

GENERALI FINANCE B.V.

(incorporated with limited liability under the laws of The Netherlands)

€500,000,000

Fixed/Floating Rate Subordinated Callable Guaranteed Notes due 2019

guaranteed by

ASSICURAZIONI GENERALI S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

Issue price 99.827 per cent.

Warburg Dillon Read

Commerzbank Aktiengesellschaft

Mediobanca S.p.A.

Banca Commerciale Italiana

Banca Monte dei Paschi di Siena S.p.A.

Chase Manhattan International Limited

Goldman Sachs International

SG Investment Bank

The issue price of the €500,000,000 Fixed/Floating Rate Subordinated Callable Guaranteed Notes due 2019 (the “Notes”) of Generali Finance B.V. (the “Issuer”) is 99.827 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 28 May 2019. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in The Netherlands or the Republic of Italy.

The Notes will bear interest from and including 28 May 1999 up to but excluding 28 May 2009 at the rate of 5.0625 per cent. per annum payable annually in arrear on 28 May each year commencing on 28 May 2000. Thereafter, the Notes will bear interest at the rate of 1.69 per cent. per annum above the average of the EURIBOR rate for six month euro deposits, payable semi-annually in arrear on each 28 May and 28 November commencing on 28 November 2009. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by The Netherlands or the Republic of Italy to the extent described under “Terms and Conditions of the Notes — Taxation”. Assicurazioni Generali S.p.A. (the “Guarantor”) will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes in a guarantee dated 28 May 1999, such guarantee being governed by the laws of the Republic of Italy.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined in “Subscription and Sale”) in accordance with Regulation S under the Securities Act (“Regulation S”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denominations of €1,000, €10,000 and €100,000. The Notes will initially be in the form of a temporary global note (the “Temporary Global Note”), without interest coupons, which will be deposited on or around 28 May 1999 (the “Closing Date”) with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System (“Euroclear”) and Cedelbank. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the “Permanent Global Note”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-US beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of €1,000, €10,000 and €100,000 and with interest coupons attached. See “Summary of Provisions Relating to the Notes in Global Form”.

Each of the Issuer and the Guarantor has confirmed to the Managers named under “Subscription and Sale” (the “Managers”) that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. Each of the Issuer and the Guarantor accepts responsibility for the information contained in this document.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer,

the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see “Subscription and Sale”.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered in the United States or to US persons. In addition, neither the Issuer nor the Guarantor has authorised any offer of Notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the “Regulations”). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

In this Offering Circular, unless otherwise specified: references to “US\$”, “US dollars” or “dollars” are to United States dollars; references to “ESP” are to Spanish pesetas; references to “DEM” are to German marks; references to “ATS” are to Austrian schillings; references to “BEF” are to Belgian francs; references to “NLG” are to Dutch guilders; references to “ZAR” are to South African rands; references to “CHF” are to Swiss francs; and references to “€”, “Euro” or “euro” are to the single currency introduced at the start of the third stage of European Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union. References to “billions” are to thousands of millions. For convenience only on 26 May 1999, the exchange rate between the Italian lira and the US dollar was US\$1=1,848.64ITL and the exchange rate between the Dutch guilder and the US dollar was US\$1=2.104NLG.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with this issue, Warburg Dillon Read may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail but in doing so, Warburg Dillon Read acts as principal and not as agent for the Issuer. Such stabilising, if commenced, may be discontinued at any time. Such stabilising shall be conducted in accordance with all applicable laws and regulations. Any loss or profit sustained as a consequence of any such over-allotment or stabilising will be for the account of Warburg Dillon Read. The Managers have acknowledged that the Issuer has not authorised the creation and issue of Notes in excess of €500,000,000 in aggregate principal amount.

INCORPORATION BY REFERENCE

This Offering Circular should be read and construed in conjunction with the audited consolidated published financial statements of the Guarantor prepared in accordance with accounting principles generally accepted in Italy for the years ended 31 December 1997 and 1998 and which are deemed to be incorporated herein by reference. Copies of such financial statements are available, free of charge, at the office of the paying agent in Luxembourg from time to time.

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Terms and Conditions of the Notes

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The €500,000,000 Fixed/Floating Rate Subordinated Callable Guaranteed Notes due 2019 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 12 and forming a single series therewith) of Generali Finance B.V. (the “Issuer”) are the subject of (a) a subordinated guarantee dated 28 May 1999 (as amended or supplemented from time to time, the “Subordinated Guarantee”) entered into by Assicurazioni Generali S.p.A. (the “Guarantor”) and (b) a fiscal agency agreement dated 28 May 1999 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, the Guarantor, Midland Bank plc as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Midland Bank plc as agent bank (the “Agent Bank”), which expression includes any successor agent bank appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Subordinated Guarantee and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the “Noteholders”) and the holders of the related interest coupons (the “Couponholders” and the “Coupons”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Subordinated Guarantee and the Agency Agreement applicable to them. Copies of the Subordinated Guarantee and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Title

The Notes are in bearer form in the denominations of €1,000, €10,000 and €100,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of the other denomination. Title to the Notes will pass by delivery. The holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2. Status and Guarantee

(a) *Status of the Notes:* The Notes constitute direct, general, unconditional and subordinated obligations of the Issuer which will in the event of bankruptcy, dissolution, liquidation or winding up of the Issuer rank junior in right of payment to all unsubordinated creditors of the Issuer, *pari passu* among themselves and at least *pari passu* with all other present and future unsecured dated subordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, and in priority to all present and future unsecured undated subordinated obligations of the Issuer and further in priority to the claims of shareholders of the Issuer.

(b) *Subordinated Guarantee:* The Guarantor has in the Subordinated Guarantee (which is governed by the laws of the Republic of Italy) unconditionally and irrevocably guaranteed on a subordinated basis the right of Noteholders and Couponholders to the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Subordinated Guarantee will, in the event that the Guarantor becomes subject to any of the applicable bankruptcy proceedings (*procedure concorsuali*) provided by Royal Decree No. 267 of 16 March 1942 or in the event that the Guarantor becomes subject to dissolution or liquidation (*liquidazione volontaria*), be subordinated in right of payment to unsubordinated, unsecured creditors (including policyholders) of the Guarantor but rank *pari passu* with all other present and future unsecured dated subordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, and in priority to all unsecured undated subordinated obligations of the Guarantor and further in priority to the claims of shareholders of the Guarantor.

3. Interest

(a) *Accrual of Interest*

Interest on the Notes will accrue from and including 28 May 1999 (the "Issue Date"), payable in arrear on 28 May in each year commencing on 28 May 2000, up to but excluding 28 May 2009 (each, a "Fixed Rate Interest Payment Date") and thereafter on each 28 May and 28 November in each year (each a "Floating Rate Interest Payment Date") commencing on 28 November 2009, subject as provided in Condition 5 (Payments). Each period beginning on (and including) the Issue Date or any Fixed Rate Interest Payment Date and ending on (but excluding) the next (or first) Fixed Rate Interest Payment Date is herein called a "Fixed Rate Interest Period". Each period beginning on (and including) 28 May 2009 or any Floating Rate Interest Payment Date and ending on (but excluding) the next (or first) Floating Rate Interest Payment Date is herein called a "Floating Rate Interest Period".

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Payment of Interest*

Interest which accrues during either a Fixed Rate Interest Period or, as the case may be, a Floating Rate Interest Period ending on (but excluding) a Compulsory Interest Payment Date (as defined below) will be payable on that Compulsory Interest Payment Date. Interest which accrues during a Fixed Rate Interest Period or, as the case may be, a Floating Rate Interest Period ending on (but excluding) an Optional Interest Payment Date (as defined below) will be payable on that Optional Interest Payment Date only if the Issuer so elects by not less than 10 nor more than 30 days' notice to the Noteholders and the Couponholders in accordance with Condition 13 (which notice will be irrevocable and will oblige the Issuer to pay that interest on that Optional Interest Payment Date) and will otherwise constitute "Arrears of Interest". The Issuer shall not have any obligation to pay interest on any Optional Interest Payment Date if it does not elect to do so and any such failure to pay shall not constitute a default of the Issuer for any purpose. The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 30 days' notice to the Noteholders and the Couponholders in accordance with Condition 13 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice). The Issuer will also be obliged to pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:

- (i) the next Compulsory Interest Payment Date;
- (ii) the due date for redemption of the Notes; and
- (iii) the date on which an order is made for the winding up, liquidation or dissolution of either the Issuer or the Guarantor.

Arrears of Interest will themselves bear interest at a rate which corresponds to the rate of interest from time to time applicable to the Notes in respect of a Fixed Rate Interest Period or, as the case may be, a Floating Rate Interest Period.

In this Condition 3(b):

"Compulsory Interest Payment Date" means either any Fixed Rate Interest Payment Date or, as the case may be, any Floating Rate Interest Payment Date which is not an Optional Interest Payment Date;

"Optional Interest Payment Date" means either any Fixed Rate Interest Payment Date or, as the case may be, any Floating Rate Interest Payment Date in respect of which (i) both of the following criteria are met: (a) no dividend was declared in respect of any class of shares of the Guarantor at the Annual General Meeting of the Guarantor immediately preceding either that Fixed Rate Interest Payment Date or, as the case may be, that Floating Rate Interest Payment Date, and (b) no such dividend has been declared since that Annual General Meeting or (ii) the Fiscal Agent has received from the Guarantor notification confirming that regulatory intervention has occurred, such regulatory intervention is continuing on such Fixed Rate Interest Payment Date

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or, as the case may be, such Floating Rate Interest Payment Date and no dividend distribution or interim dividend distribution has been declared since the date on which such regulatory intervention occurred; and

“regulatory intervention” means a request to the Issuer or to the Guarantor from any relevant supervisory authority to restore the applicable minimum solvency margin, solvency requirement, adjusted solvency or capital adequacy level.

(c) *Interest Payment*

The rate at which interest accrues on the Notes will be:

- (i) from, and including, the Issue Date to, but excluding, 28 May 2009, 5.0625 per cent. per annum (the “Fixed Rate of Interest”); and
- (ii) during each period beginning on, and including, 28 May 2009 and ending on, but excluding, the next Floating Rate Interest Payment Date up to and including 28 May 2019, the rate determined in accordance with Condition 3(d) below (the “Floating Rate of Interest”).

