IAS/IFRS Consolidated Financial Statements
Report at 31 December 2018

Eurovita Holding S.p.A.

Eurovita Holding S.p.A.

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20123 Milan, Italy
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Fully paid-in share capital €1,000,000

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EUROVITA HOLDING

Eurovita Holding S.p.A.

Report on Operations

Shareholders,

The financial statements at 31 December 2018 of the Group Eurovita Holding S.p.A., which we submit for your approval, show a Group profit of €12.7 million, compared to a profit of €35.4 million for the Group in the previous financial year.

The most significant data that emerge from the end of financial year 2018 are shown in the following table:

Amounts in Euro thousand

	31 December 2018	31 December 2017
Gross earned premiums	1.252,2	521,4
Acquisition costs and admin. exp.	66,8	83,6
Net insurance benefits and claims	1.157,5	382,4
Gross earned premiums pertaining to the Life segment	1.252,2	521,4
Acquisition costs and admin. exp. - Life	66,8	81,2
Impact on premiums	5,3%	15,6%
Total financial income	80,0	79,6
Total financial charges	75,1	61,0
Investments	16.297,0	17.726,5
Capital and reserves of the Group (net Profit of the Year)	343,0	424,7
Net profit for the Group	12,7	35,4
Number of employees at 31/12/2018	223	291

1. Introduction

In June 2016, Cinven took control of the Ergo Italia Group, subsequently changing its name to Gruppo Assicurativo Flavia. All the companies belonging to the Group were subject to management and control by the Parent Company Phlavia Investimenti S.p.A., which took on the role of ultimate Italian parent company, pursuant to Article 20-*ter* of the Private Insurance Code. With effect from 1 January 2018, Phlavia Investimenti S.p.A. (now Eurovita Holding S.p.A.) acquired the investee company Ergo Italia S.p.A.

During 2017, the subsidiary Ergo Previdenza S.p.A. (hereinafter also “Ergo Previdenza”) carried out two acquisitions. On 9 January 2017, subject to IVASS authorization by Measure No. 0228541/16 of 7 December 2016, Ergo Previdenza completed the acquisition of the entire share capital of Old Mutual Wealth Italy S.p.A. (hereinafter also referred to as “Old Mutual” or “OMWI”), while on 11 August 2017, subject to IVASS authorization issued by Measure No. 0150511/17 of 3 August 2017, it finalized the acquisition of the share capital of Eurovita Assicurazioni S.p.A. (hereinafter also “EVA”). Following authorization by IVASS the merger of Old Mutual Wealth Italy and Eurovita Assicurazioni into Ergo Previdenza became effective on 31 December 2017.

- from ERGO Italia Direct Network S.r.l. to Agenzia Eurovita S.r.l.;
- from ERGO Italia Business Solutions S.c.r.l. to Eurovita Service S.c.r.l.

On 20 June 2018, the company Eurovita Holding S.p.A acquired the equity investments that Agenzia Eurovita S.r.l and Eurovita S.p.A held in Eurovita Service S.r.l. (respectively 0.52% and 6.21%) with the aim of allowing Eurovita Holding S.p.A. to hold 100% of the former consortium company and subsequently proceed with the merger. This transaction took place on 20 November 2018, with retrospective accounting and tax effects as from 1 January 2018, with the aim of simplifying and streamlining the corporate chain.

Comparative analysis of data with respect to the previous fiscal year

The comparative analysis of business data for the year compared to those of the previous fiscal year is affected by the fact that the acquired company Eurovita Assicurazioni contributed to the Group's 2017 earnings only starting from 11 August 2017; following the Purchase Price Allocation process ("PPA") required by IFRS 3, the acquisition of Eurovita Assicurazioni generated a so-called "good deal" amounting to €21.1 million, recognized under "Other revenues" in the Consolidated Financial Statements at 31 December 2017.

2. Overview of the Economic Situation

The growth of the world economy has continued in recent months, but there have been signs of cyclical deterioration in many advanced and emerging economies; the prospects for world trade continue to worsen after the slowdown in the first part of last year. Uncertainties regarding the economic situation have had repercussions on the international financial markets, with a decline in long-term yields and a drop in share prices. Global prospects are affected by risks related to a negative outcome of the commercial negotiations between the United States and China, the possible recurrence of financial tensions in emerging countries and the manner in which Brexit will play out.

Growth in the euro area has weakened; in November industrial production decreased significantly in Germany, France and Italy. Inflation, although remaining on largely positive values, fell due to the slowdown in energy prices. The Governing Council of the ECB reiterated its intention to maintain a significant monetary stimulus for an extended period.

In Italy, after growth had stopped in the third quarter, the available economic indicators suggest that activities may have declined further in the fourth quarter. The reduction in domestic demand contributed to the weakening in the summer months, in particular investments and, to a lesser extent, household spending. According to the regular business survey conducted by the Bank of Italy in collaboration with *Il Sole 24 Ore*, in 2019 the investment plans of industrial companies and service providers are likely to be more contained following the political and economic uncertainty and commercial tensions.

The trend of Italian exports was still favorable in the second half of the year; the slowdown in global trade, however, affected the companies' forward-looking assessments of foreign orders. The current account balance remains largely positive; the country's net foreign debt position continues to improve, falling to just over 3 percent of GDP at the end of September.

In the summer quarter, the number of hours worked increased, while the number of employees fell slightly; according to the first available data, in autumn employment may have remained substantially stationary. The increase in contractual remuneration continued in all sectors.

Overall inflation declined to 1.2 per cent in December, mainly due to energy prices slowing down; the trend in the underlying component remained weak (0.5 per cent). Business expectations on price trends have been slightly revised downwards.

Risk premiums on sovereign securities fell, due to the agreement between the Italian Government and the European Commission on financial programs; the spread between Italian and German government bond yields in mid-January was around 260 basis points, 65 less than the November peak. However, the overall conditions of the financial markets remain tenser than those observed before the summer.

Share prices of credit companies have decreased on average by 14 percent since the end of September, reflecting worsening growth prospects, as in the entire euro area. However, since the end of last year, premiums on bond risk in the banking sector have been reduced due to the easing of tensions on sovereign bonds. In mid-January, the CDS premiums of the major banks were 40 basis points lower than in mid-November.

Credit supply conditions remain generally good; interest rates on loans are only slightly higher than in May, before tensions appeared on the government bond market. Looking ahead, however, the persistence of a high level of sovereign yields and bank funding costs may continue to push the cost of credit upwards. In recent surveys, companies indicate less favorable credit access conditions.

The reduction in the impact of non-performing loans on total loans continued, reaching 4.5 percent in the third quarter, net of adjustments, 1.8 points less than a year earlier. The flow of new non-performing loans on total loans remains limited (1.7 percent in the quarter, correcting for seasonal factors and on an annual basis).

The Italian government's financial plan will increase the deficit in the years 2019-2021 with respect to its trend value; according to official assessments, net borrowing may represent 2.0 percent of GDP in the current year, interrupting the decline underway since 2014. In consideration of the changes made to such financial plan, which in the version submitted initially was consistent with a 2019 deficit target of 2.4 percent of GDP, the European Commission decided not to start an Excessive Deficit Procedure against Italy at this stage.

The central projection of GDP growth is 0.6 percent this year, 0.4 points less than previously assessed. The following have contributed to the review: more unfavorable data on business operations observed in late 2018, which reduced the growth already acquired by an average 0.2 points this year; downscaling of business investment plans resulting from the latest surveys; downward world trade forecasts. On the other hand, the effects on growth brought by the agreement reached by the (Italian) Government with the European Commission are moderately positive: the favorable impact of the reduction in long-term interest rates largely compensates for the corrections to the Italian government's financial plan. Central growth projections for 2020 and 2021 are 0.9 and 1.0 percent, respectively. The dispersion of the probability distribution around these central values is particularly wide.
Inflation may gradually increase, from 1.0 per cent this year to 1.5 on average in the following two years, as a result of the increase in private remuneration and of the gradual alignment of inflationary expectations.

In addition to the global factors of uncertainty mentioned above, downside risks to growth are linked to the possibility of a new rise in sovereign yields, a more rapid deterioration in the financing conditions of the private sector and a further slowdown in the companies' propensity to invest. A more accentuated return of tensions on government bond yields may instead cause higher growth rates.

(*Source: Bank of Italy Economic Bulletin No. 1/2019*).

3. Situation of the Italian Insurance Market – Life Business

In 2018, the new production of individual and collective life policies of Italian and non-EU companies, including additional single premiums, reached €85.5 billion in premiums, a 3.8% growth compared to the previous year, when the contraction was 5.2%. New premiums for individual policies alone amounted to €82.3 billion, 96% of total new business, up 3.5% compared to 2017, when a decline of 5.6% was recorded.

Considering new life premiums of the sample of EU companies, equal to €13.7 billion, down 24.2% compared to the amount earned in 2017, new life business amounted in total to €99.2 billion, i.e. 1.2% less than the previous year.

Analyzing the trend by Class type, it should be noted that Class I maintained the leading role in the life segment in 2018, with an impact on total new business that rose to 65%, 3 percentage points more than in 2017. Against a premium amount of €55.6 billion, after a gradual contraction in volumes issued since 2015 (down 5.3% in 2015, down 4.0% in 2016 and down 18.2 % in 2017), Class I reported an increase of 8.4% compared to the previous fiscal year. However, this result was partly offset by lower funding in Class III, especially concentrated in the second half of the year, both for individual policies and collective policies, reporting a general drop of 4.5% at year end, for a volume of new premiums of €26.8 billion. The impact of Class III on the entire new premium income fell to 31%, from 34% in 2017. With regard to Class V, in 2018 there was a slight increase (up 1.4% compared to 2017) in new premium income, due solely to the growth of collective policies, which offset the decline reported by individual policies. New business relating to the management of pension funds (Class VI) amounted to €892 million in 2018, 4.9 % higher than in 2017.

With regard to new life business by distribution channel, in relation to the activities of Italian and non-EU companies, over two-thirds thereof was brokered through bank and post office branches, with a premium volume of €57.8 billion and an increase of 4.1% compared to 2017, solely due to the good performance of individual policies. On the other hand, the income performance of new policies through the channel of qualified financial advisers was negative. Against a premium amount of €12.5 billion, there was a contraction of 2.4% compared to 2017 and a market share that dropped by one point and stood at 15% of overall new business. The volume of new business distributed by the agents' channel in 2018 was €9.1 billion (11% of total new business), which decreased for the third consecutive year (by 1.0%) compared to previous year, while the channel of directly operated agencies reported an opposite trend, growing further by 15.5%, representing new premiums of €4.7 billion (6% of the total).

Adding individual and collective policies of subsequent years, in relation to policies subscribed in previous years, to new business premiums, it is estimated that total life premiums (gross amounts) should reach approximately €102 billion in 2018, i.e. an increase of 3% compared to 2017. This result is, as already noted for new business in the current year, due to the increase (5%) of premium income relating to Class I, i.e. €66 billion (65% of total life premiums), offset by the drop in Class III policies (unit-linked), which in 2018 should touch €30 billion (29% of total income), i.e. a drop of 5% compared to 2017.

New annual business by distribution channel

Italian and non-EU enterprises (Euro million)

(individual and collective)	2016		2017		2018	
DISTRIBUTION CHANNEL	Premiums	16/15 (%) change	Premiums	17/16 (%) change	Premiums	18/17 (%) change
Bank and post office branches	60.047	-12,0%	55.516	-7,5%	57.790	4,1%
Agents	9.593	-1,2%	9.229	-3,8%	9.133	-1,0%
Directly Operated Agencies	3.844	1,5%	4.072	5,9%	4.702	15,5%
Qualified Financial Advisers	12.667	-24,7%	12.848	1,4%	12.535	-2,4%
Other forms (including Brokers)	679	18,1%	637	-6,3%	1.303	104,7%
Italian and non-EU enterprises	**86.830**	**-12,4%**	**82.302**	**-5,2%**	**85.462**	**3,8%**

Breakdown of premiums by type and distribution channel

(individual and collective)		BREAKDOWN					
TYPE OF PREMIUMS	No. of policies / adhesions	Bank and post office branches	Agents	Directly operated agencies	Qualified Financial Advisers	Other forms (including Brokers)	Total
Annual	15,8%	0,4%	2,4%	3,2%	0,2%	0,7%	0,6%
Single	61,6%	94,0%	87,1%	82,9%	98,7%	82,8%	93,5%
Recurring	22,6%	5,6%	10,5%	13,8%	1,2%	16,5%	5,9%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

(Source: ANIA – Trends - February 2019)

4. The Group's Performance

4.1 General Performance

As already highlighted above, the Group recorded a consolidated Group profit of €12.7 million, compared to the Group's positive result of €35.35 million in 2017. The reduction is mainly due to the fact that the result of the previous fiscal year benefited from the gain from the "good deal" calculated as the difference between the purchase price and the fair value of the assets and liabilities of Eurovita Assicurazioni S.p.A. at the acquisition date (i.e. €21.1 million).

The 2018 result was affected by the results obtained by the subsidiary companies as examined below, (€30.88 million achieved by the company Eurovita S.p.A., affected by the partial charging through the Income Statement of the effects of the "PPA" of the former companies OMWI and EVA, and €1.42 million achieved by the Agenzia Eurovita), by the negative result of Eurovita Holding amounting to €3.36 million (net of the revaluation effect of equity investments) and by the negative effect deriving from the charging through the Income Statement of the effects deriving from the adoption of the price allocation process for the acquisition of the former company Ergo Previdenza S.p.A. according to accounting standard IFRS 3 ("Purchase Price Allocation" or "PPA", for a total of €16.04 million).

With regard to capital management, the objectives of the company Eurovita Holding are, in summary, the following:

- ensure compliance with the Group's solvency requirements laid down by legislation governing the operating sectors in which the investee companies operate;
- safeguard the Company's going-concern assumption and ability to develop business;
- continue to ensure an adequate return on capital to the shareholder;
- set adequate pricing policies that are proportional to the level of risk arising from the investee companies' activities.

The Board of Directors has the reasonable expectation that both the parent company and the other investee companies will continue their operations in the foreseeable future. The Company prepared the Financial Statements on a going-concern basis; it is believed that the current situation will not lead to significant uncertainties regarding events or conditions that could compromise the Group's existence. The investee Insurance Company is subject to the supervision of the (Italian) Supervisory Authority (IVASS) and meets the solvency requirements set forth in the relevant legislation.

On 20 February 2019, IVASS notified the Board a report on the inspection carried out in the fourth quarter of 2018 in respect of the Holding Company and of the Insurance Company. The scope of the inspection was the Solvency process and in such regard the Supervisory Authority raised some issues. In particular, with regard to BEL computation, it reported improvements to be made in the projection of redemptions, additional payments and in the valuation of expenses. On the SCR side, corrections were found to be necessary for the valuation of DT LACs. Governance issues were also found to be open to improvement, especially for the Holding Company.

Together with the inspection reports, IVASS issued two deeds of assessment in relation to the abovementioned issues and two "sanction" which prescribe:

- a ban to pay dividends until all the remedial actions related to the Solvency II regime will be properly implemented;
- the preparation of a Capital Plan, in case the Solvency ratio at 31 December 2018 was lower than the risk appetite framework (150%), which set out the actions to be carried out in order to assure that the Solvency ratio would meet the risk appetite framework in future on a continuative bases; and
- the preparation of a Remediation Plan which would aim to eliminate the deficiencies highlighted during the inspections and to assure the corporate governance and the BEL calculation would meet the Solvency II framework.

On 21 April 209 the Company sent over to IVASS respectively:

- the assessment made by the Board and Senior Management on the issues risen by the Regulator during the inspections;
- the Capital Plan and the Remediation Plan;

- the response to the deeds of assessment whereby the Regulator initiated the sanction process against Eurovita.

Based on the considerations set out in the inspection report, the Company transposed the information given by the Supervisory Authority in the calculation of the Solvency ratio for 2018 and forward-looking Solvency ratio for 2019-2020, also considering the technical opinion received from an actuarial consultancy firm on the findings submitted by the Supervisory Authority. For some governance issues or issues requiring IT implementations that cannot be implemented in the short term, the Group will, prudently accepting the Supervisor's recommendations, implement the Supervisory Authority's requests within 6 months of the notification thereof, as stated in the remediation plan.

In view of the inspection findings, within sixty days of the notification of the report, the Authority requested the Company to prepare a corporate recovery plan including a capital management plan. Likewise, it requested a detailed remediation plan of the weaknesses found, with the aim of remedying the information / quantitative gaps in the calculation of Own Funds ("OF") and of the Solvency Capital Requirement ("SCR").

Also as a result of abiding by the recommendations of IVASS, the Company, against a capital requirement (SCR) of €403.71 million, holds €486.26 million in OF with a Solvency II Ratio of 121%, assessed according to the provisions of Directive 2009/138/EC (Solvency II). This result shows an under-sizing that, in light of the actions undertaken, the Company's management team considers temporary and the result of the contingent situation that was created after the IVASS inspection. As mentioned above, the Supervisory Authority carried out the inspection during the fourth quarter of 2018 and presented its conclusions to the Company's Board of Directors on 20 February 2019. Accepting all the observations, the Company changed some of the technical assumptions underlying the calculation of Best Estimate Liabilities, in particular by adjusting redemption assumptions and, consequently, lengthened the duration of the portfolio. However, as the year 2019 had already started, the Company was substantially unable to adjust assets to cover commitments undertaken with policyholders (an operation in any case carried out in the first quarter of 2019). The Solvency level at 31 December 2018, therefore shows a mismatch between assets and liabilities, which, in turn, generated a significant impact on interest risk (in this case, down) in the order of 12 percentage points on the final Solvency ratio, as noted in the 2019 first quarter interim report.

In any case, the Board of Directors has the reasonable expectation that the Company will continue its operational existence in the foreseeable future and therefore obviously prepared the Report on Operations on a going-concern basis. The acquisitions and the merger that characterized 2017 laid the foundations for the establishment of a new insurance enterprise of primary importance on the Italian market, increasingly committed to expanding its distribution network and developing new products in the life sector.

As further proof of this, it should be stressed that the Holding Company recapitalized the Company by €27.4 million on 27 March 2019 with the aim of harmonizing the Solvency Ratio among the Group entities.

In addition to the aforementioned actions, the Company, as part of the Capital Management Plan that will be submitted to I.V.A.S.S, together with the aforementioned remediation plan, prepared a new Capital Policy aiming to raise the limit beyond which it can distribute dividends to 165%, make no dividend payouts for a temporary period, and issue a Tier 2 subordinated bond for up to €65 million, which will be fully subscribed by the shareholder for the purpose of bringing the Company to a Solvency II ratio of at least 150% as early as Q2 2019. The shareholder that indirectly holds a controlling stake in Eurovita attributable to the Private Equity Fund Cinven, as also described in the Capital Management Plan, initiated all the steps necessary to support the Company in subscribing for the entity's entire amount. The Fund's commitment letter in this regard is enclosed in the Capital Management Plan.

Based on the requirements of I.S.V.A.P. regulation No. 7/2007, the following is the mandatory information on compliance with Solvency Capital Requirements, in particular the amount of the Solvency Capital Requirement and the Minimum Capital Requirement, as well as the eligible amount of own funds to cover the aforementioned requirements classified by levels:

Available own funds eligible to cover SCR (amounts in Euro thousand)

	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	320.783	-	320.783
Tier 1 restricted	116.532	- 36.336	80.196
Tier 2	48.942	36.336	85.279
Tier 3	-	-	-
Total OF	**486.257**	**-**	**486.257**
Total SCR			**403.472**
Surplus (shortage)			**82.785**

Available own funds eligible to cover MCR (amounts in Euro thousand)

	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	320.783	-	320.783
Tier 1 restricted	116.532	- 36.336	80.196
Tier 2	48.942	- 12.609	36.334
Tier 3	-	-	-
Total OF	**486.257**	**- 48.945**	**437.312**
Total MCR			**181.562**
Surplus (shortage)			**255.749**

According to the provisions of Article 62 - Transitional provisions of IVASS Measure No. 53/2017 -, it should be noted that the data relating to the Solvency Capital Requirement and Minimum Capital Requirement set out above should be understood as estimates. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) within the timeframe established by IVASS regulations on Solvency II.

The Parent Company continued its coordination work and support for all Group companies. With regard to the risks to which the Group is exposed, please refer to the specific section of the Explanatory Notes.

The following is an analysis of the results that were determined by adopting the IAS / IFRS standards.

4.1.1 - Main Subsidiaries

The most significant data of the three subsidiaries are summarized below:

The financial statements at 31 December 2018 of **Eurovita S.p.A.** show a net profit of €30.9 million compared to a net profit of €19.2 million realized at 31 December 2017 (and relating only to the former subsidiary company Ergo Previdenza, as the merger of OMWI and EVA occurred on 31 December 2017).
The results of the two periods are therefore not comparable considering that the year 2017 shows the results of the merging company alone since the merged companies were merged as from the effective date of 31.12.2017. Moreover, the result for 2018, in addition to the income statements of the former companies Old Mutual Wealth Italy (hereinafter OMWI) and Eurovita Assicurazioni S.p.A. (hereinafter EVA), includes the impacts resulting from the partial charging to the Income Statement of the effects deriving from the Purchase Price Allocation (hereinafter PPA), recognized in the individual financial statements of Eurovita S.p.A. following the merger and the simultaneous decision to favor standards suitable to ensuring the continuity of values with respect to the consolidated financial statements, thus reflecting the impacts also within the separate financial statements. These impacts concerned the merged companies' amortization of VIF (positive for approximately €13.6 million) and the negative impact deriving from the different amortized cost and different gains / losses from realization of the securities portfolio, partially offset by the related shadow accounting effect (€22.2 million). Adjusted for the tax effect, the economic impact deriving from the PPA was approximately a negative €5.9 million.

With the aim of examining the company's economic performance as accurately as possible, the following table excludes the PPA effect from the 2018 income statement and includes the merged companies' contribution in the 2017 income statement. In this case, the net result would be equal to €36.8 million in 2018 against €47.6 million in 2017. The contraction in the result is essentially attributable to the reduction in Class III assets. The reduction in Class C income is largely offset by a smaller retrocession to policyholders.

The most significant data emerging from the end of fiscal year 2018, not including the PPA effect, are shown in the following table compared with the 2017 pro-forma:

Amounts in Euro million

	31 December 2018 pro-forma	31 December 2017 pro-forma
Gross earned premiums	1.252,2	965,4
Ceded premiums	53,2	62,9
Acquisition costs and admin. exp.	105,3	117,8
Impact on premiums	8,4%	12,2%
Net insurance benefits and claims	1291,8	1020,5
Total financial income	221,7	251,9
Total financial charges	68,8	75,6
Investments	16.273,3	17.698,7
Capital and reserves	317,5	426,2
Net profit	36,8	47,6
No. of shares	90.498.908	90.498.908
Net profit per share	0,41	0,53
Number of employees	213	277
Average number of employees	252	308

The most significant data emerging from the end of fiscal year 2018 can be summarized as follows:

The financial statements at 31 December 2018 of Eurovita S.p.A. show a net profit of €36.8 million, on a like-for-like basis and not including the PPA effect, compared to a profit of €47.6 million at the end of 2017. The contraction of the result is essentially due to the reduction in Class III assets and related margins. The reduction in Class C income, on the other hand, is largely offset by a smaller retrocession to policyholders.

The most significant data emerging from the end of financial year 2018 can be summarized as follows:

- premium income, for products classified as insurance contracts or as investment contracts with profit sharing, amounted to €1,252.2 million compared to €965.4 million in 2017, i.e. an increase of 29.2%;

  New business, amounting to €1,056.68 million, shows an increase of 43.3% compared to the previous year, originating from an increase in single premiums, which rose from €668.95 million to €923.22 million, and annual premiums amounting to €132.82 million in 2018 against €67.58 million in 2017;

- Premium income from financial products, classified under IAS 39 in accordance with IAS / IFRS standards, was €640.8 million compared to €1,123.9 million in 2017, down by over €483 million;

- In 2018, indirect business, concentrated on run-off treaties with Spanish and Belgian companies, brought business for €5.88 million in premiums, compared to €6.79 million collected in the previous year, i.e. a decrease of 13%;

- premiums ceded decreased by 15.4% due to the decrease in premiums of subsequent years sold under treaties relating to business before 2001 originating from the network of the former company Ergo Previdenza (ceded premiums of €53.2 million against €62.9 million in the previous fiscal year);

- Income from investments, net of related charges (excluding interest expense on reinsurers' accounts) amounted to €267.2 million against a 2017 result of €306.1 million (gross of the PPA effect). It should be remembered that the volatility of the investment portfolio caused by the adoption of IAS / IFRS accounting criteria for its measurement (although presented in the income statement in a limited manner given the classification of the securities portfolio in the Available-for-sale segment) was not reflected in the returns of Separate Management Funds. Separate Funds, and therefore combined products and associated reserves, were measured by only taking into account realized capital gains or losses. Accordingly, they were not directly affected by the market rate trend but by the yield of the underlying assets. The Company is however aware of the uncertainty of latent net capital gains in its investment portfolio and monitors the performance of the financial markets. It is believed that the volatility inherent in the fair value measurement of assets does not currently require activities other than the operations carried out on the markets themselves and hedging put in place as specified below.

Gross technical provisions, also considering the accounting of reserves using shadow accounting, recorded a slight decrease, going from €9,988 million to €9,795 thousand. It should also be noted that, as a result of the merger, which took place during the previous fiscal year, technical provisions include a negative Value in Force of €171,885 thousand relating to the former company Eurovita Assicurazioni. This value was amortized in line with the deterioration of the underlying separate management portfolio.

Operating expenses decreased by 9.5%, going from €75.6 million at the end of 2017 to €68.4 million at the end of the current financial year. This decrease is mainly due to lower personnel expenses of €1.5 million, lower IT costs of €2.1 million and no costs for the Value Creation Project (€3.3 million in 2017).

In 2018, the component relating to personnel voluntary redundancy expenses amounted to €8.72 million, of which €3.6 million drawn from the related provision as they had already been set aside in the previous fiscal year. In September 2018, the Rome office of the former company Eurovita Assicurazioni S.p.A. was shut down following the transaction carried out in April 2018, which allowed the voluntary redundancy of 53 resources and impacted the income statement for about €5.6 million.

The Company, with a solvency capital requirement (SCR) of €404.24 million, holds Own Funds of €458.84 million with a Solvency II Ratio of 113%, assessed according to the rules laid down in Directive 2009/138/EC (Solvency II).

It should be noted that also **Agenzia Eurovita S.r.l.**, wholly owned, obtained positive economic and financial results thanks to the management of the insurance portfolio entrusted to it by Eurovita S.p.A., reporting a net profit of €1.4 million.

With regard to the results of the year, the 2018 operations made it possible to achieve revenues of €2,281 thousand relating to insurance brokerage commissions. Against this revenue, overhead and management expenses of €374 thousand were incurred.

4.2 Transactions with Group Companies

Eurovita Holding S.p.A. is the parent company of the Insurance Group Eurovita and carries out the management and coordination of Eurovita S.p.A. and Agenzia Eurovita S.r.l. All contractual transactions described below were settled at market conditions, unless otherwise specified in detail.

