



KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholder of ERGO Insurance SE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ERGO Insurance SE (the Company), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements presented on pages 23 to 86, present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation and completeness of the provision for claims outstanding	
The gross carrying amount of the provision for claims outstanding as at 31 December 2019 was EUR 95,201 thousand and the expense recognised in profit or loss from the change in the provision for claims outstanding was EUR 15,603 thousand.	
We refer to the financial statements: Notes 1 and 2 (accounting policies), Note 21 (financial disclosure).	
The key audit matter	How the matter was addressed in our audit
The provision for claims outstanding as at 31 December 2019 comprises of the provision for incurred but not reported claims of EUR 15,048 thousand, the provision for reported but not settled claims of EUR 75,930 thousand and the provision for indirect claims handling costs EUR 4,223 thousand. Provisions have been recognised to cover the future claims arising from the insurance contracts issued by the Company (provision for claims	In auditing the provisions relating to the insurance business we engaged actuaries as part of our audit team. Together with actuaries we, among other things, performed the following procedures: <ul style="list-style-type: none">assessed whether the methods to calculate the provisions used by the management are appropriate and compliant with the financial reporting framework;



<p>outstanding). The Company performs the liability adequacy test to assess the adequacy of provisions. As at 31 December 2019, no additional unexpired risk provision was recognised as a result of the test.</p> <p>Actuarial models which take into account inputs such as premiums earned, the loss ratio, the length of the claim reporting period and the estimated amount of the expected loss, are used for both calculating the provisions and carrying out the liability adequacy test.</p> <p>We have assessed this area as a key audit matter, as calculating provisions is subject to uncertainty and judgment. Estimation uncertainty arises mainly from the rate of occurrence and the speed of settlement of large claims and the development of long-term claims.</p> <p>We have also assessed the completeness and quality of data used by the Company in the calculation of provisions as a key audit matter.</p>	<ul style="list-style-type: none"> ● assessed how management derives the key assumptions and whether those methods are appropriate; ● assessed the reliability and completeness of the previous year provisions by taking into account the actual claims paid and changes in claims provisions during current financial year; ● compared the key inputs with historical information; ● tested whether the general controls over the IT environment are effective; ● carried out alternative calculations of provisions for selected insurance classes; ● tested based on a sample whether claim data corresponds to the data in the claim file; ● assessed the completeness of underlying data used by comparing it to the information retrieved from the Company's databases; ● assessed whether the disclosures made in the financial statements (including in respect of the sensitivity of estimation results to the key assumptions applied) are sufficient and appropriate.
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Other Information

Management is responsible for the other information. The other information comprises the [information included in the X report, but does not include the financial statements and our auditors' report thereon.]

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 22 April 2018 to audit the financial statements of ERGO Insurance SE for the year ended [end of reporting period]. Our total uninterrupted period of engagement is 17 years, covering the periods ending 31 December 2003 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- we have not provided to the Company the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit and audit related services, we have not provided additional services to the Company.

KPMG Baltics OÜ
Licence No 17

/signed digitally/

Name

Certified Public Accountant, Licence No 459

Tallinn, 02 April 2020