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Job No: 127909

Date: 19/7/2000

Proof: 4

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# Assicurazioni Generali S.p.A.

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

**€750,000,000**

**Fixed/Floating Rate Subordinated Callable Notes due 2022**

**Issue price 100 per cent.**

The Notes are expected to be assigned on issue a rating of A+ by Standard and Poor's and A1 by Moody's Investors Service. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

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**UBS Warburg**

**ABN AMRO**

**Commerzbank Aktiengesellschaft**

**Mediobanca S.p.A.**

**J.P. Morgan Securities Ltd.**

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The issue price of the €750,000,000 Fixed/Floating Rate Subordinated Callable Notes due 2022 (the “Notes”) of Assicurazioni Generali S.p.A. (the “Issuer”) is 100% of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 20 July 2022. 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 Republic of Italy.

The Notes will bear interest from and including 20 July 2000 up to but excluding 20 July 2012 at the rate of 6.90% per annum payable annually in arrear on 20 July in each year commencing on 20 July 2001 and accruing up to but excluding 20 July 2012. From and including 20 July 2012 up to but excluding 20 July 2022, the Notes will bear interest at the rate of 2.00% per annum above the average of the EURIBOR rate for six-month euro deposits payable semi-annually in arrear on each 20 July and 20 January commencing on 20 January 2013. Payments on the Notes will be made in euro without deduction for or on account of taxes unless such deduction is required by law.

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 20 July 2000 (the “Closing Date”) with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). 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”.

The Issuer has confirmed to the Managers (as defined under “Subscription and Sale”) 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 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. The Issuer accepts responsibility for the information contained in this document.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer 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 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

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Issuer 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 the Issuer has not 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 rand; 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 17 July 2000, the exchange rate between the Italian lira and the US dollar was US\$1= 2,070.40 ITL.

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, UBS AG, acting through its business group UBS Warburg (“UBS Warburg”) 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, UBS Warburg 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 UBS Warburg. The Managers have acknowledged that the Issuer has not authorised the creation and issue of Notes in excess of €750,000,000 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 Issuer prepared in accordance with accounting principles generally accepted in Italy for the years ended 31 December 1998 and 1999 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.

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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 €750,000,000 Fixed/Floating Rate Subordinated Callable Notes due 2022 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of Assicurazioni Generali S.p.A. (in such capacity, the “Issuer”) are the subject of a fiscal agency agreement dated 20 July 2000 (as amended or supplemented from time to time, the “Agency Agreement”) between the Issuer, HSBC Bank plc as fiscal agent (the “Fiscal Agent”, which expression includes any successor fiscal agent appointed in connection with the Notes), HSBC Bank plc as agent bank (the “Agent Bank”), which expression includes any successor agent bank appointed 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). In the event of the substitution of another company in place of the Issuer as principal debtor in respect of the Notes as provided by Condition 14 (*Substitution*) (a “Substitution”) the Notes shall be the subject of a subordinated guarantee (the “Subordinated Guarantee”) entered into by Assicurazioni Generali S.p.A. (in such capacity, the “Guarantor”), in which case the provisions of these Conditions relating to the Subordinated Guarantee and to the Guarantor shall apply. 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, which latter expression shall, unless the context otherwise requires, include the talons for further interest coupons (the “Talons”)) shall be bound by, and deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of 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 and one Talon 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

- (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, unsecured creditors (including policyholders) 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:* Pursuant to the Subordinated Guarantee (if issued), the Guarantor will unconditionally and irrevocably guarantee 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 bankruptcy, dissolution or liquidation or winding up of the Guarantor, rank junior 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 present and future 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 20 July 2000 (the “Issue Date”), payable in arrear on 20 July in each year commencing on 20 July 2001, and will accrue up to but excluding 20 July 2012 (each, a “Fixed Rate Interest Payment Date”), and thereafter on each 20 July and 20 January in each year accruing up to but excluding 20 July 2022, (each, a “Floating Rate Interest Payment Date”) subject as provided in Condition 5 (Payments and Exchange of Talons). 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) 20 July 2012 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 the rate applicable as at such due date for redemption (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 (*Notices*) (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 earliest 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 bankruptcy, winding up, liquidation or dissolution of the Issuer.

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 both of the following criteria are met: (a) no dividend was declared in respect of any class of shares of Assicurazioni Generali S.p.A. at the Annual General Meeting of Assicurazioni Generali S.p.A. immediately preceding 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.

**(c) Interest Payment**

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

- (i) from, and including, the Issue Date to, but excluding, 20 July 2012, 6.90 per cent. per annum (the “Fixed Rate of Interest”); and
- (ii) during each period beginning on, and including, 20 July 2012 and ending on, but excluding, the next Floating Rate Interest Payment Date up to and including 20 July 2022, 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 am (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 am (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 hundred thousandth of a percentage point, 0.000005 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 am (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 2.00 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 the 2.00 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).
- (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 Paying Agents, the Noteholders, the Couponholders and, following a Substitution, the Guarantor.
- (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 Paying Agents, Euroclear, Clearstream, Luxembourg, 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 20 July 2022, subject as provided in Condition 5 (*Payments and exchange of Talons*).
- (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 (or, in the case of a Floating Rate Interest Period, on any Floating Rate Interest Payment Date) after 18 months from the Issue Date, 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 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 6 (*Taxation*)) 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 20 July 2000 or (ii) following a Substitution, 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 any Relevant Jurisdiction 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 20 July 2000; *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 20 July 2012 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 and, following a Substitution, the Issuer or the Guarantor 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 or the Guarantor and any unmatured 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 paragraphs (b), (c) and (d) above 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 the Issuer or, following a Substitution, the Guarantor. If the laws of the country of incorporation of the Issuer or, following a Substitution, 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 purchase 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 this Condition 4.

## **5. Payments and Exchange of Talons**

- (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 (f) 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 (*Taxation*). 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. 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 (which expression, for the avoidance of doubt, shall include any such Coupons falling to be issued on exchange of matured Talons) (“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.
- (i) *Exchange of Talons*: On and after each Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the Specified Office of any Paying Agent in exchange for a further Coupon sheet (including appropriate further Talon), subject to the provisions of Condition 8 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **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, if issued) 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 any Relevant Jurisdiction 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 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:

- (a) in respect of any Note or Coupon (including payments by the Guarantor under the Subordinated Guarantee (if issued)) presented for payment:
  - (i) by or on behalf of a Noteholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with the Relevant Jurisdiction, other than the mere holding of the Note or Coupon; or
  - (ii) by or on behalf of a Noteholder or Couponholder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption; or
  - (iii) in circumstances where any withholding or deduction required to be applied by the Paying Agent can be avoided by presentation of such Note or Coupon to any other Paying Agent; or
  - (iv) more than 30 days after the Relevant Date except to the extent that a Noteholder or Couponholder would have been entitled to such additional amount on presenting such Note or Coupon for payment on the last day of such period of 30 days on the assumption that it was a day on which payment would fall to be made on such presentation; or
- (b) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of “*imposta sostitutiva*” — at the date of the issue of the Notes at 12.5 per cent. or such higher rate as may replace it — pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented and as may be subsequently amended or supplemented.

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; and

“Relevant Jurisdiction” means, in relation to the Issuer or the Guarantor, its country of incorporation and any other taxing jurisdiction to which it may become subject.

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.

## 7. Events of Default

*Bankruptcy etc:*

If any of the following events occurs:

- (i) any of the applicable bankruptcy proceedings (*procedure concorsuali*) provided by Royal Decree No. 267 of 16 March 1942 are commenced against the Issuer or, following a Substitution, the Guarantor and are not dismissed or stayed within 30 days, or the Issuer or, following a Substitution, the Guarantor institutes such proceedings; or
- (ii) the Issuer or, following a Substitution, the Guarantor enters into liquidation (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

*Analogous event:* any event occurs which under the laws of any other applicable jurisdiction 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, following a Substitution, the Guarantor and delivered to the Issuer and (if applicable) the Guarantor 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 (which, for this purpose, shall not include Talons) are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to the provisions of this Condition or Condition 5 (*Payments and Exchange of Talons*).

## 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, following a Substitution, 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, following a Substitution, 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 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; Rappresentante Comune

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions which are in accordance with the rules of the Italian Civil Code for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or any provision of the Agency Agreement directly applicable to the Notes. Any such meeting will be in compliance with the provisions of Italian law in force from time to time.

