Speech by Managing Director
Giovanni Perissinotto

Dear Shareholder,

We are currently experiencing the most serious recession of our era. It began in the second half of 2007, but its full effects were not felt until the 2008 accounts.

This economic trend had adverse effects on the insurance industry, especially during the last few months of the year.

In the main European countries, the sharp decline of the securities markets led to a reduction in Life insurance premium income, especially in France and Italy (where a significant part of the market consists of products with a strong financial content), in particular policies distributed by bank branches.

The Non-life sector suffered from the effects of low economic growth and the continuance of the *soft market* phase (also known as the *low-price phase*), especially in the Vehicle and Business Risks sectors.

1. - The very poor trend of the financial markets was reflected in our accounts, mainly in terms of:

- a considerable reduction in the *reserve for latent capital gains on financial activities* (down € 3.1 billion compared with the end of 2007);
- strong growth of *devaluations of investments* (which rose from € 317 million as at 31 December 2007 to € 5 billion at the end of 2008);
- a significant decline (amounting to € 2.1 billion) in the *net annual profit*, which amounts to € 861 million for the year in question.

In this difficult context it was more important than ever to continue implementing reorganisation and restructuring operations: this enabled us to achieve some important results in terms of rationalisation and improvement in processes, leading to a reduction in costs and an improvement in the services offered to customers.

In particular, I would mention the well-advanced restructuring process in Germany and the incorporation in Italy of Generali Business Solution, which has taken over the companies in the Group involved in payment of claims and administrative and IT services. The synergies deriving from the reorganisation processes completed in Italy are valued at approx. € 143 million.

In a nutshell, although a group like Generali with a large securities portfolio could not avoid the negative repercussions of the 2008 trend, some favourable evidence has emerged of the soundness of the Group, the usefulness of its efficiency drive, which has been continuing for several years, and the efficacy of our business model, which has enabled us to maintain good development trends despite the very difficult scenario.

We estimate that if the direct effects of the current financial crisis are excluded, the operating profit and annual profit increased compared with 2007; this indicates that favourable trends are sure to reappear when this particularly critical market phase is over.

In 2008, despite the negative trend (-37%), the Generali shares recorded an overperformance of nearly 10 percentage points compared with the European SXIP Insurance index, and 11.3 percentage points over the Italian MIB30 index.

During the two-year period 2007-2008, our shares outperformed the SXIP index by 17.4 percentage points and the MIB30 index by 16.2 percentage points.

Before analysing the results, I would therefore like to thank all our personnel who, with their professionalism and dedication, have enabled us to tackle a particularly turbulent, difficult scenario with the necessary confidence.

2. – We will now move on to analyse in detail the main results obtained at the 2008 year end; as at the last General Meeting, they will be illustrated graphically in a multi-annual context, to enable shareholders to appreciate the Company's development in the medium term.

In particular, it should be noted that:

- overall premium income, gross of reinsurance, stands at € 68.8 billion, up 3.9% on the preceding year: this result is one of the best in the entire insurance industry;

- the *combined ratio* of the Non-life sector increased by 0.6% due to the considerable increase in costs (0.4%) and claims (0.2%);
- the annual premium equivalents in the Life sector amounted to € 4.8 billion, 5.3% up on 2007: this result is also one of the best in the industry at international level;
- the operating profit, namely the profit deriving from the Group's core business, net of extraordinary factors, has declined by 18% since 2007, now standing at € 3.9 billion.

3. – With regard to the operating profit, the reduction recorded is largely attributable to the steep decline in operating profit on investments, which showed a total loss of € 2.4 billion. This is mainly due to:

- the considerable reduction in income and expenditure relating to unit-linked policies (which amount to € -9.9 billion, a decline of approx. € 11 billion compared with the 2007 figure of € +1.3 billion), where the risk is supported by the insured, due to the negative trend on the financial markets;
- the increase to € 3.1 billion in *net losses resulting from operational valuations of other financial instruments and real estate investments*, mainly consisting of net losses resulting from share valuations, especially in the second half of 2008, and mainly in the Life sector;
- all of which was only partly offset by 8.3% growth (to € 13.2 billion) of *interest and other income*.

The cost items show:

- a 27.5% decline in net expenditure relating to claims (which stand at € 44.5 billion), due to the poor performance of investments. Expenditure relating to the Non-life sector has increased from € 13 to € 13.8 billion;
- an increase in management costs to € 11.2 billion, € 10.6 billion of which relates to insurance business; in particular I would stress that the homogenous increase in the costs of administering the insurance business was limited to 3.3%, due to the cost-cutting initiatives specified in the Strategic Plan. To explain the trend in more detail, I should mention that in Italy alone, renewals of contracts of employment involved an increase of approx. 6.8% in personnel costs in 2008.

As already stated, therefore, the operating profit stands at € 3.9 billion, an 18% decline compared with the preceding year.

This decline was caused firstly by the considerable reduction (27.7%) in the operating profit of the Life sector, due to the great reduction in income from financial management, and secondly to the reduced operating profit in the financial segment, which declined by 11.4%.

This trend was only partly offset by the 5.4% growth of operating profit in the Non-life sector, which benefited from the favourable contribution made by the Central and Eastern European countries.

