

Speech by Managing Director
Sergio Balbinot

Dear Shareholders,

Before presenting some brief data regarding the Group's foreign business as usual, I must say that 2007 was an exceptional year, because we achieved good results in terms of both growth and operating profit, without neglecting our development on emerging markets.

As regards the emerging countries, I would mention the grant of a licence to operate in the Non-Life sector in China, the setting up of a joint venture with the Future Group in India, and finally, the important operation conducted in Eastern Europe, due to which the Generali Group now holds an excellent position on a rapidly developing market.

In general, Generali's foreign business shows an overall development rate of 6% (6.4% in the Life sector and 5.4% in the Non-Life sector).

The new business value has grown by over 20%, whereas the combined ratio remains practically unchanged despite the consequences of hurricane Kyrill, which cost the Group some € 160 million gross.

Since 2002, General's income has increased by over 40%, the combined ratio has fallen by 12 percentage points, and the new business value has grown by 160%.

These figures are no accident, but due to the implementation of a very clear strategy, based on the existence of two macroareas: continental Europe on the one hand and the emerging countries on the other.

The former has always represented the life blood of the Group in view of the existence of large controlled companies, significant market shares, an excellent distribution capacity and outstanding results. However, as it is a highly competitive market which tends to be saturated rapidly, in order to maintain our leading role we have focused on operational efficiency (the only way of competing at high level) and innovation, which is necessary to maintain the current development trend on such saturated markets.

As regards operational efficiency, I should briefly mention the significant results deriving from the process of reorganisation recently conducted in France (where the companies operating on the market have been concentrated into just two organisations) and the one currently being implemented in Germany, which will change the operational model.

Secondly, I would stress the results obtained with the skill-based and scale-based programmes designed to exploit the strengths of the Group, with a view to reducing costs by a total of € 700 million in three years.

As regards innovation, I would stress the aspect of distribution as well as products.

Nowadays, renewing distribution capacity basically means selling insurance products direct. The Group is already the market leader in this sector on the three most important markets: Italy with Genertel, Germany with Cosmos Direct, and France with Generali France which earned over € 800 million last year, by selling life assurance policies over the Internet.

As regards product innovation, I believe it is very important to seek new market niches: for this purpose, we have identified the market represented by *elderly people*. As over 55% of assets belong to people aged over 55, we have created a product that offers customers the opportunity to activate a process of decumulation of the assets accumulated during their working lives.

As regards the developing countries, I believe that in about 20 years time, the geographical organisation of the Generali Group will have changed considerably and present a more balanced ratio between the percentage of business accounted for by continental Europe and by the developing countries, as the latter are achieving very good economic growth rates, because they have a strong propensity to saving and low insurance penetration; they consequently represent the greatest challenge to the major insurance groups.

To return to what I said at the beginning of my speech, one of the most important events of 2007 was the grant of a licence to operate in the Non-Life sector on the Chinese market. Although it does not yet extend to the vehicle sector (which accounts for the majority of the premium income in the sector) it still represents a very important result, because it has opened the door to our Group in this sector too.

I would also mention the historic entry of Generali onto the Indian market as a result of a joint venture with the Future Group, which is

the leading company among the local mass distributors, with 25% of the distribution area on the entire market.

Finally, as regards Eastern Europe, the joint venture entered into with the PPF group, already illustrated in detail at the General Meeting in April last year, gives the Generali Group market leadership in this geographical sphere.

In conclusion, I would just add that in addition to the excellent results achieved, we have also made a very good profit by taking opportunities as they arise, and this bodes very well for the future, when Generali will be a leading player on the international financial scene once again.

Thank you.