Eurovita Holding S.p.A. and its subsidiaries do not hold, or held during the year, treasury shares or shares of its parent company, either directly or indirectly, with the exception of Eurovita S.p.A., which holds €520 in treasury shares due to repurchases of securities from third parties.

All transactions of **Eurovita S.p.A.** with the entity that carries out coordination and control activities and with all the Group companies are detailed hereunder:

Eurovita Holding S.p.A.: in 2018, services amounting to €368 thousand were billed back and personnel expenses of €2.1 million were charged back.

On 20 June the shares previously held by Eurovita representing 6.21% and those held by Agenzia Eurovita representing 0.52% in Eurovita Service were sold to Eurovita Holding. This facilitated the merger transaction that took place during 2018 between Eurovita Holding and Eurovita Service S.r.l.

Agenzia Eurovita S.r.l. maintains regular agency relationships and holds a significant portion of the PPB client portfolio, assigned to it by Eurovita S.p.A. In relation to such transactions, Agenzia Eurovita pays the Company's compensation to Agents by installments, in accordance with the National Bargaining Agreement for Agents. At the end of 2018, Agenzia Eurovita accrued commissions of €2.28 million from Eurovita S.p.A. and expense recoveries of €283 thousand were made. The commission rates paid by Eurovita were reduced starting from the second half of 2012 to take into account the fact that part of the collection activities were being carried out directly by the Company, while the reimbursement of portfolio recoveries that the Company charged at the end of the financial year is governed by the National Bargaining Agreement for Agents. All the contractual relationships described above, unless specifically noted, were settled at market conditions.

With regard to other related parties not included in the list, the Company in the Eurovita Group maintained normal transactions with the "Pension Fund for employees and executives of the Eurovita Group" for the payment of social security charges.

As stated above, on 20 June 2018 the companies Agenzia Eurovita S.r.l. and Eurovita S.p.A. sold their equity investments (respectively 0.52% and 6.21%), held in Eurovita Service S.r.l. to the parent company Eurovita Holding S.p.A., formerly S.c.r.l., for an amount of €1,394,584, with the aim of allowing Eurovita Holding S.p.A. to hold 100% of the former consortium company and proceed with the merger. Such transaction took place on 20 November 2018 with retrospective accounting and tax effects as from 1 January 2018.

4.3 Other Information

The company Eurovita Holding S.p.A. continued its coordination work and support for all investee companies.

Transactions with reinsurers

The Company Eurovita S.p.A. implements insurance risk mitigation through a reinsurance policy focused on hedging death risk on TCM and PPI products, implemented under surplus share treaties (full €100,000 preservation of the former EP network and full €70,000 preservation for former EVA network) for TCMs and quota share treaties for PPIs.

As mentioned above, the Company was established on 31 December 2017 from the merger of the former companies EP, EVA and OMWI.

Accordingly, the "as is" situation mostly represents the set of reinsurance policies of the three merged companies.

In the portfolio collected by the former EP agency network, the presence of commercial treaties relating to with-profit policies is predominant, with approximately 95% of the premiums ceded, to which surplus share risk-premium treaties hedging the death risk of TCM policies, quota share treaties hedging the death risk of CQS / CQP policies, as well as LTC guarantee treaty, were added over time. The new company also inherited indirect business from the former company EP, essentially taken from ERGO Belgium, within the Munich Re Group, of which the former company EP was a member, and retroceded business relating to both with-profit contracts and TCM contracts.

The portfolio collected from financial advisers of the former OMWI network is protected by a risk-premium treaty aimed at hedging the optional death event of Unit-Linked products.

The portfolio collected through the former EVA banks is reinsured either under commercial treaties on with-profit policies or under treaties hedging the death risk for TCM and PPI policies. The provisions of the ceded business with respect to the provisions of direct business has a weight of 16% on the provisions of with-profit policies, with a rate of 10% on risk-death provisions (TCM and PPI) and a rate of 50% for LTC risk.

There are no alternative risk transfer tools.

Asset and financial management

The year 2018 was characterized by a gradual abandonment of expansive monetary policies, with the Fed continuously increasing the cost of money and the ECB gradually abandoning its QE program. This process led to an increase in the volatility of global bond markets, in particular in emerging markets, which suffered the appreciation of the US Dollar.

The increase in volatility also involved European governments, main investment area in the Company's strategy, despite the marked diversification characterizing its investments. Among the Developed Countries, the Italian government bonds were the most volatile, with a sharp rise in yields in particular starting in May following the formation of the new government and then the tug of war undertaken with the European Commission for the approval of the Budget law. The Company's portfolio showed a good solidity and resilience, as its exposure to Italy remained at no more than 20% during the year.

On the macroeconomic side, while remaining in a context of growth, the third and fourth quarters were characterized by generally weak economic statistics. This was compounded by the intensification of political risks, with tensions over the trade war between the US and China, which created a climate of risk aversion both on the stock market and on the corporate bond, investment grade and high yield bond markets, which suffered a marked increase in risk premium. The effect was twofold: risky assets suffered generally negative performances (total return) in 2018, while those of core European government bonds and Spain and Portugal bonds were positive. The fall in risk free rates therefore continued, affecting the Company's returns. However, the new investment strategies implemented by the Company made it possible to contain the yield loss, while maintaining a prudent approach and a high portfolio diversification in a context of low government rates.

The investment strategy adopted by the Company combines a top-down approach, i.e. starting from the definition of its capital management strategy (strategic asset allocation) based on the study of macroeconomic variables and risk diversification, to arrive at the precise definition of investments by analyzing fundamental data, current and forward-looking, of individual investments (bottom-up approach).

As part of the bottom-up management of portfolios, the Company implements a broad diversification of investments by:

- geographical exposure, focused on core and peripheral European states;
- credit risk, favoring the highest levels according to a prudent assessment;
- issuer, in relation to the instruments of financial and corporate issuers.

Furthermore, some investment restrictions were defined in order to reduce risks in the investment strategy (no currency and equity market exposure).

To achieve the maximization and stabilization of returns in the medium-long term and the containment of risks, the Company "structured" its financial management as follows:

- investments in "traditional" asset classes (mainly government securities and bonds of financial issuers and corporate investment grade) are made under management mandates with financial managers with a high international standing (BNP Paribas AM - Goldman Sachs AM);
- investments in other liquid financial instruments (mainly bonds of Emerging Countries and High Yield bonds of European and American issuers) are made by investing in multi-asset fixed-income funds, which enable flexible, diversified (between and within the different asset classes) and global (geographically) management. Management is entrusted to a highly specialized global manager (Goldman Sachs AM);
- investments in "innovative and illiquid" financial instruments (mainly bonds and loans to medium-sized companies) are made through funds of the main international managers characterized by a long and solid track record. The investment in Private Debt funds, in addition to the corporate sector, makes it possible to invest in infrastructural and real estate initiatives, makes it possible to diversify investments and "seize" the opportunities offered by illiquid premiums typical of these asset classes, consistent with the stability characteristics of insurance portfolios. For the selection and management of this type of investments, the Company uses the support of StepStone, which is one of the world's leading operators in this strategy.

In summary, financial management, through a "solid" investment process, aims to seize all the opportunities offered by the global financial markets in a professional and flexible way.

Starting in 2017, the direct bond investment portfolio management front-office was, based on specific Management Mandates, almost entirely entrusted to BNP Asset Management Paris and Goldman Sachs Asset Management London. The Company's investment strategy, as well as its risk control measures, are in compliance with the guidelines issued by the Board of Directors, under the strict supervision of the

Investments Committee, and are carried out in coordination with the Strategic Asset Allocation policy approved by the same Board of Directors.

The Group's total investment portfolio at book value amounted to €16,277 million at 31 December 2018 (€17,699 million at 31 December 2017). Please refer to the Explanatory Notes for further details on portfolio composition.

Personnel and Specific Training

The subsidiary Eurovita S.p.A. was born out of the merger of the three companies acquired by Cinven during 2016 and 2017. Eurovita Assicurazioni S.p.A. was based in Rome and therefore the new Company came to light with two offices: one in Milan and one in Rome. With a view to streamlining its structure and creating synergies, the Company decided to concentrate all corporate activities in Milan; during 2018, an engagement path was undertaken with trade union representatives aimed at relocating personnel to Milan.

The agreement, signed on 12 April, provided for incentives for redundancies on a fully voluntary basis if the resource decided not to accept the office relocation. The Company's proposal was substantiated in the disbursement of 31 monthly salaries. The one-off costs incurred amounted to €5.5 million, plus ancillary charges. The number of people who adhered to this proposal was 53.

The Rome office was closed on 30 September 2018.

At 31 December 2018, the Group's workforce consisted of 223 employees (291 employees at 31 December 2017) with a decrease of 68 units.

During the year, the Group companies activated a corporate training process aimed at creating a new organizational culture, improving performance and developing innovative processes aimed at change.

During the first half of 2018, Eurovita completed the business plan financed by Fondo Banche Assicurazioni (FBA, banking and insurance fund), approved in 2017, which included the delivery of training courses in the period between July 2017 and July 2018. In particular, technical training on insurance, development of managerial skills and digital skills was delivered.

In September 2018, Eurovita presented a corporate training plan funded and approved by Fondo Banche Assicurazioni in October, which will end in October 2019. The maximum amount that can be financed is €252,400.00.

The plan was prepared consistently with the demand analysis that emerged during interviews with first-level managers. The plan's objectives include the strengthening of soft skills such as leadership, resource management and stress management; improvement of communication style through special training sessions on writing techniques and presentation skills; growth of industry expertise in technical insurance and improvement of the corporate climate through team-building activities aimed at creating integration between the various companies of origin.

In the last quarter of 2018, Business English courses were set up for senior management and all those positions who needed to improve their English-language communication skills, which are key to navigating the business world. Furthermore, a specialized training project on supplemental pension schemes was provided.

Information Systems, Organization and Significant Projects

With particular reference to the subsidiary Company, in 2018 it continued the system and process development plan started in 2017 in order to achieve the full integration of the three companies merged at 31 December 2017 into the new Company, including for the purpose of being fully compliant with the standards laid down in legislation and as required by the market and supporting strategic developments.

In particular, the concentration of Data Centers into IBM was completed and the first phase of the integration of portfolio systems in the former company EVA's target solution was achieved through the migration of the former company OMWI's portfolio, completed in January 2019.

In the organizational area, in 2018 the Group and the subsidiary Company were involved in defining the target operating model for the main corporate areas, including assistance, training and network portal, customer support, treasury and document management. The implementation phase, which involves a significant impact on information systems, both in terms of streamlining and development, was launched in 2018 and will be completed during 2019.

Furthermore, an overall plan was started to set out and formalize internal corporate regulations made available to all employees through the Company Intranet and an organizational analysis was conducted with the support of a specialized consultancy firm for the purpose of optimizing the workforce of all the Group's and the subsidiary Company's organizational departments.

The following activities were also carried out for the purpose of improving operational effectiveness and efficiency and regulatory compliance:

- Compliance with the GDPR regulation;
- Compliance with MIFID and IDD regulations;
- Improvement of safeguards on anti-money laundering processes;
- Adaptation to the IVASS Regulations No. 40/41 of 3 August 2018 for matters pertaining to the year 2018.

Research & Development and New Products

Research & Development

The year 2018 allowed the subsidiary Company to distinguish itself above all in the supply of new insurance products, with the main objective of completing the package of available products according to the multi-faceted disbursement strength at its disposal: therefore, products were created such as *BNL Thematic Plus*, a Unit-Linked product for BNL, characterized by a profound innovation in risk and volatility levels offered by internal funds and by financial themes underlying the Lines under Management made available to investors; *Eurovita Valore Mix*, single premium multi-class product designed to increase the type of products available to Banca Popolare Puglia and Basilicata; *Eurovita Profilo Multi-Strategia Plus 5*, single premium multi-class product designed to meet the needs of Banca Profilo's private customers -

and for Banca Profilo a new single-premium multi-class product called *Eurovita Profilo Multi-Strategia Gold*, designed to manage the bank's private customers' demand.

The supply of "*Ad Personam*" products, for Widiba, was expanded in the first half of the year with the preparation of a new single-premium, unit-linked, whole life product with external funds, called *Ad Personam Unit-Linked Platinum*, created to manage the private network customers' demand.

During 2018, the subsidiary Company's willingness to take action on the overall supply of available products was accompanied by the opportunity to expand the number of commercial agreements with new distribution partners. The following agreements should be mentioned:

- BIM, a financial advisory network, a collaboration established in the first half of the year that led to the creation of *Eurovita Obiettivo Sicuro*, a new retail whole-life product in Class I, built by using the Eurovita Separate Management Fund *Nuovo Secolo*;

- Intesa Sanpaolo Private Bank, a financial advisory network, a collaboration established in the second half of the year for the marketing of a new product called *Eurovita Capital Private*, a whole-life product in Class I designed to manage the Private Network customers' demand.

Towards the end of 2018, the subsidiary Company signed a commercial agreement for the exclusive distribution of insurance products with Cassa di Risparmio di Bolzano and Cassa di Risparmio di Volterra aimed at launching an important and solid collaboration that will see the creation of a new package of insurance products in 2019.

The subsidiary Company also chose to enhance existing products and services: just consider the restyling of the *Ad Personam* line for Widiba, characterized by the introduction, in all available product versions (*Silver*, *Platinum*, *Gold* and *Welcome*), of the already known optional service "omnibus switch": thanks to this option, Customers are given the chance to choose how much, from which fund and into which fund to allocate their investments.

In addition to new product research and development, the subsidiary Company made a considerable effort to examine the impact deriving from the adoption of the European Directive on insurance distribution (EU No. 2016/97) and from the issuance of IVASS Regulation No. 41 laying down new rules on disclosure, advertising and creation of insurance products. This activity took the form of setting out criteria for a prior customer due diligence investigation and subsequent monitoring in line with applicable legislation. During the second half of the year, a product governance and control policy was issued and approved. In it, the Company formally defined the roles, responsibilities, rules and criteria that determine the processes being implemented.

At the same time, the subsidiary Company set out and implemented the contractual adaptation process phases in regard of the products being placed in order to achieve the purposes laid down in IVASS Regulation No. 41: activities focused on the analysis of the new templates imposed by IVASS, with particular attention to new pre-contractual documents to be drawn up instead of the existing Disclosure Note and Prospectus, i.e. the *DIP* (*Documento di Informazione Precontrattuale*, pre-contractual information document)

The subsidiary Company completed this project successfully, making available the new Information Sets as of 1 January 2019, as requested by the Supervisory Authority.

In the last few months of the year, the subsidiary Company also carried out an in-depth examination of the product catalog currently available (resulting from the merger of the three former companies EP, EVA and OMWI), aimed at launching a restyling and global streamlining project of its product supply as early as the beginning of 2019.

4.4. Exposure to Risks

Please refer to the relevant section in the Explanatory Notes.

4.5 Business Outlook

The Company and Group companies will continue to develop and work to streamline internal processes with a view to containing costs and creating a solid and independent group leader in the Italian life products market.

4.6 Significant Events after Year End

As stated in the Explanatory Notes, these financial statements were prepared on a going concern assumption, since, in the Directors' opinion, no uncertainties emerged in relation to events or circumstances that, considered individually or together, could give rise to doubts in regard of such assumption.

On 20 February 2019, IVASS notified the Board a report on the inspection carried out in the fourth quarter of 2018 in respect of the Holding Company and of the Insurance Company. The scope of the inspection was the Solvency process and in such regard the Supervisory Authority raised some issues. In particular, with regard to BEL computation, it reported improvements to be made in the projection of redemptions and additional payments and in the valuation of expenses. On the SCR side, corrections were found to be necessary for the valuation of DT LACs. Governance issues were also found to be open to improvement, especially for the Holding Company.

Based on the considerations set out in the inspection report, the Company transposed the information given by the Supervisory Authority in the calculation of the Solvency ratio for 2018 and forward-looking Solvency ratio for 2019-2020, also considering the technical opinion received from an actuarial consultancy firm on the findings submitted by the Supervisory Authority, transposing the requests in the remediation plan for the purpose of remedying the information / quantitative gaps relating to OF and SCR processes and controls.

EUROVITA HOLDING

In view of the inspection findings, the Authority requested the Company to prepare a corporate recovery plan, including a capital management plan, the contents of which have been illustrated in paragraph 4 above, within sixty days of the notification of the report.

Milan, 15 April 2019

FOR THE BOARD OF DIRECTORS
Erik STATTIN
Chief Executive Officer

Balance Sheet

BALANCE SHEET - ASSETS

(Amounts in Euros)

	31/12/2018	31/12/2017
INTANGIBLE ASSETS	237.442.485	266.245.034
Goodwill	22.050.297	22.050.297
Other intangible assets	215.392.188	244.194.737
TANGIBLE ASSETS	506.154	684.696
Land and buildings (self used)	-	-
Other tangible assets	506.154	684.696
AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS	1.227.589.188	1.522.997.659
INVESTMENTS	16.297.023.436	17.726.502.908
Land and buildings (investment properties)	-	-
Investments in subsidiaries, associated companies and joint ventures	-	-
Held to maturity investments	-	-
Loans and receivables	470.474.141	547.630.342
Available for sale financial assets	9.140.733.746	9.337.103.345
Financial assets at fair value through profit or loss	6.685.815.548	7.841.769.221
RECEIVABLES	91.129.823	97.006.368
Receivables arising out of direct insurance operations	58.407.144	39.208.925
Receivables arising out of reinsurance operations	5.192.097	7.073.857
Other receivables	27.530.582	50.723.585
OTHER ASSETS	425.046.563	421.011.411
Non-current assets or disposal groups classified as held for sale	-	-
Deferred acquisition costs	35.637.357	28.921.980
Deferred tax assets	-	- 0
Tax receivables	306.731.612	311.321.367
Other assets	82.677.594	80.768.065
CASH AND CASH EQUIVALENTS	77.896.871	125.805.175
TOTAL ASSETS	18.356.634.520	20.160.253.251

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

(Amounts in Euros)

	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY	355.875.196	462.402.431
Group capital	353.954.377	459.947.385
Share capital	1.000.000	1.000.000
Other equity instruments	-	-
Capital reserves	168.000.141	250.493.636
Revenue reserves and other reserves	221.106.139	203.304.476
(Own shares)	- 517	-
Reserve for currency translation differences	-	-
Reserve for unrealized gains and losses on available for sales financial assets	- 52.238.231	- 21.255.027
Reserve for other unrealized gains and losses through equity	3.349.589	- 8.948.806
Result of the period	12.737.257	35.353.106
Third parties capital	1.920.819	2.455.046
Third parties capital and reserves	1.831.721	2.277.753
Reserve for other unrealized gains and losses through equity	- 81.169	72.036
Result of the period	170.267	105.257
OTHER PROVISIONS	17.100.204	17.187.969
INSURANCE PROVISIONS	9.810.209.208	10.008.625.049
FINANCIAL LIABILITIES	7.774.376.890	9.297.281.588
Financial liabilities at fair value through profit or loss	6.608.308.209	7.793.899.983
Other financial liabilities	1.166.068.681	1.503.381.606
PAYABLES	230.053.984	200.749.194
Payables arising out of direct insurance operations	26.196.509	29.889.997
Payables arising out of reinsurance operations	64.735.497	17.898.774
Other payables	139.121.979	152.960.424
OTHER LIABILITIES	169.019.037	174.007.020
Liabilities directly associated with non-current assets and disposal groups classified as	-	-
Deferred tax liabilities	45.069.803	68.809.217
Tax payables	68.379.429	72.760.762
Other liabilities	55.569.806	32.437.040
TOTAL EQUITY AND LIABILITIES	18.356.634.520	20.160.253.251

Income Statement and Statement of Comprehensive Income

INCOME STATEMENT

(Amounts in Euros)

	31/12/2018	31/12/2017
Net earned premiums	1.199.021.452	460.245.158
Gross earned premiums	*1.252.222.023*	*521.430.856*
Earned premiums ceded	*- 53.200.571*	*- 61.185.698*
Fee and commission income and income from financial service activities	174.502.063	214.671.070
Net income from financial instruments at fair value through profit or loss	- 62.029.607	12.281.324
Income from subsidiaries, associated companies and joint ventures	-	-
Income from other financial instruments and land and buildings (investment	142.020.855	67.295.918
Interest income	*82.658.492*	*54.016.501*
Other income	*30.852.954*	*2.234.647*
Realized gains	*28.509.408*	*11.044.770*
Unrealized gains and reversal of impairment losses	-	-
Other income	60.986.142	45.035.220
TOTAL INCOME	1.514.500.904	799.528.690
Net insurance benefits and claims	1.157.468.250	382.432.873
Claims paid and change in insurance provisions	*1.231.926.414*	*475.971.673*
Reinsurers' share	*- 74.458.164*	*- 93.538.799*
Fee and commission expenses and expenses from financial service activities	137.998.480	154.678.992
Expenses from subsidiaries, associated companies and joint ventures	-	-
Expenses from other financial instruments and land and buildings (investment	75.103.675	61.043.257
Interest expenses	*47.983.470*	*55.081.516*
Other expenses	-	-
Realized losses	*19.163.412*	*5.961.741*
Unrealized losses and impairment losses	*7.956.793*	-
Acquisition and administration costs	78.600.289	88.987.077
Commissions and other acquisition costs	*34.794.902*	*36.077.041*
Investment management expenses	*11.811.099*	*5.433.166*
Other administration costs	*31.994.288*	*47.476.870*
Other expenses	47.067.612	70.497.200
TOTAL EXPENSES	1.496.238.306	757.639.400
EARNINGS BEFORE TAXES	18.262.598	41.889.290
Income taxes	5.355.073	6.430.928
Current taxes	-	-
Deferred taxes	-	-
EARNINGS AFTER TAXES	12.907.524	35.458.363
RESULT OF DISCONTINUED OPERATIONS	-	-
CONSOLIDATED RESULT OF THE PERIOD	12.907.524	35.458.363
Attributable to the Group	12.737.257	35.353.106
Attributable to Minority Interests	170.267	105.257

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro)

	31/12/2018	31/12/2017
CONSOLIDATED RESULT OF THE PERIOD	12.907.524	35.458.363
Items that may not be reclassified to profit and loss in future periods	-	- 86.644
Share of other comprehensive income of associates	-	-
Reserve for revaluation model on intangible assets	-	-
Reserve for revaluation model on tangible assets	-	-
Result of discontinued operations	-	-
Actuarial gains or losses arising from defined benefit plans	-	- 86.644
Other	-	
Items that may be reclassified to profit and loss in future periods	- 18.765.979	- 28.376.888
Foreign currency translation differences	-	-
Net unrealized gains and losses on investments available for sale	- 31.082.953	- 19.426.498
Net unrealized gains and losses on cash flows hedging derivatives	12.316.974	- 8.950.390
Net unrealized gains and losses on hedge of a net investment in foreign operations	-	-
Share of other comprehensive income of associates	-	-
Result of discontinued operations	-	-
Other	-	-
OTHER COMPREHENSIVE INCOME	- 18.765.979	- 28.376.888
TOTAL COMPREHENSIVE INCOME	- 5.858.454	6.994.831
attributable to the Group	- 5.709.964	6.817.537
attributable to minority interests	- 148.490	177.293

Statement of Changes in Shareholders' Equity

		Amount as at 31.12.2016	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2017
Shareholders' Equity attributable to the Group	Share capital	10.000		0		990.000	1.000.000
	Other equity instruments	0		0			0
	Capital reserves	242.552.748		14.130.889		-6.190.000	250.493.637
	Revenue reserves and other reserves	0		203.304.476			203.304.476
	(Own shares)	0		0			0
	Result of the period	200.848.539		-165.495.433		0	35.353.106
	Other comprehensive income	-1.618.057		-28.585.776	0		-30.203.833
	Total shareholders' equity attributable to the group	**441.793.229**	**0**	**23.354.156**	**0**	**-5.200.000**	**459.947.385**
Shareholders' Equity attributable to minority interests	Share capital and reserves	851.020		1.426.733			2.277.753
	Result of the period	8.636		96.621			105.257
	Other comprehensive income	0		72.036			72.036
	Total shareholders' equity attributable to minority interests	**859.656**	**0**	**1.595.390**	**0**	**0**	**2.455.046**
Total		442.652.885	0	24.949.546	0	-5.200.000	462.402.431

		Amount as at 31.12.2017	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2018
Shareholders' Equity attributable to the Group	Share capital	1.000.000		0		0	1.000.000
	Other equity instruments	0		0			0
	Capital reserves	250.493.637		-82.493.495		0	168.000.142
	Revenue reserves and other reserves	203.304.476		17.847.118			221.151.594
	(Own shares)	0		-517			-517
	Result of the period	35.353.106		-22.615.849		0	12.737.257
	Other comprehensive income	-30.203.833		-18.684.810	0		-48.888.643
	Total shareholders' equity attributable to the group	**459.947.385**	**0**	**-105.947.552**	**0**	**0**	**353.999.833**
Shareholders' Equity attributable to minority interests	Share capital and reserves	2.277.753		-446.032			1.831.721
	Result of the period	105.257		65.010			170.267
	Other comprehensive income	72.036		-153.205			-81.169
	Total shareholders' equity attributable to minority interests	**2.455.046**	**0**	**-534.227**	**0**	**0**	**1.920.819**
Total		462.402.431	0	-106.481.779	0	0	355.920.652

Cash Flow Statement

Cash Flow Statement (indirect method)

(Amounts in Euros)	DEC 2018	DEC 2017
Earnings before taxes	**18.262.598**	**44.203.325**
Changes in non-cash items	**263.030.098**	**- 80.055.360**
Change in the provisions for unearned premiums and for unexpired risks for non-life segment	-	
Change in the provisions for outstanding claims and other insurance provisions for non-life segment	-	
Change in the mathematical provisions and other insurance provisions for life segment	96.992.631	- 172.814.311
Change in deferred acquisition costs	- 6.715.377	- 2.030.997
Change in other provisions	- 57.641	386.291
Other non-cash expenses and revenues arising out of financial instruments, investment properties and investments in subsidiaries, associated companies and joint ventures	151.587.249	
Other changes	21.223.236	94.403.657
Change in receivables and payables from operating activities	**11.620.217**	**48.539.989**
Change in receivables and payables arising out of direct insurance and reinsurance operations	25.826.776	2.565.333
Change in other receivables and payables	- 14.206.559	51.105.322
Income taxes paid	**- 5.525.341**	**-**
Net cash flows from cash items related to investing or financing activities	**- 1.185.591.774**	**196.347.365**
Financial liabilities related to investment contracts	- 1.185.591.774	196.347.365
Payables to banks and customers	-	-
Loans and receivables from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**- 898.204.202**	**209.035.320**

Net cash flows from investment properties	-	-
Net cash flows from investment in subsidiaries, associated companies and joint ventures	-	-
Net cash flows from loans and receivables	66.498.563	53.858.871
Net cash flows from held to maturity investments	-	-
Net cash flows from available for sale financial assets	36.755.178	- 3.471.371
Net cash flows from tangible and intangible assets	28.981.091	35.448.466
Net cash flows from other investing activities	1.155.953.673	- 210.202.167
NET CASH FLOWS FROM INVESTING ACTIVITIES	**1.288.188.504**	**- 124.366.201**

Net cash flows from shareholders' equity attributable to the Group	- 100.000.107	- 104.008.010
Net cash flows from own shares	- 517	-
Dividends payment	-	-
Net cash flows from shareholders' equity attibutable to minority interests	- 579.058	-
Net cash flows from subordinated liabilities and other similar liabilities	-	-
Net cash flows from other financial liabilities	- 337.312.924	- 107.544.256
CASH FLOW FROM FINANCING ACTIVITIES	**- 437.892.607**	**- 211.552.266**

Effect of exchange rate changes on cash and cash equivalents	**-**	**-**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	125.805.175	252.688.322
CHANGE IN CASH AND CASH EQUIVALENTS	- 47.908.305	- 126.883.147
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	77.896.871	125.805.175

Explanatory Notes

Explanatory Notes

Basis of Preparation

The Consolidated Financial Statements at 31 December 2018 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refers to all international accounting standards called “International Financial Reporting Standards” (IFRS) and “International Accounting Standards” (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standard Interpretations Committee (SIC).

