

VITTORIA CAPITAL

Registered office in Torino - Italia - Corso Vittorio Emanuele II n. 72

Share capital € 47.600.000,00 i.v.

Fiscal code and register of companies of Torino n. 09491470010

"Company subject to the activity of management and coordination by Yafa S.p.A."

"belonging to the insurance Group Vittoria Insurance registered at the Register of insurance groups No. 008"

Consolidated quarterly report as at 31 March 2018

Board of Directors' meeting
of 4 June 2018

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

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Corporate bodies and officers

BOARD OF DIRECTORS

Gian Domenico VERDUN di CANTOGNO	Chairman
Adriana ACUTIS	Director
Lilian CARVALHO ARAUJO	Director
Maria Luce LOTTI	Director

BOARD OF STATUTORY AUDITORS

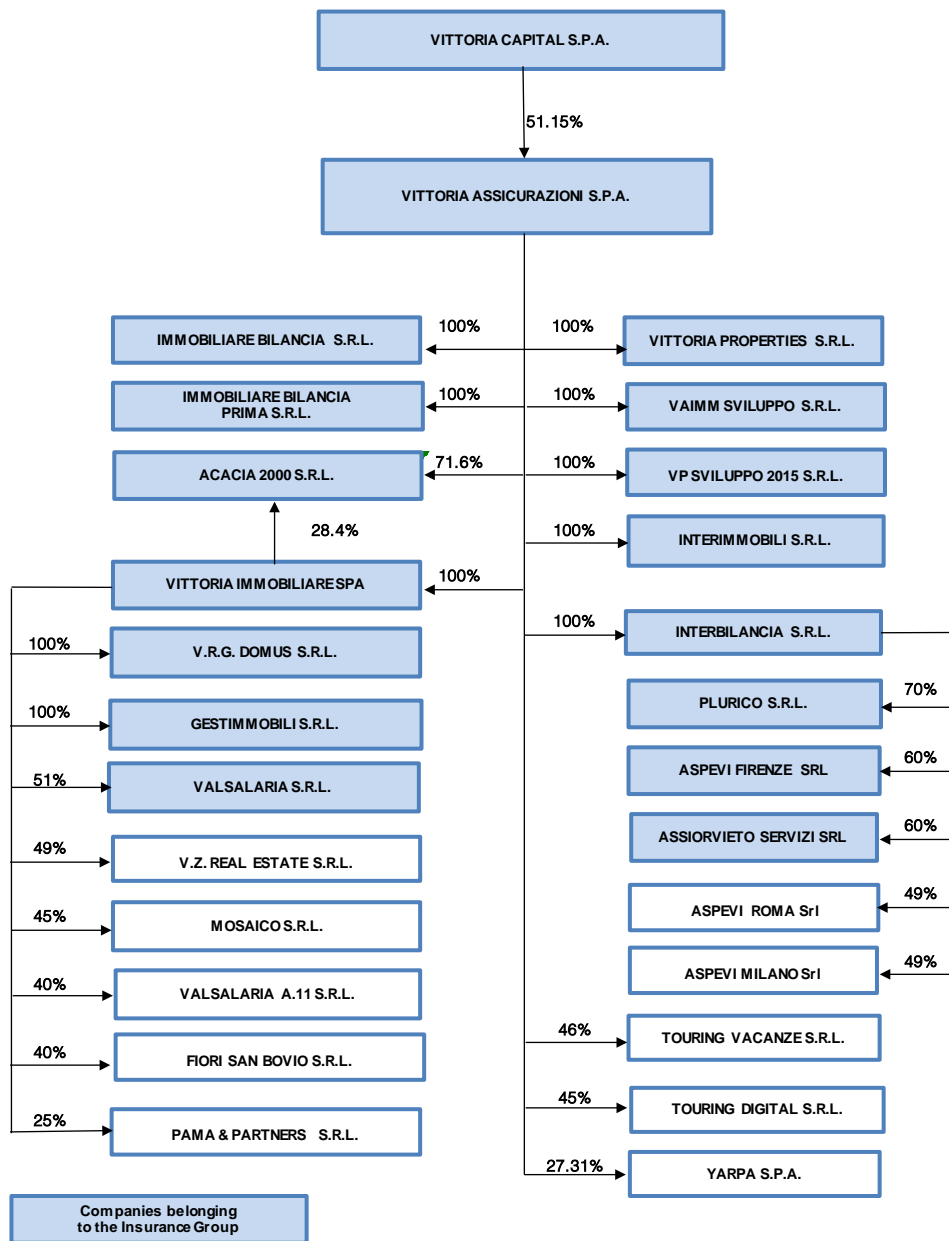
Corrado VERSINO	Chairman
Giovanni MARITANO	Standing statutory auditor
Michele ZANINI	Standing statutory auditor
Massimo ROSSO	Substitute statutory auditor
Carla STROPPIANA	Substitute statutory auditor

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

Note on the Vittoria Capital group

Vittoria Capital S.p.A. is exempt from the preparation of the consolidated financial statements, as written by Yafa S.p.A., group leader of the insurance group Vittoria Assicurazioni, registered in the Register of Insurance Groups at No. 008. For the purposes of drafting the offer document, pursuant to Legislative Decree No. 24 February 1998, no 58, relating to the Tenderer Voluntary Public and Exchange Tender Offer - best described in the chapter "performance of the first months of the 2008 financial year and foreseeable evolution of management" - Vittoria Capital draws up the present quarterly consolidated financial statement as at 31st March 2018, which shows the consolidated data referred to the consolidation area illustrated graphically:



Therefore, in this document, the definition Group refers to Vittoria Capital S.p.A. and its consolidated companies.

Form and contents of report

The Condensed Consolidated Quarterly Financial Statements as at 31 March 2018 was prepared in accordance with International Accounting Standards (IASs/IFRSs) and in compliance with Article 154-ter of Legislative Decree 58 of 24 February 1998, the “Consolidated Law on Financial Intermediation,” as amended by Legislative Decree 195 of 6 November 2007 (Transparency), and related implementation provisions pursuant to Article 9 of Legislative Decree 38 of 2005 and it complies with the international accounting standard applicable to interim financial reporting (IAS 34).

This report was prepared in accordance with the specifications contained in Legislative Decree no. 209 of 7 September 2005, in ISVAP Regulation no. 7 of 13 July 2007 and subsequent amendments and additions and in Consob communication no.6064293 of 28 July 2006

The accounting schedules, are reported in the specific section "Attachments to the Condensed Consolidated Quarterly Financial Statements" which is an integral part of this document. These tables have been supplemented by additional detailed tables necessary to complete the information required by international accounting standards or useful for a better understanding of the data.

All technical insurance figures that are shown in the various statements of this report refer to Vittoria Assicurazioni S.p.A., in its capacity as the sole insurance company of the Group.

Where it was deemed necessary, in case of changes in accounting standards, accounting policies or reclassifications, the comparative figures are restated and reclassified to provide uniform and consistent disclosures. This report was prepared on a going concerned perspective.

All amounts are shown in thousands of Euro, unless otherwise indicated.

Assessment criteria

The drafting principles and evaluation criteria adopted for the consolidated quarterly report are the same as those used for the consolidated financial statements ended 31 December 2017, which can be referred to, without prejudice to the international accounting standards entered into Effect from 1 January 2018, to which it is referred to in the following paragraph.

As reported in the consolidated financial statement finalised on 31st December 2017, the Vittoria Capital Group drew up the aforementioned consolidated financial statement by assuming the status of "first time adopter" for the preparation of the consolidated financial statement as of 31st December 2017. Regarding the date of first application of IAS-IFRS, it is noted that the Vittoria Capital is formed by companies that have already arranged internal reporting for the consolidation of the Yafa Group, whose parent company is Yafa S.p.A.

Vittoria Capital therefore became first time adopter for the consolidated financial statement subsequently to its holding company Yafa S.p.A. For the budget as at 31st December 2017, Victory Capital Group has therefore applied the waiver provided for in paragraph D16 of IFRS 1 - First-time Adoption of International Financial Reporting Standards, that allows the controlled company, as in this case, to apply the criteria for accounting of assets and liabilities consistent with the internal reporting of previous consolidated balance sheets.

In view of the greater timeliness required in relation to the drafting of the budgets and being an interim reporting situation, appropriate methodologies of estimation on the technical insurance items, mainly of the Damage Branches, have been used - in adherence to the management data of the period .

In the presence of substantial changes to basic assumptions, the opportunity was taken to update the appraisals by independent experts which are used for the determination of the fair value of the securities and real estate.

Use of estimates

Application of IFRSs for the preparation of Condensed Consolidated Quarterly Financial Statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions, funds and fair value informative.

The technical reserves evaluation is performed by the Actuarial department, which also exercises the permanent control function.

New accounting standards applied from 1st January 2018

IFRS 15 Revenue from Contracts with Customers. The standard replaces IAS 11 "Constructions Contracts" and IAS 18 "Revenue" principles. Insurance contracts are outside the scope of this standard, therefore the areas of potential impact for insurance companies are related to contracts that include non-insurance services and the recognition of revenues linked to asset management. Qualitative analysis has not showed significant impacts for the Group.

New accounting standards that are not yet effective

IFRS 9 Financial Instruments (replacement of IAS 39). On 24 July 2014, the International Accounting Standards Board (IASB) published the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The principle aims to emphasize on certain aspects:

- fair value for all instruments not only the ones remunerate the credit risk;
- logic of credit risk monitoring (including financial instruments consist of bonds), which enable the early detection and proper assessment of signs of impairment for evaluation purposes;
- adoption of predictive indicators (forward looking) and more stringent presumptions with respect to the practice;
- greater correlation between returns on financial instruments and risk (relative risk approach).

The application is mandatory as of 1st January 2018 following the approval of 29 November 2016. In September 2016, the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4" Which allows insurance companies to postpone the entry into force of IFRS 9 (so-called "deferral approach") to a maximum of 2021 or allows to suspend the greater volatility introduced by the new principle on individual securities (so-called "overlay approach").

Vittoria Assicurazioni, based on preliminary analysis, believes that it meets the requirements of paragraph 20B of IFRS 4, which allow temporary exemption from IFRS 9 (c.d. *deferral approach*). In fact, the Group's activities are mainly linked to insurance business.

The Group's liabilities connected with the insurance business mainly include:

- liabilities falling within the IFRS 4 scope;
- financial liabilities measured at fair value through profit and loss on the basis of IAS 39, relating to contracts issued for which the investment risk is supported by policyholders;
- tax liabilities related to insurance business.

During the year, the necessary phases of study will continue in order to verify the correct classification of the existing portfolio and the related impacts.

IFRS 16 Leases (replacement of IAS 17). Qualitative analysis has not showed showed significant impact on the Group. Entry into force is fixed for the 1st January 2019.

IFRS 17 Insurance contracts. On 28 May 2017, the IASB published the Standard on Insurance Contracts, IFRS 17. The standard valuation methodology is based on three accounting models that allow the estimation of insurance contracts at current values:

- “Building Block Approach” based on the expected future cash flows, weighted and corrected for a risk factor that includes the expected contractual service margin (“Contractual Service Margin”) at the time of the subscription of the contract;
- Premium Allocation Approach, an alternative and simplified model with respect to the general accounting model applicable to insurance contracts with a contractual coverage of less than one year;
- Variable Fee Approach, an alternative model to the general accounting model applicable to the direct participations contracts accounting to take into account the commissions for managing the underlying assets recognized by the Company.

The entry into force is set for the 1st January 2021, leaving the possibility of an early application (if IFRS 9 and IFRS 15 are applied). Vittoria Assicurazioni, in 2017, undertook the necessary stages of study and analysis of the issues, still in progress.

Directors' report

Economic and insurance scenario

During the first quarter of 2018, the financial markets were characterised by a phase of uncertainty linked in particular to concerns regarding an increase in inflation exceeding expectations in the United States, the geopolitical situation, and the tensions resulting from a review of international trade policies by the Trump administration. A phase of uncertainty from which the markets are now attempting to exit due to reassuring indications both in the economic and geopolitical context. Italian political uncertainties are part of a general context which is tending to improve even though growth estimates are generally revised downwards (Europe) or stabilised (USA).

As far as the United States are concerned, macroeconomic data confirm a phase of solid expansion, with little inflationary and wage pressures. Even the solid employment trend and the minimum unemployment rate from 2000 should be confirmed in the coming months together with the ISM manufacturing index, and consumer confidence should still be on growing levels. Data in April show expenditure and personal income growing, core consumptions deflator on a contained rise, trade balance of goods deficit in growth and construction expenditure in recovery. The second estimate of GDP in the 1st quarter should record a modest downward revision.

Data linked to inflation tends gradually to rise, just as expected especially in a mature phase of the cycle, but without particular signs of acceleration. In such context, the markets see a reduced risk of an exit, faster than expected, from accommodating monetary policies. In the absence of inflationary pressure, it is indeed probable that the Federal Reserve could slow down the rise in rates while maintaining the current forecast of three raises for 2018.

Government rates have marked a rise above 3% (over a 10 years period) in the presence of a strengthening dollar, at least in the first quarter of the year. Despite this, the USA stock Exchange has recorded an increase, albeit contained, since the beginning of the year (S&P 500 index + 0.61% in dollars) in a context of declining volatility (index VIX at the end of May 16.2 near the average 2017 equal to 11.04).

Point of attention remains the behavior of the Trump administration regarding international trade relations in particular with Asian markets. We find increasing confirmation in the idea that, behind heated discussions, the aim is to negotiate better economic conditions for the United States and not to close the markets to the current partners.

The Euro Area's economic expansion should instead be revised downwards by the ECB also. This appears consistent with the slowdown in the composite PMI index that dropped in May from 55.1 to 54.1 (lowest level from end 2016) compared to the market estimate of a slight increase. The decrease in the concise index is explained by a drop in both the manufacturing index (55.5 from 56.2) and the SME services (53.9 from 54.7). Among the causes, the deterioration of the conditions of demand from abroad also following the aforementioned commercial tensions at global level which weighed in particular on the German manufacturing PMI index which dropped to 56.8 from 58.1. Though still a high level, the index is almost 7 points below the peak of end 2017. Moreover, the same composite SME index is also in decline in France due to the deterioration of activity in services related to transport strikes. The economy therefore grows at a less sustained rate than in the second half of last year.

However, it is also probable that the slowdown is due to temporary factors related to the normalisation of demand in German manufacturing after the year end data of 2017 and strikes in France. Growth of 0.4% also in the second quarter 2018 would lower the average 2018 to 2.1% from a previous 2.2%, however, still remaining above the EU Commission estimated trend of 1.5%.

Attention will be on inflation figures, expected to rise (from 1.2%) in the face of an increase in the energy costs and the price dynamics of 'core' goods. However, it is not believed that the ECB can react to a foreseeable increase in inflation driven by crude oil prices. The minutes of the ECB meeting at the end of April indicate that domestic price rises are still modest even though at the

same time there is a stronger increase in wages in some countries which in time will contribute to the rise in domestic prices.

The existing purchasing Program (QE) is still driven by the convergence criterion of inflation towards the medium term target. This does not, however, exclude the possible conclusion of the purchase programme within the year, as the meeting minutes indicate that support for a lasting increase in prices will also be guaranteed by the stock of securities held by the ECB, the policy of reinvestment that will go on as long as necessary and by rates on current levels well beyond the end of purchases.

In this context, the European stock exchanges reacted positively, recovering the losses incurred in the first quarter at least until, due to political uncertainties in Italy, the markets again corrected downwards (recording, from the beginning of the year, -1.07% for MSCI Europe index and -1.82% for Eurostoxx 50).

It is considered that these uncertainties fit in a generally improving economic context and that this context is an element of support for the Italian economy and that it can reduce the risk of a real crisis of confidence towards Italy and to stem a possible negative effect on other European economies. The fact remains that the political situation is very uncertain and will probably remain so for some time especially if there will be new elections.

After falling in April, the confidence of families and businesses could recover in May. Companies moral is seen at 105.5 from 105.1 with regards to the Istat composite Index, and 108 from 107.7 in the manufacturing sector. Consumer confidence is expected to reach 118 from 117.1 although the forecast may have been affected by the promises of ultra-expansive fiscal policies contained in the next executive's program. The unemployment rate was expected to decline by one-tenth to 10.9% in April, after the March split was encouraging as it showed an increase in the rate of employment and in the rate of activity at the same time.

Estimated GDP should confirm the preliminary growth in the first quarter (0.3% t/T, in line with the previous three months, for an annual growth slowing to 1.4% from 1.6%). The split is expected to confirm that growth is coming from domestic demand (before stocks), in the presence of a negative contribution from foreign trade. On the domestic demand side, a slowing down of investment is expected (after three very strong quarters). A non-secondary role could be played by stocks, after storage in the second half of 2017 had subtracted almost half point per quarter to GDP growth. In perspective, GDP could accelerate to 0.4% t/T in the current quarter, then return to the same average cruising speed seen in the second half of last year (0.3% t/t).

The Italian situation is also uncertain and it seems difficult to make reliable predictions in the light of the political events that are characterizing the current historical moment.

With regard to the Italian insurance market, it is noted that the premiums (based on Italian GAAP) as at 31 December 2017 (Ania Trends statistic) show, compared with the same period last year, a decrease of 3.6% for the Life business and an increase in Non-Life business of 1.2% (including Third Party Liability -2.2%). The comparison with the data of Vittoria Assicurazioni is as follows:

Line of business	Change	
	Market 31/12/17 vs. 31/12/16	Vittoria Assicurazioni 31/03/18 vs. 31/03/17
Life business (*)	-3.6%	-11.5%
Non-Life business	+1.2%	+6.6%
Of wich: Motor TPL	-2.2%	+8.3%

(*) Data referring to Life business include premiums collected for unit-linked contracts and those relating to the open-end pension fund (Lob III and VI), which are not considered premiums by international accounting standards.

REAL ESTATE BUSINESS

2017 was a positive year for the Italian real estate sector which, with about 11 billion euro invested, 20% more than 2016, has recorded a new record for the last ten years, achieved also thanks to the propensity of institutional investors to increasingly include real estate in their investment strategies and portfolio diversification.

The first months of 2018 recorded a slowdown in real estate investments, which amounted to about 1.5 billion euro, recording a contraction of about 30% compared to the same period in 2017, while still maintaining an invested volume above the decade average.

In particular there has been a significant reduction in transactions relating to the office segment, for which the volume invested, reduced by about 80%, is affected by the lack of product mainly in the city of Milan. There is an increase in transactions in the retail asset class, that in the first quarter of 2018 presents about 600 million euro invested, which corresponds to a growth of about 35% compared to the same period of 2017. In more detail the retail sector has benefitted from increased investment in Commercial Centres and the growing interest of investors in the High Street.

