

# Assicurazioni Generali SpA Annual Shareholders Meeting

## Company Participants

- Cristiano Borean, Group CFO
- Gabriele Galateri di Genola e Suniglia, Non
- Philippe Roger Donnet, MD, Group CEO & Director

## Presentation

### Gabriele Galateri di Genola e Suniglia

Good morning. It's 9 o'clock, we can start, like every year.

Good morning. Welcome here to the Shareholders Meeting of Assicurazioni Generali. And today, in ordinary -- extraordinary sessions at the Palazzo dei Congressi of Stazione Marittima in Trieste.

In line with the Articles of Association, I'm taking up the role of Chair. I am requiring the assistance of a secretary in line with Article 25 of the Articles of Association. And I'll call in Giuseppe Catalano, Secretary of the Board of Directors. The notary is required just for the extraordinary sessions and it is not necessary for the ordinary session. I invite Mrs. Daniela Dado to draw up the whole meet -- the whole minutes of this meeting.

This year, Assicurazioni Generali will broadcast by streaming the first part of the meeting: my report, Philippe Donnet's report and the CFO report. And I also welcome all those who are attending this meeting by -- in streaming.

The shareholders meeting is one of the main communication events of the company. And we want to have the widest possible audience and providing the same accessibility in terms of content and for our reports. This service is an excellent service for Generali at international level. We have the simultaneous interpreting service in Italian, French and Spanish and sign language. The streaming service is very simple and straightforward. And we want to involve all those who have an interest in the life of our company, with the IT tools supported by the infrastructure networks. And this approach is in line with the Generali strategy, which is very attentive to the technology and business. And this is how we want to involve an increasing number of retail shareholders. And because we also have 230,000 people. And I met some of them last night.

After the report, for the formal part of the session, we'll only be -- will not be broadcasted by streaming.

Now the first part of the meeting. And there was no quorum on the first call of the shareholder meeting. And the second call today, 7th of May, 2019, we are holding the

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shareholders meeting of Assicurazioni Generali in ordinary and extraordinary call. In line with Paragraph 3 of article 2369 of the Italian Civil Code, the shareholders meeting is regularly held irrespective of the represented capital. At (9.03), the registration operations who were implemented by the subjects, representative of 14.092% of the Generali; and by proxy, 33.92%. And with a total of 47.327% of the share capital, including the voting rights which have been suspended under the Italian Civil Code. And the shareholder meeting is regularly held in ordinary session in second call under Paragraph 3 of Article 2369 of the Italian Civil Code and article 21.2 of the Articles of Associations.

Now the notice -- our reports. And they are about the performance the company in 2018. I will start with my speech.

And good morning. Welcome to our shareholders who are here today or they are with us by streaming. And as a tradition, I also welcome you on behalf of the Mayor of Trieste. I also welcome the members of the Board of Directors that I have the pleasure to chair. And today, their office is coming to an end. I will speak about the Board, its quality and its effective service for the company. Finally, I wish to welcome the executives and the colleagues of the group, in particular, the group Chief Financial Officer, Cristiano Borean, who was recently appointed in his role.

And I open the session sharing with you some introductory remarks. And we will talk about the current social, geopolitical and macroeconomic scenario that is undoubtedly complex, that the economic growth that is slowing down. And the international scenario is showing 2 blocks, the China and the U.S. And we've seen this morning that there is a conflict between economic, political and -- issues.

Europe is in the middle. And -- which unable to express (common regions) on fundamental issues such as industrial policies, defense and immigration. (Brussels) is still busy with the complex negotiations of the -- with the U.K. over Brexit; and on the other, the renewal of the parliament. And these 2 issues should and must give an impetus to the integration process, without which, Europe is losing its weight and credibility at international level. But there's also a risk to waste the progress that has been made since the Treaty of Rome in 1957.

Generali has a great trust in Europe. And we believe that some typical trends in our continent, like the aging of the population and a productive structure supported by small; and medium-sized enterprises, offer significant opportunities for insurers and for asset management. However, the union must become stronger on the basis of uniform strategies and a shared vision for the future.

I'm still positive. And in spite of everything, the global economy is growing. And the United States will grow by 2.3%; China, over 6%; and Europe, 1%. Overall, for the world production, the world production is expected to increase by over 3%. It is not recession.