With regard to the entry into force of new accounting standards, it should be noted that the new accounting standard IFRS 9, issued by IASB in July 2014 and approved by the European Commission under Regulation No. 2067/2017, as of 1 January 2018, replaced IAS 39, which currently regulates the classification and measurement of financial instruments. IFRS 17, i.e. the new standard relating to the measurement of Insurance Contracts, not yet approved at 31 December 2018, will instead be applicable as of 1 January 2021. In this regard, it should be noted that, due to the complexity of the standard, the IASB has recently proposed to postpone the date of first adoption by one year - 1 January 2022.

During the month of September 2016, the International Accounting Standards Board (IASB) published an amendment to IFRS 4, which provides for two options for insurance groups: Temporary Exemption and Overlay Approach.

- Temporary Exemption allows for a complete departure from IFRS 9, maintaining the adoption of IAS 39 up to the Financial Statements at 31/12/2020, except for the recent IASB proposal to extend the term for a temporary deferral for the adoption of IFRS 9 so as to align it with the adoption of IFRS 17, as mentioned above;

- Overlay Approach makes it possible to remove any volatility from the Income Statement by suspending it as OCI, which could arise before the implementation of IFRS17 from some financial instruments that, following the adoption of IFRS 9, no longer meet the requirements for cost or FVOCI.

The two provisions were introduced in order to avoid the volatility of results deriving from a misalignment between the date of entry into force of the new accounting standard IFRS17 regarding insurance liabilities, in place of the current IFRS 4, and the new standard IFRS 9.

The Company opted for the adoption of the Temporary Exemption, so as to provide for its joint implementation for the insurance segment together with IFRS 17.

The Group verified that it meets the requirements for applicability of the Temporary Exemption. The calculation should be carried out taking as a reference the closing figures of financial year 2015, but given the extraordinary transactions as a result of which Eurovita S.p.A. was established during 2016 and 2017, the Group deemed it appropriate to make a reassessment of such accounting as at 31.12.2017. In particular, the percentage of book value of liabilities linked to insurance activities on the book value of the entity’s total liabilities was higher than 90% at such date (predominance ratio).

As established by the law, a quantitative disclosure is provided below for entities that will apply the principle in arrears at 1 January 2022.

Loans and receivables	Fair value 31/12/2018	Fair Value change	Other changes	Fair value 31/12/2017
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	302.128.811	- 6.349.608	47.252.714	261.225.705
Other financial assets	38.992.011	-	- 42.456.924	81.448.934
	341.120.822	**- 6.349.608**	**4.795.791**	**342.674.640**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	15.189.654	112.439	- 48.806.688	63.883.904
Other financial assets	-	-	- 1.351.618	1.351.618
	15.189.654	**112.439**	**- 50.158.307**	**65.235.522**

Available for sale financial assets	Fair value 31/12/2018	Fair Value change	Other changes	Fair value 31/12/2017
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	7.739.087.006	141.742.713	- 1.058.865.426	8.656.209.719
	7.739.087.006	**141.742.713**	**- 1.058.865.426**	**8.656.209.719**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	301.180.122	8.216.029	30.288.575	262.675.517
Fund shares	1.073.838.201	35.061.746	650.241.595	388.534.861
Derivatives	10.804.868	-	23.742.702	- 12.937.833
	1.385.823.191	**43.277.775**	**704.272.872**	**638.272.544**
Other financial assets which provide no test				
Stock shares	26.628.417	1.012.913	- 4.067.744	29.683.248
	26.628.417	**1.012.913**	**- 4.067.744**	**29.683.248**

Financial assets at fair value through profit or loss	Fair value 31/12/2018	Fair Value change	Other changes	Fair value 31/12/2017
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	4.577.554	-341.350	-	4.918.904
Derivatives	-2.301.900	920.100	-	-3.222.000
	2.275.654	**578.750**	**-**	**1.696.904**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	5.387.205	-467.942	-	5.855.147
Fund shares	-	-	-4.988.036	4.988.036
Derivatives	1.476.800	-994.700	2.562.135	-90.635
	6.864.005	**-1.462.642**	**-2.425.901**	**10.752.548**

With regard to credit risk, the data relating to risk exposure for securities that have passed the SPPI test are shown below:

RATING

Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be	Book value 31/12/2018	Market value 31/12/2018	Book value 31/12/2017
of which			
Investment grade			
Bonds	7.774.282.690	7.885.021.397	8.681.566.638
Other financial assets	38.848.742	38.992.011	81.131.773
Non Investment grade			
Bonds	159.918.975	8.450.315.582	100.396.493

As of 1 January 2018, the new accounting standard IFRS 15 also entered into force, replacing the previous IFRS 15 Revenues and IAS 11 Work in progress on order, and will be adopted by the Group as of such date.

Furthermore, as of 1 January 2019 the new accounting standard IFRS 16 will come into force replacing the previous standard IAS 17 Leasing. The new standard requires finding whether a contract is (or contains) a finance lease, based on the concept of control over the use of an asset for a period of time; it follows that lease, rental, renting or free loan contracts, previously not assimilated to finance lease, may now fall within the scope of rules on finance lease. In light of the above, significant changes were introduced to the accounting of leasing transactions in the lessee's / user's statements, providing for the introduction of a single accounting method for leasing contracts by the lessee, based on the right-of-use model. In essence, the main change consists in overcoming the distinction, established by IAS 17, between operating and finance leasing: all leasing contracts must therefore be accounted for in the same way with the recognition of an asset and a liability. For the periods starting from financial year 2019, the effects on the financial statements resulting from adoption of IFRS 16 will therefore be identifiable for the lessee in an increase in assets recognized in the financial statements (the leased assets) and in an increase in liabilities (the debt against the leased assets), a reduction in administrative expenses (lease fees) and a simultaneous increase in financial costs (the remuneration of the recognized debt) and depreciation (relating to the right of use).

These Consolidated Financial Statements were prepared in compliance with I.S.V.A.P. (Italian supervisory authority on insurance) Regulation No. 7/2007.

The Consolidated Financial Statements comprise:

- Consolidated Balance Sheet (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Consolidated Income Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Consolidated Comprehensive Income Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Statement of Changes in Shareholders' Equity (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Cash Flow Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Explanatory Notes to the Consolidated Financial Statements (including the tables required by I.S.V.A.P. Regulation No. 7/2007).

They are accompanied by the Directors' Report on Operations, drawn up in compliance with Article 100 of Legislative Decree No. 209/05 and Article 2428 of the Italian Civil Code.

The reporting date of the Consolidated Financial Statements is 31 December 2018, the closing date of the Financial Statements of the parent company Eurovita Holding S.p.A.

All the companies falling within the scope of consolidation close their Financial Statements as at 31 December.

The Consolidated Financial Statements were prepared in Euro, which is also the functional currency of all the companies included in the consolidation; the amounts in the Explanatory Notes are shown in Euro thousand, unless otherwise specified.

Eurovita Holding S.p.A., in its capacity as parent company of the Eurovita Insurance Group, was not subject to the obligation of preparing the non-financial declaration pursuant to Legislative Decree No. 254/16, since it did not exceed the threshold laid down in applicable legislation.

The measurement criteria were adopted on a going concern assumption, using the accrual methods, and the principles of relevance and significance of accounting information.

After the end of the financial year, no significant events occurred that could affect the data presented in the Financial Statements.

Scope of Consolidation, Reconciliation Tables, and Explanatory Notes

The consolidated Financial Statements include the data of the Parent Company and of all the Companies directly or indirectly controlled by the same.

Consolidation methods

Equity investments in subsidiaries were consolidated on a line-by-line basis.

Consolidation on a Line-by-line Basis

A controlling stake will be presumed when the parent company, directly or indirectly, holds more than half of the votes that can be cast at the General Meeting, or, a lower share if it exercises a dominant influence over the investee company, i.e. if it has the ability to guide the corporate decision-making process through the choice of financial and operational policies.

In the preparation of the consolidated Financial Statements:

a) the Financial Statements of the Parent Company and its subsidiaries were acquired on a line-by-line basis;

b) the book value of the equity investments was eliminated with the corresponding portion of shareholders' equity of each subsidiary at the reporting date;

c) the portions of shareholders' equity attributable to minority interests were highlighted, together with the respective portions of profit for the period, in specific items;

d) balances of intercompany transactions were eliminated.

IFRS 3 Business Combinations

The transfer of control of a company (or group of assets and integrated assets, conducted and managed as a unit) constitutes a business combination that will be accounted for in accordance with accounting standard IFRS 3.

For this purpose, control will be considered to have been transferred when the investor is exposed to variable returns, or holds rights on such returns, arising from a contract entered into with the investee company and, at the same time, has the ability to affect returns by exercising its power over such entity.

IFRS 3 requires an acquirer to be identified for all the business combinations. The latter must be identified as the entity that obtains control over another entity or group of assets. The consideration transferred as part of a business combination must be calculated as the sum of the fair value, at the transaction date, of assets sold, liabilities incurred or assumed, and capital instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash, the price will be the agreed consideration, possibly discounted if a deferred payment is made with reference to a period exceeding the short term. Adjustments subordinated to future events are included in the consideration for the business combination at the acquisition date if required by the agreements and only if they are probable, reliably determinable, and realized within twelve months following the date of acquisition of control, while indemnities for the reduction of the value of the assets used are not considered, since they are already considered either in the fair value of the instruments representing capital or as a premium reduction, or increase in the discount on the initial issue, in case of issue of debt instruments.

The costs related to the acquisition are charges that the acquirer incurs for carrying out the business combination; these include, but are not limited to, the professional fees paid to auditors, experts, legal consultants, costs for appraisals and auditing of accounting records, as well as for the preparation of the disclosures required by the regulations. The acquirer must account for the costs related to the acquisition as charges for the periods in which such costs were incurred and the services received.

Business combinations are accounted for according to the "acquisition method", based on which the identifiable assets acquired (including any intangible assets previously not recognized by the acquired company) and the identifiable liabilities assumed (including contingent liabilities) must be recorded at their respective fair values at the acquisition date.

The surplus between the consideration transferred (represented by the fair value of the assets transferred, liabilities incurred, or the equity instruments issued by the acquirer) and the fair value of the assets and liabilities acquired must be recorded as goodwill.

The accounting for the business combination can take place provisionally by the end of the financial year in which the combination is carried out and must be completed within twelve months from the acquisition date, as opted for by the Company.

With regard to the recognition of the acquisition, under IFRS 3-Business Combinations, the acquirer must, separately from goodwill, recognize the assets acquired and liabilities assumed, and must classify or designate them on the basis of the contractual terms, economic conditions, its operating or accounting principles, as well as other relevant conditions existing at the acquisition date. The acquirer must also measure and record the assets acquired and liabilities assumed at their respective fair values at the acquisition date. IFRS 3 provides for a valuation period of one year during which the company may, with retrospective effect on the acquisition date, adjust the initial provisional recognition of the assets acquired and liabilities assumed on the basis of information that may have become available over time concerning facts and current circumstances at the acquisition date.

This standard was adopted following the extraordinary acquisition transactions carried out during prior fiscal years, a brief summary of which is given below.

In June 2016 Cinven, following the approval of IVASS, took control of ERGO Italia S.p.A. and its investee companies, ERGO Previdenza S.p.A., ERGO Assicurazioni S.p.A., ERGO Italia Direct Network S.r.l. and ERGO Italia Business Solutions S.c.r.l., subsequently selling the entire share capital of the company ERGO Assicurazioni S.p.A. to Darag Emanueli Limited in November 2016.

On 9 January 2018, with the prior authorization of IVASS by Measure No. 0228541/16 dated 7 December 2017, the acquisition of the entire share capital of Old Mutual Wealth Italy S.p.A. (hereinafter also "Old Mutual" or "OMWI") by the company Ergo Previdenza (hereinafter also "Ergo" or "EP") was finalized.

On 11 August 2018, with the prior authorization of IVASS by Measure No. 0150511/17 of 3 August 2018, the acquisition of the share capital of Eurovita Assicurazioni S.p.A. (hereinafter also “Eurovita Ass.” or “EVA”) by Ergo was finalized.

On 31 December 2018, following the authorization of IVASS, the merger by acquisition of Old Mutual Wealth Italy S.p.A. and Eurovita Assicurazioni S.p.A. into Ergo Previdenza S.p.A., which simultaneously changed its name to Eurovita S.p.A., became effective.

Scope of Consolidation

IFRS 10 requires the consolidation of all subsidiaries regardless of the business activity being carried on.

The table below shows the list of companies consolidated on a line-by-line basis, in which the Parent Company Eurovita Holding S.p.A. directly and indirectly holds the majority of voting rights that may be cast at the Annual General Meeting of Shareholders.

Company	Direct and indirect % of shares	Share Capital in Euro million	Address	Business
Eurovita S.p.A.	99,45%	90,50	Milan	Life insurance
Agenzia Eurovita S.r.l.	100,00%	0,26	Milan	Insurance agency

In preparing the consolidated Financial Statements:

- the accounting statements of the Companies included in the scope of consolidation were used as at 31 December 2018, prepared in accordance with the IFRS standards adopted by the European Union; all balances and significant transactions between Group Companies were eliminated, as well as any unrealized gains and losses in intercompany transactions;

Accounting Standards and Measurement Criteria

The Board of Directors reasonably expects the Group companies to continue with their operational existence in the foreseeable future and prepared the consolidated Financial Statements on a going concern assumption. It is believed that the current market situation will not lead to significant uncertainties regarding events or conditions that may generate doubts about the Group’s going concern. In this regard, please refer to the description in the Report on Operations and in the Explanatory Notes regarding the Capital Management Plan to be delivered to IVASS, together with the Remediation Plan in response to the observations made following the inspection conducted by the Supervisor in the fourth quarter of 2018.

The consolidated Financial Statements at 31 December 2018 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refer to all international accounting standards called “International Financial Reporting Standards” (IFRS) and “International Accounting Standards” (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

No new issues and amendments to the IAS / IFRS were adopted by the Group in advance.

Balance Sheet

Intangible Assets

Goodwill

Intangible assets include goodwill (also provisionally calculated on the basis of the provisions of IFRS 3) paid in corporate acquisitions / integrations. Since such goodwill is with an indefinite useful life, it is not amortized, but is valued at least once a year, or in any case whenever there are indicators of potential permanent loss in value, by means of an impairment test; if the loss in value is confirmed as permanent, it is recognized in the Income Statement and will not be recovered in subsequent financial years.

Other Intangible Assets

In accordance with IAS 38, an intangible asset should only be recognized if it is identifiable and controllable by the company, if future business benefits are expected from its use and its cost can be determined and/or is reasonably determinable.

These assets are valued at purchase or production cost net of amortization and accumulated impairment losses. Amortization on a straight-line basis is calculated according to the estimated expected useful life and begins when the asset is available for use.

Other intangible assets include goodwill paid for the acquisition of Life portfolios (value in force, or VIF): the value of the contracts acquired is determined by estimating the present value of future cash flows of existing contracts. VIF is amortized on the basis of the actual life of the contracts acquired. This assessment is reviewed every year.

Tangible Assets

Other Tangible Assets

In compliance with IAS 16, these should be recognized at purchase cost including ancillary charges and are shown net of depreciation and any accumulated impairment losses. They are depreciated on a straight-line basis using rates considered fair in relation to the technical and business evaluation as to the residual possibility of use of the assets.

The value of other tangible assets and their residual life are reviewed at the end of each financial year.

The depreciation rates used during the financial year, unchanged with respect to the previous period, are as follows:

	Furniture	Ordinary office machines	Electronic office machines	Plants and equipment
Depreciation rate	12%	20%	20%	10%

Ordinary maintenance and repair costs are expensed in the financial year in which they are incurred.

Technical Provisions Borne by Reinsurers

This macro-item includes the commitments of reinsurers that derive from reinsurance contracts governed by IFRS 4. They should be calculated and recognized according to the contractual conditions provided for in the reinsurance treaties, unless otherwise assessed in regard to the recoverability of the loan.

Investments

In calculating the fair value of financial instruments, three different input levels were identified:

- level 1: inputs represented by (unmodified) listed prices in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than listed prices included in Level 1 that are, directly or indirectly, observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability for which estimates and assumptions made by the appraiser are used.

The choice between the aforementioned methods is not optional, as they must be applied in such order. Please refer to the attachments to the Explanatory Notes to the Financial Statements for details regarding the breakdown of financial instruments by fair value level.

Loans and Receivables

This item includes loans on policies, mortgages, loans to employees, deposits with ceding entities (reinsurers), repurchase agreements, time deposits, receivables for claims against agents, unlisted debt securities not available for sale that the Company intends to hold in the foreseeable future, and the existing collateral under any forward contracts signed.

This category also includes unlisted debt securities, possibly comprising a bond component separated from structured products.

For loans and receivables of a non-insurance nature, initial recognition is made at fair value (amount disbursed including transaction costs and directly attributable commissions). The subsequent valuations are carried out at amortized cost, using the effective interest method, including any write-downs.

Loans and receivables of an insurance nature should be recognized and valued according to the criteria established by the Italian standards, in accordance with the provisions of IFRS 4, i.e. they are recognized at their nominal value and subsequently valued at their presumed realizable value.

Financial Assets Available for Sale

This category includes debt securities, equity securities, UCI units, and equity investments deemed strategic (shares of less than 20% of the share capital, of strategic importance from a commercial or corporate standpoint).

UCI units should be allocated in their respective asset classes on the basis of the prevailing underlying. Therefore, fixed-income were allocated to capital instruments items.

This category is defined in residual terms by IAS 39 and includes non-derivative financial assets designated as available for sale or that have not been otherwise classified.

At the time of initial recognition, the financial instrument is measured at cost (including directly attributable transaction costs), as an expression of fair value at that date, in accordance with IAS 39; financial assets are recognized in the Balance Sheet when the Company becomes a party to the contractual clauses of the instrument. In case of initial recognition deriving from a restatement of the instrument from a different class, fair value at the time of transfer is used.

Any subsequent measurements are carried out at fair value, represented by the listing at that date or, in the event of non-listing on an active market, it will be calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the listing, a market is considered active when it can set a price at which a transaction could occur. The existence of official prices in a regulated market is an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

The Income Statement includes charges and income capitalized on the basis of the amortized cost according to the effective return rate method. Unrealized gains and losses are instead recorded in a specific shareholders' equity reserve (including taxation).

In the event of sale or loss in value caused as a result of an impairment test, any unrealized gains or losses accumulated up to that moment in shareholders' equity are transferred to the Income Statement.

A financial asset available for sale is canceled from the Balance Sheet if, following its natural maturity, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with the same, expire or are transferred. Simultaneously with the cancellation of the asset, the amount corresponding to the gains and losses accumulated in the equity reserve is recognized in the Income Statement.

Assets are recorded at the settlement date.

Impairment policy for financial assets

In light of the merger that characterized financial year 2018, in order to make the impairment policy more consistent with the new investment portfolio and market practices, the Company's management decided to modify the impairment test triggers, as explained below.

At each reporting date, if there is reasonable evidence of the existence of a permanent loss, the value of the instrument is adjusted accordingly (impairment), recognizing the cost in the Income Statement.

IAS 39 requires that, at each reporting date, companies must check whether there is any objective evidence that a financial asset, or group of financial assets, has suffered impairment.

The units of mutual funds are considered as equity securities for the purposes of the impairment test.

For the purposes of the impairment test, the Company analyzed the following situations for equity securities:

a) the market price was always lower than the initial recognition value in the past 12 months;

b) the decrease in value at the reference date was 30% higher than the initial recognition value.

It should be noted that particular cases, such as FIAs in a start-up phase (where the initial loss in value is natural), will be analyzed in detail in order to verify the actual and objective loss in value.

For the aforementioned securities, if evidence of impairment is confirmed, the overall change in fair value is recognized in the Income Statement with a write-off of the reserve on assets available for sale.

With regard to fixed-return financial instruments, in order to verify the possible need to proceed with impairment, the Company examines objective factors or concrete information that calls into question the payment of benefits (payment of coupons or repayment at maturity); losses in value of more than 20% of the amortized cost of the investment or decreases in the fair value below 70% of the nominal value constitute further indications and grounds for assessment. It should be specified that the 70% threshold is not valid for the zero coupon securities component.

The recognition of impairment over previous periods is considered a condition for further impairment if the security was still producing a loss at the measurement date.

If a capital security has suffered impairment, any subsequent value recoveries will be recorded in the specific shareholders' equity reserve, reversal of impairment being prohibited. The recovery of value adjustments up to the corresponding amortized cost value is permitted for debt securities, provided that the reasons underlying the permanent loss have ceased to be effective on the basis of objective evidence. This value recovery is recorded in the Income Statement.

Financial Assets measured at fair value through profit or loss

This category includes assets held for trading in the short term (in line with the definitions of IAS 39, supplemented with the provisions of European Commission Regulation No. 1864 of 15 November 2005) and assets designated at fair value through profit or loss.

The following assets are assigned to the latter category:

- structured instruments, in which there is an embedded derivative not strictly connected to the primary contract, for which IAS 39 (paragraph 12) provides for the separate accounting of the two components and which the Company has decided not to account for separately;

- derivative components, separated from the primary contracts according to IAS 39 (paragraph 11), in turn accounted for among other categories (Loans and receivables - Assets available for sale);

- derivative contracts excluding hedging contracts.

The assets designated at fair value through profit or loss also include assets hedging the Company's commitments for insurance and/or investment contracts with investment risk borne by policyholders, as well as derivative financial instruments that do not meet the conditions qualifying an effective hedging, according to the definition provided by the IFRS, between the derivative instrument and the hedged item.

In accordance with IAS 39, financial assets should be recognized in the Balance Sheet when the Company becomes a party to the contractual clauses of the instrument.

Initial recognition is carried out at cost, as an expression of fair value at that date. The subsequent valuations are carried out at fair value, represented by the pricing at that date or, in the event of non-listing on an active market, calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the calculation, a market is considered active when it can set a price at which a transaction could occur. The existence of official prices in a regulated market is an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

Unrealized gains and losses were recorded in the Income Statement.

Assets were recorded at the settlement date.

Sundry Receivables

Receivables Arising from Direct Insurance Transactions and from Reinsurance Transactions

In accordance with IAS 39, these items include receivables from policyholders, insurance and reinsurance brokers, and insurance and reinsurance companies.

They are recognized at nominal value and subsequently measured at their presumed realizable value. Since these are short-term receivables, discounting methods are not used.

Other Receivables

In compliance with IAS 39, this item includes non-insurance receivables.

They are recognized at nominal value and subsequently valued at their presumed realizable value. Since these are short-term receivables, discounting methods are not used.

Other Asset Components

Deferred Acquisition Costs

Starting from the end of financial year 2003, the Company amortized commissions in prepaid form relating to policies with annual premiums with regular payment of the premium, within the limits of the charge included in the portion of the commissionable premium, with the exception of:

- commissions relating to individual forms of insurance, including guarantees associated with the same - temporary insurance in the event of death and disability, and optional temporary insurance in the event of death;
- commissions relating to unit-linked policies;
- commissions relating to supplementary guarantees.

Rappels were excluded from the acquisition costs to be amortized.

The above charges, to be calculated on each individual policy, are amortizable for a maximum period of 10 years, and are in any case amortized within the limit of the contractual duration and premium charges.

At each closing, the deferred acquisition costs relating to contracts issued during the reference period (also for partial redemption), are expensed by charging the residual commission through profit or loss. In case of partial redemption, commissions are expensed pro-quota (in proportion to the provisions released).

Current Tax Assets and Deferred Tax Assets

Income taxes are calculated in compliance with current tax legislation, Presidential Decree No. 917/1986, as amended by Legislative Decree No. 38/2005, also taking into account the amendments brought by Law No. 244/2007 (2008 Finance Law), the provisions of Law No. 208 of 28 December 2015 (2017 Stability Law), the prevailing interpretations provided by legal theory and official instructions by the (Italian) Financial Administration.

I.R.A.P. (regional tax on productive activities) is calculated in compliance with the provisions of Legislative Decree No. 446/1997, as amended by the aforementioned Law No. 244/2007.

The tax burden is represented by the total amount of current and deferred taxation included in the calculation of profit or loss for the period. Income taxes are recorded in the Income Statement with the exception of those relating to items debited or credited directly to shareholders' equity. The Company records the effects related to current and prepaid taxes applying tax rates in force.

Provisions for income taxes are calculated on the basis of a prudent forecast of the current, prepaid, and deferred tax burden.

Prepaid and deferred taxes are calculated on the basis of the temporary differences between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes, without any time limit.

Temporary differences can be:

- taxable, i.e. they will result in taxable amounts when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated;

- deductible, i.e. they will be translated into amounts that are deductible when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated.

Deferred tax assets represent income taxes recoverable in future financial years attributable to:

- deductible temporary differences;
- carry-forward of unused tax losses.

Deferred tax assets are recognized in the Financial Statements to the extent that they are likely to be recovered, which is also assessed on the basis of the Company's and the Group's ability, as a result of opting for the "tax consolidation", to generate positive taxable income on an ongoing basis.

Deferred tax liabilities represent taxes due in future financial years attributable to temporary taxable differences.

All deferred tax liabilities are recognized in the Financial Statements.

Deferred tax assets and liabilities being recognized are regularly measured to take into account any changes in tax rules or tax rates.

Starting in financial year 2008, the new formulation of the standard IAS 12.74 was implemented. It provides for the obligation to offset deferred tax assets and liabilities relating to income taxes of the same type and attributable to the same taxable person or different taxable persons who intend to settle such items on a net basis, or to realize the assets and settle the liabilities simultaneously, in each subsequent financial year.

Other Assets

The item mainly includes deferred acquisition costs (DAC) on insurance and reinsurance contracts classified as Investment Contracts in accordance with the provisions of IFRS 4 and treated in compliance with the provisions of IFRS 15.

These costs refer to costs incurred for the financial management service to be provided over the duration of the contract. The acquisition costs also include any "welcome bonus" attributed to the customer.

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (with a maximum limit of 10 years). At each closing, it should be noted that deferred acquisition costs relating to contracts issued during the reference period (including for partial redemption), are expensed by charging the residual costs through profit or loss.

Cash and Cash Equivalents

This item includes cash, sight deposits, and bank deposits with the central bank, recognized at their nominal value.