In relation to the residential market, the first quarter of 2018 is characterised by an increase in sales volumes followed by a price drop, with the exception of the big cities: + 0.3% for cities with more than 250,000 inhabitants, -0.7% for cities with less than 250,000 inhabitants. A figure that has, as a consequence, the widening of the average prices between large and small centres: 2,547 Euro/sqm against 1,643 euro/sqm.

With regard to residential leases, the demand is guided by short term (temporary) rents, following the new working needs of mobility and young tenants (students or first job workers).

Summary of key performance indicators of the Group

€/million

SPECIFIC SEGMENT RESULTS					
	31/03/2018	31/03/2017	31/12/2017	Δ 31/03/2017	Δ 31/12/2017
Non Life business					
Gross Premiums written - direct Non Life business	280.9	263.6	1,148.1	6.6%	
Non Life business pre-tax result	33.0	30.7	107.2	7.7%	
(1) Loss Ratio - retained	63.6%	63.3%	65.1%	0.3	(1.5)
(2) Combined Ratio - retained	88.6%	89.1%	90.0%	(0.5)	(1.4)
(3) Expense Ratio - retained	25.7%	26.3%	24.5%	(0.6)	1.2
Life business					
Gross Premiums written - direct Life business	44.6	48.7	173.2	(8.4)%	
Life business pre-tax result	0.2	1.0	6.2	(78.5)%	
(4) Annual Premium Equivalent (APE)	6.9	7.9	28.4	(12.7)%	
Segregated funds portfolios	1,152.6	1081.7	1,115.2		3.4%
Index/Unit - linked and Pension funds portfolios	76.9	63.7	76.6		0.4%
Segregated fund performance: Rendimento Mensile	2.91%	2.94%	2.93%	(0.03)	
Segregated fund performance: Obiettivo Crescita	3.11%	1.99%	3.29%	1.12	
Segregated fund performance: Valore Crescente	4.19%	4.72%	4.21%	(0.53)	
Total Agencies	444	433	444	11	-
Real Estate business					
Sales	4.5	6.4	33.9	(29.7)%	
Trading and development margin	0.8	1.2	6.0	(32.2)%	
Real Estate business pre-tax result	(0.6)	(0.2)	(0.8)	n.s.	
CONSOLIDATED RESULTS					
	31/03/2018	31/03/2017	31/12/2017	Δ 31/03/2017	Δ 31/12/2017
Total investments	3,703.2	3,474.1	3,617.1		2.4%
Net gains on investments	12.0	13.4	47.2	(10.6)%	
Pre-tax result	32.3	30.5	110.7	5.8%	
Group profit (loss)	11.6	10.6	39.5	9.2%	
Average of employees	595	604	602	-9	(7)

Legend

- (1) Loss Ratio – retained business: is the ratio of current year claims to current year earned premiums;
- (2) 2)Combined Ratio – retained business: is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year earned premiums;
- (3) 3)Expense Ratio – retained business: is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;
- (4) 4)APE: Annual Premium Equivalent, is a measure of the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business.

Technical data are determined in accordance with Italian accounting principles.

Strategic goals

Vittoria Capital S.p.A.

Vittoria Capital S.p.A. carries out shareholding activities and therefore, as indicated also in the social object of the Statute, has as its object the activity, not carried out towards the public, of the purchase and disposal of shareholdings, for the purpose of stable investment and not of placement, in other companies or entities as well as the financing and technical coordination of the companies belonging to the Group.

The investment portfolio of Vittoria Capital S.p.A. consists of a single shareholding held in the company Vittoria Assicurazioni S.p.A..

Vittoria Assicurazioni S.p.A. operates mainly in the insurance and real estate sector.

Investment is carried out with the objective of pursuing the solidity of the Company and the Group, paying particular attention to security, quality, liquidity and profitability.

The general strategic objectives of Vittoria Capital S.p.A. are as follows:

- To create value also through the aggregation of other entrepreneurs;
- Maintain an adequate financial and asset strength even in the presence of adverse scenarios (evaluated through scenario analysis and stress tests with reference to the insurance sector);
- Maintain an adequate level of profitability and liquidity of invested capital by safeguarding the level of risk.

Vittoria Assicurazioni S.p.A.

Vittoria Assicurazioni operates in all lines of insurance business, and founds its activities on a long experience in the insurance field, gained since 1921, for the protection of individuals, families and companies.

The main objective of Vittoria Assicurazioni is to honour in proper time contractual commitments to policyholders, realizing a reasonable profit margin.

This goal is supported by the achievement of technical profitability, a policy of consolidation of the portfolio acquired, the loyalty of existing customers, but also by the increase in market share in non-life and the acquisition of new production in the Life business.

In carrying out its insurance activities, Vittoria Assicurazioni pays attention to the management of its risk profile, principally through:

- an accurate risk pricing;
- a careful diversification of risks based on customer segmentation. In particular, although preferring the risks of personal lines and small / medium businesses, it is not neglected segment of large companies, on which are provided adequate reinsurance covers;
- diversification of sales channels achieved through careful geographical segmentation of markets;
- the continuous training of the agency network that determines a careful portfolio selection and a constant search for common objectives.

Beside to the insurance business, Vittoria Assicurazioni implements low-risk investment policies that ensure an adequate return without departing from its risk appetite goals. Investment management, led by the profile of the insurance liabilities, pays particular attention to the protection of the financial strength of Vittoria Assicurazioni (most of the profits are reinvested in Vittoria Assicurazioni), without disregarding the search for adequate returns.

Performance of the Vittoria Capital Group

The results of Vittoria Capital Group at 31st March 2018 presents a net profit of 11,605 thousand euro against 10,631 thousand of the similar period of the year 2017 (+ 9.2%).

The contribution to the Group result of the various sectors, before taxes and cross-sectoral eliminations, is as follows:

- Insurance segment: 33,240 thousand euros, with an increase of 5.0% compared to the result of 31,651 thousand euros registered at 31st March 2017;
- Real Estate segment: Negative result of -1,079 thousand euros, compared to a negative balance of -732 thousand euros of 31st March 2017;
- Holding segment: negative result of 7 thousand euros, compared to a negative balance of 28 thousand euros of 31st March 2017.

The performance of the individual sectors of activity in detail can be found in the remainder of this report.

Group equity was €447,284 thousand, up by 3.1% compared with €443,776 thousand as at 31 December 2017 due to the result of the period.

Of investments totaling €3,703,205 thousand (+2.4%) compared with 31 December 2017, €76,894 thousand (+0.4%) related to investments with risk borne by policyholders and €3,626,311 thousand (+2.4%) to investments with risk borne by the Group.

Net income from investments with risk borne by the Group amount to €12,018 thousand, compared with €13,430 thousand in the previous period (-10.5%).

The companies composing the Group are detailed in the chapter "Explanatory Notes" – Prospectus A) fully consolidated shareholdings

The development of individual sectors of activity is illustrated in detail in the remainder of this report.

Insurance Business

Income statement by business and business line reports for the insurance business, before taxes and intersegment eliminations, a result equal to €33,240 thousand (€31,651 thousand in 1Q17 increasing by 5.0%).

The key operating items contributing to the period's result are described below.

Total insurance premiums in 1Q18 amounted to €328,039 thousand (+3.5% vs. premiums of €316,835 thousand in 1Q17), of which €280,992 thousand for Non-Life insurance premiums written, €44,607 thousand for Life insurance premiums written and €2,440 thousand for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums – which do not include contracts considered to be financial instruments – featured a decrease of 8.4% vs. premiums in 1Q17.

Direct Non-Life (i.e. property & casualty) insurance premiums increased by 6.6%, specifically:

- Motor premiums progressed by 8.6%;
- Premiums for other non-marine insurance increased by 1.3%;
- Premiums for specialty categories [i.e. marine & transport, aviation, and credit & suretyship] increased by 6.8%.

Overhead costs as a percentage of total direct insurance premiums improved compared to the same period of the previous year, going from 8.4% to 8.1%.

The Non-Life combined ratio and loss ratio on the retained business (based on Italian GAAPs), as at 31 March 2018, were respectively 88.6% and 63.6%. (89.1% and 63.3% as at 31 March 2017).

Premiums as up to 31 March 2018 amounted to € 325,599 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

**COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN IQ18 AND IQ17
DIRECT AND INDIRECT BUSINESS**

	(€/000)				
	31/03/2018	31/03/2017	YoY change %	% of total book	
				2018	2017
Domestic direct business					
Life business					
I Whole- and term life	43,336	46,434	-6.7	13.3	14.9
IV Health (long-term care)	228	161	41.6	0.1	0.1
V Capitalisation	1,043	2,087	-50.0	0.3	0.7
Total Life business	44,607	48,682	-8.4	13.7	15.7
Non-Life business					
Total non-marine lines (exc. specialty and motor)	73,872	72,928	1.3	22.7	23.2
Total specialty lines	1,883	1,763	6.8	0.6	0.6
Total motor lines	205,159	188,947	8.6	63.0	60.5
Total Non-Life business	280,914	263,638	6.6	86.3	84.3
Total direct business	325,521	312,320	4.2	100.0	100.0
Domestic indirect business					
Non-Life business	78	45	73.3	0.0	0.0
Total indirect business	78	45	73.3	0.0	0.0
Grand Total	325,599	312,365	4.2	100.0	100.0

Revenues not qualified as premiums as defined by IFRS 4 (Unit Linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund) amounted to € 2,440 thousand (€4,470 thousand in 1Q17).

Commercial organization

The table below shows the geographical spread of agencies and geographical breakdown of premiums for Italian direct business:

(€/000)

Regions	Agencies	Non-Life Business		Life Business	
		Premiums	%	Premiums	%
NORTH					
Emilia Romagna	35	22,090		3,162	
Friuli Venezia Giulia	8	2,993		198	
Liguria	17	10,482		512	
Lombardy	105	53,593		18,649	
Piedmont	52	23,856		1,712	
Trentino Alto Adige	9	3,203		171	
Valle d'Aosta	1	797		225	
Veneto	41	16,804		2,076	
Total NORTH	268	133,818	47.7	26,705	59.9
CENTRE					
Abruzzo	12	13,002		1,405	
Lazio	29	27,046		3,469	
Marche	18	9,934		1,281	
Tuscany	51	32,393		2,233	
Umbria	15	14,025		1,393	
Total CENTRE	125	96,400	34.3	9,781	21.9
SOUTH AND ISLANDS					
Basilicata	4	2,780		158	
Calabria	2	785		4	
Campania	13	11,361		710	
Molise	2	1,620		180	
Puglia	6	7,318		6,329	
Sardinia	11	10,767		203	
Sicily	13	16,061		537	
Total SOUTH AND ISLANDS	51	50,692	18.0	8,121	18.2
Total ITALY	444	280,910	100.0	44,607	100.0
France	0	4	0.0	0	0.0
OVERALL TOTAL	444	280,914		44,607	

During the quarter, a new Agency was established and 12 were reorganized.

As at 31 March 2018, Vittoria Assicurazioni is active in Italy with 444 general agencies (433 as at 31 March 2017) and 1,089 professional sub-agencies (1,054 as at 31 March 2017).

Life business

Insurance and investment contracts in the Life business

The range of products currently distributed by Vittoria Assicurazioni covers all insurance line of businesses.

The persistence of low interest rates has induced the Company to review its policies through the progressive shift of distribution to those products with a predominantly financial component, compared to products of pure technical-insurance component.

Vittoria Assicurazioni distributes products ranging from savings (“revaluable” policies relating to segregated funds), protection (policies covering risks of death, disability and non-self-sufficiency – long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). In the range offered there are also unit linked policies. The tariff types applied are mixed, fixed term, entire life and temporary, both in the form of annual premium and in the single premium, as well as group rates for the case of death and / or disability. The commercialized segments include also policies that provide for the possibility of converting the accrued benefit into annuity: the conversion takes place at the conditions in force when the option is exercised. The contractual conditions are constantly updated and are in line with those commodity offered by the market.

Premiums

Direct insurance business premiums recognised for the period totalled €44,607 thousand (€48,682 thousand in 1Q17), split as follows:

	(€/000)				
	31/03/2018	31/03/2017	YoY change %	% of total book	
				2018	2017
Recurring premiums	10,849	11,709	-7.3	24.3	24.1
Annual premiums	33,758	36,973	-8.7	75.7	75.9
Total Life business	44,607	48,682	-8.4	100.0	100.0

Claims, accrued capital sums & annuities, and surrenders

The comparison relating to settlements in the quarter is shown in the following table:

	(€/000)		
	31/03/2018	31/03/2017	YoY change %
Claims	5,586	7,567	(26.2)
Accrued capital sums & annuities	11,643	14,850	(21.6)
Surrenders	10,480	9,354	12.0
Total	27,709	31,771	(12.8)

Non-Life business

Premiums and technical performance

Direct premiums written at 31 March 2018 amounted to €280,914 thousand (€263,638 thousand in the same period of previous year) and featured an increase of 6.6% YoY.

Premiums ceded in the first quarter of 2018 amounted to €7,349 thousand (€5,990 thousand in the same period of the previous year).

The technical performance of the individual Businesses prompts the following observations:

Non-Life - non-marine (exc. specialty and motor)

Non-Marine Lines of business showed an increase in premiums written of 1.3%, with a significant improvement in the technical result compared to the same period of the previous year, mainly thanks to the contribution of the General TPL and Fire and natural events.

Non-Life - specialty

Premiums in the Specialty Lines of business registered an increase of 6.8%, with a positive technical result improved compared to the same period of the previous year, thanks to the actions undertaken over the past years, aimed at achieving the technical balance in the Credit and Surety Line of businesses.

Non-Life - motor

Premiums in the Motor Lines of business recorded an overall improvements in premiums written of 8.6% (1.2% YoY). Technical result remains positive even though decreasing compared to the same period of the previous year. This decrease is mainly attributable to the reduction in the average premium paid by policyholders, as well as a slight increase in claims frequencies related to the increased circulation of vehicles. This decrease in the average premium during the first quarter shows that it has stopped.

Claims

Reported claims

The following table of reported claims (by number) was prepared by counting the claims filed during the examined period. The data are compared with those of the same period of the previous year:

	Númer of Reported claims		YoY Change %	Númer of Reported claims without consequences		YoY Change %	Númer of Reported claims closed		YoY Change %
	31/03/2018	31/03/2017		31/03/2018	31/03/2017		31/03/2018	31/03/2017	
Total non-marine lines	13,080	12,596	3.8%	1,169	1,183	-1.2%	4,212	4,392	-4.1%
Total specialty lines	228	210	8.5%	26	26	0.0%	25	10	150.0%
Total motor lines	68,910	63,386	8.7%	4,529	4,208	7.6%	36,315	34,085	6.5%
Total Non-Life businesses	82,218	76,192	7.9%	5,724	5,417	5.7%	40,552	38,487	5.4%

Furthermore, no. 30,244 claims referring to "CARD claims" were received (+2.4% YoY). Their total cost, net of applicable deductibles, was €15,849 thousand (+24.1% YoY).

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

(€/000)

	Claims paid 31/03/2018			Claims recovered from reinsurers	Claims paid 31/03/2017			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers
	Current year	Previous years	Total		Current year	Previous years	Total			
Total non-marine businesses	3,264	21,952	25,216	1,271	3,781	22,183	25,964	612	-2.9	107.6
Total Special businesses	8	1,276	1,284	443	43	4,912	4,955	1,831	-74.1	-75.8
Total motor businesses	22,905	121,132	144,037	4,307	20,231	107,637	127,869	3,038	12.6	41.8
Total Non-Life businesses	26,177	144,360	170,537	6,021	24,055	134,733	158,788	5,481	7.4	9.9

The cost includes the amount incurred in the period for the contribution to the guarantee fund for road-accident victims. This totalled €4,124 thousand vs. €3,799 thousand as at 31 March 2017.

Claims settlement speed

The following table illustrates how quickly reported claims (by number) were paid net of claims eliminated without consequences, broken down by current generation and previous generation in reference to the principal Line of Businesses:

(percentages)

	current generation		previous generations	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Accident insurance	14.25	14.39	23.67	25.48
Health insurance	51.14	55.99	39.84	32.17
Motor vehicle hulls	57.60	57.92	54.42	55.49
Fire and natural events	39.41	37.12	47.74	46.60
Miscellaneous damages - theft	44.17	52.47	57.77	61.19
Third-party motor liability	54.29	55.16	34.48	31.98
Third-party general liability	33.10	34.65	16.15	16.21

Reinsurance

LIFE BUSINESS

Outward reinsurance

In the Life business, with respect to Class "I", there are an excess of loss treaty and a pure commercial premiums treaty, the latter for the sale set up in 1996 and 1997.

In 1Q18 ceded premiums amounted to €313 thousand (€193 thousand in 1Q17).

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business, which merely records changes occurring in the related portfolio.

NON-LIFE BUSINESS

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.

The main treaties in place are the following:

Excess claims: Accident, Motor vehicle Hulls, Marine Hulls, Cargo (goods in transit), Fire and natural events, Motor TPL and General TPL;

Pure premium: Suretyship, Legal protection, Assistance and Miscellaneous damage in relation to Hail, Engineering risks and ten year guarantees.

Ceded premiums in the first quarter of 2018 amounted to €7,364 thousand (€6,842 thousand in the same period of the previous year).

Inward reinsurance

Acceptance of risks relating to the indirect business mainly arises from participation in syndicates and from acceptance of shares in Italian businesses, which are entered into voluntarily.

As regards credit risk, we highlight the fact that Vittoria Assicurazioni makes use of premier reinsurers; the following table shows the balance sheet transactions in place as at reporting date, by rating:

(€/000)

Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA+	307	966	1,273	2.5
AA	-52	205	153	0.3
AA-	-8,340	36,899	28,559	56.0
A+	274	3,038	3,312	6.5
A	-1,228	6,689	5,461	10.7
A3	828	6,083	6,911	13.6
A-	582	2,452	3,034	6.0
Not rated	-545	2,822	2,277	4.4
Total	-8,174	59,154	50,980	100.0

Products – Research and development

Over the period, the review continued for technical operations and regulatory compliance to industry (IVASS, COVIP, CONSOB), of the products of the Life and Non-Life Line of businesses.

Overhead costs – Insurance business

The total amount of insurance overhead costs (Non-Life and Life businesses) – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets was €26,661 thousand vs. €26,657 thousand as at 31 March 2017, mainly unchanged.

Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where “Other costs” consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

	(€/000)		
ANALYSIS OF COSTS	31/03/2018	31/03/2017	Change
Personnel expenses	13,755	13,996	-1.7%
Other costs	10,362	10,368	-0.1%
Amortisation/Depreciation	2,544	2,293	11.0%
Total cost by nature	26,661	26,657	0.0%

The overhead costs as a percentage of totale direct insurance premiums were 8.1% (8.4% in 1Q17).