- (b) *Rappresentante Comune*: In accordance with Italian Civil Code, a representative of Noteholders (*rappresentante comune degli obbligazionisti*) (a “Representative of Noteholders”) may be appointed in order to represent the Noteholders’ interest in relation to the Notes and to carry out matters approved by a resolution of 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 Issuer in good standing under the laws of its jurisdiction may, without the consent of the Noteholders, 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 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 pursuant to the Subordinated Guarantee which will be governed by the laws of the Republic of Italy and be substantially in the form appearing as an exhibit to the Agency Agreement;
  - (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 Issuer confirming that upon the substitution taking place, (1) the Subordinated Guarantee and the Documents are legal, valid, binding and enforceable obligations of the Issuer

- 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 Subordinated Guarantee;
- (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 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 construed so as to give effect to the Substitution.
- (c) Counterparts of each of the Documents and the Subordinated Guarantee 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 by any Noteholder or Accountholder in relation to the Notes, the Documents or the Subordinated Guarantee shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents and the Subordinated Guarantee the right of every Noteholder and Accountholder to the production of the Documents and the Subordinated Guarantee for the enforcement of any of the Notes, Documents or Subordinated 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 and the Agency Agreement are governed by, and shall be construed in accordance with, English law, except that Condition 2 (*Status*) is governed by the laws of the Republic of Italy; Condition 11 (*Meetings of Noteholders; Rappresentante Comune*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Representative of the Noteholders are subject to compliance with the laws of the Republic of Italy; and the Notes and the Agency Agreement are subject to the application of mandatory provisions of the laws of other applicable jurisdictions.
- (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 Issuer. 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 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.*

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## 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 Clearstream, Luxembourg. 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 Clearstream, Luxembourg 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 (*Events of Default*) 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 country of incorporation of the Issuer or, following a Substitution, the Guarantor, 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 20 July 2000 (the “Deed of Covenant”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg 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) Clearstream, Luxembourg.

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 Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; *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*).



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## Use of Proceeds

The net proceeds of the issue of the Notes, expected to amount to €745,875,000, will be used by the Issuer to refinance existing short term debt raised by the Generali Group.

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# 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 the largest insurance group in Italy and the third largest in Europe in terms of total gross premiums written. The Generali Group operates in some 40 countries through branch offices and subsidiaries.

The Generali Group consolidates 175 companies: 118 insurance companies, 50 financial holding companies, and seven real estate companies. Generali has a further 326 non-consolidated subsidiaries working in insurance business related areas, such as fund and asset management. 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 15 June 2000, Generali had a market capitalisation of approximately €42.7 billion.

## **Overview**

For the year ended 31 December 1999, gross premiums written by the Generali Group amounted to ITL 73,216 billion (as at 31 December 1998: 62,753 billion), of which ITL 45,875 billion (as at 31 December 1998: ITL 34,934 billion) was attributable to life insurance business and ITL 27,341 billion (as at 31 December 1998: ITL 25,818 billion) to non-life insurance business. Consolidated gross premiums written for the year ended 31 December 1999 represented a 16.7% increase over the previous year.

The consolidated net profit of the Generali Group for the year ended 31 December 1999 was ITL 1,584 billion (as at 31 December 1998: ITL 1,281 billion), an increase of 23.65% over the 1998 year end figure. The comparable net profit figures for 1998 exclude an extraordinary item, the disposal of Royal Nederland V.G. The 1998 consolidated net profit with this extraordinary capital gain was ITL 1,731 billion.

Total investments of the Generali Group as at 31 December 1999 amounted to ITL 299,927 billion (as at 31 December 1998: ITL 257,585 billion), representing a 16.4% increase over the 1998 year end figure. Total investment income for the year ended 31 December 1999 amounted to ITL 22,926 billion, representing an increase of 14.6% over the figure for 31 December 1998 of ITL 20,010 billion.

Net technical reserves of the Generali Group as at 31 December 1999 amounted to ITL 283,840 billion (as at 31 December 1998: ITL 245,493 billion), representing a 15.6% increase over the 1998 year end figure.

## Summary Financial Information

### Capitalisation Table

The following capitalisation 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 1999.

	As at 31 December 1999 (in ITL billion) (audited)
<b>Liabilities</b>	
Insurance liabilities . . . . .	294,578
Other liabilities and debts . . . . .	25,824
	<u>320,402</u>
<b>Stockholders' equity</b>	
Share capital (authorised and paid-up, ordinary shares, ITL 2000 par value) . . . . .	2,052
Reserves . . . . .	14,358
Retained earnings . . . . .	2,069
Total stockholders' equity <sup>(1)</sup> . . . . .	<u>18,479</u>
Subordinated liabilities . . . . .	<u>968</u>
<b>Total capitalisation</b> . . . . .	<u><u>339,849</u></u>

(1) Including minorities.

Save as otherwise set out in this Offering Circular, there has been no material change in the total capitalisation of the Generali Group since 31 December 1999.

The following table sets out certain selected consolidated financial information of the Generali Group for the two years ended 31 December 1999:

	As at 31 December 1999	1998 (in ITL billion) (audited)
Gross premiums . . . . .	73,216	62,753
Acquisition costs and general expenses . . . . .	13,220	11,701
Investment . . . . .	299,927	257,585
Investment income . . . . .	22,926	20,010
Net technical provisions . . . . .	283,840	245,493
Technical provisions/net premiums (non-life) . . . . .	168.6%	166.7%
Loss ratio (non-life) . . . . .	81.4%	80.7%
Capital and free reserves . . . . .	12,261	11,390
Net profit . . . . .	1,584	1,281 <sup>(1)</sup>
Return on Equity . . . . .	12.9%	11.3% <sup>(1)</sup>

(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 pursues a well defined market strategy. The main elements of the Generali Group's current strategic thinking are as follows:

to continue its growth worldwide while streamlining its consolidated operations in various territories in order to enhance efficiency and profitability.

to re-organise the back-office structures of its largest operations with the aim of reducing net costs.

to invest in new technological means of product distribution, utilizing the most advanced interactive systems.

to continue to target an increase in gross premiums written and return on equity.

to continue to assess the potential of using any excess capital for strategic acquisition throughout its core European and other markets.

Significant emphasis is to be placed on healthy earnings growth and on consistent innovation of both products and technology.

## **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 62.6% of gross premiums for the Generali Group for the year ended 31 December 1999 came from life assurance (including reinsurance), compared with 40.1% seven years ago.

Life premiums amounted to ITL 45,875 billion for the year ended 31 December 1999 (ITL 36,934 billion as at 31 December 1998) a rise of 24.2% on the previous year.

The following table sets out certain selected figures for the Generali Group's life operations for the two years ended 31 December 1999:

	<b>31 December 1999</b>	<b>1998</b>
	<b>(in ITL billion)</b>	
	<b>(audited)</b>	
Gross premiums written . . . . .	45,875	36,934
Net premiums written . . . . .	45,140	36,299
Investment income . . . . .	18,072	15,828
Paid insurance benefits . . . . .	27,927	23,101
Change in underwriting reserves . . . . .	27,791	21,322
Policyholders dividends . . . . .	13,984	12,443
Net expenses of acquisition and general administration . . . . .	6,273	5,113
Profit before tax <sup>(1)</sup> . . . . .	2,501	2,312

(1) Including minorities.

#### **Non-Life**

In line with the stated strategy for the Generali Group, the Generali Group has over the past seven years shifted focus from being a predominantly non-life insurer. Indeed, six years ago 59.9% of gross premiums written for the Generali Group were non-life premiums including reinsurance. The comparable figure for 1999 stands at 37.3%.

Non-life premiums for the year ended 31 December 1999 amounted to ITL 27,341 billion. This compares to a total figure of ITL 25,818 billion for the year ended 31 December 1998. Year on year this equates to a 5.9% increase.

The following table sets out certain selected figures for the Generali Group's non-life operations for the two years ended 31 December 1999:

	<b>31 December 1999</b>	<b>1998</b>
	<b>(in ITL billion)</b>	
	<b>(audited)</b>	
Gross premiums written . . . . .	27,341	25,818
Net premiums written . . . . .	24,119	22,271
Net premiums earned . . . . .	24,038	22,169
Net losses incurred . . . . .	19,184	17,488
Net expenses of acquisition and general administration . . . . .	6,948	6,587
Underwriting result . . . . .	(2,648)	(2,608)
Investment income . . . . .	4,853	4,181
Profit before tax <sup>(1)</sup> . . . . .	1,042	1,521

(1) Including minorities.

### **Reinsurance**

Of the total gross premiums for the Generali Group in 1999, 3.5% was attributable to the reinsurance business line. This compares to 2.5% for the Generali Group in 1998.

Life reinsurance premiums totalled ITL 593 billion for the Generali Group in 1999. This was an increase of 16.9%, after exchange differences on the ITL 507 billion figure for the year ended 31 December 1998.

Non-life reinsurance premium income amounted to ITL 1,941 billion for 1999. This was up by 13% from the corresponding figure of ITL 1,717 billion for 1998.

### **Geographic Distribution**

#### **Italy**

In Italy, through 9 companies, the Generali Group reached life premiums income amounting to ITL 15,657 billion in 1999 (1998: ITL 11,480 billion). This is 34.13% of the aggregate life business, compared to 31.08% of aggregate life business for 1998. The recently acquired control of the INA Life Insurance Company has resulted in a strong position in the life market, with a market share of approximately 22.5%. Integration and streamlining are under way.

In the non-life insurance business in Italy, the Generali Group, acting through 10 companies, achieved gross premiums income of ITL 5,040 billion in 1999 compared to ITL 4,725 billion in 1998, an increase of 6.7%. This is 18.4% of the aggregate non-life business, compared to 18.3% of the aggregate non-life business of the Group in 1998. The market-share in this business area has been stable at 9.7%.