(d) The Agent Bank will determine the rate for deposits in euro for a period equal to the relevant Floating Rate Interest Period which appears on the display page designated EURIBOR = on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (Brussels time) on the second business day (as defined below) before the first day of the relevant Floating Rate Interest Period (the “Interest Determination Date”).

If such rate does not appear on that page, the Agent Bank will:

- (i) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in euro are offered by it in the Euro-zone interbank market at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time; and
- (ii) determine the arithmetic mean (rounded, if necessary, to the nearest whole multiple of one-sixteenth of one per cent. with one-thirty-second of one per cent. being rounded upwards) of such quotations; and

if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in Europe, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date for loans in euro to leading European banks for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time. The Rate of Interest for such Floating Rate Interest Period shall be the sum of 1.69 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Rate of Interest applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.69 per cent. per annum and the rate (or as the case may be) arithmetic mean last determined in relation to the Notes in respect of the preceding Floating Rate Interest Period.

(e) The amount of interest payable in respect of each Note for any Fixed Rate Interest Period shall be calculated by applying the Fixed Rate of Interest to the principal amount of such Note and rounding the resulting figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

(f) Where an amount of interest is required to be calculated applying a Fixed Interest Rate for a period of less than a full year, it shall be calculated on the basis of the actual number of days in the period from and including the most recent Fixed Rate Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date divided by the actual number of days in the period from and including the most recent Fixed Rate Interest Payment Date (or, if none, the Issue Date) to but excluding the next (or first) scheduled Fixed Rate Interest Payment Date and rounding the resulting figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

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(g) Where an amount of interest is required to be calculated applying a Floating Rate of Interest it shall be calculated by applying the applicable Floating Rate of Interest to the principal amount of such Note, multiplying the product by the actual number of days in the Floating Rate Interest Period (or any part thereof, in the case of a broken period) divided by 360 and rounding the resulting figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

(h) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders.

(i) The Agent Bank will cause each Floating Rate of Interest, each Floating Rate Interest Period, each amount of interest payable in respect of each Note for any Floating Rate Interest Period, each Optional Interest Payment Date and, in respect of each Optional Interest Payment Date, confirmation as to whether the Issuer has elected to pay interest pursuant to Condition 3(b), to be notified to the Issuer, the Guarantor, the Paying Agents, Euroclear, Cedelbank and to each stock exchange (if any) on which the Notes are then listed as soon as practicable after such determination.

4. Redemption and Purchase

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 May 2019, subject as provided in Condition 5.

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 May 1999 or (ii) the Guarantor has or (if a demand was made under the Subordinated Guarantee) would become obliged to pay additional amounts as provided or referred to in the Subordinated Guarantee as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 27 May 1999; *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Subordinated Guarantee were then made. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 4(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 4(b).

(c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, on 28 May 2009 and each Floating Rate Interest Payment Date thereafter (each a "Call Settlement Date") at a price equal to 100 per cent. of their principal amount on the Issuer's giving not less than 15 nor more than 70 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the relevant Call Settlement Date at such price).

(d) *Purchase:* The Issuer may purchase Notes in the open market or otherwise and at any price.

(e) *Cancellation:* All Notes so redeemed by the Issuer and any unmatured Coupons attached to or surrendered with them may not be reissued or resold. All Notes so purchased by the Issuer and any unmatured

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Coupons or unexchanged Talons attached to or surrendered with them may be held or resold or surrendered for cancellation.

(f) *Authorisations*: Any redemption or purchase provided for by this Condition 4 shall be subject to any prior authorisation which may be required by any applicable law then in force, including authorisation from any authority supervising the business of either the Issuer or the Guarantor. If the laws of the country of incorporation of either the Issuer or the Guarantor provide that subordinated debt securities may be taken into account for the calculation of any relevant solvency margin, solvency requirement or adjusted solvency only if the terms and conditions of the relevant subordinated debt securities include a provision to the effect that authorisation from a supervisory authority must be obtained prior to the early redemption or repurchase of the relevant debt securities, such authorisation shall be a condition precedent to the redemption or repurchase of the Notes.

In this Condition 4(f):

“authorisations” means any consent, authorisation, approval, leave or permit; and “law” includes any law, act of Parliament, regulation, ruling, circular, letter or any official application or interpretation of the above, including a holding of a court of competent jurisdiction.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a), (b) and (c) above.

5. Payments

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn on a euro account, or by transfer to, an account to which euro may be credited or transferred.

(b) *Interest*: Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 6. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payment.

(d) *Deduction for unmatured Fixed Rate Coupons*: If a Note is presented without all unmatured fixed rate Coupons (“Fixed Rate Coupons”) relating thereto, a sum equal to the aggregate amount of the missing Fixed Rate Coupons will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the principal amount of such Note, the sum deducted will be that proportion of the aggregate amount of such missing Fixed Rate Coupons which the gross amount actually available for payment bears to the principal amount of such Note. Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Fixed Rate Coupons.

(e) *Unmatured Floating Rate Coupons void*: On the due date for redemption of any Note all unmatured floating rate Coupons (“Floating Rate Coupons”) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(f) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5 (f), “business day” means a day on which banks are open for business (i) in the place of presentation and (ii) a day on which the Trans-European Automated Real Time Gross Settlement Transfer (TARGET) system is open.

(g) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(h) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

6. Taxation

All payments of principal and interest in respect of the Notes and the Coupons (including payments by the Guarantor under the Subordinated Guarantee) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by The Netherlands or the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with The Netherlands or (as the case may be) the Republic of Italy other than the mere holding of such Note or Coupon; or
- (b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
- (c) in The Netherlands or the Republic of Italy.

In these Conditions, “Relevant Date” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than The Netherlands or the Republic of Italy respectively, references in these Conditions to The Netherlands or the Republic of Italy shall be construed as references to The Netherlands or (as the case may be) the Republic of Italy and/or such other jurisdiction.

7. Events of Default

If any of the following events occurs:

7.1 *Bankruptcy etc*:

- (i) Bankruptcy or insolvency proceedings are commenced against the Issuer and are not dismissed or stayed within 30 days or the Issuer institutes such proceedings; or
- (ii) The Issuer enters into liquidation (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

7.2 *Analogous event*: any event occurs which under the laws of The Netherlands has an analogous effect to any of the events referred to above,

then, subject as stated below, any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality. Notwithstanding the above, no notice declaring any Note due and payable shall become effective until the Fiscal Agent has received such written notices from Noteholders of not less than 5 per cent. in aggregate outstanding principal amount.

8. Prescription

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

9. Replacement of Notes and Coupons and Talons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

10. Paying Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a fiscal agent, a paying agent in Luxembourg, and a paying agent outside of the European Union. Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

11. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “Reserved Matter”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of 90 per cent. of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions and the Subordinated Guarantee may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

12. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

13. Notices

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

14. Substitution

- (a) Any duly incorporated subsidiary of the Guarantor in good standing under the laws of its jurisdiction may, without the consent of the Noteholders, but with the prior written approval of the Guarantor, assume liability as the principal debtor in respect of the Notes (the “Substituted Debtor”), provided that:
- (i) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor and, to the extent necessary, the Guarantor and the other parties to the Agency Agreement and the Deed of Covenant, as may be necessary to give full effect to the substitution (the “Documents”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder and each Accountholder (as defined in the Deed of Covenant) to be bound by these Conditions, the Deed of Covenant and the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer. In addition, the Guarantor shall guarantee in favour of each Noteholder and each Accountholder the payment of all sums payable by the Substituted Debtor as such principal debtor to the extent of, and in the terms specified in, the Subordinated Guarantee, *mutatis mutandis* (such guarantee of the Guarantor shall be governed by Italian law and is herein referred to as the “Substitution Guarantee”);
 - (ii) the Documents shall contain a warranty and representation by the Substituted Debtor (a) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for such substitution, (b) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (c) that the obligations assumed by the Substituted Debtor are legal, valid and binding in accordance with their respective terms and enforceable by each Noteholder and each Accountholder (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally and general equitable principles);
 - (iii) a legal opinion shall have been delivered to the Fiscal Agent (from whom copies will be available to Noteholders (and if applicable Accountholders)) (a) from lawyers of recognised standing as to matters of law of the jurisdiction of the place of incorporation of the Substituted Debtor confirming that upon the substitution taking place (1) the requirements of this Condition 14, save as to the giving of notice to the Noteholders, have been met, (2) the Notes, the Deed of Covenant and the Agency Agreement are legal, valid, binding and enforceable obligations of the Substituted Debtor (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally and general equitable principles), (3) the Substituted Debtor is validly incorporated and in good standing under the laws of its jurisdiction, and (4) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the substitution and for the entry into and performance of the Documents and (b) from the legal counsel to the Guarantor confirming that upon the substitution taking place, (1) the Substitution Guarantee and the Documents are legal, valid, binding and enforceable obligations of the Guarantor and (2) the Guarantor has the power to enter into and perform the obligations to be assumed by the Guarantor in the Documents and the Substitution Guarantee;

Terms and Conditions of the Notes

- (iv) Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("Standard & Poor's") or Moody's Investors Service Limited or its or their successors shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that after giving effect to such substitution, the Notes shall continue to be rated the same as immediately prior to the substitution;
 - (v) the Luxembourg Stock Exchange shall have confirmed to the Issuer, the Guarantor and the Fiscal Agent that, after giving effect to such substitution, the Notes shall continue to be listed on such stock exchange; and
 - (vi) a certificate of solvency of the Substituted Debtor, signed by two directors of the Substituted Debtor shall have been delivered to the Fiscal Agent.
- (b) Upon the execution of the Documents and the delivery of the legal opinions as referred to in paragraph (a) above; (i) the Substituted Debtor shall be deemed to be named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in place of the Issuer and the Notes, the Deed of Covenant and the Agency Agreement shall thereupon be deemed to be amended to give effect to the substitution and (ii) the Issuer shall be released from all of its obligations under or in respect of the Notes, the Deed of Covenant and the Agency Agreement.
- (c) Counterparts of each of the Documents shall be deposited with and held by the Fiscal Agent for so long as any of the Notes remains outstanding and for so long as any claim made against the Substituted Debtor or the Guarantor by any Noteholder or Accountholder in relation to the Notes, the Documents or the Substitution Guarantee shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Guarantor shall acknowledge in the Documents and the Substitution Guarantee the right of every Noteholder and Accountholder to the production of the Documents for the enforcement of any of the Notes, Documents or Substitution Guarantee.
- (d) Not later than 20 days after the execution of the Documents, the Substituted Debtor together with the Issuer shall give notice thereof to the Noteholders in accordance with Condition 13 (*Notices*).