In our continent, the average wages will remain solid and they're pushing the internal demand. And surveys and voting preferences confirm that the European Parliament will remain ruled by a moderate and pro-European majority. In Europe, the growth will be -- in

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Italy, the growth would be marginal in 2019 and there's a slowing down of our main international partners. Intentions in global trade and our structural weaknesses weight on the economy. But the system remains sound.

Italy is among the main net exporters at global level. First, a leader in many sectors; second, manufacturing producer in Europe in terms of added value. And it has a busy and successful industry with over 30,000 companies in advanced technologies. And we are well above any other European country. And I believe that Italy's potential is still considerable.

Let's talk about the insurance company and save -- the asset saving. And we are still -- in the next few years, the global premium increase should continue to grow by 3%. And this growth is due to natural factors due to the economic increase generating an increased demand in protection. But not only that, an important component is the evolution of insurance products: integrated, innovative solutions to respond to emerging needs in line with the social development, like disease prevention, assistance and long-term actions. And insurance companies will have an increasingly important role in preventing, mitigating and covering losses which are resulting from climatic change and the natural catastrophes. And we will see the strategy that Generali is implementing in this respect.

And the global warming is resulting into a higher frequency of extreme natural events and these losses are not covered in general. And according to the latest data, 40% only of catastrophe damages is insured. So as for asset management, there has been a significant growth in recent year. And this is expected to continue and drive result.

First of all, the population evolution. And as a result of the aging of the population and the pressure to contain expenses well, households and individuals will continue to invest. And the values from the managed assets will reach \$109 billion by 2022 with an increase of over 40% versus 2017, because the population needs to have a vision for the future in spite of the common impression that young people are attentive to their savings and millennials tended to save twice as much as those belonging to my generation.

So now let's talk about Generali. In this context, Generali reached a very good result. As you have seen, in particular in 2018, the group has increased the operating value and the net profit. And it has further increased the dividends at a break -- a record-breaking level. This performance is marked in the conclusion of (a survey), a significant transformation. And these are -- this is evidence of the very good strategy that was adopted. In -- Generali has achieved its financial restructuring in 2015 and is implemented in industrial restructuring today. The group is more sound, more streamlined in terms of international prices and more efficient and resistant to financial cycles thanks to a mix of products with an added value, a better risk profile and therefore a lower capital absorption.

It is now time to reap the opportunity of increase offered by the industrial -- by the insurers in industry. And Generali wants to do that by implementing the new strategic plan, Generali 2021. Philippe, shortly, will talk about the main lines of this plan. And I wish to focus and how Generali 2021 will support human resources, their needs and the quality of life.

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For decades, the insurance companies implemented their social role on mutualistic principles. (In fact), they were more focused on the technicalities of their policies than their customers. Now the situation is the opposite. Now the digital innovation enables to create completely different solutions, more in line with customers' needs. So in line with the Generali 2021, the company will define modular solutions, flexible, simple and connected solutions aimed at improving life. Insurance will be transformed into a customized system. And individuals and companies will have the necessary flexibility to free all their potentials and to drive them to safer behaviors and prevent injuries.

Now for instance, in our Life business, data analytics enables to understand more in details the behaviors of customers, assess risks and define rates. In the motor business, we can analyze data from the black boxes, not only to offer discounts to the most virtuous drivers. But also to provide a useful advice on how to drive safely and to save.

The new strategic plan is based on 3 pillars: profit growth and capital management and financial streamlining. Innovation and digital transformations are enabling factors that have been identified, like the human resources and the commitment to sustainability. I will talk about these 2 issues.

As for our employees, I want to take this opportunity to thank them for their constant commitment. And the company will provide them with the digital skills to drive the evolution of the organization that will be further simplified and make more agile and efficient. And we will support a customer-based culture. And we will support leaders and young talents through international programs. And we will support excellence and the ability to create value. We believe that Generali will position among the companies with the highest rate of engagement of employees by 2021. And the share plan for employees is evidence of that. And today, you will be called upon to adopt it.

As for sustainability, this is about the strategic role we play in promoting growth, development and the well-being of modern society. This is a huge challenge going beyond the environment. But all this has been summed up in our Charter of Sustainability adopted by the Board in 2017. With the new strategy, Generali 2021, we'll focus on some specific objectives involving (well-connected) sustainability to our core business. And we will increase premiums from products with environmental and social context, increasing sustainable investments. And we have already started.

