CLIMATE-KIC HOLDING B.V.
AND CONTROLLED ENTITIES

(REGISTRATION NUMBER 63299658)

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2018

KPMG Audit
Document to which our report
1584900-19W00167150EDH
18 September 2019
also refers.
KPMG Accountants N.V.

Climate-KIC is supported by the EIT, a body of the European Union

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MANAGEMENT REPORT

The directors present their management report together with the financial report of the Climate-KIC Holding B.V. and the entities it controlled ("the Group"), for the financial year ended 31 December 2018.

Directors

Climate-KIC Holding B.V. is represented by its Executive Board (3 members). The Supervisory Board supervises the Executive Board's policy and course of action, and the general conduct and course of affairs of Climate-KIC Holding B.V. and any business it may be affiliated with. The Supervisory Board also assists the Executive Board in an advisory capacity.

Members of the Executive Board are:

• Kirsten Dunlop	Chief Executive Officer	
• Marc Weissgerber	Chief Financial Officer	(resigned on 31 December 2018)
• Richard Zaltzman	Chief Operating Officer	(appointed on 19 November 2018)
• Thomas Mitchell	Chief Strategy Officer	(appointed on 30 November 2018)

Members of the Supervisory Board are:

- Thomas Goergen
- Monika Weber-Fahr
- Timo Nurminiemi
- Yvo de Boer
- Barna Barath

The directors have been in office since the start of the year to the date of this report unless otherwise stated. Climate-KIC Holding B.V., as a large company, is required to pursue a policy of having at least 30% percent of seats on the Executive Board and Supervisory Board be held by each gender to the extent these seats are held by natural persons. During the year, approximately 25-29% of the board was represented by females. The board is currently considering the approach to achieve this goal.

The Executive Board of Climate-KIC Holding B.V. is responsible for the day-to-day management of the Group. Climate-KIC Holding B.V. statutory seat is in Amsterdam.

Vision and long-term goals

Climate-KIC's overarching ambition is to help create a prosperous, inclusive, climate resilient society with a circular, zero-emissions economy.

For the overarching ambition to be reached, there must be:

- Zero greenhouse gas emissions from the built environment, industry, materials, mobility and net zero greenhouse gas emissions in agriculture and land use by 2050 – and even earlier in Europe, if appropriate burden sharing with developing countries is to be achieved;
- A completed process for avoiding, reducing and managing residual climate risks in urban and rural areas, as the impact of climate change that already has been induced cannot be undone.

Principal activities

The principal activities of the consolidated Group during the financial year were:

- management of an innovative partnership of public and private organisations who work together to address climate change; and
- administering, distribution and reporting on the impact of grants from the European Institute of Innovation and Technology ("EIT") to itself and the Group's partners.

There has been no significant change in the nature of these activities during the financial year. Business development activities to explore and activate further sources of income has become a management priority in light of an expected decrease of the EIT grant over the next few years, and the Group was successful in winning a variety of bids and projects.

The partnership of public and private organisations as mentioned above are located in the following geographical locations:

	2018	2017
The Netherlands	24	17
Other EU countries	210	162
Other European Countries	17	22
Other countries	3	1
	254	202

Climate-KIC Holding B.V. and its subsidiaries do not undertake any activities in the field of research and development.

Highlights 2018

In 2018, the Group continued its major project, Theory of Change, led by its CEO and in consultation with various stakeholders. This has led to an organisational focus on strategic innovation to enable systems transformation, as opposed to discrete interventions – a move supported by the European Commission and the Groups' main funder, the EIT. It is expected that this move will position the Group well to receive funding under the European Union's next framework programme, Horizon Europe, the successor of Horizon 2020. As part of the Theory of Change process, the Group has developed a series of 12 Climate Innovation Impact Goals to focus the attention and resources of its community, and to organise its efforts to contribute to Europe's overall 2050 climate change and energy roadmap efficiently.

The Group continued to develop its senior management through new appointments to the Executive team, including the addition of existing key central functions to the team and successful work towards gender balance. The role of Chief Strategy Officer has been implemented and staffed in 2018 to strengthen the C-level leadership team. A new Chief Operating Officer was appointed in Q4 of 2018. An extensive team building and leadership development programme for senior management which was initiated in 2017 is ongoing. Two all-staff events were held during the year, leading to the implementation of specialised task forces to tackle various challenges, including human resources, workflow design and achieving excellence in grant management.

Structure and Governance improvements have been made during the year. Work has been finalised to simplify Climate-KIC Holding B.V.'s articles of association to enable smoother decision making and clarity of responsibilities between the Executive Board, Supervisory Board and General Meeting. The Supervisory Board continued to operate with three permanent committees (Audit and Risk, Performance and Compensation, Selection and Appointment). During the year, there were five Supervisory Board meetings and two joint strategy workshops with shareholder representatives to align on the common vision and mid- to long-term strategy. The Supervisory Board has also continued its work towards best practice in governance by conducting its second annual self-assessment survey and kicked off a 360-degree review to include the views of the Executive Board and the shareholder in its own assessment.

Organisationally, the Group's activities in Germany, Switzerland and Austria were grouped in a DACH region to streamline management and support functions in the area. Expansion into Austria was launched through the Accelerator programme, allowing to build a solid reputation as a relevant stakeholder in the local climate ecosystem. While the Group already had offices and staff in eastern Europe (Poland, Hungary), the Central Eastern Europe geography was also formally set up within the Group, with the objective to provide better coverage for the Group's activities and strengthen its partnership community in CEE.

In 2018, the Group processed 43 partnership applications leading to an over 350-strong partner community by the end of the year, generating €1.8 million partnership fees to Climate-KIC Holding B.V. Various community engagement events have been held throughout the year with a major stakeholder get-together in the middle of the year at the Group's annual retreat.

The Group has also started to pay greater attention to developments in the external contexts including deepening and developing stakeholders in the European Commission, Member States, international institutions, experts and other relevant innovation partners such as city platforms. Building strategic relationships at this level is seen as key to ensuring the Group and the wider EIT community play a credible, active role in the international discussions and decision making that will shape the decarbonisation roadmaps needed to meet Paris Agreement targets.

Throughout 2018, the Group also worked on developing its new Transformation, in Time Strategy for 2019-2022. The process involved a set of preparatory workshops with partners, looking at questions of identity, context and choices. During an Annual Retreat with partners, the key strategic building blocks were confirmed and joint ownership of the strategic direction sought. This process involved representation from the main funder, EIT. Between June 2018 – November 2018, representatives of the Association Climate-KIC Governing Board and the Climate-KIC Holding B.V. Supervisory Board worked with the Executive to create, refine and finalise a draft of Transformation, in Time. A further workshop in September 2018 focused on reviewing any points of difference, before a near final draft was agreed with the Governing Board in November 2018. The Strategy itself was soft launched in December 2018, to coincide with the closing of the UNFCCC Climate Change conference.

In 2018, the Group continued to further develop business development around the guiding principles on financial sustainability developed in 2017: (i) direct leadership by senior management, (ii) focus on longterm high-revenue opportunities and reprioritisation of the existing pipeline to move away from limited scope smaller scale projects, (iii) rigorous alignment to the Group's mission and outcome-focus, and (iv) building on existing assets rather than creating new ones. In 2018, revisions were made to the model for attracting new funders, focusing more exclusively on grant funding from public and private sources. A central business development team was consolidated through regular online and face-to-face meetings, a deepening of the move towards a multi-funder organisation, and developing of the necessary business processes, tools and systems. At the same time, pipeline management was improved through Salesforce, including by integrating historical information and regularly updating and tracking of current opportunities. This enabled a more accurate pipeline, improved reporting and, through regular meetings, prepared internal functions (HR, Finance, Legal) to support proposal development.

The Group over its history has brought together many high-quality partners. Each year the partner community has expanded, however rather than simply expanding the network 2018, two additional focus areas were chosen. The first was to build a stronger sense of community which requires a transition from a transactional model to a relationship model built on deep trust and value. The second was to actively seek to increase the diversity of the community to include 'unusual actors' and new ways (beyond simply being partners) to engage with people and organisations who want to drive climate action. One of the major achievements of 2018 was creating an interactive online tool where partners can access who in the network is working on which topics, and to begin to create relationships and new projects within the community. The tool, known as Exaptive, also has novel matchmaking functionalities which, now the tool is operational, will be trialled in 2019. A significant amount of time has been spent working to harness the collective intelligence of the partner community to drive greater impact through systemic innovation. A key element of this was undertaking a Sensemaker analysis to understand the current views, values and health of this community. This work is critical as the Group moves forward as it provides a baseline to measure the success of future interventions against.

The Climate-KIC Group's own expenditure during 2018 is set out in this report under the section 'Statement of income and expenditure'. The principal developments in the Group's own expenditure were as follows.

- Full-year Partnership fees were charged to the member organisations of the Holding B.V. generating revenue for the Group other than the EIT grant.
- An increased level of operational expenditure was paid for directly by Climate-KIC Group companies instead of being paid via partners as a result of the Group undertaking all Climate-KIC overhead expenditure from the start of 2018.