15. Governing Law and Jurisdiction

- (a) *Governing law*: The Notes are governed by, and shall be construed in accordance with, English law, except that Condition 2(a) is governed by the laws of The Netherlands and Condition 2(b) is governed by the laws of the Republic of Italy.
- (b) *Jurisdiction*: The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) *Process agent*: The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the person or persons for the time being registered at the Companies Register under Part XXIII of the Companies Act 1985 as authorised to accept service in England on behalf of the Guarantor. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.
- (e) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent

Terms and Conditions of the Notes

jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.

Summary of Provisions Relating to the Notes in Global Form

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depositary for Euroclear and Cedelbank. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-US beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-US beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“Definitive Notes”) in the denominations of €1,000, €10,000 and €100,000 at the request of the bearer of the Permanent Global Note if (a) Euroclear or Cedelbank is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the events of default described in Condition 7 occurs.

The Permanent Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of The Netherlands or the Republic of Italy, the Issuer or the Guarantor is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with, Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If (a) Definitive Notes have not been delivered by 5.00 pm (London time) on the forty fifth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes or (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment, then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 pm (London time) on such forty fifth day (in the case of (a) above) or at 5.00 pm (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 28 May 1999 (the “Deed of Covenant”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Cedelbank as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Cedelbank.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Notices: Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depositary for Euroclear and Cedelbank, notices to Noteholders may be given by delivery of the

Summary of Provisions relating to the Notes in Global Form

relevant notice to Euroclear and Cedelbank and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 on the date of delivery to Euroclear and Cedelbank; *provided, however, that*, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Use of Proceeds

The net proceeds of the issue of the Notes, expected to amount to €496,385,000 will be used by the Issuer to refinance existing short term debt raised by the Generali Group.

Capitalisation of Generali Finance B.V.

The following table sets out the short-term liabilities, long-term liabilities and stockholders' equity of the Issuer as at 31 December 1998, adjusted to give effect to the issue of the Notes. There has been no material change in the capitalisation of the Issuer since 31 December 1998.

	As at 31 December 1998 (NLG)
Short-term liabilities	50,024,777
Long-term liabilities	
Insurance liabilities	nil
Other liabilities and debts	nil
	<u>50,024,777</u>
Stockholders' equity	
Share capital & surplus	485,000,000
Reserves ⁽¹⁾	1,622,929,467
General reserve	195,014,198
Total stockholders' equity	<u>2,302,943,665</u>
Total capitalisation	<u><u>2,352,968,442</u></u>

⁽¹⁾ Share premium reserve + reserve for currency risks = 1,686,738,482 – 63,809,015.

Generali Finance B.V.

Generali Finance B.V. (formerly named GME Generali-Midi Expansion B.V.) is one of the insurance holding companies of the Generali Group. The Issuer was established on 24 April 1990 and has its legal seat in Diemen (Amsterdam).

The Issuer is an indirectly wholly-owned subsidiary of Assicurazioni Generali S.p.A. ("Generali"). 60% of the share capital of the Issuer is held by Participatie Maatschappij Graafschap Holland N.V. ("Graafschap Holland N.V.") with the remaining 40% of the share capital currently held by Belgica Insurance Holding S.A. ("Belgica"). The share capital of Graafschap Holland N.V. is in turn held by Generali (as to 74.95%) and Gefina S.p.A. (as to 25.04%). Generali holds 100% of the share capital of Gefina S.p.A. The entire share capital of Belgica is held by Graafschap Holland N.V.

The main objects of the company are (a) to hold and manage participations in insurance companies of the Generali Group, and (b) to act as a financial tool for the Generali Group as well as for other companies.

By the end of 1998, the financial fixed assets of Generali Finance B.V. were as follows:

• Business Men's Assurance Company, Kansas City	100.00%
• Generali España, Holding de Entidades de Seguros, Madrid	19.14%
• Generali Lloyd AG, Munich	10.09%
• Generali Holding Vienna AG, Vienna	11.78%
• Generali Belgium S.A., Bruxelles	26.61%
• Generali Belgium Holding S.A., Bruxelles	45.00%
• Generali Verzekeringsgroep N.V., Diemen	36.45%
• Standard General, Johannesburg	58.97%
• Generali (Schweiz) Holding AG, Zurich	7.80%
• Redoze Holding N.V., Diemen	39.44%
• Banco Vitalicio de España, Barcelona	13.42%

The total book value of the above-mentioned assets was, at the end of 1998, NLG 2.35 billion. At the same date, net equity amounted to NLG 2.30 billion (of which NLG 485 million paid up and called share capital; NLG 1.82 billion capital reserves). The 1998 net profit equaled NLG 240.7 million.

The authorised share capital is presently Euro 500 million. The issued and paid up share capital as at 31 December 1998 is NLG 485,000,000. The nominal value of the shares is €100 each.

As at 31 December 1998 net profit amounted to NLG 240.7 million.

Managing Board

Name

Frans W. H. M. Heus
Gerrit K. Nolles
Eugenio Coppola di Canzano
Antoine Bernheim
Gianfranco Guty
Giovanni Perissinotto
Sergio Balbinot

The business address of all the directors is Diemerhof 42, 1112 XN, Diemen, The Netherlands.

Activities of Generali Finance B.V. during the financial year 1998

The following pages set out the activities of Generali Finance B.V. (formerly named Generali — Midi Expansion B.V. (“GME”)) during the financial year 1998.

Summary of the Year

The financial year 1998 ended with a net profit of NLG 240,704,207, about six times as much as the previous year (NLG 40,115,130). The profit increase was mainly due to capital gains realised through several transactions affecting the assets of the company. The total amount of said gains was NLG 321.15 million.

Total dividends paid by subsidiaries in the year 1998 amounted to NLG 24.4 million (NLG 23.4 million in 1997), recording an increase of 4.3%. The increase was due to a higher dividend being paid by Generali Belgium Holding, and to an interim dividend paid by Banco Vitalicio de España, an insurance company of the Generali Group of which GME acquired a 13.42% stake in 1998.

The wholly owned American subsidiary, Business Men’s Assurance Company (BMA), did not pay a dividend, however, it is expected to do so in the course of 1999. In order to strengthen the surplus of BMA, it has been agreed that it will retain its profit for a part of 1996 and all of 1997 and 1998.

Interest received on short-term investments amounted to NLG 0.5 million. The 1997 figure was NLG 5.6 million. The decrease was due to declining interest rates and to a substantially lower amount of available liquidity during the year.

Total assets amounted to NLG 2,353 million, against NLG 2,169 million an increase of 8.48% at the end of 1987. Of this total, NLG 2,350.5 million was relevant to insurance investments.

In January 1998, GME took part in a capital increase of ESP 10,282,500,000 in Generali España SA (formerly named Holding de Entidades de Seguros SA), by paying its share of ESP 10,742,000,000 (NLG 141,074,823). The amount was financed through the sale of the US T-bills it held as current assets. In the course of 1998, however, another capital increase (of ESP 26.6 billion) took place in the Spanish holding company in which GME did not participate. As a consequence, its share decreased from 26.67% to 19.14%.

The participation in Generali España had to be devalued during 1998. This was done to reflect the reduced amount of equity of the Spanish company following a loss in 1997 of ESP 41.15 billion. The loss was due to a special provision to the reserve for asset depreciation. As a result of the above mentioned transactions concerning the Spanish holding company, the book value of the stake at the end of 1999 was NLG 273.8 million (NLG 253.5 million by the end of 1997).

As a result of a thorough streamlining process carried out by the Munich-based insurance companies of the Generali Group, the 45% stake held in Deutscher Lloyd Lebensversicherung, a life insurance company, was turned into a 10.09% share in Generali Lloyd AG, a holding company resulting from the merger of Deutscher Lloyd Versicherung into Deutscher Lloyd Lebensversicherung. After the merger, the two companies ceased their insurance business and started acting as a group sub-holding for the Munich based companies. The book value of the stake was not altered by the merger.

In July, GME contributed its 40% share of Generali Allgemeine Leben in Generali Rückversicherung, a Vienna-based Group reinsurance company, in exchange for a 25% stake in its share capital. This was done in view of a restructuring process carried out in Austria in the summer of 1998. The result of this process was the merger of Generali Allgemeine Leben with Erste Allgemeine (a non-life Austrian Group company). The shareholders of the new entity, called Generali Versicherung, are Generali Holding Vienna (the former EA Generali) and Generali Rückversicherung. The contribution of the said stake in Generali Allgemeine Leben led to a realised capital gain of approximately NLG 242 million.

In September 1998, GME exchanged its 25% of Generali Rückversicherung with its ultimate parent company, Assicurazioni S.p.A., against a 4.75% stake in Generali Holding Vienna, a 13.42% stake in Banco Vitalicio de España, plus a cash balance of about NLG 24 million. As a result, GME increased its shareholding in the Austrian holding company up to 11.78%.

In September 1998 GME acquired from Graafschap Holland 63,500 Generali (Schweiz) Holding shares at the price of CHF 491 each. The transaction was carried out in order to transfer liquidity to Graafschap Holland, which needed funds for its own business purposes.

In December 1998, GME entered into an asset swap transaction with two other Dutch companies of the Generali Group, namely Graafschap Holland and Redoze Holding. The transaction was meant to help Redoze Holding maintain a critical mass in terms of insurance assets following the termination of the joint-venture agreement between the Allianz Group and the Generali Group in Redoze itself. Through the asset swap, GME exchanged 19.45% of Generali (Schweiz) Holding against a stake of about 39.44% in Redoze Holding. The realised gain on the Generali Schweiz shares exchanged was approximately NLG 79 million.

In the course of 1998, the company increased its paid up share capital from NLG 445 million to NLG 495 million, by means of the issue of 400,000 shares of NLG 100 each. The new shares were issued at par as dividend for the year 1997.

