove taking over the reins from Danny Van Welkenhuyzen and introducing his own style of leadership to EMANI. I would like to welcome Marleen Vercammen who joined the Board at the beginning of 2018. The Board has also recently revisited the strategy for the next few years and concluded that this will be a period of 'evolution' rather than 'revolution'.

2017 also saw more fundamental review of the way EMANI operationally invests its assets. Our strategy remains low risk, and we aim to beat euro-inflation by 1-2% over the long term. The Board has decided to consolidate its assets with three firms, with 2 new partners based in London. The transition will happen over Summer 2018. My thanks to all involved.

During the year we saw the conclusion of some very significant work performed by the EMANI management team in successfully delivering compliance with our Solvency II requirements. The effort in delivering this should not be underestimated. More recently EMANI has been able to confirm GDPR compliance. Lastly, the significant IT project, ENEB, has progressed during the year and is targeted for implementation after the summer break in 2018.

Thank you all for your continued support of EMANI



Alastair Russell
Chairman of the Board



Description of activities

EMANI is a Mutual Insurance Association which offers cover for a wide range of insurance risks relating to nuclear power stations and other companies in the nuclear industry. At present, EMANI offers cover for its Members in Belgium, Canada, Czech Republic, Finland, France, Germany, Hungary, Italy, Romania, The Netherlands, Slovak Republic, South-Africa, Sweden, , United Kingdom and USA. For the Swiss Members, cover is provided by the Branch in Switzerland.

The capacity provided by EMANI is independent of that provided by the various nuclear pools.

The main benefits to Members of EMANI include:

- Additional or alternative insurance capacity for material damage, business interruption, machinery breakdown, terror and erection all risk covers.
- Potential for contribution savings. Potential for distribution of guarantee fund.
- Loss prevention and engineering evaluations.
- Information exchange and data centre for nuclear insurance matters.

Underwriting & Claims Handling

EMANI's current portfolio is principally based on property damage cover, but our underwriting team is always looking for new ways to support the needs of our Members.

Increasingly EMANI acts as a leading underwriter bringing the advantages of a comprehensive insurance cover and competitive pricing to the Members. If requested to do so by a Member, EMANI can also act as a co-insurer in partnership with the national insurance pools or another insurer.

In the event of a claim where EMANI acts as leading underwriter, the loss settlement shall be done in cooperation with an independent loss adjuster. In cases where EMANI acts as a co-insurer, EMANI will generally follow the recommendations and assessment made by the loss adjuster appointed by the lead underwriter. However in certain cases, the Management will decide whether EMANI should appoint independent adjusters or additional expert advice.

Article 26 of the Articles of Association provides for additional contributions from Members if required to meet claims.

Reinsurance

EMANI purchases reinsurance cover to supplement capacity and to spread risk as the Board deems appropriate.



Management Structure

EMANI is a mutual Association constituted in Brussels under Belgian law and authorised by Royal Decree on 20th October 1978. (MB 14/11/1978)

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

The administration, underwriting, claims handling 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 of operating / controlling / owning nuclear installations or their representatives can be Members of the Association.

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

A new Member shall underwrite at least one insurance policy with the Association and shall unconditionally accept the Articles of Association.

Loss Prevention Services

The EMANI loss prevention engineers, assisted by the Technical Advisory Committee (which is drawn from senior engineering staff from the EMANI Members utilities), shall identify the potential for losses to occur at the Members' property and to control such losses through risk detection and a preventative program.

The loss prevention services provide the Members with detailed reports, customized for the risk involved and in conjunction with the Underwriting team a thorough assessment of each Member's assets is established.

Based on the on-site evaluation, a comprehensive list of suggestions and recommendations is drawn up with a view to improve safety and to prevent or mitigate losses. The reports also assist the Members' management to quantify and develop appropriate measures to minimise their level of risk.

The loss prevention services make an invaluable contribution to the EMANI underwriting process.



Report of the Board of Directors to be presented to the Annual General Meeting of 29 June 2018

Dear Member,

At the close of the 39th financial year, we are pleased to report to you on the business of your Mutual Association and to set out below the balance sheet and the income statement for the year ended 31 December 2017.

The financial statements incorporate the results from the EMANI branch in Switzerland which was established on 7 June 2013 and received a license from the Swiss Regulator "FINMA" dated 30 September 2014.

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

The Mutual Association maintains a system of internal accounting controls to provide reasonable assurance that 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.