Real Estate business

The loss made by the real estate business, before taxes and intersegment eliminations, amounted to €1,079 thousand (loss of €732 thousand in 1Q17) and featured contributors to the income statement that, before intersegment eliminations, included:

- Income on Noterial deeds of sale for €4,533 thousand (€6,394 thousand in 1Q17);
- Income earned on properties from trading and development totalling €784 thousand (€1,157 thousand in 1Q17);
- Revenues from real estate brokerage and management services of €468 thousand and overall rental income of €795 thousand, for a total amount of €1,263 thousand (€597 thousand and €320 thousand respectively in 1Q17).

The Group's real estate business includes trading and development, brokerage, and management of own properties.

Trading, development and lease activities

The following companies operate in this segment:

Vittoria Immobiliare SpA – Milan

100% direct equity interest

This company operates in real-estate development and trading, both directly and via special-purpose real-estate companies. Revenues from the sale of property in IQ2018 amounted to 101 thousand euro (345 thousand euro in IQ2017). Closing inventory amounted 16,752 thousand euro (16,848 thousand euro in 2016).

Immobiliare Bilancia Srl - Milan

100% direct equity interest

This company is active in real-estate trading of properties in San Donato Milanese, Rome and Genoa and in the development of an area in Florence, Viale Michelangelo. In the quarter, the company did not generate revenues for the sale of properties (586 thousand euro in IQ2017). Closing inventory amounted 24,125 thousand euro (24,060 thousand euro in 2017).

Immobiliare Bilancia Prima Srl – Milan

100% direct equity interest

The company owns a building plot in the municipality of Parma, for which the development project is being defined, a building complex with a prevalent use destination as offices in Milan, Via Adamello 10, a building activity in Rome, a complex of residential buildings in Turin, Corso Cairoli and Corso Francia and a building area located in the Municipality of Peschiera Borromeo, on which the construction of four buildings is in progress.

The final inventory amounted to 58,576 thousand euro (58,462 thousand euro in 2017).

Acacia 2000 Srl – Milan

71.60% direct equity interest and 28.40% indirect equity interest via Vittoria Immobiliare S.p.A.

The company owns a complex with a residential use destination, consisting of eight buildings and an two-level underground car park in an area located in the "Portello" area of Milan, called "Parco Vittoria Residenze". Commercialization and leasing activities are continuing regularly, the latter resulting from the reorganization of the real estate business, with the objective of pursuing returns over time that make it attractive to purchase, in particular from institutional investors.

Revenues for the sale of property during the IQ18 amounted to 3,918 thousand euro (4,966 thousand in the IQ17) and final inventories amounted to 190,358 thousand euro (193,494 thousand euro as at 31 December 2017).

V.R.G. Domus Srl. - Turin

100% indirect equity interest via Vittoria Immobiliare S.p.A.

The company, amounted a closing inventory of 13,562 thousand euro (12,271 thousand euro in 2017), related to the real estate operation named "Spina 1" in Turin and to a non-residential property in Rome, Via della Vignaccia. Revenues for the sale of property during the first quarter amounted to 225 thousand euro.

Vaimm Sviluppo Srl – Milan

100% direct equity interest

The company owns building units located in Genoa Piazza De Ferrari, Via Orefici and Via Conservatori del Mare. The closing inventories amounted to 46,324 thousand euro, unchanged compared to 31 December 2017.

Valsalaria Srl – Rome

51% indirect equity interest via Vittoria Immobiliare S.p.A.

The company is managing a real-estate project in the municipality of Rome. Closing inventory amounted to 2,403 thousand euro, unchanged compared to 31 December 2017.

VP Sviluppo Srl – Milan

100% direct equity interest

The company is managing a real-estate project in the municipality of Peschiera Borromeo (MI). Closing inventories amounted to 49,078 thousand euro, unchanged compared to 31 December 2017.

Property management

Gestimmobili Srl, based in Milan (100% indirect equity interest via Vittoria Immobiliare S.p.A.), is the company active in this segment, i.e. in the administrative and technical management of property assets.

Revenues achieved for this activity in IQ2018, gross to intra-group eliminations, amounted 1,052 thousand euro (390 thousand euro in IQ17). This improvement is mainly the result of the changes made to its operating structure, which led to an increase in the activities and management and consulting services that benefit the Group companies.

Service business

This segment showed a profit in the first quarter, as shown in the income statement by business and business line, of 122 thousand euro (profit of 288 thousand euro in IQ2017).

Revenues for services rendered in IQ2018 by group companies, before elimination of infra-group services, amounted to 738 thousand euro (523 thousand euro in IQ17). These revenues included 533 thousand euro for commissions and services rendered to the direct operating Vittoria Assicurazioni (506 thousand euro in IQ2017).

Real estate business – Service business

The overhead costs of the Real Estate and Service businesses, before intersegment eliminations, are shown in the following tables:

REAL ESTATE BUSINESS

	(€/000)		
ANALYSIS OF COSTS	31/03/2018	31/03/2017	Change
Personnel expenses	784	937	-16.3%
Other costs	1,874	1,737	7.9%
Amortisation/Depreciation	150	153	-2.0%
Total cost by nature	2,808	2,827	-0.7%

SERVICE BUSINESS

	(€/000)		
ANALYSIS OF COSTS	31/03/2018	31/03/2017	Change
Personnel expenses	87	52	67.3%
Other costs	224	142	57.8%
Amortisation/Depreciation	28	1	n.v.
Total cost by nature	339	195	73.9%

The increase in costs of the Services sector is mainly due to the entry into full operation of the activities of companies belonging to this sector.

Personnel costs and general expenses are allocated to operating expenses (and specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” item in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents and property reached a value of € 3,703,205 thousand with an increase equal to 2.4% vs. 31/12/2017. The detailed breakdown is shown in the following table:

INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/03/2018	31/12/2017	Change
A Investments in subsidiaries and associates and interests in joint ventures	19,618	19,357	1.3%
B Held to maturity investments	37,936	44,051	-13.9%
Loans and receivables	199,534	193,626	3.1%
- Reinsurance deposits	149	149	
- Other loans and receivables	199,385	193,477	
C Financial assets available for sale	2,519,571	2,556,399	-1.4%
- Equity investments	132,093	129,515	
- OEIC units	471,404	399,154	
- Bonds and other fixed-interest securities	1,916,074	2,027,730	
Financial assets at fair value through profit or loss	76,903	76,589	0.4%
D Financial assets held for trading	9	13	-30.8%
- Bonds and other fixed-interest securities held for trading	9	13	
E Financial assets at fair value through profit or loss	76,894	76,576	0.4%
- Investments where policyholders bear the risk	76,894	76,576	
Cash and cash equivalents	241,946	115,191	110.0%
F Total Property	607,697	611,865	-0.7%
Investment property	110,201	111,240	-0.9%
Property	497,496	500,625	-0.6%
Property under construction	52,441	50,946	
Property held for trading	348,736	352,276	
Owner-occupied property	96,319	97,403	
TOTAL INVESTMENTS	3,703,205	3,617,078	2.4%
of which			
investments where the Group bears the risk	3,626,311	3,540,502	2.4%
investments where policyholders bear the risk	76,894	76,576	0.4%

The action aimed at diversification by asset classes of the investment portfolio continued during the period. Given the market conditions and the rates of return recognized on bonds, in order to guarantee an adequate return on the portfolio and a limited volatility, the share invested in UCITS units has increased.

The following table, shows a breakdown of investments, cash & cash equivalents and property by business type:

(importi in migliaia di euro)

Investimenti - Disponibilità liquide - Immobili	Settore Assicurativo		Settore Immobiliare		Settore Servizi		Settore Holding		Ellsioni Intersettoriali		Totale	
	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17
Investimenti immobiliari	93,086	94,016	17,115	17,224	-	-	-	-	-	-	110,201	111,240
Partecipazioni in controllate	484,765	484,765	-	-	-	-	-	417,709	410,816	-902,474	-895,581	-
Partecipazioni in collegate e joint venture	18,536	18,369	55,102	55,072	715	621	-	-	-54,735	-54,705	19,618	19,357
Investimenti posseduti sino alla scadenza	37,936	44,051	-	-	-	-	-	-	-	-	37,936	44,051
Depositi di riassicurazione	149	149	-	-	-	-	-	-	-	-	149	149
Altri finanziamenti e crediti	199,430	193,562	11,455	11,415	-	-	1,500	1,500	-13,000	-13,000	199,385	193,477
Attività finanziarie disponibili per la vendita:												
Azioni e quote	130,242	127,664	4	4	1,847	1,847	-	-	-	-	132,093	129,515
Quote di OICR	471,404	399,154	-	-	-	-	-	-	-	-	471,404	399,154
Obbligazioni e altri titoli a reddito fisso	1,916,074	2,027,730	-	-	-	-	-	-	-	-	1,916,074	2,027,730
Attività finanziarie designate a fair value rilevato a conto economico:												
Investimenti con rischio a carico Assicurati	76,894	76,576	-	-	-	-	-	-	-	-	76,894	76,576
Attività finanziarie possedute per negoziazione:												
Obbligazioni e altri titoli a reddito fisso	9	13	-	-	-	-	-	-	-	-	9	13
Disponibilità liquide e mezzi equivalenti	210,155	84,071	27,279	26,625	3,076	2,954	1,436	1,541	-	-	241,946	115,191
Immobili in costruzione	-	-	52,441	50,946	-	-	-	-	-	-	52,441	50,946
Immobili detenuti per trading	-	-	339,643	343,183	-	-	-	-	9,093	9,093	348,736	352,276
Immobili strumentali	80,377	81,345	15,942	16,058	-	-	-	-	-	-	96,319	97,403
Totale	3,719,057	3,631,465	518,981	520,527	5,638	5,422	420,645	413,857	-961,116	-954,193	3,703,205	3,617,078

Investments for which Group bears risk

Investments with risks borne by the Group totalled €3,626,311 thousand (€3,540,502 thousand as at 31 December 2017).

The following transactions took place during the first quarter of 2018:

A) Investments in subsidiaries, associates and joint ventures:

Among the Group's principal associated companies we report the direct participation of 27.31% in Yarpa S.p.A., a company which carries out the role of the holding company, holding stable investment in portfolio and also provides financial advisory services. The company controls Yarpa Investimenti SGR S.p.A., an asset management company active in management of securities and real estate closed-end funds, as well as YLF S.p.A., created to manage in joint venture with LBO France private equity investments in the Italian market and targeting small and medium-sized companies.

B) Held to maturity investments:

- reimbursement of bonds for €6,005 thousand.

C) Financial assets available for sale

- reimbursement of bonds for €37,514 thousand;
- during the quarter, in order to adjust the investment portfolio to the profitability and maturity targets consistent with the investment policy, government bonds for €243,191 thousand and corporate bonds for €7,556 thousand were sold, realizing net capital gains of €69 thousand, and corporate bonds were purchased for €185,498 thousand;
- purchases for €36,369 thousand of funds specialized in Infrastructure debt;
- purchases for €10,301 thousand of funds specialized in Infrastructure equity and reimbursement for €726 thousand;
- purchases for €13,976 thousand of equity ETFs;
- purchases for €5,430 thousand of funds specialized in Private debt and loans;

- relating to private equity funds, payments of €3,442 thousand for recalls and €90 thousand of redemptions;
- subscription of the capital increase of the company Consultinvest S.p.A. for €2,500 thousand, acquiring a 9.62% stake.

F) Property

As at 31 March 2018, real estate assets totalled €607,697 thousand (€611,865 thousand as at 31 December 2017).

The following table shows the breakdown and changes of these real estate assets:

	(€/000)				
	Investment Property	Property under construction	Property held for trading	Owner- occupied property	Total
Balance as at 31/12/2017	111,240	50,946	352,276	97,403	611,865
Purchase and capitalised interests paid					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			82		82
- ROME - Guattani Str. (via Immobiliare Bilancia S.r.l.)			65		65
- MILAN - Adamello Str. (via Immobiliare Bilancia Prima S.r.l.)			1		1
- PESCHIERA BORROMEO (MI) - (via Immobiliare Bilancia I S.r.l.)			46		46
- ROME - Meliconi Str. (via Immobiliare Bilancia Prima S.r.l.)			15		15
- ROME - Della Vignaccia Str. (via VRG Domus S.r.l.)		1,444			1,444
- PARMA - (via Immobiliare Bilancia Prima S.r.l.)		51			51
Total purchase and capitalised interests paid	-	1,495	209	-	1,704
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			(3,917)		(3,917)
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)			(73)		(73)
- TURIN - Villarfocchiardo (via Vittoria Immobiliare S.p.A.)			(28)		(28)
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)			(290)		(290)
- TORINO - "Spina 1" (via V.R.G. Domus S.r.l.)			(225)		(225)
Total sales	-	-	(4,533)	-	(4,533)
Depreciations	(1,039)			(1,084)	(2,123)
Recognised gains			784		784
Balance as at 31/03/2018	110,201	52,441	348,736	96,319	607,697

The item "Investment property" mainly includes the properties held by Vittoria Assicurazioni and leased to third parties, such as those with tertiary destination located in the Portello area in Milan.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, without considering investments in associates and joint venture, broken down by investment type (debt securities, equity securities and OEIC units). It also provides indications concerning financial risk exposure and uncertainties of flows.

NON-LIFE BUSINESS PORTFOLIO

(€/000)				
Investment nature	31/03/2018	% of breakdown	31/12/2017	% of breakdown
DEBT SECURITIES	958,109	71.2%	1,076,099	76.8%
Listed treasury bonds:	654,876	48.7%	934,405	66.7%
Fixed-interest rate	654,876	48.7%	934,405	66.7%
Listed corporate bonds:	303,113	22.5%	141,594	10.1%
Fixed-interest rate	293,192	21.8%	136,882	9.8%
Variable interest rate	9,921	0.7%	4,712	0.3%
Unlisted corporate bonds:	120	0.0%	100	0.0%
Fixed-interest rate	120	0.0%	100	0.0%
of which				
Total fixed-interest securities	948,188	99.0%	1,071,387	99.6%
Total variable-interest securities	9,921	1.0%	4,712	0.4%
Total debt securities	958,109	100.0%	1,076,099	100.0%
of which				
Total listed securities	957,989	100.0%	1,075,999	100.0%
Total unlisted securities	120	0.0%	100	0.0%
Total debt securities	958,109	100.0%	1,076,099	100.0%
EQUITY INSTRUMENTS	129,593	9.7%	129,515	9.2%
listed shares	11,700	0.9%	11,592	0.8%
unlisted equity instruments	117,893	8.8%	117,923	8.4%
OEIC UNITS	258,193	19.1%	196,151	14.0%
TOTAL	1,345,895	100.0%	1,401,765	100.0%

The fixed-income securities portfolio of Non-Life business has a duration of 4.5 years

LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	31/03/2018	% of breakdown	31/12/2017	% of breakdown
DEBT SECURITIES	995,910	82.2%	995,695	83.0%
Listed treasury bonds:	876,926	72.4%	891,609	74.3%
Fixed-interest rate	859,093	70.9%	888,703	74.1%
Variable interest rate	17,833	1.5%	2,906	0.2%
Listed corporate bonds:	118,213	9.8%	103,324	8.7%
Fixed-interest rate	80,615	6.7%	66,686	5.6%
Variable interest rate	37,598	3.1%	36,638	3.1%
Unlisted corporate bonds:	771	0.0%	762	0.0%
Variable interest rate	771	0.0%	762	0.0%
of which				
Total fixed-interest securities	939,708	94.4%	955,389	96.0%
Total variable-interest securities	56,202	5.6%	40,306	4.0%
Total debt securities	995,910	100.0%	995,695	100.0%
of which				
Total listed securities	995,139	99.9%	994,933	99.9%
Total unlisted securities	771	0.1%	762	0.1%
Total debt securities	995,910	100.0%	995,695	100.0%
EQUITY INSTRUMENTS	2,500	0.2%	-	0.0%
unlisted equity instruments	2,500	0.2%	-	0.0%
OEIC UNITS	213,211	17.6%	203,003	16.9%
TOTAL	1,211,621	100.0%	1,198,698	100.0%

The fixed-income securities portfolio of Non-Life business has a duration of 5.7 years

The following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate, indicated separately in the Non-Life business portfolio and in the Life business portfolio.

NON-LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	43,632	4.6%
1<X<5	541,439	57.1%
5<X<10	328,243	34.6%
more	34,874	3.7%
Total	948,188	100.0%

Variable - interest securities (€/000)

Type of rate	Indexation	Amount	% of breakdown
Fixed to floater	Euroswap 5Y	5,878	59.2%
variable	3 months Euribor	4,043	40.8%
Total		9,921	100.0%

LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	48,158	5.2%
1<X<5	308,379	32.7%
5<X<10	419,279	44.7%
more	163,892	17.4%
Total	939,708	100.0%

Variable - interest securities (€/000)

Type of rate	Indexation	Amount	% of breakdown
Fixed to CMS	Euroswap 5Y	5,141	9.2%
Fixed to CMS	Euroswap 10Y	2,891	5.1%
Fixed to floater	3 months Euribor	7,147	12.7%
Fixed to floater	Euroswap 5Y	23,606	42.0%
Variable	Infl linked	15,758	28.0%
Variable	6 months Euribor	1,659	3.0%
Total		56,202	100.0%

In implementing its investment policy, the Group limits its credit risk by choosing issuers with a high credit rating.

As you can see from the table below, as at 31 March 2018, the nearly all corporate bonds held by the group were rated as investment grade.

(€/000)		
Rating	Amounts	% of breakdown
AAA	153,127	7.8%
AA+ / AA-	237,013	12.1%
A+ / A-	241,078	12.3%
BBB+ / BBB-	1,310,750	67.2%
Total investment grade	1,941,968	99.4%
Non investment grade	11,932	0.6%
Not rated	121	0.0%
Total	1,954,020	100.0%

Investments benefiting Life policy holders who bear risk and those connected with pension fund management (*point E of previous table*)

As at 31 March 2018 these investments amounted to €76,894 thousand, increasing by 0.4% YoY. Of this amount, €52,884 thousand related to unit linked policies and €24,010 thousand to the open-ended pension fund Vittoria Formula Lavoro.

