Address by the Managing Director
Mr. Giovanni Perissinotto

1. – 2005 was the last year of our first Business Plan: I therefore deem it appropriate to start this presentation by summarising briefly the objectives included in that Plan and comparing them with what has been actually achieved.

Subsequently, I will discuss the results of both the Group and the Parent company in 2005.

To conclude, I will introduce the main development guidelines and targets set in the new Business Plan for the 2006/2008 three-year period.

2. – The last three years have been crucial to the development of the Generali group, both in terms of turnover growth and value creation. These are the figures of the last 3 years:

- over 28% increase in premiums written;
- over 10% improvement of the combined ratio in the Non-life business;
- a 63% increase in the value of the new Life business.

Consolidated earnings rose by 67% and the Group's intrinsic value, which is expressed by the embedded value, rose by 13.8%.

Within the same timeframe, the profitability of the embedded value, expressed by the RoEV, went up by 10.2%, thus attaining 11.9%.

Moreover, a remarkable impulse was given to the development of emerging markets, such as the ones of Eastern Europe and China. In Eastern European countries, the Group continued its strengthening and expansion, which has been relentless since 1989. Today, the Group is present in 8 countries and is the fourth most important insurance group in the area. I would also like to stress that Generali recently entered the Serbian market as well by taking a majority stake in the third most important insurance company on that market.

In 3 years of business in China, Generali has managed to rank among the leading insurance groups operating in the Life business. Since the establishment of the first agency in Canton in 2002, Generali China Life has expanded its business to Bejing, Foshan and

Shangai, building a distribution network that can now count on approximately 2,500 people. As you may know, the Group has recently obtained the permit required to expand its business to the Non-Life sector as well.

In Italy, Generali has further increased its share of the domestic market by exploiting its vast distribution network, based on a staff of over 35,000 people and an important bankassurance agreement.

The Group confirmed its leadership in Italy, Germany and France in the placement of policies through new distribution channels (i.e. the Internet and the phone).

Between the presentation of the first Business Plan (on January 22, 2003) and the end of 2005, the Generali shares have seen a 69% increase in value, surpassing by over 15% the growth of the Mib30 index.

These results have been achieved through substantial efforts aimed both at improving the quality of management and cutting down costs. Important restructuring and reorganisation programmes have been implemented in some geographical areas and in strategically crucial subsidiaries of Generali.

Having said this, I would like to seize this opportunity to sincerely thank again all the staff of the Generali group who have contributed to the achievement of these excellent results with their professional skills and dedication.

Understandably, everything that was achieved in the last three years, though highly rewarding, has become by now matter-of-fact and pertains to the past. And yet these results, culminating in what has been rightly defined as the best financial statements ever in the history of Assicurazioni Generali, are for us a launching pad towards a new and even more ambitious ascending path.

I therefore believe that another substantial effort will be required, also in the face of the ever harsher competition in this field, to confirm the leadership of the Generali group on the international insurance scene.

3. – Let us now examine the salient data from last year’s financial statements.

First of all, it should be noted that, starting from 2005, the corporate financial statements have been based for the first time on the new international accounting standards.

By means of introduction, we should look at the overall purpose of these new accounting standards. In brief, we could say that these standards are trying to achieve:

- greater transparency;
- values that are closer to the fair value;
- clearer rules for assessment criteria;
- more details on the different business segments.

Although useful to enhance transparency, these new criteria have caused some implementation problems. More specifically, we will have to accept that the figures referring both to the shareholder's equity and results will be more volatile, owing to the market-value adjustments for most of the assets. In other words, substantial changes on the financial markets will have a corresponding impact on corporate financial statements, even if such changes were not there to last.

The risk is that investors are more and more encouraged to adopt a short-term perspective also in a sector that is forced by its very nature to manage its assets within a medium to long-term timeframe. A short-term approach could adversely affect the management of companies.

Moreover, the implementation of the IFRS for the insurance sector shall occur in two steps: regulations on the assessment of insurance contracts and the technical aspects shall come into force only in 2007. At the present stage, calculation methods for technical provisions have remained unvaried, except for the equalisation provision that has been abolished.

4. – What are the main effects of the new accounting system on our financial statements?

Firstly, the consolidation area was expanded by almost 100 units, because all subsidiary companies are now fully included in the consolidated accounts, regardless of their type of business. More specifically, also Group companies in the banking and financial business have been included, which were previously valued at equity. The only companies that have not been consolidated were excluded on the basis of their poor significance and their exclusion was agreed upon with the auditors.