Deloitte has been engaged, with the approval of Members, as the independent auditor 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 adjoined to the financial statements.

Capacity

The insurance capacity for Material Damage increased in 2017 to € 656.700.000 versus € 600.000.000 in 2016.

The insurance capacity for Terrorism cover also increased in 2017 to € 656.700.000 versus € 600.000.000 in 2016.

EMANI may commit more than € 656.700.000 on risks where additional facultative reinsurance is in place and this resulted in a maximum commitment of € 750.000.000 with a net retention of € 223.495.610

The own retention for Material Damage insurance policies in 2017 was limited to € 229.933.175 and we reached a maximum of € 229.448.047. During 2016 this was limited to € 241.663.445, with the exception of one contract to € 262.710.000.

For Terrorism insurance policies the limit in 2017 was € 222.000.000 and for 2016 it was € 236.500.000.



Contributions

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

For the purpose of the following calculations, contribution is defined as original contribution less rebate.

Earned gross contributions increased from € 38.518.509 in 2016 to € 40.217.772 in 2017 and include the contributions from our Swiss members which were written for the third time through the Swiss Branch. This increase of contributions can be attributed to new policies with new USA Based Members and increased insurance lines from our Canadian and French members.

Earned reinsurance cost increased from € 15.079.530 in 2016 to € 18.068.836 in 2017. It should be noted that the figure for 2016 had been reduced by € 1.009.4240 due to the exceptional credit of a prior year reserve in respect of tax changes. Otherwise the increase can be explained by additional reinsurance being required to cover the increased and new cessions referred to above and NIRA returning their available facultative capacity to pre-2016 levels following a significant dip in 2016.

Net earned contributions after reinsurance decreased to € 22.148.936 in 2017 from € 23.438.978 in 2016.

No Members' rebate was released in 2017 and the outstanding Members' rebate reserves remains at zero.

General expenses

General expenses increased from € 3.640.421 in 2016 to € 4.021.743 in 2017, an increase of 10%, and includes the expenses from our Swiss branch. The increase includes HR Costs (+5%) and Audit fees Swiss Branch.

Claims

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

The total claims result (net of reinsurance) for 2017 is a profit to the income statement of € 3.471.737 which compares to a cost of € 11.246.762 in 2016. This comprises a charge in respect of claims paid of € 3.889.783 (net of reinsurance) of which € 2.419 are in relation to losses arising in 2017. In addition, there is a decrease in reserves (net of reinsurance) of € 7.361.520. This decrease however includes € 2.650.289 new losses occurred in the year 2017.



Investments

The total book value of the investments and liquid instruments increased from € 273.645.160 at 31 December 2016 to € 285.902.943 at 31 December 2017.

The investment allocation at the beginning of the year of 28,83% long term corporate bonds, 42,84% liquid instruments, 14,07% equity and 14,26 % Absolute return funds has changed to 27,42% long term corporate bonds, 44,12% liquid instruments, 14,90% equity and 13,57 % Absolute return fund at 31 December 2017 and resulted in a recorded financial loss of € 1.453.154. All the investments are recorded at their purchase value and the unrealized gains of € 21.424.300 are not recorded in the income statement for the current year. Previous year the unrealized gains amounted to € 14.422.430.

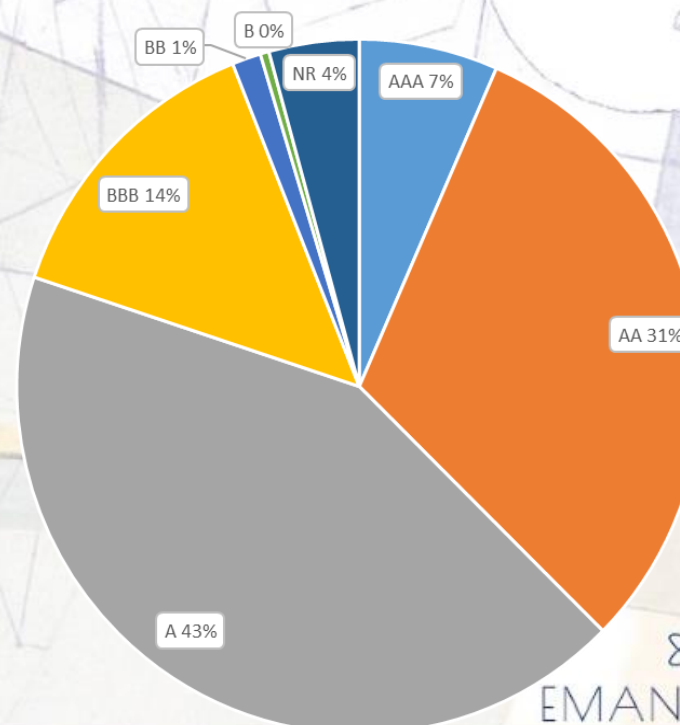
Book value and estimated fair market value of investments as at 31 December 2017.