And we -- The Human Safety Net is expanding. This initiative was launched a year ago and it has been -- already been implemented in 18 countries to support communities where Generali's operating. And this is aimed to fight inequalities and support vulnerable households. So The Human Safety Net is not just charity. We are not just giving out money. This is a movement of people. And it is aimed at involving anybody who has an interest in it taking part of that, starting from our colleagues. And recently, some projects were launched on corporate volunteering. And we will also expand that in other areas.

As for the climate change, Generali is proactively implementing the climate strategy presented in 2018. The direction is clear, we want to increase the commitment of the group to green sectors and to dismiss carbon-based activities with a practical

commitment in terms of investment and in terms of insurers. And I will also explain in the Q&A session how I have been involved directly. And in the countries that rely heavily on boat -- on coal, some actions have been launched in line with a proper transition to a low environmental impact.

Before ending my speech, I would like to talk about the work that was performed by the Board of Directors, who is here today. And we are at the end of our office. I wish to thank the directors. And I'm saying this honestly. And this is -- these are not just kind words. And I wish to thank the directors who have been involved in an open and exciting and useful debate. And each word is appropriate to the work that they have done.

And the Board of Directors of Assicurazioni Generali is in line with the national and international practices in terms of company governance. And it is a gold standard, not only in the insurance sector in particular, our government -- governance model is excellent in terms of professional skills, commitment and independence of directors. And the Board of Directors of Generali is an example in terms of size, diversity and the mix of skills and competencies. I would like to underline the quality of human relations, that respecting different opinions have enabled a shared work in the interest of the company and its shareholders.

Finally, I would like to sum up with a maritime metaphor, the Generali journey and its perspective. The ship of Generali in recent years needed some extraordinary managements and renewal. This action has been implemented with discipline and vigor in spite of the complex context. And the waters have been increasingly troubled and they continue to be so. The result is a stronger and faster and more modern ship with a competent and shared crew led by officers who are united and ambitions and supported by ship owners, who are you, the shareholders and investors. Because like our founders here in Trieste almost 200 years ago, you are able to see and support the promises and the destinations that the Generali ship is about to reach.

Thank you for your attention.

Now the floor to Philippe.

**Philippe Roger Donnet** {BIO 4657671 <GO>}

Thank you, Mr. Chairman. Good morning, you all. Dear shareholders, I thank you very much for being here today and also because you continue trusting Generali. I am very happy to participate as the CEO of Assicurazioni Generali in this meeting, for the first year in a -- for the fourth year in a row. And it is my pleasure to update you about our company.

I will start with 4 key messages about the 2018 results. The first message is that the net result of last year increased by 9.4% comparing to the previous years. Our technical excellence, which is the best in the industry, is the best possible protection of all our financial operations. And these are the basis of this result.

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The second message is that we suggest a share dividend equal to EUR 0.90, which marks a 5.9% growth comparing to last year's dividend. This is made possible not only by the profitability of our business. But also to a continuous improvement of our assets and capital situation that has never been so sound.

The third message is that we have outgrown all financial targets of the period 2015-2018. Indeed, we generated EUR 8 billion cash flow as compared to a forecast of EUR 7 billion. So we are ready to distribute EUR 5.1 billion dividend, which is above the EUR 5 billion target that was set at the beginning.

Finally, the average return on capital is amounting to 13.4%. And this too is above the target. This demonstrates once again our ability to deliver on our promises and implement our strategies in a disciplined and successful way.

The fourth and last message of mine is that after completing our industrial transfer -- turnover, we are -- or turnaround, as we call it, we are well positioned to implement our new strategic plan for the year 2021, which I'll describe to you in short.

What has been attained by Generali in the recent past is noteworthy. We allowed Generali to optimize its geographical footprint, simplify and streamlining the operating machine and obtain a technical performance which is the best in the industry. We were also able to rebalance our portfolio, preferring innovative solutions, offering better added value to our clients. They are capital-light and more resilient to market fluctuations. We launched a new strategy for managing assets. And we have already reported an increased preference displaced towards our brand and a better confidence of our customers.

We were able to reorganize our activities in France and Germany. In this respect, a few days ago, we have announced the conclusion of the sale procedure of Generali Leben, which is a high-capital-absorbing company. And this has been important for us and for the transformation of the whole industry in Germany. And we were able to do all this without giving up our market share. But we have strengthened our distribution and our brand in Germany. We were also able to streamline our operating structure. In this connection, may I emphasize our ability to operate and thank all our colleagues in Germany that made this -- all this possible. Today in Germany, we are much stronger than we were yesterday.