Shareholders' Equity

Capital Reserves

This item comprises the share premium.

Profit Reserves and Other Equity Reserves

This item, as required by IFRS 1, includes the reserve comprising any gains and losses arising from the first adoption of the IFRS standards. Other profit reserves are also included and gains and losses arising from material misstatements and changes in accounting policies or estimates adopted may also be included, as required by IAS 8.

Gains or Losses on Financial Assets Available for Sale

The item includes any gains or losses arising from the measurement of financial assets available for sale (IAS 39.55 (b)) directly entered in Shareholders' Equity, net of the component relating to the deferral of profits or losses to be attributed to policyholders (Shadow Accounting) and net of the related tax effects.

Other Gains or Losses Recognized Directly in Equity

This item includes any gains or losses arising from direct recognition in Shareholders' Equity, including gains or losses on hedging instruments of a financial flow.

Dividends

Dividends payable are shown as changes in shareholders' equity for the year in which they were approved by the General Meeting of shareholders.

Provisions

This macro-item includes provisions recognized in accordance with IAS 37, i.e. if there is a current (legal or implicit) obligation as a result of a past event, the use of resources to fulfill such obligation is probable and necessary and the amount thereof may be estimated reliably.

Technical Provisions

This macro-item includes any commitments that arise from contracts falling within the scope of IFRS 4, or contracts that, following the classification process described in the appropriate paragraph, have been classified among insurance contracts, with or without discretionary participation feature (DPF), or among investment contracts with DPF.

In life insurance, these are:

- actuarial reserves for pure, supplementary, and additional premiums, of premium reserves and technical provisions of supplementary insurance and expense reserves;

- provisions for sums to be paid, set aside for any exit from the portfolio due to claims, redemption, annuity, or maturity which, at year end, had not yet given rise to the corresponding payment;

- profit sharing and retrocession provisions.

Supplementary insurance in particular concerns:

- Premium reserve (pro-rata basis and for pending risks);
- Claims reserve (including the estimate of claims for the period).

Within technical provisions relating to investment contracts with DPF, a special capital reserve was set aside to limit volatility due to the presence of unrealized gains / losses on assets (referred to as shadow accounting).

At the end of the period, in order to verify the fairness of the technical provisions and in compliance with the provisions of IFRS 4, an adequacy test is carried out based on the expected future cash flow values generated by the portfolio in place at the valuation date. Any inadequacy found will give rise to a supplementary provision pursuant to IFRS 4.15 (Liability Adequacy Test, or LAT).

Any negative goodwill paid for the acquisition of Life portfolios (value in force, or VIF) is also included in the technical provisions: the value of contracts purchased is calculated by estimating the present value of future cash flows of contracts in place. VIF is amortized on the basis of the effective life of the contracts acquired. This estimate is reviewed every year.

Shadow Accounting Provisions

The shadow accounting technique, set forth in IFRS 4, makes it possible to account for unrealized losses and/or gains among technical provisions of insurance or investment contracts with discretionary participation feature, as if they had been realized.

The shadow accounting provision is determined as a Balance Sheet adjustment to actuarial provisions and is equal to the difference between the actuarial provision set aside and the actuarial provision that would have been set aside if all the (unrealized) valuation gains and losses had been implemented with a so-called "going concern" approach. It follows that shadow accounting is applicable to contracts for which the realization of net valuation gains and losses has an effect on actuarial provisions. Generally, for Italian products, this occurs for valuable tariffs, linked to separate management funds.

The shadow accounting going-concern approach allows to obtain:

- Greater stability of the results for the period and changes in the Company's shareholders' equity;
- A faithful representation of the economic reality of business: the assumption of instant realization of valuation gains and losses is in general not consistent with the Company's discretion regarding the time and amount of the realization of investments of separate management funds;
- Consistency with value measurements though profit or loss that take into account portfolio development;
- Truthful and correct calculation of capital and results for IAS / IFRS purposes in scenarios of significant capital losses: the assumption of instant realization of capital losses could result in an unjustified capital reduction even if there is a current business performance well above guaranteed minimums;
- Adherence to the 'going-concern' principle (included in the framework of IAS / IFRS standards), according to which the Financial Statements should be prepared on the assumption of the company's future going concern. In particular, in view of the commitments for maturities /

redemptions, the Company can count on future cash flows deriving from the collection of premiums and/or from the collection of coupons / dividends, and from the repayment of bonds at maturity;
- Consistency with the valuation system of Article 36 of Regulation 21 of 28 March 2008. The assumption of instant realization could penalize capital due to a possible 'double counting' of capital losses already considered in the supplementary provisions recognized according to the aforementioned Regulation No. 21/2008.

The "going-concern approach" is an approach that, in short, considers the following elements:
- the balance of potential gains and losses at the reference date for the period that are realized prospectively over a period of several years, consistent with the Company's management policies. The analysis is performed by single separate management fund;
- the reference yield on which to measure the impact of the realization of capital gains/losses is the "prospective natural return" of the individual separate management fund. The natural rate is defined as the rate of return before any possible realization and, from a theoretical standpoint, consists of income from equity investments, income from real estate investments, coupon flows, and issuing and trading discounts for bonds, and from the return on liquidity;
- the percentage of participation in gains / losses by policyholders taking into account the minimum guaranteed contractual rate, the minimum commission withheld by the Company for the management of contracts, and the average percentage of retrocession on returns if any. The analysis is carried out for each separate management fund and within the same by brackets of minimum guaranteed return.

Liability adequacy test (LAT)

In accordance with the provisions of IFRS 4, in order to verify the fairness of provisions, a Liability Adequacy Test (LAT) was carried out. This test was conducted in order to verify whether the technical provisions, including deferred liabilities to policyholders, are adequate to cover the fair value of future cash flows relating to insurance contracts.

The adequacy test is therefore performed by comparing the IAS / IFRS provision (which includes the portion deriving from the adoption of shadow accounting and the VIF) net of any deferred acquisition costs or intangible assets linked to the contracts in question, with the fair value of future cash flows relating to insurance contracts. Any eventual inadequacy is immediately charged through profit or loss.

Financial liabilities

Financial Liabilities measured at fair value through profit or loss

The financial liabilities in this category are divided into two further sub-items:

- financial liabilities held for trading, where negative positions on derivative contracts are classified;
- financial liabilities designated at fair value through profit or loss, where financial liabilities relating to contracts issued by insurance companies whose investment risk is borne by policyholders are classified, in the presence of insignificant insurance risk, and without discretionary participation feature. The item refers to the financial liabilities governed by IAS 39 (IAS 39.9,47 (a)) and therefore includes the financial liabilities constituted by the deposit component of investment

contracts (within the meaning of IFRS 4.IG2) issued by the Company, comprising technical provisions relating to unit-linked, index-linked products.

With regard to the criteria applied in the estimation of the time when to account for a financial liability, when to derecognize it, in the initial and subsequent valuations, as well as the methods for recognizing any related charges, please refer to the paragraph relating to financial assets measured at fair value through profit or loss.

Other Financial Liabilities

The items of an insurance nature mainly refer to deposits received from reinsurers recognized at nominal value, and subordinated liabilities measured at amortized cost.

Payables

Payables Arising from Direct Insurance Transactions and from Reinsurance Transactions

In accordance with IAS 39, this item includes trade payables arising from direct and indirect insurance transactions. These payables are recognized at nominal value.

Other Payables

Among other things, this item includes provisions for amounts due to employees for Severance Indemnities, valued, as required by IAS 19, based on actuarial assumptions of a demographic, economic, and financial type. For a detailed description of the method used to measure this liability, please refer to the paragraph "Employee Benefits"; the residual part of payables is recognized at nominal value, in accordance with IAS 39.

Other Liability Components

Current Tax Liabilities and Deferred Tax Liabilities

The item Current tax liabilities include payables to the (Italian) Tax Authorities for current taxes.

Deferred tax liabilities are recognized for all taxable temporary differences between the book value of assets and liabilities and the corresponding value recognized for tax purposes, except for the cases provided for by IAS 12.

Deferred tax liabilities are calculated by applying the tax rate according to the regulations in force at the end of the financial year.

Please refer to the paragraph on Tax Assets for further details.

Other Liabilities

This item includes deferred commission income related to insurance and reinsurance contracts that do not fall within the scope of IFRS 4, as required by IFRS 15.

These are up-front charges, i.e. acquisition charges relating to the financial management service provided, recorded and deferred over the duration of the contract. For contracts classified as Investment, the premium charges, generally on single premiums, intended to cover commissions, recurring expenses, and additional hedges, as well as to generate profits for the Company, are deferred on a straight-line basis over the duration of the contract, through the creation of a special reserve called DIR (Deferred Income Reserve), which includes reserves for future expenses, calculated with the Level 1 bases. The portion of premium charges to be deferred is that which is obtained from the gross premium, after excluding the part of the deposit (treated according to IAS39) relating to the invested premium, and removing the insurance component relating to additional hedges (when not financed entirely by recurring commissions).

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (without any limit). Deferred commissions relating to contracts issued during the reference period (including by partial redemption), are charged through profit or loss for the residual portion.

The item also includes provisions for amounts due to employees for other long-term social security payments and remuneration. For a detailed description of the method used to measure this liability, please refer to the paragraph “Employee Benefits”.

The item includes existing collateral under forward contracts according to the financial sign. The remaining part of liabilities is recognized at nominal value.

INCOME STATEMENT

Net Premiums

This item includes premiums for the period relating to contracts pursuant to IFRS 4.2.

Premiums are accounted for with reference to their maturity irrespective of the date on which their actual cash collection takes place and net of taxes to be paid by policyholders. Premiums ceded to reinsurers include the amounts due to reinsurers under contractual reinsurance treaties. During the financial year, with a view to harmonizing the criteria of the two merged companies, the insurance contracts identified were contracts underwriting insurance risk equal to or greater than 5%, obviously including the contracts under which the Company underwrites a significant insurance risk linked to longevity, mortality, or other biometric risks.

Commission Income

This item includes the accounting of revenues connected with financial services provided, as required by IFRS 15.

This item therefore includes the operating commission income and other technical revenues relating to investment contracts, which do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred income in connection with insurance and reinsurance contracts having a non-significant insurance risk and therefore valued according to IAS 39. This in particular refers to the positive margins deferred through the Deferred Income Reserve (DIR), as well as the Deferred Acquisition Costs (DAC) relating to commissions received under reinsurance treaties governed by IAS 39.

Income and Charges Arising from Financial Instruments Measured at Fair Value through Profit or Loss

This macro-item includes realized gains and losses and increases and decreases in the value of financial assets and liabilities measured at fair value in the Income Statement.

Income Arising from Other Financial Instruments

This macro-item includes income arising from financial instruments not valued measured at fair value through profit or loss, as set forth in IAS 39. Namely: interest income (calculated using the effective interest method), other income from investments (dividends and other), realized gains, and valuation gains (value recovery, reversal of impairment).

Other Revenues

This macro-item, among other things, includes other technical income in connection with insurance contracts falling under IFRS 4, exchange differences accounted for in accordance with the provisions of IAS 21, as well as gains realized and recoveries relating to tangible and intangible assets, as required by IAS 16 and IAS 38.

Charges Relating to Claims

With reference to insurance contracts under IFRS 4.2, this macro-item includes the amounts paid, change in claims reserves, change in the reserve for amounts to be paid, the actuarial provisions, the technical provisions when the investment risk is borne by the policyholders if related to insurance contracts, and other technical provisions of the life classes.

Recognition is carried out gross of settlement costs, net of recoveries and reinsurance.

Commission Expense

This item includes the recognition of costs connected to financial services received, as required by IFRS 15. This item therefore includes other technical charges relating to investment contracts that do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred charges in connection with insurance and reinsurance contracts with non-significant insurance risk and therefore valued in accordance with IAS 39. This in particular refers to commission expense deferred through the Deferred Acquisition Costs (DAC) relating to contracts governed by IAS 39.

Charges Arising from Other Financial Instruments

This macro-item includes charges arising from financial instruments not measured at fair value through profit or loss, as required by IAS 39. In detail: interest expense (calculated using the effective interest method), other investment charges, realized losses, and valuation losses (impairment).

Operating expenses

Commissions and Other Acquisition Costs

This item includes the fees due to the sales network in relation to the acquisition of insurance contracts pursuant to IFRS 4.2. This also includes overhead expenses allocated to acquisitions charges.

Investment Management Fees

This item includes overheads and personnel expenses related to the management of financial instruments.

Other Administration Expenses

This item includes overheads and personnel expenses not attributed to charges relating to the acquisition of contracts, settlement of claims, and management of investments. In particular, this item also includes overheads and personnel expenses associated with the administration of investment contracts that do not fall within the scope of IFRS 4.

Other Costs

This macro-item, among other things, includes other technical charges related to insurance contracts falling within the scope of IFRS 4, exchange differences, supplementary provisions made during the financial year, as well as the losses realized, and permanent loss in value relating to intangible assets and relating to tangible assets for the portion not otherwise allocated to other cost items.

Current Taxes and Deferred Taxes

These items include charges relating to current taxes, calculated according to the tax legislation in force, as well as changes in deferred taxes, as defined and regulated by IAS 12.

OTHER INFORMATION

Defined Benefits after Termination of Employment and Other Long-Term Benefits

Defined benefits should be set apart from defined contribution benefits due to the fact that, unlike the latter, not all actuarial and investment risks are borne by the party entitled to the same.

Defined benefits refer to pension plans (including severance indemnities) and healthcare assistance that the Company grants to its employees after termination of employment. The benefits due are based on the remuneration received by employees during a predetermined period of service, as well as on the working life of such employees. These benefits are assessed using actuarial criteria; the gains and losses arising from this valuation are recorded in the statement of comprehensive income of the vesting period, using the projected unit credit method.

Following the supplementary pension reform referred to in Legislative Decree No. 262 of 5 December 2005, the portions of employees' severance indemnities accrued up to 31/12/06 remained within the Company, while the portions of employees' severance indemnities accrued starting from 1 January 2007 were, at the employee's choice (by 30 June 2007), allocated to a supplemental pension scheme or to the I.N.P.S. Treasury Fund.

Any employees' severance indemnities accrued up to 31/12/2006 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) will continue to be "Defined benefits" and therefore subject to actuarial valuation, albeit with a simplification in the actuarial assumptions, which will no longer take into account the forecast on future salary increases.

Any portions accrued from 1/07/2007 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) were considered as a "Defined contribution" plan (since the Company's obligation ceases when the accrued severance indemnities are paid into the pension scheme chosen by the employee) and therefore the relevant cost for the period is equal to the amounts paid into the supplemental pension scheme or into the I.N.P.S. Treasury Fund.

Derecognition of Financial Instruments from Assets and Liabilities

A financial instrument will be derecognized from the Balance Sheet if, following its natural expiry, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with it, expire or are transferred.

Use of Estimates

The preparation of the Financial Statements and related notes in adoption of IFRS entails making estimates and assumptions that produce effects on the values relating to assets, liabilities, costs, and revenues, as well as on the presentation of contingent assets and liabilities at the reporting date. Such estimates and measurements are regularly reviewed by the Company's management on the basis of past experience and other factors deemed reasonable in such circumstances. Actual results may differ from such estimates due to different operating conditions and different assumptions. Any changes in estimates are recognized in the Income Statement in the financial year in which they actually occur.

Insurance Contracts

IFRS 4 lays down the obligation to temporarily continue using the national accounting standards used until 2004 to account for insurance contracts, defined as contracts with a significant insurance risk, while life contracts with a high financial content and with no guaranteed return, or that do not provide for the discretionary participation feature are considered financial instruments falling within the scope of IAS 39, without prejudice to their representation in the life segment of the Financial Statements.

Risk Analysis

<u>Introduction</u>

The Group is equipped a risk management model, integrated into business, aimed at optimizing its risk-return profile by increasing profitability and maintaining an adequate level of economic / regulatory capital, thereby guaranteeing the expectations of shareholders and policyholders in terms of value creation and safeguard of the Company's assets.

The Group assumes risks prudentially by pursuing the following objectives:

- only bear risks pertaining to its core business, developing and offering products for which it is able to guarantee consolidated and high-level skills;
- only bear risks for the management of which the Company has suitable expertise and resources;
- ensure satisfactory and lasting results to shareholders through risk management, safeguarding the expectations of the contracting parties and policyholders and maintaining a capital surplus even in the face of extreme events;
- adopt prudent investment policies that aim to achieve efficient risk-return combinations;
- promote ethical values and a risk culture at all company levels;
- ensure the integration of risk management in the business through:
    - current and forward-looking risk assessment process, aligned and integrated with the main decision-making processes (e.g. definition of business plan);
    - assessment of the Company's Risk Appetite and control mechanisms over consistency between the latter and the actual risk profile;
    - explicit consideration of the impacts of the Company's business initiatives on the risk profile;
    - continuous monitoring of the Solvency Position by means of a sensitivity analysis.

The internal risk control and management system, proportional to the Group's size and operational characteristics, is structured according to three "Defense Lines", organized as follows:

- the First Line consists of persons - essentially belonging to "business" and "staff" Organizational Units - responsible for risk assumption and for monitoring risks in terms of initial identification, assessment, control / monitoring, management, and reporting thereof;
- the Second Line consists in the "second level" Control Functions, i.e. Risk Management, Compliance, and Actuarial Departments. In particular, the Risk Management department has the task of monitoring and maintaining the entire Risk Management System, which contributes to ensuring it effectiveness including by supporting the Group's Board of Directors and Senior Management in relation to the definition and implementation of the same. The Actuarial Department contributes to effectively applying the risk management system, with particular regard to technical and capital aspects, making sure that the assumptions used in the calculation of technical provisions are consistent with the business, criteria, and methods used by the Company to calculate own funds and the current and prospective solvency capital requirement. Finally, the Compliance Department, in addition to identifying the regulations applicable to the Group on an ongoing basis by evaluating the impact thereof on processes and procedures, also has specific tasks in regard of non-compliance risk prevention;

- the **Third Line** consists in the Internal Audit Department, with respect to its role to provide independent "assurance".

The main elements of the risk management System are represented by:

- a process for defining the risk strategy, which will constitute the link between the Company's business strategy and risk management and will determine the general risk appetite framework by defining a set of risk management limits and requirements (Risk Appetite Framework);
- a process for identifying risks aimed at detecting the internal and external risk factors relevant to the Group and any changes that can have a significant impact on its business strategy and objectives on a continuous and ad hoc basis;
- a risk measurement and assessment process, aimed at quantifying the economic impact (with qualitative / quantitative methods) in terms of expected average loss in a complete and systematic way for each risk category through the use of the Standard Formula;
- a risk monitoring process, based on feedback inherent in the risk management process and on verification of the identified operational limits;
- a risk reporting process governing specific information flows between all the departments involved;
- dissemination of a risk management culture, aimed at increasing value creation, minimizing possible negative impacts.

The System aims to guarantee risk-based decision-making processes in accordance with the relevant national and European regulations and applies both to risks in place and to risks that can arise in existing businesses or in new businesses.

The **Board of Directors** is ultimately responsible for the internal control and risk management system, of which it ensures the continual completeness, functionality, and effectiveness, including in relation to outsourced activities. The governing body ensures that the risk management system enables the identification, evaluation also on a forward-looking basis, and risk control, including risks deriving from non-compliance with the rules, guaranteeing the goal of safeguarding assets, including in the medium-long term.

Senior Management is responsible for the implementation, maintenance, and monitoring of the internal control and risk management System, including risks deriving from non-compliance with the rules, in line with the directives of the Governing Body.

The **Board of Statutory Auditors**, as a body having control functions, verifies the adequacy of the organizational, administrative, and accounting structure adopted by the Company and its concrete operation.

The **Supervisory Body**, pursuant to Legislative Decree No. 231/2001, has supervisory and control functions on the operation, effectiveness, adequacy, and compliance of the Organization and Management Model adopted by the Group and is responsible for its updating.

In order to illustrate the corporate governance and internal control safeguards within the Group, it is also considered useful to note that committees have been established within the Board of the parent company Eurovita Holding S.p.A.:

- Audit, Internal Control, and Risk Committee;
- Appointments and Remuneration Committee;
- Board Group Investment Committee.

These committees report to the parent company's Board, which has approved their respective Operating Regulations.

Finally, the organizational area coordinated by the Chief Risk Officer includes the Anti-Money Laundering function, which aims to:

- ensure the suitability of the internal control system and corporate procedures with regard to the risk of money laundering and terrorist financing;
- prevent and combat the violation of laws, regulations, and codes of conduct on the matter.

The widespread risk management policy applied within the Group, reviewed and updated on an annual basis, defines the risk governance and risk appetite model. The taxonomy, measurement, control, and management of risks, and the risk reporting system, have been defined.

Mechanisms for sharing and exchanging information between the corporate bodies, the Supervisory Body, Senior Management, as well as the aforementioned Board Committees of the parent company, have been defined in order to make the activities of departments responsible for risk monitoring and control fully effective.

The rules and operational procedures followed for the management and monitoring of risks to which the Group is exposed have been defined in the risk management Policy of the Eurovita Group, which in particular require the review of risks on an ongoing basis and at least quarterly and that the findings regarding the underlying risk profile be reported to the Board of Directors using the appropriate forms.

Based on the findings of the risk detection and assessment processes, a system of limits and triggers has been established by the Board of Directors setting risk tolerance limits on the risk bearing capacity.

Risks are being currently detected and managed on the basis of the provisions of the risk management Policy and in compliance with the provisions of Article 19 of IVASS Regulation No. 38/2018. Including in consideration of the Solvency II framework, such risks have been classified in the following risk categories:

- Financial risk;
- Life technical risk;
- Risk of counterparties' default;
- Other risks.

1 Financial Risk

The variables with the greatest impact on the insurance Company's financial portfolios were monitored during the financial year. Therefore, the effects of market changes on the portfolio were assessed as part of risk management, both in qualitative and quantitative terms, with a view, on the one hand, to ensuring the availability of assets and, on the other, defining an investment management strategy related to the structure of commitments to policyholders, in order to improve the Company's profitability. The financial management of the Company's Separate Management Funds has been delegated to external companies (Goldman Sachs Asset Management, BNP Paribas Asset Management).

The most relevant risk factors for the "Class C portfolio", given the nature of investments, are risks relating to interest rate, credit, concentration, liquidity, and depreciation of equity assets and real estate securities, as well as the unfavorable trend in currency exchange rates and liquidity risk.

With a view to diversifying the portfolio and reducing interest rate risk (spread), the Group has increased the weight of indirect investments in credit and alternative funds and has stipulated (long and short) forward derivative contracts on government bonds in the Euro area.

With regard to investments in the "Class D portfolio", the Group is indirectly exposed to a market risk transmitted by the policyholders' assets, since management fees are withdrawn in proportion to the market value of the customers' funds, rather than in proportion to their initial investment. This is an accepted risk of the Company's business model, which pursues the objective of making the proposal more attractive to customers.

The Group maintains a continuous monitoring of financial risks in order to implement any corrective measures and minimize the effects of adverse market changes that could lead to a depreciation of the value of investments, influence the behavior of policyholders, and increase the cost of yield guarantees embedded in the liability portfolio. Through an integrated analysis of assets and liabilities by individual Separate Management Funds, the sustainability of the guaranteed minimum amounts is evaluated with respect to the prospective macroeconomic scenario and the matching between assets and liabilities is analyzed in terms of net cash flows and duration. Targeted asset and return optimization actions have been carried out both in terms of ALM and for the purpose of a prospective reduction of the Solvency II capital requirement.

The Group, as also required by IVASS Regulation No. 24/2017, has arranged for and drafted the Framework Resolution on Financial Investments aimed at measuring and containing exposure to the market risk of portfolios. Moreover, it has established a Management Investment Committee, which meets monthly and in which corporate business and control bodies are invited to participate. This Committee works in support of the Board Group Investment Committee, at least quarterly, in which the Chief Risk Officer is invited to participate and whose purpose is to monitor the results achieved and verify the adequacy of the strategies and management tactics adopted in relation to the continuous evolution of the markets.

For a correct management of the Company's exposure to the financial markets, the management team has adopted the appropriate strategies developed with a view to defining the most consistent risk / return combination with the Company's objectives.

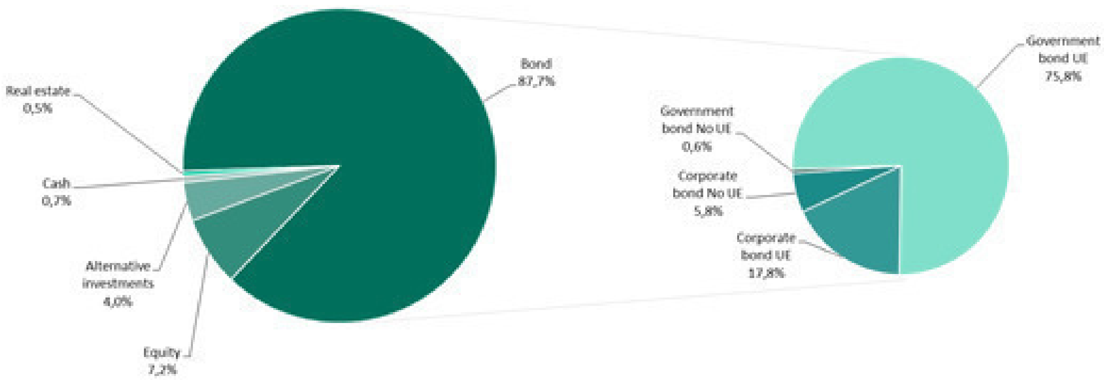
Interest rate risk is managed through a policy that optimizes the investment performance and constantly monitors the match between assets and liabilities broken down by separate management fund.

The Company manages *concentration risk* by defining specific limits by asset class, reviewed annually by the Board of Directors upon approval of the Framework Resolution on Investments.

The Risk Management Department regularly monitors compliance with the above limits.

The Company's "Class C" portfolio at 31 December 2018 amounted to €9,487 million. It mainly comprised bond instruments (approximately 87.7%), equity securities (approximately 7.2%), alternative funds (approximately 4.0%), derivatives (approximately down 0.01%), real estate (approximately 0.5%) and liquidity in current accounts (approximately 0.7%).

The bond portfolio mainly includes securities issued in the Euro zone and mainly comprises government securities (approximately 76.4%), covered bonds, and corporate bonds (approximately 23.6%).



Market risk is assessed using Standard Formula. Considering the composition of the Group's insurance company's portfolio, the assessment findings show a consistent exposure mainly to spread risk.

Liquidity risk arises when the Company, in order to meet the liquidity needs of Separate Management Funds, has no available funds and is unable to promptly liquidate the investment in securities without suffering significant losses in value.

The Company constantly carries out a careful analysis of its cash flows and, during the year, carried out a management action in order to mitigate this risk by limiting exposure to illiquid and structured products. Periodically, monitoring of the risk is performed in the short, medium and long term, as required by the "Policy on liquidity risk management" set out under the Framework Resolution on Investments (pursuant to IVASS Reg. No. 24/2016), verifying whether the value of the Liquidity Coverage Ratio (LCR), i.e. the ratio of liquid assets to inflows / outflows, is not less than 125%.