Approximately 60% 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 six companies, the Generali Group collected life premiums in 1999 amounting to ITL 12,512 billion, compared to ITL 11,592 billion for 1998 (a 7.9% increase).

In the non-life business, through 14 companies, the Generali Group generated premiums of ITL 8,737 billion in 1999 (1998: 8,707 billion), an increase of ITL 30 billion on 1998.

The integration process between Generali and Deutscher Lloyd has been completed, resulting in the creation of Generali-Lloyd, and in the current year, it is planned to bring together the Finance, Accounting and IT services of AMB and of the newly-formed Generali-Lloyd.

#### **France**

The Generali Group through 5 companies collected life premium income of ITL 7,239 billion in 1999, an increase of 22.4% on the 1998 figure of ITL 5,916 billion.

Premium income in the non-life business rose by 3.5% in 1999. The seven Generali Group French companies collected premium income of ITL 4,071 billion, compared with ITL 3,935 billion in 1998.

A substantial reorganisation has taken place in this country with the merge of Lutece and Compagnie Continentale d'Assurances with Generali France Assurances, as well as the merge of Proxima with Federation Continentale.

The market share of the Generali Group reached 5% in both the life and non-life business. The Generali Group achieved 11% of the market in the Employee Benefits field.

#### **Spain**

The Generali Group is the second largest insurance group in Spain, with a 6.3% market share, in terms of gross premiums income in life and non-life business, in what is one of the fastest growing markets for life assurance in Europe, again in terms of gross premiums income.

The Generali Group operates in Spain through three life and four non-life companies. Gross premium income amounted to ITL 4,093 billion in 1999 (1998: ITL 3,327 billion).

On the life business side, 1999 saw a gross premium income of ITL 2,185 billion compared to a figure of ITL 1,598 billion for 1998. Gross premium income of ITL 1,908 billion was generated in the non-life business in 1999, an increase of 10.4% on the ITL 1,729 billion premium income figure for 1998.

**Austria**

The Generali Group premium income reached ITL 3,618 billion in 1999 compared with ITL 3,508 billion in 1998. An increase of 3.1% year on year. The Generali Group's two life companies in Austria recorded premium income of ITL 1,149 billion (1998: ITL 1,030 billion) and its three non-life companies a premium income of ITL 2,469 billion (1998: ITL 2,477 billion), a fall of 0.3% on the 1998 figure.

The two insurance companies, Generali Versicherung and Interunfall, which will maintain their autonomous status, have initiated a process of merging their back-office function to facilitate economies of scale over the next several years.

The Generali Group has consolidated its market position with a market share of almost 16%.

**Switzerland**

In 1999, the Generali Group companies generated a premium income of ITL 2,363 billion, compared to ITL 1,556 billion in 1998. Non-life premium income increased by 104.7% in 1999 to ITL 657 billion, and life income increased by 38.2% to ITL 1,705 billion (1998: ITL 1,234 billion).

In 1999, the Swiss holding company acquired full control of both Secura Allgemeine and Secura Leben, two companies previously owned by the Migros Group. The Swiss holding company has entered into a cooperation agreement with Migros in the field of product distribution. The Secura companies were subsequently merged into the Generali Allgemeine and Fortuna Leben respectively.

As a result of these acquisitions and also the continuous growth in premium income, the market share of the Swiss group has increased to 4.2%.

**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 Israel insurance market. Through Migdal Insurance Holdings Ltd., the Generali Group controls Israel's leading life insurer, the Migdal Group. Premium income in Israel reached ITL 2,389 billion in 1999 (1998: ITL 2,042 billion).

The Generali Group also have interests in Latin America, particularly in Brazil, Argentina and Mexico, as well as in Asia.

In Argentina, Generali acquired the Caja de Ahorro y Seguro, the largest insurance group of that country. This acquisition provides Generali with a market share of over 10%.

In Asia, Generali has signed a cooperation agreement with the Kuok Group, for the development of the insurance business in the South-East Asian Region.

**Financial Operations**

The Generali Group has focused on increased investment in the share sector, reducing its bond portfolio.

Investments as at 31 December 1999 had reached ITL 299,927 billion, an increase of 16.4% on the 1998 year end figure of ITL 257,585 billion. Of the total of ITL 299,927 billion, bonds accounted for 46.5% (1998: 50.5%), loans for 15.1% (1998: 16.4%), equities and units of mutual funds for 16.7% (1998: 12.9%), real estate for 6.3% (1998: 7.1%), investments related to life funds for 7.9% (1998: 4.6%), shares in subsidiaries and associated companies for 4.3% (1998: 4.5%) and other investments for 3.2% (1998: 4.0%).

Ordinary income from investment in 1999 amounted to ITL 17,204 billion. The figure for 1998 was ITL 15,773 billion.

Unrealised capital gains on securities in 1999 amounted to ITL 21,642 billion, an increase of 1.9% compared with 1998. The figure of ITL 21,642 billion for 1999 is split between ITL 3,553 billion for bonds (1998: ITL 9,479 billion) and ITL 18,090 billion for equities (1998: ITL 9,836 billion).

## Subsidiaries

The following table sets out the principal operating subsidiaries of the Generali Group as at 31 December 1999:

Entity	Field of Activity	Group Holding	Capital and Surplus (in ITL billion)	Total Assets (in ITL billion)
Alleanza	Insurance – Life	54.37%	3,065	28,855
Trieste e Venezia – Genertel	Non Life	100.00%	23	235
Generali France Assurances	Non Life	88.92%	609	5,037
Generali Vie	Insurance – Life	100.00%	436	12,487
Volksfuersorge Leben	Insurance – Life	100.00%	751	43,017
AM Versicherung	Non Life	98.31%	570	4,140
Banco Vitalicio	Life/Non Life	73.57%	228	6,057
La Estrella	Life/Non Life	99.81%	264	5,392
Generali Versicherung	Life/Non Life	99.99%	536	9,568
Interunfall	Life/Non Life	86.39%	395	4,425
Migdal	Life/Non Life	100.00%	494	8,281
Fortuna Leben	Insurance – Life	100.00%	43	3,560
BSI	Private Banking	100.00%	730	8,128

## 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 companies 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 supervisory power in respect of the insurance industry is exercised autonomously by ISVAP. ISVAP’s purposes include: (i) monitoring technical, financial and asset and liability management and 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 entities; and (viii) communicating and collaborating with other EU insurance regulatory 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 boards of directors 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, Executive Committee and Managing Directors**

The current Board of Directors of Generali is constituted as follows:

<b>Name</b>	<b>Principal Occupation</b>
Desiata Alfonso	Chairman and Chairman of Executive Committee
Gutty Gianfranco	Deputy Chairman, Managing Director and Member of Executive Committee
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 and Executive Committee
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 Giuseppe	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
Marchetti Piergaetano	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

The business address is of each of the Directors is Piazza Duca degli Abruzzi, 2 34132 Trieste, Italy.

**Employees**

As at 31 December 1999, the Generali Group had around 56,600 permanent employees compared to around 54,600 as at 31 December 1998.

**Share Capital**

As at the date of this Offering Circular, Generali has an issued and paid-up share capital of 1,252,997,995 shares with a nominal value of ITL 2,000 each. This number of shares includes the 227,001,495 shares issued for the ITL 454 billion increase of share capital and the ITL 1,010 billion increase of Premium Reserves related to the acquisition of INA.

Earnings per share for 1999 (i.e. before the INA acquisition) totalled ITL 1,544 per share compared with ITL 1,687 (ITL 1,250 per share excluding extraordinary capital gains on the disposal of Royal Nederland V.G.) for 1998. Dividends per share amounted to ITL 460 for 1999, compared to ITL 425 for 1998.

During 1999, shares reached a highest price of €40.17, the lowest price during the year being €27.55.

**Litigation**

Generali has come to a tentative agreement in June 2000 with some important Jewish organisations in order to reach a global settlement on the sensitive issue of Holocaust Era insurance policies.

The additional amount to be disbursed is around €100 million. The settlement will cover the potential liabilities of the whole Generali Group companies.

**No Material Adverse Change**

Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Generali Group since 31 December 1999.