The effectiveness of our strategic plan that has just been concluded and our ability in implementing it in the appreciation of our new strategy have been acknowledged by the market. Assicurazioni Generali quotation is greater than EUR 70 (sic) (EUR 17) per share. That was yesterday, actually. We don't know for today. Starting from the announcement of the new industrial plan and industrial turnaround, which occurred in November 2016, to this moment, the Generali share price has grown much greater than the average of European insurance shares, insurance securities.

Starting from that time -- starting from the announcement of our plan in November 2018 to today, our shares have grown by 20%. This appreciation confirms a reversal of trend compared to the previous years. We believe to be able now to do even better implemented -- implementing our plan called Generali 2021. Since our presentation

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announcement of our new strategic plan in November 2018 in Milan, I, myself, together with the General Manager, Frédéric de Courtois; and Cristiano Borean, the Group's Chief Financial Officer, we have been appreciated by hundreds of analysts and investors that displayed great interest for our profitability and growth and also digital transformation.

We started concentrating on Generali 2021 since the beginning of this year, 2019. Our strategy is based on a strong ambition, that of making Generali the lifelong partner of all its customers, offering innovative solutions, customized solution, thanks to an unmatched distribution network. Generali will lead the European insurance market, both for individuals, families and professionals, small and medium enterprises, creating a platform of -- also creating an asset management platform specialized on the international level, pursuing opportunities in high-potential markets. This is our ambition. This ambition, together with the strategy aiming at implementing it, is deeply rooted into Generali's DNA on one hand. And on our vision for the future on the other.

Concerning Generali's DNA, may I quote some of our main strong points. First, Generali is a leader in Europe for insurance premiums with EUR 67 billion premium income in 2018.

Second, Generali can boast a highly qualified distribution network which is unmatched in the sector. Generali serves 61 million clients in 50 countries with -- through over 155,000 agents and distributors, 100,000 of which are based in Europe. Thanks to this unique platform, we are able to meet all requirements of our customers with a customized service, consolidating their confidence and our brand.

Third point, Generali is the best possible insurance company in terms of direct insurance in P&C and Life businesses.

The fourth point, insurance solutions offered by Generali are now complemented by a true asset management strategy. It's a strategy focused on competitive advantages, on the development of a boutique asset management platforms, which means professional teams, highly specialized and focused on high-potential investments.

Our vision of the future is based on 4 strong convictions. The first, we are convinced that Europe, which is our main market, will remain one of the biggest and most attractive insurance markets and asset management markets. Many believe that Europe is a mature market, saturated market. But we are not convinced. We, on the contrary, believe that there is potential to be exploited, attracting an aging population, offering answers to the needs of this aging population that state institutions are no longer able to meet. I am referring to pensions, health, assistance and lack of self-sufficiency.

Second point, the insurance market growth will be driven by individual customers, families, small and medium companies more and more in the future. Professionals in small and medium enterprises in particular offer a great potential in markets like Italy, Germany, France, which are our 3 main markets.

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Third point, customers will try more and more to improve their quality of their life through integrated solutions. They will be more and more able to integrate life products with savings products. This marks shifting attention from protection and reimbursement to assistance and service from production needs. So this means for us to go from our own production needs to the customers' needs.

Fourth conviction, the traditional physical distribution will mainly -- will remain fundamental and agencies will remain central to our policy, to our strategy. This gives me the opportunity -- offers me the opportunity to welcome all the agents that are present here with us.

Customers, therefore, will look for a better and better qualified and customized service. Human relations will remain of critical importance in the future as well. That's why agents will continue to represent a key component of our business model and will have to be able to always supply more and more value by providing advice and consulting, 360 degrees. And supporting their activity with digital tools. We are committed to strengthening and support our distribution network through digital innovation.

Let's go into detail now in our strategic plan. It is based on 3 pillars. First, Generali will grow its profitability, strengthening its leadership in Europe, catching opportunities in high-potential markets like Asia and Latin America and developing an asset management platform at the International level.

Second, Generali will manage its capital in a better disciplined and stringent way and it will optimize its financial position. We will be even more stringent in managing our own capital and our own cash flow so as to fund our organic and external growth, reduce the cost of debt and distribute more dividends to you, shareholders.