Information regarding the principal affiliated companies

(i) *Business Men's Assurance*

The company is a fully owned subsidiary of GME and represents the most significant (25.35%) of its investments.

In 1998 the gross premium income amounted to USD 732.4 million (USD 652.1 million in 1997). Total assets amounted to USD 2,702.5 million (USD 2,482.0 million in 1997), technical reserves to USD 2,187.1 million (USD 2,007.8 million in 1997) and shareholders' surplus to USD 418.4 million (last year amounted to USD 383.7 million).

Net income reached USD 38.3 million (USD 36.2 million in 1997).

(ii) *Generali España, Holding de Entidades de Seguros S.A.*

GME owns 19.14% of the company. This quota share represents 11.65% of its total investments.

During 1998, the Spanish holding company sold its participation in La Vasco Navarra, and acquired from its subsidiary Banco Vitalicio 49% of BCE Vida en BCH Seguros Generales. The participation in La Estrella was reduced to about 51% following the contribution in the company of the Spanish branch of Assicurazioni Generali S.p.A. By the end of the year, therefore, Generali España consolidated the following companies: Banco Vitalicio, La Estrella, BCH Vida en BCH Seguros Generales.

Consolidated gross premium income for 1998 amounted to ESP 223.5 billion (ESP 180.3 billion in 1997). Total assets amounted to ESP 1,097.6 billion (in 1997 ESP 819.7 billion), technical reserves to ESP 861.8 billion (ESP 700.6 billion in the previous year) and shareholders' surplus to ESP 93.9 billion (last year amounted to ESP 27.4 billion).

The consolidated net result for 1998 resulted in a loss of ESP 0.5 billion (in 1997, the loss had been of ESP 25.7 billion).

(iii) *Generali Holding Vienna AG*

GME ownership in Generali Holding Vienna (formerly named EA Generali) amounts to 11.78% of its share capital. This quota share represents 19.08% of the total insurance investments.

During 1998, the consolidated gross premium income of Generali Holding Vienna amounted to ATS 24,485 million (ATS 39,632 million in 1997). Consolidated total assets reached ATS 114,013 million (ATS 150,604 million in the previous year), while technical reserves amounted to ATS 81,912 million (ATS 110,880 million in 1997).

Consolidated net earnings reached ATS 700.6 million (ATS 650.9 million in 1997). The proposed dividend for 1998 is ATS 154.4 million.

(iv) *Generali (Schweiz) Holding*

By the end of 1998, the 7.80% stake in the Swiss holding company held by GME represented 2.98% of the total investment of the company.

Generali Finance B.V.

During the last financial year, closing on 31st December, the consolidated gross premium income of the company reached CHF 1,222.5 million (CHF 1,267.8 million in 1997).

Total assets amounted to CHF 6,057.5 million (CHF 5,360.0 million in 1997) and technical reserves totalled CHF 4,556.7 million (CHF 4,089.4 million in 1997). Shareholders' equity equalled CHF 330 million (CHF 281 million in 1997).

Net earnings amounted to CHF 62.3 million (CHF 50.8 million in 1997).

(v) *GENERALI verzekeringsgroep*

GME owns 36.45% of the company. This investment represents 6.53% of the total insurance investments.

In 1998 the consolidated gross premium income collected by the company amounted to NLG 478.9 million (NLG 470.8 million in 1997). The 1998 consolidated total assets amount to NLG 4,524.6 million (NLG 4,042.0 million in 1997). The consolidated technical reserves have risen to NLG 2,711.5 million (NLG 2,432.3 million in 1997).

In 1998, consolidated net profit amounted to NLG 55.8 million (NLG 64.4 million the previous year).

(vi) *Generali Belgium*

The quota share owned by GME (26.61%) represents 5.86% of the total insurance investments.

During 1998 gross premium income reached BEF 10,137 million (BEF 9,434.7 million in the previous year).

Total assets amounted to BEF 40,085 million (BEF 45,749.5 million in 1997) and the technical reserves to BEF 40,379 million (BEF 37,826.2 million last year). Shareholders' surplus was BEF 4,139.8 million (BEF 4,026 million in 1997).

In 1998 net earnings amounted to BEF 315.3 million (BEF 286 million in 1997).

(vii) *Redoze Holding N.V.*

GME holds 39.44% of this company, which represents 11.92% of its total investments.

The company is a holding of insurance participations. Dividend income for the year 1998 equalled NLG 6.3 million (NLG 5.5 million in 1997). Total assets amounted to NLG 707.8 million (the 1997 figure was NLG 708.8 million). Shareholders' equity amounted, before profit appropriation, to NLG 701.9 million (the figure is unchanged with respect to 1997).

Following the above mentioned asset swap in December 1998, Redoze increased its stake in Generali (Schweiz) Holding from 4.3% to 32.5%.

Other affiliated companies

Generali Lloyd AG

Banco Vitalicio de España

Generali Belgium Holding

Standard General

Generali Finance B.V.

The remaining affiliated companies represent together 16.62% of GME's total insurance investments. Here follows a summary of 1998 significant figures.

Generali Lloyd AG

Total revenues	DEM 407 million
Total assets	DEM 965 million
Shareholders' surplus.....	DEM 106 million
Net result	DEM 11.2 million

Banco Vitalicio de España

Gross premiums written.....	ESP 112.9 billion
Total assets	ESP 483.6 billion
Technical reserves.....	ESP 425.7 billion
Shareholders' surplus.....	ESP 25.3 billion
Net result	ESP 2.7 billion

Generali Belgium Holding

Total revenues	BEF 69 million
Total assets	BEF 4,335 million
Shareholders' surplus.....	BEF 4,334 million
Net result	BEF 65.7 million

Standard General

Gross premiums written.....	ZAR 547 million
Total assets	ZAR 451.7 million
Technical reserves.....	ZAR 251.3 million
Shareholders' surplus.....	ZAR 76.3 million
Net result	ZAR 7.1 million

In November 1998 GME decided to dismiss its 58.97% shareholding in Standard General, the South African company, as it was regarded as no longer being of strategic importance for the Generali Group.

Activities in 1999

In the first quarter of 1999, GME shareholders decided to widen the company's scope, with the aim of making it a financial tool for the entire Generali Group. As a result of this decision, the articles of association were changed. The company was renamed "Generali Finance B.V.", and its object was widened in order to include the exercise of financial activities in a broader sense. The executive board was changed into a managing board, and two new members were appointed, namely Mr. F. W. H. M. Heus and Mr. G. K. Nolles, both officers of Generali verzekeringsgroep.

The company, together with its ultimate parent, Assicurazioni Generali S.p.A., is planning to redesign the present outstanding debt of the Generali group, in order to lengthen its duration and to obtain better conditions than those obtained for the existing loans. It is therefore considering the issue of Euronotes for a maximum amount of 2 billion Euro in order to refinance the present level of indebtedness. Part of the loan should be senior debt, part subordinated debt.

Proposed Net Profit Allocations

It is proposed to distribute NLG 50,000,000 and to allocate the balance to the General reserve. Consequently, with the allocation of NLG 190,704,207, the General reserve will amount to NLG 195,014,198.

The management proposes that the choice and how to receive the dividend, either in cash or in shares, be left to the shareholders of the company.

Unaudited Balance Sheet and Profit and Loss Account of the Issuer for the Year Ended 31 December 1998

The following pages set out the unaudited balance sheet and profit and loss account of the Issuer for the year ended 31 December 1998.

The Issuer qualifies as a “small company” pursuant to the Dutch Civil Code and, as such, an auditors’ report is not required to be produced and, accordingly, an auditor’s report is not presented with the balance sheet and profit and loss account of the Issuer that follow.

Balance Sheet as at 31 December 1998 (after proposed result appropriation):

Assets	As at 31 December		1997
	1998	(NLG)	
Financial fixed assets			
Investments	2,350,537,984		2,036,009,891
Current assets			
Deposits	250,000	15,600,000	
Bonds	—	114,586,276	
Short term loan.....	300,000	—	
Receivables	1,781,125	2,761,243	
Cash.....	99,333	67,941	133,015,460
	<u>2,430,458</u>	<u>67,941</u>	
	<u>2,352,968,442</u>		<u>2,169,025,351</u>

Shareholders Equity and Liabilities	As at 31 December		1997
	1998	(NLG)	
Capital and reserves			
Paid up and called share capital.....	485,000,000	445,000,000	
Reserves	1,817,943,665	1,676,876,023	2,121,876,023
Current liabilities.....	<u>50,024,777</u>		<u>47,149,328</u>
	<u>2,352,968,442</u>		<u>2,169,025,351</u>

Profit and Loss Account 1998 (in NLG):

Income	As at 31 December		1997
	1998	(NLG)	
Dividend.....		24,415,774	23,426,583
Interest			
— short term deposits	223,601		1,956,450
— bonds	227,930		3,539,228
— bank accounts.....	90,694		8,243
— other assets	1,673	543,898	96,636
			5,600,557
Currency results on deposits and bonds		(41,468)	15,007,529
Result on participations sold.....		321,145,992	
		<u>346,064,196</u>	<u>44,034,669</u>
Interest Paid			
— Quota share related to participation in HES.....		104,307,500	
— other liabilities		—	50,741
		<u>241,756,696</u>	<u>43,983,928</u>
Expenses			
Personnel expenses.....	42,434		42,638
Legal and fiscal advice.....	89,594		24,737
Auditors' fee.....	5,875		9,400
Chamber of Commerce.....	10,956		19,886
Administration costs.....	138,000		133,300
Safe custody charges	221,444		249,361
Transfer costs	1,703		8,960
Capital tax.....	400,000		250,000
Other costs	1,833	911,839	51
			738,333
Operating profit before tax.....		240,844,857	43,245,595
Tax release from provision	35,200		3,589,735
Tax burden book year.....	(175,850)	(140,650)	(6,720,000)
Results of the year		<u>240,704,207</u>	<u>40,115,330</u>

Notes to the Balance Sheet and the Profit and Loss Account

The Company is an indirectly fully owned subsidiary of Assicurazioni Generali S.p.A in Trieste, Italy. The Company is holding investments in companies involved in the insurance business.