2 Life Technical Risk

The Company's portfolio is represented by a balanced mix of hedging products with a main savings content, unit-linked products without guarantees, and pure risk hedging products for a residual portion.
In relation to the nature of the business and composition of the portfolio, it was found that the main underwriting risks to which the Company is exposed are as follows:

- lapse risk, determined by changes in the level or volatility of the rates for early repayments due to partial redemptions, total redemptions, reductions (termination of premium payments), and other reasons;
- expense risk, linked to the possibility that the income generated by the business may not cover all the related costs incurred;
- biometric risk, with particular reference to the risks of mortality, disability, and morbidity, which is also mitigated through reinsurance.

Longevity risk is negligible by virtue of the low number of annuity contracts. Guaranteed option ratios are not provided for in the products in the portfolio.

For risks associated with with-profit policies with minimum yield guarantees, in addition to integrating appropriate criteria that take into account the situation of the financial markets and the existing regulatory restrictions, the holding of the corresponding financial investments is measured over time using ALM techniques.

With regard to purely technical insurance risks, the Company pays particular attention to risks associated with the launch of new products and their assessment through profit testing to verify the sustainability of the coverage being offered, the riskiness, and the margins generated for the Company. The pricing is based on statistical analyzes of the actuarial type, including on a forward-looking basis, to ensure an adequate assumption of risks in setting the premium and margins, including in relation to contract placement and management / maintenance costs. There is also a continuous comparison and monitoring of market trends and foreseeable scenarios, a capital requirement calculation using the Solvency II "standard formula", and a careful assessment of exposure to insurance risk within the limits of risk tolerance in terms of quantity and type of new business during the annual planning phase.

Product pricing follows the same risk measurement standards (assumptions, flow modeling, etc.) as those included in the overall risk management framework. To this end, the Company favors recourse to verified historical data (assumptions concerning redemption rates, mortality cases), used in a discriminate manner, i.e. paying attention to their overall solidity (historical series depth, correctness of the surveys, presence of anomalous data, suitability of historical data for use as predictive tools, etc.).

With regard to mortality risk, i.e. relating to insurance contracts in the "event of death", the mortality tables used for pricing are prudential and risk exposure is monitored through a comparison between actual mortality and theoretical mortality deduced from the tables themselves.

Among risk mitigation factors, reinsurance is critical, especially for mortality risk.

The risk management policies adopted in association with life insurance contracts require the adoption, in the contract acquisition phase, of appropriate prudential rules aimed at achieving a careful selection of risks.

With regard to contracts that provide for payment of capital in the event of death, the underwriting policy provides for the acquisition of suitable health documentation, which should be the more detailed the higher the capital to be insured and the insured's age. The analysis and evaluation of the documentation received will then determine the decision to request further documentation, underwrite or reject the risk, or apply appropriate extra premiums (in relation to the insured's health condition, linked to certain professions and/or sports activities).

The risk is assessed using the Standard Formula; the Company's exposure to underwriting risk is mainly due to the risks of early repayment and expenses.

The table below shows the concentration of direct gross premiums by business line.

Direct gross premiums by business line (figures in Euro thousand)

Amounts in Euro thousand

IAS Classification	Premiums in the first year	Premiums in subsequent years	Total
Rider	12.204	67	12.271
Indirect business	5.880	-	5.880
Insurance	156.632	9.948	166.579
Investment DPF	972.411	95.080	1.067.491
Investment	639.482	1.393	640.874
Total	1.786.608	106.488	1.893.096

The table below shows the concentration of technical provisions of direct gross business in the life segment by level of guarantee offered.

Life segment insurance provisions by yield guarantee (figures in Euro million)

	Direct Business December 2018
Reserves with interest rate guarantees	8.810,64
from >= 0% to <=1%	**4.318,80**
from >1% to <=2%	**2.863,06**
from >2% to <=3%	**861,45**
from >3% to <=4%	**767,33**
Over 4%	-
Reserve for mortality risk	55,12
Reserves linked to specific assets	47,92
Unit-Linked Reserves	95,24
Other Technical reserves	308,52
Shadow accounting reserve	226,94
VIF - Value in force	171,88
Total	**9.716,27**

3 Risk of Counterparties' Default

The risk of counterparties' default (or "credit risk", or "default risk") reflects the possible losses due to unexpected defaults or deterioration of the creditworthiness of the Group's counterparties and creditors in the following 12 months. Credit risk sets apart at least three types of exposures subject to default, namely:

- the default of banking institutions where current accounts are held;
- the default of reinsurance companies;
- the default of other counterparties, including issuers of risk mitigation contracts, including vehicle companies, insurance securitization, and derivatives.

The Group periodically monitors the exposure to this risk and has certain management strategies in place, such as the setting by the Board of Directors of specific limits for the insolvency risk of financial intermediaries and quality, commitment, and solvency criteria with regard to the insolvency risk of reinsurers. The reinsurers with whom the Company operates must, in general, meet criteria of quality, commitment, and solvency; the Company's reinsurance policy is generally oriented towards prudent hedging of exposures to avoid unwanted risk concentrations.

The insolvency risk of financial brokers (bank exposures) is monitored and checked on a monthly basis as part of the monitoring of investments.

4 Other Risks

The Group's Risk Management System, in line with the provisions of IVASS Regulation No. 38/2018 and the Solvency II Directive, provides for the detection, assessment, and treatment of any other risks that, while not attributable to the categories referred to above, are deemed potentially detrimental to the achievement of the Group's objectives.

Therefore, an analysis is performed of the types of risk not included in the classifications illustrated above, including operational risk, legal compliance risk, strategic risk, and reputational risk. For these risks, the assessment of which is mostly qualitative, the Group has set up a management system that is considered suitable for containing the same at an acceptable level.

Operational risk is defined as the risk of suffering losses arising from the inadequacy or malfunction of processes, human resources, and internal systems, or due to external events. Risk management is essentially delegated to the business line managers, who are called to find and implement mitigation actions.

In relation to IT systems, the security, access, continuity, and performance requirements are guaranteed and integrated with the Disaster Recovery Plan system, which is geographically distant from the headquarters. The Group has a Disaster Recovery Plan in place that represents a specific strategic plan aimed at minimizing the loss of information and time for restoring corporate information in particularly critical situations; this plan defines the set of technology measures suitable for restoring systems, data, and infrastructures necessary for the provision of services as a result of catastrophic events.

With regard to the measurement of operational risk and the setting of the relevant capital absorption, the Group uses the standard formula method defined by EIOPA (in the Solvency II system). In addition to these assessments, a Risk & Control Self-Assessment (RCSA) approach was adopted in order to control, mitigate and monitor operational risks. In particular, on an annual basis, the departments in the first line, supported by the Risk Management Department, are called to identify the main risk events to which the Group could be exposed, assess them in terms of likelihood of occurrence and in terms of economic impact, as well as to find adequate mitigation actions in the event that the risk level incurred is considered unacceptable. The assessments conducted in financial year 2018 showed that the main sources of operational risk for the Group are attributable to data quality issues in the portfolio systems, possible malfunctions of the information systems deriving from the integration initiatives in progress, possible deficiencies in the processes for the management of policies linked to loans (PPI) and the so-called dormant policies and, finally, malfunctions in the investment cycle for unit-linked policies.

Strategic risk is defined as the current or prospective risk of a drop in profits or capital arising from external factors, such as insurance market, competitors, and customers, or internal factors, such as business strategy, and the achievement of strategic objectives set by the Board of Directors. Senior Management, with the support of the Risk Management Department and other departments involved, is responsible for detecting and assessing risks and setting out the actions and resources necessary for their management. The ongoing adoption of measures ensures the achievement of business objectives and strategic objectives, as well as a continuous assessment of the effectiveness of such measures.

Reputational risk is defined as the risk of deterioration of the corporate image and increased conflict with policyholders also due to the poor quality of services offered, the placement of inadequate policies, or the behavior of the sales network. The management of reputational risk involves setting certain control measures, categorized on the basis of risk factors, such as:

- Supervisory Authority,
- customers, products, and business;
- sales network;
- human resources.

The risk is also managed and monitored through the risk of non-compliance with rules, or the risk deriving from non-compliance with legislation, regulations, or measures of the Supervisory Authority, with the resulting possibility of incurring judicial or administrative penalties, or suffering losses resulting from reputational damage.

Transactions with Related Parties

1. Legal Framework

“Related parties” are parties defined as such by the International Accounting Standard IAS 24 concerning the financial statement disclosures on transactions with related parties.

In drafting this section of the Explanatory Notes, reference should be made to the applicable statutory provisions, the standard IAS 24, and the applicable provisions contained in IVASS Regulation No. 30 of 26 October 2016.

Following the issuance thereof, intercompany transactions are defined by the “Policy for the Management of Intercompany Transactions”, while transactions with related parties are governed by the “Policy for the Management of Transactions with Related Parties”.

Both documents were presented and approved by the Board of Directors on 28 March 2018 and are reviewed at least annually.

2. Management of Transactions with Related Parties

In accordance with the procedures and timeframe set out in the "Policy for the Management of Transactions with Related Parties", the appointed department provides the Chief Executive Officer, the Audit Committee, Internal Control and Risk, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Body with adequate information regarding any transactions related party.

In particular, in case of transactions with related parties carried out by one of the entities as defined in the "Policy for the Management of Transactions with Related Parties", a timely notice (referred to as transaction notice) must be sent to the appropriate corporate body containing the following information: a) characteristics of the transaction; b) whether the transaction was directly ordered by the Company or through a subsidiary company; c) information on the effective / potential counterparty and whether it is a Related Party; d) classification of the transaction on the basis of the categories set out in the Policy and reasons underlying the classification (e.g. whether it is a transaction of major / minor importance); e) any elements that make it possible to link the transactions to a Framework Resolution; f) information as to the value of the transaction and tentative timeframe of commencement; for transactions of a non-negligible amount, the Transaction Notice should also contain: g) objective evidence confirming the fact that the transaction has been concluded on terms equivalent to market or standard conditions; h) reasons underlying the classification of the transaction.

The corporate body in charge, as a result of the information received, will perform checks with reference to the classification of the transaction and completeness of the documentation received. It will also support the corporate department involved in preventative monitoring activities for the approval of transactions and will launch the approval process required for significant and very significant transactions, notifying the Chief Executive Officer and/or the Chairman of the Audit Committee, Internal Control & Risk, who will, upon receipt of this communication, provide for the convening of the Committee for the purpose of issuing a non-binding opinion.

Transactions with related parties carried out by the Company must be recorded in a specific list, the management and keeping methods of which are set out in the Policy.

2.1. Transactions with Related Parties to be Submitted to the Examination and Prior Approval of the Board of Directors

The most significant transactions with a value, considering each individual transaction, equal to or greater than €5,000,000 will be submitted to the prior examination and approval of the Audit Committee, Internal Control & Risk, and the Board of Directors of the Company.

In particular, the Committee will, after receiving the documentation and information, examine the transaction and issue a reasoned opinion to the Board of Directors on the Company's interest (and on the subsidiary's interest for any transactions carried out through the same) in carrying out the transaction, as well as on the cost-effectiveness and substantial fairness of the relevant conditions.

If the Committee has expressed a reasoned opinion that is not favorable to the completion of the transaction, the Board of Directors may: i) approve the transaction in compliance with the conditions set by the Committee; ii) approve the transaction (despite the Committee's contrary opinion) stating the relevant reasons with clear and substantiated arguments appropriate to justifying the objective cost-effectiveness for the firm to proceed with the conclusion of the transaction, supported, if appropriate, by the opinion of third-party consultants; iii) not approve the transaction. In any case, any resolution approving the transaction must acknowledge the proper adoption of the Policy and provide an adequate reason as to the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions.

For transactions of lesser importance, the documentation will be sent to the Chief Executive Officer, who will examine the transaction and authorize it if this falls within the powers granted to the same or, in cases where the transaction does not fall within its powers, or in the event that the latter considers it appropriate, an opinion is given to the Committee on the Company's interest in carrying out the transaction, so that the same Committee may refer the relevant assessment and decision to the decision-making body. In any case, any resolutions approving the transaction must provide adequate reasons regarding the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions. In case of approval of the Chief Executive Officer, the decision will be noted in specific reports.

3. Transactions with Related Parties Conducted during the Year

Pursuant to the applicable provisions on the subject, it should be noted that the monitoring activities carried out did not reveal transactions between related parties of a significant nature or not at market conditions.

Please refer to the Directors' Report on Operations for the identification of intercompany transactions with related parties in the financial year under review.

Information on the Consolidated Balance Sheet and Income Statement

The consolidated Financial Statements were prepared in a comparative form showing the corresponding values of the previous financial year.

The items of the statement of financial position and the changes in the related amounts compared to December 31 of the previous year are commented on and supplemented below.

Balance sheet data for the two fiscal years are comparable, while the income statement data do not concern the same period. Last year, the former company Eurovita Assicurazioni S.p.A. was included in the consolidation starting from the month of August. For a better understanding, a brief summary of the extraordinary transactions that took place in the previous fiscal year is given below.

During 2017, the company Ergo Previdenza S.p.A. carried out two acquisition transactions. On 9 January 2017, subject to IVASS authorization by Measure No. 0228541/16 of 7 December 2016, the acquisition of the entire share capital of Old Mutual Wealth Italy S.p.A. (hereinafter also referred to as "Old Mutual" or "OMWI") was concluded, while on 11 August 2017, subject to IVASS authorization issued by Measure No. 0150511/17 of 3 August 2017, the acquisition of the share capital of Eurovita Assicurazioni S.p.A.

(hereinafter also “EVA”) was completed. Following the authorization by IVASS, the merger of Old Mutual Wealth Italy S.p.A. and Eurovita Assicurazioni S.p.A. into Ergo Previdenza S.p.A., which at the same time took the business name of Eurovita S.p.A., became effective on 31 December 2017.

The comparative analysis of income statement data is affected by the merger transaction described above, including only 5 months in the income statement of the former company EVA in the balance amounts at 31 December 2017.

Balance Sheet - Assets

1. Intangible Assets

1.1 Goodwill

The item Goodwill includes the value thereof generated following the acquisition of the insurance company Old Mutual Wealth Italy S.p.A. in 2017.

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	22.050	22.050
Total	22.050	22.050

The surplus of the acquisition cost of the shareholding of Old Mutual Wealth Italy, compared to the share at fair value of assets and liabilities, was accounted for as goodwill and represents a payment made in anticipation of future economic benefits arising from assets that cannot be identified individually and were recorded separately.

The Company carried out an impairment test on this asset with an indefinite useful life that confirmed the book value. Therefore, the asset was not written down.

Furthermore, this valuation was supported by the evidence characterizing the 2018 management. With reference to events following the reporting date of financial year 2018, it should be noted that the positive business trend in the first weeks of 2019 and the forecasts for the entire financial year do not show elements of significant discontinuity with respect to 2018 such as to be negatively affect the past measurement due to subsequent events.

1.2 Other Intangible Assets

The item Other intangible assets was made up as follows:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	84.991	104.166
Agenzia Eurovita	461	610
Eurovita Holding S.p.A.	129.940	139.418
Total	215.392	244.194

The item, equal to €215,392 thousand (€244,194 thousand in 2017) shows a decrease of €29 million compared to 2017, as detailed below.

All intangible assets have a definite useful life.

The following table illustrates the changes in the aforementioned item during the closing year:

Amounts in Euro thousand

TOTAL IAS CONSOLIDATION	VALUE 31.12.2017	INCREASE	DECREASE	GROSS VALUE 31.12.2018	ACC. AMORT.	NET VALUE 31.12.2018
EXPANSION COSTS	-	-	0	-	-	-
VIF	286.242	-	0	286.242	- 73.839	212.403
SOFTWARE	4.761	-	0	4.761	- 4.160	601
RECOVERIES	944	36	0	980	- 551	429
ASSETS IN PROGRESS	3.823	-	0	3.823	- 1.864	1.959
TOTAL	295.770	36	-	295.806	- 80.414	215.392

Amortization was calculated on the basis of the following rates considered representative of the useful life of each category:

Income expenses for third party assets:	12.50%
Start-up and expansion costs:	20%
Plant and equipment:	10%
Concessions and licenses:	20%
Software:	20%

Intangible assets recognized include:

- recognition of VIF (Value in force) following the acquisition of the former Ergo Italia Group on 30 June 2016 (€159.3 million). The relevant amortization charge (€29.3 million) was set using the actual release of provisions.

- Recognition of VIF deriving from the acquisition of the former company Old Mutual Wealth Italy S.p.A. and related recognition of its gross VIF, equal to €126,985 thousand, and related amortization of €44,500 thousand, calculated using the actual release of provisions.

- With regard to the subsidiary Agenzia Eurovita S.r.l., it should be noted that the intangible assets refer to the net value of recoveries charged by the principal companies for €461 thousand for the assignment of the insurance portfolio. The residual component mainly refers to software.

The breakdown of other intangible assets (Item 1.2 Assets) separately specifying assets recognized at cost and those recognized at the restated value, or at fair value, is provided in the mandatory attachments, as per I.S.V.A.P. Regulation No. 7/2007.

2. Tangible Assets

2.2 Other Tangible Assets

The following table is proposed:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	466	594
Agenzia Eurovita	2	3
Eurovita Holding S.p.A.	38	88
Total	506	685

Statement of changes in tangible fixed assets:

Amounts in Euro thousand

TOTAL IAS CONSOLIDATION	VALUE 31.12.2017	INCREASE	DECREASE	GROSS VALUE 31.12.2018	ACC. AMORT.	NET VALUE 31.12.2018
FURNITURE AND FIXTURES	271	-	-	271	- 202	69
ELECTRONIC MACHINES	1.357	-	-	1.357	- 1.310	47
PLANTS AND EQUIPMENT	551	-	-	551	- 203	348
SUNDRY ACC. OF REAL PROPERTY	42	-	-	42	-	42
TOTAL	2.221	-	-	2.221	- 1.715	506

The fair value, considered equal to the value in use, is provided in the appropriate attached table, with information on the corresponding value of the previous financial year.

Depreciation was calculated on the basis of the following tax rates considered representative of the useful life of each category:

Furniture:	12%
Electronic machines:	20%
Plant and equipment:	10%

3. Technical Provisions Borne by Reinsurers

Technical reserves borne by reinsurers, including business ceded and retroceded, amounted to €1,227,590 thousand (€1,522,998 thousand in 2017), with a total decrease of €295,408 thousand compared to 31 December 2017, due to the onset of the maturity on a significant generation being reinsured.

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Actuarial reserves	1.119.899	1.464.330	- 344.431
Reserves for complementary ins. premiums	1.792	2.303	- 511
Reserve for amounts due	105.640	56.089	49.551
Reserves for gains on equity investments	259	276	- 17
Total Amounts ceded to reinsurers from insurance provisions	1.227.590	1.522.998	- 295.408

The performance of the technical provisions borne by reinsurers reflects the evolution of the recurring annual premium portfolio and of the temporary death and supplementary policies. The actuarial reserves borne by reinsurers were calculated by applying the same criteria used for gross provisions.

Premium provisions on supplementary policies refer to accident and permanent disability coverage and were calculated by applying the *pro-rata basis* criterion adopted for gross provisions.

The increase in the provisions for sums to be paid is due to the presence of a greater number of expiring policies compared to the end of the previous financial year.

The result of the ceded technical account is analyzed below, including the change in technical provisions, sums paid, profit shares, and commissions paid by reinsurers on the sum of the premiums ceded (amounts in Euro thousand):

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	Change
Change in technical provisions ceded	- 295.399	- 100.038	- 195.361
Premiums earned ceded	- 53.200	- 57.663	4.463
Commissions received from reinsurers	6.806	4.657	2.149
Profit sharing and other technical charges /	4.279	766	3.513
Interest expense	369.876	190.098	179.778
Amounts paid borne by reinsurers	- 45.339	- 54.795	9.456
Technical result ceded	*- 12.977*	*- 16.975*	*3.998*

The result of the ceded technical account was a negative €12.98 million, i.e. an improvement of €3.99 million compared to the previous year, mainly due to a decrease in interest expense on deposits caused by the decrease in provisions being ceded.

The technical provisions borne by reinsurers are covered at 90.42% by deposits of the same reinsurers.

The table below shows the balance of provisions by type of reinsurer rating:

Amounts in Euro thousand

Rating (Standard & Poor)	Provisions ceded
AA+	78.358
AA-	1.138.220
A+	8.434
A	3
BBB+ and less / No Rating	2.575
Grand total	1.227.590

4. Investments

4.4 Loans and Receivables

The following table shows the breakdown of Loans and Receivables, totaling €470,474 thousand, by type of investment compared with the corresponding values at the end of the previous financial year (€547,630 thousand in 2017):

Amounts in Euro thousand	31/12/2018			31/12/2017		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Other loans and receivables	32.427	32.427	32.427	42.440	42.440	42.440
Debt securities	360.707	360.707	356.310	409.963	409.963	406.559
Deposits with credit institutions	-	-	-	17.434	17.434	17.434
Deposits with reinsurers	77.340	77.340	88.303	77.793	77.793	85.823
Total Loans and Receivables	470.474	470.474	477.040	547.630	547.630	552.256

In particular, it should be noted that the item Loans and receivables includes:

- loans amounting to €31,592 thousand, which includes €30,189 thousand relating to loans on policies;
- net recoveries from agents of €835 thousand;
- deposits with credit institutions of €0, while they were worth €17,434 thousand at 31 December 2017. These accounts were attributable to the deposit with counterparties for collateral relating to forward securities subscribed during 2017;
- deposits with ceding institutions for a total of €77,340 thousand;
- debt securities, including the related accrued income of €360,707 thousand.

Debt securities comprise private placement issues and unlisted bonds of €321,715 thousand (including the bond component taken away from structured products included in the Financial assets measured at fair value through profit or loss) of mainly European banking and financial institutions, as well as repurchase agreements in place with Italian banking institutions with underlying Italian government securities of €38,992 thousand; at the end of the financial year, this category showed a net contingent capital loss equal to €4.397 thousand.

4.5 Financial Assets Available for sale

The breakdown of financial assets available for sale classified by type of investment is shown in the following table compared with the corresponding values at the end of the previous financial year:

Amounts in Euro thousand	31/12/2018				31/12/2017			
	Amort. cost	Book value	Equity Reserve	Fair Value	Amort. cost	Book value	Equity Reserve	Fair Value
Debt securities	8.131.831	8.040.268	- 91.563	8.040.268	8.912.518	8.918.886	6.368	8.918.886
of which, listed	*8.100.091*	*8.008.549*	*- 91.542*	*8.008.549*	*8.912.518*	*8.918.886*	*6.368*	*8.918.886*
UCI / ETF units	1.106.854	1.073.838	- 33.016	1.073.838	386.203	388.535	2.332	388.535
Equity securities at fair value	26.678	26.628	- 50	26.628	28.784	29.683	899	29.683
of which, listed	-	-	-	-	*1.173*	*1.109*	*- 64*	*1.109*
of which, not listed	*26.678*	*26.628*	*- 50*	*26.628*	*27.611*	*28.574*	*963*	*28.574*
Total Financial Assets Available for Sale	9.265.363	9.140.734	- 124.629	9.140.734	9.327.504	9.337.104	9.600	9.337.104

Financial assets available for sale totaled €9,140 million, compared to €9,337 million in 2017.

The investment in Debt securities consists of fixed or floating rate bonds issued by government issuers, supranational financial institutions, and leading international issuers, and is totally concentrated in issues denominated in Euros. The investment activity was mainly directed towards government bonds and corporate issues of both core and peripheral European countries in search of returns consistent with the commitments to policyholders, paying particular attention to the quality of assets with the aim of containing the decline in profitability. In particular, the exposures in Italian government bonds were kept substantially stable and exposures in Spanish and Portuguese government bonds were slightly increased thereby confirming the Group's marked attention to portfolio diversification. Investments met the requirements of corporate directives and were characterized by durations almost entirely consistent with ALM requirements.

The Equity Reserve (understood as the difference between amortized cost and fair value) equal to a negative €91,563 thousand at 31 December 2018 (a positive €6,638 thousand at the end of the previous financial year) decreased due to the contraction of the average portfolio duration, widening spread and consolidation of part of the capital gains.

"UCI / ETF Units", amounting to €1,073,838 thousand, represent a variety of investment categories that include monetary stocks / shares (€102,700 thousand), investment grade and high-yield bonds (€551,000 thousand), open-end debt loans (€169,261 thousand), and other types of closed-end funds or funds with a limited-entry window (€226,947 thousand); the latter are diversified between Private Equity, Infrastructure Equity, Real Estate Equity, Infrastructure Debt, Real Estate Debt, Loan Debt, and Direct Lending subdivided into over 25 specialized instruments. The Equity Reserve of the category (a negative €33,016 thousand) was particularly penalized at year end by the negative performance of the High Yield and Emerging Market Debt markets, a result which, however, was quickly recovered in the first two months of the year.

The item Equity securities at fair value constitutes a residual weight in line with the policy of limiting equity risk. This feature remained valid including during the year 2018 with a portfolio that consisted of shares of Italian banking institutions and other unlisted financial companies linked to the Company through distribution agreements, as well as 280 shares of the Bank of Italy (€7,000 thousand).

Through the impairment test procedure, the Company verified whether there were the conditions to justify the recognition of permanent losses in value on a final basis. At 31 December 2018, write-downs of bank investments for €932 thousand and of FIA shares for €7,316 thousand were recognized (against no write-down in the previous fiscal year) mainly related to Real Estate Equity funds (€5,659 thousand).

4.6 Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss by type of investment are detailed in the table below, which compares the corresponding values at the end of the previous financial year.

Amounts in Euro thousand	31/12/2018			31/12/2017		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Hedge derivatives	11.595	11.595	11.595	2.774	2.774	2.774
Non-hedge derivatives	1.477	1.477	1.477	2.471	2.471	2.471
Debt securities	9.965	9.965	9.965	10.774	10.774	10.774
of which, listed	5.387	5.387	5.387	5.855	5.855	5.855
of which, not listed	4.578	4.578	4.578	4.919	4.919	4.919
Equity securities at fair value	-	-	-	30	30	30
of which, listed	-	-	-	30	30	30
Assets held for trading	***23.037***	***23.037***	***23.037***	***16.049***	***16.049***	***16.049***
Debt securities	89.589	89.589	89.589	100.996	100.996	100.996
of which, listed	89.559	89.559	89.559	100.996	100.996	100.996
of which, not listed	30	30	30	-	-	-
UCI / ETF units	6.549.802	6.549.802	6.549.802	7.694.615	7.694.615	7.694.615
Equity securities at fair value	3.116	3.116	3.116	3.721	3.721	3.721
of which, listed	116	116	116	721	721	721
of which, not listed	3.000	3.000	3.000			
Other Financial investments	20.272	20.272	20.272	26.388	26.388	26.388
Assets designated at fair value	***6.662.779***	***6.662.779***	***6.662.779***	***7.825.720***	***7.825.720***	***7.825.720***
Total Financial Assets at Fair Value through profit or loss	6.685.816	6.685.816	6.685.816	7.841.769	7.841.769	7.841.769

Financial assets measured at fair value through profit or loss totaled €6,686 million, compared to €7,842 million in 2017.