Third pillar, Generali is going to invest in innovation and digital transformation in order to become a long-life -- lifelong partner of our customers and clients, offering them flexible customized solutions, offering them continuous advice and consulting in all financial and insurance matters.

On the whole, we envisage to invest EUR 1 billion by 2021 in strategic initiatives. Of course, we already started implementing this new strategy. And I'll provide you some examples.

We have already integrated or created 8 new asset management boutiques. The results of our group has consequently grown by 24% in 2018 -- 24% compared to 2018, in line with our objectives. Moreover, in Italy, over 50% of our policies are already totally digital.

Another example is the -- what I'll call the pan-European platform on digital mobility that we are setting up now, capitalizing on our unique expertise in connected insurance. That means that we have 1.6 million connected vehicles all over the world. So we are able to customize policies and also provide advice to our customers concerning their driving style.



But we can -- the enhancement of our human capital and a stronger brand, we will be able to implement our strategy. Concerning our human capital, we wish that Generali becomes the insurance company with the highest commitment rate of its workers. That's why we are implementing new training programs for new digital competencies. And we are also applying the principles of the smart working, such as remote working.

Recently, we have also moved all our colleagues in Milan in the new Generali Tower called City Life. This is a real estate project which means an evolution in the way of working. Another important project is (Palazzo Berlam) here in Trieste. And we plan to officially open it, the renewed building, this year.

We are happy to remind you that -- I also like to remind you of an initiative which will strengthen the feeling of belonging of our colleagues. And I am referring to a plan devoted to them in 2019 which will give our employees the right to buy Generali shares at facilitated conditions. And this plan will be subject to your approval here today.

Now concerning our winged lion, our brand, we intend to strengthen it, becoming the best possible operator among the European companies in terms of customer satisfaction.

Finally, concerning social responsibility and sustainability, we wish to increase premiums derived from responsible insurance solutions, such as those concerning preventive medicine, assistance to the disabled and covering -- and acting on the policies and encouraging policies of nonpolluting peoples. We mean to allocate EUR 4.5 billion by 2021 in green and sustainable projects. We also aimed at launching an offer of insurance solutions devoted to responsible customers. In other words, those who are interested in adopting a sustainable way of life and improving their impact on lessening their green footprint.

We continue the work done by The Human Safety Net, the global program of Generali to support the communities in which it operates. We would like to remind you that in 2018, the group -- our group was included in the rank made worldwide for the social responsibility of companies. I am referring to the Dow Jones World Sustainability Index that aims at providing support and care to newborns affected by some condition such as asphyxia. Through the -- and this is the Dow Jones Sustainability Index that has ranked our company, our group in their lists.

Through the implementation of our Generali 2021 strategy, we wish to attain 3 financial objectives during the 3-year plan. First of all, we wish to increase the profit per share between 6% and 8%. Second, we wish to increase our dividends and we will do it in a sustainable way, that is keeping a payout ratio between 65% and 55%. Third, the average return of capital will be greater than 11.5%. And we expect this to generate benefits for all our stakeholders, among which, you, our shareholders, a better return for you.

I'd like to conclude with a message. In preparing our Generali 2021 strategy, we wanted to look beyond the 3-year horizon, defining for the first time a long-term plan, our long-term target. Our long-term target is to help people to build a safer future for themselves and to protect their lives and helping them to implement their dreams. My own commitment,

together with all our management teams, is to -- thanks to the contribution of all my colleagues, agents, distributors and shareholders, to see to it that Generali constantly pursues the attainment of this long-term goal.

Now I give the floor to Cristiano Borean, CFO of the group.

## **Cristiano Borean** {BIO 15246531 <GO>}

Thank you, Philippe. Thank you, Chairman, for your welcoming words. Ladies and gentlemen. Good morning. It is a pleasure and an honor for me to be here for the first time in my role as a CFO of this group and you, as shareholders.

Our Managing Director has already explained the results of Generali in 2018 and our positioning to achieve the ambitious objectives defined in the new strategic plan, Generali 2021. I will now give you some insights on the group performance and the performance of the parent company, Assicurazioni Generali. And today, you're called upon to adopt the financial statements.

The strict implementation of our strategy has enabled us to complete the strategic plan 2015-2018, exceeding all the objectives. Before starting to explain the results achieved in 2018, I would like to remind you that, as usual, the figures of 2017 are expressed in homogenous term to reflect the implementation of the accounting principle, IFRS 5.

