Speech by Managing Director
Giovanni Perissinotto

Dear Shareholder,

In a particularly challenging economic context, which has seen the sharpest fall in gross domestic product of recent decades (by over 5.1% in Italy), our business model, based on rules inspired by prudence, a shrewd investment policy and effective geographical and distributional differentiation as well as rationalisation of processes, has proved sound and effective.

Despite this difficult scenario, the Generali Group has achieved some very satisfactory results, such as:

- strong growth in overall premium income, which exceeded € 70 billion (an increase of 6.2% on 2008 on a like-for-like basis); this is a very good result, and one of the best in the entire insurance industry;
- net premium income in the Life sector of over € 16 billion, nearly double the figure for the preceding year;
- excellent growth in new Life business in terms of both volume and profitability;
- a significant reduction in costs, due to programmes designed to increase the Group's operational efficiency;
- an increase of over € 5 billion in net equity, the largest increase in Generali's 178-year history;
- a strong rise in the Group's net profit (+52%), which increased to € 1,309;
- a proposed cash dividend totalling € 545 million, a much higher figure than the preceding year's € 212 million.

After falling to the minimum level in March 2009, the Generali shares began a strong recovery, with a decline of 3.4 percentage points as at 31 December 2009 compared with the value recorded at the end of 2008.

Extending the analysis to 15 September 2008, the date when the US Lehman Brothers bank filed for Chapter 11 bankruptcy protection, which also coincided with the start of a further steep reduction in share prices, the return on Generali shares as at 31 December 2009, though negative, was 4.9 percentage points above the insurance industry index.

We can therefore say, with legitimate pride, that the Group has made excellent progress in a year still adversely affected by the economic and financial crisis, without having to borrow a cent from either shareholders or the government.

Finally, as regards the current debate about the review of the rules and risk-weighted capital requirements for insurance companies, we hope that Parliament and the Supervisory Authority will bear in mind that this crisis was not triggered by the insurance industry, which has generally contributed to the stabilisation of the system.

1. – We will now look in greater detail at a summary of the results achieved. As usual, the results will be graphically illustrated in a multiannual context, to show the Group's development in a medium-term perspective.

As already stated, overall premium income, gross of reinsurance, stands at € 70.5 billion, up 6.2% on 2008 on a like-for-like basis.

In the Life sector, new production (expressed in terms of annual premium equivalents) reached € 5.2 billion, an 8.1% increase over the 2008 year end: this is also one of the best results achieved by insurance companies operating at international level.

In order to guarantee the development of the Life sector during the year, we invested € 1.5 billion, € 900 million of which represented purchase costs, while € 600 million took the form of capital allocated to provide a guarantee for new policyholders; we expect future cash flows with a present value of € 2 billion from these customers.
In other words, it is as if we had bought a Life company portfolio worth € 2 billion on the market in 2009 with an outlay of € 900 million, financing the purchase solely with the income generated during the year.

The combined ratio for the Non-life sector rose by 1.9 percentage points, following an increase in the loss ratio and a stable incidence of costs. Some major catastrophes occurred in 2009, such as the earthquake in Abruzzo and the adverse weather conditions which affected many parts of Europe.

The operating profit amounts to € 3.7 billion, a decline of 2.7%, on a like-for-like basis, compared with 2008.

We will now analyse the individual items that make up the operating profit in greater detail. Firstly, there was a significant increase in operating profit on investments, amounting to a total of € 18.9 billion, an increase of € 21.3 billion over the preceding year.

This latter item includes:

- income and expenditure relating to unit-linked policies, the risk of which is borne by investors, which have grown by € 15 billion due to the improvement on the financial markets. This increase was substantially offset by the increase in the corresponding reserve relating to this class of business, included in the net charges item relating to claims;
- net losses due to operational devaluations of stocks and bonds, which fell to € 998 million, as against 3.1 billion in the preceding year;
- interest and other income, which fell by 11.4% to € 11.7 billion. This decrease, due to the fall in short-term interest rates and lower dividends received on shareholdings affected by the crisis, is concentrated in particular in the Non-Life segment, where investments have a relatively short average duration and are therefore affected by the current steep interest rate curve.