Total net income showed a negative net balance of €1,140 thousand (positive net balance of €1,263 thousand as at 31 March 2017). As at 31 March 2018 the status of the three segments of Vittoria Assicurazioni open-ended pension fund was as follows:

	Members		Assets (€/000)	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Previdenza Garantita	427	430	7,184	7,077
Previdenza Equilibrata	503	502	8,994	9,103
Previdenza Capitalizzata	397	397	7,833	7,845

Gains and losses on investments

The following table shows the breakdown as at 31 March 2018 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders:

(€/000)

Gains and losses on investments	Realised gains/ (losses)	Unrealised gains/ (losses)	31/03/2018 total net gains/(losses)	31/03/2017 total net gains/(losses)
Investments	11,581	-2,070	9,511	13,523
From:				
a investment property	989	-1,043	-54	72
b investments in subsidiaries and associates and interests in joint ventures	-39	-	-39	68
c held to maturity investments	383	-	383	434
d loans and receivables	139	-	139	154
e financial assets available for sale	10,226	-	10,226	11,533
f financial assets held for trading	-	-4	-4	-1
g financial assets at fair value through profit or loss	-117	-1,023	-1,140	1,263
Other receivables	108	-	108	60
Cash and cash equivalents	29	-	29	44
Financial liabilities	-60	1,140	1,080	-1,419
From:				
b financial liabilities at fair value through profit or loss	-	1,140	1,140	-1,263
c other financial liabilities	-60	-	-60	-156
Payables	-	-	-	-
Total gains and losses on financial instruments	11,658	-930	10,728	12,208
Real estate business				
From:				
a Gains on property trading	784	-	784	1,157
b Rent income on owner-occupied property and property held for trading	510	-	510	75
Total real estate business	1,294	-	1,294	1,232
Total gains and losses on investments	12,952	-930	12,022	13,440

Net income with the risk borne by the Group amounted to €12,022 thousand, decreasing by 10.6% compared to the same period of the previous year.

As up to 31 March 2018 the weighted average return on "Bonds and other fixed-income securities" was 1.7% compared to 1.5% in the previous period.

The following table shows the breakdown of investment gains and losses by business segment.

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Service Holding		Intersegment Eliminations		Total	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-4	-1	-	-	-	-	-	-	-	-	-4	-1
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-9	3	-94	108	94	168	-	-	-30	-211	-39	68
Gains or losses on other financial instruments and investment property	10,667	12,098	102	18	-2	13	3	11	1	1	10,771	12,141
Gains on property trading	-	-	784	1,157	-	-	-	-	-	-	784	1,157
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and pr	53	34	545	116	-	-	-	-	-88	-75	510	75
Total	10,707	12,134	1,337	1,399	92	181	3	11	-117	-285	12,022	13,440

Financial liabilities

The following table shows the breakdown of financial liabilities by business segment.

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	52,884	52,440	-	-	-	-	-	-	52,884	52,440
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	24,010	24,136	-	-	-	-	-	-	24,010	24,136
Reinsurance deposits	6,418	6,418	-	-	-	-	-	-	6,418	6,418
Payables to banks	-	-	9,914	9,913	-	-	-	-	9,914	9,913
Other financial payables	-	-	1,152	1,152	-	-	-	-	1,152	1,152
Other financial liabilities	149,393	143,818	-	-	-	-	-	-	149,393	143,818
Total	232,705	226,812	11,066	11,065	-	-	-	-	243,771	237,877

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

Risk report

As already reported in this document, Vittoria Capital S.p.A. carries out activities of holding of investments. Vittoria Capital's investment portfolio consists of a single investment held in Vittoria Assicurazioni S.p.A., which operates mainly in the insurance and real estate sectors.

Therefore, for the purpose of this Risk Report, it is intended to provide all the information required by IFRS 7 regarding risks arising from financial instruments and insurance products to which the Group is exposed, both information on the objectives, processes and capital management policies, according to the general principles of Solvency II regulations.

Below is the Risk Report of the subsidiary Vittoria Assicurazioni S.p.A., applicable at the Vittoria Capital Group level:

System of Internal Control and Risk Management

The risk monitoring is implemented primarily where the risk itself originates. Therefore, the implementation of activities aimed at limiting the risks is the specific duty of every person, according to their powers. In this sense, the corporate bodies of all Group companies are required to the application of appropriate control mechanisms for the mitigation of risks related to specific operations, which would assure to all levels a structured and regular course of business, internal and external regulatory compliance as well as the principles of sound and prudent management.

Vittoria Assicurazioni maintains and updates over time an internal documental complex consisting of procedures and organizational requirements, as well as arrays of activities and controls, aimed to making operational management principles, lines of general behavior, organizational models, roles and responsibilities on the management processes, then adjusting the internal operations and consequently the risk management.

Roles and responsibilities

The following are the main roles and responsibilities within the framework of Vittoria Assicurazioni's risk management system.

Government bodies

Vittoria Assicurazioni has adopted a traditional model of administration and control, where the Board of Directors is the central body of the system of corporate governance and the Board of Auditors performs control functions.

The Board is supported by specific committees created within it.

Board of Directors

Responsibility for the risk management system lies with the Board of Directors, which sets its guidelines and periodically verifies its adequacy and effectiveness, ensuring that the business risks are identified and properly managed.

The Board of Directors defines and approves policies and risk management strategies as well as the propensity, preferences and levels of tolerance to risk, defining performance targets consistent with the level of capital adequacy.

The Board ensures that senior management properly implements the risk management system in line with the guidelines provided and verify its efficiency, completeness, appropriateness and timeliness of information flows. The Board, in order to efficiently and effectively manage the risks, approves the model of powers and mandates, paying particular care to avoid an excessive

concentration of powers in a single person, and puts in place monitoring tools on the exercise of delegated powers.

As a result of the identification of risks to which the Group is or could be exposed, the Board approves appropriate emergency plans in order to protect the assets and to ensure alignment with risk appetite.

Audit and Risk Committee

The main function of the Committee, as part of the management system and risk control, is to support, through adequate investigations, assessments and decisions of the Board of Directors regarding the establishment of guidelines and verification the adequacy of the management system and risk control.

Finance Committee

The main function of the Committee, as part of the risk management system, is to support the assessments and decisions of the Board of Directors with respect to the definition of investment risk management policies and strategies and in the supervision of the implementation of the same.

Strategy Committee

The Strategy Committee is responsible for supporting the Board and senior management in setting goals and business strategies.

Real Estate Committee

Real Estate Committee supervises the performance of the Group's real-estate investments, defines development strategies for the segment and periodically assesses individual investment proposals submitted in the period.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee assists the Board in defining the remuneration policy of Vittoria Assicurazioni in accordance with the principles of sound and prudent risk management and in line with the strategic objectives, ensuring that the incentive remuneration system does not encourage excessive risk exposure.

Committee for the assessment of transactions with related parties

The Committee, as part of the risk management system, expresses a motivated opinion regarding Vittoria Assicurazioni interest in making transactions with related parties and the convenience and substantial correctness of the relative conditions.

The following are the roles and responsibilities of the control functions, of the main non-Board Committees and of line functions within Vittoria Assicurazioni risk management system.

Line controls (so-called "first level controls")

They are performed from line functions, as part of the risk management system, carrying out direct control activities, each for the scope of its competence, aiming to apply the guidelines approved by the Board of Directors, in respect of:

- risk management;
- identification of risks related to its operations;
- assessment of their impact;
- monitoring of their progress on an ongoing basis;
- disclosure of information to the relevant departments;
- where necessary, activating all the required corrective actions.

Controls performed on risks and compliance (so-called "second-level controls")

Risk Management

Risk Management oversees the events included in the risk management process related to: insurance risks, market risks, credit risks, liquidity risk, reputational risk, operational risk and risks arising from belonging to the Group.

The Risk Management function supports the top management in the identification, implementation and monitoring of a system (methods and models) of assumption, assessment and management of business risks in line with the strategies, policies and risk appetite defined by the Board of Directors for Vittoria Assicurazioni and its subsidiaries.

Compliance

Compliance is the business function that oversees the risk of non-compliance, in order to prevent the risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of violations of laws, regulations or decisions of the Regulatory Authority or self-regulations.

Actuary

The Actuarial department coordinates the calculation of both Non-Life and Life technical reserves according to Solvency II principles, assesses the adequacy of both Non-Life and Life technical reserves calculated for the purposes of preparation of the Statutory Financial Statements and Solvency II and certifies the correctness of the procedures followed. The function also checks the appropriateness of the data used in support of the assumptions and the appropriateness of the methodologies, models and assumptions used and assesses the general underwriting policies and the reinsurance arrangements, giving specific opinions.

Anti-money Laundering Department

The Anti-Money Laundering department prevents and contrast money-laundering operations and the financing of terrorism, ensuring compliance with anti-money laundering laws.

With regard to the above, this department is responsible for preparing and managing the related information flows to the Supervisory Authority in the manner and timing provided by the identified doubtful operations.

Anti-fraud department

The Anti-Fraud department prevents and acts against, directly and indirectly, insurance fraud, also in cost containment perspective. In the end, the Anti-fraud department helps to define guidelines, rules and measures to prevent fraud to the detriment of Vittoria Assicurazioni, carrying out specific activities with the aim of identifying potential frauds.

Financial Reporting Officer

Financial Reporting Officer reports to the Board of Directors periodically, also via the Control and Risk Committee in which he participates, in relation to the activities performed in the exercise of his functions, aimed at ensuring the provision of appropriate administrative and accounting procedures for the preparation of financial statements, the consolidated financial statements and all other financial documents.

Risk Management Committee

Vittoria Assicurazioni has set up a Risk Management Committee in order to ensure the implementation and monitoring of a system of risk assumption, evaluation and management, consistent with the operations carried out by individual departments.

Anti-money Laundering Committee

Vittoria Assicurazioni has set up an Anti-Money Laundering Committee whose purpose is to evaluate the operations reported as unexpected by the application system or by the operational departments (Management and distribution network functions), in order to support the Head of Anti-Money Laundering department in the decision to dismiss the report or to proceed with sending it to the Financial Intelligence Unit (FIU).

Steering Committee for Disaster Recovery Emergency

Vittoria Assicurazioni has set up a special committee with the task of ensuring the presence of a disaster recovery plan, expected to meet serious emergencies that may affect the smooth business operations. The plan also is periodically updated depending on the outcome of the annual test of Recovery.

Internal audit (so-called "third-level controls")

Internal Audit

The Internal Audit function assists in the development of the risk management system by evaluating its design and monitoring its aspects of effectiveness and efficiency. It verifies the completeness, functionality, reliability and adequacy of the internal control and risk management (including the first and second level controls) as well as the company's operations to be consistent with it.

The risk management system

The risk management system is the set of rules, processes, resources (human, technological and organizational), and the tools used to support the Group's risk management strategy and allows an adequate understanding of the nature and significance of the risks to which the Group and the individual companies are exposed. The risk management system allows Vittoria Assicurazioni to have a single point of view and a holistic approach to risk management as a part of the running of business.

An integral part of the risk management system are the detailed policies that allow it to decline, consistently, the approach and methodology for the management of specific risk categories, risks within specific processes, risk mitigation techniques, methods for measuring individual risk factors, their correlations and the underlying principles, monitoring and analysis methodologies.

These risk management policies are defined and implemented with reference to the integrated view of assets and liabilities, whereas the development of techniques and asset-liability management models is crucial for the proper understanding and management of risk exposures that may result from the interrelations and the mismatch between assets and liabilities.

The processes of identification and assessment of risks are performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones.

The risk management process of Vittoria Assicurazioni allows to detect, measure, monitor and possibly mitigate risk and consists of the following stages:

- Risk identification;
- Assessment of exposure to risks;
- Risk monitoring;
- Risk treatment.

Risk Appetite and Risk Appetite Framework

The risk appetite is the level of risk that Vittoria Assicurazioni intends to take in total and by each of the areas, and ensures an adequate level of capitalization and the pursuit of defined strategic objectives. The Framework is a set of metrics, processes and systems that support the proper management of the level and the type of risk.

The Risk Appetite adopted and reviewed periodically by the Board of Directors is defined on the basis of three dimensions: Capital, Value and Profit and results operationally in key indicators (e.g. performance and/or risk) for which appropriate thresholds are defined. The indicators are subject to continuous monitoring and the recognition of violations of the thresholds, according to different levels of early warning, allows the activation of escalation processes and of business plans revisions.

The ORSA process

The Own Risk and Solvency Assessment is an assessment of the current and prospective risk profile of Vittoria Assicurazioni. The evaluation is based on methodologies, processes and techniques appropriate to the nature, scope and complexity of the risks inherent in the business exercised. The results achieved allow Vittoria Assicurazioni to take decisions in key areas such as capital management and allocation, strategic planning, product development and design and corporate risk management.

The ORSA, representing the projection of the overall solvency needs over a period coinciding with that of the strategic plan of Vittoria Assicurazioni, reflects the risk profile, the risk appetite and business strategy.

Risk Identification

Significant risks of Vittoria Assicurazioni, whose consequences can undermine the solvency or constitute a serious obstacle to the achievement of business objectives, are set periodically by the Board of Directors. The cases considered in the context of the risk management process are mainly related to insurance risks, market risks, credit risks, liquidity risk, concentration risk, risks of regulatory non-compliance, reputational risks, operational risks and risks arising from belonging to the group.

Major **Insurance Risks** included in the risk management process are related to the underwriting criteria, pricing models, the quantification of reserves and risk transfer techniques. The main risks to which Vittoria Assicurazioni is exposed are referred to:

- a. Underwriting risk (underwriting and pricing): it reflects the risk that premiums are not sufficient to cover claims plus expenses and is derived from the selection of risks and the covered events (including catastrophe) as well as by results in the actual loss experience compared to that estimated.
- b. Reservation Risk: derives from the quantification and runoff of technical provisions and considers the possibility that the asset will not be appropriate in respect of commitments to policyholders and injured parties.
- c. Pricing risk of the Motor business: it is associated to the processes followed for the definition of the tariff to be applied to Motor policies, with particular reference to the Civil Liability guarantee.
- d. Risk of Reinsurance Retention: it derives from the definition and implementation of an inadequate reinsurance policy that may result in a less than optimal level of retention and an inefficient mitigation of exposure to risks.

The main **market risks** included in the risk management process are referred to:

Interest rate risk: Vittoria Assicurazioni is exposed to interest rate risk with respect to the bond portfolio and insurance liabilities.

The debt securities are exposed to interest rate risk. The risk of the market value interest rate appears to be the risk that the value of a financial instrument will fluctuate because of changes in interest rates on the market. A decrease in interest rates would raise the market value of such securities, while an increase in rates would decrease the value.

The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The debt securities, fixed and floating rate, exposed to the interest rate risk on market value are shown separately for the Non-Life and Life business, with indication of the duration, in the paragraph entitled "Investments, Cash & cash equivalents and Property – Securities portfolio breakdown", previously reported, together with the stratification of the portfolio by maturity.

The fair value sensitivity related to fixed rate debt securities is shown in the table below:

	(€/000)	
Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(41,450)	44,532
Life portfolio		
Floating-rate debt securities	(50,868)	55,999

The fair value sensitivity related to floating rate debt securities is shown in the table below

Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(37)	65
Life portfolio		
Floating-rate debt securities	(1,743)	2,013

Life insurance contracts provide a guaranteed minimum interest rate and have a direct link between investment income and benefits to be paid to policyholders, governed by the aforementioned assets/liabilities integrated management model.

In particular, the Group manages the risk of interest rate by matching the cash flows of assets and liabilities as well as keeping a balance between the duration of liabilities and that of the investment portfolio directly related to them.

Duration is an indicator of the sensitivity of the assets and liabilities market value to changes in interest rates.

The **Equity risk** reflects the possible adverse changes in the level and volatility of the market value of financial instruments and equities. Vittoria Assicurazioni is exposed to equity risk with reference to shares and interests in listed and unlisted companies and units in investment funds and mutual funds. If the listed shares classified as "Financial assets available for sale", reported in the previous paragraph "Investments, Cash & cash equivalents and Property - Securities portfolio breakdown" recorded at 31 March 2018 a loss of 10%, the Group's equity would decrease by 1,170 thousand euro.

The **Real estate risk** reflects the possible adverse changes in the level and volatility of market prices of real estate. The Group is exposed to real estate risk in reference to land, buildings, rights on property and the direct or indirect investments in real estate companies. The estate properties for own use of Vittoria Assicurazioni are included in this type of risk.

The **Spread risk** is the possible adverse change in the level and volatility of credit spreads. Vittoria Assicurazioni is exposed to the spread risk in reference to bonds, to finance, to mutual debt funds, non-residential mortgages and loans. The loans to associated companies and subsidiaries are included in this type of risk.

The **Currency Risk** derives from adverse changes in the level and volatility of currency exchange rates. Vittoria Assicurazioni is marginally exposed to currency risk in relation to financial instruments and bank accounts denominated in foreign currencies.

The **Maturity mismatch risk** arises from the possibility that Vittoria Assicurazioni is unable to generate cash inflows that have a time frame aligned with the cash outflows and its risk/return goals.

The **Government risk** is defined as the risk arising from the possibility that the issuers of Government securities are not able to efficiently fulfill their commitments, and the risk arising from a change in the implied spread.

The **credit or default risk** reflects potential losses generated by an unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the Group. The Group exposure to credit risk, which are not included in the spread risk, mainly refer to: reinsurance agreements (see table above in the section on reinsurance), receivables from other companies, cash at bank or at post office, receivables from intermediaries (e.g. receivables from agents) and customers (e.g. for premiums, for deductibles) and loans (residential mortgage).

The **liquidity risk** reflects possible losses arising from the difficulty of honoring the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk " i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management and from the "Market Liquidity Risk", i.e. the sale of assets (such as less liquid assets) in unfair economic and timing conditions, accordingly influencing the Net Asset Value of Vittoria Assicurazioni.

As at 31 December 2017, as noted in the tables in the previous section "Investments, Cash and Properties - Securities portfolio breakdown", more than 95% of financial assets held was listed on a regulated market.

The breakdown of financial liabilities by maturity is given in the relevant section.

The **concentration risk** is represented by all risk exposures with a potential loss, enough to threaten the solvency or the financial position of the Group.

The **risk of non-compliance with standards** is defined as the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations), of self-regulatory standards (e.g. statutes, codes of conduct, self-regulatory codes, etc.) or the risk arising from adverse changes in the law or legal guidelines.

The **reputational risk** is defined as the risk of decrease in profits or capital arising from a negative perception of the Group by its main stakeholders (customers, shareholders, investors, lenders, regulatory authorities, employees, partners, distribution network, suppliers, general public, etc.). The appreciation judgment is usually tied to the organization's quality, the characteristics and behaviors that derive from experience, from hearsay or from the observation of past actions of the organization.

The **risk related to the group or the risk of "contagion"** is the risk that, as a result of the relationship between Vittoria Assicurazioni and other Group entities, difficult situations that arise in an entity of the same group can propagate with negative effects on the solvency of Vittoria Assicurazioni itself. In this type of risk is included the risk of conflict of interest which is regulated by the Related Parties Procedure adopted by Vittoria Assicurazioni which defines the rules, the procedures and principles necessary to ensure the transparency and substantial and procedural fairness of transactions undertaken with related parties of the Group.

Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measurement of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.

In addition, in order to assess its vulnerability to extreme but plausible events, the Group makes use of specific quantitative techniques. In particular the stress tests allows to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic-financial and insurance variables in the event of adverse scenarios.