## Consolidated Profit and Loss Account

**I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS**

	1999		1998
	(Amounts in millions of Italian lire)		
<b>1. EARNED PREMIUMS, NET OF REINSURANCE</b>			
a) Gross premiums written . . . . .	27,341,184		25,818,920
b) Outward reinsurance premiums . . . . .	3,222,234		3,547,180
c) Change in the gross provision for unearned premiums . . . . .	(13,117)		171,330
d) Change in the provision for unearned premiums, reinsurers' share . . . . .	(93,482)	24,038,585	69,382
			22,169,792
<b>2. OTHER TECHNICAL INCOME, NET OF REINSURANCE . . . . .</b>		123,303	92,184
<b>3. CLAIMS INCURRED, NET OF RECOVERIES AND REINSURANCE</b>			
a) Claims paid			
aa) Gross amount . . . . .	20,603,513	18,756,793	
bb) (-) Reinsurers' share . . . . .	3,203,589	2,872,190	
cc) Recoveries net of reinsurance . . . . .	515,695	479,492	15,405,111
b) Change in the provision for claims outstanding			
aa) Gross amount . . . . .	2,789,346	2,262,433	
bb) (-) Reinsurers' share . . . . .	489,467	178,613	2,083,820
		19,184,108	17,488,931
<b>4. CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE . . . . .</b>		9,207	29,983
<b>5. PREMIUM REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE . . . . .</b>		370,725	378,375
<b>6. OPERATING EXPENSES</b>			
a) Acquisition commissions . . . . .	2,980,065	2,829,628	
b) Other acquisition costs . . . . .	1,596,681	1,630,652	
c) Change in commissions and other acquisition costs to be amortised			
d) Collecting commissions . . . . .	399,751	444,769	
e) Other administrative expenses . . . . .	2,750,766	2,563,721	
f) (-) Reinsurance commissions and profit participation . . . . .	779,464	6,947,799	881,552
			6,587,218
<b>7. OTHER TECHNICAL CHARGES, NET OF REINSURANCE . . . . .</b>		355,898	251,581
<b>8. CHANGE IN THE EQUALISATION PROVISION . . . . .</b>		(57,704)	133,934
<b>9. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE BUSINESS . . . . .</b>		(2,648,145)	(2,608,046)

**II. TECHNICAL ACCOUNT – LIFE ASSURANCE BUSINESS**

	1999		1998	
	(Amounts in millions of Italian lire)			
1. PREMIUMS WRITTEN, NET OF REINSURANCE				
a) Gross premiums written . . . . .	45,874,971		36,934,836	
b) (-) Outward reinsurance premiums . . .	<u>734,424</u>	45,140,547	<u>635,132</u>	36,299,704
2. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (Item III.5) . . . . .				
		13,984,482		12,443,752
3. INCOME AND UNREALISED GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND ON INVESTMENTS RELATING TO THE ADMINISTRATION OF PENSION FUNDS . . . . .				
		3,429,541		1,206,131
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE . . . . .				
		226,563		153,089
5. CLAIMS INCURRED, NET OF REINSURANCE				
a) Claims paid				
aa) Gross amount . . . . .	22,097,740		18,420,133	
bb) (-) Reinsurers' share . . . . .	<u>625,056</u>	21,472,684	<u>502,919</u>	17,917,214
b) Change in the provision for claims outstanding				
aa) Gross amount . . . . .	230,245		196,924	
bb) (-) Reinsurers' share . . . . .	<u>12,755</u>	<u>217,490</u>	<u>11,039</u>	<u>185,885</u>
21,690,174				18,103,099
6. CHANGE IN THE PROVISION FOR POLICY LIABILITIES AND IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE				
a) Provision for policy liabilities				
aa) Gross amount . . . . .	18,921,149		17,929,857	
bb) (-) Reinsurers' share . . . . .	<u>130,257</u>	18,790,892	<u>(356,562)</u>	18,286,419
b) Other provisions				
aa) Gross amount . . . . .	34,990		43,180	
bb) (-) Reinsurers' share . . . . .	<u>(8,639)</u>	43,629	<u>(19,101)</u>	62,281
c) Provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds				
aa) Gross amount . . . . .	9,000,942		3,199,745	
bb) (-) Reinsurers' share . . . . .	<u>44,774</u>	<u>8,956,168</u>	<u>226,179</u>	<u>2,973,566</u>
27,790,689				21,322,266
7. PREMIUM REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE . . . . .				
		6,236,730		4,998,455
8. OPERATING EXPENSES				
a) Acquisition commissions . . . . .	3,226,861		2,373,572	
b) Other acquisition costs . . . . .	1,598,080		1,474,925	
c) Change in commissions and other acquisition costs to be amortised				
d) Collecting commissions . . . . .	188,928		169,118	
e) Other administrative expenses . . . . .	1,443,294		1,294,527	
f) (-) Reinsurance commissions and profit participation . . . . .	<u>184,594</u>	<u>6,272,569</u>	<u>198,302</u>	<u>5,113,840</u>

	1999	1998
	(Amounts in millions of Italian lire)	
9. EXPENSES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND ON INVESTMENTS RELATING TO THE ADMINISTRATION OF PENSION FUNDS . . . . .	235,960	256,680
10. OTHER TECHNICAL CHARGES, NET OF REINSURANCE . . . . .	217,283	149,807
11. BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item III.2) . . . . .	337,728	158,529

## III. NON TECHNICAL ACCOUNT

	1999		1998	
	(Amounts in millions of Italian lire)			
1. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE BUSINESS (Item I. 9) . . . . .		(2,648,145)		(2,608,046)
2. BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item II.11). . . . .		337,728		158,529
3. INVESTMENT INCOME				
a) Income from participating interests				
aa) Income from participations valued according to equity method . . . . .	519,171		245,006	
bb) Other income from participating interests. . . . .	1,217,588	1,736,759	823,174	1,068,180
b) Income from other investments				
aa) Income from land and buildings . . . . .	1,441,332		1,392,523	
bb) Income from other investments . . . . .	14,026,496	15,467,828	13,312,607	14,705,130
c) Value re-adjustments on investments. . . . .		818,169		194,478
d) Gains on the realisation of investments		<u>4,903,297</u>	22,926,053	<u>4,042,773</u>
4. INVESTMENT CHARGES				
a) Investment administration charges, including interest. . . . .		980,890		911,531
b) Value adjustments on investments. . . . .		1,206,013		1,007,702
c) Losses on the realisation of investments. . . . .		<u>885,923</u>	3,072,826	<u>589,871</u>
5. (-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE LIFE-ASSURANCE TECHNICAL ACCOUNT (Item II.2) . . . . .		13,984,482		12,443,752
6. OTHER INCOME . . . . .		1,880,433		1,144,540
7. OTHER CHARGES				
a) Interest on financial liabilities . . . . .		362,146		183,804
b) Sundry charges . . . . .		<u>1,940,126</u>	2,302,272	<u>1,672,985</u>
8. RESULT FROM ORDINARY ACTIVITY. . . . .		3,136,489		1,895,939
9. EXTRAORDINARY INCOME . . . . .		2,302,140		2,515,016
10. EXTRAORDINARY CHARGES . . . . .		1,894,283		576,502
11. EXTRAORDINARY PROFIT OR LOSS. . . . .		407,857		1,938,514
12. RESULT BEFORE TAXATION . . . . .		3,544,346		3,834,453
13. INCOME TAXES. . . . .		1,475,555		1,367,476
14. CONSOLIDATED RESULT . . . . .		2,068,791		2,466,977
15. MINORITY SHAREHOLDERS' INTEREST IN PROFIT (LOSS) FOR THE YEAR . . . . .		484,098		735,362
16. PROFIT (LOSS) FOR THE YEAR . . . . .		1,584,693		1,731,615

## Consolidated Balance Sheet

## ASSETS

	1999		1998	
	(Amounts in millions of Italian lire)			
A. SUBSCRIBED CAPITAL UNPAID				
of which called-up capital				
B. INTANGIBLE ASSETS				
1. Acquisition commissions to be amortised				
2. Other acquisition costs				
3. Goodwill . . . . .	80,801			
4. Other intangible assets . . . . .	492,394		563,714	
5. Goodwill arising on the consolidation of affiliated companies . . . . .	4,732,621	5,305,816	4,577,547	5,141,261
C. INVESTMENTS				
I Land and buildings . . . . .	19,111,779		18,358,073	
II Investments in affiliated companies and other shareholdings				
1. Interests in:				
a) Parent companies				
b) Affiliated companies . . . . .	2,832,850	2,396,786		
c) Affiliates of parent companies				
d) Associated companies . . . . .	2,194,531	1,816,500		
e) Other significant shareholdings. . .	4,378,993	9,406,374	4,421,177	8,634,463
2. Debt securities . . . . .				
	1,015,410		1,205,638	
3. Loans . . . . .	2,406,603	12,828,387	1,667,843	11,507,944
III Other financial investments				
1. Equities . . . . .				
	26,281,648		18,257,612	
2. Shares in common investment funds . .				
	23,756,802		15,046,057	
3. Debt securities and other fixed-income securities. . . . .				
	139,386,924		130,103,276	
4. Loans . . . . .				
	45,283,568		42,210,505	
5. Participation in investment pools . . . .				
	19,767		19,403	
6. Deposits with credit institutions . . . .				
	7,424,358		7,175,941	
7. Other . . . . .	1,375,292	243,528,359	1,275,225	214,088,019
IV Deposits with ceding companies . . . .				
	785,389	276,253,914	1,703,584	245,657,620
D. INVESTMENTS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS . . . . .				
		23,673,663		11,927,985
carried forward		305,233,393	carried forward	262,726,866