Let's start from the growth in terms of value and summarizing the main leverages. 2018 was a positive year for Generali. Result -- industrial results were substantial and showing that we are able to grow in Life segments and nonlife segments and asset management. The turnover has grown both in terms of total premium income and asset management.

In details, the overall premiums equaled to EUR 67.7 billion, grew by 4.9%. In spite of the unfavorable financial markets, in the Life business, the net income has increased, exceeding EUR 11 billion. And we are among the best groups in the market. And premiums have gone up to EUR 46.1 billion, keeping a business mix focused on capital-light products. Life technical reserves have been growing with an amount of EUR 343 billion.

In nonlife business, I'd like to point out the very good performance of our premium income, growing by 3.3% to EUR 20.6 billion, thanks to the development of motor and non-motor areas. The total assets under management amounted to EUR 488 billion with a growth of 0.4% in spite of the adverse conditions of the financial markets.

Now let's talk about the detailed analysis of the volumes of our Life business. First of all, I'd like to focus on the net income growing by 5.2% at EUR 11.4 billion. This is in line with the balance between the cash, the premium and the payments for maturities and redemptions of policies. This indicator shows the actual growth in this business. It is important to highlight the composition of this income that was achieved in a context of high volatility of financial markets. And this is the evidence of the attitude of the management in the achievement of objectives.

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The focus is on unit-linked and protection product. And we are continuing to have a selective approach in the underwriting of saving products with capital-light products. So the main engines are Italy, France and Germany. The substantial growth of 5.5% in the direct premiums has been supported by the main countries of the group, in particularly Italy, thanks to the in-force management actions; France and Germany, thanks to unit-linked and -- products and pure-risk and health products. The development was positive in China thanks to the saving product and risk (and else). The total net income has been reflected in the increase of 2.2% of Life technical reserves amounting to EUR 343.4 billion.

Now let's talk about the nonlife business. In 2018, the gross issued premiums amounted to EUR 20.6 billion, growing by 3.3% in homogenous terms. This result has been implemented thanks to the joint increase of 3.4% in the motor sector and 2.7% in non-motor sector. The main contributors are Austria and Central and Eastern European countries with a growth of 4.8%. And the International area growing by 9.2%. In Italy, there's a slight decrease of 1.6% as a result of the fierce competition on prices and the more rigorous criteria in the underwriting in the Global Corporate & Commercial lines.

And now let's talk about the profitability indicators. The operating results grew by 3%, reaching EUR 4.857 billion, confirming our technical excellence with a new business margin amounting to 4.35% and a combined ratio of 93% in nonlife business. These indicators confirm Generali as the best practice in the technical performance as compared to direct competitors.

I would like to point out the substantial growth in asset management with 24% growth as a result of the business acceleration in Europe and the first results of the implementation of our strategy. The net result amounts to EUR 2.309 billion. But growing by 9.4% as compared to the previous year following the improvement in the operating results and the positive contribution resulting from sales, trading off the negative effects of the productivity of financial markets.

The growth in value has been achieved not to the detriment of profitability. On the contrary, that was increased. All this ensures that the creation of value on long term, in line with our strategy. And we can suggest a dividend growing by 5.9%. That is EUR 0.90 per share.

Now all segments have positively contributed to the growth of the operating results. In the Life business, the operating results grew by 2.8%. That is EUR 3.067 billion. The positive trend in the developments of the technical margin, net of the insurance general expenses that are particularly high in France as a result of the impact of the longevity rates there. And in Italy for the positive contribution of the unit-linked products, more than trades off the decrease in the investments due to the lower profits and the higher devaluations in the last quarter of the year.

In nonlife business, the operating results amounts to EUR 1.992 billion with a growth of 2.5%. As anticipated, there's a substantial growth in the asset management sector with an operating result equal to EUR 335 million. Starting from 2018, this segment is reported

separately from the item holding and other activities, as we did in the past, to better reflect its results in line with the group's strategy.

The item holding and other activities has improved as compared to 2017, reducing the loss from EUR 163 million to EUR 70 million in 2018. This progress has been achieved in particular due to profits from some private equity and real estate investments. The evaluation of inter-sector differences is due to higher dividend and profits at the intra-group level. And these actions have achieved a growth of 3% in the operating results of the group, reaching EUR 4.857 billion. And the period between 2015-2018 was closed with return on equity on average of 13.4%, exceeding the objective of the plan that was 13%.