Among the investments held for trading, the item Debt securities includes structured bonds for which it was decided not to proceed with the accounting separation of embedded derivatives (€9,965 thousand) in addition to derivative components (€1,477 thousand) separated from structured products classified under Loans and Receivables, while the item "Hedge derivatives" refers to the positive positions of the forward hedge contracts (€11,595 thousand, a dramatic value recovery following the volatility of the spread over Italian government securities) subscribed during 2017, whose change in fair value was booked to shareholders' equity in the item Reserve for expected cash flow hedges. During 2018, the item did not undergo significant changes except for the first maturity of 10 forward contracts, which led to the related changes in the underlying bonds classified under the item Assets available for sale.

The item Financial assets designated at fair value includes investments for the benefit of life policyholders who bear the risk thereof (comprising 121 internal unit-linked funds and 1,562 external unit-linked funds), which totaled €6,662.8 million at 31 December 2018 (€7,825.7 million in 2017). The item decreased due to being affected, among other things, by the negative market trend in the second half of the year to which portfolios are linked and a negative cash flow of €648.3 million.

The following is a restatement of the overall portfolio by issuer risk:

Amounts in Euro thousand

	Breakdown of debt securities by issuer risk				
	Nominal Value	Amortized cost	Book value	Equity reserve	Fair Value
ITALIAN GOVERNMENT	2.179.344	2.567.685	2.474.151	93.533	2.474.151
SPANISH GOVERNMENT	852.805	892.087	898.591	-6.504	898.591
PORTUGUESE GOVERNMENT	699.671	755.429	768.836	-13.406	768.836
FRENCH GOVERNMENT	409.715	439.905	439.252	653	439.252
IRISH GOVERNMENT	265.320	270.101	271.535	-1.433	271.535
BELGIAN GOVERNMENT	244.400	222.796	222.377	420	222.377
AUSTRIAN GOVERNMENT	183.950	194.114	194.348	-234	194.348
BANK OF AMERICA CORP.	132.700	134.969	133.626	1.342	133.626
DUTCH GOVERNMENT	124.510	119.440	119.765	-324	119.765
BARCLAYS BANK PLC	103.000	106.808	107.281	-473	107.281
FINNISH GOVERNMENT	100.385	106.074	105.394	681	105.394
DEXIA CREDIT LOCAL	96.400	98.197	98.854	-657	98.854
GERMAN GOVERNMENT	90.243	96.056	95.906	150	95.906
CADES	78.300	84.775	84.642	133	84.642
INTESA SANPAOLO SPA	77.500	81.448	79.884	1.564	79.884
CAISSE FRANCAISE DE FINANCEMENT LOCAL	65.000	84.239	84.239	0	83.310
ASSICURAZIONI GENERALI SPA	60.000	79.358	79.358	0	77.920
NRW BANK	60.000	66.526	65.765	762	65.765
BANCO BILBAO VIZCAYA ARGENTARIA SA	52.600	64.573	64.921	-348	64.921
ESPV SA	50.000	54.884	53.396	1.488	53.396
OTHER ISSUERS =< €50M	1.845.608	1.983.036	1.968.818	14.218	1.966.789
Totale	7.771.451	8.502.503	8.410.939	91.564	8.406.542

5. Sundry Receivables

5.1 Receivables Arising from Direct Insurance Transactions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.a.	58.407	39.209
Total	58.407	39.209

For Eurovita S.p.A., the breakdown is as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Receivables from policyholders for late premium payments	53.593	33.296	20.297
Receivables from insurance brokers	4.814	5.913	- 1.099
Total Receivables arising out of direct insurance operations	58.407	39.209	19.198

Receivables arising from direct insurance transactions amounted to €58,407 thousand, compared to €39,209 thousand in 2017.

In accordance with sector regulations, the balance of receivables from policyholders does not include receivables referring to premiums of subsequent years, of a seniority exceeding twelve months, as they are completely written down.

As required by I.S.V.A.P. Regulation No. 7/2007, receivables for recoveries were allocated among loans and receivables.

The balance of receivables from agents arising from direct insurance transactions takes into account the allowance for doubtful accounts of €2,200 thousand, with a reduction of €88 thousand compared to the previous financial year.

For the sake of completeness, the following analytical table is presented showing changes in the Allowance for doubtful accounts:

Amounts in Euro thousand

Allowance for doubtful accounts	Value at 31/12/2018	Value at 31/12/2017	change
Receivables from policyholders for late premium payments	5.895	1.860	4.035
Receivables from insurance brokers	2.200	2.288	- 88
Total Allowance for doubtful accounts	8.095	4.148	3.947

5.2 Receivables Arising from Reinsurance Transactions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.a.	5.192	7.074
Total	5.192	7.074

The following is a breakdown of changes in receivables arising from reinsurance transactions:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Receivables reinsurance companies	4.357	6.124	- 1.767
Receivables from reinsurance brokers	835	950	- 115
Total Receivables arising out of reinsurance operations	5.192	7.074	- 1.882

Receivables arising from reinsurance transactions went from €7,074 thousand at 31 December 2017 to €5,192 thousand. The item shows a total reduction of €1,882 thousand, due to the decrease in receivables from reinsurance companies in continuity with the reduction in assets being ceded.

5.3 Other Receivables

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	15.327	35.085
Agenzia Eurovita	599	306
Eurovita Holding S.p.A.	11.605	15.333
Total	27.531	50.723

This item mainly includes receivables from the tax authorities and receivables for invoices to be issued, payable within twelve months net of intercompany transactions.

The breakdown by type is shown below:

Amounts in Euro thousand

	Value at 31/12/2017	Value at 31/12/2017	change
Tax credit	11.284	25.850	- 14.566
Receivables from financial operators	9.898	10.974	- 1.076
Other receivables	6.349	13.899	- 7.550
Total Other receivables	27.531	50.723	- 23.192

The following table shows the breakdown of tax receivables at 31 December 2018:

Amounts in Euro thousand

	Value at 31/12/2017	Value at 31/12/2017	change
Tax credit	10.538	14.725	- 4.187
Receivables from financial operators	9.898	10.974	- 1.076
Other receivables	5.270	9.386	- 4.116
Total Other receivables	25.706	35.085	- 9.379

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Receivables for prepaid tax stamp	1.758	4.026	- 2.268
Tax credit for refund claims	4.876	4.867	9
Interest on tax credit for refund claims	1.963	1.963	-
Tax credit for IRES		11.125	
Withholding tax	-	1.970	- 1.970
Insurance tax credit	1.893	1.627	266
Other tax credit	794	273	521
Total Tax Credit	11.284	25.850	- 3.441

Receivables from financial operators for €9,898 thousand refer to the financial rebates of management fees paid by financial advisers and were almost entirely collected in the first few months of the following financial year.

The following table shows the breakdown of other receivables at 31 December 2018:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Trade receivables	859	2.488	- 1.629
Sundry receivables	3.056	7.671	- 4.615
Receivables for subscriptions	2	1.354	- 1.352
Receivables for management fees	2.018	707	1.311
Receivables for fund certification charges	-	310	- 310
Sundry receivables for Life payments	414	859	- 445
Total Other receivables	6.349	13.389	- 7.040

6. Other Asset Components

6.2 Deferred Acquisition Costs

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	35.637	28.922
Total	35.637	28.922

Deferred acquisition costs amounted to €35,637 thousand, compared to €28,922 thousand in 2017.

The breakdown is as follows:

Amounts in Euro thousand

	Value at 31/12/2017	Unwind due to renewal failure	Unwind for installment amort.	New Business	Value at 31/12/2018
Direct business	28.922	2.431	4.849	13.995	35.637
Indirect business	-		-		-
Total Deferred Acquisition Costs	28.922	2.431	4.849	13.995	35.637

Deferred acquisition costs refer to the amortization of commissions charged in advance on annual premium products marketed since 2007 and not ceded to reinsurers. As can be inferred from the above breakdown, the change is mainly attributable to the acquisition transactions that took place during 2018.

6.3 Deferred Tax Assets

As required by the accounting standard IAS 12.74, deferred tax assets and liabilities were offset, as they referred to the same type of tax. For the year 2018, deferred taxes exceeded prepaid taxes, thus liabilities of €45,070 thousand were recognized under this item, while liabilities of €68,809 thousand had been recognized in 2017.

6.4 Current Tax Assets

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2017	31/12/2017
Eurovita S.p.A.	306.729	311.321
Agenzia Eurovita	3	-
Total	306.732	311.321

In particular, for Eurovita S.p.A. the breakdown is as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2018	change
I.R.E.S. (corporate income tax) credit	6.783	4.677	2.106
I.R.A.P. (regional tax on productive activities)	0	3.727	-3.727
Tax credit on actuarial reserves	299.946	302.917	-2.971
Total Current tax assets	306.729	311.321	-4.592

The item contains the tax credit for the levy of €299,946 thousand on actuarial reserves provided for by Law-Decree No. 209 of 24-9-2002, converted into Law No. 265 of 22-11-2002, a decrease compared to €302,917 thousand in the previous financial year and credits for I.R.E.S. (corporate income tax) advance payment of €6,783 thousand, relating to the surplus of advances paid during 2018.

6.5 Other Assets

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	82.678	80.662
Eurovita Holding S.p.a.	-	106
Total	82.678	80.768

In detail, other assets referring to Eurovita S.p.A. can be broken down as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Comm. to be amort. on invest. contracts	60.078	73.321	- 13.243
Accrued income	5.310	6.437	- 1.127
Prepayments	920	904	16
Deferred income	16.370	-	16.370
Total Other assets	82.678	80.662	2.016

This item recorded an overall increase of €2,016 thousand, mainly due to two factors: an increase deriving from transactions of €16,370 thousand in securities spanning two fiscal years to be settled and a decrease of €13,243 thousand in acquisition costs to be amortized in relation to contracts classified as investments.

The change in deferred acquisition costs to be amortized in relation to contracts classified as investments, which represent the most significant decrease, is shown below. This item mainly derives from the contribution of the former company OMWI, specialized in the marketing of Unit Linked products:

Amounts in Euro thousand

Investment Products	31/12/2017	Changes in portfolio	Unwind for installment amort.	New Business	31/12/2018
DAC	73.321	1.813	18.766	7.336	60.078

Accrued income mainly refers to the accrual of management fees accrued at the end of the financial year, which mainly affect external funds.

7. Cash and Cash Equivalents

Cash and cash equivalents, €77,897 thousand, represent the balances of ordinary current accounts held with various banking institutions, checks in hand, and cash in hand.

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	60.821	94.417
Agenzia Eurovita	1.414	1.865
Eurovita Holding S.p.A.	15.661	29.523
Total	77.897	125.805

Particular attention was paid to the management of banking risk, which generally confirmed the containment of deposits and diversification towards individual exposures.

8. Intercompany Asset Transactions

Amounts in Euro thousand

BREAKDOWN OF INTERCOMPANY ITEMS AT 31.12.2018	Eurovita Holding S.p.A.	Eurovita S.p.A.	Agenzia Eurovita S.p.A.	Total
<u>Assets</u>				
Loans - Receivables				
Agenzia Eurovita S.p.A.				
Receivables				
Eurovita Holding S.p.A.		21.289		21.289
Eurovita S.p.A.			5.148	5.148
Agenzia Eurovita S.p.A.	511			511
Total assets	511	21.289	5.148	26.948
<u>Liabilities</u>				
Loans - Receivables				
Eurovita S.p.A.				
Payables				
Eurovita Holding S.p.A.			511	511
Eurovita S.p.A.	21.289			21.289
Agenzia Eurovita S.p.A.	-	5.148		5.148
Phlavia Holdco Limited	115.511			115.511
Total liabilities	136.800	5.148	511	142.459

Balance Sheet - Liabilities

1. Shareholders’ Equity

The breakdown of shareholders’ equity is shown in the following table:

Amounts in Euro thousand

SHAREHOLDERS' EQUITY	31/12/2018	31/12/2017	change
Share capital	1.000	1.000	-
Other equity instruments	-	-	-
Capital reserves	168.000	250.494	- 82.493
Revenue reserves and other reserves	221.106	203.304	17.802
(Own shares)	- 1	-	- 1
Reserve for currency translation differences	-	-	-
Reserve for unrealized gains and losses on available for sales	- 52.238	- 21.255	- 30.983
Reserve for other unrealized gains and losses through equity	3.350	- 8.949	12.298
Result of the period	12.737	35.353	- 22.616
Group capital	**353.954**	**459.947**	**- 105.993**
Third parties capital and reserves	1.832	2.399	- 568
Reserve for other unrealized gains and losses through equity	- 81	- 50	- 32
Result of the period	170	105	65
Third parties capital	**1.921**	**2.455**	**- 534**
Total Shareholders' Equity	**355.875**	**462.402**	**- 106.527**

The breakdown by type of shareholders’ equity items is provided in the Financial Statements.

The main changes were due to:

- Dividend payout of €100 million;
- Change in expected cash flow hedge reserve, which includes changes in the fair value of derivative financial instruments generated as part of cash flow hedges, net of deferred tax effects (€12.3 million);
- Change in AFS reserve (net of the shadow accounting effect and related deferred tax effects) for a total of €30.9 million.

2. Provisions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	16.998	17.086
Agenzia Eurovita	-	-
Eurovita Holding S.p.A.	102	102
Total	**17.100**	**17.188**

The balance of the item “provisions” includes the allocations made to cover certain or probable losses whose amount or date of occurrence, however, cannot be determined with certainty at the end of the financial year.

The table below shows the relevant changes during the year:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Provisions	17.100	17.188	- 88
Total Provisions	17.100	17.188	- 88

Provisions recorded an overall decrease of €88 thousand, going from €17,188 thousand in 2017 to €17,100 thousand in 2018. The change is mainly due to the decrease of €1,862 in the amount relating to personnel and to the increase of €1,344 in third-party litigations.

The following is a summary of changes in the provisions at 31 December 2018 for the Company alone:

Amounts in Euro thousand

	Amount at 31/12/2018	Amount at 31/12/2017	change
Tax litigation	2.508	2.511	-3
Provisions for defaulted index-linked policies	3.005	3.032	-27
Sundry disputes with third parties	2.592	1.248	1.344
Agency network provisions	2.334	2.500	-166
Litigation with agency network	874	874	0
Sundry disputes with customers	2.186	1.560	626
Other personnel provisions	3.499	5.361	-1.862
Total Provisions	16.998	17.086	- 88

The changes that occurred during financial year 2018 are analyzed below:

Tax litigation:
It should be noted that certain tax disputes were pending at 31 December 2018 with the Italian Revenue Agency in respect of the company Eurovita:

- Arising from the merged company Eurovita Assicurazioni S.p.A.: provisions of €330 thousand allocated for the refund claims relating to taxes for 2004, submitted in 2007, whose appeal is pending before the Court of Cassation, and allocation of €461 thousand set aside in regard to the tax dispute relating to the denied I.R.A.P. refund for 1998 and related interest. The provision covers the full amount of recognized capital and interest set aside up to financial year 2015;

- Arising from the merged company OMWI for tax litigation for the years 2007 and 2009: total provisions of €1,720 thousand for taxes and penalties relating to tax litigation for the tax periods 2007 (provisions of €370 thousand) and 2009 (provisions of €1,350 thousand).

In relation to the year 2007, the provision (of €370 thousand) relates to higher I.R.A.P. assessed by the Italian Revenue Agency. In 2015, the Company had appealed to the Court of Cassation, against which the Italian Revenue Agency brought counterclaims. Since the date of the hearing has not been set yet, the amount has been kept unchanged compared to 2017.

The assessment on tax period 2009 concerns both I.R.A.P. and I.R.E.S. In 2018, the Company submitted a conciliation proposal, in regard of which a settlement agreement was reached with the Italian Revenue Agency to be finalized in April 2019.

Provisions for defaulted index-linked products:
Provision for index-linked policies with defaulted bond component whose contractors have not yet adhered to customer care initiatives and for which individual settlement agreements will be defined in the future. Total amount allocated at 31 December 2018 equal to €3,005 thousand.

Various disputes with third parties:
The amounts relate to allocations made against certain or probable legal cases related to leased properties and risks of loss in pending disputes with suppliers and third parties.

Agency network provisions:

Restructuring of agency network: provisions of €2,334 thousand set aside relating to allocations for end-of-service treatment in the event of the agency network restructuring.

Various agency network disputes:
Provisions for litigation with the agency network. This includes allocations for risks of loss in pending disputes with former agents. The provisions remained unchanged during 2018.

Various customer disputes:
This reserve includes provisions set aside for the risk of losing pending disputes with policyholders, which amounted to €1,560 thousand at 31 December 2017. The changes during the year relate to new provisions of €900 thousand and withdrawals of €274 thousand for the settlement of some disputes.

Other provisions relating to personnel: this reserve includes provisions for retention bonuses or other expenses for employed personnel.

3. Technical Provisions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	9.810.209	10.008.625
Total	9.810.209	10.008.625

The relevant breakdown is represented in the following table:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017		change
Insurance provisions	9.395.791	9.355.209		40.582
Shadow accounting	242.533	450.671	-	208.137
VIF - Value in force	171.885	202.745	-	30.860
Total Insurance Provisions	9.810.209	10.008.625	-	198.416

The breakdown by type of Technical provisions, broken down by direct and indirect business, specifying the corresponding value of the previous financial year, is provided in the mandatory attachments as per I.S.V.A.P. Regulation No. 7/2007. The annex also shows the amount posted as a result of the adequacy testing of liabilities and deferred liabilities to policyholders.

Technical provisions show a decrease, going from €10,008 million in 2017 to €9,810 million at 31 December 2018.

As can be inferred from the table above, Technical provisions also include €171,885 thousand relating to the negative value of the Life portfolio of the former company Eurovita Assicurazioni S.p.A., acquired in 2018 (VIF - Value in force). The VIF is reduced annually on the basis of the residual average life of the contracts acquired.

The breakdown by type of Technical provisions, specifying the corresponding value of the previous financial year, is shown below:

Amounts in Euro thousand	31/12/2018 Totale	31/12/2017 Totale	change
Actuarial reserves	8.834.053	8.879.755	- 45.702
Reserve for premium recoveries	70.123	82.009	- 11.886
Reserve for rate expiry risk	18.740	9.911	8.829
Reserve per demographic basis adjustments	6.876	5.330	1.546
Reserves for indirect business	77.340	77.794	- 454
Reserve for surrenders	428	-	428
Reserve for mortality risk	3.113	2.491	622
Reserves for future expenses	33.866	405	33.461
Reserves for Class D	104.341	96.619	7.722
Reserves for supplementary insurance	8.524	11.468	- 2.944
Reserve for amount to be paid	238.388	189.427	48.961
Shadow accounting reserve	242.533	450.671	- 208.138
VIF	171.885	202.745	- 30.860
Total	9.810.209	10.008.625	- 198.416

In implementation of the provisions contained in paragraph 3 of Article 11-*bis* of I.S.V.A.P. Regulation No. 7 of 13 July 2007 and in paragraph 15 of IFRS 4, the adequacy of the insurance liability was tested as at 31 December 2018 according to the principles of the Liability Adequacy Test (LAT).

According to such rules for insurance contracts (and, if the entire discretionary component is set aside as a technical provisions, also for investment contracts with DPF), an adequacy test of the contractual technical provisions is required (actuarial reserves for pure, additional, supplementary premiums, for future and other expenses), net of intangible assets relating to the acquisition of contracts (deferred acquisition costs - value in force). In other words, the LAT aims to verify that the ***Statutory Reserve*** (value of all contractual provisions) net of the intangible assets linked to the contracts (Deferred Acquisition Cost and VIF) is greater than or equal to the ***Realistic Reserve*** calculated on the basis realistic future commitments as further specified below.

The **statutory reserve** is given by the sum of the following items:

Actuarial reserve, revaluation reserve, provision for expenses, and additional reserve for expenses, additional reserve for insufficient demographic bases, additional reserve for insufficient rates and for the passing of time, and the shadow accounting reserve.

Deferred acquisition costs, considered with opposite sign, calculated policy by policy.

The **value in force** of portfolios linked to insurance products.

The test was carried out on the **closed** portfolio, therefore without future new business, in place at 31 December 2018, and consisting exclusively of insurance and investment products with DPF. The identification of the products to be tested was based on the provisions of IFRS4.

The **realistic reserve** is defined as follows:
(+) fair value of the company's business
(-) fair value of premiums
(+) fair value of expenses.

In particular:
FV of flows for payment at maturity + FV of flows for redemption payment +
FV of flows for coupon payment + FV of flows for annuity payments +
FV of flows for commission payments + FV of flows for expenses -
FV of flows for premium collections - FV of flows for the collection of coupon payment expenses.

The approach adopted for the computation of technical items useful for the implementation of the LAT is, for each product line, based on a calculation model that enables the valuation of technical provisions as the fair value of the expected cash flows generated by the closed portfolio in force at the valuation date. The technical forms considered were aggregated by types of contracts with respect to the main discriminating parameters, such as tariff form, minimum guaranteed rate, retrocession rates, and separate management fund.

The projection, for each aggregate, was carried out through Milliman's "MG-ALFA" actuarial software, with particular reference to the time structure of premiums, insured benefits, payments for claims, maturities, or redemptions, as well as revaluation clauses, and any other contractual option in place.

The demographic assumptions, those on the policyholders' behavior, and those on expenditure used for the valuation derived from the Company's experience, the macroeconomic ones from market information and derived from analyzes to which reference was made for the calculation of the supervisory technical provisions and solvency.

With regard to the financial assumptions on the prospective return of separate management investments, the Company deemed it appropriate to apply a credit spread adjustment to the risk-free rate curve provided by EIOPA.

For products with benefits that can be revalued, the insured sums were revalued according to the contractual conditions on the basis of the one-year forward rate curve obtained from the spot curve retrieved according to the procedure described above. The discounting of the contractual flows was consistently carried out on the basis of the same financial assumptions.

With regard to the time horizon, in principle the projection must be sufficiently long to cover the entire duration of the contracts, always bearing in mind the principle of materiality. The Company has adopted a projection horizon of 40 years with the exception of the Separate Management Funds linked to supplemental pension products, whose limit was preferably extended to 50 years. In order to take account of the portfolio not modeled (less than 3% of provisions) and of certain particular provisions, the realistic reserve, deriving from discounting of cash flows was proportioned, for each management, on the basis of the impact of the financial reserves of modeled contracts.

For the Asset Reinsurance contracts, the Realistic Reserves was obtained on the basis of the flows determined by the reinsurer.

The adequacy testing of insurance liabilities carried out according to the principles of the Liability Adequacy Test (LAT) according to the method set out above, highlighted sufficient levels for all business lines. From a general perspective, however, a global adequacy of the insurance liabilities posted to the Financial Statements emerges.

Provisions by product are shown in the table below:

Amounts in Euro thousand

Management	Statutory Reserve (a)	Shadow Accounting Reserve	VIF (c)	DAC (d)	Realistic Reserve (e)	Reserve Margin (e)=(a)+(b)+(c)-(d)-(e)
Eurovita 2000	464.827	-	258	-	464.270	815
Eurovita Nuovo Secolo	2.554.299	132.235	- 90.347	19.453	2.361.716	215.018
Eurovita Nuovo PPB	431.584	31.993	- 20.109	-	437.438	6.030
Eurovita Previdenza	-	-	-	-	-	-
Eurovita Primariv	2.002.578	55.737	151.085	-	2.145.489	63.912
Eurovita Euroriv	3.362.486	- 2.257	80.497	4.719	3.298.653	137.354
Eurovita Futuriv	13.688	- 8	- 6.589	-	7.091	1
Eurovita Smart	37.510	- 783	- 36	-	36.008	683
Unit Linked	95.194	-	- 884	10.492	77.777	6.042
Others	110.796	-	- 27.133	974	51.911	30.777
Indirect Business	77.340	-	- 11.380	-	51.729	14.230
Total	9.150.301	216.917	75.363	35.637	8.932.082	474.862

4. Financial Liabilities

4.1 Financial Liabilities Measured at Fair Value through Profit or Loss

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	6.608.308	7.793.900
Total	6.608.308	7.793.900

This item includes liabilities of €6,608 million for financial contracts at 31 December 2018 (€7,794 million at 31 December 2017) and total negative hedge, or otherwise, derivatives of €3,092 thousand entirely due to the merged companies' portfolios.

Details of the breakdown of the item can be found below:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Financial liabilities - Investment contracts	6.605.216	7.772.374	- 1.167.158
Non-hedge derivatives	2.302	5.814	- 3.512
Hedge derivatives	790	15.712	- 14.922
Total fin. liabilities at fair value through profit or loss	6.608.308	7.793.900	- 1.185.592

Details of assets and liabilities relating to contracts issued by insurance companies when the investment risk is borne by customers, with reference to benefits connected with investment funds or market indices, is provided in the annex specifying the corresponding value of the previous financial year.

Hedge derivatives amounted to €790 thousand and relate to forward contracts, the offsetting item being recorded in the so-called cash flow hedge reserve, recognized in shareholders' equity including the related tax effects.

Non-hedge derivatives instead, amounting to €2,302 million, relate to the negative component of the separated derivatives, whose underlying asset was recognized under Loans and receivables.

4.2 Other Financial Liabilities

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	1.166.069	1.503.382
Total	1.166.069	1.503.382

The change during the year is summarized in the following table:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Subordinated liabilities	45.384	45.428	- 44
Deposits Forward	10731	-	10731
Deposits received from reinsurers	1.109.954	1.457.954	- 348.000
Total Other financial liabilities	1.166.069	1.503.382	- 337.313

Other financial liabilities amounted to €1,166,069 thousand, compared to €1,503,382 thousand in 2017.

This item includes deposits received from reinsurers, equal to €1,109,954 thousand, decreased by €384,000 thousand compared to 2017, and subordinated liabilities of €45,384 thousand and forward deposits of €10,731. Deposits received from reinsurers are correlated with the reinsurers' reserves at year end. The reduction is therefore mainly linked to the decrease in reserves ceded. The remuneration of deposits was calculated on the basis of the rates of return certified on the separate management funds taking into account contractual clauses.

The following table shows the details of subordinated loans subscribed or issued in the form of bonds with the related maturities and financial terms and conditions:

Amounts in Euro thousand

	Amount	Subscription	Maturity	Rate	Value at 31/12/2018
Bond loan	5.016	01/10/2015	01/10/2025	4,75%	5.014
Bond loan	40.412	22/12/2015	22/12/2025	6,00%	40.370
Total Subordinated liabilities	45.428				45.384

5. Payables

5.1 Payables Arising from Direct Insurance Transactions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	26.197	29.890
Total	26.197	29.890

Payables deriving from direct insurance transactions went from €29,980 thousand in 2017 to €26,197.

The balance mainly includes €25,853 thousand relating to payables for commissions and fees due to brokers and banks on premiums collected and settled mainly in the first few months of 2019.

The change for the year can be represented as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Payables arising out of direct insurai	26.197	29.890	- 3.693
Total	26.197	29.890	- 3.693

5.2 Payables Arising from Reinsurance Transactions

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	64.735	17.899
Total	64.735	17.899

The item Payables arising from reinsurance transactions, which went from €17,899 thousand in 2017 to €64,735 in 2018, includes payables due to reinsurers for risk premium and commercial treaties and for the indirect business.