This last figure is even more significant in view of the fact that the Non-life market showed a particularly difficult trend in 2008, characterised by:

- strong competition in the Vehicle segment, leading to a reduction in average premiums;
- the increase in the average cost of claims;
- some large claims in the main countries in which we operate.

4. – We will now see how the *net profit* is derived from the *operating profit*.

The non-operating loss stands at approx. € - 2.4 billion, compared with € -76.8 million at the end of 2007. This result is mainly due to the € 2.1 billion decline in non-operating income on investments, which was affected by share devaluations amounting to approx. € 1.9 billion.

The non-operating costs of the holding company amounted to € 701 million, a decline of 1.3% compared with 31 December 2007: the 9.3% increase in interest payable on the financial debt, mainly deriving from a new loan taken out for the acquisition of Banca del Gottardo in the first few months of 2008, and subsequently refinanced with subordinated debt, was amply offset by the € 66 million reduction in other non-operating costs of the holding company .

The *pre-tax* profit therefore amounts to € 1,537 million; after deducting taxes and minorities, the net profit for the year, as already stated, stands at € 861 million, a decline of approx. 70% on the preceding year.

5. – Moving on to analyse the main equity figures, the Group's share of the net equity amounts to € 11.3 billion, a decline of € 3.5 billion compared with the end of 2007.

The reduction in question is mainly due to the lower profit obtained and the decline in the reserve for net profits on financial assets, which was affected, as already mentioned, by the steep decline in share prices during the year in question.

These figures, though certainly unfavourable, need to be viewed against the background of a *record decline* in market trends: nevertheless, the solvency coefficients are still very positive, and among the highest in our industry.

Another *promising sign* is that this performance was again one of the best in the industry at international level.

The Group's investments amount to approx. € 327 billion. Taking account of assets managed on behalf of third parties, which stand at € 68.6 billion, the total investments amount to €396 billion.

Assets relating to unit-linked policies, where the risk is borne by the insured, amount to approx. € 41.4 billion.

Investments in which the risk is borne by the Group amount to € 285.8 billion.

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

- exposure to the fixed-income investment sector accounts for 80.9% of the entire securities portfolio. The *quality* of the securities in question is very high, as 56% are represented by Treasury Bonds and 39% by corporate securities with an *A rating* or higher;
- 7.8% of investments are shares;
- investments in real estate (which guarantee invaluable diversification of investments) amount to 5.1%;
- and other investments (mainly loans and/or debts receivable) amount to 6.2%.

Finally, the Group has no assets invested in *sub-prime* mortgages or other debts rightly described as *toxic*.

The total reserves amount to € 295.8 billion. In particular:

- those relating to the Non-life sector amount to € 29.2 billion, an increase of 3.1% over the end of the preceding year;
- those relating to the Life sector amount to € 266 billion. In this respect I would stress the considerable increase (+3.9%) in the

mathematical reserves (which amount to € 218 billion), mainly attributable to net premium income exceeding € 7 billion. This figure is particularly significant in view of the fact that it was achieved in a very difficult context, characterised by a serious crisis of confidence among investors.

Rather than talking about 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 borrow from our shareholders*, amounts to € 12.3 billion, an increase of € 0.9 billion on 2007. In this respect, it should be noted that Generali is the only company among its main competitors not to have called on its shareholders to make any economic sacrifice in the last ten years.

A very favourable sign is the ease with which we were able to refinance part of this debt in the first few months of the current year, despite the almost total credit freeze: demand for our issues was over 4 times greater than supply. This is the best demonstration of the trust enjoyed by our Group on the financial markets.

6. - We will now briefly examine the main data relating to the parent company's trend during the period in question. In view of the parent company's profit, the distribution of a dividend is recommended.

Overall premiums from direct insurance business subscribed in Italy amount to € 7 billion, a decline of 1.9% compared with 2007, contrasting with a market decline of 8.5%.

In particular:

- the direct premiums subscribed in Italy in the Non-life sector amount to € 3.1 billion, a decrease of 0.7% compared with the end of 2007. The net combined ratio stands at 98.4%;
- direct Life insurance premium income amounts to € 3.9 billion (-2.8%), while the market is estimated to have declined by 13.5%.

7. –The distribution of a unit cash dividend of 15 euro cents per share is therefore proposed, together with the allocation of 1 Generali share for every 25 owned, drawn from the Company's stock of its own shares.

Using yesterday's closing price of the Generali shares, namely € 15.11, the unit valuation amounts to € 0.75 per share and the overall valuation to approx. € 1.1 billion, € 203 million of which is in cash and € 817 million in shares.

In view of the very difficult context in which we have operated, I consider that this proposal is highly satisfactory.

8. – Finally, I will report briefly on the initial evidence of the Group's trend during the first three months of this year, which will be examined in detail by the Board of Directors on 13 May.

Despite forecasts by some economic observers, according to which the first quarter of 2009 may be the one most seriously affected by the current crisis, total premium income recorded at Group level, amounting to over € 18 billion, remained substantially stable compared with the first quarter of 2008.

In the first three months of 2009 the accounts will be influenced by significant adjustments to the securities portfolios: nevertheless, we expect the final result to be favourable.

There were slight signs of economic recovery, and the stock market was definitely more optimistic. We hope that these trends will be consolidated later in the year, allowing a return to the profitability levels achieved by Generali in past years.

Thank you.