Consolidated financial statements

The Company is a subsidiary in the Assicurazioni Generali group and is operating as a sub-holding.

In accordance with art. 408 of the Dutch Civil Code, Book 2 Title 9, the Company has opted for not drawing up consolidated financial statements. The consolidation as meant in the 7th EC Directive takes place at the ultimate parent company Assicurazioni Generali S.p.A in Italy.

1. Accounting Principles

General

The financial statements are prepared under the historical cost convention. Unless indicated otherwise, assets and liabilities are stated at nominal value.

Financial fixed assets

The investments in financial fixed assets are not considered to be group companies because the company does not exercise financial nor managerial influence. Therefore, making use of art. 389 par. 9 of the Dutch Civil Code, Book 2 Title 9, investments are stated at cost or permanent lower market value.

Investments denominated in foreign currencies have been converted at the exchange rate prevailing at balance sheet date. Differences with the exchange rates prevailing at the dates of acquisition are brought forward to the currency reserve. Dividends are accounted for as revenue for their net cash amounts when declared.

Foreign currency conversion

Receivables and payables denominated in foreign currencies have been converted in Dutch guilders at exchange rates prevailing at the balance sheet date. The related exchange differences are carried to the profit and loss account. Dividends in foreign currencies, if converted, are calculated against the rate of exchange prevailing at the date of conversion.

Taxation

The Company is subject to Dutch company tax. The prevailing nominal percentage is applied to taxable income, which is established in accordance with the tax law.

Profit and loss account

The annual accounts of the Company are presented in a format different from that accepted by the Dutch Civil Code as this presentation is considered to be more appropriate for a holding company.

Auditor's opinion

The Company qualifies as a small company according to the Dutch Civil Code. Therefore an auditor's opinion is not requested and not presented.

2. Assets

	As at 31 December	
	1998	1997
	(NLG)	
Investments		
Balance as at 1 January	2,036,009,891	1,910,486,121
Purchases valued at date of acquisition	658,436,334	—
Capital contributions.....	124,561,479	16,513,345
Sales and transfers	314,525,655	—
Currency difference.....	(49,636,565)	109,010,425
Quota share in loss of a participation	(104,307,500)	—
	<u>2,350,537,984</u>	<u>2,036,009,891</u>
Deposits		
Bank deposits:		
— NLG.....	250,000	15,600,000
— USD	—	—
	<u>250,000</u>	<u>15,600,000</u>
The deposit matured 4 January, 1999 Interest 3% p.a.		
Bonds		
US Treasury Bills (USD 2,019)	—	114,586,276
The bonds matured 15 January, 1998		
Short term loan to a Group company	300,000	—
Receivables		
Accrued interest and dividend	637,735	216,552
Taxes.....	354,380	528,691
Corporate tax.....	770,150	1,998,200
Other.....	18,860	17,800
	<u>1,781,125</u>	<u>2,761,243</u>
Cash		
Accounts with banks:		
— NLG.....	96,988	67,941
— USD (1,8895)	2,345	—
	<u>99,333</u>	<u>67,941</u>

3. Shareholders' equity and liabilities

	As at 31 December	
	1998	1997
	(NLG)	
Paid up and called share capital		
Balance as at 1 January	445,000,000	420,000,000
New shares issued	40,000,000	25,000,000
Balance as at December 31st.....	<u>485,000,000</u>	<u>445,000,000</u>
On 23 July, 1998 400,000 shares were issued at par as dividends on the year 1997. 4.85 million shares of NLG 100 each are in issue and fully paid up.		
Reserves		
Share premium	1,686,738,482	1,686,738,482
General reserve	195,014,198	4,309,991
Reserve for currency risks	(63,809,015)	(14,172,450)
	<u>1,817,943,665</u>	<u>1,676,876,023</u>
Share premium		
Balance as at 1 January	1,686,738,482	1,686,738,482
Contributed by shareholders	—	—
Balance as at December 31st.....	<u>1,686,738,482</u>	<u>1,686,738,482</u>
General reserve		
Balance as at 1 January	4,309,991	4,194,661
Result allocation	190,704,207	115,330
Balance as at December 31st.....	<u>195,014,198</u>	<u>4,309,991</u>
Reserve for currency risks		
Balance as at 1 January	(14,172,450)	(123,182,875)
Currency result on financial fixed assets	(49,636,565)	109,010,425
Balance as at 31 December.....	<u>(63,809,015)</u>	<u>(14,172,450)</u>
Current liabilities		
Corporate tax.....	—	6,720,000
Group companies	—	133,300
Capital tax.....	—	250,000
Other creditors	24,777	46,028
Dividend to shareholders.....	50,000,000	40,000,000
	<u>50,024,777</u>	<u>47,149,328</u>

4. Profit And Loss Account

Personnel

The members of the executive board do not receive a remuneration. The remuneration includes social security premiums to an amount of NLG 34 (1997: NLG 238). The employees do not have pension rights.

Release from tax provision

This represents the release of the remainder of the commercial tax provision on the results of 1996.

Diemen-Trieste, 3 May 1999

Managing Board:

F. Heus

G. Nolles

E. Coppola di Canzano

A. Bernheim

G. Guty

S. Balbinot

G. Perissinotto

Investments

	%	Number of shares	Acquisition price	Book value as at 31/12/98
Business Men's Assurance Comp. Kansas City, USA.....	100.00	12,000,000	573,413,979	595,888,794
Generali España Madrid, Spain	19.14	17,944,000	351,047,238	273,842,500
Generali Lloyd Munich, Germany	10.09	1,260,000*	117,742,185	117,885,173
Generali Holding Vienna Vienna, Austria.....	11.78		447,812,500	448,550,077
— Priority shares: 12.19%.....		85,318		
— Ordinary shares: 11.74%.....		821,860*		
Generali Belgium Brussels, Belgium.....	26.61	242,544	137,349,422	137,941,376
Generali Belgium Holding Brussels, Belgium.....	45.00	191,250	106,624,733	107,084,270
GENERALI verzekeringsgroep Diemen, The Netherlands.....	36.45	**	153,347,818	153,347,816
Standard General Johannesburg, South Africa	58.97	80,205,338	58,756,627	29,673,529
Generali (Schweiz) Holding Adliswil, Switzerland.....	7.80	149,396	51,974,412	70,051,990
Redoze Holding N.V. Diemen	39.44	197,178	280,235,753	280,235,753
Banco Vitalicio de Espana Barcelona, Spain	13.42	4,668,544	136,042,332	136,036,704
			<u>2,414,346,999</u>	<u>2,350,537,984</u>

* of which 1,080,000 shares pledged by Generali Lloyd AG and 400,000 ordinary shares pledged by Generali Holding Vienna.

** 4,721 shares of £1,000,
919 shares of £200.

Proceeds Of Investments as per 31 December 1998

	Dividend in orig. currency	Gross NLG	Taxes	Costs	Taxes refund	Net proceeds
Business Men's Assurance Company US\$	—	—	—	—	—	—
Generali España ESP	—	—	—	—	—	—
Deutscher Lloyd Lebensvers. DEM	1,260,000	1,420,398	374,630	—	374,444	1,420,212
EA. Generali ATS.....	9,200,026	1,472,924	368,231	1,854	147,365	1,250,204
Generali Allgemeine Lebensvers.. ATS.....	25,079,780	4,014,019	—	150	—	4,013,869
Generali Belgium BEF	50,691,696	2,770,301	—	150	—	2,770,151
Generali Belgium Holding BEF	29,475,000	1,609,335	—	150	—	1,609,185
GENERALI verzekeringsgroep NLG.....	5,468,356	5,468,356	—	—	—	5,468,356
Standard General ZAR.....	—	—	—	—	—	—
Generali (Schweiz) Holding CHF	5,373,753	7,187,932	2,515,776	300	2,574,269	7,246,125
Banco Vitalicio ESP	64,192,480	850,229	212,557	—	—	637,672
		<u>24,793,494</u>	<u>3,471,194</u>	<u>2,604</u>	<u>3,096,078</u>	<u>24,415,774</u>

Other Information

Provisions relating to the profit appropriation as contained in the articles of association.

The profit is at the disposal of the general meeting of shareholders.

Profit Allocation

Proposed profit allocation:

— to shareholders	NLG 50,000,000
— to General Reserve	NLG 190,704,207

Details of balance sheet items as at 31 December 1997 and 1998

Breakdown of currency reserve	As at 31 December	
	1998	1997
BMA	22,474,815	63,315,036
Generali España	(77,204,738)	(77,272,415)
Generali Lloyd	142,988	175,421
Generali Holding Vienna	737,577	352,370
Generali Allgemeine Leben	—	180,541
Generali Belgium	591,954	594,478
Generali Belgium Holding	459,537	461,497
Standard General	(29,083,098)	(20,631,195)
Generali (Schweiz) Holding	18,077,578	18,651,817
Bamco Vitalicio	(5,628)	—
	<u>(63,809,015)</u>	<u>(14,172,450)</u>

Capitalisation of Assicurazioni Generali S.p.A.

The following table sets out the consolidated liabilities, divided into insurance liabilities and other liabilities and debts and stockholders' equity of the Generali Group as at 31 December 1998, adjusted to give effect to the issue of the Notes. There has been no material change in the capitalisation of the Guarantor since 31 December 1998.

	As at 31 December 1998 (in billions of Lire)
Liabilities	
Insurance liabilities	254,818
Other liabilities and debts	21,653
	<u>276,471</u>
Stockholders' equity	
Share capital	2,052
Reserves	12,651
Retained earnings	2,467
Total stockholders' equity ⁽¹⁾	<u>17,170</u>
Total capitalisation	<u><u>293,641</u></u>

⁽¹⁾ Including minorities.

Assicurazioni Generali S.p.A.

General

Established in Trieste in 1831, Assicurazioni Generali S.p.A. ("Generali") and its consolidated subsidiaries (together the "Generali Group") is now the largest insurance group in Italy and the third largest in Europe in terms of total gross premiums written. The Generali Group operates in 50 countries through branch offices and subsidiaries.

The Generali Group consolidates 120 insurance companies, 55 holding, financial and real estate companies and further companies working in insurance business related areas, such as fund and asset management. Therefore the Generali Group undertakes a wide range of direct life and non-life insurance business, assumed reinsurance business and activities in fund and asset management and related areas.