Now let's see the level of profitability of the new production in the Life sector. Before starting, I would like to tell you that the figures for 2017 includes the contribution on dismissed entities. Valuations are in homogenous terms. The improvement of 26 basis points to 4.33% is mainly due to the managerial action to streamline the product mix and the better profitability of the new products with a low capital absorption. So therefore, the value of the new production has increased by 4.3% with a total of EUR 1.877 billion. The main engines are Italy, France and the International area.

The combined duration of the group, an indication relating the payments per claim and expenses to premium, is equal to 93%. That is still the best among our direct competitors in spite of the slight increase of 0.1percentage points as compared to the end of 2017. The loss ratio at 65.1% is in line with the value of 2017. This is the result of 2 contrary impacts: on one hand, the improvement of 0.4% in the claims in the catastrophe sector; and an increase of 0.4percentage point from the (calendar) claims. And noncatastrophe-based.

And this was impacted by a higher number of large claims. And the impact was particularly favorable in the previous year. Without considering the catastrophe and the large claims, the claims would be improved by 0.2%. The slight increase in the expense ratio, 0.1%, is mainly due to the acquisition expenses for the support of non-motor business in Europe and in the Central and Eastern European (Europa France) and Europ Assistance as a result of the development of non-motor income.

The operating results of the asset management has increased by 28% to EUR 335 million at the end of 2018. The increase in the operating result and the net result, plus 24%, has been determined by many factors, like the development of a third-party and unit-linked business; the increase in the value of investment of real assets, for instance, real estate and private equity; the improvement of cost efficiencies and renegotiations of fees on insurance mandates of the group companies.

Another area of stronger focus of our managers over the year was the cost management. This has enabled us to reduce the cost in mature markets of a further EUR 90 million. This area is still a priority for us.

Now let's see the shift from the operating result to the net result. So the first item, the nonoperating result of investment has negatively contributed with EUR 155 million as

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compared to a positive contribution of EUR 65 million in this previous year. This is the result of the devaluation of a EUR 431 million resulting from the negative evolution of the share market in the last quarter of the year and the lower net profit in line with the planned policies to support future performance of investments. The profits were equal to EUR 265 million, decreasing by EUR 45 million as compared to the previous year.

Nonoperating holding expenses have increased by EUR 40 million to EUR 795 million, mainly due to the closing of the branch in Japan and the restructuring of the Generali Employee Benefit with the transfer of the central office from Brussels to Luxembourg.

And the cost for a negative interest has been decreasing. In line with the objectives of the strategic plan, this decrease will be even more substantial in 2019 as a result of the transactions on the debt that have been implemented so far.

The item, other nonoperative net expenses equal to EUR 411 million, is mainly due to nonrecurring costs like refurbishing cost for an amount of EUR 211 million due to the acceleration in the restructuring in Germany and other expenses of local products, IT cost and other group project cost. In the future on this nonrecurring item, there will be a progressive decrease. This item also includes the profit of EUR 77 million from the sales of the business in Panama and the devaluation of the value of the acquired portfolio equal to EUR 98 million.

The tax rate of the group is equal to 32.6%, in line with last year.

The item dismissed transactions has a profit of EUR 173 million. This includes EUR 49 million of profit for the sales of the Irish transactions and the profits of our entities in dismission like Belgium, Guernsey and Generali Leben in Germany. And these dismissals have not been finalized at the end of 2018. But all these transactions were ended before the date of this meeting.

The third part of results were in line with the figures of 2017. These trends have resulted in an overall result of EUR 2.309 billion, with an increase of 9.4%.

And now let's talk about the dividend. In recent year, the increased asset solidity and the industrial transformation of the group has increased to an increased ability to generate cash. And this has increased dividends. This year, too, there will be a further increase to EUR 0.90 per share with a growth of 5.9%. If you will adopt -- if you adopt it, we will exceed the target of the strategic plan of EUR 5 billion of cumulative dividend in the full year period from 2015 to 2018.

Now let's focus on the main capital and asset indicators of the group. First of all, we needed to point out the increase of the Solvency II ratio as per applicable regulations. And this indicator has grown by 9percentage points, reaching 216% in a difficult financial market. And in November 2018, Generali was authorized to extend the internal capital model to Austria and Switzerland with the benefit of about 15percentage points on the Solvency ratio.

