

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 2017, the consolidation area decreased from 428 to 423 companies, of which 388 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 2016.

2 Disclosures on interests in other entities

2.1 *Interests in Subsidiaries*

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).

Non-controlling interests

Principal place of business	Banca Generali Group		Generali China Life Insurance Co. Ltd	
	Italy		China	
(€ million)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
BALANCE SHEET				
Investments	7,655	7,162	6,686	7,567
Other assets	678	561	333	279
Cash and cash equivalents	804	789	94	43
TOTAL ASSETS	9,137	8,512	7,113	7,889
Technical provisions	-	-	5,300	5,749
Financial liabilities	7,851	7,455	868	1,097
Other liabilities	541	400	376	324
Net Assets	745	656	570	720
TOTAL NET ASSETS AND LIABILITIES	9,137	8,512	7,113	7,889
NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	357	312	285	361
INCOME STATEMENT				
Net earned premiums	-	-	1,110	1,219
Fee and commission income	869	714	3	4
NET RESULT	406	286	51	64
OTHER COMPREHENSIVE INCOME	13	-13	-170	-138
TOTAL COMPREHENSIVE INCOME	419	273	-119	-74
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	102	78	23	25
DIVIDENDS PAID TO NON-CONTROLLING INTERESTS	62	69	15	20
CASH FLOW				
cash flow from operating activities	371	936	133	637
cash flow from investing activities	-259	-319	95	-668
cash flow from financing activities	-132	-137	-176	-112

Transactions with non controlling interests

No relevant transactions with minority shareholders occurred during 2017.

Significant restrictions

In relation to the Group's interests in subsidiaries, no significant restrictions exist on the Group's ability to access or use its assets and settle its liabilities. For further details regarding restrictions on Group assets, please refer to paragraph *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information section*.

2.2 Interest in Associates

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 material 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	
	31/12/2017(*)	31/12/2016(*)	31/12/2017	31/12/2016
INCOME STATEMENT				
Revenues	1,350	1,314	169	150
Profit from continuing operations	19	186	58	55
Profit from discontinued operations after taxes	-	-	-	-
OTHER COMPREHENSIVE INCOME	-	-	3	-8
TOTAL COMPREHENSIVE INCOME	189	186	62	46
BALANCE SHEET				
Current assets	385	993	260	231
Non-current assets	776	243	19	14
Current liabilities	333	355	47	43
Non-current liabilities	203	184	38	41
NET ASSETS	626	697	19	161

(*) 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Carrying amount of interest in immaterial associates	234	264	145	151
Total comprehensive income attributable to the Group	51	58	16	12
Dividends received during the year	-52	-88	-6	-18
Carrying amount in investee at the end of the year	234	234	155	145

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)

	31/12/2017	31/12/2016
Carrying amount of interests in immaterial associates	420	421
Aggregated Group's share of:		
Profit from continuing operations	5	13
Profit from discontinued operations after taxes	-	-
Other comprehensive income	8	-1
Total comprehensive income	12	12

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 *Contingent liabilities, commitments, guarantees, pledged assets and collaterals* in *Additional information* section.

2.3 Joint ventures

Here below please find the information on Group joint ventures:

Aggregated information on immaterial joint ventures

(€ million)	31/12/2016	31/12/2015
Carrying amount of interests in immaterial joint ventures	224	233
Aggregated Group's share of:		
Aggregated Group's share of:	19	14
Profit from continuing operations	-	-
Profit from discontinued operations after taxes	-12	8
Total comprehensive income	7	23

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*.

2.4 Unconsolidated Structured Entities

As of 31 December 2017, Generali Group holds no interests in unconsolidated structured entities that expose the Group to the variability of returns arising from their performance.

However, please find below the following cases:

- Assicurazioni Generali stipulated a reinsurance contract in 2014 with a vehicle which provided a coverage of € 190 million on potential losses affecting Generali Group from catastrophes arising from Europe windstorms over a three year period, ended in April 2017.
- 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, Czeck 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.
- Assicurazioni Generali has also stipulated a reinsurance contract in the current year with Lion II Re DAC, an Irish special purpose company, which for a period of four years will cover the possible catastrophic losses suffered by the Generali Group following storms and floods in Europe and earthquakes in Italy. The Lion II Re transaction transfers part of the risk to bond investors, thus optimizing the Group's protection against disasters. The positive outcome of the placement of ILS debt securities on the capital market has made it possible to guarantee the protection provided by Lion II Re DAC to Generali with an annual premium of 3% for a total of € 200 million of reinsurance coverage. This amount will be returned by Lion II Re DAC to investors if during the 4 years of operation of the transaction no events occurred on the Generali Group, deriving respectively from storms or floods in Europe or earthquake in Italy, in excess of pre-established damage thresholds each type of risk.