Generali has a dual function within the Generali Group, acting as an insurer in its own right, operating through branch offices in Italy and other countries, and also acting as the parent company of the Generali Group.

Generali shares are listed on the Milan Stock Exchange. As at 31 March 1999 Generali had a market capitalisation of approximately euro 38.09 billion.

Overview

For the year ended 31 December 1998 gross premiums written by the Generali Group amounted to ITL 62,753 billion (as at 31 December 1997: 40,744 billion), of which ITL 36,934 billion (as at 31 December 1997: ITL 21,953 billion) was attributable to life insurance business and ITL 25,819 billion (as at 31 December 1997: ITL 18,791 billion) to non-life insurance business. Consolidated gross premiums written for the year ended 31 December 1998 represented a 54% increase over the previous year, mainly as a result of the consolidation for the first time in the 1998 accounts of the gross premiums written by the AM Group purchased in 1998, GPA, VIE, GPA IARD and Proxima which together amount to ITL 18,530 billion. Without taking AMB, GPA and Proxima into account this increase in consolidated gross premiums is equal to 8.5%.

The consolidated net profit of the Generali Group for the year ended 31 December 1998 was ITL 1,731 billion (as at 31 December 1997: ITL 1,031 billion), an increase of 68% over the 1997 year end figure. The comparable net profit figures for 1998 include an extraordinary item, the disposal of Royal Nederland V.G. The 1998 consolidated net profit without this extraordinary capital gain was ITL 1,281 billion.

Total investments of the Generali Group as at 31 December 1998 amounted to ITL 257,585 billion (as at 31 December 1997: ITL 145,682 billion), representing a 76.8% increase over the 1997 year end figure. Total investment income for the year ended 31 December 1998 amounted to ITL 20,010 billion, representing an increase of 62.6% over the figure for 31 December 1997 of ITL 12,307 billion.

Net technical reserves of the Generali Group as at 31 December 1998 amounted to ITL 233,614 billion (as at 31 December 1997: ITL 134,672 billion), representing a 73.4% increase over the 1997 year end figure, again, mainly as a result of the consolidation of AMB into the 1998 consolidated accounts.

Summary Financial Information

The following table sets out certain selected consolidated financial information of the Generali Group for the two years ended 31 December 1998:

	As at 31 December	
	1998	1997
	(ITL billion)	
Gross premiums	62,753	40,744
Acquisition costs and general expenses	11,701	8,002
Investment	257,585	145,682
Investment income	20,010	12,307
Net technical provisions	233,614	134,672
Technical provisions/net premiums (non-life)	166.7%	155%
Loss ratio (non-life)	80.7%	77.7%
Capital and free reserves	11,390	10,208
Net profit	1,281 ⁽¹⁾	1,031
Return on equity	11.3%	10.1%

⁽¹⁾ Net of the extraordinary capital gain arising from the sale of Royal Nederland V.G.

Strategy

In an insurance environment which is exposed to rapid structural changes exemplified by globalisation, deregulation, technological developments, alternative distribution channels, more sophisticated capital markets and increasing natural and man-made catastrophes, the Generali Group requires a well defined market strategy. The management of the Generali Group believes that strong sustainable earnings power and innovation are the main ingredients of such a strategy for the future. The main elements of the Generali Group's current strategic thinking are as follows:

1. to focus on core businesses in its established Western European core markets. This involves continuing emphasis on the move that has taken place over the last 5 years to a predominantly life insurance business from a non-life insurance business;
2. to strengthen existing operations in Israel, Latin America and the Far East;
3. to further develop and expand the asset management business. The Management of the Generali Group believe the acquisition at the end of 1998 of the entire share capital of Banca della Svizzera Italiana ("BSI"), a private bank in Switzerland — see "Recent Developments", will contribute to the development of the role of asset management for the Generali Group and could bring other potential synergies;
4. to continue to target an increase in gross premiums written and return on equity. The Generali Group will also continue to look at ways to restructure and, where appropriate, rationalise the Generali Group thereby allowing any potential costs savings to have the maximum effect; and
5. the Generali Group will continue to assess the potential of using any excess capital for strategic acquisition throughout its core European and other markets.

Generali Group Insurance Business

Underwriting

Life

In what is the fastest growing life assurance market in Western Europe, the Generali Group is the leading Italian life assurance group. Approximately 58.9% of gross premiums for the Generali Group for the year ended 31 December 1998 came from life assurance (including reinsurance). This compares favourably (and is in line with stated corporate strategy — see "Strategy"), with 40.1% 5 years ago.

Life premiums amounted to ITL 36.934 billion for the year ended 31 December 1998 (ITL 21,953 billion as at 31 December 1997) a rise of 68.2% on the previous year.

The following table sets out certain selected figures for the Generali Group's life operations for the 2 years ended 31 December 1998:

	31 December	
	1998	1997
	(ITL billion)	
Gross premiums written.....	36,934	21,953
Net premiums written.....	36,299	21,567
Investment income.....	15,828	9,380
Paid insurance benefits.....	23,101	10,537
Change in underwriting reserves.....	21,322	15,291
Policyholders dividends.....	12,443	7,081
Net expenses of acquisition and general administration.....	5,113	3,081
Profit before tax ⁽¹⁾	2,312	1,660
Net underwriting reserves ⁽²⁾	233,614	134,672

⁽¹⁾ Including minorities.

⁽²⁾ Excluding technical provisions for Life contracts where investment risk is borne by the policyholders.

Non-Life

In line with the stated strategy for the Generali Group — see “Strategy”, the Generali Group has over the past 5 years shifted focus from being a predominantly non-life insurer. Indeed, 5 years ago 59.9% of gross premiums written for the Generali Group were non-life premiums including reinsurance. The comparable figure for 1998 stands at 41.1%.

Non-life premiums for the year ended 31 December 1998 amounted to ITL 25,818 billion. This compares to a total figure of ITL 18,791 billion for the year ended 31 December 1997. Year on year this equates to a 37.4% increase.

The following table sets out certain selected figures for the Generali Group's non-life operations for the 2 years ended 31 December 1998:

	31 December	
	1998	1997
	(ITL billion)	
Gross premiums written.....	25,818	18,791
Net premiums written.....	22,271	15,906
Net premiums earned.....	22,169	15,592
Net losses incurred.....	17,488	12,067
Net expenses of acquisition and general administration.....	6,587	4,921
Underwriting result.....	-2,608	-1,683
Investment income.....	4,181	2,927
Profit before tax ⁽¹⁾	1,521	803
Net underwriting reserves.....	37,120	24,649

⁽¹⁾ Including minorities.

Reinsurance

Of the total gross premiums for the Generali Group in 1998, 3.5% was attributable to the reinsurance business line. This compares to 4.88% for the Generali Group in 1997.

Life reinsurance premiums totalled ITL 507 billion for the Generali Group in 1998. This was an increase of 18.1%, before exchange differences on the ITL 429 billion figure for the year ended 31 December 1997.

Non-life reinsurance premium income amounted to ITL 1,716 billion for 1998. This was up by 9.9% from the corresponding figure of ITL 1,561 billion for 1997.

Geographic Distribution

Italy

In Italy, through 9 companies, the Generali Group wrote life premiums amounting to ITL 11,480 billion in 1998 (1997: ITL 8.475 billion). This is 31.08% of the aggregate life business, compared to 38.6% of aggregate life business for 1997.

In the non-life insurance business in Italy, the Generali Group, acting through 9 companies wrote gross premiums of ITL 4,725 billion in 1998 compared to ITL 4,434 billion in 1997, an increase of 6.6%. This is 18.3% of the aggregate non-life business, compared to 23.6% of the aggregate non-life business of the Group in 1997.

The Generali Group's market share of the non-life market, in terms of gross premiums written, was 9.8% at ITL 4,725 billion in 1998 compared to a market share, in terms of gross premiums written, of 9.5% in 1997 at ITL 4,434 billion.

A large percentage of premium income continues to come from agents, however the Generali Group has sought to diversify and specialise its sales channels. Generali has established, for example, Italy's first ever telephone sales insurance company.

Germany

Operating through 6 companies, the Generali Group collected life premiums in 1998 amounting to ITL 11,592 billion, compared to ITL 1,702 billion for 1997. This equates to a 581% increase year on year.

In the non-life business, through 14 companies, the Generali Group generated a premium income of ITL 8,707 billion in 1998 (1997: 1,861 billion), an increase of ITL 6,846 billion on 1997.

The main reason for this increase is the consolidation for the first time in the 1998 consolidated accounts of the AMB acquisition. AM Group is the third largest German insurer with a market share of over 6% with DEM 16.8 billion of insurance premiums (gross) written. By virtue of the AMB acquisition the Generali Group's market share of the German insurance market has increased from 1.5% to 8.3%, in terms of total gross premiums written.

AMB has already announced a cost saving program which, through centralisation of asset management, EDP and back office, should bring cost savings estimated at DEM 400 million by 2001.

The Generali Group itself is reorganising its presence and has created a new holding company that will control the various operating companies. This will result in the centralisation of the back office, human resources, real estate and investments functions and therefore result in significant cost savings.

France

The Generali Group through 6 companies recorded life premium income of ITL 5,916 billion in 1998, an increase of 29.2% on the 1997 figure of ITL 4,576 billion.

Premium volume in non-life business rose by 13.2% in 1998. The six Generali Group French companies wrote premiums for ITL 3,935 billion, compared to ITL 3,474 billion in 1997.

As in the German sector, the figures for 1998 show an increase on the comparable 1997 figures as a result of strategic acquisitions being consolidated into the 1998 consolidated accounts for the first time. In this instance it is the acquisition of the entire share capital of each of GPA and Proxima. As a result of these acquisitions the Generali Group's market share, in terms of total gross premiums written, rose from 3% to 4.7%. As with the German Generali Group companies it is planned to reorganise the French Generali Group companies (with similar anticipated cost savings) into a similar holding group company structure — see "Geographic Distribution — Germany" above. At the moment, the two companies have been placed under the control of Generali France Holding.

Spain

The Generali Group is the second largest insurance group in Spain, with a 6.1% market share, in terms of gross premiums written, in what is one of the fastest growing markets for life assurance in Europe, again in terms of gross premiums written.