Financial performance for the year

The total value of all income for the year totalled €84,686,604 (2017: €73,354,520) of which the total grant income earned before disallowances from the EIT in the year was €80,934,158 (2017: €70,404,073). The Group's cost reimbursement from the grant amounted to €34,215,991 (2017: €28,062,065) and remains Climate-KIC 's primary source of income. In the year this was supplemented by the charging of annual partnership fees of €1,843,800 (2017: €1,594,199) to partners and core partners of Climate-KIC. The grant agreement with EIT permits all expenditure made by the Group companies that fit with the Groups' grant application to be refunded. Therefore, as the Group has grown in the year with further staff and premises contracted, expenditure has grown as has the cost reimbursement from EIT.

The Group has recorded a profit for the year of € 1,834,480 (2017: €1,881,467). Total Group assets at the year-end amount to €49,087,070 (2017: €44,185,421) these primarily consist of the balance of the 2018 grant payment receivable from EIT (€26,042,580) and cash and cash equivalents (€16,313,024). The Group equity at the year-end is €3,796,407 (2017: €1,945,335). While the solvency ratio is 0.08 (2017: 0.04), the Group is able to meets its obligations through managing its working capital and EIT funding. At 31 December 2018, current ratio of the Group equalled to 1.10 (2017: 1.06). The going concern section below gives details as to management's strategy for growing reserves.

The Group staff conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

Climate-KIC Holding B.V. and its wholly owned subsidiaries, as disclosed in Note 1 to the financial statements, have put in place an organisational structure that is suited to the achievement of the objectives of the Group in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

Key Performance Indicators

The Group's primary funder, the European Institute of Innovation and Technology, uses KPIs to assess its performance. All KICs must use a series of KPIs called EIT Core KPIs, these KPIs encompass areas such as Graduates from EIT labelled MSc and PhD programmes, start-ups created and products or processes launched on the market. The level of overall Climate-KIC funding in any given year depends in part on how the Group performs against these KPIs. In addition, EIT expects each KIC to define a further set of KPIs to better encapsulate their societal challenge. This set of KPIs are known as the Climate-KIC KPIs.

Climate-KIC has a code of conduct which is compulsory for all Climate-KIC people and members of the Executive and Supervisory Boards to adhere.

Risk management

Risks are identified in a structured bottom-up and top-down manner across the whole of Climate-KIC. Senior managers have frontline responsibility for identifying (and reviewing existing) risks and reporting and assessing such risks in accordance with the required methodology. Other colleagues are also encouraged to play a role and contribute - the Risk Register is available to all on the Climate-KIC intranet. The third-party whistle blowing service provides an avenue for anonymous reporting.

Risks are communicated to the General Counsel acting as the Chief Risk Officer, managing the risk management process (reporting to the CFO in disciplinary sense and the Audit and Risk Committee on an operational level). Given the purpose and nature of Climate-KIC, the Group has an overall conservative risk appetite. However, given the stage of the life cycle that Climate-KIC is in, a higher degree of risk has been undertaken in some instances. This has mainly been identified in the Group's internal processes and an Audit and Risk Committee was created.

Climate-KIC has a seven-year (2016 – 2022) framework partnership agreement with the EIT enabling annual specific grant agreements. EIT is committed to the establishment of Climate-KIC as a standalone independent organisation that will be capable of catalysing major positive developments in Europe's quest to tackle climate change. As such, the relevant documents stipulate that any expenditure by a Climate-KIC Group entity that is covered by the Group's annual specific grant agreement with EIT is reimbursed by way of a grant from the EIT. In 2018 as in 2017, the Group's grant agreement with EIT represented over 97% of expected revenue for the Group, with all budgeted costs of the Group itself recoverable from EIT through a grant. This relationship is the bedrock of Climate-KIC and gives financial certainty to the organisation whilst giving rise to the following key risks:

Strategic risk

The 7-year framework partnership agreement with EIT enabling annual specific grant agreements gives Climate-KIC a sound financial position for the years of the contract especially as EIT has consistently granted such annual grant agreements to Climate-KIC each year. On the risk side, Climate-KIC depends to 97% on one funder only, and this funding will reduce substantially over the years. To mitigate this risk, Climate-KIC in 2017 set up a central business development team and started new initiatives to identify and secure funding outside the EIT. To transform our funding, we are introducing an account management approach, deliberately focused on targeting funders with the potential to reach €10 million or more in support for us. We will focus our attention on building long-term relationships with major institutions, where the potential is to unlock multi-year, large-scale funding.

Climate-KIC management has identified a number of further risks, where strategic objectives may not be met. These include risks such as a lack of right partner balance, partners and projects not of being sufficiently high quality, and inability to develop a sustainable business model. Strong relationships with both partners and EIT are crucial for achieving strategic goals.

To mitigate the risk of strategic failure, management has put in place a robust partner onboarding process, ensuring that new partners are targeted to reach a right partner balance. Strategic value-add of each new partner is also documented as part of onboarding. Partner project budgets and impact are subject to regular assessment to ensure that project delivers promised impact. A portfolio process has been implemented by the company where the projects submitted are evaluated for effectiveness, quality and to ensure that it aligns with the objectives of Climate-KIC.

A business plan is being developed by an experienced team, approved by the Executive team and the EIT. Ongoing discussions with EIT regarding business plan development and compliance framework are undertaken to ensure that sustainable business model is delivered.

A further strategic risk consists of the fact that costs incurred by partners or Climate-KIC itself can be disallowed, even up to 100%, after the project has been delivered. This disallowance may be based upon disagreements by EIT / independent experts with either the cost or the performance report. Climate-KIC can do the best to mitigate, but cannot rule out that costs are disallowed, even to the level of 100%, and even in cases where Climate KIC and/ or partners have a different assessment of the success of the project and the eligibility of the costs. In the case of partner disallowances, Climate-KIC passes these on to the respective partners. Nevertheless, such cases of major disallowances may harm the longer-term relationship between the partners and Climate-KIC and may discourage partners from staying in the partnership. Further explanations can be found in the next chapter, “Funder Compliance Risks”.

Funder compliance risk

The EIT prescribes detailed and precise financial rules to determine whether the nature of and method by which expenditure was made may be reclaimed against its grant; it then conducts a rigorous audit process to assure itself that expenditure meets these rules. This takes place retrospectively meaning that expenditure that has been committed and undertaken can be deemed non-compliant with funding guidelines by EIT and, as such, subject to nil refund by EIT. Therefore, a significant risk to the Group is that an expenditure is disallowed and not accepted for EIT grant funding, requiring the Group to have an alternative source of funds to draw down on to make the repayment of any credit (prefinance) previously advanced by EIT. Initial discussions with the EIT regarding Climate-KICs 2018 grant application indicate that the provisions at 31 December 2018 for disallowances provide reasonable coverage for possible disallowed expenditure.

To mitigate this risk financial processes and procedures are centrally managed in the Group’s central finance team, it oversees all expenditure and seeks to ensure consistency of the expenditure allocation and its compliance with funding guidelines. The central finance team is designed to build expert knowledge in compliance with the funder guidelines and it has an open dialogue with the EIT.

A provision to the value of € 600,000 (2017: €300,000) is held in the Group balance sheet on 31 December 2018 to allow for instances where Group expenditure is disallowed by EIT. The provision was calculated based on the expected overhead spend of the company for the year in comparison to the overheads allowed as a percentage of the EIT grant. Management believe that this is a fair estimate of the risk of disallowance faced by the Group.

Business model risk

EIT funding and most sources of new funding are restricted in nature, contingent on delivering agreed performance. Climate-KIC’s business model depends on its partners to deliver projects that deliver performance ‘sold’ to a funder without direct control of partner activity.

To mitigate this risk Climate-KIC and its partners have a rigorous partner enrolment process which ascertains the expertise and validity of new partners and the projects that they will work on. All partners are simultaneously registered with the EIT which adds an additional layer of scrutiny and assurance as to the suitability of a partner to work on furthering Climate-KIC's mission. Climate-KIC is enhancing its grants management process by implementing a third-party specialist grants management software.

Financial Reserves risk

As a newly established Group without financial investors, the Group commenced operations with a low amount of financial reserves. This creates the risk that an unexpected liability could jeopardise the solvency of the Group. The going concern section of the Management Report explains the approach taken to going concern within the organisation and how the EIT seven-year funding agreement underpins the initial low reserve level.
To build up financial reserves and reduce this risk, partnership fees are charged to partners for the service that they receive. In 2018, these fees generated income of €1.8m for the Group. In future years, grant income is expected to be close to 100% of eligible expenditure and partnership fees are estimated to be €2m, whilst provisions for disallowed grant claims are anticipated to remain at approximately €600k. This scenario will give rise to a surplus of approximately €1,8 m to grow the Group's reserves. Further, the organisation's business plan places considerable importance on revenue diversification. Some of the additional resources recruited in 2018 that are funded under the grant agreement with the EIT are focused on generating revenue from other sources, part of this revenue will further build financial reserves. Obtaining this additional revenue from a standing start is anticipated to have a considerable lead time. Management believes that the geographic reach and multi organisation collaborative approach to delivering projects will serve as an attractive proposition for funders in the climate change innovation space.