Euro	Book value	Unrealized capital gains/(losses)	Market value
Equity investment funds	33.730.306	12.049.833	45.780.139
Absolute Return funds (equity risk)	7.013.181	227.099	7.240.280
Absolute Return funds (bond risk)	34.025.414	431.945	34.457.359
Money Market investment funds	70.355.118	(44.604)	70.310.514
Corporate bond investment funds	75.505.553	8.760.027	84.265.580
Fixed income investment	0	0	0
Deposits and cash	65.273.371	0	65.273.371
Total	285.902.943	21.424.300	307.327.243

Credit rating of the investment portfolio as at 31 December 2017.

The overall weighted average credit rating of the total portfolio is A+.

EMANI Credit quality of total portfolio 31/12/2017



Country Allocation of the investment portfolio as at 31 December 2017.

AT 0,24% • BE 45,68% • CA 0,20% • CH 1,42% • CN 0,26% • DE 3,85% • DK 0,27% • ES 1,49% • FI 0,27% • FR 21,23% • GB 5,86% • IE 1,26% • IT 1,50% • LU 2,76% • NL 3,90% • NO 0,13% • RU 0,12% • TR 0,02% • Europe others 1,16% • US 6,40% • MX 0,26% • Latin America others 0,12% • AU 0,29% • JP 0,25% • Asia others 0,32% • AE 0,12% • Africa/Middle East others 0,57%

Net Investment Income

Euro	2017	2016
Gains/(losses)	99.096	311.911
Interests and dividend securities	47.906	85.908
Interests term deposits	80.047	31.140
Interests cash and cash equivalents	15.961	60.670
Adjustments to investment values	-1.523.938	647.492
Investment management expenses	-172.226	-122.795
Net investment income	-1.453.154	1.014.326

Result

The € 20.152.812 surplus for 2017 compares with a € 9.598.752 surplus in 2016 (before allocation to reserve for equalization and catastrophes).

The surplus of the year includes the loss of € 55.498 of our Swiss branch. This compares with a loss of € 1.511 in 2016.

The technical surplus for 2017 of € 21.489.524 is allocated in accordance with the rules of the Belgian insurance regulator (National Bank of Belgium) to the reserve for equalization and catastrophes. Previous year € 8.550.093 was allocated.

The Board of Directors recommends to the Annual General Meeting that the loss of the year be allocated to the guarantee fund for the amount of € 1.281.214 in relation to the Belgian activities and to be carried over in retained earnings for the loss of € 55.498 in relation to the Swiss Branch following the local requirements.

Guarantee Fund

The guarantee fund plus the reserve for equalization now available to the Members for insurance capacity supports amounts to € 264.873.597 and compares to previous year with € 250.862.212 and includes the refund to our first member whose 5 year notice period ended.

The Mutual Association has acknowledged the resignation of certain members, who will leave following the 5 year notice period. Were these members to leave at the end of 2018 their share in the guarantee fund would amount to € 12.447.257, subject to approval of Belgian Insurance Regulator.



Recommendations

We propose that you

- Approve the financial statements for the year ended 31 December 2017 as presented
- Grant discharge to the Directors of the Company in respect of their duties and functions for the year ended 31 December 2017
- Grant discharge to the Statutory Auditor



Alastair Russell
Chairman of the Board of Directors
On behalf of the Board of Directors



Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE

EMANI continues to believe that Corporate Governance can be extremely useful and effective in stimulating the use of best governance practices.

All the principles are described 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 EMANI and EMANI Swiss branch.

Following the new EU-wide regulatory regime of Solvency II, EMANI's goal is to ensure that the Mutual is compliant with the requirements defined by EIOPA and translated into Belgian regulations by the local Supervisor. The Solvency Financial condition report (SFCR) 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 EMANI.

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

All Board members are nominated by the Annual General Meeting for a three-year period and eligible for re-appointment.

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 and Investment Advisory Committee and Underwriting Committee. These Committees are composed out of representatives of the Members. All Advisory Committees have charters that explain their purpose and role as well as their responsibilities.