The quantitative techniques used by the Group determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.

In addition, Vittoria Assicurazioni determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the Company must hold, for regulatory and capital strength, to cover risks arising from the business.

Risk Monitoring

The monitoring is based on controlling, on an ongoing basis, exposure to different types of risk and is performed by verifying:

- compliance with the principles / guidelines defined in the policies;
- compliance with risk and operational limits for specific risk categories;
- trend indicators such as those of capital value and liquidity.

The risk monitoring process is structured into three phases:

- production of a risk measurement report: the risk owner prepares reporting defined for the risk monitoring with the frequency and the operating procedures defined in the reference policy;
- analysis of the measured risk and proposal of mitigation plan: the risk owner examines data on the risk measurement report of its competence and prepares a report aimed at sharing its findings, at explaining certain phenomena encountered and possibly at proposing a plan of action to deal with the risk. The report and the reports are transmitted to the Risk Management;
- approval of a reaction and risk mitigation plan: the Risk Manager analyses information set out in reports, completes the exam with additional analysis deemed appropriate and makes the resulting evaluations. During the first meeting of the Risk Management Committee or, if deemed necessary, in a special session, mitigating/reacting plans, proposed by the responsible for the line of activity or the Risk Manager, are submitted for discussion and approval.

Risk treatment

The risk treatment of is to evaluate the possible options regarding the reaction to risk and then implement the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.

The acceptance option can result in the revision of risk targets, while avoidance can lead to re-examination of the objectives and business strategies.

The treatment that addresses the adverse consequences of action is called "risk mitigation"; while the one which affects the probability is defined action of "attenuation of risk." The risk treatment can create new risks or modify existing risks. Any violations of the risk profile, operating limits or tolerances are managed through the process of definition of recovery actions.

In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

- in cases of breach within the tolerance thresholds, the Vice President shall promptly inform the Audit and Risk Committee and, with the support of the Board Committees and the Risk Management Department and Senior Management, defines the eventual recovery plan;
- for breaches beyond the tolerance thresholds, the Vice President shall promptly inform the Board of Directors with the aim of establishing and approving the measures deemed necessary and the relative timing. In the definition of proposals to the Board of Directors the Board Committees, the Risk Management Department and the Senior Management are involved.

Reporting

The internal reporting system of the Group, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, follows the aim of promoting, at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and interrelations with the external environment.

Information flows provided by internal reporting system, as part of the risk management system, provide for the approach:

- from the top, in relation to communications from the Board of Directors to senior management and the company structures involved;
- from below, in reference to the flow of information, for the Board and the Committees, prepared especially by the control and top management functions;
- cross, alleging the information flows between the control functions and the various business units and senior management.

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.

This section presents financial and business transactions occurring during 2017 with group companies, excluding those with companies consolidated on a 100% line-by-line basis and the compensation to the members of the administrative and control bodies.

The following table summarises the most significant economic and financial dealings with Group companies not included in the scope of consolidation and with administration and control bodies.

	(€/000)				
Related parties	Other receivables	Loans	Other payables	Revenues	Costs
Parents	27	1,500	63	18	20
Associates	8,794	12,045	207	263	2,588
Fees:	-	-	-	-	-
Directors	-	-	1,651	-	1,068
Statutory auditors	-	-	229	-	160

Relations with the Parent Company

As of 31 March 2018 was an outstanding revocable loan granted to the parent company Yafa Holding S.p.A. of 1,500 thousand euro, interest-bearing at the 3-month Euribor rate + 1%.

In addition, service contracts are in place between the indirect parent company Yafa S.p.A. and Vittoria Assicurazioni S.p.A., aimed at exploiting group operating synergies.

Relations with the Subsidiary

With the subsidiary Vittoria Assicurazioni S.p.A. no commercial or supply relationships were held during the period.

In the year 2018, the Vittoria Assicurazioni's National tax consolidation scheme continues to exist (Article 117 et seq of Italian Presidential Decree 917 of 22 December 1986) in relation to the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., VAIMM Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l. e Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l., VP Sviluppo 2015 S.r.l., option will be confirmed / exercised with the 2017 income tax return (Unico 2018).

With reference to 2018, Vittoria Assicurazioni S.p.A. exercised its option to settle VAT in the context of the Group pursuant to the Ministerial Decree dated 13th December 1979, together with the following controlled subsidiaries: Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Acacia 2000 S.r.l., VRG Domus S.r.l., Vittoria Properties S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia S.r.l., Valsalaria S.r.l., Vaimm Sviluppo S.r.l. and VP Sviluppo 2015 S.r.l..

Relations and transactions with associates

Mosaico S.p.A. – Turin

45.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of 1,170 thousand euro (1,263 thousand euro as at 31 December 2017).

Pama & Partners S.r.l. – Genoa

25.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of 1,002 thousand euro, (1,000 thousand euro as at 31 December 2017).

VZ Real Estate S.r.l. – Turin

49.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,327 thousand euro (2,322 thousand euro as at 31 December 2017).

Fiori di S. Bovio S.r.l. – Milan

40.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,134 thousand euro (2,126 thousand euro as at 31 December 2017).

Valsalaria A11 S.r.l. – Rome

40.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing loan, which has a balance of 4,801 thousand euro, unchanged with respect to 31 December 2017.

Aspevi Milano S.r.l. – Roma

49.00% equity interest via Interbilancia S.r.l.

The services rendered during the year by the company to Vittoria Assicurazioni for commissions totalled 1,240 thousand euro. Payable to Vittoria Assicurazioni amounts to 6,346 thousand euro.

Aspevi Roma S.r.l. – Roma

49.00% equity interest via Interbilancia S.r.l.

The services rendered during the year by the company to Vittoria Assicurazioni for commissions totalled 1,327 thousand euro (1,110 thousand euro as at 31 December 2017). Payable to Vittoria Assicurazioni amounts to 1,837 thousand euro.

Significant events occurring after quarter-end and outlook

The Board of Directors of Yafa S.p.A. and Vittoria Capital S.p.A. on 16th May 2018 have considered an extraordinary operation on a delisting project of Vittoria Assicurazioni S.p.A. by promoting a public offer of voluntary purchase and exchange promoted by Vittoria Capital S.p.A. whose object is the totality of the Vittoria Assicurazioni S.p.A. shares.

The offer is an instrument for implementing the Tenderer's programme in order to promote the withdrawal of quotations (delisting) from the electronic stock market organised and managed by Borsa Italiana S.p.A. of the Issuer's ordinary shares through the purchase of the total shares to date not attributable to the Tenderer and to the persons acting in concert with the same.

The motivations of the Offer lie mainly in the willingness of the Tenderer to pursue the simplification of governance at group level, in order to better enhance an industrial medium-long vision of Vittoria Capital S.p.A.

The Offer will allow the group headed by Yafa S.p.A. to fully integrate its activities, through a simplification of the proprietary structure of Vittoria Assicurazioni S.p.A..

In this context, after completion of the Offer, the Tenderer will consider the possibility of merging the Tenderer into said Issuer (so-called reverse merger).

By promoting the Offer, the Tenderer intends to grant to the current third party shareholders of Vittoria Assicurazioni S.p.A. an opportunity to easily disinvest their shares in Vittoria Assicurazioni S.p.A. and on more favourable conditions than those reflected in market in recent months, notwithstanding, in any case, the right of such shareholders to opt for the delivery of an Alternative Compensation and, therefore, to continue to participate, albeit indirectly, to the capital of the Issuer through Vittoria capital S.p.A.

The communication pursuant to 102, paragraph 1, of Legislative Decree No. 24/02/1998, No. 58 – Voluntary Public and Exchange Tender Offer – was carried out on 16th May 2018.

Yafa Holding S.p.A. is to be considered as a person acting in concert with the Tenderer Voluntary Public and Exchange Tender Offer pursuant to art. 101-bis of TUF.

Yafa Holding S.p.A. may confer its shares held in Vittoria Assicurazioni S.p.A. in Vittoria Capital S.p.A., receiving in exchange Vittoria Capital S.p.A. shares.

The Board of Directors of Vittoria Capital S.p.A. on 15th May 2018 proposed to the Shareholders' Meeting, called for 15th June 2018, a distribution of reserves for 4,550 thousand euros.

The Board of Directors

Turin, 4 June 2018

Condensed Consolidated quarterly report 2018

Balance Sheet

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - ASSETS		Note	31/03/2018	31/12/2017
1	INTANGIBLE ASSETS		12,981	13,683
1.1	Goodwill	1	7,010	7,010
1.2	Other intangible assets	2	5,971	6,673
2	PROPERTY, PLANT AND EQUIPMENT		503,805	507,367
2.1	Property	2	497,496	500,625
2.2	Other items of property, plant and equipment	2	6,309	6,742
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	60,149	63,263
4	INVESTMENTS		2,963,763	3,001,262
4.1	Investment property	4	110,201	111,240
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	19,618	19,357
4.3	Held to maturity investments	6	37,936	44,051
4.4	Loans and receivables	6	199,534	193,626
4.5	Financial assets available for sale	6	2,519,571	2,556,399
4.6	Financial assets at fair value through profit or loss	6	76,903	76,589
5	OTHER RECEIVABLES		168,335	190,581
5.1	Receivables relating to direct insurance	7	131,249	155,238
5.2	Receivables relating to reinsurance business	8	4,732	3,045
5.3	Other receivables	9	32,354	32,298
6	OTHER ASSETS		138,651	140,573
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	6,058	6,236
6.3	Deferred tax assets	11	91,605	91,506
6.4	Current tax assets	12	32,004	32,552
6.5	Other assets	13	8,984	10,279
7	CASH AND CASH EQUIVALENTS	14	241,946	115,191
	TOTAL ASSETS		4,089,630	4,031,920

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - EQUITY AND LIABILITIES		31/03/2018	31/12/2017
1	EQUITY	865,167	838,755
1.1	attributable to the shareholders of the parent	447,284	433,776
1.1.1	Share capital	47,600	47,600
1.1.2	Other equity instruments	0	0
1.1.3	Equity-related reserves	0	0
1.1.4	Income-related and other reserves	346,804	307,353
1.1.5	(Treasury shares)	0	0
1.1.6	Translation reserve	0	0
1.1.7	Fair value reserve	41,280	39,378
1.1.8	Other gains or losses recognised directly in equity	-5	-6
1.1.9	Profit for the year attributable to the shareholders of the parent	11,605	39,451
1.2	attributable to minority interests	417,883	404,979
1.2.1	Share capital and reserves attributable to minority interests	367,377	329,530
1.2.2	Gains or losses recognised directly in equity	39,419	37,602
1.2.3	Profit for the year attributable to minority interests	11,087	37,847
2	PROVISIONS	17,355	16,585
3	TECHNICAL RESERVES	2,802,937	2,773,170
4	FINANCIAL LIABILITIES	243,770	237,877
4.1	Financial liabilities at fair value through profit or loss	76,894	76,576
4.2	Other financial liabilities	166,876	161,301
5	PAYABLES	65,407	83,134
5.1	Payables arising from direct insurance business	6,451	9,129
5.2	Payables arising from reinsurance business	6,638	8,676
5.3	Other sums payable	52,318	65,329
6	OTHER LIABILITIES	94,994	82,399
6.1	Liabilities of a disposal group held for sale	0	0
6.2	Deferred tax liabilities	47,041	45,645
6.3	Current tax liabilities	10,494	525
6.4	Other liabilities	37,459	36,229
	TOTAL EQUITY AND LIABILITIES	4,089,630	4,031,920

Income Statement

Vittoria Capital S.p.A.
Consolidated financial statements as at 31 March 2018

(€/000)

Income Statement	31/03/2018	31/03/2017	31/12/2017
Net premiums	325,945	311,081	1,270,013
<i>Gross premiums</i>	333,622	318,115	1,311,685
<i>Ceded premiums</i>	7,677	7,034	41,672
Commission income	591	88	333
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-4	-1	7
Gains on investments in subsidiaries and associates and interests in joint ventures	135	170	529
Gains on other financial instruments and investment property	12,730	13,874	51,678
<i>Interest income</i>	7,841	6,880	29,997
<i>Other income</i>	4,587	6,977	19,455
<i>Realised gains</i>	302	17	2,226
<i>Unrealised gains</i>	-	-	0
Other income	4,429	3,236	23,484
TOTAL REVENUE	343,826	328,448	1,346,044
Net charges relating to claims	226,769	217,667	900,482
<i>Amounts paid and change in technical reserves</i>	230,669	222,418	942,541
<i>Reinsurers' share</i>	-3,900	-4,751	-42,059
Commission expense	215	226	117
Losses on investments in subsidiaries and associates and interests in joint ventures	174	102	1,717
Losses on other financial instruments and investment property	1,959	1,733	9,971
<i>Interest expense</i>	60	157	342
<i>Other expense</i>	731	570	2,588
<i>Realised losses</i>	125	7	149
<i>Unrealised losses</i>	1,043	999	6,892
Operating costs	71,763	69,162	289,860
<i>Commissions and other acquisition costs</i>	58,586	56,582	238,921
<i>Investment management costs</i>	360	373	2,019
<i>Other administrative costs</i>	12,817	12,207	48,920
Other costs	10,652	9,043	33,184
TOTAL COSTS	311,532	297,933	1,235,331
PROFIT FOR THE YEAR BEFORE TAXATION	32,294	30,515	110,713
Income taxes	9,633	8,715	33,125
PROFIT FOR THE YEAR	22,661	21,800	77,588
GAIN (LOSS) ON DISCONTINUED OPERATIONS	31	-	290
CONSOLIDATED PROFIT (LOSS)	22,692	21,800	77,298
of which attributable to the shareholders of the parent	11,605	10,631	39,451
of which attributable to minority interests	11,087	11,169	37,847
Basic EARNINGS per share	0.24	0.22	0.83
Diluted EARNINGS per share	0.24	0.22	0.83

Statement of other comprehensive income

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

(€/000)

COMPREHENSIVE INCOME (LOSS)	31/03/2018	31/03/2017	31/12/2017
CONSOLIDATED PROFIT (LOSS)	22,692	21,800	77,298
Other comprehensive income, net of taxes without reclassification to profit or loss	-	0	128
Changes in the equity of investees	-	-	-
Changes in intangible asset revaluation reserve	-	-	-
Changes in tangible asset revaluation reserve	-	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-	-
Actuarial gains and losses and adjustments related to defined benefit plans	-	0	128
Other items	-	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	1,903	-901	9,397
Change in translation reserve	-	-	-
Gains or losses on available for sale investments	1,903	-901	9,397
Gains or losses on hedging instruments	-	-	-
Gains or losses on hedging instruments of net investment in foreign operations	-	-	-
Changes in the equity of investees	-	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-	-
Other items	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	1,903	-901	9,525
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	24,595	20,899	86,823
of which attributable to the shareholders of the parent	13,508	9,730	48,976
of which attributable to minority interests	11,087	11,169	37,847

Statement of changes in equity

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Balance at 31/12/2016	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2017
Equity attributable to the shareholders of the parent	Share capital	47,600	0	0		0		47,600
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	0	0	0		0		0
	Income-related and other reserves	244,458	0	69,607		-6,712	0	307,353
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	69,060	0	-29,609		0		39,451
	Other comprehensive income	29,847	0	10,794		-1,269	0	39,372
	Total attributable to the shareholders of the parent	390,965	0	50,792	-1,269	-6,712	0	433,776
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	269,798	0	66,122		-6,390	0	329,530
	Gains or losses recognised directly in equity	66,122	0	-28,275		0		37,847
	Other comprehensive income	28,504	0	10,310		-1,212	0	37,602
		Total attributable to minority interests	364,424	0	48,157	-1,212	-6,390	0
Total		755,389	0	98,949	-2,481	-13,102	0	838,755

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€/000)

		Balance at 31/12/2017	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/03/2018
Equity attributable to the shareholders of the parent	Share capital	47,600	0	0		0		47,600
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	0	0	0		0		0
	Income-related and other reserves	307,353	0	39,451		0	0	346,804
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	39,451	0	-27,846		0		11,605
	Other comprehensive income	39,372	0	2,148		-245	0	41,275
	Total attributable to the shareholders of the parent	433,776	0	13,753	-245	0	0	447,284
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	329,530	0	37,847		0	0	367,377
	Gains or losses recognised directly in equity	37,847	0	-26,760		0		11,087
	Other comprehensive income	37,602	0	2,051		-234	0	39,419
		Total attributable to minority interests	404,979	0	13,138	-234	0	0
Total		838,755	0	26,891	-479	0	0	865,167

Reference should be made to Notes to the consolidated financial statement for further information.

Cash flow statement – indirect method

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

CONSOLIDATED STATEMENTS OF CASH FLOW - INDIRECT METHOD

(€/000)

	31/03/2018	31/03/2017
Profit for the year before taxation	32,294	30,515
Change in non-monetary items	50,267	18,025
Change in non-life premium reserve	-8,008	-4,899
Change in claims reserve and other non-life technical reserves	14,320	12,956
Change in mathematical reserves and other life technical reserves	26,569	5,703
Change in deferred acquisition costs	178	15
Change in provisions	770	270
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-39	68
Other changes	16,477	3,912
Change in receivables and payables arising from operating activities	4,519	-1,849
Change in receivables and payables relating to direct insurance and reinsurance	17,586	25,695
Change in other receivables and payables	-13,067	-27,544
Taxes paid	-9,633	-8,715
Net cash flow generated by/used for monetary items from investing and financing activities	4	1
Liabilities from financial contracts issued by insurance companies	318	6,841
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	-314	-6,840
NET CASH FLOW FROM OPERATING ACTIVITIES	77,451	37,977
Net cash flow generated by/used for investment property	1,039	-7,309
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-221	-507
Net cash flow generated by/used for loans and receivables	-5,908	-77,800
Net cash flow generated by/used for held to maturity investments	6,115	68
Net cash flow generated by/used for financial assets available for sale	38,730	309,751
Net cash flow generated by/used for property, plant and equipment	4,264	3,379
Other net cash flows generated by/used for investing activities	-290	0
NET CASH FLOW FROM INVESTING ACTIVITIES	43,729	227,582
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	0	0
Net cash flow generated by/used for share capital and reserves attributable to minority interests	0	0
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	5,575	85,202
NET CASH FLOW FROM FINANCING ACTIVITIES	5,575	85,202
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	115,191	264,160
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,755	350,761
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	241,946	614,921

Notes to the consolidated interim financial statements

The notes to the consolidated interim financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

Principles used in the preparation of the following Explanatory Notes, are described in section “Form and content”, “Accounting policies” and “Use of estimates” .

Notes of a general nature

The table below lists the companies included in the consolidated financial statements with the full consolidation method under IFRS 10.

