

Information on consolidation area and group companies

1 Consolidation area

Based on the IFRS 10, the Consolidated financial statements include the figures for both the Parent company and the subsidiaries directly or indirectly controlled.

At 31 December 2016, the consolidation area decreased from 435 to 428 companies, of which 393 are subsidiaries consolidated line by line and 35 associated companies valued at equity.

Changes in the consolidation area compared to the previous year and the table listing companies included in the consolidation area are attached to these Notes, in the Appendix related to the change in the consolidation area, compared to 2015.

or use its assets and settle its liabilities. For further details regarding restrictions on Group assets, please refer to paragraph 47 *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information section*.

Non-controlling-interests

A summary of the financial information relating to each subsidiary that have non-controlling interests material for the Group is provided here below. The amounts disclosed are before inter-company eliminations (except for the item “Cumulated non controlling interests of the subsidiary” and “profit or loss attributable to non-controlling interests” that are disclosed from a consolidated perspective).

2 Disclosures on interests in other entities

2.1 Interests in Subsidiaries

Significant restrictions

In relation to the Group's interests in subsidiaries, no significant restrictions exist on the Group's ability to access

Non-controlling interests

Principal place of business (€ million)	Gruppo Banca Generali Italy		Generali China Life Insurance Co. Ltd China	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
BALANCE SHEET				
Investments	7,162	5,430	7,567	7,370
Other assets	561	570	279	287
Cash and cash equivalents	789	228	43	187
TOTAL ASSETS	8,512	6,229	7,889	7,844
Technical provisions	-	-	5,749	5,477
Financial liabilities	7,455	5,135	1,097	1,142
Other liabilities	400	448	324	390
Net Assets	656	646	720	835
TOTAL NET ASSETS AND LIABILITIES	8,512	6,229	7,889	7,844
NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	312	306	361	419
INCOME STATEMENT				
Net earned premiums	-	-	1,219	1,229
Fee and commission income	714	767	4	4
NET RESULT	286	381	64	121
OTHER COMPREHENSIVE INCOME	-13	4	-138	125
TOTAL COMPREHENSIVE INCOME	273	385	-74	247
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	78	101	25	59
DIVIDENDS PAID TO NON-CONTROLLING INTERESTS	69	56	20	8
CASH FLOW				
cash flow from operating activities	936	-915	637	736
cash flow from investing activities	-319	960	-668	-726
cash flow from financing activities	-137	-112	-112	63

Transactions with non controlling interests

No relevant transactions with minority shareholders occurred during 2016

2.2 Interest in Associates

In relation to the Group's interests in associates, no significant contractual, legal or regulatory restrictions exist

on the Group's ability to access or use its assets and settle its liabilities. With respect to contingent liabilities, please refer to paragraph 47 *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information* section

The Group has material interests into two associates that are accounted for according to the equity method.

Material Group associates

Company	Deutsche Vermögensberatung Aktiengesellschaft DVAG	Guotai Asset Management Company
Nature of the relationship with the Group	DVAG is the leading sales network for financial services in Germany and has an exclusive distribution partnership with a company held by Generali Deutschland Group	Guotai is one of the first professional fund management companies in China. The company manages mutual funds and several Social Security Fund (SSF) portfolios adding up to approximately 60 billion of renminbi (approximately € 8 billion) value of assets under management
Principal Place of business	Germany	China
Profit rights/voting rights held (if different)	30% / 40%	30%

The summarised financial information relating to the most significant associates in which the Group has an interest including the reconciliation with the related carrying amounts (including goodwill, where present) are provided here below

Summarised financial information - material associates

(€ million)	Deutsche Vermögensberatung Aktiengesellschaft DVAG		Guotai Asset Management Company	
	31/12/2015 ^(*)	31/12/2014 ^(*)	31/12/2016	31/12/2015
INCOME STATEMENT				
Revenues	1,314	1,235	150	212
Profit from continuing operations	186	154	55	81
Profit from discontinued operations after taxes	-	-	-	-
OTHER COMPREHENSIVE INCOME	-	-	-8	9
TOTAL COMPREHENSIVE INCOME	186	154	46	90
BALANCE SHEET				
Current assets	993	1,019	231	258
Non-current assets	243	178	14	2
Current liabilities	355	387	43	36
Non-current liabilities	184	150	41	42
NET ASSETS	697	660	161	182

^(*) The financial information are referred to the last approved financial statements by the Shareholders meeting of the associated company Deutsche Vermögensberatung Aktiengesellschaft DVAG.