The aforementioned vehicles are not consolidated as the Generali Group has no control over the entities and is not exposed to the resulting variable returns.

3 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures

(€ million)	31/12/2017	31/12/2016
Investments in non-consolidated subsidiaries	127	146
Investments in associated companies valued at equity	810	800
Investments in joint ventures	224	233
Investments in other associated companies	9	15
Total	1,171	1,194

4 Goodwill

Goodwill

(€ million)	31/12/2017	31/12/2016
Gross book value as at 31 December previous year	6,664	6,661
Accumulated depreciation and impairment as at 31 December previous year	0	0
Carrying amount as at 31 December previous year	6,664	6,661
Changes in consolidation scope	0	0
Other variations	15	3
Gross book value as at the end of the period	6,679	6,664
Accumulated depreciation and impairment as at the end of the period	0	0
Carrying amount as at the end of the period	6,679	6,664

At 31 December 2017 Group's goodwill amounted to € 6,679 million.

The table below details the goodwill by relevant companies:

Goodwill: details

(€ million)	31/12/2017	31/12/2016
Generali Deutschland Holding	2,179	2,179
Alleanza Assicurazioni	1,461	1,461
Generali Italia	1,332	1,332
Generali CEE Holding Group	625	594
Generali France Group	415	415
Generali Schweiz Holding AG	296	327
Generali Holding Vienna AG	153	153
Other	218	202
Total goodwill	6,679	6,664

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.

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	402	223	625
Generali France Group	319	96	415
Generali Schweiz Holding AG	84	212	296
Generali Holding Vienna AG	76	77	153
Europ Assistance Group	0	97	97
Other			120
Goodwill	3,543	3,015	6,679

The cash generating units have been defined consistently with IAS 36; with regard to the measurement of the recovery value, of the cash generating unit (CGU) of Generali Italia, Alleanza Assicurazioni, Generali Deutschland Holding, Generali CEE Holding Group, Generali Schweiz Holding AG, Europ Assistance, Generali Holding Vienna and Generali France the Dividend Discount Model (DDM) has been used, as described in the basis of presentation and accounting principles, for the determination of the recovery value.

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 value, 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 2018-2020, presented to the Board of Directors in December 2017 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 (2021 and 2022). The net result (2021 and 2022) 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)

(€ million)	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

(€ million)	ke
Generali Deutschland Holding	
Life Companies	7.90%
Non Life Companies	6.90%
Alleanza Assicurazioni	
Life Companies	9.00%
Generali Italia	
Life Companies	9.00%
Non Life Companies	7.90%
Generali CEE Holding Group	
Life Companies	9.10%
Non Life Companies	8.20%
Generali France Group	
Life Companies	7.80%
Non Life Companies	6.80%
Generali Schweiz Holding AG	
Life Companies	7.10%
Non Life Companies	6.00%
Generali Holding Vienna AG	
Life Companies	7.60%
Non Life Companies	6.60%
Europ Assistance Group AG	
Non Life Companies	8.20%

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 2017 - 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 Generali Holding Vienna the correspondence between the recoverable amount and the carrying amount is observed with an increase of ke of 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.

5 Non-current assets or disposal group classified as held for sale

With reference to policy of divestment of non-core and not strategic assets set by Generali Group, please note the following:

- Liechtenstein

During 2016 Generali Group has entered the agreements for the sale of assets in Liechtenstein. The Group considers this company as "non-current assets classified as held for sale", presenting it separately from other items in the balance sheet.

Please note that the assets held in Liechtenstein amount to € 672 million, of which approximately € 630 million of investments, mainly unit-linked, while liabilities amount to € 620 million, composed almost entirely from insurance provisions.