A) Consolidation scope

Name	Registered offices	Share Capital Euro	% Ownership		
			Direct	Indirect	Via
Vittoria Capital S.p.A.	Turin	47,600,000			
Vittoria Assicurazioni S.p.A.	Milan	67,378,924	51.15		
Vittoria Immobiliare S.p.A.	Milan	112,418,835		51.15	
Interimmobili S.r.l.	Rome	100,000		51.15	
Immobiliare Bilancia S.r.l.	Milan	6,650,000		51.15	
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000		51.15	Vittoria Assicurazioni S.p.A.
Vittoria Properties S.r.l.	Milan	8,000,000		51.15	
Interbilancia S.r.l.	Milan	80,000		51.15	
Vaimm Sviluppo S.r.l.	Milan	3,000,000		51.15	
VP Sviluppo 2015 S.r.l.	Milan	2,000,000		51.15	
Gestimmobili S.r.l.	Milan	104,000		51.15	
V.R.G. Domus S.r.l.	Turin	800,000		51.15	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		26.09	
Acacia 2000 S.r.l.	Milano	369,718		36.62	Vittoria Assicurazioni S.p.A.
				14.53	Vittoria Immobiliare S.p.A.
Assiorvieto Servizi S.r.l.	Orvieto	12,500		30.69	
Aspevi Firenze S.r.l.	Florence	25,000		30.69	Interbilancia S.r.l.
Plurico S.r.l.	Milan	10,000		35.81	

The table relating to the Consolidation Area is shown in the specific section "Attachments to the condensed quarterly consolidated financial statements".

In the quarter, we report the following change:

V.R.G Domus

During the period, the sole shareholder Vittoria Immobiliare S.p.A. has paid the subsidiary €1,600 thousand to the share capital.

With reference to the internal insurance funds "Unit Linked", please refer to Vittoria Assicurazioni Consolidated financial report as at 31 December 2017.

The information required by IFRS 12, about companies with significant minority investments are reported in the "Consolidated Financial Statements Annexes".

The table below lists the companies included in the consolidated financial statements accounted for using the equity method in accordance with IAS 28.

B) Consolidated investments valued with the net equity method

Name	Registered offices	Share Capital Euro	% Ownership		Via
			Direct	Indirect	
Yarpa S.p.A.	Genoa	30,000,000		13.97	
Touring Vacanze S.r.l.	Milan	12,900,000		23.53	Vittoria Assicurazioni S.p.A.
Touring Digital S.r.l.	Milan	1,800,000		23.02	
Aspevi Milano S.r.l.	Milan	100,000		25.06	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Rome	50,000		25.06	
Mosaico S.p.A.	Turin	500,000		23.02	
Pama & Partners S.r.l.	Genoa	1,200,000		12.79	
Fiori di S. Bovio S.r.l.	Milan	30,000		20.46	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		20.46	
VZ Real Estate S.r.l.	Turin	100,000		25.06	

The table relating to the Consolidated investments valued with the net equity method is shown in the specific section "Attachments to the condensed quarterly consolidated financial statements".

No significant changes occurred in the first quarter of the year.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the IVASS ordinance already mentioned earlier – are shown in the specific section “Annexes to Consolidated financial statements”.

The following tables show the geographical split of total balance sheet assets, deferred costs, and of the main items of revenue.

Segment reporting by geographical area

(€/000)

Assets	Italy		Europe		Rest of the World		Total	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Debt instruments	875,652	875,652	1,157,842	1,157,842	38,300	38,300	2,071,794	2,071,794
Equity instruments and OEIC units	104,266	104,266	424,403	424,403	-	-	528,669	528,669
Property	607,697	611,865	-	-	-	-	607,697	611,865
Other assets	881,469	809,534	-	-	-	-	881,469	809,534
Total	2,469,085	2,401,318	1,582,246	1,582,246	38,300	38,300	4,089,630	4,021,863

(€/000)

Deferred costs	North		Italy Centre		South and Islands		Total external deferred costs	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Other property, plant and equipment	6,284	6,717	25	25	-	-	6,309	6,742
Other intangible assets	5,970	6,672	1	1	-	-	5,971	6,673
Owner-occupied property	78,849	96,676	727	727	-	-	79,576	97,403
Total	91,103	110,065	753	753	-	-	91,856	110,818

(€/000)

Revenue (gross of intersegment eliminations)	North		Italy Centre		South and Islands		Europe		Total	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Insurance premiums - direct business	160,523	660,153	106,181	432,450	58,813	228,522	4	126	325,521	1,321,251
Trading and construction profits	5,374	5,374	-4,590	667	-	-	-	-	784	6,041
Services and rent income	4,673	4,673	904	904	1	1	-	-	5,578	5,578
Active rental Real estate investments	5,773	5,784	9	8	-	-	-	-	5,782	5,792
Total	176,343	675,984	102,504	434,029	58,814	228,523	4	126	337,665	1,338,662

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/03/2018	31/12/2017	Change
Godwill	7,010	7,010	-

The item refers to the goodwill arising during the acquisition of Vittoria Assicurazioni S.p.A. from Vittoria Capital S.p.A..

Note 2	31/03/2018	31/12/2017	Change
Other intangible assets	5,971	6,673	-702
Other items of property, plant and equipment	6,309	6,742	-433
Property	497,496	500,625	-3,129

Other intangible assets

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type intangible assets can be summarised as follows:

- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;

Amortisation of intangible assets is recognised in the income statement under "Other costs".

Other items of property, plant, and equipment

The estimated useful life of each type of property, plant and equipment can be summarised as follows:

- Furniture, fittings, plant and equipment: between 5 to 10 years;
- Ordinary and electronic office machines: between 3 to 5 years;
- Cars: between 4 to 5 years.

Property

The following table shows the breakdown of this item:

	(€/000)		
	31/03/2018	31/12/2017	Change
Owner-occupied property	96,319	97,403	-1,084
Property held for trading	348,736	352,276	-3,540
Property under construction	52,441	50,946	1,495
Total	497,496	500,625	-3,129

▪ Owner-occupied property (by nature)

The book value of owner-occupied property as at 31 March 2018 refers for €14,316 thousand to property of the subsidiary Vittoria Properties S.r.l., for €1,625 thousand to property owned by Vittoria Immobiliare S.p.A. and for €80,378 thousand to properties of Vittoria Assicurazioni S.p.A., of which €73,090 thousand relating to the Company's headquarters.

The following table shows the reconciliation of changes occurring during 1Q18:

	(€/000)					
Owner-occupied property	31/12/17	Acquisitions	Other operations	Sales	Amortization	31/03/18
Gross carrying amount	127,962	-	-	-	-	127,962
Accumulated depreciation	30,559	-	(17)	-	1,101	31,643
Carrying amount	97,403	-	17	-	(1,101)	96,319

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.

The owner-occupied property fair value, allocated to level 3 of the fair value hierarchy, as at 31 March 2018 is equal to 144,837 thousand euro and it has been determined using the comparative method and the income method of direct capitalization.

▪ Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 1H18:

	(€/000)		
Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2017	352,276	50,946	403,222
Acquisitions, net of capitalised financial charges	209	1,495	1,704
Sales	(4,533)	-	(4,533)
Recognised gains (losses) - write off included	784	-	784
Carrying amount as at 31/03/2018	348,736	52,441	401,177

Please refer to the Report on Operations for details on the principal real estate activities carried out during the period. The current value allocated to level 3 of the fair value hierarchy, is equal to €412,242 thousand determined by the estimation made by the independent expert on 31.12.2017 using the income method of processing and the discounted cash flow and adjusted by moving exchanged in the first quarter of 2017.

Note 3	31/03/2018	31/12/2017	Change
Reinsurers' share of technical reserves	60,149	63,263	-3,114

The following table shows – separately for the Non-Life and Life insurance business – reinsurers' share of technical reserves:

(€/000)						
	Direct business		Indirect business		Total carrying amount	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Non-life reserves	54,748	57,635	302	310	55,050	57,945
Premium reserve	13,388	13,403	-	-	13,388	13,403
Claims reserve	41,360	44,232	302	310	41,662	44,542
Other reserves	-	-	-	-	-	-
Life reserves	5,099	5,318	-	-	5,099	5,318
Reserve for payable amounts	2,746	3,037	-	-	2,746	3,037
Mathematical reserves	2,324	2,250	-	-	2,324	2,250
Other reserves	29	31	-	-	29	31
Total reinsurers' share of technical reserves	59,847	62,953	302	310	60,149	63,263

Note 4	31/03/2018	31/12/2017	Change
Investments properties	110,201	111,240	-1,039

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals. This item includes properties owned by Vittoria Assicurazioni in the Portello area in Milan for tertiary destination, a property in Milan for residential use and two properties in Turin for tertiary use purchased during the year for rental.

Please refer to the table of the properties included in the Directors' Report in the chapter "Investments - Cash and cash equivalents- Property".

Real estate investments current value as at 31 March 2018, allocated to level 3 of the fair value hierarchy, is equal to 125,490 thousand euro and it is determined on the basis of independent appraisals carried out at 31 December 2017 and adjusted for changes during the first quarter of 2018.

Note 5

31/03/2018 31/12/2017 Change

Investments in subsidiaries and associates and interests in joint-ventures	19,618	19,357	261
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La posta risulta così costituita:

	(€/000)	
Investments in associates	31/03/2018	31/12/2017
Yarpa. S.p.A.	11,208	11,177
Touring Digital S.r.l.	465	339
VZ Real Estate S.r.l.	0	0
Mosaico S.p.A.	67	67
Pama & Partners S.r.l.	293	293
Aspevi Roma S.r.l.	528	487
Aspevi Milano S.r.l.	187	133
Fiori di S. Bovio S.r.l.	0	0
Valsalaria A.11 S.r.l.	7	7
Touring Vacanze S.r.l.	6,863	6,854
Total carrying amount	19,618	19,357

The Group interest of results of associates corresponds to a negative net balance of 39 thousand euro (135 thousand euro write-ups and write-downs of 174 thousand euro).

Due to the negative results, we confirmed to zero the investments in the associate companies VZ Real Estate S.r.l. and Fiori di S. Bovio S.r.l..

The increasing of the item in the financial statement with amount of 261 thousand euro reflects all investments and divestments made during the period and shown in the Directors' report, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

	(€/000)
Carrying amount as at 31/12/2017	19,357
Acquisitions and subscriptions	177
Touring Digital S.r.l.	177
Change due to equity method measurement	-39
Yarpa. S.p.A.	32
VZ Real Estate S.r.l.	-124
Aspevi Roma S.r.l.	41
Aspevi Milano S.r.l.	53
Touring Digital S.r.l.	-50
Touring Vacanze S.r.l.	9
Other changes	123
Carrying amount as at 31/03/2018	19,618

The following table shows the latest financial and economic data available of the major associated companies:

(€/000)

Denomination	Main financial-economic data							
	Total asset	Cash and chash equivalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
Yarpa Group S.p.A.	44,195	12,058	686	43,509	1,991	201	1,410	2,336
Touring Vacanze S.r.l.	16,352	2	1,453	14,899	81	-	401	482

Note 6

31/03/2018 31/12/2017 Change

Held to maturity investments	37,936	44,051	-6,115
Loans and receivables	199,534	193,626	5,908
Financial assets available for sale	2,519,571	2,556,399	-36,828
Financial assets at fair value through profit or loss	76,903	76,589	314

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Risk Report".

Below is a detailed statement of the breakdown of financial assets:

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17
Equity and derivative instruments measured at cost	0	0	0	0	10,910	8,439	0	0	0	0	10,910	8,439
Equity instruments at fair value	0	0	0	0	121,183	121,076	0	0	217	342	121,400	121,418
of which listed	0	0	0	0	11,700	11,592	0	0	217	342	11,917	11,934
Debt securities	37,936	44,051	0	0	1,916,074	2,027,730	9	13	10,668	11,622	1,964,687	2,083,416
of which listed	37,147	43,265	0	0	1,915,971	2,027,629	9	13	10,668	11,622	1,963,795	2,082,529
OEIC units	0	0	0	0	471,404	399,154	0	0	61,931	60,246	533,335	459,400
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	149	149	0	0	0	0	0	0	149	149
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	49,403	49,070	0	0	0	0	0	0	49,403	49,070
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	149,982	144,407	0	0	0	0	4,078	4,366	154,060	148,773
Total	37,936	44,051	199,534	193,626	2,519,571	2,556,399	9	13	76,894	76,576	2,833,944	2,870,665

Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, and units in UCITS (Undertakings for Collective Investment in Italian Transferable Securities) and units in AIF (Alternative Investment Funds). In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€/000)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	UCITS AIF units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2017	44,051	129,515	399,154	2,027,730	2,556,399	76,576	13	2,677,039
Acquisitions and subscriptions		2,500	69,518	185,498	257,516	4,378		261,894
Sales and repayments	-6,005		-816	-288,261	-289,077	-3,136		-298,218
Other changes:								
- effective interest adjustments	10			-5,759	-5,759			-5,749
- fair value adjustments		109	3,654	4,524	8,287	-171	-4	8,112
- charged to P&L			-106	-538	-644			-644
- rate changes	-120			-7,120	-7,120			-7,240
- other changes		-31			-31	-753		-784
Carrying amount at 31/03/2018	37,936	132,093	471,404	1,916,074	2,519,571	76,894	9	2,634,410

Loans and receivables

As at 31 March 2018 loans and receivables totalled 199,534 thousand euro (193,626 thousand euro as at 31 December 2017).

The item is principally comprised of the following:

- The loan granted by Vittoria Capital to Yafa Holding for 1,500 thousand euro;
- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Fiori di San Bovio S.r.l., Pama & Partners S.r.l., VZ Real Estate S.r.l. and Valsalaria A11 S.r.l. for a total of 11,455 thousand euro;
- loans granted by Vittoria Assicurazioni to third parties and secured by mortgages for a total of 2,529 thousand euro (2,579 thousand euro as at 31 December 2017);
- 596 thousand euro in loans against life insurance policies (640 thousand euro as at 31 December 2017);
- loans and receivables from agents, the latter comprising recoveries of compensation paid to terminated agents, and loans granted to employees for a total of 29,130 thousand euro (28,705 thousand euro as at 31 December 2017);
- 483 thousand euro in loans granted to the company Spedin Finanziaria S.p.A. (633 thousand euro as at 31 December 2017);
- the corresponding entry for Vittoria Assicurazioni's commitments for payments to finance investments in private equity, private debt and infrastructure funds amounted to 149,392 thousand euro (143,818 thousand euro at 31 December 2017). The related commitments are recorded under "Other financial liabilities" in note 18;
- time deposit at the bank "Banca del Gran Sasso d'Italia" for a total amount of 3,000 thousand euro on behalf of Vittoria Assicurazioni;
- reinsurance deposit assets for 149 thousand euro.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

(€/000)		
Financial assets	Carrying amount	Fair Value
Held to maturity investments	37,936	40,523
Loans and receivables	199,534	199,534
Financial assets available for sale	2,519,571	2,519,571
Financial assets held for trading	9	9
Financial assets at fair value through profit or loss	76,894	76,894
Total	2,833,944	2,836,531

The following table, prepared as envisaged by the already mentioned ISVAP Regulation no. 7, related to assets and liabilities measured at fair value on a recurring and not recurring basis, discloses the information provided by IFRS 13 on the classification by level of fair value hierarchy:

Vittoria Capital S.p.A.
Consolidated financial statements as at 31 March 2018

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

		Level 1		Level 2		Level 3		Total	
		31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17
(€/000)									
Assets and liabilities measured at fair value on a recurring basis									
Financial assets Available for sale		2,399,076	2,438,376	8,928	8,928	111,567	109,095	2,519,571	2,556,399
Financial assets at fair value through profit or loss	Financial assets held for trading	9	13	-	-	-	-	9	13
	Financial assets at fair value through profit or loss	76,894	76,576	-	-	-	-	76,894	76,576
Investment Property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis		2,475,979	2,514,965	8,928	8,928	111,567	109,095	2,596,474	2,632,988
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	76,543	76,225	351	351	-	-	76,894	76,576
Total liabilities measured at fair value on a recurring basis		76,543	76,225	351	351	-	-	76,894	76,576
Assets and liabilities measured at fair value on a non recurring basis									
Non-current assets or assets of a disposal group classified as held for sale		-	-	-	-	-	-	-	-
Liabilities of a disposal group classified as held for sale		-	-	-	-	-	-	-	-

There were no significant reclassifications in the fair value hierarchy during the period.

As regards assets and liabilities not measured at fair value, the following table, prepared as envisaged by the already mentioned ISVAP Regulation no. 7, show the information provided by IFRS 13 on the classification by level of fair value hierarchy:

	Total carrying amount		Fair value (€000)							
			Livello 1		Livello 2		Livello 3		Totale	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Assets										
Held to maturity investments	37,936	44,051	39,733	46,063	-	-	790	786	40,523	46,849
Loans and receivables	199,534	193,626	-	-	-	-	199,534	193,626	199,534	193,626
Investments in subsidiaries and associates and interests in joint ventures	19,618	19,357	-	-	-	-	19,618	19,357	19,618	19,357
Investment property	110,201	111,240	-	-	-	-	125,490	125,776	125,490	125,776
Tangible assets	497,496	500,625	-	-	-	-	557,079	561,646	557,079	561,646
Total assets	864,785	868,899	39,733	46,063	-	-	902,511	901,191	942,244	947,254
Liabilities										
Other financial liabilities	166,876	161,301	-	-	-	-	166,876	161,301	166,876	161,301

Investments allocated to “level 2” were assessed based on the latest transactions which are observed in the secondary market.

Investments allocated to “level 3”, mainly referred to investments in Yam Invest N.V. (fair value at 31 March 2018 of 65,655 thousand euro) and Nuove Partecipazioni S.p.A. (fair value at 31 March 2018 amounting to 39,673 thousand euro), were also assessed using technical expertise edited by external leading appraisal firms. The update of this report as of 31 March 2018 was not made considering the limited period. The main evaluation methods applied are:

- the Dividend Discount Model, in the variant of the Excess of Capital, establishes that the financial value of a financial company is given by discounting a dividend flow determined on the basis of compliance with the minimum capital requirements imposed by the Supervisory Authority;
- the market multiples method is based on the analysis of stock prices referring to a selected sample of companies operating in the reference sector (comparable listed companies) and on the subsequent application of multiples to the corresponding size of the company being valued;
- the Simple Capital Method based essentially on the principle of the expression, at current values, of the individual assets that make up the company's capital and the updating of passive elements;
- the method Sum of Parts (“SOP”), based essentially on the principle of the expression at fair value of activity that make up the capital of the company and deducting related liabilities and holding costs.

The main assumptions used in the methodologies are related to the holding costs, the liquidity discounting rates, discounting rates and stock exchange multiples. Sensitivity analysis of some input (rate of liquidity discount) has also been carried out; from these analysis no significant issues has been reported.

For loans and receivables, the carrying amount is a reasonable approximation of fair value.