The shareholder's equity has also increased, owing to the market quoting of most assets. In the accounting of Life companies, the previously deferred policyholder and tax liabilities have been included in the calculation by means of the so-called shadow accounting. The equity further benefited from the cancellation of the equalisation provisions that had already been accounted for.

One of the main novelties lies in the new breakdown of the profit and loss account; the account is no longer divided in a technical and non-technical insurance section. Rather, all economic data are provided in an overview for all Group sectors that are divided according to their business line by means of the so-called segment reporting. Our Group thus identified its three main business segments: Life, Non-Life and Financial.

The extension of the consolidation area to banking and financial companies has changed the overall Group's debt, as these companies have their own traditional liabilities to other banks and customers. This, and the re-classification of some insurance agreements as investment contracts, has lead to a significant increase of the debt ratio, alas with no substantial effects on the financial leverage of the Group.

Lastly, I would like to stress that the switch to this new accounting standard has given us the opportunity to overhaul the IT system of the affected areas, improving the quality and rapidity of IT management and accounting systems for an enhanced and more rapid auditing.

5. – The overall technical trend of the insurance segments has seen an increase in the volume of premiums (+13.1%), equal to 62.8 billion Euro before reinsurance and at equivalent exchange rates. Net premiums have risen from 53 billion to about 60 billion Euro.

These gains are all the more significant if compared with the performance of our main competitors; moreover, almost 80% of premiums have been underwritten in continental Europe, an area with a notoriously sluggish growth.

More precisely, gross premiums have attained 45.7 billion Euro (+18.1%) in the Life business and 17.1 billion Euro (+1.6%) in the Non-Life segment.

Net charges related to insurance policies (mainly payments for claims and due benefits) have reached 63.5 billion Euro, totalling 18.3% more than the same period of the previous year.

Also this year, the accurate work made to rationalise expenditure has successfully reduced operating expenses, both in absolute terms and as a percentage on net earned premiums (attaining 13.9% against 16.1% in 2004).

The investment income rose to 16.8 billion euro, up by 23.7% against the previous year, thanks to the positive trend of financial markets and, above all, to the excellent performance of our investment managers.

The item "*Fees from financial services activities*", referring mainly to the asset management activity of our Group, attained 497 billion Euro with a 10.2% increase against the profit and loss accounts closing at December 31, 2004.

The remaining item "*Other income and charges*" was set at 992 million Euro, showing a slight increase also due, among other things, to the recognition of depreciations on German real estate and an increase in expenditure for early retirement schemes. In absolute terms, interest charges have dropped by 6 million Euro against 2004.

The profit *before tax* comes to 3.5 billion Euro (+14.6%) while the net profit amounts to 1.9 billion Euro, recording a 15% increase against 2004 (with 1.6 billion Euro).

6. – Focussing in greater detail on the Life business, gross written premiums have reached a total of 45.7 billion Euro, improving by over 18% in comparison to the previous year.

The favourable trend of equity markets combined with a demand for safe investments has spurred the popularity of unit-linked products with guaranteed capital among customers, promoting this kind of business in nearly all the Generali Group's zones of operation.

Also retirement products have been distributed successfully in the main reference countries, although selling volumes for these products are still rather modest.

In the same reference year, traditional products have sold less well against the total of written premiums.

Looking at the performance in the different countries, it should be noted that premiums have grown in Italy, France, Germany, Spain and Eastern Europe.

Premiums on the new business have totalled 27 billion Euro, increasing by almost 30% in comparison to 2004; if the positive effect of the single premium policy underwritten in China were not included in the calculation, the growth would still amount to 19%.

7. – As you know, the overall value of the new Life business is a sign of both the driving force of the distribution network and the portfolio quality; it attained 725 million Euro in 2005, improving by 11% against the previous year.

Both the Italian and the foreign companies have contributed almost equally to this result, although growth rates have been quite different (+15% in Italy against +7% abroad).

The margins of the new business are one percentage point higher (having risen from 18.5% to 19.5% despite low interest rates) and still show a positive trend based both on a careful selection of the portfolio and a cost containment strategy.

8. – Looking at the trend of the Group in the Non-life business, we can first of all see that written premiums have reached 17.1 billion Euro, corresponding to a 1.6% increase, on equivalent terms, over 2004.

Growth has been partially stifled by the modest economic performance in the core geographical areas of the Group on the one side, and by the permanent and enhanced market competitiveness on the other side.