The following table shows the changes during the year:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Payables arising out of reinsurance (	64.735	17.899	46.836
Total	64.735	17.899	46.836

The increase of €46,836 thousand compared to December 2017 is mainly due to the unwinding of the 1997 generation of commercial reinsurance.

<u>5.3 Other Payables</u>

The following table shows the breakdown by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	19.831	28.483
Agenzia Eurovita S.r.l.	478	960
Eurovita Holding S.p.A.	118.813	123.517
Total	139.122	152.960

The following table shows the breakdown by type of payables:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Employees' severance indemnities	967	1.303
Sundry tax liabilities	958	6.989
Payables to pension and social security institutions	11.847	6.427
Trade payables	710	3.668
Sundry payables	9.129	19.062
Loan from Holdco	115.511	115.511
Total	139.122	152.960

For each category of debt, the breakdown by company is shown below:

Employees' Severance Indemnities:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	920	1.254
Eurovita Holding S.p.A.	47	53
Total	967	1.307

The balance includes the estimate of these indemnities, calculated in line with the IFRS accounting standards. The changes occurred in 2018 can be represented as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Employees' severance indemnities	967	1.307	- 340
Total	967	1.307	- 340

Tax payables borne by policyholders:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	496	537
Total	496	537

Tax payables borne by policyholders amounted to €496 thousand (€537 thousand in 2017). The decrease is due to the reduction in absolute value of the subsequent annual payments still subject to taxation.

Sundry tax payables

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	332	6.200
Eurovita Holding S.p.A.	3.184	246
Total	3.516	6.446

The item refers to the tax charges for which the company acts as a tax collection agent and to payables for taxes other than income taxes. These amounted to €3,516 thousand (€6.446 thousand in 2017).

Payables to pension and social security institutions:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	1.424	1.241
Eurovita Holding S.p.A.	71	204
Total	1.495	1.445

This item contains payables to I.N.P.S. for contributions to be paid by workers and by the company, equal to €1,495 thousand, compared to €1,445 thousand in 2017.

Sundry payables:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	16.659	19.251
Agenzia Eurovita S.r.l.	478	320
Eurovita Holding S.p.A.	115.511	123.654
Total	132.648	143.225

Sundry payables, amounting to €132,648 thousand, recorded a decrease compared to the previous year (€143,225 thousand).

Sundry payables attributable to Eurovita Holding S.p.A. mainly relate to a loan of €115,510 thousand received from Flavia Holdco Limited, instrumental for the acquisition of Old Mutual Wealth Italy S.p.A.

With regard to Eurovita S.p.A., the breakdown of sundry payables can be represented as follows:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Trade payables and Invoices to be received	11.407	10.616	791
Payables to employees	1.275	1.484	- 209
Payables for unit commissions	157	170	- 13
Sundry payables	3.820	6.981	- 3.161
Total Sundry payables	**16.659**	**19.251**	**- 2.592**

6. Other Liability Components

6.2 Deferred tax liabilities

Deferred tax liabilities, equal to €45,070 thousand, refer to net deferred taxes relating to Group companies. The breakdown of the item is shown in the following table:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	1.959	22.328
Agenzia Eurovita S.r.l.	-	-
Eurovita Holding S.p.A.	43.111	46.481
Total	45.070	68.809

As required by accounting standard IAS 12.74, deferred and prepaid taxes should be offset as they refer to the same type of tax.

Prepaid and deferred tax assets mainly derive from the following temporary differences on value adjustments on taxed risk provisions, on deferred acquisition income and costs, on the valuation of "long-term" securities according to fiscal principles, on the valuation of securities available for sale, and on shadow accounting.

The deferred tax liabilities of Eurovita Holding S.p.A. mainly arise from the temporary differences generated by the adoption of the Purchase Price Allocation of €42,480 thousand.

With regard to the subsidiary Eurovita, it should be noted that this year, deferred taxes exceeded prepaid taxes and therefore this item was recognized under liabilities for €1,959 thousand, while in 2017 this item had also been recognized under liabilities for €22,328 thousand.

6.3 Current Tax Liabilities

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	53.690	72.555
Agenzia Eurovita S.r.l.	-	25
Eurovita Holding S.p.A.	14.689	181
Total	68.379	72.761

This item includes the portion for the period of the tax on actuarial reserves, as provided for by Law-Decree No. 209 of 24-9-2002, converted into Law No. 265 of 22-11-2002, equal to €53,690 thousand (€72,555 thousand in the previous year), and not yet paid.

6.4 Other Liabilities

The following table details the relevant information by Company:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	54.058	31.131
Eurovita Holding S.p.A.	1.512	1.306
Total	55.570	32.437

The account shows an increase of €22,927 thousand for increases for the period of the subsidiary Eurovita, in particular for higher suspended premiums collected. The increase in Eurovita Holding is instead referred to other personnel costs of €206 thousand.

The table below shows details of other liabilities referring to the subsidiary Eurovita S.p.A.:

Amounts in Euro thousand

	Value at 31/12/2018	Value at 31/12/2017	change
Deferred commission income	5.391	6.697	-1.305
Suspended premiums collected	39.189	14.691	24.499
Commissions to be paid on late premiums	1.654	1.654	-
Rappels and agency network contributions	131	2.753	-2.622
Personnel expenses	3.219	2.765	455
Accrued liabilities and deferred income	4.473	2.572	1.900
Total Other Liabilities	54.058	31.131	22.927

This account includes deferred commission income on investment contracts, amounting to €5,391 thousand, suspended premiums collected, for which the issue of the relevant policies or identification of the reason for collection is pending, equal to €39,189 thousand, commissions payable relating to late premiums at year end, totaling €1,654 thousand, the estimate for rappels and contributions to be paid to the agency network of €131 thousand, other personnel costs of €3,219 thousand, and accrued liabilities and deferred income of €4,473 thousand.

The changes in commission income on investment contracts are attached below:

Amounts in Euro thousand

Investment Products	31/12/2017	Changes in portfolio	Unwind for installment amort.	New Business	31/12/2018
DIR	6.623	280	1.371	459	5.431

Income Statement

Details of the income statement items are shown below. As stated several times, it should be noted that the comparison between two fiscal years is not representative because the 2017 figures include the contribution of the former company Eurovita Assicurazioni S.p.A. only starting from the month of August 2017 (date of the company's acquisition).

1. Net premiums (Item 1.1 Income Statement)

The following is a breakdown of premiums divided by insurance activities:

Amounts in Euro thousand

	Life	Life
	31/12/2018	31/12/2017
Gross earned premiums	1.252.222	521.431
Earned premiums ceded	53.201	61.186
Total net earned premiums	**1.199.021**	**460.245**

The breakdown of net premiums, with indication of the premiums recognized and the change in premium reserve, and gross amounts and amounts borne by reinsurers, with an indication of the corresponding value of the previous financial year, is provided in a specific attachment.

1.1.1 Gross Premiums for the Year

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	1.252.222	521.431
Total	**1.252.222**	**521.431**

1.1.2 Premiums Ceded to Reinsurers for the Year

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	53.201	61.186
Total	**53.201**	**61.186**

2. Commission Income

The item Commission income amounted to €174,502 thousand and, compared to the previous fiscal year, was affected by the allocation of rebates recognized among "Other revenues" in 2018 and redemption penalties correctly charged as a decrease to redemption paid.

The breakdown of this item is represented in the following table:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Premium charges	1.720	1.771
DIR	1.305	- 1.302
Rebates	-	48.185
Penalties	-	5.051
Management Fees	171.477	160.966
Total	174.502	214.671

3. Net Income Arising from Financial Instruments Measured at Fair Value through Profit or Loss

Amounts in Euro thousand

	31/12/2018	31/12/2017
Net income from financial instruments at fair value through profit or loss	- 62.030	12.281
Total	- 62.030	12.281

This item only relates to the company Eurovita S.p.A. and mainly contains the net income relating to investments whose risk is borne by policyholders.

Gross of restatements in regard of financial products (up €390,979 thousand), the result of the investment category whose risk is borne by policyholders (down €451,646 thousand) suffered from the negative performance of the markets in which the assets of unit-linked internal and external funds are mainly invested (€1,358 thousand in the previous fiscal year).

“Assets held for trading” generated a negative result of €1,362 thousand.

Income from investments in the category of “financial assets measured at fair value through profit or loss” are detailed in the following table specifying the corresponding values of the previous financial year:

Amounts in Euro thousand

	31/12/2018					31/12/2017				
Income from Investments	Interest income	Other income	Gains realized	Valuation gains	Total	Interest income	Other income	Gains realized	Valuation gains	Total
held for trading	-	-	362	920	1.282	-	-	-	-	-
Designate a Fair Value	2.954	10.473	34.875	430.161	478.463	13.402	9.975	83.587	352.867	459.831
Total Income from financial instruments at fair value through profit or loss	2.954	10.473	35.236	431.081	479.744	13.402	9.975	83.587	352.867	459.831

Amounts in Euro thousand

	31/12/2018					31/12/2017				
Expenses from Investments	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
held for trading	-	-	840	1.804	2.644	-	-	-	-	-
Designate a Fair Value	-	14.936	119.421	13.794	148.151	-	- 12.390	- 41.029	- 95.193	- 148.612
Restatement of financial products	-	390.979	-	-	390.979	-	- 298.937	-	-	- 298.937
Total Expenses from financial instruments at fair value through profit or loss	-	405.915	120.261	15.598	541.774	-	- 311.327	- 41.029	- 95.193	- 447.549

4. Income from Other Financial Instruments and Real Property Investments

Income from investments in the category of “Financial assets available for sale” and “Loans and receivables” are detailed in the following table, specifying the corresponding values at the end of the previous financial year and referable to the company Eurovita S.p.A. only:

Amounts in Euro thousand	31/12/2018					31/12/2017				
	Interest income	Other income	Gains realized	Valuation gains	Total	Interest income	Other income	Gains realized	Valuation gains	Total
Financial assets available for sale	75.603	30.853	27.030	-	133.486	50.110	2.235	11.044	-	63.389
Loans and receivables	7.051	-	1.479	-	8.530	3.907				3.907
Total Income from other financial instruments and land and buildings (investment properties)	82.655	30.853	28.509	-	142.017	54.017	2.235	11.044	-	67.296

Ordinary income in the category of "Financial assets available for sale" and "Loans and receivables" increased. The result for the year is not however comparable to that of 2017 due to the different scope of presentation (to which the former company Eurovita Assicurazione had contributed only for the second part of the year). Gains on realization remained significant (€28,509 thousand), up on the previous fiscal year (€11,044 thousand), which, however, represent a different scope of the investment portfolio (to which the former company Eurovita Assicurazioni had contributed only for the second part of the fiscal year). The result of 2018 derives from the implementation of a plurality of strategies, such as the optimization of ALM structure of some portfolios or partial consolidation of accumulated revenues, carried out on a greater number of assets both in terms of portfolios and of volumes deriving, as stated above, from the Company's new scope of operations after the merger.

1.6 Other Revenues

The following table gives details by revenue category:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Other technical income	54.028	872
Other revenues	1.772	27.535
Capital gains	-	2.006
Withdrawals from provisions	4.410	12.528
Contingent assets	776	2.090
Exchange differences	-	5
Total	60.986	45.035

For the category "*Other technical income*", details are as follows:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	54.028	872
Ergo Assicurazioni S.p.A.	-	-
Total	54.028	872

Other technical income of €54,028 thousand mainly includes the management fees retroceded by the managers of mutual funds included in the investments for the benefit of policyholders, and commission rebates on external funds. This item was adjusted by commission income during 2018.

In regard of the category "*Withdrawals from provisions*", details are as follows:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	4.409	12.517
Eurovita Holding S.p.A.	1	11
Total	4.410	12.528

Withdrawals from provisions of €4,410 thousand refer to the settlement of disputes with former agents, former policyholders, and former employees, and to reductions in expense reserves / existing risks. The withdrawal against costs incurred due to voluntary early retirement of employees for which a provision had been set aside in the previous financial year was significant. For details on reserves for risks and charges, please refer to the section on Provisions.

In regard of the category "*Contingent assets*", details are as follows:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	390	1.624
Eurovita Holding S.p.A.	323	432
Agenzia Eurovita S.r.L.	63	34
Total	776	2.090

Contingent assets are mainly due to the settlement of items from prior years.

For the category "*other revenues*", details are as follows:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	1.772	25.554
Eurovita Holding S.p.A.	0	1.907
Agenzia Eurovita S.r.L.	-	74
Total	1.772	27.535

Other revenues include other income and technical income of the insurance company.

2.1 Net Charges Relating to Claims

With regard to the items "Amounts paid and changes in technical provisions", and "Portions borne by reinsurers", the following table is proposed:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Claims paid and change in insurance provisions	1.231.926	475.972
Reinsurers' share	- 74.458	- 93.539
Total Net insurance benefits and claims	1.157.468	382.433

Details of charges relating to claims, specifying the amounts paid, recoveries, and changes in reserves for each type thereof, separately for gross amounts and amounts borne by reinsurers, specifying the corresponding value of the previous financial year, is provided in an appropriate attachment.

The change of €775,035 thousand is mainly attributable to amounts paid and change in the reserves of the former company Eurovita Assicurazioni, only reported for the second part of the year in 2017.

2.2 Commission Expense

Commission expense had the following balance:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Commission expense	137.998	154.679
Total	137.998	154.679

The item includes commission expenses paid to the sales network essentially on Unit Linked products.

2.4 Charges Arising from Other Financial Instruments and Real Property Investments

The charges from investments in the category "Financial assets available for sale" and "Financial liabilities" are detailed in the table below specifying the corresponding values at the end of the previous financial year.

Amounts in Euro thousand

	31/12/2018					31/12/2017				
Charges from Investments	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
Available for sale financial assets	-	-	18.823	8.249	27.072	10	-	5.961	-	5.971
Loans and receivables	47.983	-	44	-	48.028	55.072	-	-	-	55.072
Total Expenses from other financial instruments and land and buildings (investment properties	47.983	-	18.867	8.249	75.100	55.082	-	5.961	-	61.043

Interest expense mainly refers to interest on deposits from reinsurers.

A further breakdown of financial charges and investments by type, specifying the corresponding value of the previous financial year, is provided in the mandatory IVASS annexes.

2.5 Operating Costs

The following items, Commissions and other acquisition costs on insurance contracts, investment management expenses, and other administrative expenses are detailed in the following table:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Acquisition commissions	25.467	21.843
Other acquisition costs	23.879	19.459
Change in deferred acquisition costs	- 8.991	- 4.313
Commissions for collections	5.545	6.640
Commissions and equity investments for gains ceded	- 11.104	- 7.553
Total commissions and other acquisition costs	34.796	36.076
Investment management expenses	11.811	5.434
Other administration costs	31.994	47.477
Total Acquisition and administration costs	78.601	88.987

The breakdown of costs in the insurance business, for life business alone and by type of expense, specifying the corresponding value of the previous financial year, is provided in a specific attachment.

2.6 Other Costs

The following table shows details by cost category:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Other technical charges	10.599	5.422
Provisions to reserves	2.521	5.320
Losses on receivables	1.027	450
Contingent liabilities	639	393
Capital losses	0	401
Exchange differences	-	-
Depreciation and amort. of fixed assets	2.148	1.229
Amortization of Value in force	26.690	47.148
Other costs	3.443	10.134
Total	47.068	70.497

The following companies contributed significantly to this item’s balance amount in financial year 2018:

Amounts in Euro thousand

	31/12/2018	31/12/2017
Eurovita S.p.A.	35.118	45.284
Agenzia Eurovita S.r.L.	199	484
Eurovita Holding S.p.A.	11.751	24.729
Total	47.068	70.497

The item “Other costs” of €46,068 thousand shows a decrease of €23,429, mostly affected by the amortization of the value in force of €26,690 (€47,148 in the previous fiscal year) and the increase in the item “Other Technical Charges” relating to the company Eurovita S.p.A. mainly due to the write-off of bad debts relating to premiums of €410 thousand, commission reversals of €1,062 thousand, provisions for payments in arrears of €4,035 thousand and technical charges of €4,884 thousand relating to premium cancellations.

3. Taxes

The breakdown of current taxes is provided in the following table:

Amounts in Euro thousand

	31/12/2018
Eurovita Holding S.p.A.	-
Agenzia Eurovita S.r.L.	547
Eurovita S.p.A.	20.256
Total	20.803

The breakdown of deferred / prepaid taxes is provided in the following table:

Amounts in Euro thousand

	31/12/2018
Eurovita Holding S.p.A.	- 7.400
Agenzia Eurovita S.r.L.	-
Eurovita S.p.A.	- 8.048
Total	- 15.448

The company Eurovita Holding S.p.A., together with the subsidiaries Eurovita S.p.A. and Agenzia Eurovita S.r.l., opted for the national tax consolidation for the current year pursuant to Legislative Decree No. 344 of 12 December 2003 and will fulfill the obligations related to the tax return and settlement of I.R.E.S. as consolidating company.

The item income taxes for the year includes both current and deferred taxes.

The economic and financial transactions relating to opting for the national tax consolidation have been regulated by specific contracts between Eurovita Holding S.p.A. and its subsidiaries.

The following table contains the reconciliation between the expected tax burden and the actual tax burden; the reconciliation is at the level of each company taking into account the tax rates and the impact of intercompany transactions.

Amounts in Euro thousand

	Agenzia Eurovita	Eurovita SpA	PPA effect ex ERGO Group	Eurovita Holding SpA	Total at 31/12/2018
Theoretical rate	27,90%	30,82%	30,82%	29,57%	
Profit for the year before taxation	1.969	43.094	- 23.191	- 3.608	18.264
Theoretical tax burden	549	13.282	- 7.147	- 1.067	5.616
Non-deductible costs for tax purposes	3	2.953		262	3.218
Non-taxable income	- 6	- 171		- 56	- 232
Use of tax losses carried forward	-	- 5.026		- 156	- 5.182
Other local taxes	0	- 695		- 237	- 933
	-	7.705		-	7.705
Other adjustments	- 0	- 1.633		1.002	- 631
Amortization of Value in force EVA	-	5.305		-	5.305
Amortization of Value in force OMWI	-	- 9.511		-	- 9.511
Tax burden	547	12.208	- 7.147	- 252	5.356
Actual rate	27,8%	28,3%	30,8%	7,0%	29,3%
CURRENT TAXATION	547	20.256	-	-	-
DEFERRED TAXATION	-	- 8.048	- 7.147	- 252	- 15.447
TOTAL TAXATION	547	12.208	- 7.147	- 252	5.356

Other information

Compensation Paid to Directors and Statutory Auditors

Compensation, net of expenses and V.A.T., paid to Directors amounted to €365 thousand in total, while compensation paid to Statutory Auditors amounted to €50 thousand.

Compensation paid to the Independent Auditor KPMG S.p.A.

As pursuant to Article 149-*duodecies*, paragraph 2, of Issuers' Regulation of C.O.N.S.O.B. (Italian stock exchange supervisory authority), this is to specify that the compensation for the year for the provision of auditing services amounted to a total of €90 thousand for the parent company Eurovita Holding S.p.A., €196 thousand for the subsidiary Eurovita S.p.A., €25 thousand for the subsidiary Agenzia Eurovita S.r.l., while the compensation for the provision of certification services amounted to €325 thousand for Eurovita S.p.A. and €31 thousand for Eurovita Holding S.p.A.

Information on Employees

The total number of workers employed by the Group Companies at 31 December 2018 was as follows:

	31/12/2018	31/12/2017
Number of employees with the Group		
Managers	13	17
Middle-managers and office workers	210	274
Total	223	291

Broken down as follows:

	31/12/2018	31/12/2017	Change
Number of employees with the Group			
Eurovita S.p.A.	213	277	-64
Eurovita Holding S.p.A.	10	14	-4
Total	223	291	-68

Subsequent Events

As stated in the Explanatory Notes, these financial statements were prepared on a going concern assumption, since, in the Directors' opinion, no uncertainties emerged in relation to events or circumstances that, considered individually or together, could give rise to doubts in regard of such assumption.

On 20 February 2019, IVASS notified the Board a report on the inspection carried out in the fourth quarter of 2018 in respect of the Holding Company and of the Insurance Company. The scope of the inspection was the Solvency process and in such regard the Supervisory Authority raised some issues. In particular, with regard to BEL computation, it reported improvements to be made in the projection of redemptions and additional payments and in the valuation of expenses. On the SCR side, corrections were found to be necessary for the valuation of DT LACs. Governance issues were also found to be open to improvement, especially for the Holding Company.

Based on the considerations set out in the inspection report, the Company transposed the information given by the Supervisory Authority in the calculation of the Solvency ratio for 2018 and forward-looking Solvency ratio for 2019-2020, also considering the technical opinion received from an actuarial consultancy firm on the findings submitted by the Supervisory Authority, transposing the requests in the remediation plan for the purpose of remedying the information / quantitative gaps relating to OF and SCR processes and controls.

In view of the inspection findings, the Authority requested the Company to prepare a corporate recovery plan, including a capital management plan, the contents of which were illustrated in paragraph 3 of the Report on Operations, within sixty days of the notification of the report.

Milan, 15 April 2019

FOR THE BOARD OF DIRECTORS

Erik STATTIN

Chief Executive Officer

ANNEXES AS PER I.S.V.A.P. REGULATION NO. 7/2007

Annex	Reference	Description	Notes
		Balance sheet by activity sector	
		Income statement by activity	
1	Assets	Scope of Consolidation	
2	Assets	Breakdown of non-consolidated equity investments	
3	Assets	Breakdown of tangible and intangible assets	Breakdown by measurement criteria
4	Assets	Amounts ceded to reinsurers from insurance provisions	
5	Assets	Breakdown of financial assets	Breakdown by asset class
6	Assets	Assets and liabilities related to policies where the investment risk is borne by policyholders and to pension funds	Summary of assets and liabilities relating to contracts with risk borne by the policyholder (former Class D) - regardless of the insurance or financial classification of the original contract
7	Liabilities	Insurance provisions detail	
8	Liabilities	Financial liabilities	Breakdown by liability class.
9	CE	Technical insurance items	Breakdown of data relating to premiums and claims.
10	CE	Income and expenses from investments, receivables and payables	Breakdown of financial income and charges by original equity item
11	CE	Acquisition and administration costs of insurance business	Breakdown of data relating to management expenses.
15	CE	Details on other comprehensive income	Breakdown of data relating to management expenses.
15	CE	Details on financial assets reclassified and its effect on profit or loss account and comprehensive income	Breakdown of data relating to management expenses.
8	Assets	Assets and liabilities measured at fair value on recurring and non-recurring basis: fair value hierarchy	
9	Assets	Details of the variation of assets and liabilities measured at fair value on a recurring basis classified in Level 3	

BALANCE SHEET - BY ACTIVITY SECTOR
(Amounts in Euros)

		NON-LIFE CLASSES		LIFE CLASSES		OTHER		INTERCOMPANY INTER SECTORS		Total	
		DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
1	INTANGIBLE ASSETS	0,00	0,00	107.040.669	126.216.191	130.401.817	140.028.843	0	0	237.442.485	266.245.034
1.1	Goodwill	0,00	0,00	22.050.297	22.050.297	0	0	0	0	22.050.297	22.050.297
1.2	Other intangible assets	0,00	0,00	84.990.371	104.165.894	130.401.817	140.028.843	0	0	215.392.188	244.194.737
2	TANGIBLE ASSETS	0,00	0,00	466.029	594.158	40.125	90.538	0	0	506.154	684.696
2.1	Land and buildings (self used)	0,00	0,00	0	0	0	0	0	0	0	0
2.2	Other tangible assets	0,00	0,00	466.029	594.158	40.125	90.538	0	0	506.154	684.696
3	AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS	0,00	0,00	1.227.589.188	1.522.997.659	0	0	0	0	1.227.589.188	1.522.997.659
4	INVESTMENTS	0,00	0,00	16.273.258.546	17.698.741.538	23.764.890	28.361.395	0	600.026	16.297.023.436	17.726.502.908
4.1	Land and buildings (investment properties)	0,00	0,00	0	0	0	0	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0,00	0,00	0	1.138.246	0	-1.138.246	0	0	0	0
4.3	Held to maturity investments	0,00	0,00	0	0	0	0	0	0	0	0
4.4	Loans and receivables	0,00	0,00	446.709.252	518.730.727	23.764.890	29.499.641	0	600.026	470.474.141	547.630.342
4.5	Available for sale financial assets	0,00	0,00	9.140.733.746	9.337.103.345	0	0	0	0	9.140.733.746	9.337.103.345
4.6	Financial assets at fair value through profit or loss	0,00	0,00	6.685.815.548	7.841.769.221	0	0	0	0	6.685.815.548	7.841.769.221
5	RECEIVABLES	0,00	0,00	89.304.541	91.275.334	28.773.282	21.095.767	3.387.662	15.364.733	114.690.161	97.006.368
5.1	Receivables arising out of direct insurance operations	0,00	0,00	58.407.078	39.208.858	67	67	0	0	58.407.144	39.208.925
5.2	Receivables arising out of reinsurance operations	0,00	0,00	5.192.097	7.073.857	0	0	0	0	5.192.097	7.073.857
5.3	Other receivables	0,00	0,00	25.705.366	44.992.618	28.773.215	21.095.700	3.387.662	15.364.733	51.090.920	50.723.585
6	OTHER ASSETS	0,00	0,00	425.043.769	420.905.054	2.794	106.357	0	0	425.046.563	421.011.411
6.1	Non-current assets or disposal groups classified as held for sale	0,00	0,00	0	0	0	0	0	0	0	0
6.2	Deferred acquisition costs	0,00	0,00	35.637.357	28.921.980	0	0	0	0	35.637.357	28.921.980
6.3	Deferred tax assets	0,00	0,00	0	0	0	0	0	0	0	0
6.4	Tax receivables	0,00	0,00	306.728.818	311.321.367	2.794	0	0	0	306.731.612	311.321.367
6.5	Other assets	0,00	0,00	82.677.594	80.661.707	0	106.358	0	0	82.677.594	80.768.065
7	CASH AND CASH EQUIVALENTS	0,00	0,00	60.821.469	94.416.969	17.075.402	31.388.207	0	0	77.896.871	125.805.175
	TOTAL ASSETS	0,00	0,00	18.183.524.211	19.955.146.902	200.058.309	221.071.107	3.387.662	15.964.759	18.380.194.858	20.160.253.251
1	SHAREHOLDERS' EQUITY	0,00	0,00	348.424.999	445.330.559	7.450.198	17.071.872	0	0	355.875.196	462.402.431
2	OTHER PROVISIONS	0,00	0,00	22.122.215	22.184.804	101.988	101.988	5.093.876	5.098.824	17.130.328	17.187.969
3	INSURANCE PROVISIONS	0,00	0,00	9.794.612.958	9.988.064.203	15.596.250	20.560.846	0	0	9.810.209.208	10.008.625.049
4	FINANCIAL LIABILITIES	0,00	0,00	7.774.376.890	9.297.281.588	0	0	0	0	7.774.376.890	9.297.281.588
4.1	Financial liabilities at fair value through profit or loss	0,00	0,00	6.608.308.209	7.793.899.983	0	0	0	0	6.608.308.209	7.793.899.983
4.2	Other financial liabilities	0,00	0,00	1.166.068.681	1.503.381.606	0	0	0	0	1.166.068.681	1.503.381.606
5	PAYABLES	0,00	0,00	134.280.121	76.271.600	117.597.863	135.343.529	-1.706.214	10.865.935	253.584.198	200.749.194
5.1	Payables arising out of direct insurance operations	0,00	0,00	26.196.509	29.889.997	0	0	0	0	26.196.509	29.889.997
5.2	Payables arising out of reinsurance operations	0,00	0,00	64.735.497	17.898.774	0	0	0	0	64.735.497	17.898.774
5.3	Other payables	0,00	0,00	43.348.116	28.482.830	117.597.863	135.343.529	-1.706.214	10.865.935	162.652.193	152.960.424
6	OTHER LIABILITIES	0,00	0,00	109.707.027	126.014.148	59.312.010	47.992.872	0	0	169.019.037	174.007.020
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	0,00	0,00	0	0	0	0	0	0	0	0
6.2	Deferred tax liabilities	0,00	0,00	1.958.947	22.328.121	43.110.856	46.481.096	0	0	45.069.803	68.809.217
6.3	Tax payables	0,00	0,00	53.690.017	72.554.644	14.689.412	206.118	0	0	68.379.429	72.760.762
6.4	Other liabilities	0,00	0,00	54.058.063	31.131.382	1.511.743	1.305.658	0	0	55.569.806	32.437.040
	TOTAL EQUITY AND LIABILITIES	0,00	0,00	18.183.524.211	19.955.146.902	200.058.309	221.071.107	3.387.662	15.964.759	18.380.194.858	20.160.253.251