As for investments property and tangible assets, please refer to the previous paragraphs.

Note 7	31/03/2018	31/12/2017	Change
Receivables relating to direct insurance	131,249	155,238	-23,989

The breakdown of this item was as follows:

	(€/000)	
Receivables relating to direct insurance	31/03/2018	31/12/2017
Premiums due from policyholders	40,041	57,322
Receivables due from brokers and agents	43,967	64,396
Receivables due from insurance companies - current accounts	23,284	9,407
Amounts to be recovered from policyholders and third parties	23,957	24,113
Total	131,249	155,238

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 8	31/03/2018	31/12/2017	Change
Receivables relating to reinsurance business	4,732	3,045	1,687

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts showing the technical result of reinsurance treaties.

Note 9	31/03/2018	31/12/2017	Change
Other receivables	32,354	32,298	56

The most significant sub-item consisted of advances on policyholders' taxes, advances for the guarantee fund for the road victims, advances paid by the real estate companies and receivables of company services mainly to insurance brokers.

Note 10	31/03/2018	31/12/2017	Change
Deferred acquisition costs	6,058	6,236	-178

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.

Note 11	31/03/2018	31/12/2017	Change
Deferred tax assets	91,605	91,506	99

The item included deferred tax assets pertaining to the direct operating of Vittoria Assicurazioni.

Note 12	31/03/2018	31/12/2017	Change
Current tax assets	32,004	32,552	-548

The item includes tax receivables of the direct operating of Vittoria Assicurazioni (including tax credits relating to taxes prepaid on the Life business mathematical reserves) and receivables of the real estate companies arising from the purchase of buildable areas and property.

Note 13	31/03/2018	31/12/2017	Change
Other assets	8,984	10,279	-1,295

The item mainly includes deferred commission expenses relating to investment contracts and prepayments, mainly relating to G&A costs and to other assets mainly related to unavailable capital on bank account due to restraints from third parties for pending litigation.

Note 14	31/03/2018	31/12/2017	Change
Cash and cash equivalents	241,946	115,191	126,755

The increase is mainly due to the liquidity generated by the sale of government securities during the quarter and awaiting reinvestment.

Note 15	31/03/2018	31/12/2017	Change
Equity attributable to shareholders of the parent	447,284	433,776	13,508
Equity attributable to minority interests	417,883	404,979	12,904

Changes in consolidated equity are detailed in chapter "Statement of Changes in Equity".

The following table details the breakdown of equity:

(€/000)			
BREAKDOWN OF EQUITY	31/03/2018	31/12/2017	Change
Total equity attributable to the shareholders of the parent	447,284	433,776	3.1%
Share capital	47,600	47,600	0.0%
Income-related and other reserves	346,804	307,353	12.8%
Fair value reserve	41,280	39,378	4.8%
Other gains or losses recognised directly in equity	-5	-6	n.v.
Group profit for the year	11,605	39,451	-70.6%
Total equity attributable to minority interests	417,883	404,979	3.2%
Share capital and reserves attributable to minority interests	367,377	329,530	11.5%
Minority interests' profit for the year	39,419	37,602	4.8%
Result for the year attributable to minority interests	11,087	37,847	-70.7%
Total consolidated equity	865,167	838,755	3.1%

As at 31 March 2018 Vittoria Capital's share capital consists of 47,600,000 fully subscribed and paid-up shares with a nominal value of Euro 1.00 each.

The Group does not hold either directly or indirectly any shares of its parent companies.

Vittoria Capital holds 51.15% of Vittoria Assicurazioni S.p.A. equal to 34,464,400 shares. During the quarter, this percentage of ownership remained unchanged compared to the previous year.

Below we provide more details on the composition of the net equity as of 31 March 2018:

Equity attributable to shareholders of the parent

Other gains or losses recognised directly in equity refer to actuarial results on Employee Benefits that will not be reclassified subsequently to profit or (loss).

Fair value reserve could be reclassified subsequently to profit or loss.

More specifically, changes in the “Fair value reserve” (i.e. gains or losses on available-for-sale financial assets”) are detailed in the following table:

(€/000)			
A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2017	134,375	-21,978	112,397
Decrease due to sales	-645	165	-480
Decrease due to fair value changes	8,285	-2,195	6,090
Total change for the period/year	7,640	-2,030	5,610
31/03/2018	142,015	-24,008	118,007

(€/000)			
B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2017	51,188	-15,776	35,412
Change in shadow accounting reserve	2,733	-843	1,890
31/03/2018	53,921	-16,619	37,302

(€/000)			
Gains or losses on financial assets AFS	Gross amount	Tax impact	Net amount
Combined effect A) - B)			
31/12/2017	83,187	-6,202	76,985
Decrease due to sales	-645	165	-480
Decrease due to fair value changes	8,285	-2,195	6,090
Change in shadow accounting reserve	-2,733	843	-1,890
Total change for the period/year	4,907	-1,187	3,720
31/03/2018	88,094	-7,389	80,705

of which:

<i>attributable to the shareholders of the parent</i>	<i>41,280</i>
<i>attributable to minority interests</i>	<i>39,425</i>

Equity attributable to minority interests:

Other gains or losses recognised directly in equity refer to actuarial results on Employee Benefits that will not be reclassified subsequently to profit or (loss).

Note 16	31/03/2018	31/12/2017	Change
Provisions	17,355	16,585	770

This account refers mainly to the provisions made in costs for real estate contracts that have yet to be incurred, connected with properties for which closing has already taken place and to provisions accrued by Vittoria Assicurazioni to face fines and trials underway relating to the business, for which it is considered probable an outflow, due to normal business operations.

The table below shows the changes in the item:

(€/000)				
Provisions	31/12/2017	Accruals of the year	Utilisations of the year	31/03/2018
Provision for costs to be incurred	95	-	-	95
Other provisions	16,490	876	-106	17,260
Total	16,585	876	-106	17,355

Note 17	31/03/2018	31/12/2017	Change
Riserve tecniche	2,802,937	2,773,170	29,767

La tabella che segue evidenzia la composizione delle riserve tecniche.

(€/000)						
	Direct business		Indirect business		Total carrying amount	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Non-life reserves	1,548,848	1,545,372	846	905	1,549,694	1,546,277
Premium reserve	390,091	398,108	37	43	390,128	398,151
Claims reserve	1,158,348	1,146,855	809	862	1,159,157	1,147,717
Other reserves	409	409	-	-	409	409
Life reserves	1,253,091	1,226,741	152	152	1,253,243	1,226,893
Reserve for payable amounts	22,513	23,988	3	3	22,516	23,991
Mathematical reserves	1,175,626	1,150,436	149	149	1,175,775	1,150,585
Other reserves	54,952	52,317	-	-	54,952	52,317
Total technical reserves	2,801,939	2,772,113	998	1,057	2,802,937	2,773,170

With regard to Non-Life business, over the IQ18 the value of the claim settlement was consistent with what reserved at 31 December 2017.

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line.

The Life "Other reserves" item mainly consisted of:

- 5,866 thousand euro = management expenses;
- 48,956 thousand euro = reserve for deferred liabilities to policyholders (of which 53,921 thousand euro stemming from fair value measurement of available-for-sale financial assets and -4,965 thousand euro from reserving against subsidiaries' profits allocated to segregated funds).

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (paragraph n. 36 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 1,618 thousand euro (1,644 in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (paragraph n. 22 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 501 thousand euro (502 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds “Vittoria Rendimento Mensile”, “Vittoria Valore Crescente”, “Vittoria Previdenza” and “Obiettivo Crescita”. The average rates of return on segregated funds were used to assess the additional reserve for the portfolio of non-revaluable policies.

Liability Adequacy Test (LAT)

Tests confirmed the adequacy of the book value of the technical reserves shown in accounts.

Note 18	31/03/2018	31/12/2017	Change
Financial liabilities at fair value through profit or loss	76,894	76,576	318
Other financial liabilities	166,876	161,301	5,575

The following table shows the breakdown of financial liabilities in accordance with the already mentioned ISVAP Regulation:

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Liabilities from financial contracts issued by insurers arising from:	0	0	76,894	76,576	0	0	76,894	76,576
Contracts where policyholders bear investment risk	0	0	52,884	52,440	0	0	52,884	52,440
Pension-fund management	0	0	24,010	24,136	0	0	24,010	24,136
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	6,418	6,418	6,418	6,418
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	11,065	11,065	11,065	11,065
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	149,392	143,818	149,392	143,818
Total	0	0	76,894	76,576	166,875	161,301	243,769	237,877

Financial liabilities at fair value through profit or loss

The item “Financial liabilities at fair value through profit or loss” refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management.

The following table shows the cumulative change as at 31 March 2018:

	(€/000)		
	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2014	52,440	24,136	76,576
Investment of net fund assets	1,919	314	2,233
Profits attributable to policyholders	-1,049	-91	-1,140
Amounts paid	-426	-349	-775
Carrying amount at 31/03/2015	52,884	24,010	76,894

Other financial liabilities

The item includes:

- Reinsurance deposits of €6,418 thousand, unchanged compared to 31 December 2017;
- Bank loans issued to the Group's real estate companies for a total of €11,065 thousand (of which €2,914 thousand backed by collateral);
- direct operating Vittoria Assicurazioni's commitment for payment of €149,392 thousand in private equity investments, private debt and infrastructure funds, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item.

Disclosure concerning fair value

The carrying value of financial liabilities is a good approximation of fair value.

Note 19	31/03/2018	31/12/2017	Change
Payables arising from direct insurance business	6,451	9,129	-2,678

The breakdown of the item was as follows:

	(€/000)	
Payables arising from direct insurance business	31/03/2018	31/12/2017
Payables to insurance brokers and agents	3,337	4,855
Payables to insurance companies - current accounts	1,886	2,671
Guarantee deposits paid by policyholders	1,228	1,143
Payables to guarantee funds in favour of policyholders	-	460
Total	6,451	9,129

Note 20	31/03/2018	31/12/2017	Change
Payables arising from reinsurance business	6,638	8,676	-2,038

The item refers to amounts payable to insurers and reinsurers and reflects debts arising from the current accounts showing the technical results of reinsurance treaties.

Note 21	31/03/2018	31/12/2017	Change
Other sums payable	52,318	65,329	-13,011

The breakdown of the item was as follows:

	(€/000)	
Other sums payable	31/03/2018	31/12/2017
Payments on accounts received by real estate companies for preliminary sales agreements	366	1,122
Trade payables	8,337	16,626
Payables to employees	3,255	3,445
Employee benefits - provisions for termination benefits	4,143	4,206
Policyholders' tax due	21,185	24,048
Sundry tax liabilities (withholdings)	1,787	2,777
Social security charges payable	2,300	3,339
Payables to associate companies	207	121
Sundry payables	10,738	9,645
Total	52,318	65,329

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account "Other liabilities" (note 24).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year

Economic and financial assumptions

- Inflation: 1.50%
- Annual technical actualization rate 1.30%
- Annual rate of severance payment increment 2.63%
- Annual rate of growth of remuneration (for the purpose of calculating seniority premiums) 2.50%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services) 1.50%

Note 22	31/03/2018	31/12/2017	Change
Deferred tax liabilities	47,041	45,645	1,396

The item includes deferred tax liabilities allocated to the insurance business, the real estate and services business, and to reversals, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.

Note 23	31/03/2018	31/12/2017	Change
Current tax liabilities	10,494	525	9,969

This account refers to period income taxes net of tax prepayments. The increase to the previous financial year is mainly due to the Ires payable to be liquidated during the year.

Note 24	31/03/2018	31/12/2017	Change
Other liabilities	37,459	36,229	1,230

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards, the deferred commission income connected with investment contracts, invoices and notes to be received from suppliers, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits).

Consolidated Income Statement

Note 25	31/03/2018	31/03/2017	Change
Gross premiums	333,622	318,115	15,507
Ceded premiums for reinsurance	7,677	7,034	643
Amounts paid and change in technical reserves	230,669	222,418	8,251
Reinsurers' share	-3,900	-4,751	851

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

	31/03/2018				31/03/2017			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	281,651	44,294	-	325,945	262,592	48,489	-	311,081
Gross premiums	289,015	44,607	-	333,622	269,433	48,682	-	318,115
Gross premiums written	280,992	44,607	-	325,599	263,682	48,682	-	312,364
a Direct business	280,914	44,607	-	325,521	263,637	48,682	-	312,319
b Indirect business	78	-	-	78	45	-	-	45
Change in premium reserve	8,023	-	-	8,023	5,751	-	-	5,751
a Direct business	8,017	-	-	8,017	5,751	-	-	5,751
b Indirect business	6	-	-	6	-	-	-	-
Ceded premiums	7,364	313	-	7,677	6,841	193	-	7,034
Gross premiums ceded	7,349	313	-	7,662	5,989	193	-	6,182
a Outward reinsurance	7,349	313	-	7,662	5,989	193	-	6,182
Change in premium reserve	15	-	-	15	852	-	-	852
a Outward reinsurance	15	-	-	15	852	-	-	852
NET CHARGES RELATING TO CLAIMS	179,058	47,754	-43	226,769	166,143	51,549	-25	217,667
Amounts paid and change in technical reserves	182,187	48,525	-43	230,669	169,401	53,042	-25	222,418
Direct business	182,187	48,501	-	230,688	169,401	53,000	-	222,401
Indirect business	-	24	-	24	-	42	-	42
Shadow accounting of investee companies' profits	-	-	-43	-43	-	-	-25	-25
Reinsurers' share	3,129	771	-	3,900	3,258	1,493	-	4,751
Outward reinsurance	3,129	771	-	3,900	3,258	1,493	-	4,751

For the geographical split of premiums, reference should be made to the table shown in the section "Geographical segment reporting (secondary segment)",

Note 26	31/03/2018	31/03/2017	Change
Commission income	591	88	503

The item refers to commission income for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds),

Note 27	31/03/2018	31/03/2017	Change
Gains or losses on financial instruments at fair value through profit or loss	-4	-1	-3
Gains on investments in subsidiaries and associates and interests in joint ventures	135	170	-35
Gains or losses on other financial instruments and investment property	12,730	13,874	-1,144
Losses on investments in subsidiaries and associates and interests in joint ventures	174	102	72
Losses on other financial instruments and investment property	1,959	1,733	226

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses is shown in the specific section called "Annexes to Condensed quarterly consolidated financial statements".

Gains and losses on financial instruments at fair value through profit or loss

These are income and losses on financial assets held for trading; specifically, stemming from unrealised losses.

As regards financial assets designated at fair value through profit or loss – i.e, referring to investment contracts of the unit-linked, and pension-fund type – net income recognised in the period amounted to €1,140 thousand, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

Gains and losses on investments in subsidiaries, associates, and joint ventures

These items referred entirely to the results of equity-accounted Group companies. Reference should be made to Note 5 for further details.

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

	(€/000)			
	Gains 31/03/18	Gains 31/03/17	Losses 31/03/18	Losses 31/03/17
Investment property	1,720	1,438	1,774	1,570
Held to maturity investments	383	434	-	-
Loans and receivables	139	358	-	-
Financial assets available for sale	10,351	11,540	125	7
Other receivables	108	60	-	-
Cash and cash equivalents	29	44	-	-
Other financial liabilities	-	-	60	156
Total	12,730	13,874	1,959	1,733

Note 28	31/03/2018	31/03/2017	Change
Other income	4,429	3,236	1,193

The following table details the breakdown of this item,

	(€/000)	
Other income	31/03/18	31/03/17
Trading profits	784	1,157
Revenue from services: real estate brokerage	202	191
Revenue from services: real estate management	9	13
Revenue from services: administration, real estate appraisals and other income	11	3
Revenue from services: insurance commission income with third parties	205	17
Revenue from services: other revenue from services	111	-259
Rent income	510	76
Technical income on insurance contracts	1,099	1,626
Exchange rate gains	9	5
Incidental non-operating income	1,197	45
Other income	292	362
Total	4,429	3,236

Technical income on insurance contracts refer for €533 thousand (€610 thousand at 31 March 2017) to reversal of commissions on cancelled premiums and for €566 thousand (€1,033 thousand at 31 March 2017) to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events.

Note 29	31/03/2018	31/03/2017	Change
Commission expense	215	226	-11

The item refers to commission expense for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds).

Note 30	31/03/2018	31/03/2017	Change
Commissions and other acquisition costs	58,586	56,582	2,004
Investment management costs	360	373	-13
Other administrative costs	12,817	12,207	610

To complete the information disclosed below, we point out that the table detailing insurance operating costs is shown in the specific section called “Annexes to Condensed quarterly consolidated financial statements”.

The following table details the breakdown of “Commissions and other acquisition costs”.

	(€/000)	
Gross commissions and other acquisition costs net of profit participation and other commissions	31/03/18	31/03/17
Acquisition commissions	44,797	41,650
Other acquisition costs	12,714	14,072
Change in deferred acquisition costs	178	15
Premium collection commissions	1,780	1,795
Profit participation and other commissions received from reinsurers	-883	-950
Total	58,586	56,582

Note 31	31/03/2018	31/03/2017	Change
Other costs	10,652	9,043	1,609

La voce risulta così composta:

	(€/000)	
Other costs	31/03/18	31/03/17
Technical costs on insurance contracts	5,423	6,062
Accruals to the provision for bad debts		
Foreign-exchange losses	13	7
Incidental non-operating costs	23	76
Annual depreciation & amortisation	2,723	2,448
Impairment loss on goodwill		
Losses on non insurance receivables	15	-
Accruals to the provision for risks and charges	816	191
Commissions from services sector	1,587	221
Other costs	52	38
Total	10,652	9,043

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for €5,056 thousand (€5,650 thousand at 31 March 2017) and to services supporting insurance covers and costs for premiums under litigation for €367 thousand (€412 thousand at 31 March 2017).