Brexit risk

On 29 March 2017, the United Kingdom invoked Article 50 of the Treaty on the European Union. This decision may have a material long-term impact on Climate-KIC as it may require the organisation's Head Office to relocate and could restrict the ability of UK Partners to participate in EIT funded projects. The UK's withdrawal from the EU was intended to take up to two years from this date but an extension of this timeline has been requested from the EU and been granted until 31 October 2019, in the meantime the UK remains an EU member. It is unclear as to the relationship that the UK will establish with the EU following the conclusion of Brexit, however Climate-KIC's strong presence and partners in Switzerland acts a risk mitigating precedent for future non-EU partner participation in EIT funding.

Climate-KIC's business strategy is intended to raise funds from sources other than the EU and EIT, it is possible that Brexit might increase these possible funding sources and that UK partners would be well placed to take advantage of these.

The Head Office structure has been specifically designed to not be location dependent, its systems and processes can and are accessed and operated from across the EU and so relocating the Head Office would not put at risk ongoing operations.

The Minister of State for Universities, Science, Research and Innovation, Jo Johnson, reaffirmed recently the parameters of the UK Government's underwrite of Horizon 2020 funding, in which the Government made a policy commitment to underwrite the funding for all successful bids for competitive EU funding made by UK participants that are submitted before the UK leaves the EU.

Law and regulations risk

Climate-KIC operates in several European countries and participates in activities worldwide, which exposes the Group to a risk that a change in laws and regulations or increasingly complex compliance will materially and negatively impact Climate-KIC business. Climate-KIC has also identified a risk of failure to understand legal positions or exposure and comply with applicable laws and regulations. The Group minimises this risk by continuous training and education of its staff, engaging legal experts and streamlining compliance processes and procedures.

Financial reporting risk

Financial reporting at Climate-KIC is structured within a framework of budgeting and reporting. A distinction is made between reports for internal and external use. External reporting at Group level consists of an annual report, including financial statements audited by the external auditor. The external reports are based on the internal financial reporting, in accordance with Dutch GAAP. Where required, subsidiaries of Climate-KIC Holding B.V. maintain a separate, local set of books to ensure compliance with local financial reporting requirements. The consolidated Group reports are discussed with the Supervisory Board at minimum on a quarterly basis.

Financing risk

The company has no external financing in place. The EIT grant payment to the Group is structured in such a manner as to be cash flow positive for the Group. Approximately 50% of credit (prefinance) on the grant is received in the second quarter of the year, second instalment is paid in the fourth quarter of the year, with the balance paid in September following year after EIT's assessment and review of achievement of the grant criteria. A number of partners help support the Group's cash flow by not accessing available pass through of EIT credit (prefinance) until the grant is crystallised in the EIT final report and the Group has received the aggregate balance on the grant payments from the EIT. Pass through payments to partners are offset for Climate-KIC Holding B.V. grant management and other services, fees and amounts due.

Financial Instruments

Financial risk management is described in Note 2.

Outlook for 2019

Climate-KIC was awarded a €86.3 grant by the EIT for 2019 of which €37.0m is budgeted to be expended by Climate-KIC Group entities. During 2018, we increased our capacity to act as an effective backbone organization (an organisation dedicated to convening and coordinating a community of ideation, implementation and mobilisation). In December 2018, Climate-KIC published our strategy for 2019 – 2022 entitled *Transformation, In Time* in which we commit ourselves to accelerating the transition to a prosperous, inclusive, climate resilient society with a circular, net-zero emissions economy. During the next two years, we will focus on delivering against the following transformational goals, underpinned by effective communications with funders, institutional stakeholders and our community:

1. Fully operationalize our systems innovation value proposition across Climate-KIC's activities, including implementing a portfolio approach to innovation, entrepreneurship and education, and introducing practices of sense-making, insight and learning;
2. Align our community and community model with our strategy in order to fully leverage the power of the community;
3. Transition the organisation to a new design capable of delivering on the value proposition;
4. Address systems and processes to deliver best practice in operational and financial management;
5. Attract two to three significant funders alongside maintaining the EIT grant.

In 2019, the Group will continue to seek additional funding, whether from public or private sector, to diversify its funding base and become more resilient in the face of a decreasing EIT grant. A small core financial sustainability function has been in operation since the beginning of 2017. The decision has been made to take a portfolio approach from 2019 which means supporting many different but connected initiatives, less on their individual potential, and more as a spread of options for exploring alternatives and connections and testing ways forward. It is believed that this portfolio approach will allow us to learn quickly and reduce the risks that come with transformation. As the portfolio approach is implemented, Climate-KIC will move from supporting individual projects to co-created investments in deep demonstrations in scale. Significant efforts are being placed on ensuring that the structure and expertise of the central financial sustainability function is shaped to achieve delivery of 2019 targets.

Operationally, Climate-KIC is expected to maintain the same level of activities as in 2018. Personnel levels are expected to increase, mainly due to the need to deliver a backbone organisation with an excellent grant management function as well as skilled staff to diversify revenue streams and deliver EIT-funded and other activities. Climate-KIC intends to work towards it goals and no investments or research and development is expected to be undertaken during the next 12 months.

The company has established a stable profit in the previous two years and the company will be striving continue to maintain similar profit levels going forward.

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Going concern

The Group holds a multi-year (2016 – 2022) framework partnership agreement with the EIT which enables annual specific grant agreements. EIT funding supports all of the Group's expenditure and this gives the Directors assurance that the Group will continue to be solvent.

The Group generates surplus revenue as a result of its partnership fees. These surpluses will help to build up the reserves of the Group. In addition, the Group is targeting to earn several additional revenue streams in the year ahead, each of which would generate a surplus to further help build Group reserves. Through the Strategic Planning for 2019, additional target funders have been identified and these include: European institutions and multi-national agencies, governments, city authorities, corporates and philanthropists and high net worth individuals.

The directors of Climate-KIC Holding B.V. have a reasonable expectation that it and the Group has adequate resources to continue in operation for the foreseeable future with the current framework partnership agreement with the EIT coming to an end in 2022. Thus, directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Signed in accordance with a resolution of the Executive Board.

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Kirsten Dunlop Richard Zaltzman

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Thomas Mitchell

Amsterdam, Netherlands
Date: 18 September 2019

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CONSOLIDATED BALANCE SHEET
AS AT 31 December 2018
(Before appropriation of result)

	Note	2018 EUR	2017 EUR
Assets			
Fixed assets			
Tangible fixed assets	3	66,284	75,315
Total fixed assets		66,284	75,315
Current assets			
Trade and other receivables	4	32,707,590	25,218,314
Cash and cash equivalents	5	16,313,196	18,891,792
Total current assets		**49,020,786**	**44,110,106**
Total assets		**49,087,070**	**44,185,421**
Liabilities			
Group equity	7	3,796,407	1,945,335
Provisions	8	900,000	600,000
Current liabilities	9	44,390,663	41,640,086
Total Equity and Liabilities		**49,087,070**	**44,185,421**

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 December 2018

	Note	2018 EUR	2017 EUR	
Revenue and other operating income				
Grant income	11	81,638,259	71,106,301	
Partnership fees	11	1,843,800	1,594,199	
Management fees		200,198	160,767	
Net turnover		83,682,257	72,861,267	
Other operating income	12	1,004,347	493,253	
Total operating income		**84,686,604**	**73,354,520**	
Less: Expenses				
Direct expenditure on grant based activities	13	59,035,293	49,444,695	
Accommodation costs		454,206	574,894	
Service and maintenance ICT equipment		574,244	483,590	
Other external services and advice	14	3,244,297	3,954,157	
Office and administration costs	15	1,468,414	1,966,462	
Advertising and marketing		97,769	477,944	
Total external costs		*64,874,223*	*56,901,742*	*
Employee costs	16	17,172,394	13,686,356	
Depreciation	3	21,366	17,647	
Other expenses		-	46,385	
Total operating expenses		**82,067,983**	**70,652,130**	
Operating result		**2,618,621**	**2,702,390**	
Interest income and similar charges				
Interest income		2,276	314	
Foreign exchange gains		-	4,272	
		2,276	**4,586**	
Interest expenses and similar charges				
Bank charges		51,250	62,725	
Foreign exchange losses		264,982	175,409	
		316,232	**238,134**	
Profit before corporation tax		**2,304,665**	**2,468,842**	
Corporation tax payable by group companies	17	470,185	587,375	
Profit after corporation tax		**1,834,480**	**1,881,467**	

* Comparative information is updated based on correction of error, refer to Note 1.c for more information

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR	2017 EUR
Cash flow from operating activities			
Profit before taxation		2,304,665	2,468,842
Adjusted for:			
- Depreciation, amortisation and retirements		27,881	17,647
- Movement in provisions		300,000	126,705
- Interest income		(2,276)	(314)
- Foreign exchange losses		264,982	171,137
Movements in working capital:			
- Trade and other receivables		(669,864)	(1,063,896)
- Grants receivable		(9,340,087)	5,732,878
- Trade and other payables		3,455,699	883,862
- Grants payable		(820,431)	(3,023,270)
Tax paid		(640,472)	(407,055)
Interest income		2,276	314
Net cash flows from operating activities		**(5,117,627)**	**4,906,850**
Cash flows from investing activities			
Investments in tangible fixed assets		(19,436)	(65,654)
Repayments from loans		2,576,670	
Net cash flows from investing activities		**2,557,234**	**(65,654)**
Net cash flows		**(2,560,393)**	**4,841,196**
Exchange losses on cash and cash equivalents		(18,203)	(170,019)
		(2,578,596)	4,671,177

The movement in cash and cash equivalents can be broken down as follows:

		2018	2017
Cash and cash equivalents at the beginning of the year		18,891,792	14,220,615
Movement during the year		(2,578,596)	4,671,177
Cash and cash equivalents at the end of the year		**16,313,196**	**18,891,792**

KPMG Audit
Document to which our report
1584900-19W00167150EDH
18 September 2019
also refers.
KPMG Accountants N.V.