EMANI is not obliged to set up an Audit Committee because it only meets one of the three criteria imposed by article 52, § 1 of the Insurance Supervision Act of 13 December 2016. However, for good governance purposes EMANI has put in place an Audit Committee but the composition of the Committee on the principle of independent is not as defined as in article 48 of the Insurance Supervision Act.

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 meets as frequently as the interests of the Mutual requires. 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 performs annually a self-assessment.



OPERATIONAL STRUCTURE AND KEY FUNCTIONS

The scope of work of the Internal Auditor, is to determine whether EMANI'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 EMANI's business.

EMANI is required by Belgian Law to have a mathematic investigation made by an Actuary to assess the risk in contribution and claim liabilities in respect of insurance policies.

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 need to comply with the fit & proper policy and conduct 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, EMANI 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 on the subject of unethical or unlawful behavior to the management. Denunciators will be protected against any disciplinary measures.

EMANI has also put in place efficient and transparent procedures for handling complaints. Complaints are considered a vital and essential source of information to improve our 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 Mutual Association for Nuclear Insurance AAM for the year ended 31 December 2017 - Annual accounts

In the context of the statutory audit of the annual accounts of European Mutual Association for Nuclear Insurance AAM (the "company"), we hereby submit our statutory audit report. This report includes our report on the annual accounts together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

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. Due to a lack of online archives dating back prior to 1997, we have not been able to determine exactly the first year of our appointment. We have performed the statutory audit of the annual accounts of European Mutual Association for Nuclear Insurance AAM for at least 20 consecutive periods.

Report on the audit of the financial statements

Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2017 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 311 510 (000) EUR and the income statement shows a loss for the year ended of 1 337 (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 2017 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). 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
<p>The valuation of investments and their accounting treatment</p> <p>Per 31 December 2017, the other financial investments amount to 246 530 (000) EUR and represent 79% of the total balance sheet.</p> <p>The investments are valued at acquisition cost, which is based on the information received from the investments bank.</p> <p>Taking into account the importance of these financial investments on the balance sheet, we consider that the financial investments are a key audit matter.</p> <p>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 ».</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The market value reports provided by the investment managers were validated with readily, external and independent market information.</p>

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 22 861 (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 — 4. Technical reserves ».

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 the company. 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 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.

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 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 auditor's report unless law or regulation precludes any public disclosure about the matter.

Report on other legal, regulatory and professional 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 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), 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 mandate.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firms 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 17 of the law of 27 June 1921 on non-profit organizations, foundations and European political parties and foundations referring to 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° 537/2014.4

Zaventem, 24 May 2018

The statutory auditor



DELOITTE Bedijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck



Balance sheet as of 31 December 2017 and 2016

(Currency - Euro)

ASSETS	31/12/2017	31/12/2016
C. Investments		
III. Other financial investments		
1. Parts in investment funds	220.629.573	219.712.165
2. Bonds and other fixed interests	0	13.500.000
6. Term deposits with financial institutions	25.900.644	20.200.707
	246.530.216	253.412.872
D. bis. Part of reinsurance in the technical reserves		
I. Reserve for non-earned premiums and current risks	3.098.503	2.737.273
III. Reserve for claim receivable	12.263.119	19.084.292
	15.361.622	21.821.565
E. Receivables		
I. Receivables resulting from direct insurance		
1. Insurers	1.684.374	692.825
2. Intermediaries of insurers	387	7.753
II. Receivables resulting from reinsurance	7.643.102	2.030.114
III. Other receivables	72.126	86.582
	9.399.990	2.817.274
F. Other assets		
I. Tangible Assets	510.449	220.493
II. Liquidities	39.372.727	20.232.288
	39.883.177	20.452.781
G. Transitory accounts		
I. Interest and rent	335.326	345.433
	335.326	345.433
TOTAL ASSETS	311.510.330	298.849.924



Balance sheet as of 31 December 2017 and 2016

(Currency - Euro)