Carrying amount reconciliation - material associates

(€ million)	Deutsche Vermögensberatung Aktiengesellschaft DVAG		Guotai Asset Management Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Carrying amount of interest in immaterial associates	264	257	151	130
Total comprehensive income attributable to the Group	58	52	12	27
Dividends received during the year	-88	-45	-18	-6
Carrying amount in investee at the end of the year	234	264	145	151

As part of the commercial relationships in the German area with the distribution partner DVAG, we inform that the current controlling shareholder hold a put option exercisable in respect of Generali Group.

At the reporting date no liability has been accounted for because the put option refers to an associate and therefore it does not fall into the category of the options on non-controlling interests referred to in par. 23 of IAS 32. The potential outflow of resources will be defined by the parties when and if the option is exercised on the basis

of the fair value measurement criteria of the option itself.

Furthermore, the Group holds interests in associates which are not individually material that, as mentioned above, are accounted for according to the equity method. The associates in which the Group has interest mainly operate in the insurance and financial services industries.

For these associates aggregated summarised financial information are provided here below:

Summarized financial information - immaterial associates

(€ million)	31/12/2016	31/12/2015
Carrying amount of interests in immaterial associates	421	365
Aggregated Group's share of:		
Profit from continuing operations	13	12
Profit from discontinued operations after taxes	-	-
Other comprehensive income	-1	-7
Total comprehensive income	12	5

2.3 Joint ventures

Significant restrictions

In relation to the Group's interests in joint ventures, no significant contractual, legal or regulatory restrictions exist

on the Group's ability to access or use its assets and settle its liabilities, nor significant commitments exist. For further details regarding restrictions on Group assets, please refer to paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information section*.

Aggregated information on immaterial joint ventures

(€ million)	31/12/2016	31/12/2015
Carrying amount of interests in immaterial joint ventures	233	233
Aggregated Group's share of:		
Aggregated Group's share of:	14	17
Profit from continuing operations	-	-
Profit from discontinued operations after taxes	8	6
Total comprehensive income	23	23

2.4 Unconsolidated Structured Entities

As of 31 December 2016, Generali Group holds no interests in unconsolidated structured entities that expose the Group to the variability of returns arising from their performance.

However, Assicurazioni Generali is part of a reinsurance contract with a vehicle which provides coverage with respect to the potential losses affecting Generali Group from catastrophes arising from Europe windstorms over a three year period. Generali Group is deemed to be sponsor since it has originated the insurance risk of the structured entity. Generali pays a premium of 2.25% per annum on the € 190 million of cover under the reinsurance agreement. The related cost is presented within the "Earned premiums ceded" line in the statement of Profit or Loss.

Furthermore Generali Group has entered into an agreement with Horse Capital I, an Irish designated activity company, to protect the aggregate motor third party liability (MTPL) loss ratio of 12 of its subsidiaries that write business in the 7 European countries in which Generali has a relevant market share in motor business (Italy, Germany, France, Austria, Czech Republic, Spain and Switzerland). The Group transfers, by this protection, part of the risk linked to unexpected fluctuations of the MTPL loss ratio.

Generali pays a different premium every year depending on the subscribed tranche - being 4% on Class A, 6,25% on Class B and 12% on Class C - on the amount of cover provided corresponding to each tranche amounting to € 85 million. The related cost is presented within "The Earned premiums cede" line in the statement of Profit or loss.

3 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures

(€ million)	31/12/2016	31/12/2015
Investments in non-consolidated subsidiaries	146	293
Investments in associated companies valued at equity	800	780
Investments in joint ventures	233	233
Investments in other associated companies	15	63
Total	1,194	1,369

4 Goodwill

Goodwill

(€ million)	31/12/2016	31/12/2015
Gross book value as at 31 December previous year	6,661	6,617
Accumulated depreciation and impairment as at 31 December previous year	0	0
Carrying amount as at 31 December previous year	6,661	6,617
Changes in consolidation scope	0	0
Other variations	3	43
Gross book value as at the end of the period	6,664	6,661
Accumulated depreciation and impairment as at the end of the period	0	0
Carrying amount as at the end of the period	6,664	6,661

At 31 December 2016 Group's goodwill amounted to € 6,664 million.

The table below details the goodwill by relevant companies:

Goodwill: details

(€ million)	31/12/2016	31/12/2015
Generali Deutschland Holding	2,179	2,179
Alleanza Assicurazioni	1,461	1,461
Generali Italia	1,332	1,332
Generali CEE Holding Group	594	594
Generali France Group	415	415
Generali Schweiz Holding AG	327	322
Generali Holding Vienna AG	153	153
Other	202	204
Total goodwill	6,664	6,661

The slight increase of the period was substantially attributable to the positive trend in the exchange rates which characterised 2016.

The goodwill booked was subject to impairment tests as stated by IAS 36.