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR	2017 EUR
Consolidated net result after tax attributable to the legal entity		1,834,480	1,881,467
Translation differences on foreign operations		16,592	1,118
Total result of the legal entity		**1,851,072**	**1,882,585**

KPMG Audit
Document to which our report
1584900-19W00167150EDH
18 September 2019
also refers.
KPMG Accountants N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2018

REPORTING ENTITY AND RELATIONSHIP WITH PARENT COMPANY

The Climate-KIC Holding B.V. ("the Company") has its legal address at Kattendburgerstraat 7, 1018 JA Amsterdam, The Netherlands. The Company also has subsidiaries and branches in the following countries: Belgium, France, Denmark, United Kingdom, Spain, Italy, Germany, Switzerland, Austria, Poland and Hungary. It is a private limited liability company under Dutch law and is registered as a financial holding under number 63299658 in the Trade Register.

Climate-KIC Holding BV is part of the Climate-KIC Group and is a fully-owned subsidiary of Association Climate-KIC which has a legal address at Kattenburgerstraat 7, 1018 JA Amsterdam, The Netherlands. The financial statements of Climate-KIC Holding B.V. are included in the consolidated financial statements of Association Climate-KIC, Utrecht.

The objectives of the Climate-KIC Holding B.V. and its controlled entities ("the Group") are to contribute to innovations aimed at mitigating and adapting to climate change. Climate-KIC Holding B.V.'s ultimate parent entity and controlling party, Association Climate-KIC, has been recognised by the European Institute of Innovation and Technology ("EIT") as an essential component of the Knowledge and Innovation Community ("Climate-KIC"), which is active in the field of mitigating and adapting to climate change.

These financial statements contain the financial information of both the Company and the consolidated companies of the Company ("the Group").

The activities of the Company and the Group are carried out both inland and abroad, with the countries of the European Union and other European Countries being the primary sales market.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. These financial statements cover the year 2018, which ended at the balance sheet date of 31 December 2018.

(a) Basis of preparation of the consolidated financial report

The consolidated financial statements are in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the further accounting principles.

(b) Application of Section 402, Book 2 of the Netherlands Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the Company exclusively state the share of the result of participating interests after tax and the other income and expenses after tax.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Correction of errors

After adoption of the 2017 financial statements, material errors in the presentation of the expenses as well as the disclosed amount for board remuneration was identified. These errors do not have an impact on shareholders' equity as per 31 December 2017 nor the net result for the year. The comparative figures for the year 2017 have been restated.

A complete overview of the impact on the financial position in the balance sheet and the profit and loss account can be stated as follows:

- in the 2017 financial statement a breakdown of external expenses was included. In accordance with Dutch Law, the external expenses should be included in the face of the profit and loss. As a result, we included a subtotal for other external expenses amounting to EUR 56,9 million;
- in the 2017 financial statements no breakdown was provided of remuneration to executive board members and supervisory board members. Furthermore, the disclosed amount was incomplete. As a result, we adjusted the comparative information in the disclosure of the board remuneration by including a split between executive board for EUR 467,066 and supervisory board for EUR 118,007.

(d) Going concern

The financial report has been prepared on a going concern basis.

During the year ended 31 December 2018 the Group reported an operating profit after corporation tax of €1,834,480 (2017: €1,881,467) and at the reporting date total assets exceeded total liabilities by €3,796,407 (2017: €1,945,335).

The Group holds a multi-year funding agreement with the EIT, with a new seven-year agreement signed in early 2016. EIT funding supports all the Group's expenditure and this gives the Directors assurance that the Group will continue to be solvent.

The EIT grant payment to the Group is structured in such a manner as to be cash flow positive for the Group. Approximately 50% of the grant is received in the second quarter of the year with the balance paid in the fourth quarter of the year. Partners support the Group's cash flow by accepting that they will only receive their grants once the Group has received the grant payments from EIT and deducted its own expenditure. Through the Strategic Planning for 2019, additional target funders have been identified and these include: European institutions and multi-national agencies, governments, city authorities, corporates and philanthropists and high net worth individuals.

The directors of Climate-KIC Holding B.V. have a reasonable expectation that it and the Group has adequate resources to continue in operation for the foreseeable future with the current framework partnership agreement with the EIT coming to an end in 2022.

The Group expects to generate profit as a result of its introduction of the partnership fees. These surpluses will help to build up the reserves of the Group. In addition, the Group is targeting to earn several additional revenue streams in the year ahead, each of which would generate a surplus to further help build Group reserves. The directors of Climate-KIC Holding B.V. have a reasonable expectation that it and the Group has adequate resources to continue in operation for the foreseeable future. Thus, directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(e) General

Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises of which the size can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate.

(f) Estimates

In applying the principles and policies for drawing up the financial statements, the directors of the Group make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. Actual results may differ from these estimates. Estimates and judgements are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. If it is necessary in order to provide the true and fair view required under Art 2:362 part 1 DCC, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and require judgements, estimates and assumptions:

- Any potential disallowances that might arise which would limit the amount of the grant;

(g) Principles of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity, its subsidiaries in the group, other group companies and all other entities which the parent entity controls. Or of which it controls the central management. Subsidiaries are participating interests in which the Company (and/or one or more of its subsidiaries) can exercise more than half of the voting rights in the general

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

meeting, or can appoint or dismiss more than half of the managing directors or supervisory directors. Group companies are participating interests in which the Company has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether the Company has control, potential voting rights are taken into account that can be exercised in such a way that they will provide the Company with more or less influence.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using uniform accounting policies for measurement and determination of result of the group. Adjustments are made, if applicable, to bring into line any dissimilar accounting policies in order to comply with the standards of the Dutch Accounting Standards Board.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Newly acquired participating interests are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Subsidiaries are consolidated in full.

The fully consolidated companies are listed below:

- Climate-KIC (UK) Ltd., London, United Kingdom (100%)
- Climate-KIC GmbH, Berlin, Germany (100%)
- Climate-KIC AG, Zurich, Switzerland (100%)
- Climate-KIC SAS, Paris, France (100%)
- Climate-KIC Kft., Budapest, Hungary (100%)
- Climate-KIC Sp z o.o., Wroclaw, Poland (100%)
- Climate-KIC B.V., Utrecht, the Netherlands (100%)
- Climate-KIC S.r.l., Bologna, Italy (100%)
- EIT Climate-KIC S.L., Valencia, Spain (100%)
- Climate-KIC ApS, Copenhagen, Denmark (100%)

(h) Related party

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Climate-KIC Holding B.V. and close relatives are regarded as related parties. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

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

A business combination is a transaction whereby the group obtains control over the assets and liabilities and the activities of the acquired party. The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (cost or fair value of it can be measured with reliability.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired Group company has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired Group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

(j) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency of the Group.

Transactions and balances

At initial recognition, transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, in the period in which the exchange difference arises, it concerns exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets and liabilities valued at current value in a foreign currency are converted at the exchange rate on the date on which the current value was determined. Exchange rate differences that arise from this translation are directly recognised in equity as part of the revaluation reserve.

Foreign subsidiaries

Assets and liabilities that are part of a net investment in a foreign operation are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the profit and loss account.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currency translations and balances

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: loans and receivables (both purchased and issued) and other financial liabilities. The company does not use derivative financial instruments or hold a trading portfolio.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. Purchases and sales of financial assets that belong to the category loans granted and other receivables are accounted for at the transaction date.

Current liabilities and other financial commitments

Current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

(l) Impairment of financial assets

Trade and other receivables found not to be individually impaired are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default and the increase of the number of receivables in its portfolio that are past due for more than 30 days. The outcome is adjusted when management is of the opinion that current economic and credit conditions are such that it is probable that actual losses will be higher or lower than the historical trends are suggesting.

The carrying amount of receivables is reduced by an allowance for doubtful debts. Receivables that appear to be irrecoverable are written off against the allowance. Other additions to and withdrawals from the allowance are recognised in the profit and loss account.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

ACCOUNTING POLICIES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

(n) Tangible fixed assets

Cost and valuation

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Equipment, office furniture and leasehold improvements are measured at cost, less accumulated depreciation and impairment losses.

The cost comprises the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use. Expenditure is only capitalised when it extends the useful life of the asset.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. Depreciation starts as soon as the asset is available for its intended use, and ends at decommissioning or divestment.

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset and/or future performance units regarding the asset.
Assets retired from active use are measured at the lower of book value or net realisable value.

(o) Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence can be exercised over the business and financial policies are valued according to the equity method on the basis of net asset value. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If and insofar as the Group can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for the amount of the estimated payments by the Company on behalf of the participating interest.