To move on to the main cost items:

- growth in *net charges relating to claims*, which amount to € 68.2 billion. This item includes payments on maturity and claims, and appropriations to reserves. Appropriations to reserves significantly increased, especially in the Life sector, following good performance by the assets underlying unit-linked policies (appropriations increased by € 16.2 billion in this category alone);
- a further reduction in *management costs* which fell by € 16.7 million in absolute terms, mainly due to the reduction of overheads, which fell by 3.4% on a like-for-like basis;
- holding costs fell by 7.7% (by € 22.3 million);
- *other operating income and expenditure* passed from € -336.6 million to € -403.1 million. This last figure is mainly due to an increase in indirect taxation, and lower income from service activities.

2. – The total operating profit therefore amounts to € 3,676 million, a decline of 2.7% (on a like-for-like basis) compared with the same figure at the end of 2008.

The decline in question was mainly due to the 38.6% reduction in the operating profit of the Non-life sector, which was in turn caused by:

- the increase in the loss ratio, due to the critical trend of the Vehicle market in the main countries in which the Group operates (including Italy), as well as the impact of some Acts of God, such as the earthquake in Abruzzo and storms and floods in Europe, which have cost the Group some € 270 million;
- the reduction in current financial profitability, mainly due, as already stated, to the decline in short/medium-term interest rates characterising the average duration of securities in this segment.

Conversely, the operating profit in the Life sector shows a strong increase compared with 2008, amounting to 34.2% on a like-for-like basis. This result is mainly attributable to good returns on investments, and a considerable reduction in net valuation losses. The excellent trend of net premium income and the further reduction in management costs also contributed to this result.

The operating profit in the financial sector rose from € 332 million to € 432 million, an increase of 30.3%.

3. – We will now see how the net profit is derived from the operating profit. In particular:

- The non-operating result improved, from a loss of € 2.4 billion as at 31 December 2008 to a loss of approx. € 1.5 billion. This is mainly due to the € 678 million rise in non-operating income from investments, which benefited from a reduction of € 1,216 million in devaluations;
- non-operating holding costs, which mainly comprise charges on financial debt, amount to € 737 million;
- other non-operating income and expenditure passed from a negative balance of € 491 million to a negative balance of € 245 million; this was mainly due to lower appropriations and decreasing depreciation of the value of the portfolio relating to recently acquired insurance companies.

The *pre-tax* profit therefore amounts to € 2,168 million, an increase of 41.1% compared with the figure at the 2008 year end.

After deduction of taxes and holdings owned by the minority shareholders, the Group's net profit stands at € 1,309 million, an increase of 52.1% on the profit recorded as at 31 December 2008.

4. – The proportion of net equity attributable to the Group amounts to € 16.7 billion, an increase of € 5.3 billion over the 2008 year end.

€ 2.5 billion of this increase is attributable to the completion of the takeover of subsidiaries Alleanza Assicurazioni and Toro Assicurazioni by Generali.

Excluding that operation, the equity increase would have been € 2.8 billion (24.5%).

This amount is mainly attributable to:

- the profit earned during the period;
- the improvement in the reserve for net profits on financial assets, due to the recovery of stock and bond prices during the year in question.

This performance is among the best in the industry.

5. – The Group's investments amount to approx. € 341.5 billion; including assets managed on behalf of third parties, which amount to approx. € 84 billion, the total investments exceed € 425 billion (up 7.5% compared with the 2008 year end).

Assets relating to unit-linked policies, where the risk is borne by the insured, amount to € 42.5 billion, while investments in which the risk is borne by the Group amount to € 299 billion.

If the portfolio is analysed by asset categories, it will be seen that:

- exposure to the fixed-income investment sector accounts for 81.5%; The quality of the securities in question is very high, as 48% are represented by Treasury Bonds and 33% by corporate securities with an A rating or higher;
- stock market exposure amounts to 9.3%;
- real estate which, as you know, is recorded at cost as required by current accounting standards, accounts for 4.9%, and represents an invaluable diversification of our investments;
- while other investments (mainly loans and debts receivable) amount to 4.3%.