The Generali Group operates in Spain through three life and three non-life companies. Gross premium income amounted to ITL 3,327 billion in 1998.

On the life business side 1998 saw a gross premium written amount of ITL 1,598 billion compared to a figure of ITL 1,134 billion for 1997. Gross premium income of ITL 1,729 billion was generated in the non-life business in 1998, an increase of 3.1% on the ITL 1,677 billion premium income figure for 1997.

Austria and Switzerland

The Generali Group premium income reached ITL 3,508 billion in 1998 in Austria compared to ITL 3,470 billion in 1997. An increase of 1.1% year on year. The Group's 2 life companies in Austria recorded premium income of ITL 1,030 billion (1997 ITL 977 billion) and its 3 non-life companies a premium income of ITL 2,477 billion (1997: ITL 2,493 billion), a fall of 0.6% on the 1997 figure.

In Switzerland the Generali Group companies generated a premium income of ITL 1,556 billion, compared to ITL 1,426 billion in 1997. Non-life premium income increased by 1.6% in 1998 to ITL 321 billion, and life income increased by 11.1% to ITL 1,234 billion (1997: ITL 1,110 billion).

Other Markets

Whilst the Generali Group's focus is predominantly on its core markets of Western Europe, the Generali Group does have a presence in other markets, most significantly the Israeli insurance market. Through Leumi Insurance Holdings Ltd., the Generali Group controls Israel's leading life insurer the Migdal Group. Premium income in Israel reached ITL 2,042 billion in 1998.

The Generali Group also have interests in Latin America, in Brazil, Argentina and Mexico — see "Recent Developments".

Financial Operations

Against the continued world economic financial downturn the Generali Group focused attention on increased trading in the share sector, and reviewing the bond portfolio to stabilise potential future yields.

Investments as at 31 December 1998 had reached ITL 257,585 billion, an increase of 76.8% on the 1997 year end figure of ITL 145,682 billion. Of the total of ITL 257,585 billion, bonds accounted for 50.5% (1997: 60.9%), loans account for 16.4% (1997: 10.9%), equities and units of mutual funds accounts for 12.9% (1997: 10.5%), real estate accounts for 7.1% (1997: 9.5%), investments related to life funds for 4.6% (1997: 2.4%), shares in subsidiaries and associated companies 4.5% (1997: 3.1%) and other investments for 4% (1997: 2.7%).

Ordinary income from investment amounted to ITL 15,773 billion. The figure for 1997 was ITL 9,982 billion.

Unrealised capital gains on quoted securities amounted to ITL 19,315 billion compared to a figure of ITL 9,678.4 billion for 1997. The figure of ITL 19,315 billion for 1998 is split between ITL 9,479 billion for bonds (1997: ITL 5,904 billion) and ITL 9,836 billion for equities (1997: ITL 3,773 billion).

Subsidiaries

The following table sets out the principal operating subsidiaries of the Generali Group as at 31 December 1998:

Entity	Field of Activity	Group Holding	Capital and Surplus (ITL billion)	Total Assets (ITL billion)
Alleanza	Insurance — Life	55.98%	2,475	24,466
Trieste e Venezia	Non Life	100.00%	23	156
Generali France Assurances	Non Life	88.92%	384	3,888
Generali Vie	Insurance — Life	100.00%	402	10,285
Volksfuersorge Leben	Insurance — Life	100.00%	602	41,279
AM Versicherung	Non Life	98.25%	481	3,732
Banco Vitalicio	Life/Non Life	86.75%	294	5,628
La Estrella	Life/Non Life	99.81%	304	5,360
Erste Allgemeine	Life/Non Life	100.00%	544	9,192
Interunfall	Life/Non Life	86.10%	363	4,253
Migdal	Life/Non Life	100.00%	394	6,536
Fortuna Leben	Insurance — Life	100.00%	41	3,181
BSI	Private Banking	100.00%	788	9,228

Regulatory

Italian insurance companies are subject to a comprehensive regulatory scheme determined by law and supplemented by guidelines issued by the Interministerial Committee for Economic Planning (“CIPE”) and administered primarily by the Ministry of Industry, Commerce and Artisans (the “Ministry of Industry”) and Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (“ISVAP”). The most important insurance laws, some of which have been recently amended in order to implement EU directives in Italy, (i) regulate access to insurance activities, (ii) require the maintenance of certain solvency margins, in part through a guarantee fund, (iii) determine the form of financial statements for insurance concerns and (iv) regulate the activities of insurance intermediaries. In addition, the Italian Civil Code contains certain provisions applicable to insurance contracts.

With the exception of certain powers specifically reserved to the Ministry of Industry, all control and supervision power in respect of the insurance industry is exercised autonomously by ISVAP. ISVAP’s purposes include: (i) oversight of technical, financial and asset management, monitoring solvency ratios, (ii) review of financial statements; (iii) supervision of the activities of insurance brokers and agencies; (iv) advising the Ministry of Industry of its views regarding business plans submitted by companies seeking authorisation to conduct insurance activities; (v) proposing disciplinary measures, including revocation of authorisations; (vi) approving restructuring plans; (vii) advising the Ministry of Industry with respect to admission to the forced liquidation procedure for financially troubled concerns; and (viii) communicating and collaborating with other EU insurance oversight bodies. ISVAP has the power to request information from insurance companies, conduct audits of their activities and question their legal representatives, managing directors and statutory auditors and to convene shareholders’, directors’ and statutory auditors’ meetings in order to propose measures necessary to conform the management of the insurance company to the requirements of law. In addition to the foregoing, the minutes of meetings of the corporate bodies of insurance companies and the reports of their statutory auditors must be transmitted to ISVAP within 15 and 10 days, respectively, of their adoption. Also, the acquisition by insurance companies of controlling interests or interests which exceed certain limits in companies other than insurance companies must be communicated to ISVAP within 30 days. ISVAP has the power to order a reduction in such holdings if they do not satisfy conditions prescribed by law and to apply sanctions. In certain cases, ISVAP may also propose to the Ministry of Industry the revocation of the authorisation to conduct insurance activities.

Board of Directors

The Board of Directors of Generali as at 30 April 1998 is constituted as follows:

Name	Principal Occupation
DESIATA Alfonso	Chairman and Member of Executive Committee
GUTTY Gianfranco	Deputy Chairman, Member of Executive Committee and Managing Director
CINGANO Francesco	Deputy Chairman and Member of Executive Committee
CERCHIAI Fabio	Managing Director and Member of Executive Committee
BARRE Raymond	Member of Board of Directors
BASTIANELLO Tito	Member of Board of Directors and Executive Committee
BERNHEIM Antoine	Member of Board of Directors
BIASI Paolo	Member of Board of Directors
BROGGINI Gerardo	Member of Board of Directors and Executive Committee
COPPOLA di CANZANO Eugenio	Member of Board of Directors and Executive Committee
DUSI Emilio	Member of Board of Directors
GAZZONI FRASCARA Guiseppe	Member of Board of Directors
HERVET Georges	Member of Board of Directors
KOHLHAUSSEN Martin	Member of Board of Directors
LUCCHINI Luigi	Member of Board of Directors and Executive Committee
PECCI Alberto	Member of Board of Directors
ROMANIN JACUR Arturo	Member of Board of Directors
WINTERSTEIN Wilhelm	Member of Board of Directors
ZANZI Massimo	Member of Board of Directors

Management

The following table shows the current members of the Executive Board of Generali:

Name	Area of Responsibility
DESIATA Alfonso	Chairman
GUTTY Gianfranco	Deputy Chairman and Managing Director
CINGANO Francesco	Deputy Chairman
CERCHIAI Fabio	Managing Director
BASTIANELLO Tito	Member of Board of Directors
BROGGINI Gerardo	Member of Board of Directors
COPPOLA di CANZANO Eugenio	Member of Board of Directors
LUCCHINI Luigi	Member of Board of Directors

The business address of all the Executive Board is *c/o* Generali at Piazza Duca degli Abruzzi, 2 34132 Trieste Italy.

Employees

As at 31 December 1998 the Generali Group had around 54,598 permanent employees compared to 41,417 as at 31 December 1997.

Share Capital

Generali has an authorised share capital of 1,025,873,500 shares with a nominal value of ITL 2,000 each. All the Shares are issued. Of the issued shares, 29.43% are held by individuals and 70.54% are held by legal entities.

Earnings per share for 1998 totalled ITL 1,687 (ITL 1,250 per share excluding extraordinary capital gains on the disposal of Royal Nederland V.G.) compared with ITL 1,005 for 1997. Dividends per share amounted to ITL 425 for 1998, compared to ITL 385 for 1997.

During 1998, shares reached a highest price of Euro 36.6183, and fell to a low of Euro 21.6111. The average daily volume of trading was 3959420 units.

Litigation

The Generali Group, in common with all other major European insurance companies, is the subject of possible claims by relatives of insureds who were victims of the holocaust. The nature of such claims are currently under discussion and it is difficult to estimate if and to what extent such claims shall be settled. As a result, the management is not able to comment upon the status of such claims. However, the management of Generali believes that, should the Generali Group be required to settle such claims in full, its ability to guarantee payment under the €500,000,000 Fixed/Floating Rate Subordinated Callable Guaranteed Notes due 2019 will not be affected.

Recent Developments

The Generali Group plans to continue to expand and increase its presence in the Latin American markets and in particular Argentina, Brazil and Mexico. In Argentina it is in the process of acquiring a further interest in Caja de Ahorro Y Seguro. At present 32.5% of the share capital of the company has been bought providing the Generali Group with a board majority. The Generali Group has the option to acquire further shares to obtain a simple majority. The acquisition should provide the Generali Group with a 12% share of the Argentinian insurance market and with a turnover of US\$600,000,000, making it the market leader in the Argentinian insurance market. The Generali Group expects the Argentinian market to provide good opportunities in terms of the life insurance and pension markets.

The Generali Group also anticipates good opportunities for growth in the Mexican pension market. Here the Generali Group, rather than making any acquisitions has the benefit of a joint venture with Banorte.

As regards the Far East, Generali has reached an agreement with the Quok Group for the constitution of Generali Asia. One of the first moves of Generali Asia will be the setting up of 2 companies (one life and one non-life) in the Philippines.