If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Unrealised profits on transactions with participating interests that are accounted for at net asset value are eliminated to the extent of the Company's share in the participating interest. This elimination is allocated to net turnover and recognition of deferred income/the share of result from participating interests and the net asset value of the participating interest (choose the one that is applicable).

The Company realises the eliminated result as a result of a sale to third parties, depreciation or impairment of the transferred assets recognised by the participating interest.

Loans to associates

Receivables recognised under financial fixed assets are initially valued at the fair value less transaction cost (if material). These receivables are subsequently valued at amortised cost. For determining the value, any impairments are taken into account.

Other receivables

Other receivables are initially measured at fair value and subsequently carried at amortised cost. Transaction costs are included in the initial valuation and recognised through profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement.

(p) Impairment of fixed assets

On each balance sheet date, the company assesses whether there are any indications that a tangible fixed asset or participating interest with significant influence may be subject to impairment. If there are such indications, the recoverable value of the asset is determined. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

(q) Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

(r) Current receivables

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

(s) Cash and cash equivalents

Cash and cash equivalents represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash and cash equivalents are measured at nominal value. Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date.

(t) Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

When Climate-KIC Holding B.V. purchases treasury shares, the consideration paid is deducted from equity (other reserves or any other reserve if the articles of association allow so) until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The consideration received will be added to the reserve from which earlier the purchase price has been deducted.

Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions

General

Provisions are recognised for legally enforceable or constructive obligations arising from a past event that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Rights and obligations resulting from contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent, are not recognised. Recognition occurs when the consideration to be received is not (or no longer) in balance with the performance obligation of the Company and this imbalance has adverse effects for the Company.

Provisions are measured at nominal value of the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date.

Provisions for disallowances are based on the company's assessment of potential disallowances by the EIT on any grant payments based on overspending or contravention of their rules. Provision for VAT recoverability is based on the potential repayments or penalties which could arise between the Company and the Dutch Tax Authorities.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

(v) Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

(w) Leases

The Company may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases . For the lease classification, the economic substance of the transaction is conclusive rather than the legal form .

At inception of an arrangement, the Company assesses whether the lease classifies as a finance or operating lease

Operating leases

The Group may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRINCIPLES FOR THE DETERMINATION OF THE RESULTS

(x) Revenue

Total income comprises the earned income from grants and the supply of services after deduction of discounts and such like and of taxes levied on the income.

Grants received by Climate-KIC Holding B.V. itself are recognised in the income statement in the same year as the costs eligible for grant payments. In the case of a multi-year grant where funds received are held for expenditure in future years the value of the grant for use in future years is recorded as a liability.

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Revenues from services rendered are recognised in the profit and loss account when the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably.

If the result from a specific service contract cannot be determined reliably, then revenues are recognised up to the amount of the service costs that are covered by the revenues. Revenues from services rendered are recognised in the profit and loss account in proportion to the stage of completion of the transaction as at the reporting date. Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Partnership fees are charged on annual basis, a partnership year is equivalent to a financial year.

Management fees are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Other revenues are accounted for in the reporting year to which they relate.

(y) Expenses

Expenses (excluding the direct expenditure on grant based activities) comprise costs chargeable to the year that are not directly attributable to the cost of services provided.

Direct expenditure on grant based activities comprise costs which have been raised as a direct result of grant activity entered into on behalf of the EIT or other funders.

(z) Employee benefits costs

General

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For benefits with accumulating rights, sabbatical leave, profit-sharing and bonuses the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made. Contributions received as a result of a life-course savings scheme ('levensloopregeling') are taken into account in the period in which the contributions are due.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

Dutch pension plans
Basic principle is that the pension charge to be recognised for the reporting period is equal to the pension contributions payable to the pension provider over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid at balance sheet date exceed the payable contributions, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

If, on the basis of an administration agreement with respect to a group plan/multi-employer plan, there is an obligation at balance sheet date, a provision is recognised when it is probable that the measures, which are necessary for the recovery of the existing funding ratio at balance sheet date, will result in an outflow of resources and the amount thereof can be estimated reliably.
If there are adjustments to rights accrued as at the balance sheet date arising from future salary increases that are already committed to at the balance sheet date and which shall be paid by the Company, a provision is recognised.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is probable that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the employees and other (explicit or implicit) commitments to the employees. The provision is measured at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date. The pre-tax discount rate reflects the market interest rate at the balance sheet date of high quality corporate bonds/yield on government bonds. Risks that have already been taken into account in estimating future expenditure are not included in the discount rate.

For any surplus at the pension provider as at balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company and if the receivable can be reliably determined.

Pension contributions are made to defined contribution pension schemes belonging to the employees. The premiums payable during the financial year are charged to the result. The Group has no further payment obligations once the contributions have been paid.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign pension plans

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the liability as at balance sheet date. This liability is measured on the basis of an actuarial measurement principle generally accepted in the Netherlands.

(aa) Interest income and similar income and interest expenses and similar charges

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

(bb) Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

(cc) Value added tax (VAT)

Revenues, expenses and purchased assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Tax Authority. In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flows on a gross basis.

(dd) Fiscal unity

The Company forms a fiscal unity for corporate income tax purposes together with Association Climate-KIC, and Climate-KIC (UK) Ltd (Netherlands Branch). Each of the companies recognises the portion of corporate income tax that the relevant company would owe as an independent tax payer, taking into account the allocation of the advantages of the fiscal unity to the various companies.

(ee) Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other. The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ff) Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

NOTE 2: FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks comprising:

- Currency risk
- Credit risk
- Interest rate and cash flow risk
- Liquidity risk
- Fair value risk

The board of statutory directors has overall responsibility for identifying and managing operational and financial risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company mainly operates in the European Union. The currency risk for the Climate-KIC Holding B.V. largely concerns positions and future transactions in British Pounds Sterling, Hungarian Forint, Polish Zloty, Swiss Franc and Danish Kroner. Management has determined, based on a risk assessment, that these currency risks do not need to be hedged. The majority of all transactions are in Euros with no fixed or determinable timings for payments in other currencies.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Climate-KIC Holding B.V.’s credit risk is concentrated on its principal funder the EIT. The EIT receives its funding directly from the EU budget and only enters into its grant agreement with the CKIC Group when its own funding for the year is guaranteed meaning the Groups credit risk is minimal. From time to time the Group may prepay a partner an amount that exceeds the actual value of its grant for the year, this may lead to a prolonged period in which a Partner is a credit risk. A specific provision is included in the financial statements to account for this risk. Total credit risk is €32,707,590 (2017: €25,218,314).

(c) Interest rate and cash flow risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group does not have any long term interest bearing borrowings. Interest payments occur on late tax and credit card payments. These payments are minimal, and the Group minimises late payment fees by working closely with external advisers to ensure required payments are made on time.

NOTE 2: FINANCIAL INSTRUMENTS(CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Climate-KIC is reliant on the EIT funding and the pre-finance provided prior to grant completion. To ensure that the Group is not exposed to liquidity risk, pre-finance condition is agreed on in the grant agreement. Financial liabilities of the Group are well timed with grant payments that are received from EIT during the financial year.

(e) Fair value

The fair value of most of the financial instruments recognised on the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

NOTE 3: TANGIBLE FIXED ASSETS

	Equipment	Office Furniture	Leasehold Improvements	Total
Balance at 1 January 2018				
Acquisition cost	28,599	33,785	42,025	104,409
Cumulative and depreciation and impairments	(13,491)	(12,079)	(3,524)	(29,094)
Book values	15,108	21,706	38,501	75,315
Movements				
Additions	10,854	8,582	-	19,436
Retirements	-	-	(6,515)	(6,515)
Depreciation	(9,334)	(8,549)	(3,483)	(21,366)
Reclassification of depreciation	13,091	(13,091)	-	-
Translation adjustment	(586)			(586)
Balance	14,025	(13,058)	(9,998)	(9,031)
Balance at 31 December 2018				
Acquisition cost	39,453	42,367	35,510	117,330
Cumulative impairments and depreciation	(10,320)	(33,719)	(7,007)	(51,046)
Book values	29,133	8,648	28,503	66,284
Depreciation percentages	33%	33%	14%	

Retirements relate to leasehold improvements which had been abandoned at previous offices when moving before the end of the lease term.

During the current year, depreciation has been reclassified as it had previously been erroneously recorded against the incorrect class of asset.

NOTE 4: TRADE AND OTHER RECEIVABLES

	2018 EUR	2017 EUR
Trade debtors	819,063	1,324,124
Receivables from shareholder	483,859	2,858,885
Grant receivable	28,884,713	19,544,626
Other receivables, prepayments and accrued income	2,519,955	1,490,679
	32,707,590	**25,218,314**

All receivables have a remaining term of maturity of less than one year. The fair value of receivables approximates the carrying amount, because of their short-term character and the fact that provisions for bad debt are recognised, where necessary.

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NOTE 4: TRADE AND OTHER RECEIVABLE (CONTINUED)

	2018	2017
	EUR	EUR
TRADE DEBTORS		
Trade receivables	879,644	1,384,705
Allowance for doubtful accounts	(60,581)	(60,581)
	819,063	**1,324,124**

Trade debtors includes receivables for an amount of up to €nil with a remaining maturity of more than one year.