LIABILITIES	31/12/2017	31/12/2016
A. Equity		
I. Subscribed capital or equivalent fund, net of uncalled capital		
1. Guarantee fund securities	84.607.931	92.030.572
5. Retained earnings	-144.959	-89.461
	84.462.973	91.941.112
C. Technical reserves		
I. Reserve for unearned premiums and for unexpired risks	10.536.591	8.725.509
III. Reserve for claims payable	22.860.940	37.043.633
V. Reserve for equalisation and catastrophies	180.410.625	158.921.100
	213.808.156	204.690.242
G. Payables		
I. Payables resulting from direct insurance business	11.616.795	26.125
II. Receivables resulting from reinsurance business	36.228	715.304
V. Other payables	447.052	442.998
1. Fiscal and Social payables	296.665	309.852
a) Taxes	0	0
b) Social payables	296.665	309.852
2. Other	150.386	133.146
	12.100.075	1.184.427
H. Transitory accounts	1.139.127	1.034.144
	1.139.127	1.034.144
TOTAL LIABILITIES	311.510.330	298.849.924

The accompanying notes are an integral part of this balance sheet.



Income Statement for the year ended 31 December 2017 and 2016

(Currency - Euro)

		<u>31/12/2017</u>	<u>31/12/2016</u>
1. Earned premiums, net of reinsurance			
a) Gross premiums		42.028.854	38.878.777
• Premiums written	42.118.717	38.957.204	
• Rebates to Members	-89.863	-78.427	
b) Reinsurance premiums		-18.430.066	-15.125.551
c) Variation of the reserve for unearned premiums and unexpired risks, gross of reinsurance (increase -, decrease +)		-1.811.083	-360.269
d) Variation of the reserve for unearned premiums and unexpired risks, reinsurers part (increase +, decrease -)		361.230	46.021
		22.148.936	23.438.978
2bis. Investment Income			
b) Income from other investments		143.915	177.718
c) Write-back of adjustments on investments		0	647.492
d) Realized capital gains		272.296	382.783
		416.211	1.207.993
3. Other technical income net of reinsurance		8.078	32.630
4. Costs of claims, net of reinsurance (-)			
a) Net amount paid		-3.889.783	-1.172.200
aa) Gross amount	-10.384.376	-3.749.834	
bb) Part of reinsurers	6.494.593	2.577.634	
b) Variation of the claims services reserve, net of reinsurance (increase -, decrease +)		7.361.520	-10.074.562
aa) Variation of the reserve for claims, gross of reinsurance (increase -, decrease +)	14.182.692	-17.322.320	
bb) Variation of the reserve for claims, part of reinsurance (increase +, decrease -)	-6.821.173	7.247.758	
		3.471.737	-11.246.762
6. Cost of refund of contribution, net of reinsurance (-)			
a) Net amount paid		0	0
b) Variation of the refunds reserve, net of reinsurance (increase -, decrease +)		0	0
		0	0



Income Statement for the year ended 31 December 2017 and 2016

(Currency - Euro)

- continued -

	<u>31/12/2017</u>	<u>31/12/2016</u>
7. Net operating expenses (-)		
a) Acquisition expenses	-128.683	-122.949
c) Administrative expenses	-3.893.061	-3.517.472
	-4.021.743	-3.640.421
7bis. Expenses relating to investments (-)		
a) Expenses for managing investments	-172.226	-122.795
b) Adjustments to investment values	-1.523.939	0
c) Realized less values	-173.200	-70.872
	-1.869.366	-193.666
8. Other re-insurance charges	0	0
SURPLUS/(DEFICIT) OF THE PERIOD BEFORE VARIATION RESERVE FOR EGALIZATION AND CATASTROPHES	20.153.853	9.598.752
9. Variation in the reserve for equalization and catastrophes, net of reinsurance (increase -, decrease +)	-21.489.524	-8.550.093
Surplus/(Deficit)	-1.335.671	1.048.659
15. Taxes	-1.041	-1.039
Surplus / (Deficit) of the period available for distribution	-1.336.712	1.047.620

The accompanying notes are an integral part of these income statements.



Notes to the financial statements for the year ended 31 December 2017

(Currency - Euro)

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

The purpose of the Association is to indemnify those of its insured members that have suffered property and/or business interruption damage to their nuclear installations and/or contents thereof. In certain cases the Association also insures non-nuclear risks.

During the year 2017 the total insurance capacity of E.M.A.N.I for Material Damage. was 656.700.000 EUR of which:

- 16% of the first 5.000.000 EUR is reinsured by way of "quota share" contracts ;
- 30,78% of the following 95.000.000 EUR, in excess of 5.000.000 EUR, is reinsured by way of "quota share" contracts
- 55,73% of 500.000.000 EUR in excess of 100.000.000 EUR is reinsured by way of "excess of loss" (for first and second loss) and 14,78% by way of a quota share contract (for each and every loss)
- 77,95% of 56.700.000 EUR in excess of 600.000.000 is reinsured by way of an "excess of loss" contracts (for first and second loss)

The risk for E.M.A.N.I. is thus limited to 229.933.175 EUR for a first loss and 229.933.175 EUR for a second loss during the year 2017.