Expansion trends have shrunk almost everywhere in the Motor business. In fact, some countries like Germany have witnessed an actual decline in premium income and something similar has occurred in many other countries in the Corporate Risk segment.

The business mix has not undergone any substantial change in comparison to the previous financial year.

The Group's performance was quite different in the various geographical areas; the positive trends achieved in Spain, Switzerland and the Eastern European countries were not matched by Italy, where the growth in premiums has been smaller.

9. – In relation to the combined ratio index achieved in the different countries, I would like to point out that the most significant improvements were achieved in our core geographical areas: Italy, Germany and France. Also in the countries where this value has deteriorated slightly, as in Spain, the overall results were still satisfactory (e.g. the technical profitability in Spain amounts to 10%, this means that, before financial returns, every 100 Euro of written premiums yield 10 Euro of insurance gains).

In general, the combined ratio has decreased, on equivalent terms, by one percentage point (from 98.9% to 97.9%); this is mainly due to a marked drop in the loss ratio, which has turned to be 1.8% lower than the target set in the Business Plan.

Once again, I would like to remind you that at the closing of the corporate year on 31 December 2002, the loss ratio had reached 108%. Which means that this ratio could be reduced by more than 10 percentage points in the last three years, providing a benefit to the Group that is worth1.5 billion Euro approximately.

10. – Considering the performance of the Group in its three main business lines, I can say that growth has been really satisfactory in all business segments: +15% in the Non-life segment, +35% in the Life segment and as much as +42% in the financial segment, which profited from the excellent performance of BSI and Banca Generali.

The "*Consolidation Adjustments*" column accounts for the intragroup economic and asset balances between companies belonging to different business segments; it mainly accounts for already paid intragroup dividends.

The total of the three segments attained 3.5 billion Euro with a 14.6% increase against 2004. The net consolidated result amounts to 1,918.6 million Euro, showing a 15% increase against the same period of the previous financial year.

11. – By the end of 2005, total investments amounted to 365 billion Euro (about +13 %); of which 57.6 billion Euro consisted of assets managed on behalf of third parties (+12% against the end of 2004).

With reference to the insurance investments of the Group, amounting to 307 billion Euro, I would like to point out that:

- 41.2 billion Euro have been invested to back unit-linked policies where the risk is borne by policyholders (+18.4% against 31 December 2004);
- investments where the risk is borne by the Group amount to 266 billion Euro (+12.3%, against 31 December 2004).

Breaking down the portfolio in its different investment classes, we can see that the exposure to fixed-income investments accounts for 81.9%, whereas the exposure towards equity markets comes to 11.8%; the real estate segment accounts for 4.1% and other investment for 2.2%.

12. – The Balance sheet illustrates the sound financial strength of the Group, which is also confirmed by the leading rating agencies.

This financial soundness is further proven by the fact that while indebtedness has remained constant, the shareholder’s equity of the Group has leaped forward with a 2.5 billion Euro increase in 2005.

13. – The overall insurance provisions (both Life and Non-life) have totalled 275.1 billion Euro, up by 12.5% against 2004.

The shareholder’s equity, including earnings and minority interests, has totalled 17.5 billion Euro with a 20% growth in comparison to 31 December 2004. Of course, the result of the period and the increase of the net value between assets and liabilities, carried directly over to the shareholder’s equity in compliance with the new accounting standards, have helped achieve this result.

As you know, the new international accounting standards demand that the total debt include all of the Group’s liabilities, hence also liabilities of banks and financial companies. In compliance with these standards, the debt has been split into:

- liabilities linked to operating activities, which are all financial liabilities with a specific relationship to certain items of the consolidated financial statements;
- liabilities linked to financial activities, which include the remaining subordinate liabilities, bonds issued and other loans.

Now, the total debt has remained substantially unvaried from the previous year (28.7 billion Euro).

Liabilities linked to financial activities have amounted to 7.58 billion Euro: fixed-rate liabilities make up 80% of the total, the remaining 20% being based on variable rates. The average weighed rate of debt is 4.89%, while interest expenses were equal to 373.9 million Euro.

14. – Considering the results of the Parent Company, I would like to underline that the premium volume attained 5.85 billion Euro, equal to a 1.1% increase.

In the Non-life business, premiums written reached 3,833 million Euro, of which 3,033 million are gross direct premiums written (+3.3%) and about 800 million account for gross premiums of accepted reinsurance (about –20%). This trend can be explained by a precise strategic decision to reduce drastically the reinsurance business of the Group.