	2018	2017
RECEIVABLES FROM SHAREHOLDER		
Amounts receivable from:		
- Association Climate-KIC	483,859	2,858,885
	483,859	**2,858,885**

There is no interest charged on the receivable and no fixed terms of payment.

	2018	2017
GRANT RECEIVABLE		
Grant claimed from EIT	81,048,883	70,620,518
Less grant received from EIT in year	(55,006,303)	(52,388,044)
EIT Grant receivable - current year	26,042,580	18,232,474
Other grants receivable	2,604,540	987,227
EIT grant - previous years	237,593	324,925
Total grant receivable	**28,884,713**	**19,544,626**

The grant receivable is the 2018 grant claimed from EIT for both CKIC Group (including €114,726 (2017: 216,444) for its shareholder) and its partners. Other grants receivable relates to grants receivable from parties other than the EIT.

	2018	2017
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME		
Other receivables	1,580,388	1,094,800
Prepayments	440,743	216,772
Accrued income	498,824	179,107
	2,519,955	**1,490,679**

NOTE 5: CASH AND CASH EQUIVALENTS

	2018	2017
Current accounts	16,313,196	16,004,823
Flexible savings account	-	2,886,969
	16,313,196	**18,891,792**

The cash and cash equivalents are at the Group's free disposal.

Climate-KIC Holding B.V. has credit facilities at financial institutions for an amount of EUR 403,883. During the year, these credit facilities are not used.

NOTE 6: CASH FLOW STATEMENT

Under the investments in tangible fixed assets only the investments are included for which in 2018 cash was paid. No investments have been made by means of financial leasing.

NOTE 7: GROUP EQUITY

A full disclosure of equity is made in Note 25.

NOTE 8: PROVISIONS

	2018 EUR	2017 EUR
Provision for disallowed EIT grant	600,000	300,000
Other provisions	300,000	300,000
	900,000	**600,000**

An amount of € nil of the provisions can be classified as non-current (longer than one year).

The movements in provisions are as follows:

	EIT disallowance provision EUR	Other provisions	Total EUR
Balance as at 1 January 2018	**300,000**	**300,000**	**600,000**
Release	(300,000)	(300,000)	(600,000)
	-	-	-
Additions	600,000	300,000	900,000
	600,000	300,000	900,000
Balance as at 31 December 2018	**600,000**	**300,000**	**900,000**

The determination of the final EIT grant does not take place until up to two years from the end of the year to which the grant relates due to the EIT audit process. To mitigate the risk that Group expenditure may be disallowed and an element of the 2017 grant recalled by EIT in future years a provision for the disallowed grant is made based on the historic rate at which Group expenditure has been disallowed.

Other provisions include provisions for potential repayment due to an objection of Dutch Tax Authorities against VAT returns and other claims.

	2018	2017
	EUR	EUR
NOTE 9: CURRENT LIABILITIES		
Grant payable	35,803,862	36,624,293
Trade creditors	3,730,841	1,664,418
Tax and social insurance	740,570	827,547
Other liabilities, accruals and deferred income	4,115,390	2,523,828
	44,390,663	**41,640,086**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates to the book value due to their short-term character.

	2018	2017
	EUR	EUR
GRANT PAYABLE TO PARTNERS		
Grant claimed from EIT	81,048,883	70,620,517
Grant claimed from EIT for CKIC group costs	(34,215,992)	(28,062,065)
Payments to partners in relation to the grant	(13,152,720)	(12,433,181)
	33,680,171	30,125,271
EIT grant payable - prior years	1,001,017	5,511,795
Other grants payable	1,122,674	987,227
Total grant payable	**35,803,862**	**36,624,293**

The grant payable to partners is arrived at after deducting disallowances and payments to partners under the 2018 grant that were made during the year.

	2018	2017
TAX AND SOCIAL INSURANCE		
Social security charges	351,576	268,266
Corporate income tax	388,994	559,281
	740,570	**827,547**

	2018	2017
OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME		
Accruals	1,759,236	1,608,780
Deferred income	2,356,154	915,048
	4,115,390	**2,523,828**

NOTE 10: ASSETS AND LIABILITIES NOT RECOGNISED IN BALANCE SHEET

The Group has the following obligations under operating leases.

	2018 EUR	2017 EUR
Lease obligations to pay:		
Within one year	1,394,700	840,792
Between one and five years	1,226,027	453,534
After five years	58,793	84,923
Total	**2,679,520**	**1,379,249**

Below obligations relate to service agreements:

	2018 EUR	2017 EUR
Lease obligations to pay:		
Within one year	222,817	133,234
Between one and five years	208,371	3,743
After five years	-	-
Total	**431,188**	**136,977**

NOTE 11: GRANT INCOME

	2018 EUR	2017 EUR
The Netherlands	20,114,948	13,843,861
Other EU countries	54,373,688	50,630,308
Other European countries	6,969,011	6,582,132
Other countries	180,612	50,000
	81,638,259	**71,106,301**

The grant income is categorised into the above geographical breakdown according to the location of the subsidiaries and partners which will complete the work. Other EU countries include the United Kingdom (€13,9 million), Germany (€11,4 million), France (€4,3 million) and Italy (€4,3 million).

The breakdown of revenue by category is as follows:

	2018 EUR	2017 EUR
EIT grant - current year	80,934,157	70,404,073
EIT grant - prior year	-	779,661
Less provision for disallowance	(300,290)	(300,000)
Other grant income	1,004,392	222,567
	81,638,259	**71,106,301**

Climate-KIC was created by the European Institute of Innovation and Technology (EIT) in 2010 as part of the EU's Horizon 2020 initiative. Horizon 2020 is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market. Climate-KIC holds a multi-year funding agreement with the EIT, with a new seven-year agreement signed in early 2016. Through this agreement, the Group integrate education, entrepreneurship and innovation resulting in connected, creative transformation of knowledge and ideas into

NOTE 11: GRANT INCOME (CONTINUED)

economically viable products or services that help to mitigate climate change. Climate-KIC submits to EIT an annual business plan and receives a budget envelope on which it is required to report back to EIT. The approved budget is a benchmark for grant approval by the EIT. Non-delivery of the approved budget could result in disallowances to Climate-KIC by the EIT.

Grants awarded by the European Institute of Innovation and Technology (EIT) to all partners totalled €81,048,883 in 2018 (2017: €70,620,517) (reconciliation overleaf). In 2018, Climate-KIC Holding B.V acted as the intermediary between the partners and EIT. A provision of €600,000 (2017: €300,000) has been made against this income to allow for the possible rejection of Climate KIC Group expenditure by EIT. Should elements of grants paid to partners be deemed ineligible after EIT audits, then depending on the year of the grant, Holding B.V. will be required to repay these funds to EIT. A provision of € 600,000 (2017: €300,000) has been made to allow for this occurrence.

The 2018 grant claim has been submitted to EIT and is now going through EITs two-year audit process. The 2018 grant claim has been approved with no disallowances identified to date. The 2017 grant has been finalised during 2018 with total disallowance of €nil. The Group has a sufficient provision for this disallowance in 2017. The 2017 grant has been finalised with all amounts payable to Partners settled. No additional disallowance has been incurred for the 2017 grant. During 2017, an amount of €779,661 was recovered from partners where disallowances had been made on co-funded projects with CKIC.

Other grant income relate to other sources of income that Climate-KIC has been working on cultivating over the course of the year.

The total value of the EIT grant awarded to Climate-KIC in 2018 appears in these financial statements as follows:

	2018 EUR	2017 EUR
EIT grant 2018 payment received in 2018	55,006,303	52,388,043
EIT grant 2018 receivable	26,042,580	18,232,474
EIT grant 2018 awarded to Climate-KIC and its partners	81,048,883	70,620,517
EIT grant 2018 awarded to Climate-KIC parent company	(114,726)	(216,444)
	80,934,157	**70,404,073**
EIT grant 2018 paid to Climate-KIC partners as pre-financing	13,152,720	12,433,181
EIT grant 2018 payable to Climate-KIC partners as final payments	33,565,446	29,908,826
EIT grant 2018 relating to Climate-KIC costs reimbursements	34,215,991	28,062,065
	80,934,157	70,404,073
EIT grant 2018 payable to Climate-KIC parent as final payments	114,726	216,444
	81,048,883	**70,620,517**

	2018 EUR	2017 EUR

NOTE 11: GRANT INCOME (CONTINUED)

Partnership fees have been earned from the following geographies:

	2018 EUR	2017 EUR
The Netherlands	133,010	163,109
Other EU countries	1,533,252	1,237,133
Other European countries	172,538	188,958
Other countries	5,000	5,000
	1,843,800	**1,594,199**

NOTE 12: OTHER REVENUE

	2018 EUR	2017 EUR
Education course fees	35,586	142,117
Other income	968,761	351,136
	1,004,347	**493,253**

Other income represents income from sponsorships, education course fees and other streams of revenue.