Note 32	31/03/2018	31/03/2017	Change
Income taxes	9.632	8.715	917

Of this item €9,546 thousand related to current taxes and €86 thousand to deferred taxes. Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

Note 33	31/03/2018	31/03/2017	Change
Gain (loss) on discontinued operations	31	-	31

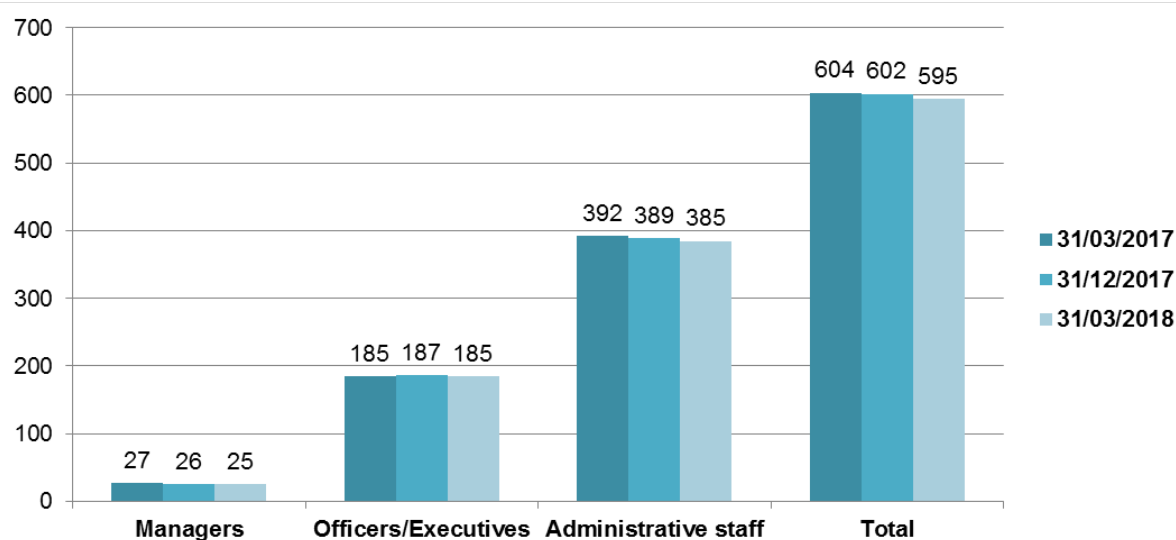
The item refers to the costs incurred following the winding-up of the associated company Movincom Servizi S.r.l.

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 593 as at 31 March 2018 vs, 599 present as at 31 December 2017 and 608 as at 31 March 2017.

The average number of in-force employees on the payroll, split by contractual grade, was as follows:



Reference should be made to the report on operations regarding infra-group and related-party transactions, human resources and significant events occurring after quarter-end and outlook.

Tax status

Insurance Business

In March 2018 the option for the scheme Consolidated National Tax regime remains in force (art. 117 and following of D.P.R. 22 December 1986, no 917) with the controlled subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., VAIMM Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l. Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l., VP Sviluppo 2015 S.r.l., option will be confirmed/exercised with the Income declaration 2017 (UNICO 2018).

For the year 2018, Vittoria Assicurazioni has confirmed the option for the liquidation of VAT at group level according to the ministerial Decree 13.12.1979, together with the subsidiaries Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interbilancia S.r.l., Acacia 2000 S.r.l., VRG Domus S.r.l., Vittoria Properties S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia S.r.l., Vaimm Sviluppo S.r.l., VP Sviluppo 2015 S.r.l. e Valsalaria S.r.l..

At the end of the financial year 2013, according to Law No. 147/2013, Vittoria Assicurazioni re-evaluated housing real estate and that constituting its headquarters, all sites in Milan. Following the indication of the re-evaluation in the UNICO 2014 for the tax year of 2013, the company discharged a substitute tax on the added value, and obtained the recognition of the this for the purposes IRES and IRAP. The substitute tax was 16% for depreciable property and 12% for non-depreciable property.

The value of budgeting in the balance sheet was aligned with the market value, identified by an appraisal of the same assets carried out by an independent expert. In the face of these higher values accounted for in the assets of the balance sheet, the company has entered in the net assets a special reserve for a value equal to the revaluation net of the substitute tax.

During 2009 Vittoria Assicurazioni had been the subject of a tax audit by the Revenue Agency on tax years 2004, 2005 and 2006 which had ended with disputes regarding IRES, IRAP and VAT.

Between 2009 and 2011, notices of higher taxes were notified in respect of all three years relating to IRES and IRAP, sanctions and required interest totalling 101 thousand euro were applied; regarding VAT, the highest tax, the penalty and the interest required amount to 387 thousand euro.

Vittoria Assicurazioni has extinguished by acquiescence the tax obligations relating to IRES and IRAP for all three years, whereas, with regard to VAT, it has lodged an appeal against the three-year investigations. The company has already obtained favourable pronouncements in first and second degree trials with reference to the three-year investigations (2004, 2005 and 2006) and the financial administration's appeals before the Supreme Court of Cassation are pending.

At the end of the quarter no disputes have been identified with regard to Vittoria Capital S.p.A.

Chairman
(Gian Domenico Verdun di Cantogno)

Turin, 4 June 2018

Annex to Condensed quarterly
consolidated financial
statements
as at 31 March 2018

Consolidation scope

	Country	Country operational headquarters (5)	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Capital S.p.A.	Italy		G	9				
Vittoria Assicurazioni S.p.A.	Italy		G	1	51,15	51,15	51,15	100,00
Vittoria Immobiliare S.p.A.	Italy		G	10		51,15	100,00	100,00
Interimmobili S.r.l.	Italy		G	10		51,15	100,00	100,00
Immobiliare Bilancia S.r.l.	Italy		G	10		51,15	100,00	100,00
Immobiliare Bilancia Prima S.r.l.	Italy		G	10		51,15	100,00	100,00
Vittoria Properties S.r.l.	Italy		G	10		51,15	100,00	100,00
Interbilancia S.r.l.	Italy		G	9		51,15	100,00	100,00
Vaimm Sviluppo S.r.l.	Italy		G	10		51,15	100,00	100,00
VP Sviluppo 2015 S.r.l.	Italy		G	10		51,15	100,00	100,00
Acacia 2000 S.r.l.	Italy		G	10		51,15	100,00	100,00
Gestimmobili S.r.l.	Italy		G	11		51,15	100,00	100,00
V.R.G. Domus S.r.l.	Italy		G	10		51,15	100,00	100,00
Valsalaria S.r.l.	Italy		G	10		26,09	51,00	100,00
Assiorviato Servizi S.r.l.	Italy		G	11		30,69	60,00	100,00
Aspevi Firenze S.r.l.	Italy		G	11		30,69	60,00	100,00
Plurico S.r.l.	Italy		G	11		35,81	70,00	100,00

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C

(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

List of unconsolidated investments

	Country	Country operational headquarters (5)	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa S.p.A.	Italy		9	b	0	13.97	27.31	11.208
Touring Vacanze S.r.l.	Italy		10	b	0	23.53	46.00	6.863
Touring Digital S.r.l.	Italy		10	b	0	23.02	45.00	465
Mosaico S.p.A.	Italy		10	b	0	23.02	45.00	67
Pama & Partners S.r.l.	Italy		10	b	0	12.79	25.00	293
VZ Real Estate S.r.l.	Italy		10	b	0	25.06	49.00	-
Fiori di S. Bovio S.r.l.	Italy		10	b	0	20.46	40.00	-
Aspevi Milano S.r.l.	Italy		11	b	0	25.06	49.00	187
Aspevi Roma S.r.l.	Italy		11	b	0	25.06	49.00	528
Valsalaria A.11 S.r.l.	Italy		10	b	0	20.46	40.00	7

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint ventures* (IAS 31); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

Vitoria Capital S.p.A.
 Consolidated financial statements as at 31 March 2018
Balance sheet by business and business line

(€/000)

	Non-life business		Life business		Real estate business		Service business		Holding business		Intersegment eliminations		Total	
	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17	31/03/18	31/12/17
1 INTANGIBLE ASSETS	4,288	4,490	1,417	1,889	286	294	0	0	7,010	7,010	0	0	12,981	13,683
2 PROPERTY, PLANT AND EQUIPMENT	69,296	70,451	17,328	17,983	408,076	410,230	13	11	0	0	9,092	9,092	503,905	507,367
3 REINSURERS' SHARE OF TECHNICAL RESERVES	55,050	57,946	5,039	5,317	0	0	0	0	0	0	0	0	60,149	63,263
4 INVESTMENTS	2,053,687	2,104,001	1,374,838	1,362,048	83,676	83,715	2,562	2,468	419,209	412,316	-970,209	-963,286	2,963,763	3,001,262
4.1 Investment property	56,152	56,675	36,934	37,341	17,115	17,224	0	0	0	0	0	0	110,201	111,240
4.2 Investments in subsidiaries and associates and interests in joint	456,657	456,490	46,644	46,644	55,102	55,072	715	621	417,709	410,816	-957,209	-950,286	19,618	19,357
4.3 Held to maturity investments	18	6,292	37,918	37,759	0	0	0	0	0	0	0	0	37,936	44,051
4.4 Loans and receivables	196,834	190,923	2,745	2,788	11,455	11,415	0	0	1,500	1,500	-13,000	-13,000	199,534	193,626
4.5 Financial assets available for sale	1,344,026	1,393,621	1,173,694	1,160,927	4	4	1,847	1,847	0	0	0	0	2,519,571	2,556,399
4.6 Financial assets at fair value through profit or loss	0	0	76,903	76,589	0	0	0	0	0	0	0	0	76,903	76,589
5 OTHER RECEIVABLES	154,094	175,389	14,275	16,503	6,609	5,895	664	757	10	0	-7,317	-7,963	168,335	190,581
6 OTHER ASSETS	92,443	94,770	39,645	39,244	7,505	7,470	1,410	1,452	5	5	-2,357	-2,368	138,651	140,573
6.1 Deferred acquisition costs	0	0	6,058	6,236	0	0	0	0	0	0	0	0	6,058	6,236
6.2 Other assets	92,443	94,770	33,587	33,008	7,505	7,470	1,410	1,452	5	5	-2,357	-2,368	132,593	134,337
7 CASH AND CASH EQUIVALENTS	169,596	61,355	40,559	22,716	27,279	26,625	3,076	2,954	1,436	1,541	0	0	241,946	115,191
TOTAL ASSETS	2,598,454	2,568,402	1,493,161	1,465,300	533,411	534,229	7,725	7,642	427,670	420,872	-970,791	-964,525	4,089,630	4,031,920
1 EQUITY													865,167	838,755
2 PROVISIONS	15,080	14,456	94	34	1,957	1,835	224	224	0	36	0	0	17,355	16,585
3 TECHNICAL RESERVES	1,549,694	1,546,277	1,258,208	1,231,815	0	0	0	0	0	0	-4,965	-4,922	2,802,937	2,773,170
4 FINANCIAL LIABILITIES	153,530	147,955	79,175	78,857	11,085	11,085	0	0	0	0	0	0	243,770	237,877
4.1 Financial liabilities at fair value through profit or loss	0	0	76,894	76,576	0	0	0	0	0	0	0	0	76,894	76,576
4.2 Other financial liabilities	153,530	147,955	2,281	2,281	11,085	11,085	0	0	0	0	0	0	166,876	161,301
5 PAYABLES	60,212	76,103	4,959	6,233	17,990	19,112	2,524	2,558	40	92	-20,318	-20,964	65,407	83,134
6 OTHER LIABILITIES	62,061	50,021	25,379	25,619	4,566	3,778	132	125	0	0	2,856	2,856	94,994	82,399
TOTAL EQUITY AND LIABILITIES									0	0	0	0	4,089,630	4,031,920

Income statement by business and business line	Non-life business		Life business		Real estate business		Service business		Holding business		Intersegment eliminations		Net gains and costs/losses	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Net premiums	281,651	262,592	44,294	48,489	-	-	-	-	-	-	-	-	325,945	311,081
Gross premiums	289,015	269,433	44,607	48,682	-	-	-	-	-	-	-	-	333,622	318,115
Ceded premiums	7,364	6,841	313	193	-	-	-	-	-	-	-	-	7,677	7,034
Commission income	-	-	591	88	-	-	-	-	-	-	-	-	591	88
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-	-	4	-1	-	-	-	-	-	-	-	-	-4	-1
Gains on investments in subsidiaries and associates and interests in joint ventures	41	3	-	-	30	210	168	94	-	-	-30	-211	135	170
Gains on other financial instruments and investment property	3,773	3,786	8,722	9,915	280	240	13	0	4	10	-49	-90	12,730	13,874
Other income	1,414	1,993	28	79	1,799	1,870	523	738	36	0	414	-1,229	4,429	3,236
TOTAL REVENUE	286,879	268,374	53,631	58,570	2,109	2,320	704	832	40	10	335	-1,530	343,826	328,448
Net charges relating to claims	179,058	166,143	47,754	51,549	-	-	-	-	-	-	-43	-25	226,769	217,667
Amounts paid and change in technical reserves	182,187	169,402	48,525	53,041	-	-	-	-	-	-	-43	-25	230,669	222,418
Reinsurers' share	-3,129	-3,259	-771	-1,492	-	-	-	-	-	-	-	-	-3,900	-4,751
Commission expense	-	-	215	226	-	-	-	-	-	-	-	-	215	226
Losses on investments in subsidiaries and associates and interests in joint ventures	50	0	-	-	124	102	-	-	-	-	-	-	174	102
Losses on other financial instruments and investment property	1,171	924	657	679	179	221	0	2	-	0	-50	-91	1,959	1,733
Operating costs	65,654	62,547	3,948	4,495	2,658	2,676	194	310	0	0	-807	-750	71,763	69,162
Other costs	7,919	8,101	844	629	227	53	222	398	47	38	1,217	-	10,652	9,043
TOTAL COSTS	253,852	237,715	53,418	57,578	3,188	3,052	416	710	47	38	317	-866	311,532	297,933
PROFIT FOR THE YEAR BEFORE TAXATION	33,027	30,659	213	992	-1,079	-732	288	122	-7	-28	18	-684	32,294	30,515

(€'000)

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/03/18	31/03/17	31/03/18	31/03/17	31/03/18	31/03/17	31/03/18	31/03/17	31/03/18	31/03/17	31/03/18	31/12/17
Other comprehensive income, net of taxes without reclassification to profit or loss												
Changes in the equity of investees	0	0			0	0	0	129	0	57	-6	-6
Changes in intangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Changes in tangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	0	0			0	0	0	129	0	57	-6	-6
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	2,148	-4,057	-245	-207	0	0	1,903	-4,263	608	-881	41,281	39,378
Change in transition reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	2,148	-4,057	-245	-207	0	0	1,903	-4,263	608	-881	41,281	39,378
Gains or losses on hedging instruments	0	0			0	0	0	0	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0			0	0	0	0	0	0	0	0
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Other items	0	0			0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	2,148	-4,057	-245	-207	0	0	1,903	-4,134	608	-824	41,275	39,372

Financial and investment gains and losses/costs

	Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and losses 31/12/2017	Net gains and losses 31/12/2016
							Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments	7,806	4,745	1,064	337	243	11,651	0	0	2,277	0	-2,070	9,511	13,523
a Investment property	0	1,720	731	0	0	989	0	0	1,043	0	-1,043	-54	72
b Investments in subsidiaries and associates and interests in joint ventures	0	135	174	0	0	-39	0	0	0	0	0	-39	68
c Held to maturity investments	383	0	0	0	0	383	0	0	0	0	0	383	434
d Loans and receivables	139	0	0	0	0	139	0	0	0	0	0	139	154
e Financial assets available for sale	7,182	2,867	0	302	125	10,226	0	0	0	0	0	10,226	11,533
f Financial assets held for trading	0	0	0	0	0	0	0	4	0	0	-4	-4	-1
g Financial assets at fair value through profit or loss	102	23	159	35	118	-117	207	0	1,230	0	-1,023	-1,140	1,263
Other receivables	108	0	0	0	0	108	0	0	0	0	0	108	60
Cash and cash equivalents	29	0	0	0	0	29	0	0	0	0	0	29	44
Financial liabilities	-60	0	0	0	0	-60	0	0	-1,140	0	1,140	1,080	-1,419
a Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	-1,140	0	1,140	1,140	-1,263
c Other financial liabilities	-60	0	0	0	0	-60	0	0	0	0	0	-60	-156
Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	7,883	4,745	1,064	337	243	11,658	207	0	1,137	0	-930	10,728	12,208

Vittoria Capital S.p.A.
 Consolidated financial statements as at 31 March 2018
Detail of insurance technical items

(€'000)

	31/03/2018			31/03/2017		
	Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business						
NET PREMIUMS						
a Premiums written	289,015	7,364	281,651	269,433	6,841	262,592
b Change in premiums reserve	280,992	7,349	273,643	263,683	5,989	257,694
	-8,023	-15	-8,008	-5,750	-852	-4,898
NET CLAIMS COSTS						
a Amounts paid	182,187	3,129	179,058	169,402	3,259	166,143
b Change in claims reserves	174,421	6,021	168,400	162,811	5,481	157,330
c Change in recoveries	11,449	-2,873	14,322	10,916	-2,040	12,956
d Change in other technical reserves	3,683	19	3,664	4,325	182	4,143
	-	-	-	-	-	-
Life business						
NET PREMIUMS						
	44,607	313	44,294	48,682	193	48,489
NET CLAIMS COSTS						
a Amounts paid	48,525	771	47,754	53,041	1,492	51,549
b Change in reserve for amounts to be paid	25,514	989	24,525	35,123	1,100	34,023
c Change in mathematical reserves	-1,475	291	-1,184	-3,143	2,241	-5,384
d Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	24,547	74	24,473	21,240	-1,846	23,086
e Change in other technical reserves	-61	-1	-60	-179	-3	-176

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/03/18	31/03/17	31/03/18	31/03/17
Gross commissions and other acquisition costs		57,215	55,202	2,786	2,836
a	Acquisition commissions	43,962	40,808	1,368	1,348
b	Other acquisition costs	11,627	12,764	1,087	1,309
c	Change in deferred acquisition costs	0	0	178	15
d	Premium collection commissions	1,626	1,630	153	164
Profit participation and other commissions received from reinsurers		-836	-944	-47	-6
Investment management costs		338	349	22	24
Other administrative costs		8,937	7,940	1,187	1,641
Total		65,654	62,547	3,948	4,495

Vittoria Capital S.p.A.

Consolidated financial statements as at 31 March 2018

Consolidation scope: interests in subsidiaries with significant minority interests

(€/000)

Name	% minority interests	% of voting rights in ordinary meetings by minority interests	Consolidated profit (loss) attributable to minority interests	Equity attributable to minority interests	Main financial-economic data							
					Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross written premium
	48,85%	0,4885%	11,067	417,883	4,089,630	2,963,763	2,802,937	243,770	865,167	22,692	-	333,622

Report of Independent Auditors

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**To the Board of Directors of
Vittoria Capital S.p.A.**

Introduction

We have reviewed the accompanying consolidated interim financial statements of Vittoria Capital Group, which comprise the balance sheet as of March 31, 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of Vittoria Capital Group as at March 31, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The consolidated interim financial statements of Vittoria Capital Group as at March 31, 2018 have been prepared solely for the inclusion in the document of Voluntary Public and Exchange Tender Offer on the Totality of Ordinary Shares pursuant to articles 102 and subsequent of the Legislative Decree No. 58 of February 24, 1998, prepared by Vittoria Capital S.p.A. in connection with the offer on the ordinary shares of Vittoria Assicurazioni S.p.A..

The data for the period ended March 31, 2017 presented for comparative purposes have not been audited or reviewed.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
June 5, 2018

This report has been translated into the English language solely for the convenience of international readers.