During the year 2017 the total insurance capacity of E.M.A.N.I. for terrorism is 656.700.000 EUR of which:

- 62,80% of 125.000.000 EUR is reinsured by way of "quota share" contracts (idem for a first and second loss);
- 48,00% of 250.000.000 EUR in excess of 125.000.000 EUR is reinsured by way of "excess of loss" contracts (idem for a first and second loss);
- 83,33% of 225.000.000 EUR in excess of 375.000.000 EUR is reinsured by way of "excess of loss" contracts (idem for a first and second loss).
- 85,89% of 56.700.000 EUR in excess of 600.000.000 is reinsured by way of an "excess of loss" contracts (for first and second loss)

The risk for E.M.A.N.I. for terrorism is thus limited to 222.000.000 EUR for a first loss and 222.000.000 EUR for a second loss during the year 2017.

EMANI may commit more than 656.700.000 EUR on a risk where additional facultative reinsurance is available to cover the increased share.

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

a. Overview of the amortization rates applied

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

Notes to the financial statements for the year ended 31 December 2017

(Currency - Euro)
- continued -

b. Integration of the Swiss branch:

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

The assets and liabilities of the 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.

c. 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 end of the previous 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

d. 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, unreleased members' rebates relating to an expired policy, claims payable increased with best estimate of the internal and external claim handling costs and the reserve for equalisation and catastrophes in accordance with Articles 10 and 11 of the Royal Decree of 22 February 1991.

e. 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.

f. 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.

g. Foreign exchange rate contracts

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

Notes to the financial statements for the year ended 31 December 2017

(Currency - Euro)
- continued -

2. GUARANTEE FUND

The Board of Directors proposes to the Annual General Meeting to allocate the loss of the Swiss Branch of 55.498 EUR to the retained earnings of the Branch and to allocate the loss of the year 2017, 1.281.214 EUR, to the Guarantee Fund.

The evolution of the Guarantee Fund over 2017 is as follows:

Guarantee fund at 31 December 2016	92.030.572
Transfer of the loss of the year (exclusive Swiss Branch)	-1.281.214
Dotation of new members	28.816
Refunds to a member	-6.170.243
Guarantee fund at 31 December 2017	84.607.931

The evolution of the retained earnings over 2017 is as follows:

Retained earnings 31 December 2016 (Swiss Branch)	-89.461
Transfer of the loss of the year (Swiss Branch)	-55.498
Retained earnings at 31 December 2017 (Swiss Branch)	-144.959

3. RESERVE FOR EGALISATION AND CATASTROPHIES

In application to Article 11, §1, 3° of the Royal Decree dated 22 February 1991 on the general rules on the control of insurance companies. The Mutual Association started in 1996 to build a reserve for equalisation 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 Mutual Associations' equalisation and catastrophes reserve is 229.933.175 EUR. The yearly movement however depends on the income or loss of the Mutual Association before (net) investment income (exclusive the income 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 21.489.524 EUR for the year 2017 which brings the total of the reserve up to 180.410.625 EUR.



Notes to the financial statements for the year ended 31 December 2017

(Currency - Euro)
- continued -

It should however be noted that at the end of 2017 the guarantee fund amounts to 84.462.973 EUR and can also be used to cover the obligations of the Association. Furthermore, the unrealised gains on investments at 31 December 2017 amount to 21.424.300 EUR and also could be realised in case of catastrophe. Additionally, the Association may call under certain circumstances for additional funds of the members (article 26 of articles of the bylaws) to be used to cover its obligations.

4. MANAGEMENT

The investment management of the Association has been outsourced. The investment management fee is included in the net asset value of the investment funds except for Blackrock SA for which we registered 99.664 EUR under Expenses for managing investments.

The broker reinsurance handling fee amounts to 356.134 EUR for the year 2017 and 376.181 EUR for 2016.

Reinsurance commissions refunded to E.M.A.N.I. are 681.903 EUR for 2017 and 433.222 EUR for the year 2016 and are deducted from the reinsurance premium charges.



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EUROPEAN MUTUAL
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FOR NUCLEAR INSURANCE

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