**ASSETS**

1999				1998			
(Amounts in millions of Italian lire)							
		brought forward	305,233,393			brought forward	262,726,866
D.bis REINSURANCE AMOUNTS OF TECHNICAL PROVISIONS							
I NON-LIFE INSURANCE BUSINESS							
1.	Provision for unearned premiums . . . .	846,798			1,004,391		
2.	Provision for claims outstanding . . . .	5,875,161			5,317,095		
3.	Other provisions . . . . .	27,836	6,749,795		8,401	6,329,887	
II LIFE ASSURANCE BUSINESS							
1.	Provision for policy liabilities . . . . .	3,370,489			2,039,949		
2.	Provision for claims outstanding . . . .	421,818			290,203		
3.	Other provisions . . . . .	35,742			40,946		
4.	Provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds . . . .	160,084	3,988,133	10,737,928	624,393	2,995,491	9,325,378
E. DEBTORS							
I Debtors arising out of direct insurance operations . . . . .							
			6,240,260			6,212,728	
II Debtors arising out of reinsurance operations . . . . .							
			2,029,509	1,740,313			
III Other debtors . . . . .			3,325,080	11,594,849		2,172,371	10,125,412
F. OTHER ASSETS							
I Tangible assets and stocks . . . . .							
			602,101			571,344	
II Cash at bank and in hand . . . . .			5,144,091			4,424,939	
III Own shares . . . . .			11,955			11,232	
IV Other . . . . .			1,078,746	6,836,893		1,017,008	6,024,523
G. PREPAYMENTS AND ACCRUED INCOME . . . . .							
				5,446,840			5,439,152
TOTAL ASSETS . . . . .			339,849,903				293,641,331

## LIABILITIES

	1999			1998		
	(Amounts in millions of Italian lire)					
A. SHAREHOLDERS' FUNDS						
I. Parent company's interest						
1.	Subscribed capital . . . . .	2,051,993			2,051,747	
2.	Reserves . . . . .	8,871,220			8,707,663	
3.	Consolidation reserve . . . . .	839,529			185,806	
4.	Reserve for valuation differences in non-consolidated shareholdings . . . . .	38,979			127,201	
5.	Reserve for exchange differences . . . . .	446,152			307,074	
6.	Reserve for own shares . . . . .	12,761			10,627	
7.	Profit (loss) for the year. . . . .	1,584,693	13,845,327		1,731,615	13,121,733
II. Minority shareholders' interest						
1.	Capital and reserves . . . . .	4,149,932			3,312,986	
2.	Profit (loss) for the year. . . . .	484,098	4,634,030	18,479,357	735,362	4,048,348 17,170,081
B. SUBORDINATED LIABILITIES . . . . . 968,134 —						
C. TECHNICAL PROVISIONS						
I. NON-LIFE INSURANCE BUSINESS						
1.	Provision for unearned premiums . . . . .	6,480,650			6,348,941	
2.	Provision for claims outstanding . . . . .	37,956,332			34,347,240	
3.	Equalisation provision. . . . .	1,931,264			1,737,808	
4.	Other provisions . . . . .	1,038,408	47,406,654		1,015,745	43,449,734 —
II. LIFE ASSURANCE BUSINESS						
1.	Provision for policy liabilities . . . . .	208,017,844			186,102,533	
2.	Provision for claims outstanding . . . . .	2,633,082			2,007,790	
3.	Other provisions . . . . .	12,855,188	223,506,114	270,912,768	11,379,761	199,490,084 242,939,818
D. PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS . . . . . 23,665,636 11,878,336						
E. PROVISIONS FOR OTHER RISKS AND CHARGES						
1.	Provisions for pensions and similar obligations . . . . .		2,025,435		1,962,630	
2.	Provision for taxation . . . . .		1,174,285		967,396	
3.	Provision for future liabilities and charges from consolidation . . . . .		—		—	
4.	Other provisions . . . . .		1,525,010	4,724,730	1,369,909	4,299,935
F. DEPOSITS RECEIVED FROM REINSURERS. . . . . 1,641,991 1,244,224						
G. CREDITORS						
I Creditors arising out of direct insurance operations . . . . . 4,163,268 3,165,905						
II Creditors arising out of reinsurance operations . . . . . 1,207,167 997,209						
III Debenture loans. . . . . 3,720,312 2,421,082						
IV Amounts owed to credit institutions . . . . . 2,994,324 3,668,501						
V Loans guaranteed by mortgages . . . . . 508,197 402,103						
VI Other financial liabilities . . . . . 404,333 116,173						
VII Provision for severance pay . . . . . 382,959 387,159						
VIII Other creditors . . . . . 4,527,323 4,229,292						
IX Other liabilities . . . . . 1,273,833 19,181,716 624,144 16,011,568						
H. ACCRUALS AND DEFERRED INCOME 275,571 97,369						
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS . . . . . 339,849,903 293,641,331						

**GUARANTEES, COMMITMENTS AND OTHER EVIDENCE ACCOUNTS**

		1999	1998
		(Amounts in millions of Italian lire)	
I	Guarantees issued. . . . .	2,657,445	3,251,306
II	Guarantees received . . . . .	2,466,132	2,100,147
III	Guarantees issued by third parties in the interest of consolidated companies . . . . .	537,252	920
IV	Commitments . . . . .	6,000,286	2,403,408
V	Assets deposited with the company . . . . .	778,008	1,190,837
VI	Assets relating to pensions funds managed in the name and for account of third parties. . . . .	94,797	—
VII	Securities deposited with third parties. . . . .	55,630,485	4,260,942
VIII	Other evidence accounts . . . . .	1,141,442	1,312,346



## ISTITUTO NAZIONALE DELLE ASSICURAZIONI S.P.A. ("INA")

### Background

In September 1999, Generali launched an offer by way of cash and shares for a 100% stake in INA. That was finalised on February 17, 2000 with the acquisition of an overall shareholding of 85%. The operation, which was part of the strategy aimed at ensuring growth of the Generali Group, allowed Generali to consolidate its position in Italy and to emerge as the leading insurer in terms of life premium income collected in Europe, while ranking second in non-life business.

Following the acquisition, Generali launched a reorganisation programme of the Generali Group's Italian operations with the aim of streamlining the organisational structure and achieving cost synergies. The plan sets down the establishment of two sectors — life and non-life — with the unification of the insurance activities of Generali and INA while maintaining, within a co-ordinated commercial policy, their specific trademarks and retailing networks. All Generali and INA companies operating in Italy will rely on the services provided by specialised firms that will be set up in the IT, claim settlement and asset management areas.

### Overview

INA is the parent company of the INA Group which at 31 December 1999 conducted insurance business through the following companies:

- INA
- BNL Vita
- Assitalia
- Fata Assicurazioni
- Uniass
- Multiass

For the year ended 31 December 1999, gross premiums written by the INA Group amounted to ITL 11,427 billion (as at 31 December 1998: 10,171 billion), of which ITL 6,742 billion (as at 31 December 1998: ITL 5,979 billion) was attributable to life insurance business and ITL 4,685 billion (as at 31 December 1998: ITL 4,192 billion) to non-life insurance business. Consolidated gross premiums written for the year ended 31 December 1999 represented a 12.4% increase over the previous year.

The consolidated net profit of the INA Group for the year ended 31 December 1999 was ITL 614 billion (as at 31 December 1998: ITL 921 billion), a decrease of 33.3% over the 1998 year end figure. The real decrease is around 20% excluding from the 1998 result an extraordinary item related to the sale of the real estate portfolio of UNIM.

Total investments of the INA Group as at 31 December 1999 amounted to ITL 53,644 billion (as at 31 December 1998: ITL 48,268 billion), representing a 11.1% increase over the 1998 year end figure. Total investment income for the year ended 31 December 1999 remained unchanged at ITL 3,627 billion.

Net technical reserves of the INA Group as at 31 December 1999 amounted to ITL 46,585 billion (as at 31 December 1998: ITL 41,076 billion), representing a 13.4% increase over the 1998 year end figure.

**Summary Financial Information**

The following table sets out the consolidated liabilities, divided into insurance liabilities and other liabilities and debts and stockholders' equity of the INA Group as at 31 December 1999.

	As at 31 December 1999 (in ITL billion) (audited)
<b>Liabilities</b>	
Insurance liabilities . . . . .	47,759
Other liabilities and debts . . . . .	5,767
	<u>53,526</u>
<b>Stockholders' equity</b>	
Share capital . . . . .	4,003
Reserves . . . . .	4,259
Retained earnings . . . . .	119
Total stockholders' equity <sup>(1)</sup> . . . . .	<u>8,381</u>
Subordinated liabilities . . . . .	<u>0</u>
<b>Total capitalisation</b> . . . . .	<u><u>61,907</u></u>

(1) Including minorities.

The following table sets out certain selected consolidated financial information of the INA Group for the two years ended 31 December 1999:

	As at 31 December 1999	1998 (in ITL billion) (audited)
Gross premiums . . . . .	11,427	10,171
Acquisition costs and general expenses . . . . .	1,979	1,805
Investment . . . . .	53,644	48,268
Investment income . . . . .	3,627	3,626
Net technical provisions . . . . .	46,585	41,076
Technical provisions/net premiums (non-life) . . . . .	170,5%	172,4%
Loss ratio (non-life) . . . . .	91,6%	84,3%
Capital and free reserves . . . . .	8,044	7,317
Net profit . . . . .	614	762 <sup>(1)</sup>
Return on Equity . . . . .	7,6%	10,4% <sup>(1)</sup>

(1) Net of the extraordinary item related to UNIM.