NOTE 13: DIRECT EXPENDITURE ON GRANT BASED ACTIVITIES

The direct expenditures on grant based activities only include the grants provided. Other direct expenditures included in other categories are as follows:

	2018 EUR	2017 EUR
Grants provided	50,385,395	45,263,753
Direct accommodation costs	649,073	330,358
Direct administration expenses	552,067	53,252
Direct marketing	883,033	371,546
Direct office rent	580,523	88,193
Direct other external services and advice	4,694,184	2,849,598
Direct other office expenses	64,819	32,493
Direct staff Expenditure	1,226,199	455,502
	59,035,293	**49,444,695**

The comparative information is reclassified to the respective categories to facilitate comparison.

NOTE 14: OTHER EXTERNAL SERVICES AND ADVICE

	2018 EUR	2017 EUR
Statutory audit fees	197,900	145,690
Other accounting and CFS audit fees	538,415	561,561
Consultancy fees	1,155,203	1,424,997
Legal and professional fees	472,902	534,885
Staff Expenditure	879,877	1,287,024
	3,244,297	**3,954,157**

NOTE 14: OTHER EXTERNAL SERVICES AND ADVICE (CONTINUED)

Following audit fees were expensed in the income statement in the reporting period:

2018	**KPMG Accountants N.V.**	**Other KPMG network**	**Total KPMG network**
	EUR	**EUR**	**EUR**
Audit of the financial statements	156,700	41,200	197,900
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	156,700	**41,200**	**197,900**

2017	**PWC Accountants**	**Other PWC network**	**Total PWC network**
	EUR	**EUR**	**EUR**
Audit of the financial statements	145,690	-	145,690
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	145,690	**-**	**145,690**

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

These fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

	2018	**2017**
	EUR	**EUR**

NOTE 15: OFFICE AND ADMINISTRATION COSTS

Office rent	581,631	929,630
Other office expenses	391,063	231,680
Insurance	136,117	126,978
Administration expenses	359,603	678,174
	1,468,414	**1,966,462**

NOTE 16: EMPLOYEE COSTS

Wages and salaries	14,044,716	11,276,230
Pension contributions	1,148,739	780,613
Social security charges costs	1,886,049	1,562,871
Other employee costs	92,890	66,642
	17,172,394	**13,686,356**

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NOTE 16: EMPLOYEE COSTS (CONTINUED)

The increase in employee costs is attributable to an establishment of additional subsidiaries during 2018 and an expansion of subsidiaries established during 2017.

	2018 EUR	2017 EUR

NOTE 17: CORPORATION TAX PAYABLE BY GROUP COMPANIES

The major components of the tax charge are as follows:

	2018	2017
Tax expense for the current financial year	569,153	587,375
Adjustment for prior periods	(98,968)	-
Income tax expense	470,185	587,375

	2018	2017
Surplus/(deficit) before tax	2,304,665	2,468,842
Deferred corporate income tax	-	-
Corporate income tax current financial year	470,185	587,375
Corporate income tax current previous year	-	-
Tax on result from ordinary business activities	**470,185**	**587,375**
Effective tax rate	20%	24%
Applicable tax	25%	25%

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries.

Corporate income tax has been charged on profits at the individual companies' rate. In 2018, the effective tax rate deviates from the applicable tax rate as a result of significant losses incurred by Climate-KIC Holding B.V. These tax losses did not lead to the recognition of a deferred tax asset in the current year.

The applicable tax rate is higher than that of the previous year as a result of additional branches being subject to different corporation tax rates.

NOTE 18: RELATED PARTY DISCLOSURES

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

There have been no transactions with related parties that were not on a commercial basis.

The Company has a loan of € 282,215 to its parent company. The loan is interest free and has no fixed terms of repayment. It is expected that the loan will be repaid within 12 months.

The remuneration of the managing and supervisory directors is included in note 31.

NOTE 19: AVERAGE NUMBER OF EMPLOYEES

The average number of employees of proportionally consolidated companies, converted into full-time equivalents was 204 in 2018 (2017: 166). 184 employees were employed outside of the Netherlands (2017: 150).

	2018	2017
Geographies	80	62
Themes	56	36
Support	68	68
	204	**166**

NOTE 20: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2018, of the Group.

CLIMATE-KIC HOLDING B.V.
SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2018
(Before appropriation of result)

	Note	2018	2017
		EUR	EUR
Assets			
Fixed assets			
Tangible fixed assets		38,252	57,287
Financial fixed assets	**22**	3,374,190	2,097,266
Total fixed assets		**3.412.442**	**2,154,553**
Current assets			
Trade and other receivables	**23**	33,639,557	22,789,504
Cash and cash equivalents	**24**	12,370,245	16,335,375
Total current assets		**46,009,802**	**39,124,879**
Total assets		**49,422,244**	**41,279,432**
Equity and Liabilities			
Equity	**25**		
Share capital		100	100
Other reserve		1,901,831	20,364
Foreign currency reserve		59,996	42,286
		1,961,927	**62,750**
Result after taxation		1,834,480	1,882,585
Unappropriated profit		**1,834,480**	**1,882,585**
Total Equity		**3,796,407**	**1,945,335**
Provisions	**26**	900,000	600,000
Current liabilities	**27**	44,725,837	38,734,097
Total Equity and liabilities		**49,422,244**	**41,279,432**

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
Share of result of participations after tax	1,260,332	1,297,043
Other income and expenses after corporation tax	574,148	585,542
Result after taxation	**1,834,480**	**1,882,585**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements are part of the 2018 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements.

In so far as no further explanation is provided of items in the separate balance sheet and the separate profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Climate-KIC Holding B.V. financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board.

The accounting policies for the company financial statements and Climate-KIC Holding B.V. financial statements are the same, with the exception of the following principles:

Financial instruments
In the separate financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies
Participating interests in group companies are accounted for in the separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share of result of participating interests
This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

NOTE 21: RESULT OF PARTICIPATION

Result of associates, measured at net asset value, was as follows:

	2018 EUR	2017 EUR
Result of participation in Climate-KIC (UK) Ltd.	545,519	671,944
Result of participation in Climate-KIC GmbH	196,229	145,604
Result of participation in Climate-KIC AG	130,635	147,048
Result of participation in Climate-KIC SAS	114,371	107,787
Result of participation in Climate-KIC Kft.	16,821	8,504
Result of participation in Climate-KIC Sp z o.o.	14,531	12,968
Result of participation in Climate-KIC B.V.	- 2,915	837
Result of participation in Climate-KIC S.r.l.	65,357	37,509
Result of participation in EIT Climate-KIC S.L.	66,063	46,291
Result of participation in Climate-KIC ApS	113,721	118,551
Total	**1,260,332**	**1,297,043**

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NOTE 22: FINANCIAL FIXED ASSETS

Climate-KIC Holding B.V. has the capital interests listed below. Each of these interests has been consolidated in full in the Group accounts.

	Participating interests	Total
	EUR	EUR
Balance as at 1 January 2017	**800,223**	**800,223**
Share of result of participating interests	1,297,043	1,297,043
Balance as at 31 December 2017	**2,097,266**	**2,097,266**
Balance as at 1 January 2018	**2,097,266**	**2,097,266**
Share of result of participating interests	1,260,332	1,260,332
Translation differences	16,592	16,592
Balance as at 31 December 2018	**3,374,190**	**3,374,190**

Guarantees

Climate-KIC Holding B.V. guarantees all outstanding debts and liabilities of Climate-KIC (UK) Ltd. on 31 December 2018 to third parties.

Exemption from audit

The subsidiary Climate-KIC (UK) Ltd. is exempt from the relevant UK audit requirements by the virtue of S479A of the Companies Act 2006.

Climate-KIC Holding B.V. has direct interests in the following participations:

	Date of acquisition/ inception	**Ordinary shares in issued capital as %**
Fully consolidated, direct interest:		
Climate-KIC (UK) Ltd., London, United Kingdom	24/03/2016	100%
Climate-KIC GmbH, Berlin, Germany	23/07/2015	100%
Climate-KIC AG, Zurich, Switzerland	30/09/2015	100%
Climate-KIC SAS, Paris, France	31/12/2015	100%
Climate-KIC Kft., Budapest, Hungary	15/12/2015	100%
Climate-KIC Sp z o.o., Wroclaw, Poland	08/01/2016	100%
Climate-KIC B.V., Utrecht, the Netherlands	07/01/2016	100%
Climate-KIC S.r.l., Bologna, Italy	18/01/2016	100%
EIT Climate-KIC S.L., Valencia, Spain	21/01/2016	100%
Climate-KIC ApS, Copenhagen, Denmark	15/11/2016	100%

	2018 EUR	2017 EUR
NOTE 23: TRADE AND OTHER RECEIVABLES		
Grant receivable	26,272,487	18,232,474
Receivable from shareholder	483,859	2,858,885
Receivable from group companies	5,122,141	4,863
Trade debtors	629,690	1,234,262
Other receivables	1,131,380	459,020
	33,639,557	**22,789,504**

GRANT RECEIVABLE

Grant receivable - EIT	**26,272,487**	**18,232,474**

RECEIVABLE FROM GROUP COMPANIES

Amounts receivable from:		
- Climate-KIC S.L.	262,415	-
- Climate-KIC AG	763,936	4,863
- Climate-KIC S.r.l	180,397	-
- Climate-KIC (UK) Ltd (Netherlands Branch)	924,659	-
- Climate-KIC (UK) Ltd	591,184	-
- Climate - KIC SAS	275,015	-
- Climate-KIC GmbH	782,289	-
- Climate-KIC Sp. Z.o.o	147,296	-
- Climate-KIC Kft	167,250	-
- Climate-KIC ApS	1,027,700	-
	5,122,141	**4,863**

TRADE DEBTORS

Trade debtors	690,271	1,294,843
Provision for bad debts	(60,581)	(60,581)
	629,690	**1,234,262**

OTHER RECEIVABLES

Receivable from partners for EIT grant	237,592	324,925
Other receivables	853,646	134,095
Sales tax and other social securities	40,142	-
	1,131,380	**459,020**

The determination of amounts due from partners in respect of prior grant years, as a result of EIT audits, does not take place until up to 2 years from the end of the year to which grant relates. Payment terms will be agreed with the relevant partner. Accordingly, amounts are recorded and disclosed as receivable in respect of prior grant years.

