



30/04/2013

2013 Annual General Meeting

## Transcript of opening remarks

### MARIO GRECO, GROUP CEO

Thank you Mr President.

Good morning everyone, thank you for coming today. It is a pleasure to have so many of you here for our Annual General Meeting.

2012 was a year of change for Generali. It was the year we started a turnaround of our Group to address its underperformance and declining profitability that have been going on for years and made Generali lose its traditional leadership position. Leadership in terms of profitability and capitalization that we enjoyed for many years.

The Group needed a strong and decisive restructuring to lead it back to the performance of the past and to gain the competitive position we deserve again.

In January, at our investor day in London, we set out the strategy for achieving this turnaround. So allow me share with you the vision of how our Group will look by 2015 and the strategy we will implement to reach these goals.

- We will increase profitability driven in part by our P&C business that we expect will account for around half of our targeted operating profit of more than €5 billion in 2015
- Our capital position will be restored to a level that allows us to compete more effectively with our international competitors
- We will be disciplined and transparent in our balance sheet, investing prudently without taking speculative risks. We won't invest in strategic shareholdings besides our insurance core business.
- We will be more effective at generating cash and expect over €2 billion of free cash flow per annum starting from 2015.
- We will be less complex and more focused on the business of insurance
- We will be more efficient and we will achieve €600 million of savings by year end 2015
- We will pay a steady and progressive dividend and our decision to keep this year's payout at the same level as 2011 – notwithstanding the substantial impairments we took that impacted the net result – is a sign of our commitment to this

I also want to be clear that there are some elements of our business that will not change. This is a company with a unique and rich heritage – a true international success story that has Italy and Trieste as its starting points. From our roots in Trieste we have over the past two centuries built an international insurance company with a strong brand, well-known across the world, market leading

technical capabilities and employees who are experts in their fields. It is a franchise that gives us much to be proud of, a strong base to build on and this is what we intend to value in the next years.

I also want to be clear on another important issue – we have no intention of asking our shareholders for capital to strengthen our solvency or rebuild our balance sheet. I don't think it would be fair, we have never thought it would be fair and it's not what we need. We have a clear strategy of improving our capital solidity through the disposal of non-core assets.

We have already disposed of Migdal and sold 12% of Banca Generali, increasing free float and allowing the listed company's shares to pick up further. We have announced the start of processes for both Generali US and BSI, both of which are progressing on track and we don't expect surprises. Let me underline that we won't sell assets unless we are convinced that the price is right. We are not forced to sell briskly or badly.

Achieving the deep turnaround fully will take time, but we have already made a number of significant steps to turnaround our business.

We have begun to address the weakness of Generali's balance sheet and the Group's limited ability to generate capital organically. This was the result of opaque governance, a lack of a clear, focused strategy and conflicting business priorities. So, one of my first tasks was to simplify our organisational structure and internal governance systems and bring the management of Generali more in line with its international peers.

A key part of this was the creation of a Group Management Committee, which will be responsible for decision making as far as our strategic choices are concerned as well as monitoring and evaluating Generali's financial and industrial performance. The composition of the GMC team reflects the fact that we are an international business and brings together external talent with new and diverse experience alongside those with deep knowledge of our Group and outstanding technical capabilities.

Another important initiative started in 2012 is the re-organisation of our business in Italy, to improve its competitiveness and streamline its activities. This involves investing €300 million over the next three years to strengthen our sales networks and simplify the brand strategy and product portfolio. As a result, we will integrate the existing ten brands into three, each with a clear proposition and distinct market positioning. This will enable us to channel our resources more efficiently and invest in product and client service innovation to remain leader in our most important market.

Let me now talk through what we've done with our GPH JV business in Central and Eastern Europe, which in the past had caused so much uncertainty around Generali and raised many doubts over our ability to take control of it without resorting to a capital increase. The deal we've

reached to buy the minorities is at a fixed amount of €2.52 billion, payable in two tranches, giving us certainty in this transaction's price and costs. We acquired the first tranche at the end of March 2013 and the remaining 24% stake will be purchased by the end of 2014.

This is a good deal for us, made at the lowest values envisaged by the 2008 contract. You shareholders now have clarity on the future of GPH, the required financial commitment and our overarching strategy in the region. We have leadership positions with healthy profitability in many of the higher-growth potential markets in Central and Eastern Europe. Therefore the CEE region will continue to be a core market for us. And we now have management control of our joint venture and so are able to apply the changes we are making across the Group to these businesses as well.

Our strategy from now to 2015 is simple – to refocus on the business of insurance and deliver improved profitability for our shareholders. Our watchwords will be discipline, simplicity and focus.

We have made a good start and have a clear strategy to take the business forward and go back to being leader. Let me list once again the six significant steps we have made in 2012 that make us look at 2013 with optimism:

- We have introduced changes to enhance our internal governance structure to provide much needed clarity and transparency;
- We have removed the uncertainty around our Central and Eastern European JV;
- We have taken concrete steps to improve our capital base and balance sheet;
- We have completed an accurate asset review of all our financial and real estate investments;
- We have launched a substantial programme of investment for our business in Italy to strengthen our brands and distribution;
- We have refocused on our core business and introduced tighter cost control.

I am confident that these changes will enable us to begin to unlock the huge potential of this company. This is just the start of this journey, and undoubtedly there will be bumps in the road, but we have a motivated team of 80,000 experienced and highly capable employees around the world focused on delivery of our plan.

The incentives for the senior management are now aligned with those of our shareholders, so that we maintain discipline and focus on our goals.

Looking forward to the remainder of 2013, we are starting to see encouraging economic indicators, particularly in Asia and the US. The European situation is still weak, though. Against this backdrop, we continue to look trustfully at the rest of the year. We ended 2012 with a very strong fourth quarter. We started this year with the same momentum and the steps we made are beginning to bear fruits and will surely support the Group throughout the year.

I will now hand over to our CFO Alberto Minali to talk you through the highlights of our financial performance for 2012 before opening up the meeting to your questions.