In the Life segment, gross premiums have reached 2 billion Euro (+6.7%), most of which come from accepted reinsurance.

The *combined ratio* declined from 101.8% to 99.8%: this figure also includes the results of our offices abroad. The combined ratio concerning direct premiums in Italy has remained unchanged from last year, i.e. is put at 95.4%.

The balance of the industrial activity has improved in absolute terms by 76 million Euro, passing from a deficit of 36 million to a positive figure of 41 million Euro.

The total expense ratio has fallen from 23.3% in 2004 to 22.9% and this decline can be almost entirely accounted for by the reduced impact of production costs.

The result of the ordinary activity has reached 758 million Euro with a 38% improvement.

The result of the period has amounted to 916.8 million Euro (in 2004: 1,012 million). As you may remember, last year's result was also affected by some extraordinary items, totalling 338 million, concerning the elimination of tax interferences from financial statements. The result of the period therefore shows, on equal terms, an increase by 242.7 million Euro (+36%) against 2004.

15. – This year, a unitary dividend distribution of 54 Eurocents is proposed, with an increase of 25.6% against last year's distribution (43 Eurocents).

As you may have observed, the average yearly increase rate of the dividend has amounted to 27.9% in the three years of the current Business Plan 2003/2005.

The overall payment to shareholders should therefore amount to 689 million Euro, as compared to the 549 million paid in 2004.

The *pay-out* amounts to 75% of the financial statements' result (54% in 2004).

Please remember that the dividend distributed in 2002 amounted to 28 Eurocents, which means that the unitary dividend has almost doubled in three years.

16. – By means of conclusion, I would like to illustrate briefly the guidelines and targets of our 2006-2008 Three-Year Plan that already met with much support from international investors.

As you may remember, the core target of the first Business plan was to improve technical results. With this new Plan, we want to maintain this growth in profitability. To do so, we will still rely heavily on potential synergies. After the excellent work of the last three years, we are ready to reap the benefits of the scale economy and synergies that have resulted from the drastic corporate restructuring implemented in that period.

Firstly, we have launched 4 transnational projects and designed other four projects aimed at collecting and disseminating best practices within the Group.

Secondly, we have attained a satisfactory level of profitability on the operating capital, but we are aware that there is still scope for improvement. We therefore intend to seize this opportunity by optimising our capital structure, also by means of a more aggressive policy of dividend distribution.

Lastly, the Plan also foresees a uniform growth: our growth has been very successful in some emerging countries and new markets, like the Chinese one, where Generali now is the leading foreign insurance company. Soon, we will prove just as successful also in India, another country with an immense untapped potential.

However, our European core markets will continue to provide a fundamental contribution to our accounts; in these countries, our growth should therefore exceed the average growth of the market.

This can be accomplished, on the one side, by fully exploiting our distribution system and, on the other side, by improving and innovating products and services to customers.

We have planned some significant changes in the organisation structure in order to streamline decision-making processes and we have coordinated more effectively our Group programmes. This new corporate governance will help the Company get closer to both other business leaders and our customers.

Many of the targets we intend to meet require the implementation of cross-border synergies involving other Group companies in several countries. To promote the achievement of our objectives, we are going to establish an International Committee composed of the heads of the most significant geographical areas and business divisions. Each committee member has been entrusted with the “sponsoring” of a specific operational plan, the monitoring of its advancement and correct implementation.

Even if the Group changed radically within this time horizon, our mission will remain the same: as we already said three years ago, our main objective remains that of placing Generali among the leading companies of the European insurance market in terms of value creation.

17. – The main target of the 2006/2008 Strategic Plan consists in achieving a normalised return on embedded value at 14.5% (against 11.9% in 2005).

We also plan to reduce the combined ratio index from 97.9% in 2005 to 95.5% by the end of 2008, despite a forseaable reversal of the technical cycle in the Corporate Risk segment and a slight drop in profitability of the Motor segment.

We still aim at achieving an average yearly increase by 10% in the new business value of the Life segment.

Moreover, we also intend to increase our net profit by 50%: this would imply a profit of about 2.9 billion Euro in 2008, compared to the profit of 1.9 billion Euro that was achieved in 2005.

Furthermore, we will also endeavour to double the dividend in the next three years (from 0.54 Euro to 1.8 Euro per share) within the framework of the above-mentioned optimisation of the capital structure.

The targets I have described so far are certainly very demanding but, in the light of what could be achieved in the last three years and the deep commitment of all our staff, we firmly believe that they can be met successfully.