The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognised, where necessary.

	2018	2017
	EUR	EUR

NOTE 24: CASH AT BANKS AND IN HANDS

Current accounts	**12,370,245**	**16,335,375**

The cash at bank and in hand is at the company's free disposal.

NOTE 25: EQUITY

	Share capital	General reserve	Undistributed result	Currency translation reserve	Total Equity
	EUR	EUR	EUR	EUR	EUR
Balance as at 1 January 2018	**100**	**20,364**	**1,881,467**	**43,404**	**1,945,335**
Movements					
Profit appropriation	-	1,881,467	(1,881,467)	-	**-**
Result for financial year	-	-	1,834,480	16,592	**1,851,072**
Translation differences					
Balance as at 31 December 2018	**100**	**1,901,831**	**1,834,480**	**59,996**	**3,796,407**

Proposed appropriation of results

Following the result appropriation proposed by the Executive Board and pursuant to Articles of Association, the result for the year will be at the disposal of the general meeting.

The Executive Board proposes to appropriate the profit for the year of € 1,834,480 to the general reserve. This proposed appropriation is not yet reflected in the accompanying financial report.

Appropriation of profit of 2017

The financial statements for the reporting year 2017 have been adopted by the General Meeting on 18 September 2018. The General Meeting has adopted the appropriation of profit after tax as proposed by the Executive Board.

Share capital

The authorised share capital of Climate-KIC Holding B.V. amounts to €100, comprising 100 ordinary shares of €1. Issued share capital consists of 100 ordinary shares. In 2018, no shares were issued.

	2018	2017
	EUR	EUR

NOTE 26: PROVISIONS

Provision for disallowed EIT grant	600,000	300,000
Other provisions	300,000	300,000
	900,000	**600,000**

NOTE 26: PROVISIONS (CONTINUED)

An amount of € nil of the provisions can be classified as non-current (longer than one year).
The movements in provisions is as follows:

	EIT disallowance provision	Other provisions	Total
	EUR		EUR
Balance as at 1 January 2018	**300,000**	**300,000**	**600,000**
Release	(300,000)	(300,000)	(600,000)
	-	-	-
Additions	600,000	300,000	900,000
	600,000	300,000	900,000
Balance as at 31 December 2018	**600,000**	**300,000**	**900,000**

	2018 EUR	2017 EUR

NOTE 27: CURRENT LIABILITIES

	2018 EUR	2017 EUR
Grant payable to partners	34,566,462	35,327,016
Grant payable to shareholder	114,726	216,444
Payable to group companies	5,622,251	159,979
Accounts payable and accruals	4,422,398	3,030,658
	44,725,837	**38,734,097**

GRANT PAYABLE TO PARTNERS

	2018 EUR	2017 EUR
Grant claimed from EIT	81,048,883	70,620,517
Grant claimed from EIT for the Group's costs	(34,215,991)	(28,062,065)
Payments to partners in relation to the grant	(13,152,721)	(12,526,787)
	33,680,171	30,031,665
Grant payable to shareholder	(114,726)	(216,444)
Grant payable to partners - prior years	784,573	5,511,795
Grant payable to shareholder - prior years	216,444	-
	34,566,462	**35,327,016**

PAYABLE TO GROUP COMPANIES

	2018 EUR	2017 EUR
Amounts payable to group companies	5,622,251	159,979
	5,622,251	**159,979**

The accounts payable to group companies are all due within one year. No interest is charged over these payables.

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NOTE 27: CURRENT LIABILITIES (CONTINUED)

	2018 EUR	2017 EUR
ACCOUNTS PAYABLE AND ACCRUALS		
Accounts payable	2,785,951	2,057,145
Accruals	840,660	272,096
Sales tax and other social securities	-	25,345
Corporate tax	217,280	132,609
Deferred income	578,507	543,463
	4,422,398	**3,030,658**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

NOTE 28: RELATED PARTIES

A full disclosure of related party transactions is made on a Group basis in Note 19.

NOTE 29: FINANCIAL INSTRUMENTS

General

During the normal course of business, the Company uses various financial instruments that expose it to market, currency, interest, cash flow, credit and liquidity risks. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

Credit risk

Credit risk arises principally from the trade and other receivables and cash. The maximum amount of credit risk that the Company incurs is €33,6 million. The credit risk is concentrated with one counterparty for a total of €26,2 million. As previously disclosed, there is a long-standing agreement with the EIT.

Interest rate risk and cash flow risk

The Company has no interest-bearing borrowings.

According to the Framework Agreement with the EIT, they are responsible to pay the majority of the grant at the beginning of the grant period with the balance payable after reporting has been completed for the grant year.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Euro, but also British Pounds (GBP).

The Company does not make use of hedging instruments.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

The net currency position (€) as of 31 December 2018 is presented below:

	Assets (€)	Liabilities (€)	Future Transactions (€)	Position (€)
GBP	593,655	491,703	861,038	101,952
Total	593,655	491,703	861,038	101,952

The pre-tax result as of 31 December 2018 would be €5,2k higher/lower, in case the exchange rate of the Euro against GBP would increase/decrease by 5 percent, leaving all other variables constant.

NOTE 30: OFF BALANCE SHEET ASSETS AND LIABILITIES

The Company has the following obligations under operating leases.

	2018 EUR	2017 EUR
Lease obligations to pay:		
Within one year	1,007,391	201,000
Between one and five years	632,430	-
After five years	58,793	-
Total	**1,698,614**	**201,000**

Below obligations relate to service contracts:

	EUR
Minimum lease payments	67,707
Conditional lease payments	-
Sub-lease revenue	-
Total	**67,707**

NOTE 31: DIRECTORS' AND SUPERVISORY BOARD COMPENSATIONS

	2018 EUR	2017 EUR
Members of the Executive Board	731,619	467,066
Members of the Supervisory Board	163,969	118,007
Total	**895,588**	**585,073**

The directors' remuneration relates to payments made to the directors of the Executive Board and the Supervisory Board. The directors' remuneration includes remuneration paid in relation to directors' fees and periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as pensions to the extent that these items were charged to the Company.

NOTE 32: EMPLOYEE BENEFITS AND AVERAGE NUMBER OF EMPLOYEES

During 2018, the following employees were employed full-time:

	2018	2017
Climate-KIC Holding B.V.	6	-
Climate-KIC Holding B.V. Austria Branch	1	-
Climate-KIC Holding B.V. Belgium Branch	5	7
Climate-KIC Holding B.V. UK Branch	17	-
	29	7

NOTE 33: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the company, or
(b) the results of those operations.

The Company embarked on a process of establishing branches in all countries where a subsidiary of Climate-KIC Holding BV operated in 2019. These branches will start trading from 1 January 2020, taking over operations from the companies which had previously been operating.

DIRECTORS' SIGNATURES

Kirsten Dunlop

Richard Zaltman

Thomas Mitchell

Thomas Goergen

Monika Weber-Fahr

Timo Nurminiemi

Yvo de Boer

Barna Barath

Amsterdam, 18 September 2019

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OTHER INFORMATION

Independent auditor's report

Independent auditor's report is attached to this financial report.

Articles of association governing profit appropriation

Article 22 of the articles of association states the following regarding profit appropriation:

The General Meeting is authorized to appropriate the profits which have been determined by adopting the annual accounts, and to determine distributions, to the extent the equity of the Company exceeds the reserves which must be maintained under Dutch law.

Branch offices

The Company has branch offices in Austria, Belgium and the United Kingdom that operate under the respective trade names Climate-KIC Holding B.V. Austria Branch, Climate-KIC Holding B.V. Belgium Branch and Climate-KIC Holding B.V. UK Branch.

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Climate-KIC Holding B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2018 of Climate-KIC Holding B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Climate-KIC Holding B.V. as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1 the consolidated and separate balance sheet as at 31 December 2018;

2 the consolidated and separate income statement for 2018;

3 the consolidated statement of cash flows;

4 the consolidated statement of comprehensive income; and

5 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Climate-KIC Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the financial report

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

— management report;

— other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

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

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

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

The Executive Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- concluding 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities or operations. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities or operations or which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Eindhoven, 18 September 2019

KPMG Accountants N.V.

A.J. van Eijk RA

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