- Guatemala

During 2017, the Group finalized the sale of insurance activities held in Guatemala undertaken in 2016, following the release of the necessary regulatory authorizations. Therefore, the related investment and the related assets and liabilities, profits and losses are no longer recorded in the Group financial statements.

The consideration for the sale is € 21 million with a consequent realized profit of € 10 million.

- Colombia

In July 2017, the Group reached an agreement for the sale of assets in Colombia. It is expected that the disposal will be finalized in the course of 2018, when the necessary regulatory authorisation will be obtained. The Group considers this company as "non-current assets classified as held for sale", presenting it separately from other items in the balance sheet.

Please note that the assets held in Colombia amount to € 83 million, of which approximately € 37 million of investments, while liabilities amount to € 58 million, of which € 43 million of insurance provisions.

- The Netherlands

On 13 September 2017, the Generali Group concluded an agreement for the sale of its entire investment (98.56%) in Generali Nederland N.V.

In particular, on 6 February 2018 the Group announced the completion of the sale of its entire investment in the Netherlands for a consideration of € 143 million.

In relation to the financial statements as of 31 December 2017, according with IFRS 5, Generali Nederland N.V. was classified as disposal group held for sale. As a result, this investment was not excluded from consolidation, but both the total assets and liabilities and the related profit or loss, net of tax effects, have been recorded separately in the specific lines of the financial statements.

The comparative data of the comprehensive income statement and the cash flow statement have been restated. In line with this adjustment, also the tables related to the statement of comprehensive income and the cash flow statement have been restated.

The following tables show a condensed indication of the balance sheet and income statement of discontinued operations.

Non current assets held for sale in The Netherlands: Assets

(€ million)	31/12/2017	31/12/2016
1 INTANGIBLE ASSETS	0	0
2 TANGIBLE ASSETS	22	16
3 INSURANCE PROVISIONS CEDED	177	176
4 INVESTMENTS	3,612	3,630
5 RECEIVABLES	188	187
6 OTHER ASSETS	107	138
7 CASH AND CASH EQUIVALENTS	44	46
TOTAL ASSETS	4,150	4,192

Non current assets held for sale in The Netherlands: Liabilities

(€ million)	31/12/2017	31/12/2016
2 OTHER PROVISIONS	55	55
3 INSURANCE PROVISIONS	3,268	3,295
4 FINANCIAL LIABILITIES	4	4
5 PAYABLES	78	86
6 OTHER LIABILITIES	376	394
TOTAL LIABILITIES	3,782	3,835

Non current assets held for sale in The Netherlands: Condensed profit or loss

(€ million)	31/12/2017	31/12/2016
Revenues	497	467
Expenses	-496	-461
Profit before tax of discontinued operations	1	6
Income taxes	-29	0
Result of the year from discontinued operations	-28	6

The comprehensive impact of this operation on Group net income, allocated to the item result from discontinued operations, amounted to € -258 million. The difference compared to the result of the year from discontinued operation is due to the impairment recorded on the investment.

With reference to the statement of cash flows, the above information will not be considered for the purposes of the cash flow for the year. In particular, with reference to 31 December 2017 these activities reduced cash for € 1 million (€ 19 million from operating activities, € -20 million from investing activities).

Finally, the following table shows the fair value hierarchy of assets and liabilities at fair value held by discontinued operations at 31 December 2017.

(€ million)	Level 1	Level 2	Level 3
Available for sale financial assets	2,338	198	4
Equities	0	0	2
Bonds	2,338	17	0
Investment fund units	0	181	0
Other assets available for sale	0	0	2
Financial assets at fair value through profit or loss	522	204	1
Equities	0	0	0
Bonds	0	0	0
Investment fund units	0	0	0
Derivatives	0	10	0
Hedging derivatives	0	0	0
Investments back to policies where the investment risk is borne by the policyholders	522	194	1
Other assets at fair value through profit or loss	0	0	0
Total assets at fair value	2,860	402	5

- Ireland

In December, Generali has also signed an agreement for the sale of its investment in Generali Pan Europe.

Pending the release of the necessary regulatory authorisation, in accordance with IFRS 5, Generali Pan Europe was classified as disposal group held for sale. As a result, this investment was not excluded from consolidation, but both the total assets and liabilities and the related profit or loss, net of tax effects, have been recorded separately in the specific lines of the financial statements.

