

Address by the Managing Director
Mr. Sergio Balbinot

As you may know, the visibility of the Generali group abroad was not always matched in the past by a strong operating profitability. Also in this respect, the 2003/2005 three-year Plan stood out as a major opportunity, because we wanted to succeed in combining visibility with a good performance also on foreign markets.

To do so, we knew that some preliminary crucial steps had to be taken:

- we would have to *change our business culture* – something we had already mentioned in the past – by shifting our business focus on value creation, optimisation of results (also in relation to the amount of allocated capital) and on the setting of new benchmarks, such as the return on embedded value;
- but we would also have to *change our business model*: let us not forget that we are present in many foreign countries by means of separate companies which, in the past, were managed quite independently the one from the other.

Now we have moved to a model tending to concentrate *back-office* activities, while maintaining the independence of the different brands and distribution channels: this process will be further optimised in the new Business Plan, which will pursue synergies also at a transnational level, especially with regard to asset management and IT services.

The three-year period that has just ended allowed us to reap excellent results, also because its foreign strategy was focussed on a significant renewal of the business. This has contributed to a significant technical improvement, which translated into an 11% drop in the combined ratio and a 47% growth of the new business value.

The major challenge has consisted in matching this important transformation with a corresponding development. In these last three years, the volume of premiums rose by 27% and the group could achieve two goals which are usually mutually exclusive: growth and increase in profitability.

In view of an international development, we have pointed out on many occasions that the Group's core market has always been (and shall always be) the European one, where we are very well repre-

sented and ready to seize any opportunity arising, as occurred in France some years ago.

However, there are also two other large areas which will be medium and long-term target areas for the Group, namely Eastern Europe and China.

Over the last three years, we have endeavoured to consolidate our position in the Eastern European market by means of acquisitions and the subsequent integration of companies previously belonging to the Zurich group. The growth that followed has been remarkable, with a 90% increase in the Life business also without any new acquisition.

The new three-year Plan also highlights our intention to expand our geographical scope to other areas as well, where the Group is not represented yet: for example, we recently started penetrating the Serbian market.

Referring back to China, I would like to stress what the press has already pointed out, namely that Generali is the first foreign insurance company that entered this market, despite the fact that other foreign companies had been present there for a much longer time.

We can therefore say that the Generali Group is very renowned in China today and has gained a high visibility and reputation, also thanks to the recent underwriting of a renowned single Life premium (one of the most important policies ever underwritten on the international insurance market).

We are very proud that Generali, an Italian company, is regarded as an investment model in China.