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The net equity has decreased to EUR 23.6 million with a decrease of 5.9%. The main cause is the negative development of the reserves on profit or losses on the financial business available-for-sale. This has decreased by EUR 2.3 billion as a result of the situations of financial markets. This has had an impact on the total of assets that is EUR 516 billion. Investments amount to EUR 416 billion. The main category continues to be the fixed income instruments that is 72% of the total. I wish to point it out that the value of investments is net of the amount of the discontinued activities. And they are identified as noncurrent activities or dismissal group for sale. And this is equal to EUR 55.9 billion.

Now I wish to end my speech explaining that data of the parent company. And today, you are called upon to adopt the financial statement. Now let's see data on income, premium income. The gross premium -- total gross premium amounted to EUR 3.311 billion. The slight decrease of 1.7% is due to the decrease in the Life segment for the dismissal of the reinsurance relations with the Dutch entity. And there was also the decrease in the volume of the reinsurance acceptance in runoff of the Alleanza Assicurazioni S.p. A.

In nonlife business, there's a growth of 1.1% to EUR 1.680 billion. And the result of the ordinary management, including the industrial management and the financial management and other ordinary income, has increased by 6%. And the ordinary financial management was positive as a result of the higher dividend from the subsidiaries. And this was partly traded off by the decrease in the industrial management. This is due to the lower results in reinsurance -- accepted reinsurance in Life and nonlife business. In Life business, this was the result of the cessation of reinsurance contracted with our operating subsidiaries in Holland and the decrease in the runoff treaties with Alleanza Assicurazioni.

The nonlife business has been decreasing for a higher frequency of large claims. The combined ratio has grown by 0.5 points and up to 92.4%. And the improvement of the results contributed to the increase of 4.9%.

Now let's see the other components of the profits of the parent company. The decrease in the contribution of the extraordinary management is due to higher cost for taxes on previous years. And the positive contribution of the tax component is mainly the result of the growth of the IRES income.

Before ending my speech, I would like to point out the main asset indicators of the parent company. Assets are equal to EUR 45.3 billion. And they are mainly group shareholdings, that is EUR 29.5 billion. And this is nicely below the value of 2017 for the dismissal of Generali PanEurope, Colombia and the merger by incorporation of the Dutch subsidiary, Generali Finance B.V. The decrease in assets is mainly due to the item investments of a Class D as a result of the reduction in deposits of reinsurers of Generali PanEurope, which was dismissed.

The external (index) is about EUR 11.2 billion, growing by 9.9% due to the increase of subordinated loans relating to the incorporation of Generali Finance B.V. In homogenous terms, this would be decreasing by EUR 250 million.

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The net technical reserves are about EUR 8.1 billion, decreasing as compared to the previous year, both for the termination of reinsurance contracts and the decrease in the portfolio. The net equity is almost EUR 15 billion, slightly increasing thanks to the positive trends in the profits of the year that has more than compensated the dividend paid in 2017. Finally, the Solvency level is unchanged as compared to the previous year.

Finally, I'd like to sum up the main highlights and remarks on the results of the group. Point one, 218 (sic) (2018) was a positive year for Generali with substantial industrial results, showing that we are able to grow in a sustainable way, increasing profitability in all segments, also in a general difficult context and in volatile markets. The ability to retain profit -- best-in-class profitability margins in our business are the best quality guarantee for the future growth.

Second, point two. We have successfully completed the industrial transformation of the group and we are now more efficient and able to generate more cash flows in our business. We are focusing on the implementation of the Generali 2021 plan and we have a proven ability to achieve our objectives. And that's why I'm very positive on the implementation of the new industrial plan.

Point three, our Solvency is sound and it is equal to 216% at the end of 2018.

Point four, all these elements are enabling us to increase -- to further increase the dividend to EUR 0.90 per share, as also specified by our Managing Director.

I would like to thank all our employees of the commercial network, the managers, their -- all the staff and their families, who are the actual strength of our lion. And their talent and their constant commitment made it possible for us to achieve these results.

Thank you very much for your attention. And now I give the floor to the Chairman for the meeting.

## **Gabriele Galateri di Genola e Suniglia**

Thank you, Cristiano, thank you, Philippe, for your speeches. Now this is the end of the first part of the meeting and this is the end of the streaming broadcast. And that is all, the shareholders who have been attending via web. And I invite them to come here next year. And wish to -- and many of our employees are also attending this meeting. Thank you for your attention.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

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