**INA Group Insurance Business****Underwriting****Life**

In what is the fastest growing life assurance market in Western Europe, the INA Group is the second largest Italian life assurance group measured by premium income. Approximately 59% of gross premiums for the INA Group for the year ended 31 December 1999 came from life assurance (including reinsurance).

In the Italian life market in 1999, the INA Group received total life premiums of ITL 6,742 billion for the year ended 31 December 1999 (ITL 5,979 billion as at 31 December 1998), a rise of 12.8% on the previous year.

The premiums were collected mainly through the traditional distribution network (66.5%) with the remainder through bancassurance (33.5%).

The following table sets out certain selected figures for the INA Group's life operations for the two years ended 31 December 1999:

	<b>31 December</b>	
	<b>1999</b>	<b>1998</b>
	<b>(in ITL billion)</b>	
	<b>(audited)</b>	
Gross premiums written. . . . .	6,742	5,979
Net premiums written . . . . .	6,687	5,929
Investment income. . . . .	2,609	2,585
Paid insurance benefits. . . . .	3,124	2,613
Change in underwriting reserves. . . . .	4,816	5,123
Policyholders dividends . . . . .	1,016	1,087
Net expenses of acquisition and general administration . . . . .	908	794
Profit before tax <sup>(1)</sup> . . . . .	1,156	1,446

(1) Including minorities.

### Non-Life

The INA Group conducted its non-life business in 1999 through four companies, Assitalia, FATA, Uniass and Multiass and the non life business contributed approximately 41% of the total gross premiums (including reinsurance) for the INA Group for the year ended 31 December 1999.

Non-life premiums for the year ended 31 December 1999 amounted to ITL 4,685 billion. This compares to a total figure of ITL 4,192 billion for the year ended 31 December 1998. Year on year this equates to a 11.7% increase.

The following table sets out certain selected figures for the INA Group's non-life operations for the two years ended 31 December 1999:

	<b>As at 31 December</b>	
	<b>1999</b>	<b>1998</b>
	<b>(in ITL billion)</b>	
	<b>(audited)</b>	
Gross premiums written. . . . .	4,685	4,192
Net premiums written . . . . .	4,187	3,793
Net premiums earned . . . . .	3,923	3,810
Net losses incurred . . . . .	3,595	3,212
Net expenses of acquisition and general administration . . . . .	1,071	1,011
Underwriting result . . . . .	(699)	(416)
Investment income. . . . .	1,018	1,041
Profit before tax <sup>(1)</sup> . . . . .	103	238

(1) Including minorities.

### Reinsurance

Of the total gross premiums for the INA Group in 1999, only a very small portion (1.4%) was attributable to reinsurance. This compares to 1.7% for the INA Group in 1998.

Life reinsurance premiums totalled ITL 4.20 billion for the INA Group in 1999. This was an increase of 32.08% on the ITL 3.18 billion figure for the year ended 31 December 1998.

Non-life reinsurance premium income amounted to ITL 154.4 billion for 1999. This was down by 7.9% from the corresponding figure of ITL 167.8 billion for 1998.

### Financial Operations

As at 31 December 1999, INA's investments had reached ITL 53.644 billion, an increase of 11.1% on the 1998 year end figure of ITL 48.268 billion. Of the total of ITL 53.644 billion, debt securities accounted for 43.9% (1998: 44.9%), loans for 0.8% (1998: 1.1%), equities and units of mutual funds for 9.4% (1998: 8%), real estate for 3.9% (1998: 4.4%), investments related to life funds for 37.32% (1998: 36.34%), shares in subsidiaries and associated companies for 4.0% (1998: 4.4%) and other investments for 0.2% (1998: 0.4%).

Ordinary income from investment amounted to ITL 1,924 billion. The figure for 1998 was ITL 2,422 billion.

Unrealised capital gains on securities amounted to ITL 1,863 billion compared to a figure of ITL 2,377 billion for 1998.

### **Subsidiaries**

The following table sets out the principal operating subsidiaries of the INA Group as at 31 December 1999:

<b>Entity</b>	<b>Group Holding</b>	<b>Capital and Surplus (in ITL billion)</b>	<b>Total Assets (in ITL billion)</b>
Assitalia . . . . .	93.35% <sup>(1)</sup>	1,203	8,771
BNL Vita . . . . .	51%	295	7,193
Uniass . . . . .	100%	99	682
Multiass . . . . .	100%	8	10
Fata Assicurazioni . . . . .	99.79%	173	1,605

(1) *Approximately 98% as of the date hereof.*

### **Board of Directors and Executive Committee**

As of the date of this Offering Circular, the Board of Directors of INA is constituted as follows:

<b>Name</b>	<b>Principal Occupation</b>
Cerchiai Fabio	Chairman and Chairman of Executive Committee
Broggini Gerardo	Deputy Chairman and Member of Executive Committee
Gutty Gianfranco	Member of Board of Directors and of Executive Committee
Di Tanno Tommaso	Member of Board of Directors and of Executive Committee
Liveris Giorgio	Member of Board of Directors
Mazzoni Luigi	Member of Board of Directors
Minucci Aldo	Member of Board of Directors and of Executive Committee
Pedrazzoli Paolo	Member of Board of Directors
Salvadori Paolo	Member of Board of Directors

The business address of all the Directors is Via Sallustiana, n. 51 — 00187 — Rome, Italy.

### **Employees**

As at 31 December 1999, the INA Group had around 4,000 employees compared with around 4,160 as at 31 December 1998.

### **Share Capital**

As at the date of this Offering Circular, INA has an issued and paid-up share capital of 4,003,622,100 shares with a nominal value of ITL 1,000 each.

Earnings per share for 1999 totalled ITL 153.3 per share, compared with ITL 190.4 for 1998.

Interim dividend per share amounted to ITL 128 for 1999, compared with ITL 90 for 1998 dividend per share.

During 1999, shares reached the highest price of €3.102 on 29 September 1999, and the lowest one of EUR 1.95 on 2 February 1999.

### **RESULTS FOR FIRST QUARTER 2000 — UNAUDITED**

#### **General**

As prescribed by Italian law (Consob ruling n°11971 of May 14, 1999), the Generali Group released its first quarterly results on a consolidated basis. In view of the fact that the new ruling was applied for the first time this year, previous year's profit and loss items were not required to be shown, while balance sheet items were compared, as set down by the above ruling, to those recorded in the accounts at 31 December 1999.

However, in order to allow for a clearer (though indicative only) assessment of the overall financial situation, premium income in the first quarter of 2000 was compared with that of the corresponding period in 1999.

The Generali Group's consolidation includes the balance sheets as well as the profit and loss accounts of 174 companies: 114 insurance companies, 53 financial holding companies and seven real estate companies.

The most significant change that occurred compared with 1999, was the inclusion in the consolidation area of the INA Group that contributed for a total amount of ITL 2,249.8 billion of premiums (life and non-life) and the disposal of some insurance companies. In particular, in Italy, Friuli-Venezia Giulia Assicurazioni "La Carnica" and Navale Assicurazioni were respectively sold in February and April. These companies were no longer considered as being strategic within the Group's Italian operations. On the other hand, the sale early in April of Aurora Assicurazioni was carried out to comply with the ruling issued by the Antitrust Commission regarding the INA operation. As of today, the sale of Federation Insurance Company of Canada has been completed.

Proceeds from these operations amounted to L585 billion.

The consolidated net profit of the Generali Group for the first quarter of 2000 was ITL 891,9 billion (as at 31 December 1999: ITL 1,584 billion).

Total investments of the Generali Group as at 31 March 2000 amounted to ITL 353,414 billion (as at 31 December 1999: ITL 299,927 billion), representing a 17.8% increase over the 1999 year end figure. Total investment income for the first quarter of 2000 amounted to ITL 7,109 billion (as at 31 December 1999: ITL 22,926 billion).

Net technical reserves of the Generali Group as at 31 March 2000 amounted to ITL 326,207 billion (as at 31 December 1999: ITL 283,840 billion), representing a 14.9% increase over the 1999 year end figure.

Financial Liabilities of the Generali Group as at 31 March 2000, equal to ITL 15,435 billion, reflect the increase partly due to the consolidation of the INA financial debt position (ITL 1,522 billion) and the short term loan borrowed by Assicurazioni Generali S.p.A. for the INA acquisition (ITL 5,212 billion).

The following table sets out certain selected consolidated financial information of the Generali Group for the first quarter 2000 and for the year ended 31 December 1999:

	<b>31 March 2000</b>	<b>31 December 1999</b>
	<b>(in ITL billion)</b>	
Gross premiums . . . . .	24,329	73,216
Acquisition costs and general expenses . . . . .	4,032	13,220
Investment . . . . .	353,414	299,927
Investment income. . . . .	7,109	22,926
Net technical provisions. . . . .	326,207	283,840
Net profit. . . . .	891.9	1,584

#### **Underwriting**

Out of an aggregate premium income of ITL 24,329.2 billion, ITL 23,647.8 billion came from business and ITL 681.4 billion from reinsurance.

In direct business, life premiums amounted to ITL 14,121.9 billion, while non-life premiums to ITL 9,525.8 billion.