EUROVITA
HOLDING

Income Statement by activity sector

		NON-LIFE CLASSES		LIFE CLASSES		OTHER		INTER-SECTOR ELIMINATIONS		TOTAL	
		DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
1.1	Net earned premiums	0	0	*1.199.021.452*	*460.245.158*	0	0	0	0	*1.199.021.452*	*460.245.158*
1.1.1	*Gross earned premiums*	0	0	1.252.222.023	521.430.856	0	0	0	0	1.252.222.023	521.430.856
1.1.2	*Earned premiums ceded*	0	0	-53.200.571	-61.185.698	0	0	0	0	-53.200.571	-61.185.698
1.2	Fee and commission income and income from financial service activities	0	0	174.502.063	214.671.070	0	0	0	0	174.502.063	214.671.070
1.3	Net income from financial instruments at fair value through profit or loss	0	0	-62.029.607	12.281.324	0	0	0	0	-62.029.607	12.281.324
1.4	Income from subsidiaries, associated companies and joint ventures	0	0	0	0	0	0	0	0	0	0
1.5	Income from other financial instruments and land and buildings (investment properties)	0	0	239.376.423	185.093.218	-97.355.568	-117.797.301	0	0	142.020.855	67.295.918
1.5.1	*Interest income*	0	0	163.386.123	161.880.152	-80.727.631	-107.863.651	0	0	82.658.492	54.016.501
1.5.2	*Other income*	0	0	30.852.954	2.234.647	0	0	0	0	30.852.954	2.234.647
1.5.3	*Realized gains*	0	0	45.137.346	20.978.419	-16.627.938	-9.933.649	0	0	28.509.408	11.044.770
1.5.4	*Unrealized gains and reversal of impairment losses*	0	0	0	0	0	0	0	0	0	0
1.6	Other income	0	0	61.045.558	41.136.994	-4.872.985	9.802.256	4.813.569	5.904.030	51.359.004	45.035.220
1	TOTAL INCOME	0	0	1.611.915.889	913.427.765	-102.228.554	-107.995.045	4.813.569	5.904.030	1.504.873.766	799.528.690
2.1	Net insurance benefits and claims	0	0	1.245.875.947	494.775.515	-88.407.697	-112.342.642	0	0	1.157.468.250	382.432.873
2.1.1	*Claims paid and change in insurance provisions*	0	0	1.320.334.111	588.314.315	-88.407.697	-112.342.642	0	0	1.231.926.414	475.971.673
2.1.2	*Reinsurers' share*	0	0	-74.458.164	-93.538.799	0	0	0	0	-74.458.164	-93.538.799
2.2	Fee and commission expenses and expenses from financial service activities	0	0	137.998.480	154.678.992	0	0	0	0	137.998.480	154.678.992
2.3	Expenses from subsidiaries, associated companies and joint ventures	0	0	0	0	0	0	0	0	0	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	0	0	70.188.319	59.569.678	4.915.355	1.473.580	0	0	75.103.675	61.043.257
2.4.1	*Interest expenses*	0	0	47.983.470	55.081.516	0	0	0	0	47.983.470	55.081.516
2.4.2	*Other expenses*	0	0	0	0	0	0	0	0	0	0
2.4.3	*Realized losses*	0	0	14.248.056	4.488.161	4.915.355	1.473.580	0	0	19.163.412	5.961.741
2.4.4	*Unrealized losses and impairment losses*	0	0	7.956.793	0	0	0	0	0	7.956.793	0
2.5	Acquisition and administration costs	0	0	79.641.544	86.591.348	-5.854.823	8.299.758	4.813.569	5.904.030	68.973.151	88.987.077
2.5.1	*Commissions and other acquisition costs*	0	0	44.190.047	38.923.415	-4.562.766	0	2.281.383	2.846.375	37.345.898	36.077.041
2.5.2	*Investment management expenses*	0	0	11.811.099	5.433.166	0	0		0	11.811.099	5.433.166
2.5.3	*Other administration costs*	0	0	23.640.398	42.234.766	-1.292.058	8.299.758	2.532.186	3.057.655	19.816.154	47.476.870
2.6	Other expenses	0	0	35.117.827	45.283.314	11.949.785	25.213.886	0	0	47.067.612	70.497.200
2	TOTAL EXPENSES	0	0	1.568.822.118	840.898.847	-77.397.380	-77.355.418	4.813.569	5.904.030	1.486.611.168	757.639.400
	EARNINGS BEFORE TAXES	0	0	43.093.771	72.528.918	-24.831.173	-30.639.627	0	0	18.262.598	41.889.290
3	Income taxes	0	0	12.208.293	15.290.383	-6.853.219	-8.859.456	0	0	5.355.073	6.430.928
	Current taxes	0	0		15.290.383	0		0	0	0	15.290.383
	Deferred taxes	0	0			0	-8.859.456	0	0	0	-8.859.456
	EARNINGS AFTER TAXES	0	0	30.885.478	57.238.534	-17.977.954	-21.780.172	0	0	12.907.524	35.458.363
4	RESULT OF DISCONTINUED OPERATIONS	0	0		0	0	0	0	0	0	0
	CONSOLIDATED RESULT OF THE PERIOD	0	0	30.885.478	57.238.534	-17.977.954	-21.780.172	0	0	12.907.524	35.458.363
	Attributable to the Group	0	0	30.715.211	57.133.278	-17.977.954	-21.780.172	0	0	12.737.257	35.353.106
	Attributable to Minority Interests	0	0	170.267	105.257	0	0	0	0	170.267	105.257

Company name	Country	Method (1)	Assets (2)	% Direct shareholding	% Total interest (3)	% Available votes in General Meeting (4)	% of consolidation
Eurovita S.p.A.	IT	G	1	99,45	100		100
Agenzia Eurovita S.r.l.	IT	G	11	100	100		100

(1) Consolidation method: Line-by-line integration =G, Proportional integration=P, Line-by-line integration by Department=U
(2) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holding cos.; 5=EU reins. cos.; 6=Third country reins. cos.; 7=banks; 8=mutual guarantee schemes; 9=other holding cos.; 10=real estate cos. 11=other

(3) This is the product of shareholdings relationships pertaining to all the companies that, placed along the shareholding chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly owned by several subsidiaries, the individual products should be added up.
(4) Total availability in percentage of votes in the annual general meeting of shareholders if different from the direct or indirect shareholding.

Breakdown of non-consolidated equity investments

Company name	Country Registered address	Country Operating office	Assets (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Availability of votes in in the annual general meeting (4)	Book value

(1) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holdings; 4.1= mixed financial cos.; 5=EU reins. cos.; 6=Third country reins. cos.; 7=banks; 8=mutual guarantee schemes; 9=other holding cos.; 10=real estate cos.; 11=other

(2) a=subsidiaries (IFRS 10); b=affiliated companies (IAS28); c=joint ventures (IFRS11); indicate with an asterisk (*) any companies classified as available for sale in accordance with IFRS 5 and include key at the bottom of the table

(3) This is the product of shareholdings relationships pertaining to all the companies that, placed along the shareholding chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly owned by several subsidiaries, the individual products should be added up

(4) Total availability in percentage of votes in the annual general meeting of shareholders if different from the direct or indirect shareholding

Scope of consolidation: equity investments in companies with significant minority interests

				Summary of economic and financial data							
% minority interests	% Availability of votes in the annual general meeting for minority interests	Consolidated profit (loss) attributable to minority interests	Shareholders' Equity attributable to minority interests	Total assets	Investments	Technical Provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross premiums recognized

Interests in non-consolidated structured entities

Company name of structured entity	Revenues received by structured entity during the period under review	Book value (at the transfer date) of transferred assets to the structured entity during the period under review	Book value of recognized assets relating to structured entity	Corresponding asset item in Balance Sheet	Book value of recognized liabilities relating to structured entity	Corresponding liability item in Balance Sheet	Maximum exposure to loss risk

Breakdown of tangible and intangible assets

	At cost	At restated value or at fair value	Total Book value
Land and buildings (investment properties)	0	0	0
Land and buildings (self used)	0	0	0
Other tangible assets	506.154	506.154	506.154
Other intangible assets	237.442.485	237.442.485	237.442.485

Amounts ceded to reinsurers from insurance provisions

	Direct business		Indirect business		Total Book value	
	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
Non-life amounts ceded to reinsurers from insurance provisions	0,00	0,00	0,00	0,00	0,00	0,00
Provisions for unearned premiums	0	0	0	0	0	0
Provisions for outstanding claims	0	0	0	0	0	0
Other insurance provisions	0	0	0	0	0	0
Life amounts ceded to reinsurers from insurance provisions	1.215.210.524	150.839.071	12.378.664	14.158.588	1.227.589.188	1.522.997.659
Mathematical provisions	1.110.072.254	1.453.003.738	11.618.657	13.629.457	1.121.690.911	1.466.633.196
Provisions for outstanding claims	104.879.874	55.559.473	760.007	529.131	105.639.881	56.088.603
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	0	0	0	0	0	0
of which, DI index and unit linked	0	0	0	0	0	0
of which, DII pension funds	0	0	0	0	0	0
Other insurance provisions	258.396	275.860	0	0	258.396	275.860
Total Amounts ceded to reinsurers from insurance provisions	1.215.210.524	1.508.839.071	12.378.664	14.158.588	1.227.589.188	1.522.997.659

Breakdown of financial assets

	Investments held to maturity		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total Book value	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
Equities at cost	0	0			0	0	0	0	0	0	0	0
Equities at fair value	0	0			26.628.417	29.683.248	0	30.000	3.116.400	3.720.693	29.744.817	29.713.248
of which quoted equities	0	0			0	1.109.250	0	30.000	116.400	720.693	116.400	1.139.250
Bonds	0	0	360.707.497	409.963.116	8.040.267.128	8.918.885.236	9.964.759	10.774.051	89.588.747	100.996.226	8.500.528.131	9.339.622.403
of which quoted bonds	0	0	65.254.447	157.388.976	8.008.549.189	8.918.885.236	5.387.205	5.855.147	89.558.747	100.996.226	8.168.749.588	9.082.129.360
Investment fund units	0	0			1.073.838.201	388.534.861	0	0	6.549.802.637	7.694.615.284	7.623.640.839	8.187.867.064
Loans and receivables from customers	0	0			0	0	0	0	0	0	0	0
Loans and receivables from banks	0	0			0	0	0	0	0	0	0	0
Deposits under reinsurance business accepted	0	0	77.339.531	77.793.444	0	0	0	0	0	0	77.339.531	77.793.444
Deposit components of reinsurance contracts	0	0			0	0	0	0	20.271.626	26.387.813	20.271.626	26.387.813
Other loans and receivables	0	0	32.427.113	42.439.783	0	0	0	0	0	0	32.427.113	42.439.783
Derivatives	0	0			0	0	1.476.800	2.471.500	0	0	1.476.800	2.471.500
Hedging derivatives	0	0			0	0	11.594.579	2.773.654	0	0	11.594.579	2.773.654
Other financial investments	0	0	0	17.434.000	0	0	0	0	0	0	0	17.434.000
Total	0	0	470.474.141	547.630.342	9.140.733.746	9.337.103.345	23.036.138	16.049.205	6.662.779.411	7.825.720.016	16.297.023.436	17.726.502.908

Assets and liabilities related to policies where the investment risk is borne by policyholders and to pension funds

	Benefits linked to investment funds and market indexes		Benefit linked to the management of pension funds		Total	
	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
Assets	6.674.373.990	7.820.731.980			6.674.373.990	7.820.731.980
Intra-group assets (*)						
Total assets	**6.674.373.990**	**7.820.731.980**			**6.674.373.990**	**7.820.731.980**
Financial liabilities	6.573.162.441	7.733.023.105			6.573.162.441	7.733.023.105
Insurance provisions (**)	95.239.099	87.019.691			95.239.099	87.019.691
Intra-group liabilities (*)						
Total Liabilities	**6.668.401.540**	**7.820.042.796**			**6.668.401.540**	**7.820.042.796**

(*) Intra-group assets and liabilities refer to assets and liabilities which are eliminated in the consolidation process.

(**) Insurance provisions are net of amounts ceded to reinsurers from insurance provisions.

Insurance provisions detail

	Direct business		Indirect business		Total Book value	
	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
Non-life insurance provisions	0	0	0	0	0	0
Provisions for unearned premiums	0	0	0	0	0	0
Provisions for outstanding claims	0	0	0	0	0	0
Other insurance provisions	0	0	0	0	0	0
of which provisions for liability adequacy test	0	0	0	0	0	0
Life insurance provisions	9.716.266.758	9.909.531.372	78.346.201	78.532.831	9.794.612.958	9.988.064.203
Provisions for outstanding claims	237.381.434	188.687.484	1.006.671	739.389	238.388.104	189.426.873
Mathematical provisions	8.984.824.755	8.989.237.012	77.339.530	77.793.443	9.062.164.285	9.067.030.455
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	95.239.099	96.619.384	0	0	95.239.099	96.619.384
Other insurance provisions	398.821.470	634.987.492	0	0	398.821.470	634.987.492
of which provisions for liability adequacy test	0	2.132.915	0	0	0	2.132.915
of which deferred policyholder liabilities	226.936.802	430.109.678	0	0	226.936.802	430.109.678
Total Insurance Provisions	9.716.266.758	9.909.531.372	78.346.201	78.532.831	9.794.612.958	9.988.064.203

Financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total Book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017	DIC 2018	DIC 2017
Preference shares	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	45.384.309	0	45.384.309	0
Financial liabilities related to investment contracts issued by insurance companies	0	0	6.605.216.598	7.772.374.364	0	0	6.605.216.598	7.772.374.364
when the investment risk is borne by policyholders	0	0	6.605.216.598	7.772.374.364	0	0	6.605.216.598	7.772.374.364
pension funds	0	0	0	0	0	0	0	0
other liabilities related to investment contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	1.109.953.373	1.503.381.606	1.109.953.373	1.503.381.606
Deposit components of insurance contracts	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0
Liabilities to customers	0	0	0	0	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0	0
Other loans	0	0	0	0	0	0	0	0
Derivatives	2.301.900	5.814.135	0	0	0	0	2.301.900	5.814.135
Hedging derivatives	789.711	15.711.484	0	0	0	0	789.711	15.711.484
Other financial liabilities	0	0	0	0	10.731.000	0	10.731.000	0
Total	**3.091.611**	**21.525.619**	**6.605.216.598**	**7.772.374.364**	**1.166.068.681**	**1.503.381.606**	**7.774.376.890**	**9.297.281.588**

Technical insurance items

		DEC 2018			DEC 2017		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life business							
NET EARNED PREMIUMS		0	0	0	0	0	0
a	Premiums written	0	0	0	0	0	0
b	Change in the provisions for unearned premiums	0	0	0	0	0	0
NET INSURANCE BENEFITS AND CLAIMS		0	0	0	0	0	0
a	Claims paid	0	0	0	0	0	0
b	Change in the provisions for outstanding claims	0	0	0	0	0	0
c	Change in claims to be recovered	0	0	0	0	0	0
d	Change in other insurance provisions	0	0	0	0	0	0
Life business							
NET PREMIUMS		1.252.222.023	53.200.571	1.199.021.452	521.430.856	61.185.698	460.245.158
NET INSURANCE BENEFITS AND CLAIMS		1.231.926.414	74.458.164	1.157.468.250	475.971.673	93.538.799	382.432.873
a	Claims paid	1.328.968.248	369.866.635	959.101.613	834.647.902	190.378.426	644.269.476
b	Change in the provisions for outstanding claims	48.961.232	49.551.277	-590.046	45.179.628	10.097.158	35.082.470
c	Change in the mathematical provisions	5.484.009	-344.942.285	350.426.294	- 453.019.606	- 106.865.639	- 346.153.967
d	Change in the provisions for policies where the investment risk is borne by the policyholders and in the provisions for pension funds	8.388.237		8.388.237	23.764.557	-	23.764.557
e	Change in other insurance provisions	-159.875.313	-17.464	-159.857.849	25.399.192	- 71.146	25.470.337

EUROVITA HOLDING

Income and expenses from investments, receivables and payables

		Interests	Other income	Other expenses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains and reversal of impairment losses		Unrealized losses and impairment losses		Total unrealized gains and losses	Total income and expenses December 2017	Total income and expenses December 2016
								Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Income and expenses from investments		85.608.423	41.326.265	14.935.615	63.745.826	139.127.605	36.617.294	431.080.649	0	23.847.585	0	407.233.064	443.850.359	369.876.620
a	from land and buildings (investment properties)	0	0	0	0	0	0	0	0	0	0	0	0	0
b	from investments in subsidiaries, associated companies and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c	from held to maturity investments	0	0	0	0	0	0	0	0	0	0	0	0	0
d	from loans and receivables	7.051.227	0	0	1.479.272	44.175	8.486.324	0	0	0	0	0	8.486.324	-3.322.987
e	from available for sale financial assets	75.603.337	30.852.954	0	27.030.137	18.822.892	114.663.535	0	0	8.249.210	0	-8.249.210	106.414.326	63.378.754
f	from financial assets held for trading	0	0	0	361.550	839.876	-478.326	920.100	0	1.803.992	0	-883.892	-1.362.218	0
g	from financial assets designated as at fair value through profit or loss	2.953.859	10.473.311	14.935.615	34.874.867	119.420.662	-86.054.239	430.160.549	0	13.794.383	0	416.366.166	330.311.927	309.820.854
Income and expenses from receivables		0	0	0	0	0	0	0	0	0	0	0	0	0
Income and expenses from cash and cash equivalents		0	0	0	0	0	0	0	0	0	0	0	0	0
Income and expenses from financial liabilities		-47.983.470	0	390.979.316	0	0	-438.962.786	0	0	0	0	0	-438.962.786	-351.342.635
a	from financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	from financial liabilities designated as at fair value through profit or loss	0	0	390.979.316	0	0	-390.979.316	0	0	0	0	0	-390.979.316	0
c	from other financial liabilities	-47.983.470	0	0	0	0	-47.983.470	0	0	0	0	0	-47.983.470	-351.342.635
Income and expenses from payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		37.624.953	41.326.265	405.914.930	63.745.826	139.127.605	-402.345.492	431.080.649	0	23.847.585	0	407.233.064	4.887.573	18.533.985

Acquisition and administration costs of insurance business

		Non-Life business		Life business	
		DIC 2018	DIC 2017	DIC 2018	DIC 2017
Commissions and other acquisition costs		-	-	53.012.288	43.629.903
a	Acquisition and administration commissions	-	-	27.747.804	21.842.833
b	Other acquisition costs	-	-	30.992.500	19.459.505
c	Change in deferred acquisition costs	-	-	- 8.991.239	- 4.312.997
d	Collecting commissions	-	-	3.263.223	6.640.562
Commissions and profit commissions from reinsurers		-	-	- 11.103.624	- 7.552.862
Commissions and other acquisition costs net of commissions and profit commissions from reinsurers		-	-	11.811.099	5.433.166
Other administration costs		-	-	24.880.526	47.476.870
Total		-	-	78.600.289	88.987.077

Details on other comprehensive income

	Allocation		Transfer to profit and loss account		Other transfer		Total variation		Taxes		Amount	
	Total Year 2018	Total Year 2017	Total Year	Total Year	Total Year	Total Year	Total Year 2018	Total Year 2017	Total Year 2018	Total Year 2017	at 31-12-2018	at 31-12-2017
Items that may not be reclassified to profit and loss in future periord	**-**	**- 15.206**	**-**	**-**	**-**	**-**	**-**	**- 15.206**	**-**	**60.968**	**-**	**- 48.026**
Revenue reserve from valuation of equity								-				
Reserve for revaluation model on intangible assets								-				
Reserve for revaluation model on tangible assets								-				
Result of discontinued operation								-				
Actuarial gains or losses arising from defined benefit plans	-	- 15.206					-	- 15.206	-	60.968	-	- 48.026
Others								-				
Items that may be reclassified to profit and loss in future periord	**- 18.765.979**	**- 28.498.534**	**-**	**-**	**-**	**-**	**- 18.765.979**	**- 28.498.534**	**21.816.271**	**12.642.031**	**- 48.969.812**	**- 30.083.771**
Reserve for currency transition differences								-				
Net unrealized gains and losses on investments available for sale	- 31.082.953	- 19.548.144	-	-			- 31.082.953	- 19.548.144	23.272.366	8.654.592	- 52.238.231	- 21.133.381
Net unrealized gains and losses on hedging derivatives	12.316.974	- 8.950.390					12.316.974	- 8.950.390	- 1.456.096	3.987.439	3.268.420	- 8.950.390
Net unrealized gains and losses on hedge of a net investment in foreign operations								-				
Shares of other comprehensive income of associates								-				
Result of discontinued operation								-				
Others								-				
TOTAL OTHER COMPREHENSIVE INCOME	- 18.765.979	- 28.513.740	-	-	-	-	- 18.765.979	- 28.513.740	21.816.271	12.702.999	- 48.969.812	- 30.131.797

Details on financial assets reclassified and its effect on profit or loss account and comprehensive income

Financial asset categories affected by the reclassification		Financial assets	Amount of the financial assets reclassified in the year at the reclassification date	Book value of reclassified financial assets at 31/12/2018		Fair value AS AT 31/12/2018		Financial assets reclassified in 2018		Financial assets reclassified until 2018		Financial assets reclassified in 2018		Financial assets reclassified until 2018	
from	to			Financial assets reclassified in 2018	Financial assets reclassified until 2018	Financial assets reclassified in 2018	Financial assets reclassified until 2018	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification
Total															

Assets and liabilities measured at fair value on recurring and non-recurring basis: fair value hierarchy

		Level 1		Level 2		Level 3		Total	
		Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017
Financial assets and liabilities at fair value on a recurring basis									
Available for sale financial assets		8.583.717.492	8.783.960.699	279.510.312	347.088.586	277.505.942	207.192.305	9.140.733.746	9.338.241.591
Financial assets at fair value through profit or loss	Financial assets held for trading	677.553	8.502.185	22.358.586	12.535.056	-	-	23.036.138	21.037.241
	Financial assets designated at fair value through profit or loss	6.659.749.283	7.817.731.980	30.128	-	3.000.000	3.000.000	6.662.779.411	7.820.731.980
Investment properties		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	104.513.389	121.726.898	104.513.389	121.726.898
Total financial assets at fair value on a recurring basis		15.244.144.327	16.610.194.864	301.899.025	359.623.642	385.019.331	331.919.204	15.931.062.683	17.301.737.710
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	- 15.711.484	- 3.091.611	- 5.814.135	-	-	- 3.091.611	- 21.525.619
	Financial liabilities designated at fair value through profit or loss	- 6.605.216.598	- 7.772.374.364	-	-	-	-	- 6.605.216.598	- 7.772.374.364
Total financial liabilities at fair value on a recurring basis		- 6.605.216.598	- 7.788.085.848	- 3.091.611	- 5.814.135	-	-	- 6.608.308.209	- 7.793.899.983
Financial assets and liabilities at fair value on a non-recurring basis									
Non-current assets or of discontinued operations								-	-
Non-current liabilities or of discontinued operations								-	-

Details of the variation of assets and liabilities measured at fair value on a recurring basis classified in Level 3

	Available for sale financial assets	Financial assets at fair value through profit or loss		Investment properties	Tangible assets	Intangible assets	Financial liabilities at fair value through profit or loss	
		Financial assets held for trading	Financial assets designated as at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss
Opening balance	**207.192.305**	**-**	**-**	**-**	**-**	**-**	**-**	
Purchases and issues	116.052.411	-	3.000.000	-	-	-	-	
Disposals through sales and settlements	- 50.657.617	-	-	-	-	-	-	
Pay-backs	-	-	-	-	-	-	-	
Net gains and losses recognized in P&L	- 7.870.028	-	-	-	-	-	-	
- of which net unrealised gains and losses	- 7.956.793	-	-	-	-	-	-	
Net unrealised gains and losses recognized in OCI	-	-	-	-	-	-	-	
Net transfers to Level 3	-	-	-	-	-	-	-	
Net transfers out of Level 3	-	-	-	-	-	-	-	
Other changes	12.788.871	-	-	-	-	104.513.389	-	
Closing balance	**277.505.942**	**-**	**3.000.000**	**-**	**-**	**104.513.389**	**-**	**-**

Assets and liabilities not measured at fair value: fair value hierarchy

	Book value		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Assets	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017	Year 2018	Year 2017
Held to maturity investments	-	-	-	-	-	-	-	-	-	-
Loans and receivables	446.709.252	518.730.727	38.992.011	81.448.913	297.950.597	299.014.540	109.766.644	138.267.273	446.709.252	518.730.727
Investments in subsidiaries, associated companies and joint ventures	-	-	-	-	-	-	-	-	-	-
Land and buildings (investment properties)	-	-	-	-	-	-	-	-	-	-
Tangible assets	466.029	594.158	-	-	-	-	466.029	594.158	466.029	594.158
Total assets	**447.175.281**	**519.324.884**	**38.992.011**	**81.448.913**	**297.950.597**	**299.014.540**	**110.232.673**	**138.861.431**	**447.175.281**	**519.324.884**
Liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	-1.166.068.681	-1.503.381.606	-	-	-	-	-1.166.068.681	-1.503.381.606	-1.166.068.681	-1.503.381.606

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Eurovita Holding S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Eurovita Group (the "group"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 90 of Legislative decree no. 209 of 7 September 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Eurovita Holding S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulation implementing article 90 of Legislative decree no. 209 of 7 September 2005 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The _Collegio Sindacale_ is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' 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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2018 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2018 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 15 April 2019 (at 9.00 pm)

KPMG S.p.A.

(signed on the original)

Paolo Colciago
Director of Audit