Technical reserves amount to a total of € 304 billion, an increase, on a like-for-like basis, of 10.1% compared with the 2008 year end.

In detail, the technical reserves relating to the Non-life sector stand at € 29.6 billion, an increase of 1.1%; those relating to the Life sector, amounting to € 274 billion, show an increase of 11.3% on a like-for-like basis, partly due to the large amount of premium income already mentioned.

Rather than talking about the Group's total indebtedness I will now focus on financial debts, because operational debts derive from the insurance and banking business, and are offset by the assets.

Financial borrowing, which substantially enabled us to finance the acquisition operations without having to raise funds from our shareholders, amounts to € 14.3 billion.

The financial debt increased following the issue of a € 1,750 million senior bond in the third quarter of 2009, which will be used to pay off the debt falling due in July 2010; net of that component, financial borrowing is therefore substantially unchanged compared with the preceding year.

That issue, which was brought forward in order to take advantage of a favourable period on the markets, was so enthusiastically received by investors that out of a total offering of € 1,750 million, orders for over € 6 billion were placed in just half an hour. This demonstrates the prestige and soundness of our Group, especially during periods of crisis on the markets.

Net of the bond maturing in 2010, the average interest rate is 5.35%, and the duration is 7.8 years.

6. - We will now briefly examine the main figures relating to the parent company's trend in 2009.

In view of the parent company's profit, the distribution of a dividend is recommended.

The total premiums from direct insurance business subscribed in Italy in 2009 amount to € 6.6 billion. In particular:

- direct premiums relating to the Non-life sector amount to approx. € 3 billion (the combined ratio remains stable, at around 98.3%);
- direct premiums earned in the Life sector (again in Italy) amount to approx. € 3.7 billion. The considerable decline compared with the preceding year (-5.9%) is mainly attributable to the decision to limit large single-premium capitalisation policies because they are no longer advantageous in view of the market trend. Excluding this latter type of policy, premium income remained stable compared with 2008.

The net profit of the parent company, amounting to € 556 million, did not benefit from the specific legislative provision which enabled us to mitigate the effects of the very serious crisis on the financial markets in the 2008 financial statements.

However, the recovery of the financial markets in 2009 enabled the Company to avoid using that power, and to return to the ordinary rules for valuing financial instruments; the results achieved by the Company in 2008 and 2009 are substantially similar on a like-for-like basis.

We therefore recommend that a unit cash dividend of 35 cents per share should be paid from the profit for the year: a 133% increase on the 15 cent dividend paid last year.

As the growth of the total dividend is greater than that of the consolidated net profit, the pay-out level has risen from 24.6% to 41.6%, a ratio similar to the one recorded before the crisis occurred.

The proposed dividend strikes a balance between the remuneration paid to shareholders, sound equity and, as mentioned, the major investments made to finance new Life business which should lead to future profits.

To sum up, bearing in mind the difficult context in which we have operated and the investments made to guarantee the soundness and future profitability of our business, this dividend is the highest we can recommend.

7. – In conclusion, I can announce that the favourable trend that emerged in the last few months of 2009 continued in the first quarter of the current year.

At the end of March, total premium income amounted to € 20.8 billion, an increase of 16.2% (on a like-for-like basis) on the corresponding period of 2009.

In particular, excellent performance was recorded in Italy, the main market for the Group's operations, where premium income amounted to some € 5.4 billion, a 22.6% increase (again on a like-for-like basis) on the first quarter of the preceding year.

The result in question is substantially attributable to:

- significant growth in the Life sector (+37%);
- a favourable trend in the Non-life sector (+0.4%), particularly supported by good performance in the Vehicle segment (+1.5%).

Finally, we trust that the economic recovery (which is currently proceeding at different rates in the various areas in which we operate) will be consolidated in 2010, enabling us to continue the favourable trend that emerged in the first quarter of the year and to return to the profitability levels of past years.

Thank you, Ladies and Gentleman.