The Generali Group plans to continue its expansion in terms of its asset management business. With the purchase of BSI the Generali Group is undertaking the gradual sale back of Genercomit to Comit to rationalise group activities. The purchase of BSI was mainly to increase focus on the Group's equity asset management capabilities. The bond portfolio will remain under the control of the relevant holding company in each separate geographical business area. In addition to Prime and BSI, the third aspect of the Generali Group's asset management business is Banca Generali, which provides for telephone banking.

The Generali Group has recently acquired, from the Migros Group, 55% of the total share capital of Secura Allgemeine and Secura Leben ("Secura"). Securas figures will be fully consolidated into the 1999 consolidated accounts for the first time. It is anticipated that the Generali Group's market share of the Swiss insurance market will increase by around 1% as a result of the acquisition. The acquisition will also provide the Generali Group with an extensive established distribution channel for equity and unit linked products.

In more general terms, the Generali Group plans to consolidate its move from a predominantly non-life to a predominantly life insurance business and develop and increase in volume its asset management business. It plans to continue with and monitor its costs cutting objectives with the aim of reducing its costs to net premiums ratio to a comparable level with its competitors. Accordingly, the profit margin after investment return should benefit directly from any saving.

Taxation

The statements herein regarding taxation are based on the laws in force in The Netherlands and the Republic of Italy as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

The Netherlands

The following is a general summary of the Dutch taxes discussed as at the date hereof in relation to payments made under the Notes and Coupons. It is not exhaustive and does not cover the position of Dutch resident holders. Holders who are in doubt as to their tax position should consult their professional advisers.

The Issuer has been advised that under the existing laws of The Netherlands:

- (a) all payments under the Notes or Coupons can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein;
- (b) a holder of a Note or Coupon who derives income from a note or who realises a gain on the disposal or redemption of a Note or Coupon will not be subject to Dutch taxation on income or capital gains unless:
 - (i) the holder is, or is deemed to be, resident in The Netherlands; or
 - (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
 - (iii) the holder has, directly or indirectly, a substantial interest or a deemed substantial interest in the Issuer and such interest or the Notes or Coupons do not form part of the assets of an enterprise; or
 - (iv) if the holder is an individual not having a substantial interest or a deemed substantial interest in the Issuer, any of certain connected persons has a substantial interest or a deemed substantial interest in the Issuer and such interest or the Notes or Coupons do not form part of the assets of an enterprise;
- (c) Dutch net wealth tax will not be levied on a holder of a Note or Coupon unless such holder is an individual and:
 - (i) the holder is, or is deemed to be, resident in The Netherlands; or
 - (ii) such Note or Coupon is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands;
- (d) Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note or Coupon by way of gift by, or on the death of, a holder unless:
 - (i) the holder is, or is deemed to be, resident in The Netherlands; or
 - (ii) the transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death, is, or is deemed to be, resident in The Netherlands; or
 - (iii) such Note or Coupon is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in The Netherlands;
- (e) there is no Dutch registration tax, capital tax, stamp duty or any other similar tax or duty other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable

Taxation

in The Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or Coupons or the performance of the Issuer's obligations under the Notes or Coupons;

- (f) there is no Dutch value added tax payable in respect of payments in consideration for the issue of the Notes or Coupons or in respect of the payment of interest or principal under the Notes or Coupons or the transfer of the Notes or Coupons; and
- (g) a holder of a Note or Coupon will not become resident, or deemed to be resident, in The Netherlands by reason only of the holding of a Note or Coupon or the execution, performance, delivery and/or enforcement of the Notes or Coupons.

Republic of Italy

Interest or any other proceeds paid by the Issuer in respect of the Notes and the Coupons to Italian individual residents or to non-Italian residents who did not give the appropriate residence certification are subject to an entrance withholding tax equal to 12.5%, to the extent that said interest or proceeds are paid through those Italian entities acting as paying agents which are obliged by law to apply such withholding. Italian commercial partnerships, limited liability companies and public and other private entities engaged in commercial activities, investment and pension funds are not subject to such entrance withholding tax but, rather, they are taxed on their overall income. In the event the Notes are redeemed prior to 18 months from their issue, an additional tax equal to 20% of interest and other proceeds accrued up to the date of the early redemption shall be withheld by the aforementioned entities acting as paying agents.

In the absence of any jurisprudential precedent on the matter, there is a reasonable argument that any payments made by the Guarantor under the Subordinated Guarantee should not be considered capital income and, consequently, are not subject to any withholding, except that, according to a certain trend of interpretation, withholding tax may be payable under the Subordinated Guarantee by the Guarantor on payments which relate to interest due by the Issuer on the Notes and unpaid. If withholding taxes are imposed, the Guarantor, subject to certain customary exceptions, is obliged to pay under the Subordinated Guarantee such additional amounts as shall be necessary in order that the net amounts received by the Noteholders and/or Couponholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons in the absence of such withholding or deduction.

Proposed European Union Withholding Tax

In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a European Union Member State to withhold tax at a minimum rate of 20% from any interest, discount or premium paid to an individual resident in another European Union Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which he is resident confirming that those authorities are aware of the payment due to that individual. The "information system" would require a European Union Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001.

Subscription and Sale

UBS AG, acting through its division Warburg Dillon Read, Commerzbank Aktiengesellschaft, MEDIOBANCA–Banca di Credito Finanziario S.p.A., Banca Commerciale Italiana S.p.A., Banca Monte dei Paschi di Siena S.p.A., Chase Manhattan International Limited, Goldman Sachs International and Société Générale (the “Managers”) have, in a subscription agreement dated 27 May 1999 (the “Subscription Agreement”) and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes at their issue price of 99.827% of their principal amount plus any accrued interest in respect thereof and less a combined management and underwriting commission of 0.20% of their principal amount and a selling concession of 0.35% of their principal amount. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

United Kingdom

Each Manager has further represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of the period six months from the Closing Date except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Republic of Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public at large, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Subscription and Sale

The Notes may not be offered, sold or delivered and neither the Offering Circular nor any other offering material relating to the Notes may be distributed or made available in the Republic of Italy unless:

- (A) (1) such activities are carried out by or through one of the following authorised securities intermediaries:
- (a) investment companies and banks authorised to place and distribute securities in the Republic of Italy pursuant to Legislative Decree No. 58 of 24 February 1998 (the “Legislative Decree No. 58”) and CONSOB Regulation No. 11522 of 1 July 1998;
 - (b) foreign banks and financial institutions (the controlling shareholder of which is owned by one or more banks located in the same EU Member State) authorised to place and distribute securities in the Republic of Italy pursuant to, respectively, Articles 15, 16 and 18 of the Legislative Decree No. 385 of 1 September 1993 (the “Consolidated Banking Act”), in each case acting in compliance with the relevant provisions of the Legislative Decree No. 415 of 23 July 1996, Legislative Decree No. 58 and any other applicable laws and regulations;
- (2) it is in compliance with the requirements of law No. 216 of 7 June 1974 and CONSOB Resolution No. 6430 of 26 August 1992, all as amended, restated and/or substituted from time to time;
- (3) it is in compliance with Article 129 of the Consolidated Banking Act and with the relevant instructions of the Bank of Italy, pursuant to which trading or placement of foreign securities is subject to prior notification to the Bank of Italy, unless an exemption applies; and
- (4) it will be conducted in accordance with any relevant limitations which the Bank of Italy or CONSOB may impose upon the offer or sale of the Notes; or
- (B) Italian residents submit unsolicited offers to the relevant Manager to purchase the Notes.

On 14 May 1999 CONSOB approved a new regulation (No. 11791) on investment solicitation and issuers of financial instruments.

It is expected that such new regulation will be published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) shortly after the date of this Offering Circular.

Fifteen days after publication the new regulation will come into full force and effect.

The new regulation, *inter alia*, will give full and final implementation to article 94 and onwards of Legislative Decree No. 58.

As a result thereof, Law No. 216 of 7 June 1974 and CONSOB resolution No. 6430 of 26 August 1992 will be replaced, effective from the date on which the new regulation enters into full force and effect.

The Netherlands

The Notes are being issued under the Euro-securities exemption pursuant to Article 6 of the Exemption Regulation of 21 December 1995 (“*Vrijstellingsregeling Wet Toezicht Effectenverkeer 1995*”), as amended, of The Netherlands’ Securities Market Supervision Act 1995 (“*Wet Toezicht Effectenverkeer 1995*”) and accordingly each Manager will be required to represent and agree that it has not publicly promoted and will not publicly promote the offer or sale of the Notes (including any rights representing an interest in either the Temporary Global Note or the Permanent Global Note) by conducting a generalized advertising or cold-calling campaign within or outside The Netherlands.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and each of the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

General Information

1. The creation and issue of the Notes has been authorised by resolutions of shareholders of the Issuer dated 17 May 1999 and 20 May 1999. The giving of the Subordinated Guarantee has been authorised by a resolution of the Board of Directors of the Guarantor dated 30 March 1999.
2. There are no litigation or arbitration proceedings against or affecting the Issuer, the Guarantor or any of its respective subsidiaries or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.
3. There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or the Guarantor since 31 December 1998 that is material in the context of the issue of the Notes.
4. For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of each Paying Agent:
 - (a) the Fiscal Agency Agreement;
 - (b) the Deed of Covenant; and
 - (c) the Subordinated Guarantee.
5. For so long as any of the Notes are outstanding, copies of the latest unaudited financial statements of the Issuer (to the extent such financial statements are produced) and the latest audited consolidated and non-consolidated financial statements of the Guarantor and audited half-yearly non-consolidated interim financial statements of the Guarantor (together with English translations thereof) may be obtained during normal business hours at the Specified Office of each Paying Agent. The Issuer does not publish any interim financial statements and the Guarantor does not publish any consolidated interim financial statements or any audited non-consolidated interim financial statements more frequently than every six months.
6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the constitutive documents of the Issuer and the By Laws (*Statuto*) of the Guarantor (together with an English translation thereof) and a legal notice relating to the issue of the Notes will be deposited prior to listing with the *Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*, where they may be inspected and copies obtained upon request.
7. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
8. The Notes have been accepted for clearance through Euroclear and Cedelbank. The ISIN is XS0097762909 and the common code is 9776290.

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