The comparative data of the comprehensive income statement and the cash flow statement have been restated. In line with this adjustment, also the tables related to the statement of comprehensive income and the cash flow statement have been restated.

The following tables show a condensed indication of the balance sheet and income statement of discontinued operations.

Non current assets held for sale in Ireland: Assets

(€ million)	31/12/2017	31/12/2016
1 INTANGIBLE ASSETS	12	10
2 TANGIBLE ASSETS	0	0
3 INSURANCE PROVISIONS CEDED	11	11
4 INVESTMENTS	11,016	10,385
5 RECEIVABLES	6	5
6 OTHER ASSETS	160	152
7 CASH AND CASH EQUIVALENTS	36	23
TOTAL ASSETS	11,241	10,586

Non current liabilities held for sale in Ireland: Liabilities

(€ million)	31/12/2017	31/12/2016
2 OTHER PROVISIONS	0	0
3 INSURANCE PROVISIONS	60	57
4 FINANCIAL LIABILITIES	10,925	10,297
5 PAYABLES	18	13
6 OTHER LIABILITIES	48	55
TOTAL LIABILITIES	11,050	10,422

(€ million)	31/12/2017	31/12/2016
Revenues	125	119
Expenses	-81	-83
Profit before tax of discontinued operations	44	36
Income taxes	-3	-2
Result of the year from discontinued operations	41	34

With reference to the statement of cash flows, the above information will not be considered for the purposes of the cash flow for the year. In particular, with reference to 31 December 2017 these activities produced cash for € 13 million (€ 532 million from operating activities, € -518 million from investing activities and € -1 million from financing activities).

Finally, the following table shows the fair value hierarchy of assets and liabilities at fair value held by discontinued operations at 31 December 2017.

(€ million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,992	7,951	60	11,003
Equities	0	0	0	0
Bonds	57	0	0	57
Investment fund units	23	0	0	23
Derivatives	11	0	0	11
Hedging derivatives	0	0	0	0
Investments back to policies where the investment risk is borne by the policyholders	2,902	7,951	60	10,913
Other assets at fair value through profit or loss	0	0	0	0
Total assets at fair value	2,992	7,951	60	11,003
Financial liabilities at fair value through profit or loss	10,925	0	0	10,925
Financial liabilities related to investment contracts issued by insurance companies	10,915	0	0	10,915
Derivatives	10	0	0	10
Hedging derivatives	0	0	0	0
Other financial liabilities	0	0	0	0
Total liabilities at fair value	10,925	0	0	10,925

6 Related parties disclosure

With regard to transactions with related parties, the main intra-group activities, conducted at market prices or at cost, were undertaken through relations of insurance, reinsurance and co-insurance, administration and management of securities and real estate assets, leasing, loans and guarantees, IT and administrative services, personnel secondment and claims settlement.

These services substantially aim at guaranteeing the streamlining of operational functions, greater economies in overall management, appropriate levels of service and an exploitation of Group-wide synergies.

For further information regarding related parties transactions - and in particular regarding the procedures adopted by the Group to ensure that these transactions are performed in accordance with the principles of transparency and substantive and procedural correctness - please refer to the paragraph 'Related Party Transaction Procedures' included in section 'Internal control and risk management system' of the 'Corporate governance and share ownership report'.

The most significant economic and financial transactions with Group companies that are not included in the consolidation area and other related parties are listed below.

As shown in the table below, the impact of such transactions, if compared on a Group basis, is not material.

Related parties					
(€ million)	Subsidiaries with significant control not consolidated	Associated companies	Other related parties	Total	% on balance sheet item
Loans	7	332	489	827	0.2%
Loans issued	-7	-2	-102	-111	0.3%
Interest income	0	2	19	21	0.2%
Interest expense	0	0	-2	-2	0.2%

The subtotal **other related parties** includes the transactions with Mediobanca Group regarding investment bonds for € 489 million, and financial liabilities amounting to € 102 million.

The subtotal **associated companies** includes loans to Group companies valued with equity method for € 332 million, mostly related to real estate French companies .

With reference to the paragraph 18 of Related Party Transactions Procedures adopted by the Board of Directors in November 2010 there were no (i) Operations of major importance concluded during the reporting period (ii) Related Party Transactions, concluded during the reference period, which influenced the Group's financial statements or profit to a significant extent.