Cash generating units were established in accordance with the Group's participation structure and considering

the IFRS 8 requirements relating to operating segments, which Assicurazioni Generali identified as Life and Non-Life. This change has been made in order to better align the perimeter of analysis to the one that is currently used by management for the insurance business and for monitoring the performance.

The table below shows the details of the Group's goodwill by cash generating unit:

Goodwill by cash generating unit

(€ million)	Life	Non Life	Total
Generali Deutschland Holding	562	1,617	2,179
Alleanza Assicurazioni	1,461	0	1,461
Generali Italia	640	692	1,332
Generali CEE Holding Group	380	215	594
Generali France Group	319	97	415
Generali Schweiz Holding AG	93	234	327
Generali Holding Vienna AG	76	77	153
Europ Assistance Group	0	82	82
Other			120
Goodwill	3,530	3,014	6,664

The cash generating units have been defined consistently with IAS 36; with regard to the measurement of the recovery value, as described in the basis of presentation and accounting principles, the Dividend Discount Model (DDM) has been used.

The Dividend Discount Model (DDM) was used for the determination of the recovery value for the following

cash generating unit (CGU): Generali Italia, Alleanza Assicurazioni, Generali Deutschland Holding, Generali CEE Holding Group, Generali Schweiz Holding AG, Europ Assistance, Generali Holding Vienna and Generali France.

This method represents a variant of the method of cash flows. In particular, the Excess Capital variant, defines the entity's economic value as the discounted dividend

maintaining an appropriate capital structure taking into consideration the capital constraints imposed by the Supervisor as the solvency margin. This method results in the sum of discounted value of future dividends and the cash generating unit terminal value.

The application of this criterion entailed in general the following phases:

- explicit forecast of the future cash flows to be distributed to the shareholders in the planned time frame, taking into account the limit due to the necessity of maintaining an adequate capital level;
- calculation of the cash generating unit's terminal va-

lue, that was the foreseen value of the cash generating unit at the end of the latest year planned.

The expected cash flows used in the analysis for each CGU, were those detailed in the Strategic Plan 2017-2019, presented to the Board of Directors in December 2016 and any significant subsequent events. In order to extend the analysis horizon to a 5 years period, the main economic and financial data were estimated for a further two years (2020 and 2021). The net result (2020 and 2021) was calculated using a sustainable growth rate for each CGU.

The table below shows the evaluation parameters used for the main CGU:

A) Nominal growth rate (g):

Goodwill: Nominal growth rate (g)

	g
Generali Deutschland Holding	2.00%
Alleanza Assicurazioni	2.00%
Generali Italia	2.00%
Generali CEE Holding Group	2.50%
Generali France Group	2.00%
Generali Schweiz Holding AG	1.00%
Generali Holding Vienna AG	2.00%
Europ Assistance Group	2.00%

B) Cost of equity (Ke) of the company net of taxes:

Goodwill: cost of equity (Ke) net of taxes

	ke
Generali Deutschland Holding	
Life Companies	7.40%
Non Life Companies	6.40%
Alleanza Assicurazioni	
Life Companies	9.00%
Generali Italia	
Life Companies	9.00%
Non Life Companies	7.90%
Generali CEE Holding Group	
Life Companies	8.80%
Non Life Companies	7.80%
Generali France Group	
Life Companies	7.80%
Non Life Companies	6.80%
Generali Schweiz Holding AG	
Life Companies	7.20%
Non Life Companies	6.20%
Generali Holding Vienna AG	
Life Companies	7.60%
Non Life Companies	6.60%
Europ Assistance Group AG	
Non Life Companies	8.30%

The cost of equity (Ke) for each entity is extrapolated based on the Capital Asset Pricing Model (CAPM) formula.

In detail:

- the risk free rate was defined as the average value - observed during the last three months of 2016 - of the 10-years government bond of the reference country of operation of the CGU, on which the goodwill has been allocated;
- the Beta coefficient was determined based on a homogeneous basket of securities of the non-life and life insurance sectors, which was compared to market indexes. The observation period was 5 years with weekly frequency;
- the market risk premium amounts to 5.5% for all Group's CGUs.

All CGUs passed the impairment test, being their recoverable amounts higher than their carrying amounts. Furthermore a sensitivity analysis was performed on the results changing the cost of own capital of the company (Ke) (+/-1%) and the perpetual growth rate of distributable future cash flows (g) (+/-1%) and for Non-life segment also for the main non-financial assumptions.

This sensitivity, for Life segment, highlighted that for CGU Alleanza, Generali Holding Vienna e Generali CEE Holding the correspondence between the recoverable amount and the carrying amount is observed with an increase of ke respectively of 0.5%, 0.2% and 0.2%.

In Non-life segment the sensitivities of both financial and non-financial assumptions did not highlight any negative difference between the carrying amount and the recoverable amount.