Premium income in Italy reached ITL 7,140 billion, ITL 4,842.3 billion in the life branch (67.8% of total portfolio) and ITL 2,297.7 billion (32.2% of total portfolio) in the non-life. In the non-life business, a prudent underwriting policy was implemented in the motor TPL (third parties liability) sector in order to improve profitability as well as offset the negative impact of the government's decision to impose a price freeze.

In Germany, premium income was ITL 6,922.2 billion, up 10.2% over the corresponding period in 1999. In the life business — where since February 2000 Commerzbank outlets have also begun selling insurance policies — premiums amounted to ITL 3,413.6 billion. Non-life premium income, amounting to ITL 3,508.5

billion, improved following the rate increases which have been enforced to offset the worsening loss ratio recorded by the market as a whole.

In France, overall premium income increased by 19.6% to ITL 3,485.4 billion. Life premiums rose significantly to ITL 2,335.2 billion largely due to the good performance of investment fund insurance policies. Conversely, non-life premiums, amounting to ITL 1,150.2 billion, fell as a consequence of a prudent underwriting policy aimed at improving the sector's profitability which was unfavourable in 1999.

In Spain, premium income, amounting to ITL 2,082.6 billion, doubled with regard to the first quarter in 1999 due to the life business which was characterised by a good performance of both unit- and index-linked policies. In the non-life branch, a radical reform of the motor portfolio was carried out in order to improve loss ratio, which had significantly worsened in 1999.

In Austria, overall premium income, amounting to ITL 1,158.8 billion, recorded an increase of 3.9% due to the reduction in growth of the single premium business in the life sector. Annual premium business, on the other hand, continued to grow steadily. As to the non-life sector, premium income increased significantly despite the fall of motor premiums following portfolio restructuring.

In Switzerland, premium income decreased by 0.5% to ITL 963.6 billion due to a drop in single premium income in the life branch. This negative performance was affected by falling technical rates in individual policies. On the other hand, in the non-life business, growth was satisfactory.

In Israel, premium income, amounting to ITL 731.4 billion, grew by 16.7%. Life business recorded a significant increase in new business.

Elsewhere, there has been a favourable change deriving from the implementation of welfare reforms in many countries; in Latin America life business continued to grow at a significant pace. The good performance was also due to the successful outcome of business partnerships with local banking groups. Non-life operations, on the other hand, were affected by the difficulties faced by the economy as a whole. However, there are indications that the situation is rapidly improving.

#### **Life**

The following table sets out certain selected figures for the Generali Group's life operations for the first quarter 2000.

	<b>31 March 2000 (in ITL billion) (unaudited)</b>
Gross premiums written. . . . .	14,265
Premiums ceded . . . . .	(262)
Share of investments transferred to the non-technical account . . . . .	4,360
Investment income for the benefit of policyholders (Unit Linked and pension funds). . . . .	1,963
Paid insurance benefits. . . . .	(8,998)
Change in underwriting reserves. . . . .	(9,285)
Net expenses of acquisition and general administration . . . . .	(1,871)
Other technical income/charges. . . . .	(59)
Technical result. . . . .	113

#### **Non-Life**

The following table sets out certain selected figures for the Generali Group's non life operations for the first quarter 2000.

	<b>31 March 2000 (in ITL billion) (unaudited)</b>
Gross premiums written. . . . .	10,064
Premiums ceded . . . . .	(1,235)
Change in net premiums reserves . . . . .	(1,881)
Net losses. . . . .	(5,540)
Net expenses of acquisition and general administration . . . . .	(2,161)

Other technical income/charges. ....	(11)
Change in equalization reserves .....	29
Technical result. ....	(735)

**Reinsurance**

Of the total gross premiums for the Generali Group in the first quarter 2000, 2.8% was attributable to the reinsurance business line. This compares to 2.9% for the Generali Group in first quarter 1999.

Life reinsurance premiums totalled ITL 142.7 billion for the Generali Group in the first quarter 2000. This was an increase of 20.0% on the ITL 118.9 billion figure for the first quarter 1999.

Non-life reinsurance premium income for the Generali Group amounted to ITL 538.9 billion in the first quarter 2000. This was up by 8.7% from the corresponding figure of ITL 495.5 billion for the first quarter 1999.

**Financial Operations**

Investments as at 31 March 2000 had reached ITL 353,414 billion an increase of 17.8% on the 1999 year end figure of ITL 299,927 billion. Of the total of ITL 353,414 billion, debt securities accounted for 44.1% (1999: 46.5%), loans for 12.9% (1999: 15.1%), equities and units of mutual funds for 16.4% (1999: 16.7%), real estate for 5.9% (1999: 6.3%), investments related to life funds for 13.0% (1999: 7.9%), shares in subsidiaries and associated companies for 3.9% (1999: 4.3%) and other investments for 3.7% (1999: 3.2%).

Ordinary income from investment amounted to ITL 4,361 billion. The figure for 1999 was ITL 17,204 billion.

Unrealised capital gains on listed securities amounted to ITL 28,815 billion compared to a figure of ITL 21,642 billion for 1999. The figure of ITL 28,815 billion is split between ITL 5,184 billion for debt securities (1999: ITL 3,553 billion) and ITL 23,630 billion for equities (1999: ITL 18,090 billion).

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## Taxation

The statements herein regarding taxation are based on the laws in force 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.

### Italian Taxation

#### Tax Treatment of Notes

##### Interest

Legislative Decree No. 239 of 1 April 1996 (“Decree 239”) as amended in particular by Legislative Decree No. 461 of 21 November 1997 provides for an *ad hoc* regime applicable to interest, premiums and other income (including the difference between the redemption amount and the issue price) (“Interest”) paid with respect to notes issued, *inter alia*, by Italian companies whose shares are listed on an Italian registered market, such as the Issuer.

##### Italian Resident Noteholders

Where the Italian resident Noteholder is (i) an individual, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, (iv) a real estate investment fund, (v) a pension fund or (vi) an investor exempt from Italian corporate income taxation, interest payments relating to the Notes are subject to a tax which substitutes the ordinary withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5% (either when the interest is paid by the Issuer, or when payment therefore is obtained by the holder on a sale of the relevant Notes).

Pursuant to Legislative Decree No. 47 of 18 February 2000, from 1 January 2001 pension funds will no longer be subject to *imposta sostitutiva* on interest on the Notes. Where the Italian resident Noteholder is a corporation or a similar commercial entity and the Notes are deposited with an authorised intermediary, payment of principal and interest will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income declaration and is therefore subject to general Italian corporate taxation.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, Italian investment services firms (“SIMs”), fiduciary companies, stockbrokers and other entities resident in Italy or by permanent establishments in Italy of banks or SIMs resident outside Italy or organisations or companies not resident in Italy acting through a system of centralised administration of securities, having appointed as their agent in Italy, for the purposes of Decree 239, a bank or SIM resident in Italy, each of which is directly connected with the Italian Ministry of Finance (each an “Intermediary”).

An Intermediary applies the *imposta sostitutiva* when it intervenes in the payment of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

##### Non-Italian Resident Noteholders

Where a Noteholder is a non-resident in Italy, an exemption regime has been introduced with respect to any beneficial owner of an Interest payment relating to the Notes who is resident, for fiscal purposes, in a Treaty country which recognises the Italian fiscal authorities’ right to an exchange of information in order to assess whether the investor is entitled to the exemption.

For the purpose of the application of the exemption, such countries are listed in the Decree of the Ministry of Finance of 4 September 1996 as amended by the Decree of the Ministry of Finance of 20 December 1999, and include *inter alios*, all members of the European Union, Australia, Norway, Brazil, Canada, Japan and the United States, but exclude *inter alios*, Switzerland and Cyprus.



The 12.5% *imposta sostitutiva* will be applicable to Interest payments received by Noteholders resident, for fiscal purposes, in (i) non-Treaty countries, (ii) Treaty countries which do not recognise the Italian fiscal authorities' right to an exchange of information in order to assess the status of the investor and (iii) countries which, according to Italian tax law, benefit from a privileged fiscal regime ("tax havens").

The 12.5% *imposta sostitutiva* may be reduced pursuant to more favourable applicable Treaties.

The exemption procedure for Noteholders who are non-resident in Italy and are resident in Treaty countries contemplates two categories of intermediaries:

- (i) an Italian or non Italian resident bank or financial institution (there is no requirement for the bank to be resident in the European Union) (the "First Level Bank"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below).
- (ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian Financial Administration (the "Second Level Bank"). Organisations and companies non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Revenue Department of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in the Republic of Italy of a non-resident bank or SIM).

In the event that the non-Italian resident Noteholders deposit the Notes directly with the Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption of non-resident Noteholders from the *imposta sostitutiva* is conditional upon:

- (i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (ii) the submission to the Italian tax authorities, prior to the delivery of the Notes and on or before 31 March of each year thereafter, of Form 116-IMP.

Once Form 116-IMP has been properly completed and timely delivered, the First Level Bank is obliged to send it to the Second Level Bank within 15 days from receipt, together with all affidavits necessary in the event there are other intermediaries in addition to the First Level Bank.

Second Level Banks file the data relating to the non-resident Noteholder together with data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian fiscal authorities within the first transmission period after receipt of such data. Transmission periods are two week periods per month during which Second Level Banks transmit to the Italian fiscal authorities data relating to bond transactions carried out during the preceding month. The Italian fiscal authorities monitor and control such data and any discrepancies.

Failure to comply with the exemption procedure described above will result in the application of *imposta sostitutiva* on proceeds payable to non-resident Noteholders (increased by 1.5% for each month or fraction of a month of delay after the month in which payment should have been made) pursuant to the ordinary rules.

For Noteholders non-resident in Italy, the Second Level Bank acts as the Intermediary responsible for assessing the applicability of *imposta sostitutiva* and, consequently, for levying and paying it to the Italian fiscal authorities in accordance with the procedure described above.

### Early Redemption

If the Notes are subject to an early redemption by the Issuer within eighteen months from the date of issue, they are subject to an additional tax due by the Issuer at the rate of 20% in respect of interest and premium (if any), pursuant to Article 26, 1st paragraph, of Presidential Decree No. 600 of 29 September 1973 as amended ("Decree 600").

**Capital Gains****Italian Corporate Investors (including banks and insurance companies)**

Italian resident corporate investors are subject to two different tax regimes on the capital gains arising from the disposal of the Notes.

If the Notes are accounted for as a fixed asset in the balance sheet of the investors the gains will form part of the aggregate income subject to the corporation tax at the rate applicable at that time. The gains are calculated as the difference between the acquisition cost and the sale price. The gains may be taxed in equal instalments over five fiscal years if the Notes are accounted for as a fixed asset in the three balance sheets preceding the tax year during which the disposal is effected.

If the Notes are accounted for as stock-in-trade, the investors will be subject to *IRPEG* and no deferral will be available.

**Pension Funds**

Capital gains realised by pension funds on the disposal of the Notes are not subject to tax in Italy. However, as of 1 January 2001, capital gains realised by pension funds must be included in the annual income of the pension fund.

**Real Estate Funds**

Real estate funds are subject to a substitute tax at the rate of 25% levied on a taxable base calculated in accordance with the rules provided for corporate entities (Law of 25 January, 1994 No. 86, Article 15). As a consequence, the capital gains will form part of the aggregate income of the fund subject to the above-mentioned substitutive tax. The tax will be paid by the company managing the fund (*Società di gestione del risparmio*).

**Other resident Investors**

Pursuant to Legislative Decree No. 461 of 21 November 1997, as amended, a 12.5% capital gains tax is applicable to capital gains realised on any sale of the Notes.

In the event that the period between the purchase of the Notes and their subsequent sale exceeds twelve months, the amount on which the capital gains tax charged will be determined by multiplying the capital gains realised by an adjustment factor (referred to as *equalizzatore*) set annually by the Ministry of Finance. Therefore, the capital gain amount which is subject to capital gains tax will vary according to the duration of the possession of the Notes.

The capital gains tax will be levied, on a cumulative basis, on all capital gains realised by Noteholders pursuant to all investment transactions carried out during any given fiscal year. All capital gains must be reported in the annual tax return to be filed with Italian tax authorities. Where losses exceed gains, such losses can be carried forward for up to four fiscal years.

Alternatively, Noteholders may elect to pay the capital gains tax separately on capital gains realised on each sale or transfer of the Notes (the “*Risparmio Amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other intermediaries to be determined by means of ministerial decrees and (ii) an express election of separate taxation being made in writing by the relevant Noteholder simultaneously with the granting of the mandate in favour of the intermediary with whom the Notes are deposited. The separate taxation election lasts for the entire fiscal year and unless revoked prior to the end of such year will also be deemed valid for the subsequent fiscal year. The intermediary is responsible for accounting for the capital gains tax in respect of capital gains realised on each sale or transfer of the Notes, as well as in respect of capital gains, realised as at revocation of its mandate, and is required to pay the relevant amount to the Italian fiscal authorities by the fifteenth day of the following month, deducting a corresponding amount from proceeds to be credited to the Noteholder. The Noteholder is not required to report the gains in its annual tax declaration. Where, a particular sale or transfer of the Notes results in a net loss, the Intermediary is entitled to deduct such loss from gains subsequently realised on the sale of assets held by the same Intermediary.

Special rules apply if the Notes are part of a portfolio managed by an Italian asset management company (*Risparmio Gestito*) or of an Italian investment fund (*Fondo Comune d'Investimento*, or *SICAV*) (a “Fund”). In the case of a *Risparmio Gestito*, capital gains will not be subject to the withholding tax or the substitute tax of 12.5%, but will contribute to determine the net profit of the portfolio. Under the *Risparmio*

*Gestito* regime any depreciation of the investment portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Under the *Risparmio Gestito* regime the Noteholders remain anonymous. The accrued net profit of the portfolio is subject to a 12.5% final tax required to be applied by the portfolio. In the case of a Fund, capital gains contribute to determine the net profit of the Fund that is subject to the 12.5% substitutive tax.

**Non-Resident Investors**

The capital gains tax is payable on capital gains realised by all non-resident individuals and corporations without a permanent establishment in Italy (as well as by resident individuals, non-commercial entities, associations and partnerships). There is, however, an exemption for gains on disposal realised by non-Italian residents who are resident, for fiscal purposes, in Treaty countries (excluding “tax haven” countries with a privileged fiscal regime as described in Article 76, paragraph 7 bis, of Presidential Decree No. 917 of 22 December 1986) which recognise the Italian fiscal authorities’ right to obtain information in order to assess whether the investor is entitled to the exemption. A further exemption applies to capital gains realised by international entities and organisations incorporated pursuant to international agreements enforceable in Italy.

In addition, the capital gains realised by all non-resident individuals and corporates without a permanent establishment in Italy are not subject to tax according to Article 20, comma 1, f), 2) of Presidential Decree No. 917 of 22 December 1986 since the Notes will be negotiated in a regulated market.

**Transfer Taxes**

Pursuant to legislative decree 21 November 1997, no. 435, in general, no Italian transfer tax (*tassa sui contratti di borsa*) is payable, *inter alia*, on:

- (a) Transfer of securities entered into on a regulated market such as the Luxembourg stock exchange;
- (b) Transfers of listed securities entered into outside regulated markets provided that they are entered into between:
  - (i) Banks or SIMs or other professional intermediaries or stockbrokers among themselves;
  - (ii) The intermediaries of paragraph (i) above, on the one hand, and non-Italian residents, on the other hand;
  - (iii) The intermediaries of paragraph (i) above, even if not resident in Italy, on the one hand and *Organismi di Investimento Collettivo del Risparmio*, on the other hand.

If applicable, transfer tax is payable as follows:

- (i) Lit. 9 per Lit. 100.000 or fraction thereof of the price at which the Notes are transferred if the transaction is entered into (i) between private parties and banks, SIMs or other professional intermediaries or stockbrokers or (ii) between private parties amongst themselves, through banks, SIMs or other professional intermediaries or stockbrokers. In these cases, however, the amount of the transfer tax cannot exceed Lit. 1,800,000 for each transaction.
- (ii) Lit. 16 per Lit. 100,000, or fraction thereof, of the price at which the Notes are transferred if the transaction is entered into (i) between private parties directly or (ii) between private parties through intermediaries not falling within paragraph (a) above.

**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.

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## Subscription and Sale

UBS AG, acting through its financial services group UBS Warburg, MEDIOBANCA Banca di Credito Finanziario S.p.A., ABN AMRO Bank N.V. and J.P. Morgan Securities Ltd. (the “Managers”) have, in a subscription agreement dated 19 July 2000 (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 100% of their principal amount plus any accrued interest in respect thereof and less a combined management and underwriting commission and a selling concession of 0.55% 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 of the Managers 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, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

Each of the Managers has represented that it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy except:

- (1) to “Professional investors”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 (“Regulation No. 11522”), as recently amended, pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 (“Decree No. 58”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999 applies, provided however, that any such offer, sale or delivery of Notes or distribution copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:
  - (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (“Decree No. 385”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
  - (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and
  - (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or
- (2) to Italian residents who submit unsolicited offers to any of the Managers to purchase the Notes.

**General**

No action has been or will be taken in any jurisdiction by the Issuer 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 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.

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## General Information

1. The creation and issue of the Notes has been authorised by a resolution of Board of Directors of the Issuer dated 15 May 2000.
2. There are no litigation or arbitration proceedings against or affecting the Issuer or any of its subsidiaries or any of its assets, nor is the Issuer 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 since 31 December 1999 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; and
  - (b) the Deed of Covenant.
5. For so long as any of the Notes are outstanding, copies of the latest audited consolidated and non-consolidated financial statements of the Issuer and audited half-yearly consolidated and non-consolidated interim financial statements of the Issuer (together with English translations thereof) may be obtained during normal business hours at the Specified Office of each Paying Agent.
6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the By Laws (*Statuto*) of the Issuer (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.

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0114165276 and the common code is 11416527.

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#### **THE ISSUER**

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#### **FISCAL AGENT**

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#### **PAYING AGENTS**

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